

FOUNDATION NEWS QUARTERLY

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❧ FOUNDATION NEWS ❧

Economic Recession's Impact on Foundations

Despite significant drops to their endowments, many foundations have addressed the economic downturn by making grants to those most affected by the current economy. Almost 50 grant makers have pledged more than \$100 million in new or revised efforts to help the poor during the economic recession or to study the financial issues that led to the market's current problems. Several foundations, including the John D. and Catherine T. MacArthur Foundation, have made new commitments to assist impoverished families. Few foundations are making major changes to their investment strategies, but many are reducing grant-making budgets and administrative costs. Several foundations also indicated they are cutting back on support for construction projects and large, multi-year commitments. For more information on the impact of the economy on foundation assets, see the featured article at the end of this newsletter.

Gates Foundation Adds New Focus on College Completion

The Bill & Melinda Gates announced a new area in their U.S. grantmaking, to support low-income young people to complete a college degree or certificate program by age 26. The foundation plans to invest \$500 million over the next five years in this effort to help an additional 250,000 young people per year earn some type of higher education credential. Previously the Gates education funding had focused on secondary schools and college scholarships. This new area will initially will focus on community colleges and be led by Hilary Pennington, director of special initiatives in the U.S. program.

❧ AT STANFORD ❧

Ellison Medical Foundation Senior Scholar in Aging Awards

Two Stanford faculty received Senior Scholar in Aging Awards from the Ellison Medical Foundation. Dr. Samuel Schneider, professor of microbiology and immunology, received \$948,001 for research on the “Use of a *Drosophila* Model to Dissect a Regulatory Loop Linking Dietary Restriction, the Immune Response and the Nervous System.” Dr. Irving Weissman, director of the Institute for Stem Cell Biology and Regenerative Medicine, received \$879,048 for research on “Blood Forming Stem Cell Intrinsic Alterations with Aging that Lead to Leukemia.”

Packard Foundation Awards Fellowship and Grants to Hopkins Marine Station and the Woods Institute for the Environment

Professor Gill Bejerano, developmental biology and computer science, received an \$875,000 Packard Fellowship in Science & Engineering. The Packard Foundation awarded \$123,625 to the Hopkins Marine Station for “Multi-species Small-scale Fisheries Certification,” under the direction of Fiorenza Micheli. The Woods Institute for the Environment received a \$45,000 grant from Packard for “Aquaculture Feeds and Forage Fisheries: Bridging Supply and Demand Using Science-Based Policy.”

Hewlett Foundation Support to Work at GSB, FSI and SIEPR

The Hewlett Foundation awarded \$600,000 to the Freeman Spogli Institute for International Studies for the “Stanford U.S. China Project on Nuclear Policies and Regional Security,” under the direction of John Lewis and David Holloway. FSI also received \$183,600 from Hewlett for “Experiments on Governance and Politics,” by Professor Jeremy Weinstein. The Graduate School of Business received \$312,000 from Hewlett for the “Hewlett Visiting Fellows Program,” under the direction of Professor Dale Miller. The Stanford Institute for Economic Policy Research received \$120,000 from Hewlett for “Evaluation of Resource Costs in Imperfect Economies,” by Professor Kenneth Arrow.

Smith Richardson Grant to Hoover Institution

The Smith Richardson Foundation awarded \$330,683 to the Hoover Institution for work on “China Leadership Monitor,” under the direction of John Raisian.

MacArthur Support to Freeman Spogli Institute for International Studies

The MacArthur Foundation awarded two grants for work at FSI. The Center for International Security and Cooperation received \$300,000 for “Road to Disarmament: Rethinking the Roles of Deterrence, Enforcement, and Defense,” under the direction of Scott Sagan. Professor John Lewis received \$125,000 to “Develop a TB Health Policy Project with the Democratic People’s Republic of Korea.”

Moore Foundation Grant to Primary Care Research

The Gordon and Betty Moore Foundation awarded \$325,000 to Professors Laurence Baker and Kathryn McDonald in primary care outcomes research for “Characterization of Readmissions in California and an Estimation of the Impact of Post-discharge Complications on the Sensitivity of the AHRQ QIs.”

Rita Allen Foundation Support to Pediatrics

Professor Alejandro Sweet-Cordero in pediatrics received \$300,000 from the Rita Allen Foundation for research on “Identification of Synthetic Lethal Interactions in Oncogenic Kras Signaling.”

McCormick Foundation Support to Psychiatry

The McCormick Foundation awarded \$250,000 to Dr. Steven Lindley and Dr. Bruce Arrow, psychiatry, for a “Welcome Back Veteran’s Connect Center.”

Irvine Foundation Grant to Education

The James Irvine Foundation awarded \$200,000 to Professor Linda Darling-Hammond in education for the project “Multiple Partners, Multiple Pathways: Networking Demonstration Districts to Prepare Students for College and Career.”

Stuart Foundation Support to Education Projects

The Stuart Foundation granted Professor Linda Darling-Hammond in education \$250,000 in continued support of the “National Board Resource Center” project, and a \$35,000 planning grant to Professor Milbrey McLaughlin for a “Study of Alternative Education in California.”

Health Trust Support to Stanford Prevention Research Center

The Health Trust awarded \$150,000 to Dr. Marilyn Winkleby at the Stanford Center for Research in Disease Prevention for the project “Exciting Low Income Students about Science: A New Health Disparities Curriculum.”

Emerald Foundation Grant to Dermatology

The Emerald Foundation awarded \$150,000 to Dr. Howard Chang, dermatology, for the project “Non-coding RNAs in Transcriptional Memory and Cancer Progression.”

Rose Foundation Award to Law

Professor Lawrence Lessig at the Stanford Law School received \$143,200 from the Rose Foundation for the Center for Internet & Society’s project “Crowd9.”

Jewish Community Foundation Continues Support of Jewish Studies

The Jewish Community Foundation awarded \$135,000 for continued support of the Taube Center for Jewish Studies in the School of Humanities and Sciences.

V Foundation Support to Bioengineering

Professor Jennifer Cochran, bioengineering, received \$100,000 from the V Foundation for the project “Engineering a New Class of Tumor-Targeting Peptides for Cancer Biology, Imaging, and Therapy.”

California Healthcare Foundation Support to Business School

Professor Stefanos Zenios at the Graduate School of Business received \$61,225 from California Healthcare for the planning phase of “Biodesign Innovation for the Underserved.”

Sloan Grant for Bioengineering

The Alfred P. Sloan Foundation awarded Professor Christina Smolke, bioengineering, \$50,000 for “Frameworks for Programming RNA-Based Information Processing Devices.”

Spencer Foundation Support to CASBS and Linguistics

The Spencer Foundation granted \$49,950 to the Center for the Advancement of the Study of Behavioral Sciences for “How Race and Culture Shape Psychological Experience,” by Professors Claude Steele and Hazel Markus. Professor Eve Clark, linguistics, received \$39,925 from Spencer for “Acquisition of Approximate Adverbs.”

Other Funding Opportunities

Several current funding opportunities are featured on the Foundation Relations' website, in the Request for Proposals section. You can review these funding opportunities at:

www.stanford.edu/dept/foundationrelations/requests.

The Medical School's Research Management Group's website also lists upcoming funding opportunities. You can review these at:

<http://med.stanford.edu/rmg/funding/>

Contact University Foundation Relations

If you would like to speak directly with staff in University Foundation Relations, please contact:

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FOUNDATION STAFF ON THE MOVE

Doris Duke Charitable Foundation Announces New President

The Doris Duke Charitable Foundation (DDCF) named Edward Henry as president and chief executive officer, effective January 1, 2009. Henry formerly served the foundation as chief operating officer. He succeeds Joan Spero, who was the foundation's first president. Prior to joining DDCF, Henry was associate dean of the Columbia Business School, where he continues as adjunct faculty teaching nonprofit leadership.

Moore Foundation Appoints New Chief Program Officer for Science

The Gordon and Betty Moore Foundation announced Dr. Vicki Chandler as chief program officer for science, beginning February 17, 2009. Dr. Chandler comes to the foundation from the University of Arizona, where she is director of the BI05 Institute, an interdisciplinary research center addressing biotech industry problems, and a professor of plant sciences and molecular and cellular biology.

Atlantic Philanthropies Names Director

Donna Lawrence was appointed by the Atlantic Philanthropies as director of its disadvantaged children and youth program. Ms. Lawrence previously served as executive director of the Riggio Foundation, where she worked on a strategic social justice agenda, and worked at the Children's Defense Fund and the New York office of the Susan Komen Breast Cancer Foundation as its executive director.

Hewlett Foundation Announces Program Officer for the Environment

Michael Scott has joined the Hewlett Foundation as a program officer for the environment. Scott comes to the foundation from the Greater Yellowstone Coalition, where he most recently served as its executive director, and previously worked at the Wilderness Society. He holds a master's degree in public policy from the Claremont Colleges Graduate Schools.

Rockefeller Foundation Appoints Director for sub-Saharan Africa

The Rockefeller Foundation named James Nyoro as managing director for the sub-Saharan Africa program, which includes the foundation's partnership with the Alliance for a Green Revolution in Africa. Nyoro formerly was associated with Tegemeo Institute, a policy research organization at Egerton University in Kenya, where he was in charge of policy research and advocacy in agriculture and rural development.

Kellogg Foundation Names New Program Directors

The W. K. Kellogg Foundation announced two new program directors for the Civic and Philanthropic Engagement program, Kara Carlisle and Lisa Wilson. Ms. Carlisle comes to the foundation after a career as a development consultant in Southern California, where she also served as president of the City of Los Angeles' Human Relations Commission. Ms. Wilson was a vice president at Points of Light Institute & HandsOn Network, serving in a variety of program direction roles. The foundation also named Marjorie Sims as program director for the Family Income and Assets program. Ms. Sims previously was at the Washington area Women's Foundation, where she served as interim president and as chief operating officer.

MacArthur Foundation Announces New Staff

The MacArthur Foundation announced Cathryn Crawford and Candice Jones as program officers in the juvenile justice program and Mijo Vodopic as program officer for housing. Ms. Crawford previously was an associate clinical professor and staff attorney at Northwestern University, where she received her JD degree. Ms. Jones was a litigator at the law firm Barack Ferrazzano Kirschbaum and previously did work for the Legal Aid Society's Juvenile Rights Division. Vodopic was a senior analyst at the Government Accountability Office in Chicago and previously was at Heartland Housing Incorporated, where he managed a portfolio of eight affordable rental properties.

Hartford Foundation Appoints Senior Program Officer

The John A. Hartford Foundation announced Nora O'Brien as senior program officer. Ms. O'Brien previously was a program officer at the Brookdale Foundation where she was director of aging programs and new initiatives.

❧ FEATURED ARTICLE ❧

This month we are featuring an excerpt from a recent article that appeared in the *Chronicle of Philanthropy* indicating foundation assets have dropped by 28% since the beginning of the economic downturn last year.

Taking a Big Hit

The Chronicle of Philanthropy,

February 9, 2009

By Noelle Barton and Ian Wilhelm|

The steep decline in the stock market last year triggered an erosion of foundation wealth, with many grant makers losing nearly one-third of their assets, according to a new *Chronicle* survey of many of the nation's largest philanthropies.

At the 60 grant makers that provided financial data for 2007 and 2008, assets declined a median of 28 percent.

Foundations with investments in bankrupt or hard-hit companies fared much worse. For example, the Starr Foundation, in New York, which held a significant portion of its portfolio in American International Group stock, lost \$1.7-billion –almost 57 percent of its assets.

Biggest Loss in Years

Last year's losses were greater than during other periods of recent economic turmoil, like the stock-market volatility following the September 11, 2001, terrorist attacks, which triggered a median 10-percent

decline in endowments at many large foundations.

In all, while foundations lost significant wealth last year, most outperformed the Standard & Poor's 500, a leading market indicator, which declined 38.5 percent.

And, of course, investment losses are not the only reason foundation assets declined. Grant makers are required to award 5 percent of their wealth each year to charities and philanthropic projects, regardless of the condition of the economy.

Because foundations fared better than other investors, few of them report that they are making major changes to their investment approaches.

But many grant makers are changing what types of programs they finance and how much they give. Most big foundations are reducing grant-making budgets and administrative costs. Several foundations are laying off employees.

In particular, foundations are reluctant to support construction projects or make large philanthropic commitments that would take several years to fulfill.

Of the 73 foundations that provided data about their 2009 grant making, most of them – 39 – expect to decrease how much they contribute to charities this year. . . .

To be sure, not all foundations are reducing their grants. Of the 73 foundations that reported 2009 giving data, 22 said their grant making would stay roughly at the same dollar amount, and 12 plan to increase it.

Meanwhile, many foundations are changing how they give in response to economic problems.

The Robert Wood Johnson Foundation, in Princeton, N.J., for example, has created a \$10-million emergency fund to support health services that assist the elderly and other vulnerable people in its hometown and elsewhere.

In all, almost 50 grant makers, including community foundations and corporate donors, have pledged more than \$100-million in new or revised efforts to help the poor during the recession or study the policies and financial deals that led to the market's current problems, according the Foundation Center, a nonprofit research group in New York.

Other foundations have changed the type of grants they award in light of the economy.

The Weingart Foundation, in Los Angeles, has suspended its grant making to specific charitable programs, and will instead primarily provide operating support to homeless shelters, food pantries, and other social services.

"You can imagine in this sort of economic downturn the greatest need on the part of the nonprofits that we work with is unrestricted funding to support continued operations," said Fred J. Ali, president of Weingart, which supports charities in Southern California. "This is not a climate that nonprofits will be expanding existing programs as a general rule."

The fund is also allowing some grant recipients that had already received contributions for programs to use the money to pay the rent, electric bills, or other day-to-day expenses.

Weingart will award the same amount in grants as in 2008, about \$40-million.

Other foundations that are keeping their grant-making budgets level or even increasing their giving include the James Irvine Foundation, the John D. and Catherine T. MacArthur Foundation, the Bill & Melinda Gates Foundation, and the California Endowment.

"There'll be a split," predicts Harvey P. Dale, a professor of philanthropy and the law at New York University. "Some of the foundations, probably the smaller ones where they don't have any full-time staff, are going to be much more cautious. But a very significant portion of the larger foundations will understand why it's important to be countercyclical," meaning they will not cut giving during a recession.

Worrying About the Future

Many grant makers argue that the economic environment makes it too difficult to keep giving at a steady pace.

Most philanthropies formulate their grant-making budgets based on a percentage of the average of their assets over five years. This calculation usually prevents steep declines in giving during sour economic times, but not this year, said Wendy Garen, chief executive of the Ralph M. Parsons Foundation, in Los Angeles.

"We do a five-year average, which is supposed to smooth [grant making]. Well, nothing can smooth what happened," she said.

Parsons's assets declined an estimated 37 percent last year, in part because the foundation owned a \$1.5-million bond in an Icelandic bank when that country's financial industry collapsed. The charitable fund awarded \$19.1-million in 2008

to charities in Southern California. This year, it will contribute about \$14-million. . . .

Ms. Garen said that Parsons is not changing what type of organizations it supports, but it is focusing on helping those that are well managed.

"Our focus will be on sustaining excellent organizations and helping them weather this crisis," said Ms. Garen. "It's going to be harder to start new efforts or new nonprofits. They will face more headwinds."

In some cases, programs that have long enjoyed foundation support are in jeopardy.

Due to stock-market losses, the Geraldine R. Dodge Foundation canceled its 2010 poetry festival, a nationally recognized event that attracted 19,000 poetry fans last year.

David Grant, the foundation's chief executive, said Dodge will continue to support efforts to promote poetry, but the loss of 32 percent of its assets required the foundation to take tough steps. . . .

"We know that both 2009 and 2010 are going to be lean years," he said.

To save money, many foundations report that they are cutting administrative costs, like travel expenses and fees for conferences. Others have imposed hiring freezes or laid off staff members.

The Parsons foundation eliminated one program-officer position, and the California Endowment, in Los Angeles, is reducing its staff by as many as two dozen employees, although the administrative changes at the endowment are not solely due to the economy. The foundation, which focuses on improving the health of impoverished Californians, is making a long-planned shift in its giving, which requires changes in its personnel, said the foundation's spokesman, Jeff Okey. . . .

Federal Taxes

Another concern for foundation leaders is the possibility that they would have to pay an increased federal tax, known as the excise tax, which is either 1 percent or 2 percent of their net investment income.

Foundations can qualify for the lower rate if the percentage of their assets directed toward charitable distributions is larger than the average percentage of their distributions during the previous five years.

The Council on Foundations, a Washington association that represents about 2,000 grant makers, argues that the current tax system dissuades grant makers from giving a larger portion of their endowments to charity this year. It says that when they give a lower percentage in the future as the economy recovers, they will not meet the 1-percent standard

and will be taxed for stepping up their giving during a time of need.

The association is asking members of Congress to "flatten" the tax to 1.32 percent. . . .

Charity leaders, of course, would also like foundations to increase giving. Many of them describe the current fund-raising environment as a feeding frenzy, with an increasing number of groups seeking money from the wealthy foundations that are not trimming their giving.

"Because many smaller donors are delaying or shrinking their giving, the larger donors are receiving new pitches, increasing the competition for the money that remains," said Ivan Sigal, executive director of Global Voices, a nonprofit group in Washington that operates a Web site for blog writers from developing countries.

Indeed, of 42 philanthropies that reported information about grant requests to *The Chronicle*, many of them—20—said they expected such requests to increase in 2009.

One of Global Voices' supporters is the MacArthur foundation, which, despite a decline in assets, plans to maintain its giving at \$260-million, the same as in 2008.

"Consistency and steadiness is what really matters to our grantees. They can trust us, they can count on us," said Jonathan Fanton, president of

the Chicago organization. (To read more about what Mr. Fanton says foundations should do, see his [opinion article](#).)

Like the assets of many other philanthropies, MacArthur's have grown quickly during the last few years, even in today's down market. In 2002, the foundation said it had \$3.8-billion, which grew to \$6.8-billion two years ago, and today it has \$5.2-billion. Adjusting for inflation, the foundation's assets have grown \$700-million.

While foundations felt pressure from some charity leaders to give more during the boom years, Mr. Fanton said MacArthur's decision to build a

reserve is now justified given the current constraints on giving.

Said Mr. Fanton: "If you asked grantees, 'Would you prefer MacArthur to have pushed money at you like everybody else when the times where good or would you prefer MacArthur to have held some powder dry for when the going gets tough?,' they would say it's better to give the foundation the flexibility to do what it's doing."

Candie Jones contributed to this article.

Other recent articles that may be of interest are available at the following links:

"Deep Cuts in Desperate Times"

<http://philanthropy.com/premium/articles/v21/i08/08000701.htm>

"Some Foundations Making Changes in Investment Strategies"

<http://foundationcenter.org/pnd/news/story.jhtml?id=243000002>

"Foundation Funding Grew for Most Major Fields in 2007"

<http://foundationcenter.org/pnd/news/story.jhtml?id=243100047>