



# ***TURNING CRISIS INTO OPPORTUNITY***

How the California Community Foundation is helping  
its grantees and other nonprofits prepare for uncertain  
economic times

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## Summary

The nation's worst economic crisis in nearly seven decades has forced foundations and nonprofits to adapt to a new reality and change the way they operate.

Most foundations have seen a 30 to 45 percent loss in value — or an estimated \$280 billion over the past year, according to the Council on Foundations. Many are re-tooling or scaling back their grantmaking plans, and consequently, nonprofits have been hit hard as foundation and government support shrinks. Nonprofit organizations, which provide vital social services to our communities, are seeing a rise in demand for their services as donations dwindle.

The California Community Foundation, which has lost about \$235 million in investment assets as of Dec. 31, 2008 because of the economic downturn, views the crisis as an opportunity to evolve in its mission to strengthen Los Angeles communities and continue to serve its donors and grantees.

Led by President and CEO Antonia Hernández and its board of directors, the foundation embarked on a swift process of discovery that evolved into new and creative ways of helping our grantees preserve and sustain their operations. CCF surveyed its 112 grantees about their needs and challenges and hosted five workshops in December 2008 to offer resources to help them manage in uncertain times.

The key observation that emerged from the workshops: nonprofits' board and leadership have to step up now to help nonprofits weather this storm that will have lasting effects. They have to work closely with their CEOs to focus on the mission of the organization, donate themselves and help fundraise, increase communication and outreach to donors and explore partnerships and collaboration to increase efficiency.

During this process, CCF itself underwent a striking change as an organization. It learned to:

- Respond quickly and relevantly in times of crisis
- Proactively change the way it does business to address the needs and challenges of its grantees
- Provide new services that go beyond the grant, like planned giving, online assistance and access to low and no-cost consultation and training in strategic planning, board development and fundraising

What can donors and grantees do to weather this crisis? Donors who are on nonprofit boards can exert leadership and fully commit to helping their organizations survive, adapt and thrive. Donors who are not board members can become more involved with the nonprofits they support and ask how the

organizations are refocusing their efforts to serve the community. Grantees can take advantage of CCF's new services and push their boards to be more committed and involved.

Only by adapting and evolving in the face of today's challenges can both the California Community Foundation and its grantees work together more effectively and creatively to make L.A. a better place to live for all.

## Background

CCF's current grantees are part of the foundation's nearly \$20 million in competitive grant investments from July 1, 2005 to date. They have multiyear grants and their work represents CCF's five priority focus areas: arts, education, health care, human development and neighborhood revitalization. They range in size, scope and experience – from big, sophisticated groups to small grassroots operations.

Their work is vital to the neediest people in Los Angeles County. What could we do to help them survive this crisis?

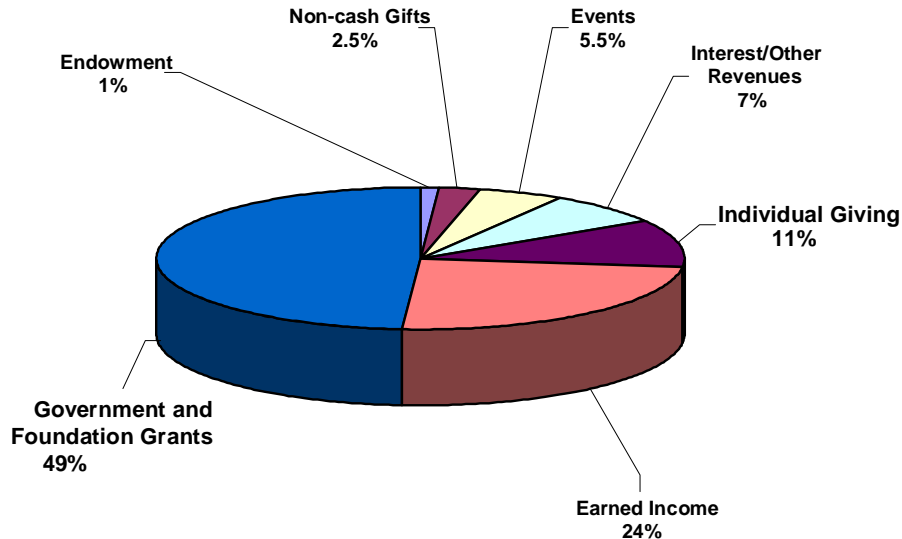
An internal task force of staff from the Programs and External and Donor Relations departments surveyed 112 grantees to assess the impact of the economic downturn, then followed up with five workshops on Dec. 8-12, 2008 to help them manage through this financial uncertainty.

The survey found the following about CCF's grantees:

- Foundation grants and government funding make up 49 percent of their funding; individual giving comprises 11 percent.
- 90 percent say raising money from individuals is their most critical fundraising need, followed by board development (49.2 percent), endowment building (29.5 percent) and messaging (24.6 percent).
- In the next six months, 74 percent expect a decline in corporate grant funding; 72.4 percent expect a decline in individual donations; 67.2 percent expect a decline in private foundation funding; and 66.1 percent expect an increase in demand for services.
- 89 percent have made serious reductions in their operations, including hiring freezes, staff layoffs and canceling major fundraising events or activities.

## CCF GRANTEES' FUNDING SOURCES

Grants make up nearly half of CCF grantees' funding, while individual giving is low.



Beyond funding, CCF's grantees said the areas that they need the most help in are strategic planning, board development, communications/messaging and financial planning/accounting.

The 112 executive directors and development staff who attended the workshops were fully engaged. Discussions included how to mobilize board members, new models of partnering and mergers, ways to expand services while cutting operations costs, communications about budget cuts and layoffs, how to keep morale high, how to balance short-term and long-term sustainability and ways to cultivate donors through the Web and other means without expending too many resources.

To address their needs, CCF offered new services to its grantees, including technical assistance, fund development, planned giving and help with online donations. The foundation also expedited grant renewals for top-performing grantees and gave no-cost extensions to others so they have more time to meet their grant objectives.

Many grantees appreciated the "beyond the grant" support that CCF provided. Said Laurie Miller, manager of grants for The Alliance for Children's Rights:

*“Despite this perfect storm, this is also a perfect opportunity to seize the moment, get creative and choose to view this ‘crisis’ as a challenge – a positive challenge. I’m looking forward to grasping this opportunity to make a difference...”*

## Prevailing Observations

The following observations emerged from the workshops to address the grantees’ biggest needs. The grantees overwhelmingly agreed that the role of board members is critical to making these a reality. CCF has also provided funding to several consulting groups, like the Center for Nonprofit Management, to help grantees and other nonprofits strengthen their capacity and effectiveness in these areas through free or low-cost services.

1. **Strategic planning.** Return to the mission of the organization, to the reason the nonprofit was founded and exists. Consider paring back or removing efforts that have resulted from mission drift.
2. **Board development.** The board and leadership of nonprofits must exercise leadership by helping their organizations weather the economic crisis. They must work closely with their CEOs and fully commit to preserving and sustaining the nonprofit. Board members must be aligned with the organization’s need *and* financially support the nonprofit. Develop and enforce minimum requirements for board members. Consider recruiting board members with a focus on people who can afford to contribute financially and can help with fundraising. Seek in-kind contributions from those who cannot afford to give money.
3. **Communications and messaging.** Develop an investment/investor approach to current and new donors. Donors increasingly want to know that their gifts have a social return on investment (SROI). Identify the organization’s measurable benefit to society by asking how has the gift helped the charity’s client or a community as a whole? Emphasize opportunity rather than need. Focus on the needs of the community rather than that of your organization.

Immediately increase communication and outreach to the organization’s board and donors. Be as forthright as possible and enlist their help in concrete ways to preserve what is important.

Develop a new elevator pitch that reflects the new reality. Describe what the nonprofit is doing to refocus and respond to the increasing needs of the community during tough economic times.

4. **Financial planning and accounting.** To better understand the organization's essential costs, create budget scenarios with a 10 to 25 percent cut as the starting point. Examine the sources of income. What are the risks and opportunities? Reconsider major events due to the risk of sponsorship and the social return on investment. Renegotiate everything, including rent, vendor contracts, etc. Explore partnerships and collaboration to increase efficiency and services and keep costs down.

## CCF Services

CCF's effort to address nonprofits' dual challenges of fewer resources and greater need for their services, resulted in the foundation's most substantive service to its grantees. CCF is helping to preserve and sustain grantees by:

- Expediting grant renewals for top-performing grantees and giving a three-month, no-cost extension to others so they have more time to meet their grant objectives.
- Serving as a no-cost back office for planned giving, enabling donors to support an organization by using assets besides cash such as real estate or stock.
- Providing access to eight local nonprofit consulting groups for low and no-cost services and training in areas like strategic planning, board development, communications/messaging and fundraising. The groups include the Center for Nonprofit Management of Southern California and Executive Service Corps.
- Providing a planned giving toolkit with information about an array of tools and resources CCF offers that go beyond the grant. They include a presentation template on planned giving grantees can share with their respective boards to inform and propel them into action; help with online giving; sample language to promote a Legacy Society where donors can include the nonprofit in their will or trust; creating a nonprofit organization fund so the nonprofit can build an endowment that will last for years and ways to connect grantees to CCF donors through the Guide to Effective Giving, a quarterly publication, featuring impactful stories of grantees' work and encouraging donations.

## Next Steps

The workshops were successful in raising the level of awareness among CCF grantees about the services CCF offers, a post-workshop evaluation showed. Most grantees indicated they were more likely to use CCF services in the next year, especially online giving (80 percent) and communications/marketing (83 percent). More than 60 percent planned to take advantage of development performance measures, year-end giving, philanthropic services for nonprofits and planned giving.

So far, 20 grantees have asked CCF to link to the online contribution pages of their Web sites to drive traffic there and four grantees requested a CCF-hosted contribution page. At least one CCF donor has made a grant of \$10,000 each to two grantees featured on the CCF Guide to Effective Giving.

CCF will host webinars for donors, advisors and grantees about the findings and recommendations from the workshops. The foundation has developed packets for its 112 grantees and about 80 agency endowments (nonprofit organizations that have set up an endowment at CCF) to remind them of CCF's planned giving services and provide the tools needed to help them access those services. CCF is also drafting a white paper for grantmaking peers to share best practices.

## Conclusion

The survey and workshops were an incredible learning process for the foundation as it evolves in response to the needs of Los Angeles communities. New ways of doing business emerged. Some grantees who did not know other grantees working in the same issue area now know each other, forging the possibility of greater collaboration.

What actions can grantees and donors do next to weather this crisis?

- Grantees can take advantage of CCF services and continue to push for more board involvement.
- Donors who are nonprofit board members can engage other board members and begin to implement some of the above recommendations.
- Donors who are not board members can become more involved with the organizations they support by asking questions about how the nonprofit is refocusing its efforts to serve the community and what the ultimate impact is of their contributions.

As a foundation that exists to serve L.A. County, CCF learned three vital lessons during this time of economic volatility: 1) it must respond quickly and relevantly in times of crisis; 2) it must evolve and adapt to the new environment in order to help its grantees do the same; and 3) it must convert crisis into opportunity by finding creative and effective ways of doing business with less, shifting resources and offering new services to help preserve and sustain its most precious investments – grantees.

By adapting and evolving to address the challenges of the nation's worst economic crisis since the Depression, the California Community Foundation and its grantees will be able to work together more effectively and creatively to make Los Angeles County a better place to live for all.

***“Imagination is more important than knowledge. For knowledge is limited, whereas imagination embraces the entire world, stimulating progress, giving birth to evolution.”***

— Albert Einstein