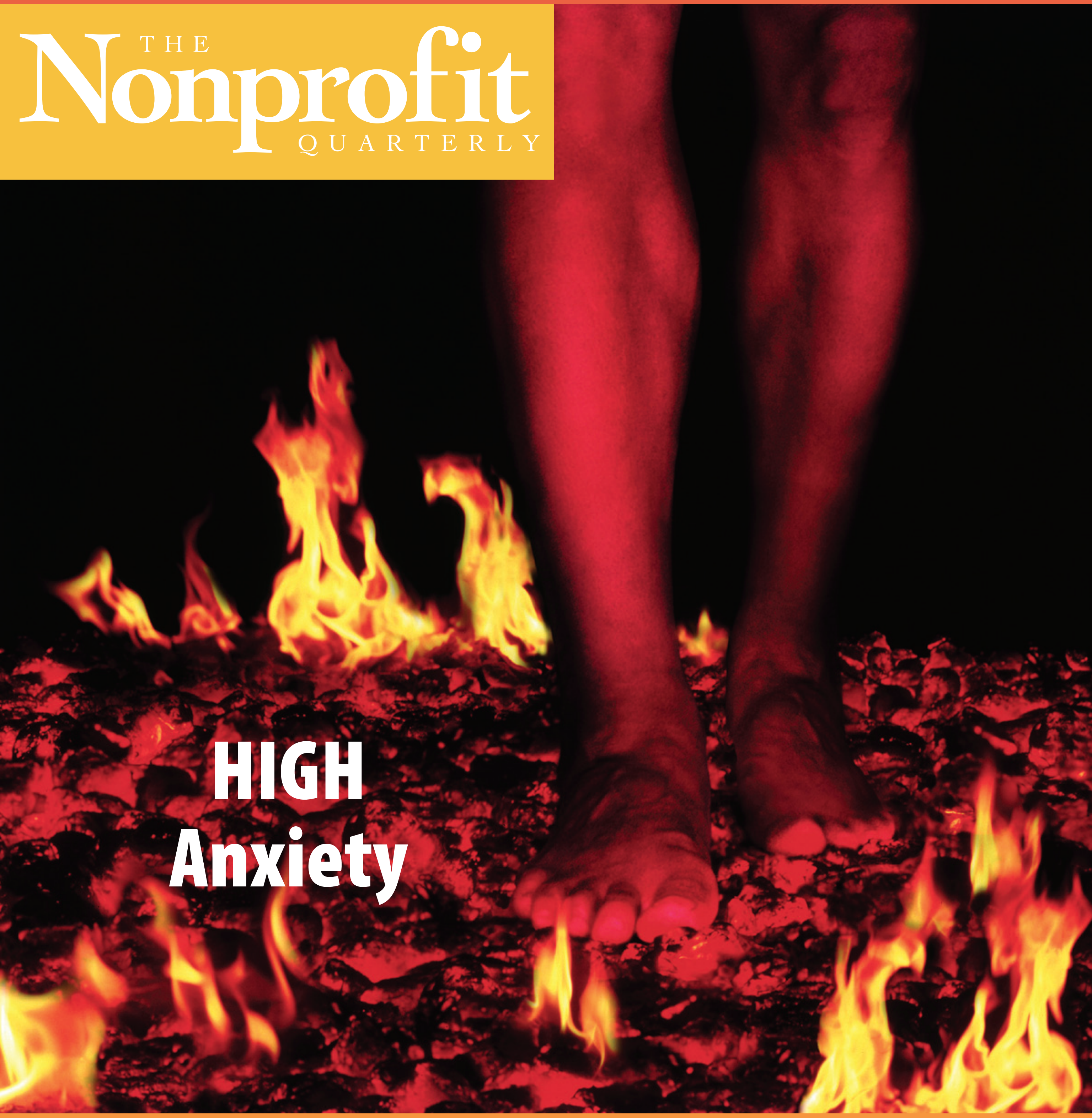
Promoting *Spirited* Nonprofit Management Spring 2009 $14.95

The Nonprofit Quarterly



HIGH Anxiety

Barr: Decision Making in Times of Crisis

Schmidt: Funders Must Overcome the Perpetuity Mindset Trap

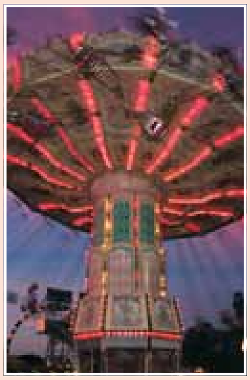
Herman and McCambridge: Compassionate Layoffs

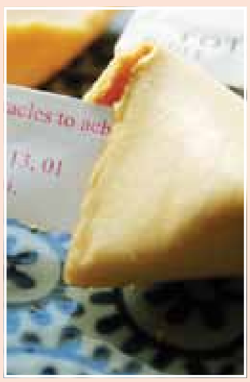
Volume 16, Issue 1

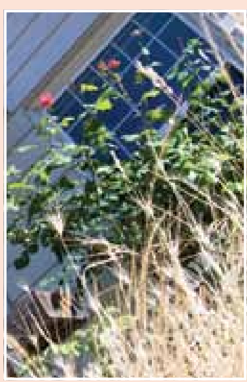
The Nonprofit Quarterly

Spring 2009

Features


Page 8


Page 28

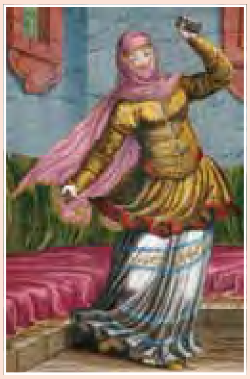

Page 32

Special Supplement

Departments

Conflict

COVER DESIGN BY KATE CANFIELD
COVER PHOTO © DIANNA SARTO / JOHN LUND / CORBIS



Page 46

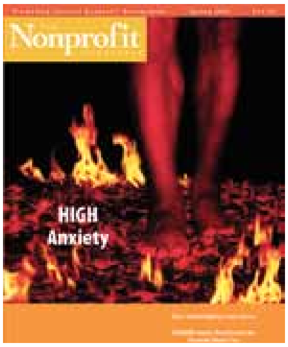
Page 51

The *Nonprofit Quarterly's* overarching editorial goal is to strengthen the role of nonprofit organizations to activate democracy.

NPQ believes that open societies require venues for individuals to undertake public projects together that are larger than friends and family but smaller than the state and that range from community arts and group homes to environmental advocacy. Nonprofits naturally fill this role, particularly when their efforts engage the ideas, energy, and speech of members of their community. While generating resources encouraged by tax exemption is useful to support this work, *NPQ* believes that in a democratic society the essential role of nonprofit organizations is rooted in the First Amendment and the Universal Declaration of Human Rights, not the tax code or the market economy.

We live in a world that needs more of what nonprofits can achieve. We know that our communities hold untapped courage, compassion, and support and that nonprofits are uniquely positioned to build relationships and understanding. *NPQ* is committed to provide a forum for the critical thinking and exploration needed to help nonprofits stay true to this democratic calling—and to achieve their potential as effective, powerful, and influential organizations in concert with their constituencies.

Welcome



> It takes a lot of courage to release the familiar and seemingly secure, to embrace the new. But there is no real security in what is no longer meaningful. There is more security in the adventurous and exciting, for in movement there is life, and in change there is power.
>
> —Alan Cohen, author of *Chicken Soup for the Soul* series

If the above quote holds true, we are about to build our courage in new ways as we face a world for which few of us have prepared. For all the turmoil, today's economic collapse had to come. Try as we might, we cannot avoid the natural laws of balance and equilibrium, and before the downturn hit, we had headed further and further from a sustainable path.

Of course, when these corrections come, they are as brutal as major hurricanes and, like natural disasters, hit the most vulnerable people and institutions first. This issue of the *Nonprofit Quarterly* is meant to serve as a thought partner for your organization as it manages this new reality. We do not necessarily have words of comfort, but we believe now is the time to examine what really matters, what we are prepared to let go of, and what is most fundamental about our work that cannot be relinquished.

As you and your colleagues face what are likely to be challenging choices, we hope this issue can support your process; help you evaluate options; and hold an open dialogue with your board, constituents, and supporters. The environment will require quick decisions, and some of these decisions will inevitably have long-term and unanticipated consequences.

NPQ would like to take this moment to announce its intention to work with all of you over the next three years to try to inform the best possible outcomes for the communities you serve. This is unquestionably a transformational moment for the nonprofit sector. The worst economic downturn in the postprivatization era, coupled with a new administration with a different but largely untested approach to the nonprofit sector, means there are likely to be big shifts in the relationship between nonprofits and government, philanthropy, and business. There may also be big shifts in the parameters and content of the sector. Dr. Paul Light of the Wagner School at New York University has projected that, because of the scarcity of funding, we may see 100,000 fewer nonprofits within a few years' time with larger groups surviving over the smaller. He argues, however, that the sector can take control of its own destiny by making conscious and informed choices about how it will do business

THE Nonprofit QUARTERLY

Editor in Chief
Ruth McCambridge

Editor
Andrew Crosby

National Correspondent
Rick Cohen

Contributing Editors
Jon Pratt, Lissette Rodriguez

Graphic Design
Kate Canfield

Production
Matt Mayerchak

Senior Copy Editor
Lauren Horwitz

Publisher
Timothy Lyster

Director of Operations & Planning
Kristin Barrali

Advertising Director/Webmaster
James D. Morgan

Administrative Coordinator/Customer Service
Armando Holguin

Exalted Intern
Ka-Ryn Escovedo

Valiant Volunteer
Dianne Pearson

Advertising Sales
617-227-4624, advertising@npqmag.org

Subscriptions: Order by telephone (617-227-4624), fax (617-227-5270), e-mail (subscriptions@npqmag.org), or online (www.nonprofitquarterly.org). A one-year subscription (4 issues) is $49. A single issue is $14.95.

Nonprofit Information Networking Association
Ruth McCambridge, Executive Director

The *Nonprofit Quarterly* is published by Nonprofit Information Networking Association, 112 Water St., Ste. 400, Boston, MA 02109; 617-227-4624.
ISSN 1934-6050

and what it should look like. *NPQ*'s new project "Nonprofits in the Age of Obama" is designed to help nonprofits and the nonprofit sector take an active and foresighted approach to reconstructing the sector at a moment of extreme losses and opportunities.

Andrew Crosby, Managing Editor, Leaves *NPQ* staff

Colleagues in the professional world come and go, but sometimes the departures are truly wrenching. At *Nonprofit Quarterly*, we are losing Andrew Crosby, our managing editor, to a job in Switzerland with the International Centre for Trade and Sustainable Development, where he'll be the Managing Director for Operations and Strategy.

His new job title in part explains why we will miss him. A largely behind-the-scenes presence, Andrew has used his extraordinary depth, wisdom, diplomacy, and tenacity to keep internal and external contributors to the magazine on track both in terms of content and timing. He is dedicated to promoting civil society and is politically astute both on a national and international basis but his secret weapon? The guy is just so *nice*!

Andrew is also almost entirely unflappable. Publications are places of deadlines and often some degree of frantic chaos brought by whatever collection of writers and business strategies might be in play at any particular moment. In the midst of this ongoing daily scrum, Andrew would respond to the immediate, but meanwhile keep any number of longer term initiatives in play until they were done and done well. These resulted in huge improvements in terms of *NPQ*'s content, delivery, and financial viability over the years. We will deeply miss Andrew's focus, calm centeredness, and the unstinting professionalism and graciousness that was so often commented upon by those who have written for *NPQ* over the years. This type of presence in a publication setting is at least as much the currency of our work as was the critical intellect that he also brought to bear every single day he was here.

The managing editor role is one of those typically invisible jobs that anchor so many organizations; full of highly practical decision making but in need of great sensitivity and discernment. It has been Andrew Crosby who was managing the pit every time we came in after a fast lap, moving us quickly into the next round with our parts in good working order. In large part it is due to Andrew that the *Nonprofit Quarterly* has become the nation's premier nonprofit management and policy journal. We will miss Andrew sorely, but our lives have all been enriched by his partnership these past six years and we look forward to watching what he will do in this next very important leg of his own professional life.

The Nonprofit Ethicist

By Woods Bowman

Dear Nonprofit Ethicist,

In mid-2008, the private nonprofit organization I represent successfully passed a tax referendum to increase our annual budget from $1.4 million to $2 million. The board approved the 2009 budget and revised wage scale with a proviso that the pay range for all staff, including the finance director and executive director, would "comply with an annual state wage survey that compiles information on 72 positions from 672 nonprofit organizations with 501(c)3 status." The survey reports that a full-time executive director with 5.9 years of experience, a bachelor's education, and annual operating budget of $1 million to $2.5 million (with 104 agencies in this category) had a "mean entry level" salary of $82,351 (and a median salary of $75,000).

I requested $75,000 from my current wage of $55,000. I thought it was warranted because the executive director goals for 2008 were met, and on a scale of 5.0, I received a board evaluation of 4.5 I also have 19 years of experience with the agency, 25 years of experience in the long-term care field, and a master's in public administration. Over the past three years, the budget has also been balanced. The salary request also included a boost of the finance director's salary, from $36,000 to $54,000.

Some board members believe that these salary increases send the wrong message to the community. I say they ensure the continued success of the organization long after I'm gone. I believe it is one of the ways the organization will better plan for its future by hiring candidates of high comparable experience and education.

Deserving Executive Director

Dear Deserving Executive Director,

Thanks for giving the Ethicist a chance to remind readers of how the IRS regulates executive compensation. The fairly new method is called Intermediate Sanctions, and it can result in fines and penalties, plus restitution for all benefits. The burden of proof is on recipients to show that their compensation package is not excessive, unless their organization took certain steps in setting compensation. In that case, the burden of proof shifts to the IRS. The necessary steps are the following: (1) The arrangement is approved by members of the organization's governing body or committee (GB/C) thereof, none of whom have a conflict of interest; (2) the GB/C obtained and relied on appropriate data as to comparability or fair-market value; and (3) the GB/C adequately and contemporaneously documented the basis for its determination. It sounds as though your process would satisfy the IRS.

Your board apparently did not question whether the salaries are deserved, in line with the market, and conform to IRS rules. It questioned whether large salary increases would send the wrong message to clientele. This is a question worth considering given the organization's salary structure, staff turnover, staff morale, and quality of service. If low executive salaries compress salaries for lower positions, and if a low pay scale results in high turnover, low-quality hires, low morale, and low service quality, it would be unethical not to raise salaries throughout. Having access to more money through a new tax, however, is not sufficient to justify higher salaries.

Dear Nonprofit Ethicist,

I manage a nonprofit that collects eyeglasses through public donations at community events that are sponsored and run by sponsoring organization volunteers. In this partnership, the host groups provide the above-mentioned contributions and, equally important, an entreé into the community. In turn, my entity provides tools, training in prepping glasses for shipping, transportation to storage, and a reputable destination for the donations.

Three years ago, I was approached by a woman in our community whose son (who was 11 years old at the time) wanted to collect eyeglasses to help people in South America. They proposed managing a collection at a local high school in a community where we had traditionally collected donations. I thought that this might involve "overfishing," but the prospect of a young man wanting to collect eyeglasses for Latin America convinced me that it would generate good results.

To my surprise, their first collection netted nearly as many eyeglasses as our collections. The mother-son effort generated a lot of press attention—including spots on *Good Morning America* and CNN—and I gave them additional publicity. To my consternation, however, the mother-son team spoke primarily about their efforts (and obliquely referred to us on TV as a "company," as though we simply provide a service). The mother excused her son's comment as that of an 11-year-old, which didn't excuse her own use of the nomenclature. I let it pass.

Subsequently, the mother approached me again, and we did additional collections. Again, to my consternation, she released inaccurate publicity, including a poster that highlighted her son's organization and referred to our organization as merely providing transportation to Latin America. And an article featuring the young man in a local paper included inaccurate information on donation requirements and ignored our participation entirely.

The final blow came when the woman told her site managers that all donation checks were to be written out to her entity even while using our organization's receipts for donors (we suggest a $1 donation with each donated set of eyeglasses). This provoked conflict and resistance among assisting volunteers. Eventually, the woman deposited the funds in her entity's bank account, deducted her expenses, and issued us a check for the remainder. I was livid.

Subsequently, a steering committee member and I met with the woman and presented a written list of concerns. We communicated that to work with us again, she must sign a written agreement satisfying all parties. We left uncertain as to her willingness to accept.

Months later, we received a phone call from her requesting collaboration again for another round of collections. In response, we sent her a draft memorandum of understanding (MOU). I arranged a meeting with her, and we explained our concerns. It appeared that we had agreement on some requirements, and the minutes signed by both parties substituted for a formal MOU.

With some trepidation given the woman's behavior to date, I agreed to the lack of formal MOU; but it seemed the best way to move forward. We forwarded a copy and received nothing. Upon follow-up, the woman continued with excuses of being too busy planning the event—all with the assumption that our organization would participate as it had previously. She insisted that we were committed.

At this point, we informed her that we would not participate given the absence of a written agreement.

She has gone ahead without our participation. I have mixed impulses: on the one hand, I want to warn the public about this woman and, on the other, just want to keep quiet. Many in the public will assume we are involved and donate based on our reputation. Also, while we share the same objective, this has become a competitive situation. What is the proper response?

Hornswoggled

Dear Hornswoggled,

Let's start with your behavior. It was casual, but reasonable. Even in the for-profit business world, many transactions are based on handshake agreements. But there is a greater danger that they will go awry than when they are based on a formal agreement. Having terms and conditions in writing does not restrain bad actors, but written agreements usually contain penalty clauses that do.

The important thing is to maximize the number of eyeglasses collected and distributed to poor people around the world. It should make no difference who collects them. As long as your competing efforts increase donations overall, the poor people of Latin America will bless you both. (By the way, many successful charities have spawned copycats, and yours may be next.)

You describe your competitor as shunning transparency and accountability. This is worrisome. If people confuse your organizations and the other organization screws up, both reputations are sullied and the community is likely to donate fewer eyeglasses overall. Your options are limited, but your best tactic now is to ensure that your organizations' names are sufficiently different to avoid public confusion. If the other organization's name is dangerously similar, politely ask it to change its name. If it refuses, talk to a lawyer about making it happen.

Even smart people make mistakes, but really smart people learn from them. For the future, draw up a standard MOU with a penalty clause, and do not do business with anyone—even 11-year-olds—until the document has been signed.

Woods Bowman is a professor of public service management at DePaul University.

To write to the Ethicist with your query, send an email to ethicist@npqmag.org.

Reprints of this article may be ordered from store.nonprofitquarterly.org, using code 160101.

High Anxiety

by Ruth McCambridge

This economic downturn is still unfolding, with multiple cascading effects on the constituencies and funding of nonprofits. Because this development comes at a moment when a new administration is at the helm of our nation—with different ideas about how nonprofits and government might interact—the *Nonprofit Quarterly* decided to document your experiences to understand what this notable moment in history will mean for the nonprofit sector.

So as this era unfolds, we are asking *NPQ* readers to volunteer their organizations to be followed over the coming months. This article is the first of a series that chronicles the ways in which ordinary but enormously entrepreneurial U.S. nonprofits adapt in the face of enormous complexity and rapid change.

In short, we have found that the degree to which nonprofits are affected is dependent not only on the field they occupy, which we expected, but also very much on their geography.

Is their state budget in good or bad shape? Is the local economy thriving or waning? Does

Ruth McCambridge is the *Nonprofit Quarterly*'s editor in chief.

PHOTO (C) JASON HOROWITZ / ZEFA / CORBIS

the organization occupy an area with a lot of philanthropy or not so much? These differences are set against a backdrop of profound change on a national basis that manifests differently in different localities.

But going from the macro to the micro level, there is also the variable of the nonprofit's situation pre-crisis. Did the organization have reserves? Did it already suffer from chronic problems, such as reimbursement rates that remained flat for years or a board that can't distinguish between a run-of-the-mill cash flow crisis and a full-blown financial meltdown? Do its funders give project-specific or general operating grants? Is the board exhausted or energized by the challenge that lies ahead?

And finally, there is an immeasurable ingredient of the determination and focus of leadership. Mix it all up, and you'll get a sense of the rapidity with which and the extent to which nonprofits now feel the pain and the rapid, critical decisions that are required of them.

In December, when it became concerned about the downturn, the organization eliminated eight positions. Then in March, it was asked to apply for a half-million dollars of federal money under the stimulus package.

The Community-Health Context

"Currently, around 1,200 health centers deliver care through over 6,600 service delivery sites in every state and territory," notes a fact sheet from the National Association of Community Health Centers. The document continues on to catalog health centers' role in protecting the most vulnerable members of society:

> Health centers serve as the medical and health care home for 18 million people nationally. Health center patients are among the nation's most vulnerable populations—people who even if insured would nonetheless remain isolated from traditional forms of medical care because of where they live, who they are, the language they speak, and their higher levels of complex health-care needs. Nearly all patients are low income, with 71 percent of health center patients having family incomes at or below poverty.

Thirty-nine percent of health center patients are uninsured, and another 35 percent depend on Medicaid. Additionally, about half of health center patients reside in rural areas, while the other half tend to live in economically depressed inner-city communities.[†]

[†] "America's Health Centers," the National Association of Community Health Centers, August 2008 (www.nachc.com/client/documents/America%27s_Health_Centers_updated_8.13.08.pdf).

Christ Community Health Services

Memphis, Tennessee

Christ Community Health Services (CCHS), a federally qualified health center in Memphis, Tennessee, has had a notable course in this recession. In December, when it became concerned about the downturn, the organization eliminated eight positions (at the time, three of which were vacant and five of which were occupied). Although these positions represented about 5 percent of its workforce, CCHS avoided eliminating positions that were involved in direct–service delivery to clients. Then, in March, the organization was asked to apply for a half-million dollars of federal money under the stimulus package. The turnaround time for the grant was approximately one week, and the money was to be made available in another two weeks. The grant will allow CCHS to do more of what it already does: deliver health services to the very poor in Memphis, Tennessee.

Burt Waller, the executive director, has been at the 14-year-old organization since its pre-growth years when it was still small and "felt like a family." So has the current chairperson of the board, who was in the founding group. Despite the group's modest beginnings, Christ Community Health Services was in the right place at the right time; it was faith based and a health center, both of which were priority areas for the George W. Bush administration. In 2002, CCHS was designated a federally qualified health center. Quickly thereafter it grew tenfold, from a $1.5 million budget to an annual $15 million budget. Before that Waller says that it had been in and out of "dire financial straits and in a situation in which the organization could have failed at any time." In fact, had there been a different group of employees at CCHS, the organization might long ago have been declared DOA. Prior to 2001 and the change in the organization's finances, staff members even took out second mortgages on their homes to lend CCHS money when the going got tough.

In the organization's current financial mix, Waller worries about the increasing proportion of CCHS's patient load that is uninsured and the fact that this will likely increase the number of people who pay at reduced rates. But he does not worry about the center's line of credit, which can creep into the million-dollar range but then be paid down shortly thereafter. Tennessee's Medicare program TennCare has gotten as much as six months behind on its payments (Waller admits to some fear during such times) making the almost constant use of the organization's line of credit necessary. Fortunately, a couple of local hospital systems guarantee the credit line, which means that CCHS can spend more time focusing on the needs of those it serves rather than responding to the worries of bankers relatively unfamiliar with its business.

Over the next few years, Waller expects more growth because local hospitals want to see CCHS expand as a primary health-care provider and because federal interest in the issue of health care access is so high. Waller's biggest concern in that growth is about talent. "We need providers [doctors and nurses] who can hit the ground running," he says, "and our salaries are still not at all competitive." He is also concerned about the fact that the center has not yet made the transition to electronic patient records but thinks that in the near future money may be made available for this shift if all progresses as he expects.

CCHS aspires to have the recommended three months of reserves. It now has only 30 days' worth.

Family Health Partnership Clinic

Woodstock, Illinois

The Family Health Partnership Clinic (FHPC) in Woodstock, Illinois, which also provides health services to the very poor, is only a year younger than Christ Community Health Services. This clinic is located in McHenry County, a community with a much higher per-capita income than Memphis, which means that it can't access the most obvious form of federal support for community health providers. As a result, the organization operates

Waller worries about the increasing proportion of CCHS's patient load that is uninsured and the fact that this will likely increase the number of people who pay at reduced rates.

primarily with volunteer medical providers, and the number of volunteer providers it has dictates the number of patients that can be seen.

"The county has gone from being primarily agricultural to being much more settled out," says Suzanne Hoban, FHPC's executive director. She continues:

> There are many more housing developments from which people commute to Chicago. At one point, it was the fastest-growing county in Illinois. It has a very high per-capita income, but this ends up masking a lot of the poverty that actually exists within the county. The other thing that makes this different from surrounding counties is that there's not one major

The Picower Foundation: A Madoff Casualty

In December 2008, the 20-year-old Picower Foundation of New York announced its closing after losing hundreds of millions of dollars in the stock market decline of 2008 and the investment scheme of Bernard Madoff. Focused on education, medical innovation, and an equitable and inclusive society, the Picower Foundation was ranked as one of the largest foundations in the country, with assets that at one time totaled $1 billion.

With the Madoff scandal, the foundation's fortunes swiftly changed. In a statement, Barbara Picower wrote, "It is with great sadness that I write to inform you that the Picower Foundation has ceased all grant-making, effective immediately, and will close its doors in the coming months."

city or town that dominates. There's a series of towns in the county, and so the poverty is diffused throughout the county, and there's not one census tract that we can look at and say, "That's where all of our patients live; that's where the poverty is."

And so that has precluded us from getting any kind of state or federal funding for medical services, because we don't qualify. In a neighboring city, like, for example, in Chicago, you can look at certain census tracts and see huge areas of poverty. So the state or the feds will be able to designate that area as a medically underserved area, and they will qualify for state and federal funding. Poverty here is spread out.

"When we first started out, we thought we would see somewhere between 500 and 1,000 patient visits a year, but now we are upwards of 7,800 patient visits a year."

The Family Health Partnership Clinic serves either underemployed or unemployed people who can't afford the cost of insurance. Patients are 60 percent Hispanic. The clinic's fees are based on income and family size, but "we never turn anyone away" says Hoban. "Our only criterion is that you can't be covered by insurance." Of late, unfortunately, this has resulted in more patient need than can be served. "Most people pay between $10 and $15 for a visit that it costs us $100 to provide."

Like, Christ Community Health Services, FHPC had a rocky start. As its founder, Hoban says, she tried to start the organization three times before it actually got off the ground. But once it got started, the patient load far exceeded projections. "When we first started out, we thought we would see somewhere between 500 and 1,000 patient visits a year, but now we are upwards of 7,800 patient visits a year." The resultant increased need for volunteers to feed the core of its program has engendered an energetic and creative volunteer recruitment program. Using trade publications, Facebook, wine tastings, and partnerships with local hospitals and other health-related organizations, FHPC is in constant recruitment mode.

Recently, when it became overrun with chronic-care patients, FHPC faced the possibility of having to suspend its services to new patients. "It was a crisis, and we had to find new providers. So I went to the head of the primary-care practice at the local hospital and built a small plan that has resulted in eight more doctors," Hoban says.

Here's how we did it: The hospital has several physician practices. What we found out is that for the first two years, when a physician joins that practice, they're on salary. After that point, they're on a productivity type of a reimbursement, [which is] very common for physicians. So we said to them, you know, while they are on salary, their practices aren't particularly busy. They wouldn't lose any money if you encouraged them to come over here on work time, and it would still allow them to build up their practice, and it would keep people out of the emergency room; it would be a win-win situation for everybody. And at the end of two years—after they go on their other type of reimbursement—if they still want to volunteer here, that's great, but they don't have to. But wouldn't it be a wonderful community service

> if you let your new docs come over here for three hours a month? And they agreed to that.
>
> It's really no skin off the hospital's nose, because it's not that those practices are full to begin with. And it's no skin off the docs' nose, because they're not doing it on their time off, you know, they're doing it during work time, but it does make a huge difference in terms of the community, and in terms of access to care, and in terms of clogging the emergency rooms with people who don't need to be in the emergency room.

Of course, bringing on new doctors has created the need for additional nurses and space. Hoban says that the clinic has a donor that is willing to kick $1 million into a capital campaign for a new building, but the organization really needs $3 million, and the time, she says, is not right to launch into such a project.

The clinic's fundraising has not suffered to date, but Hoban says she is holding her breath. What's her trick for managing during tough times? She gives the board a deficit budget.

> At the six-month mark of our budget year, which was in December, we looked to see where we were, because we had projected a significant deficit budget for this year. We almost always have a deficit budget going into the year, because I'm very realistic. I'm very conservative when it comes to income projections and very liberal when it comes to expenses. So I always want to project the worst-case scenario budget so that there will never be any surprises for the board. "So here's the worst-case scenario: can you stomach this?" That's my approach. So maybe that's our contingency plan. Every year, in our budgeting process, we present the worst-case scenario budget, and we never have a deficit that we can't cover with our reserves.
>
> When we looked at things in December, and then in January, and now in February, we are shockingly still in the black for the year. We don't expect to be at the end of the year; but we also don't expect to be anywhere near the deficit that we had projected. So we don't really have to implement any kind of draconian measures at this point.

Bi-Lingual International Assistant Services

St. Louis, Missouri

On the other hand, Bi-Lingual International Assistant Services (BIAS) of St. Louis, Missouri, entered this era in dire straits. The six-year-old organization was founded by the CEO, Julia Ostropolsky, who watched her own grandparents struggle with the complexities of aging in the United States as non–English-speaking Russian Jewish immigrants. Ostropolsky describes the work of BIAS as offering mental health, social, and advocacy services to elderly, disabled, and new Americans in a culturally and linguistically accessible way. According to Ostropolsky, "We are cultural brokers providing services with deep understanding and appreciation for consumers' cultural backgrounds and individual life experiences. Most of the agency's consumers are women of ethnic and racial minorities."

Julia Ostropolsky reports that the organization will be lucky to receive even a third of what it received in funding last year.

The agency is built on the model of home-based, integrated, targeted, case management services whose efficacy has been well proven for very poor and marginalized families and individuals. Recognized for its innovative practice with the Bosnian, Kurdish, Afghani, and Russian Jewish communities, BIAS was one of 11 organizations recognized by the Commonwealth Fund. Still, Ostropolsky reports that the organization will be lucky to receive even a third of what it received in funding last year. Ostropolsky lists the

ASC Foundation Suspends Grantmaking

For Bi-Lingual International Assistant Services (BIAS), grantmaking cuts in the economic downturn have hit the organization hard. In this letter to grantees, the Adorers of the Blood of Christ—U.S. Region explained its need to rescind funding.

"Due to the downturn in the financial markets and its impact on the Adorers of the Blood of Christ—U.S. Region, ASC Leadership and the ASC Foundation Board have decided to suspend all grantmaking activity until further notice. The Foundation has received 233 Letters of Inquiry this year, but because of the financial situation, the Foundation will not be able to invite nor fund proposals submitted by the inquirers.

"Over the course of the past five years, it has been the Foundation's distinct honor to learn about many worthy agencies whose missions and works dovetailed with the values and social priorities of the Adorers. Grantmakers do not accomplish anything on their own. Rather, it is through a shared vision and a true sense of partnership that positive changes in our communities occur and a more just society achieved.

"It is our hope that this is the biggest tremor you will experience during the current economic turmoil. The ASC Sisters and the Foundation Board wish you the best as you continue to effect social change and work for justice and peace."[†]

Unfortunately, the closing of the Adorers' doors was not the "biggest tremor" for BIAS. A $200,000 grant that it had lobbied for in the state legislature was put on hold indefinitely, and other funding is seriously in question. As a young and small organization, this group is frail but determined. The small staff cut its paid hours and is volunteering time, but the organization's rent has not been fully paid in months.

[†]Adorers of the Blood of Christ Web site (www.adorers.org/ascfoundation.aspx).

cuts the organization has made. One foundation it had depended on (ASC) closed altogether. "What [do] I worry about?" Ostropolsky says.

> Without our assistance and tutoring, they are likely to never become U.S. citizens, lose SSI [Social Security Income] and therefore have no income at all. What keeps me up at night is knowing that once we heard that our program was held up, several [already naturalized] older adults from Russia and Afghanistan came forth and gave of their limited income [SSI] donations in the total amount of $300.
>
> Tears came to our eyes as we took the money, knowing that those who gave it could hardly have enough to survive. What keeps me up at night is the realization that I am ultimately responsible for the well-being of the organization I founded, and the team that trusts me and volunteers their own time to meet the needs of the consumers we serve.
>
> Instead of cutting the program, I held an emergency meeting and invited staff to volunteer as much of their income by taking a pay cut as they can afford. All volunteered, because in a small agency such as ours, none would want to see their colleague go, especially at such difficult economic times. We are known as "workaholics"—people who put clients first—and [have] a great, forgiving and supporting family of Vietnamese, Russian, Bosnian, American, Chinese, Afghan, Hispanic, Japanese, and Jewish staff. It took years to hire the most dedicated, expert group of people, and now I am very worried that I may be losing my ability to ensure their funding.

Ostropolsky reports that she cut her own salary by $10,000 without permission from the board, which wanted to know why she did not ask first.

Editors' note: *Since the initial interview from which this material was written, BIAS was informed that the program it had maintained with all its savings funds would receive state funding, but with severe cuts from the original award.*

Jersey Battered Women's Service

Morristown, New Jersey

With 23 vigilant souls on the board, Jersey Battered Women's Service (JBWS) has a lot more wiggle room, to say the least. A 32-year-old $3.5 million organization in the second most wealthy county in New Jersey, this organization until recently boasted a year's worth of reserves in the bank, though it has recently fallen below 10 months' worth. It has been on a gentle growth trajectory for a few years, mostly because of natural

The Violence Prevention Context

Funded through the Victims of Crimes Act, Jersey Battered Women's Service's major form of federal assistance was cut this year from $625 million to $550 million by Congress.*

In 2008 the Family Violence Prevention and Services Act budget was slashed by $2.1 million. Congress has capped the Victims of Crime Act, a federal grant program funded entirely by fines and penalties paid by offenders and without taxpayer dollars.†

*Megan Twohey, "Federal Funding Cuts Force Agencies to Turn Away Victims of Domestic Violence," Chicago Tribune Web Edition, March 28, 2008, (www.cindysmemorial.org/downloads/Trib_032708.pdf).

†Mary R. Lauby and Sue Else, "Recession Can Be Deadly for Domestic Abuse Victims," the *Boston Globe*, December 25, 2008 (www.global-sisterhood-network.org/content/view/2242/59).

expense increases but also because it has gradually added programming, The level of JBWS's reserves, says Executive Director Patty Sly, is gauged against the number of facilities that it has and the entirety of the organization's vulnerability to unexpected problems.

The organization's mix of funding is approximately 30 percent from various government sources, 40 percent from foundations and corporations, and 30 percent from individuals. JBWS heeded advice about the need to diversify its funding base, though the staff now says that given the current circumstances, the strategy does not protect the organization as well as it would have liked. The fact is that many of the sources in that diverse base have shown decline. The state of New Jersey has a "tremendous deficit," Sly says, and while JBWS knows some of what to expect in terms of state budget cuts, it doesn't know all of it. JBWS was just notified that its most recent grant awarded by the state will not be renewed when its funding cycle ends in June. The annual appeal came in at 18 percent less than the previous year. Over the past few years, United Way funding has declined and in 2009 continues to slide. JBWS is still bracing for the results of each of its foundation requests but expects declines there as well. Each of these sources, of course, has its own reporting system, taking up the same amount of time on lesser money for application, measurement, and reporting.

Sly reports that JBWS is exploring where to cut and improve efficiency. Although it knows that staff salaries have to be considered, right now it depends on attrition and benefit reductions, but "we are really evaluating that monthly."

So what of the reserves? Sly says that at first the board did not want to use them. "Some board members said, 'We have to save them for a rainy day,' and others said, 'But isn't it raining?'" The board finally decided that the organization could use the reserves, but only in concert with a cost reduction plan and a multiyear plan to rebuild the reserves. She believes that the board was ready for

"Some board members said, 'We have to save [reserves] for a rainy day,' and others said, 'But isn't it raining?'"

this dialogue, though, because it created its strategic plan this fall and for the first time "it reads like a protective rather than a growth-oriented plan. No other plan we've done has ever read like that."

Domestic and Sexual Abuse Services

Three Rivers, Michigan

In the same field but in a much poorer area is Domestic and Sexual Abuse Services (DASAS) in Three Rivers, a small town in rural southwest Michigan. With the highest unemployment rate in the country, the state has its own budget problems, which trickle down to nonprofits. Characterizing the organization's budget trend over the past five years, Executive Director Mary Lynn Falbe says, "Our expenses have gone up while our income has gone down." Over these five years, there has been a steady turnover of executives following the departure of a longtime director who had strongly influenced the organization. Even as the number of women being served increased to almost 300—"and that is not counting the children"—the funding declines continued. United Way funding was one of these decreases. The excruciatingly Michigan nature of the story behind that situation clearly exhibits why geography is important.

"One of our large employers in Three Rivers is American Axle [& Manufacturing], and they went on strike last year," Falbe says. "They are usually the largest giver to United Way. So when they were out of work, the pledges did not come in, so our funding was cut by almost a third." Ironically, so were the wages of American Axle workers, who went back to work after 87 days and after agreeing to a one-third pay cut. Originally, a 50 percent pay cut was proposed. American Axle is a major supplier to General Motors, which now faces bankruptcy and massive restructuring.

Last year this organization experienced a small miracle. It was facing a year-end $44,000 deficit.

"One of our large employers in Three Rivers is American Axle [& Manufacturing], and they went on strike last year. They are usually the largest giver to United Way".

But suddenly, a bequest of which the organization had no institutional memory was released by the IRS. "Now, as a result of that and another gift we had not expected, we have been able to fix the roof and lift salary freezes, and we have a surplus of $30,000."

Every day, DASAS collaborates quite a bit, partly because working together is natural in such a small community and partly because it must do so to survive. DASAS not only works closely with other domestic violence programs throughout Michigan to ensure the safety of the families being served but also shares tasks with other local nonprofits. For instance, it rents space from Head Start for its administrative office for $50 a month while also providing an awareness program for the parents of children in the program. The organization is strategic about where it focuses its programmatic attention. "Our focus is on advocacy," Falbe says. "We don't have therapists, so we use other community resources for those needs."

Today, this small organization's mix of cash funding is 5 percent from the United Way, 20 percent from donors (individual and businesses), 10 percent from foundation grants, and 60 percent from federal and state funding.

CJE SeniorLife

Chicago, Illinois

"In terms of the economy, we can talk about our sources of funding as having been impacted and squeezing us from one direction," says Mark Weiner, the CEO of CJE SeniorLife in Chicago, Illinois, "but we have to also talk about what has happened to our clients, our residents, and our customers. People are entering our systems with a higher level of acuity—more intensive needs and less ability to pay. They are applying for financial support quicker than they have in the past, and that places in question the issue of how to balance our payer mix in the future. We try to make sense of it all and to minimize cutting into our core services."

CJE SeniorLife is a $54 million organization with 600 full-time and 150 part-time employees. Previously CJE stood for the Council for Jewish Elderly. While the organization still identifies strongly with its Jewish values, CJE provides an impressive variety of health, housing, educational, and other services to elderly Chicagoans of all stripes.

Weiner has been at the organization for five years, during which time it has grown from a $38 million annual budget to its current size, but prior

to his arrival, CJE had already been in a fairly steep climb. "The previous leadership," Weiner, says, "built this small social-service agency into a very complex and diversified elder-care organization." But as with almost any type of rapid growth, important steps to support that growth fell off the radar. Organizational infrastructure, particularly for collection of receivables, lagged behind the organization's overall trajectory, and CJE ended up in debt. These management problems have since been resolved, but now the environment is pressing in.

CJE is being affected not just by cutbacks but also by flat-rate reimbursements and late payments by government sources. These days, borrowing on its credit line costs the organization approximately $60,000 a year. But the organization has also seen a decline in fundraising from individuals and foundations. Among individuals, CJE's fundraising has decreased by about 25 percent, and contributions from foundations may be headed in the same direction. Weiner cites the fact that one foundation from which it has received $100,000 in past years simply closed its doors.

In public funding, Weiner has plenty to track, and some of the items are very high stakes.

> The real problem for us is Medicaid with the state of Illinois. In terms of what the state pays nursing homes, we're 50th out of 50 states. Although we recently received a small rate increase from the state, every time we have a Medicaid bed filled, the difference between what the state pays us and the true cost is $90. We have a 240-bed nursing home that is about 60 percent Medicaid. That puts a real burden on the nursing home as well as our entire system. We would just be happy if they paid us.
>
> And we're also depending upon the state of Illinois for two other things. We have a naturally occurring retirement community project site that came originally from federal funding. That transferred over to state funding. We believe we're going to get continued funding from the state for that project, but there's no certainty of it. And then we have something called MCCP, which is a managed community care program, in which we provide sort of a social model to keep the poorest of the poor older adults at home and in the community. On a regular basis, MCCP staff members serve about 550 people per month, and we provide them up to 10 services, from home-delivered meals to transportation to adult day services to personal care assistance. We've been a pilot program with the state of Illinois now for 14 years, and the program is at risk for long-term funding. Now, that is really very problematic for us, because we are a safe haven for these people, and we are providing the best of managed care in the community to keep these people out of nursing homes. So we're continuing to get funding for them now, but there's no certainty of continued funding. So those people become real concerns for us.

CJE is being affected not just by cutbacks but also by flat-rate reimbursements and late payments.

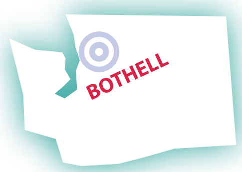
CJE is an affiliate of the Jewish United Fund/Jewish Federation of Metropolitan Chicago and is required by it to develop a balanced budget each year. This means that the organization does not have reserves per se, but it does have a significant endowment program, the corpus of which has eroded because of the current economic environment.

"Recently at a meeting with the leadership of the board, the topic of how we were going to achieve a balanced budget next year came up, and this led to a discussion of possible use of endowment principal," Weiner says. "Historically, we have tried not to invade principal, but the chair of our budget committee made the point that these are extraordinary times, and we may need to. Our major objective is to protect the core of our business and, to the greatest extent possible, guard against any lessening of our ability to deliver those services to our community."

CJE's new budget for the year, which starts July 1, includes staff reductions, and right now these cuts are quite limited, targeting just 20 positions out of 750. With these reductions, Weiner does not anticipate using endowment principal, but he may reconsider it later as a contingency option.

Northshore Senior Center

Bothell, Washington



In Bothell, Washington, the 37-year-old Northshore Senior Center, which has a $3 million budget, now has to consider multiple cuts. Lee Harper, the relatively new executive director, reports that starting in July, the organization began scenario planning, estimating that the cuts for 2009 might amount to $200,000. She approached this planning in part as a way to familiarize and engage the board more fully in agency finances.

The organization now does business out of $8.5 million worth of facilities but faces what could be a massive cut in operating funds.

> We spent months talking about the different areas where we could increase revenue, where we'd need to decrease expenses, what an end budget might look like. I asked the board to get involved with advocacy, and they did! They went down to the county council hearings, and they wrote letters. They really stepped it up, and we ended up getting $100,000 of it back. But now, at the legislative level, we may be faced with anywhere from a 10 percent to a 50 percent cut, and another $100,000 will be disappearing on top of that at the end of the year. It's pretty overwhelming.

Like CJE's Weiner, Harper has noticed an increased call for financial support for clients, which will reduce earned income as well.

Meanwhile, this is clearly an organization with strong local support. After creating a junior taxing district, the voters elected to tax themselves to build the senior center and then also to build a health and wellness center for local seniors, so the organization now does business out of $8.5 million worth of facilities but faces what could be a massive cut in operating funds. The organization has unrestricted reserves that equal about one-tenth of the year's operating budget.

Since she is keyed in to local capacity builders and a supportive community, Harper is making use of available advice. She is confident her center will survive in spite of the wrenching changes that lie ahead.

***Editors' note:** At the time of this writing, Harper reports, "Now, at the legislative level, we are facing a $900,000 funding cut for adult day health and transportation (a 90% cut) and another $100,000 will be disappearing on top of that at the end of the year from the county."*

Higher Achievement

Washington, D.C.

Higher Achievement is a 33-year-old organization that provides rigorous year-round academic enrichment to middle-school students in the Washington, D.C., area. But the organization's age and history comes with a caveat: in 1998 it was pretty much pronounced dead. It ceased operations; and at the time it was $300,000 in debt. Still, Maureen Holla, a volunteer in the program when it went under, did not give up hope, and in 1999, as its new executive director, Holla reopened the program.

Since mid-2006, Richard Tagle, the current executive director, has been at Higher Achievement, and at that time the organization had established four sites in Washington, D.C., and was about to launch a fifth in Virginia. "When I came in, the organization had a budget of $1.6 million and a staff of 18. A

Investing in Youth

Higher Achievement is one of several youth-serving organizations that has been tapped by funders for expansion because of some combination of existing outcomes and promise. Foundations such as the Edna McConnell Clark Foundation and Atlantic Philanthropies have made large investments in several such organizations around the country, not only paying into program evaluation systems but also helping to build other basic systems and business plans for disseminating the program model. Both foundations have involved other foundations in these efforts, which are designed to build on the effectiveness of programs that have already distinguished themselves in terms of their ability to improve the lives and life prospects of young people. A local foundation grant officer saw the potential; she referred Higher Achievement to the Atlantic Philanthropies.

lot of our funding was garnered from local foundations and corporations." Since Tagle took the helm, Higher Achievement has expanded into Baltimore.

In the two years since, Higher Achievement's budget has grown to $4.7 annually, but some of this growth is allocated toward onetime costs associated with what was originally an aggressive replication plan as well as a longitudinal study. First priced at $20 million, that replication strategy has now been scaled back to a more measured expansion plan, priced at $11 million. The difference between the two is the number of sites to be established by 2020 and the nature of the partnership agreement between Higher Achievement and the sites. The sites will now be required to invest more cash in implementation. In terms of the organization's base program, Tagle estimates that approximately $2.3 million is slated for direct service at each fully scaled affiliate, and the rest is meant to capitalize expansion to other cities.

Higher Achievement has experienced a downturn in revenue, but also success in exploring new avenues. These triumphs and setbacks come in bits and pieces. Over the past three years, Freddie Mac has contributed $250,000 a year; Fannie Mae had been giving $50,000, but this year gave none. And individual and foundation funding to the base program has probably decreased 20 percent to 25 percent, but on the other hand the organization has managed to offset that with new corporate contributions (mobilized by the board) and some newly available Department of Education money as well as increased attention toward public revenue streams, such as Title I and 21st Century Community Learning Centers.

During the economic crisis, Higher Achievement has experienced its dramatic moments.

> We needed a little over $1 million to finish the funding for a multiyear study we were doing on our outcomes, and the Atlantic Philanthropies basically introduced me to the Picower Foundation. I had had a number of meetings with them, after which they asked me to submit a proposal, and we got approved for a $750,000 grant, so I went away on vacation feeling good.
>
> I was going to Asia. I was in a hotel room

Greater Washington Nonprofit Leaders Urge Fannie and Freddie to Continue Social Investment

"Changes at Fannie Mae and Freddie Mac have caused anxiety among leaders in the nonprofit and the philanthropic communities in Greater Washington. As our largest corporate philanthropists, the two mortgage giants invest more than $40 million annually in the local nonprofit community. For decades Fannie and Freddie have partnered with local agencies to help families, revitalize struggling communities, and make [these communities] a better place to live. A sudden decline in investments from Fannie Mae and Freddie Mac would be devastating to the region. . . . Hundreds of area nonprofits are current investment partners of Fannie Mae and Freddie Mac. . . . The two companies' grantmaking is critical to our region, but so is their overall leadership."[†]

[†]Joint statement of the Nonprofit Roundtable of Greater Washington and the Washington Regional Association of Grantmakers, September 11, 2008 (www.nonprofitroundtable.org/images/fanniefreddiejointstatement.pdf).

> in Hong Kong when I saw I had a voice mail, and basically it was a message from Barbara Picower saying that their endowment money—all $1.2 billion of it—was invested with [Bernard] Madoff. The foundation would close. She was very sorry. My response—all alone in my hotel room in Hong Kong—actually drove the people in the next room to come knocking to see if I was OK.
>
> And of course I had based other asks on this funding coming through, and so of course this would cause them to look at our requests differently. It was tough.

Higher Achievement is always measuring risk. “When we opened Baltimore, we knew that we had enough money for 24 months, but it’s a risk,” Tagle says. “We have a whole document that looks at the potential risks of opening a new site. There are also risks associated with enlarging staff and in putting money into systems and procedures in preparation for expansion when funding is in the state that it’s in. So the board and I are in constant conversation—much more so than previously. We are all trying to gauge the timing, because the economy is going to turn around sometime, and we want to be right in the line of view of people with money when that begins to happen.”

Higher Achievement is always measuring risk. “The board and I are in constant conversation.”

Tagle admits to some nervousness, but in general, Higher Achievement is in good shape, with a healthy pot of reserves, expectations of an operating surplus for 2009, and a strong base program that Tagle says is being protected from any changes in the organization’s national strategy. “It’s most important for us to deliver great results for our scholars. Everything else flows from that, so it’s important that staff does not become distracted.”

San Jose Repertory Theatre

San Jose, California

The San Jose Repertory Theatre in San Jose, California, is one of the anchoring cultural institutions of San Jose’s downtown core. Along with many other live theaters in the country, it has struggled with its business plan of late, and the business plan has everything to do with knowing and addressing the interests of the local audience.

“This is not a ‘roadhouse’” says Christa Stiner, the organization’s chief financial officer. “When we present a show, it is almost always ours, self-produced.” Stiner is part of a reconstruction team that took over the theater after the city, which owns the building housing the theater, intervened in the institution’s discussions about possible closure. “That’s when the city of San Jose said, ‘We can’t afford to have this theater go dark,’” Stiner says. “They came in with a $2 million line of credit, $550,000 of which immediately went to pay past-due payables.” Another $250,000 has shored up declining donations. The line of credit has given the institution some breathing room within which it has reorganized its cost structures and revitalized interest among its audience and donors.

Despite its progress, the economic downturn comes at a difficult time for the theater. And Stiner has been “visited” by a local ghost that stands as a kind of cautionary tale for theatrical risk taking and good management.

In December 2008, the city’s 75-year-old American Musical Theater, which had nearly twice the annual budget of the repertory theater, went bankrupt and closed. “I looked at their 990s online at GuideStar—just to understand what happened,” Stiner says.

They had been running some pretty dramatic deficits. They were in a negative asset position to the tune of $2 million, so they had been missing their revenue goals for quite some time. But what pushed them over the edge was a partnership. They had sent $225,000 to a coproduction partner that used the money for its own operating expenses rather than to build the show, so not only were they out the $225,000, but they did not have anything for that slot in the season. They didn't have the money to refund subscribers or single-ticket buyers: a debt of approximately $800,000. The whole loss was reported to be somewhere around $1.7 million. They just closed.

But as they try to avoid a similar fate, the administrators of the theater have not been abandoned. The finance department of the city monitors the theater carefully, reviewing its financials on a monthly basis. The theater's finance committee has "some of the brightest brains in Silicon Valley on it," Stiner says. "These people are very engaged. They know how we got into trouble in the first place, and they are set on making sure that we get out of trouble now." Still, there is no doubt that the theater is walking a fine line.

Right now, the theater has cash flow concerns, debt of $2.7 million, and an endowment of $1 million.

Very much in wait-and-see mode, Stiner reports that subscription renewals have decreased about 8 percent compared with the previous year (which represented a contraction over the prior year). Luckily, says Stiner, the theater had projected a low enough goal so it is not yet far off its budget, but over the coming months, the subscription component will be a high-tension waiting game. Contributions have also declined, but at the lesser rate of 9 percent.

"We could earn our way out of a large chunk of our debt."

On the hopeful side, the theater is getting ready to stage the first-ever live performance of Khaled Hosseini's *Kite Runner*, for which tickets are

Adapting for Survival

San Jose Repertory Theatre Achieves the Next Level In Its Business Development

San Jose Repertory Theatre's business business model has successfully incorporated industry best practices into its financial accounting, reporting, and board oversight to keep the organization in the black.

As it moves toward recovery from a fiscal deficit that nearly closed its doors, the San Jose Repertory Theatre has achieved positive results. Recent financial reporting shows that the organization has used far less of its credit line than expected, it is paying back the amount sooner than planned, it has moved its annual operating deficit from $2.4 million in 2005 to $1.1 million in 2006—a reduction of more than 50 percent in only one year—and it has continued to maintain almost identical revenues and support during that time. The Rep credits its improved business model, which has incorporated industry best practices in financial accounting, reporting and board oversight. "This is an important first step on our road to financial health," said Nick Nichols, the managing director of the Rep. "There is still much work to be done, but these results show tangible and meaningful progress. They also show that our new business model and the operational changes that the trustees and management have put in place are valid and are moving the organization in the right direction. Thanks to the dedicated work of our Board of Trustees and a re-energized Emeritus Board, we are generating encouraging results. We have significantly improved our business operations while continuing to fulfill our artistic mission and producing work that meets our community values. This is, indeed, the Rep Renaissance."[†]

[†]San Jose Repertory Theatre press release, March 26, 2007 (www.sjrep.com/downloads/2007/pressreleases/reducesoperatingdeficit_pr.pdf). According to audited financial statements, total revenue and support for FY 2006 were $5.8 million, versus $5.9 million for FY 2005, and total expenses for FY 2006 were $6.8 million, versus $8.2 million for FY 2005. This represents a net reduction in year-over-year expenses of $1.4 million, or 17 percent, versus almost identical year-over-year revenue. Ticket sales remained constant, at $3 million. In FY 2006, contributions decreased to $1.8 million, versus $2.2 million in FY 2005. But revenue from auxiliary services increased to $538,000 in FY 2006 over $275,000 in FY 2005: a jump of nearly 100 percent.

The Perilous Edge for the Arts: American Musical Theatre of San Jose Folds

"The end was as dramatic as anything the company has staged. Monday, American Musical Theatre of San Jose, the South Bay's longtime primary presenter of Broadway-style musicals, announced that it was going out of business—immediately—in the middle of its 74th season.

"All future ticket sales ceased. Thirty full-time staff members were laid off, and its extensive outreach programs in the schools were closed. The company was filing for Chapter 7 bankruptcy, chief executive and Executive Producer Michael Miller says, and the remaining two of its shows were canceled, though he was making arrangements for two touring productions—'Chicago' and 'Avenue Q'–to play their dates in January and March.

"The news sent shock waves throughout the theater community. With a $9.8 million budget and 16,500 subscribers, the theater was one of the region's larger arts organizations and the primary tenant at the 2,600-seat San Jose Center for the Performing Arts, along with Ballet San Jose."[†]

[†]Robert Hurwitt, "American Musical Theatre of San Jose Folds," the San Francisco Chronicle, December 6, 2008.

selling well, and will follow up that show's run with the musical production *The 25th Annual Putnam County Spelling Bee*. "If that does well," remarks Stiner, "we could earn our way out of a large chunk of our debt. We could run a significant surplus even at 60 percent capacity, and that's my best-case scenario."

"The worst-case scenario is that nobody will want to see either production, and we will have spent our deferred revenue, and our line of credit will be fully extended. . . . It's not even that we will have made bad business decisions, but we will have squandered everything we have done in the past three years to turn the place around."

But Stiner points to the fact that the theater's recent gala featuring Hosseini as a speaker at a sit-down dinner grossed $125,000 and netted $95,000. "In this economy, to have such a success is promising. Our board stepped up, and they are hugely energized."

While the theater is in its current position, Stiner says it must save wherever possible. So it has tried to reduce staff costs while not crippling its ability to produce. This meant a recent temporary across-the-board reduction of hours from a 40-hour work-week to a 35-hour one. "Everyone took the pain equally, and nobody got laid off," reports Stiner. "Morale was good for the three months that we cut. There were no empty cubicles."

***Editors note**: Since the time of the original interview with Stiner, ticket sales for* The Kite Runner *have been strong, and daily totals have increased rather than dropped off. The theater raised $275,000 in restricted funding to produce* The Kite Runner, *and this campaign succeeded in re-establishing relationships with lapsed donors and strengthening relationships with current donors. Increased ticket sales have brought a new audience to the theater during the height of its subscription renewal campaign. "Based on the nightly standing ovations," Stiner says, "the audience likes what it sees, and subscription renewals are exceeding the prior year's. In addition, individual donations are keeping pace with last year, both in numbers of contributors and dollars contributed. But aside from the success we are seeing in earned revenue, more cuts are planned in order to increase headroom on our line of credit with the city."*

The Performing-Arts Context

The recent report *The Recession & The Arts: The Impact of the Economic Downturn on Nonprofit Cultural Groups in New York City* captures a snapshot of the cultural industry's current climate.[1] It found that among 100 responding organizations, 78 percent have reduced their budgets or plan to do so; 50 percent plan to lay off

employees; 69 percent will defer new hires, and 45 percent plan to cancel or postpone programs within the next year.

Nearly three-quarters of performing-arts organizations, 86 percent of which are located in Manhattan, indicate that they have reduced their budgets or plan to do so. Among 50 organizations, some of which have staff of more than 300, 38 percent intend to lay off employees, and 64 percent plan to defer new hires within the next year.

Although only 21 percent of performing-arts organizations have postponed their fundraising, 61 percent have canceled or postponed moves or capital improvements, and 34 percent have canceled or postponed programming.

Eighty percent of arts service organizations plan to reduce their budgets, 70 percent plan to defer new hires, and 50 percent intend to lay off employees within the next year. Only 14 percent anticipate postponing fundraising; but 60 percent will cancel or postpone programming. An additional 67 percent plan to postpone or cancel moves or capital improvements within the next year.

For some cultural groups, the strain has already reached a crisis point. Since September, several arts institutions have closed or nearly closed, including the Baltimore Opera Company; the Bead Museum in Washington; Santa Clarita Symphony in California; Opera Pacific in Santa Ana, California; and the Museum of Contemporary Art, Los Angeles.[2]

Nonprofits Are Complex Adaptive Systems

One of the interviewees for this piece summed up the findings. “My ability to predict has been shattered,” she says.

Management theory has recently progressed to the point of acknowledging that continual rapid change is no longer an aberration and that we must take it as a given. If they want to remain relevant and viable, nonprofits, along with most other organizations, must now function at the edge of the present and the future. They must not only adapt to their environments but also shape these environments to create productive change. Strategies must be fast moving, flexible, and continuously experimental. The nonprofits behind these strategies must also be well informed and influential, and this requires a neural (sensing) and action network that very likely extends well beyond the strict boundaries of an organization.

U.S. nonprofits have entered the twenty-first century full force. It is virtually impossible for us to predict the shape of our complicated nonprofit markets even a year hence.

So how does this play out among our nonprofit interviewees? For many of these organizations, agility, continuous inquiry, a willingness to reposition, and group analytical capabilities have been put to use as these nonprofits face fast-moving losses and opportunities that have scuttled or

“My ability to predict has been shattered.”

seriously delayed longer-term plans. As money falls away and new opportunities emerge, all our interviewee organizations have tried to find a new order within the chaos.

In these stories, we also hear a great deal about these organizations’ persistence in finding a way forward—sometimes even after repeated failures.

Where they were when the downturn hit and the interface between the internal capacity of the organization and the external condition of the environment matters. To illustrate, we are struck by the stories from Christ Community Health Services and the Bi-Lingual International Assistant Services. Both organizations are the product of personal sacrifice and drive, but they lie on different points of the development curve. When we are eager to pass judgment on whether an organization is fit enough to continue to exist, it’s worth noting the effort it took to get the more mature group, CCHS, off the ground. In the organization’s first years, key people took second mortgages on their homes to ensure the continuation of services

Stepping out on the Ledge

Sara Roscoe Wilson, the executive director of Nonprofit Management Solutions in San Diego, California, recounts her board's experience in facing the recession.

I invited our entire board of directors to meet me out on the ledge, and the board members came. Every member of our board stepped out on that ledge, proving that each one indeed intended to be part of our response, our solution, our plan for the future—whatever that turned out to be.

Sharing the ledge with your board of directors can be an exhilarating experience. It forces some of these committed volunteers out of their comfort zone, especially those who may prefer the terminal politeness that characterizes many board meetings. I guess the environment or culture established on the "ledge" varies among organizations, but the ledge is characterized by some commonly accepted ground rules. Nothing is out of bounds on the ledge. Nothing is so sacred it can't be said. Respect, honesty, and generosity flourish on the ledge. No harm, no foul, and especially no crying on the ledge. It is amazing how clear the air is when you put every figure, every projection, every assumption, on the table in the absence of spin.

Believing that spending time with board members on the ledge has a special quality, we took pains to encourage thinking about flexibility for both short-term impact and long-term sustainability. We worked together to reduce (or eliminate) every line item in our budget that was not mission critical. We established real-time cash flow projections, generated contingency strategies with trigger mechanisms, adopted a short-term, bare-bones budget, and agreed to meet on the ledge again the following month to prioritize our core service goals.

While it doesn't make hard management decisions and difficult choices that change lives easier, there is value in the clarity and honesty on the ledge, especially in times of crisis, when emotions run high and panic can cloud vision and judgment. Inviting board members to the ledge creates an opportunity that shouldn't be wasted. Board members somehow feel more engaged on the ledge. Ledge-made commitments are unusually binding and more often fulfilled. The invitation to join you there removes all doubt about board members' intrinsic value to the organization, which helps ensure future support for your ability to lead from the ledge.

to a community acutely in need. CCHS has now progressed to become a well-run, respected, and well-connected health delivery system. BIAS, on the other hand, still experiences vulnerability that is associated with a small, new organization—and that vulnerability comes at an uncomfortable moment in the funding environment. CCHS can reasonably expect to continue to grow, while Bi-Lingual's projected budget for 2009 is one-third the size of its budget in 2008. We know better than to predict a final outcome for BIAS, however. Even in the early story of Higher Achievement, the image of the phoenix rising from the ashes comes to mind.

The interruption of even well-laid plans speaks to the need for organizations to know their priorities and to hold them sacred in decision making. In a constantly changing environment, it also suggests the need for fast-paced and dynamic strategic thinking over periodic strategic planning. Higher Achievement, which had previously closed up shop during a difficult period and then reopened a few years later, laid out a bold expansion and replication project. This was backed by key funders who were impressed by Higher Achievement's extraordinary outcomes. With the wisdom of foresight, key staff and board at Higher Achievement were aware that this scheme could harm the base program in the Washington, D.C., area if they did not protect it. So the organization guarded its home programs from the risks of a build-out that it had every reason to believe would progress somewhat as conceived. This was smart thinking. The current scale-back and recasting of the expansion has aligned well with new economic realities.

And as for reserves, only two of the 10 organizations interviewed for this article had reserves of nearly the amount prescribed or more. Reserves give these organizations a margin of error and more time to beat the bushes for additional resources before cutting an important program, service, or staff member. Three large organizations (only two of which have been discussed here) had no reserves or only 30 days' worth. All three were highly contracted: large safety-net organizations. In one case, an organization that provides behavioral health services, is located in a state where having a reserve is disallowed but

Critical Variables for Nonprofit Sustainability

Below is the *Nonprofit Quarterly's* current list of key variables affecting nonprofit sustainability during the 2009 crisis. Feel free to suggest others by emailing us at editorinchief@nonprofitquarterly.org.

Organizational Preparedness

- The ability of a leadership team to mobilize and replan quickly as potential losses and opportunities present themselves
- The degree to which an organization is valued by influentials
- The existence and size of reserves
- The existence and size of an organization's endowment and the ability to tap this endowment
- The proportion of funding that is available for general operation or is unrestricted
- The proportion of budget that is allocated to fixed costs
- The degree to which assets can be sold or collateralized
- The quality and timeliness of financial information
- The organizational body mass index (or BMI); that is, how much "fat" can an organization reasonably cut?
- The degree to which "internal philanthropy" can be mustered and deployed

Geography

- The state-policy climate in organization's activity area
- The state funding climate (including the extent of general fund deficit)
- The local and municipal funding situation
- The degree to which rate reimbursement has kept pace with cost of living over time
- The timeliness of payments
- The amount of local philanthropic dollars available
- The local cost of doing business
- The degree to which a locality has access to federal funding
- The degree to which local support structures provide capacity-building support
- Whether a state association exists to provide collective advocacy
- Whether a state association exists to provide group buying, etc.

Field

- The degree to which an organization's field is in political favor with the public
- The influence of a national intermediary to provide collective advocacy
- The degree to which that network funnels resources and relays information that helps local groups adapt
- The influence of a state intermediary to provide collective advocacy
- The degree to which an organization uses local and state networks that funnel resources and relay information to help local groups adapt
- Whether an intermediary exists to provide capacity building (training, consulting, circulation of best practices on a management and programmatic level)

where contracted services are paid for before services are provided, a legislative decision that followed many years of excruciatingly slow payments to nonprofits. CJE of Chicago is also disallowed, in this case by an affiliated organization, from holding reserves. The organization's line of credit costs the organization $60,000 a year. It is a poster child for diversifying sources of funding. But now that CJE has more than 100 sources of funding, it must plan based on its estimates of what will happen in each of those venues. When an organization has so many sources of funding, it tends to carry the burden of "transaction costs." And when so many sources are in play, the transaction costs of monitoring each source while also sustaining losses can strain

even the best organization's administrative and development capabilities.

This example exhibits the unique complexities of each of the interviewed organizations. Do the two domestic violence organizations discussed differ in robustness mostly because of management or because one is located in a well-off community in New Jersey, while the other is located in the most economically depressed state in the country? Lucky for the smaller program, it has used what it has—its small-town relationships—to create collaborative relationships on which some form of sustainability can be built.

These stories demonstrate quite a bit about risk taking—sometimes with a chasm on one side and achievement of mission on the other. What comes through loud and clear is that for small and midsize organizations, a lack of capitalization means that an opportunity is never a sure thing. But risks are also calculated. San Jose Repertory Theatre's story is a prime example of this.

In general, almost all the leaders of these organizations face the complexity of their situations and the risks and opportunities they pose directly. Some have spirited help from their boards; some not so much. Interestingly, none of these organizations' boards of directors, as of this writing, were reported to have acted out of panic or in a way that caused serious problems. But some executive interviewees discussed what their boards had done to contribute to the situation, while others suggested that they had little board input. All interviewees were asked to rate their boards' knowledge of the organization's finances on a scale of 1 to 10, with 10 being, "The board knows them as well as I do" and one being, "The board hasn't got a clue." Several rated their boards below 5, but a few rated them at 8 and above, or as a mix of high and low, with the executive committee being more informed than the board at large. One interviewee rated the organization's board at a 2.

I would suggest that there may be a bit of tracking among those interviewed above from board inattention to an organization's frailty and vulnerability, but not across the board among all organizations, and this is an absurdly small sample.

There is also the variable of links to effective networks. Colorado Rural Housing Development Corporation, which is discussed elsewhere in this issue, called on national intermediaries to which it belongs to bring critically timed resources, information, and guidance that has helped the organization to reformulate its program while also providing advocacy at the federal level (see page 32).

As demands have increased and resources have decreased, is there a right and a wrong way for these organizations to continue to serve their constituents? Probably, but each situation requires a different approach that belies the absoluteness of best-practice prescriptions. And we are only a short way down what could be a long road, so we will continue to watch what works, and under what conditions.

For small and midsize organizations, a lack of capitalization means that an opportunity is never a sure thing.

The next installment of this series will highlight another group of nonprofits, and as the organizations discussed here make their way through the economic crisis, we will update you on their status.

Endnotes

1. *The Recession & The Arts: the Impact of the Economic Downturn on Nonprofit Cultural Groups in New York City*, the Alliance for the Arts, January 2009 (www.allianceforarts.org/images/EcImpactSurvey_2009report.pdf).

2. Sue Hoye, "Recession Hits Arts Groups Especially Hard," *Chronicle of Philanthropy*, January 2, 2009 (http://philanthropy.com/news/updates/6692/recession-hits-arts-groups-especially-hard).

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org using code 160102.

Improving Nonprofit Decision Making amid *Economic Crisis*

by Kate Barr

After two years of deficits, the cash reserve had been spent and the finance committee had run out of options.

When the finance committee chair of Youth Horizons Inc. announced that in just weeks the organization wouldn't have enough cash to meet payroll and didn't know when the cash situation would improve, members of the board of directors were speechless. After two years of deficits, the cash reserve had been spent and the finance committee had run out of options. Soon board members jumped in with questions: What happened to all the grant applications that had been submitted? Wasn't there a fundraising event planned? How could this have happened, and what should the board do now?

A $3 million nonprofit in Wisconsin, Youth Horizons had built a reputation for quality programs

Kate Barr is the executive director of the Nonprofits Assistance Fund.

and had received positive press for its efforts in drawing dropout students back to an alternative high-school program with low student-to-teacher ratios and personalized attention. At their meetings, board members usually heard stories about successful students, grateful parents, and impressed community leaders.

But at the same time that newspaper articles praised Youth Horizons' programs, the finance committee had received financial reports that showed a growing deficit. The organization's executive director explained the shortfall by describing timing problems with grants, fundraising campaigns that didn't meet goals, and a state contract that had been "promised" and then rescinded. She assured the committee that Youth Horizons had been through such lulls before and that, by the end of the year, income would "catch up" to the budget.

Near the end of the first deficit year, several committee members met with the executive director and finance manager to discuss the shortfall and review the draft of the following year's budget. Everyone agreed that it was a productive meeting and that, based on planned fundraising and contracts, the new budget was achievable. Four months into the following year, however, the financial report revealed another deficit and a worsening cash position. This time, the finance committee chair insisted that the organization's board respond to the urgency of the situation by drafting a new budget to present at the following quarterly board meeting. But when the finance committee suggested reductions in the school's staff costs and increasing the student-teacher ratio as solutions to the budgetary crisis, the director was appalled.

After a few additional meetings, the finance committee devised yet another budget for the board. But by then, the situation had deteriorated and the board received the bad news. After three hours of discussion, the board appointed a task force to recommend which programs to close. What went wrong? With red flags flying for nearly two years, why hadn't the organization's director and board taken action to avert the crisis?

Decision Making under Financial Duress

In a different economic environment, an organization like Youth Horizons might have been lucky and continued to attract support based on its reputation. But with today's downturn, an organization's luck can run out, especially when decision making isn't quick, responsive, and sound. Youth Horizons' story illustrates the consequences of delay and indecision. Over the next year or two, budgetary challenges are clearly in the cards, and there are likely to be successive and different situations requiring action. Change may be inevitable, but the impact of this change on an organization depends on which decisions are made and how.

In Youth Horizons' case, despite evidence of financial problems over the course of 18 months, the necessary decisions were not made. The roles and relationships of staff and board did not serve the organization well. The director offered excuses and the finance committee accepted them, relying on a false sense of security after having weathered bumps previously. When the finance committee finally insisted on a new budget, members argued with the director about program priorities and allowed the cash problem to fester until it became a crisis.

With red flags flying for nearly two years, why hadn't the organization taken action to avert the crisis?

Critical Considerations for Organizational Decision Making

When your organization has faced serious and urgent questions in the past, how has it responded? Do these practices serve you in the new economic environment? Right now your leadership may require a combination of learning new skills and approaches and also unlearning previous behavior. Nonprofits may well come through this downturn with changes not only to their budgets and programs but also to organizational culture.

Let's consider how some of these changes take shape and the considerations involved. Understanding the environment in which you make decisions empowers you to understand the impact of potential decisions.

Recognize what has changed. Investment advisers must disclose that past performance does not guarantee future results. We need the same kind of disclosure for board reports and management plans. Just because an organization has weathered rough times previously doesn't guarantee that "riding it out" will work right now. The

There is a difference between panic and urgent action.

severity of the downturn mandates that nonprofits recognize the signs of distress as far in advance as possible. Too often, financial deterioration is overlooked or excused until an organization's cash account runs dry. Every piece of information about fundraising, contracts, revenues, finances, and cash flow must be scanned for triggers or warning signs. It's time to be on high alert.

Create a sense of urgency. There is a difference between panic and urgent action. Decisions made in panic mode are often reactive and poorly thought out. Urgency can be maintained as an action mode over time. In the face of economic crisis, organizations that can work with a sense of urgency are better able to respond forcefully and decisively.

Stop being comfortable. The organizational values of many nonprofits encourage trust and consensus. But over time, a positive atmosphere can evolve into a culture of conflict avoidance and ambivalence. Staff members stay focused on their own programs, and board members don't like to ask too many questions. Today's best leaders—among both staff and board—are those who ask the right questions. Meetings may be less comfortable, but they better serve an organization. And the questions that emerge from them will launch the necessary analysis and decisions.

For most organizations, the key decisions concern programs and services driven by budget changes. When faced with income reductions, which expenses will be cut? Which programs are most important to support the mission, and which should be scaled back or closed? How can an organization collaborate effectively to serve the community? Each of these important questions is answered through a series of decisions. Timely and strategically aligned decisions require a few foundations: shared goals, good information, and clear roles and authority.

Know your starting point. What do you know, and how reliable is the information? Compile and analyze the financial picture with real, unvarnished facts. Which organizational income is certain, highly probable, and committed? Be honest about the types and sources of income that raise concern. What do you know about cash and liquidity? This information sets the stage for your options. An organization that can rely on 80 percent of budgeted income has different choices from one where only 30 percent is certain or highly likely. Cash is always important, especially now, and nothing limits your options more than running out of cash. Take the time to create a cash flow projection to understand the ebbs and flows that provide breathing room or cause problems (a template is available on the Nonprofits Assistance Fund Web site).[1] The time horizon for decisions is driven by available cash. An organization with less than one month's operating budget in cash may need to make short-term decisions, while a nonprofit with reserves of six months can step back for more detailed scenario plans.

Agree on the goals. Do you, staff, and board leadership agree about the program and community nonnegotiables? This level of agreement may be evident in strategic plans, mission statements, and evaluations, but organizations with multiple programs and recent expansion may have different internal or external stakeholders with their own top priorities. If everyone involved understands the urgent need to focus, an organization's stakeholders can arrive at agreement about top priorities. This agreement grounds decisions within the core mission.

Make the right decisions. In this environment of urgency and uncertainty, it's useful to acknowledge that not every decision is a top priority. Focus on making the right decision for an organization and let the implementation questions follow. This requires that you take a step back to consider the order. In general, specific cost reductions are not the most important decisions, but they can easily dominate a meeting, especially among those whom the decision affects.

Clarify authority. Decisions require information and process as well as action and conclusion. And they require defined authority: ultimately someone has to make the decision. If the location or scope of authority is unclear or placed inappropriately, the process can come to a halt or drag on for too long. At Youth Horizons, the executive director, finance committee, and board all fumbled in their responsibilities. When an organization faces urgent demands, too many meetings without conclusion signal that authority is not clear. Authority can be delegated wholesale to an executive director based on agreed-upon goals similar to John Carver's ends-and-means governance model. Alternately, authority can be assigned based on triggers that have been defined by an organization's board or task force. In this approach, different scenarios (10 percent, 20 percent, and 30 percent reductions) are sketched out and an executive director is authorized to implement as needed. Whichever approach is used, remember that urgent action requires timely and clear decisions that are supported by an organization's leadership.

Taking a Hard Look

During critical times, nonprofit decision making becomes all the more important to organizational survival. Indeed, your nonprofit's decisions may affect the full range of issues, from budget to staffing to the nature of your mission. So making the right decisions may require not only adopting new practices but also unlearning entrenched behavior. And of course, better decision making requires that you have reliable information—and that you act on it with a sense of urgency and clarity. In tough economic times, how you make and communicate decisions can be the key to unlocking the potential of your organization.

Making the right decisions may require unlearning entrenched behavior.

Endnotes

1. Nonprofits Assistance Fund Web site, Cash Flow Template (www.nonprofitsassistancefund.org/pages/resources).

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 160103.

Sweat Equity: Housing Assistance in the Downturn

by the editors

For Judi Patrick, the associate director of CRHDC, securing government and foundation funding for rural program activities is an ongoing challenge.

In an economic downturn that began with housing—the subprime mortgage foreclosure crisis—housing and community development groups have a special lens for these times. It is evident in the vision, plans, and foresight of Judi Patrick, the associate director of the Colorado Rural Housing Development Corporation (CRHDC). In the San Luis Valley, which is the southern, agricultural portion of the state, CRHDC's focus is homeownership through subdivision development, self-help sweat equity and other forms of self-help housing, and migrant farm-worker housing. From metro Denver to Colorado Springs, the organization, operating on a $2.1 million budget, promotes homeownership through homebuyer education, financial literacy training, help for potential purchasers to access United Way individual development accounts, education on home maintenance, purchase and repair of foreclosed properties, and financing for first-time homebuyers, including lease-to-purchase program assistance.

The Urban/Rural Thing

Almost four decades old, CRHDC serves both urban and rural communities across the state. Accordingly, CRHDC plans to change the word *rural* in its name to the word *resource* because of the difficulty in raising money for what is perceived as an exclusively "rural" housing organization. But even plans for the name change have been delayed because of the timing of the economic downturn. Securing government and foundation funding for rural program activities is an ongoing challenge for Patrick and one she takes very seriously, not wanting to abandon the communities that CRHDC serves. This can be difficult when funders are headed in another direction. One foundation suffering huge endowment losses has already alerted CRHDC that funding of the organization's rural financial literacy programs will end in 2010 as the foundation restores its urban focus.

On the government side, first-round funding of the Neighborhood Stabilization Program (NSP) cut out rural areas, because the concentration of foreclosed homes is in the cities. But as Patrick notes, a small number of foreclosures in a small rural community—possibly five of 500 homes—can destabilize the local housing stock, a problem that urban funders may not confront. So Patrick's foreclosure counseling pitch, for example, calls for serving urban and rural communities together. "If we didn't have the urban areas, we would be hard-pressed to support rural [ones]," says Patrick. "They don't have as many people;

PHOTO © SLOBO MITIC / ISTOCKPHOTO

they don't have as big a voice." Nonetheless, going forward, funding for rural communities remains a huge challenge for CRHDC.

The organization's ability to stave off extreme financial difficulties thus far reflects foresight.

Timely Investing to Plug the Leaks

Patrick has future plans A, B, and C, with C being, "Oh my God; we can't bring in one dime." But thus far, the organization hasn't had to resort to Plan C; it hasn't closed offices, it scaled back staffing by not filling only one position (which is "not something we enjoy," notes Patrick), and it has distributed that slot's loan-servicing functions between two other departments.

The organization's ability to stave off extreme financial difficulties thus far reflects foresight. "We're pretty proactive with looking at the markets," Patrick notes. "And because we saw this whole housing debacle, it looked like this was going to happen, and there would be these foreclosures, we did build up reserves, and right now our programs are just supporting themselves, treading water, or having to dip into those reserves. We feel fortunate." As a result, reserves have decreased from about $1.6 million to roughly $1 million, but accessing the monies wasn't simply for operating expenses. Patrick was farsighted enough to pour $200,000 into a distressed property CRHDC owned to make it salable. "With the economy, we needed to sell it. Otherwise it would eat us alive." In short, she says, "If we didn't have reserves, we wouldn't have made it. We would have had to do a lot of layoffs and close one of our offices. . . . Still, we don't want to use up all of our reserves," she emphasizes.

Program Redesign

Adjusting to the economy also requires altering program models. Patrick reports that CRHDC now emphasizes delivering first rather than second mortgages as a program option, because the organization can earn better fee revenues on first mortgages. "If we supply first mortgages, we will earn more and still be below market and still make it a good deal for the homebuyer," says Patrick. The organization's lenders can provide low-cost loans that CRHDC can package and provide to homebuyers.

Additionally, drawing on two years of national research on lease-to-purchase programs the organization foresightedly instituted a "lease purchase" (or lease to own) program for potential homebuyers. This combines pre-purchase counseling, 300 hours of sweat equity by program participants, and a $5,000-per-unit investment from NeighborWorks America. Even if two out of 10 lease-to-purchase deals fall through, this program model prevents the organization from losing money. Since CRHDC doesn't get its developer fee until properties sell—which takes two years of work by homeowners and the organization—the objective of Patrick's program design is clear: to serve community members in need of housing while not breaking the organization completely. "We cannot undertake an activity—or too many activities—where we break even or lose funds," Patrick says.

Agility and Healthy Partner Relationships

Some government programs have posed problems for CRHDC's focus and program mix. Patrick and her colleagues in the nonprofit housing sector were stunned and disappointed when the state's housing division denied nonprofits access to the Neighborhood Stabilization Program funds available for the redevelopment of foreclosed homes. Despite that, Patrick has not relinquished CRHDC's role in that crisis and is now using "EQ2" (or Equity Equivalent Investment) monies from banks to continue to intervene in the foreclosure crisis.

This evidences the organization's adaptability through its nurturing and maintenance of relationships with multiple players. Despite the downturn, the organization has maintained a positive relationship with the banks—allowing it to subsidize acquiring and rehabilitating these bank-owned "REO" (or real-estate owned) properties. Urban or rural, CRHDC targets getting vacant foreclosed properties occupied before they begin to leech value from their communities in all the predictable ways.

The organization also works its relationships at the federal level, developing a relationship with the Department of Agriculture, whose housing programs (such as the 502 program) may be difficult for potential home purchasers (and nonprofits) to access. But USDA will work with homeowners in the program, giving forbearance for up to 12 months, "which helps a family get back on its feet," Patrick says. "They have been wonderful to work with. They've been the best lender for the rural economy, because they get it." Patrick cites the example of sharply reduced operations of a starch-producing plant in rural Colorado (where potatoes and starch are important products). "The rural areas have been hit very hard," Patrick says. "They don't have the business economy to spring back up. When the starch plant reduces operations, the impact from layoffs is gigantic on an agricultural community and people lose their homes."

Importance of Networks

The foreclosure problem is a tsunami that, even with good planning, has swamped community development corporations. In early 2007, CRHDC unveiled its foreclosure prevention program. When the program was announced in the newspaper, "the first week we had 200 calls, and we were panicked." NeighborWorks provided about $150,000 in funding assistance to CRHDC. NeighborWorks was the designated entity for federal foreclosure mitigation counseling funds, most of which runs through network members. But more important, as a national network of organizations, it provides technical and financial support for operations and development, giving CRHDC options that unconnected organizations lack.

"We have to get very creative," Patrick says. "Thank God we have NeighborWorks, because they are a consistent supplier of money. We can use the NeighborWorks money to support our rural [communities] when we can raise [other] money for our urban programs." The importance of CRHDC's links to networks is consistent with other crises, from September 11 to Hurricane Katrina. "We're fortunate, because we're a member of NeighborWorks America, and that helps us, because they are coming in with a little extra money to cover overhead," Patrick says.

Hindsight Is 20/20 for 2010

With foundations, the story is sad but obvious. "The foundations, they have cut back, and when we apply to them, we have to do it their way, we have to tell their story," Patrick says. "It's a little misleading to think that way. But right now, we have to be so tuned into the foundations and what they can or cannot do. For 2010 that means, 'Expect very little,' so we're trying to gear up for 2010 and retool our operations."

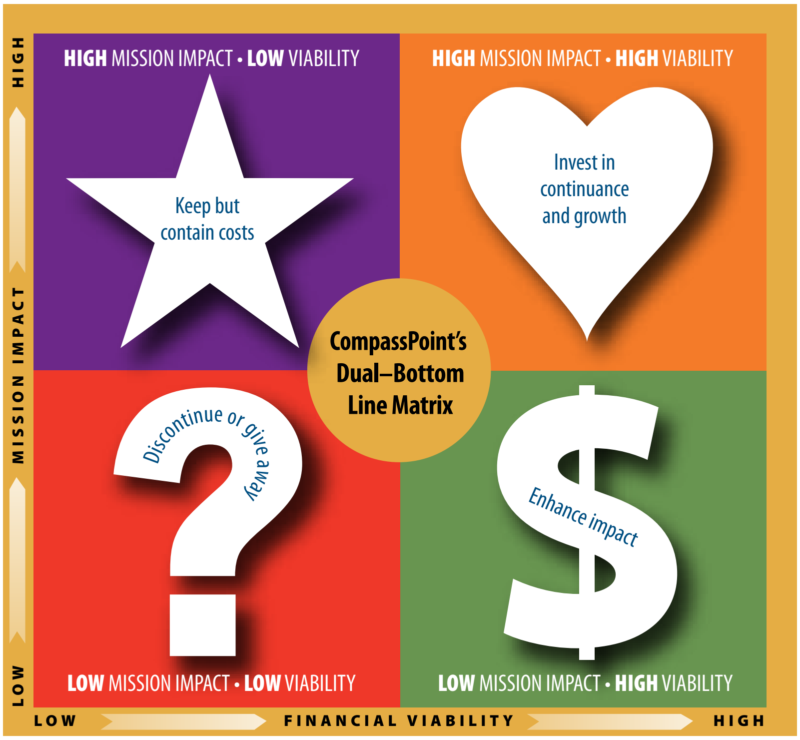
In contrast with the foresight behind the development of the lease-to-purchase efforts, CRHDC's lack of individual donations is a problem that Patrick wishes the organization had better prepared for. As she puts it, "We have never really gone after individual donors, and shame on us. Now that we see that that is an area where we should have been focusing, we're trying to build some relationships. But that's something for the next five to 10 years, and it's hard to do. It's not going to be something that saves us from this economic downturn, but the next one won't catch us so off guard." While CRHDC has done well with funders, Patrick knows that diversification is important. "We're more dependent on government funding than we used to be, and we still have strong bank partners," she says. "But some of those that we used to depend on are going to be reduced at best. Our dependency on bank funders and foundations could be an Achilles' heel in light of this downturn, an enormously valuable lesson to learn in fundraising."

Like the lesson of individual fundraising, Patrick recognizes that today's solutions address not only the current economic climate but also the next downturn, and the one after that. "As bad as things are right now, this is really a great time to learn," she says. "There are so many lessons coming out of this, so many things I wish we had done differently so we would not be feeling this that much. I wish I would have known there would have been so many foreclosures, that it would have been so overwhelming. We had the foresight to build up reserves, but I wish we had known how much we would have to live off them—and just the lessons of working with government."

> "We can't depend on being taken care of by anyone—not government, not foundations."
>
> —Judi Patrick

Balancing Mission and Money

Going forward, Patrick knows that the future won't get easier but harder. "We can't depend on being taken care of by anyone—not government, not foundations," she says. Strategically, she describes planning for the future this way:



Source: Compasspoint's Dual-Bottom Line Matrix, adapted from Michael Allison and Jude Kaye Wiley's *Strategic Planning for Nonprofit Organizations, Second Edition*, 2003.

> We've assessed our programs for their contribution to our mission and our financial stability on a matrix to determine which fall in the various quadrants of low mission/high cost, high mission/high cost, low mission/low cost, and high mission/low cost, with that last obviously being the ideal, and looking at all of that, we had to come up with our balance point [see chart above]. We don't want to be forced into a position of not being able to serve those most in need, so we have to look at which programs might be able to subsidize others. It's a balancing act.

Despite all the plans and agility, there is still a possibility of more losses. "If it's truly as bad next year, we would have to do layoffs and cut some services or cut services to some areas," Patrick speculates. But even here, CRHDC has considered scenarios. "We're looking at the loss of one urban area rather than immediately cutting rural. We've actually selected the urban target areas where we would have to scale back, and we have already had to identify staff that we'd have to lay off."

But for now, CRHDC is moving ahead, developing new migrant farm-worker housing programs, looking at fee-generating lending opportunities through CRHDC's Community Development Financial Institutions arm, applying for new Community Development Block Grant and other program resources, and eyeing possible resources from the federal economic stimulus.

When it comes to people, that's the toughest job for the associate director, and Patrick knows it.

> We're very transparent with our employees. We have let them know. We have a meeting every Monday, and they know where the funding stands and what the challenges are. We have let them know that we are committed, as long as we can, to making sure that our employees are OK: that we're not, at this point, going to be reducing.
>
> I'd have to say, yeah, we're fairly stressed, because we are monitoring those reserves, we're monitoring what's coming in, we're monitoring the new funding opportunities, and doing the forecasting, and sitting here saying, "OK, how do we continue with the mission?" And we've looked at, "OK, what is our fallback plan if we have to do any layoffs? How do we triage this so that the mission still remains first?"
>
> We've had to come up with some plans that we don't necessarily like. For the employees that we have, though, we've made it even more of an emphasis to let them know how much we appreciate what they do, how valuable what they do is. We're trying to let them know, "We think that what you do is hugely important to the communities that we're in, and we are doing everything we can to make sure that you can continue to do that."

"This year is giving me an ulcer," Patrick says. Channeling Mel Brooks, she concludes, "It's not true that 'it's good to be king.'"

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org using code 160104.

NPQ's New Website:

You *Can* Have It All.

Access to our Full 10-year Archive

We've put our entire archives online, and gave print subscribers free access. Visitors to our NPQmag.org now have instant answers to all their most vexing questions.

NPQ Digital Edition

Flip through the most recent issue of the *Nonprofit Quarterly*, just like you would offline.

Weekly Columns

Regular contributions from Erline Belton, Rick Cohen, Tim Delaney, Simone Joyaux, and Ruth McCambridge.

Ask the Librarian

Looking for something in particular? Ask our digital librarian and we'll publish the answers as a readers' guide.

Career and Professional Opportunities

Time for a change? Check NPQ's executive job board for the latest listings.

Browse by topic or by issue

Find what you need more easily in our new section of curated best-of topics, or browse through issues just like they were on your shelf.

Improved user profiles

Comment on articles, connect with other nonprofit professionals, send and receive messages, update your profile, manage your digital subscriptions, and more!

NPQmag.org

Foundation Grantmaking during the 2008–2009 Economic Collapse

by the editors

The current economic picture does not indicate much predictability for grant seekers.

What we know is that the assets of foundations have plummeted—in many cases, quite significantly. So over the next year or so, what kind of foundation grant support can nonprofits expect to receive? During this economic downturn (which has no discernable end), foundation approaches to grantmaking have been as diverse as grantmaking institutions themselves, with some foundations declaring themselves open only to a core group of existing grantees, with others declaring a willingness to spend more than the 5 percent minimum required payout, and with some just closing up shop. And during such a tumultuous time, even quite large foundations remain unsure about their strategies.

In short, the picture does not indicate much predictability for grant seekers. So the *Nonprofit Quarterly* has cobbled together disparate sources of information—including regional associations of grantmakers, many of which have recently surveyed members—on grantmaker funding trends in the wake of the downturn. We have assembled the findings from available surveys and identified discernable trends. We provide that analysis below with detail about various U.S. regions.

But before we delve into the findings—which are based on surveys of organizations among 15 regional associations of grantmakers—we should note some characteristics of the data and the methodology for gathering it. The differences among regions, for example, may have as much to do with how the survey was conducted (responses collected in October 2008 may reflect less alarm than responses in January 2009—well after the crisis became entrenched) and with the differences in the phrasing of questions as they may reflect regional differences. So forgive us for what may look like too much information. We have tried to make sense of the data, but it remains skeletal.

At the risk of stating the obvious, here are the data's two major findings:

- Most foundations surveyed by their regional associations expect to give less in 2009 than they did in 2008.
- Most responding foundations expect to give less in 2010 than in 2009.

According to *Giving USA 2008*, foundation grantmaking constitutes only 12.6 percent of total charitable giving, leading some observers to suggest that foundations do not merit the attention they garner.[1] But foundation grants are one of the few sources of discretionary capital that nonprofits might—again, *might*—be able to use to sustain capacity and weather financial storms. The role foundations choose to play during these

PHOTO © STEVE PREZANT / CORBIS

The role foundations choose to play during these times will speak volumes about their commitment to people in need.

Table 1: **Grantmaking Association Survey Respondents**

Grantmaker Association (and Geographic Coverage)	Survey Conducted in	Number of respondents
Donors Forum of Southern Florida (Broward, Miami-Dade, Monroe, and Palm Beach counties)	November 1–December 1, 2008	57
Ohio Grantmakers Forum	January 2009	92
Council of Michigan Foundations	December 2008	49
Council of New Jersey Grantmakers		34
Minnesota Council on Foundations	November 2008	107
Connecticut Council on Philanthropy	October 2008	38
Delaware Valley Grantmakers (Greater Philadelphia region)	October 2008	27
Arizona Grant Makers Forum	October 28–December 1, 2008	31
Indiana Grantmakers Alliance	October 2008	71
Grantmakers Forum of New York (upstate New York)		40
Washington Regional Association of Grantmakers (metropolitan District of Columbia, including suburban Maryland and Virginia counties)	October 2008	"More than one-third of the membership"
Southeastern Council of Foundations (11 Southeastern states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia)	Not specified	Not specified
Northern California Grantmakers (largely San Francisco Bay Area)	November 2008	32
Donors Forum (Illinois)	October 2008–November 2008	54
Donors Forum of Wisconsin	August 2008–December 2008	100-plus

times will speak volumes about their commitment to people in need and to the services and advocacy organizations that serve them.

Foundation Declarations: A Sinking Feeling

While some foundations—such as the John D. and Catherine T. MacArthur Foundation,[2] the Bill & Melinda Gates Foundation,[3] and the James Irvine Foundation[4]—have announced their intentions to exceed their 2008 grantmaking in 2009, most news reports cite grantmaking cutbacks.

Even in these cases of proposed increases, some announcements contain equivocal wording, suggesting that foundation overseers might reconsider or curtail their proposed increases. Many foundations, such as the John S. and James L. Knight Foundation, have issued lengthy statements to assure grantees that funders will not renege on existing commitments, which suggests that future grantmaking levels look more than a little bleak.[5] Some foundations announced increases in their percentage payout, which press accounts mistakenly interpreted as 2009 grantmaking increases. Straightforward statements about losses—such as those by the McKnight Foundation in Minnesota (which lost $700 million in assets) and the George Gund Foundation in Ohio, which announced that its higher-than-anticipated payout rates will still translate into lower grant payouts in 2009 because of depressed endowments—remain rare.[6]

But in this era of economic downturn, what will the norm be? Countercyclical expansion of the likes of MacArthur and Irvine? Higher payout rates but lower grantmaking, such as at McKnight and Gund? Efforts to maintain 2008 grant levels through 2009? Or couched amid statements of concerns, reductions of unknown levels in grant budgets?

The complete answer will probably take time to unfold. In the meantime, the *Nonprofit Quarterly's* early data will have to suffice, so now we turn to those findings.

The Data Sources

Many foundations belong to regional grantmaker associations (which bear the unfortunate acronym RAGs) and in late 2008 or early 2009, about half these organizations surveyed their members about grantmaking expectations for 2009.[7]

Table 1 features the 15 grantmaker associations whose survey information we have reviewed in this article.

Because of various factors, there are limits to what we can learn from these grantmaker association reports. First, responding organizations didn't use a uniform survey design, so comparing information among them can be difficult or impossible. Second, these reports' level of detail varies. Some provide only gross aggregate information on survey respondents; others disaggregate the information by type of funder or by regions within the state. In some cases, detailed benchmarking of this information may have been available to association members, while the press and public received only summary data.

Further, like most nonprofit surveys, these surveys are not based on random or stratified samples. The sample is made up of foundations that chose to respond. As a result, the responses are more revealing as general foundation reactions to the downturn than they are as evidence for definitive claims.

And the responses themselves are not definitive concerning what funders will do. The surveys, for example, ask respondents about their expectations for their 2009 grantmaking. But responses provided in late 2008—when the markets and the economy were merely plummeting—may differ markedly from those provided in the winter of 2009 when "plummeting" hardly conveys the depth of the economic crisis. Many foundation executives may prefer to maintain or increase their 2008 levels of grantmaking in 2009, but they may also discover that sinking investments plus cautious trustees make these hopes unrealizable.

Interpretation is also limited by the various kinds of foundations. Survey respondents include community foundations, private foundations, health-conversion foundations, regranting intermediaries, public entities, and more. They are not always easily comparable. Conversion foundations created as a result of state government intervention or legal consent decrees may be required to do certain kinds or levels of grantmaking. Public foundations, such as community foundations and re-granters, may use a different calculus for responding to economic downturns than do private foundations feeling hamstrung by "inviolable" endowments and a fear that too much spending will harm gilded notions of perpetuity.

Table 2: **Respondents' Predictions for 2009 Grantmaking Budget**

Grantmaker Association	Respondents' Predictions for 2009 Grantmaking Budget Compared with 2008 Level		
	Will Increase	*No Significant Change*	*Will Decrease*
Southeast	6.9%	63.8%	29.3%
New Jersey	6.7%	16.7%	66.6%
South Florida[a]	10.6%	26.3%	50.9%
Ohio	11.0%	29.0%	60.0%
Michigan[b]	4.0%	14.0%	67.0%
Wisconsin	4.0%	44.0%	53.0%
Minnesota	15.0%	41.0%	40.0%
Connecticut	13.0%	34.0%	24.0%
Delaware Valley	6%	42%	"more than 50%"
Arizona[c]	9.7%	16.1%	58.1%
Indiana	8.0%	22.0%	69.0%
Upstate New York[d]	8.0%	27.0%	57.0%
metro–Washington, D.C., area	17.0%	30.0%	54.0%
Northern California[e]	18.0%	28.0%	40.0%
Illinois[f]	17.2%	32.7%	36.6%

[a] South Florida survey results also include 8.8 percent "still unknown at this time," and 3.5 percent that "temporarily stopped" grantmaking.
[b] Michigan identified 14 percent responding as "uncertain."
[c] Of the Arizona respondents, four out of 31 said it was too early to tell.
[d] Eight percent of respondents were unsure.
[e] Twelve percent of respondents replied, "still unknown at this time."
[f] Among Illinois respondents, 13.5 percent said "other," some of which might reduce their 2009 grantmaking below 2008 levels.

Despite these limitations, the survey findings reveal important signals about how the foundation community may navigate the recession. This review focuses on two core issues:

1. Compared with 2008, what will funders do with their grantmaking budgets in 2009? Increase, decrease, or hold steady?
2. How will funders change grantmaking strategies? What will they emphasize and deemphasize?

Will Foundations Give More or Less?

As Table 2 indicates, many foundations expect to give less in 2009, and few expect to give more. In all but five of 15 regions, the majority of foundations expect to give less.

In none of these regions did more than 20 percent of funders predict that grantmaking would increase in 2009, and in most surveys, less than one-tenth of survey respondents predicted increases. With the exception of respondents in the Southeast, Illinois, and Connecticut, between 40 percent and 70 percent of respondents anticipated cuts.

There are ample hints that foundation respondents do not anticipate an economic reversal in 2009.

When calculating payouts, endowed foundations typically average assets over a three- to five-year period, ostensibly so that a bad year or two doesn't unduly depress grantmaking. The fact that so many anticipate cutting grant budgets may be because some have experienced asset downturns in 2007 as well as in 2008. But remember, the Dow's all-time high was in the fourth quarter of 2007, and the year ended at the still-astronomical 13,264.82. The depth of some foundations' anticipated cutbacks in 2009 do not suggest calculations that include pre-2008 boom market levels or reflect other concerns and priorities for foundation decision makers.

How Deep?

More striking than the number of foundations that expect to shave grant budgets are those that anticipate hefty retrenchments:

- Among New Jersey respondents, 13.3 percent predict cutting 16 percent to 46 percent.
- Among Ohio respondents, 28 percent anticipate cutting their grants by more than 10 percent.
- Among Wisconsin respondents, 11 percent anticipate "significantly decreasing" their grantmaking.
- Among Minnesota respondents, nearly one-fourth predict cutting grantmaking by more than 10 percent.
- Among Connecticut respondents, 14 percent expect grantmaking cuts of 16 percent and more.
- About one-fifth of Arizona foundation respondents anticipate cutting their grant budgets by 16 percent or more.
- Among respondents to the Illinois Donors Forum, 13.5 percent predict cutting their grant budget by one-fifth or more.
- Among Metro–Washington, D.C., area funders, 27 percent anticipate 2009 grantmaking budget reductions of more than 16 percent.
- In South Florida, 29.8 percent estimated cuts of more than 10 percent.
- Among Indiana respondents, 39 percent estimate cuts of 16 percent or more, with 13 percent cutting their grantmaking by half or more.

As distressing as this picture may be, the whole scene may be worse if the numbers are skewed due to respondent self-selection.

How Long?

As much as six months have passed since most of these surveys were completed, and since that time, even more bad news has emerged. But even at the time of these surveys, there were ample hints that foundation respondents did not anticipate an economic reversal in 2009. While only 29.3 percent of Southeastern survey respondents predicted that they would reduce their grantmaking in 2009, for example, 62.5 percent expected that 2010 grant totals would decrease. Similarly, Ohio grantmakers—reportedly using 12-quarter averaging of their assets—indicated that grantmaking in 2010 could be much worse than in 2009.

Grantmaking Strategies

Respondents typically report anticipating or having received more grant applications, most often via requests for general operating support.

In some areas, foundations report that they have responded by increasing the proportion of their budgets devoted to flexible general operating grants. In a few cases, foundations report releasing their grantees from program or project grant restrictions. Just about half of the Ohio, Indiana, Northern California, and Metro–Washington, D.C., area respondents and one-third of Illinois survey respondents, for example, say they will increase their general operating grantmaking.

At the same time, respondents indicate that they will pull back on multiyear grantmaking. While multiyear grants are also critical infusions for nonprofit sustainability, the impossibility of predicting next year's and the following years' endowment values makes long-term commitments understandably difficult.

Respondents also express interest in encouraging their grantees to collaborate and specifically to merge. Three-fourths of the Michigan respondents, 71 percent of surveyed Illinois foundations, nearly 40 percent of upstate New York foundations, half of Ohio respondents, 56 percent of Northern California respondents, 42 percent of Arizona grantmakers, 37 percent of Connecticut respondents, and one-quarter of Southeast grantmakers suggest that they will increase focus on facilitating nonprofit mergers (in some cases, using the euphemism of "mergers and collaborations") in 2009.

Facing the Flood: Recommendations for Foundations

Across the country, foundations face an unprecedented squeeze between conflicting pressures: increased demand and diminished resources. Some foundations have taken courageous and innovative steps to address community and nonprofit needs. Many more should do so and consider the following actions:

1. **Increase grantmaking.** As some courageous foundations demonstrated in the wake of the post–September 11 recession, economic downturns are the time for foundations to increase grantmaking, not cut back. While foundation funding is only a small part of overall nonprofit revenue, it is a crucial and distinctive component, enabling nonprofit recipients to undertake programs and actions that the turmoil in the economy demands. As is so often said, our funding is the risk capital for social change. This is the time when we have to live up to that credo and put our money on the table to help nonprofits address the recession or depression in all its forms.
2. **Increase the flexibility of grants.** There are many arguments pro and con on flexible core support grantmaking versus program-allocated, or project-specific, grantmaking. At this moment, however, many organizations do not have the luxury of taking or completing program-specific grants as they simultaneously lose individual donations and government grants. We strongly recommend that foundations increase their core operating grants and, further, make every effort to convert program-specific grants into flexible, core-operating ones to help grantees survive these economically perilous times.
3. **Increase program-related and mission-related investments.** At the crux of the economic downturn were problems in the financial sector, which were reflected in widespread mortgage foreclosures and related bank failures. Commercial banks have suspended much of their lending, and a retrenching Wall Street is tight on investment capital. As mission-driven institutions, foundations should devote increasing proportions of their investment capital to mission-related projects and programs sponsored and implemented by our nonprofit partners.
4. **Increase support for advocacy.** During these turbulent times, the pace of change has been unlike anything our society has seen in decades. Government initiatives to rectify problems in the economy such as the bailout legislation are devised and altered by the day. This provides nonprofits with an enormous window for advocacy on social spending and tax policy, among many other issues. But if nonprofits are to carry out this critical function, foundation support for nonprofit public-policy advocacy and organizing is essential.
5. **Increase the commitment to the nonprofit sector.** There is hardly a nonprofit in the nation that has not prepared for cutbacks, laid off staff, reduced program services, contemplated deficit budgets, or thought about creative ways of surviving what could be a prolonged economic slump. This is a time for the foundation sector to remember that it has to invest in strengthening rather than abandoning the nonprofit sector. Despite what a national foundation leader has insinuated, it is not "myopic" for philanthropy to recommit to a primary focus on the nonprofit sector. Rather, at this moment, it is nothing short of essential to the fabric of American democracy.

Prescriptions for the Future: Good and Bad Medicine

The surveys reveal a relatively split foundation community on whether a recession means that foundations should hunker down on existing missions or rethink purpose. A debate in a Council on Foundations newsletter between Karl Stauber of the Danville Regional Foundation and Emmett Carson of the Silicon Valley Community Foundation summarized the merits and liabilities of revising foundation mission during a down period. Stauber argued for continuity and suggested that foundations "must have the courage and will to balance the short-term charity needs with the long-term philanthropic opportunities." Carson, on the other hand, argued for change, saying, "Each foundation has an obligation to consider whether, and how, to respond to this crisis."[8]

Both Stauber and Carson lead community foundations whose discretionary grant pools may allow them to consider these questions. By contrast, private foundations' restrictions are tied to their endowments. But the longer and deeper the recession, the more likely foundation executives will be compelled to revisit their raison d'être and ask whether the intentions of their foundations and donors are relevant within a broad, national economic collapse.

Every day's news headlines announce that the recession is worse than imagined, that the stimulus may not generate jobs and recovery as quickly as hoped. Foundation executives now have to make difficult decisions about conditions that our nation's top government and economic leaders cannot predict with any precision. They are clearly struggling to discover answers, often

Are foundations going to husband their assets or deploy them at the most dire time for nonprofits since the Great Depression?

reverting to tried-and-true bromides with little specificity: more leadership development, more focus on current grantees, more capacity building, more one-on-one technical assistance (provided by foundation staff).

Their ultimate answers in terms of grantmaking strategies and grantmaking budgets are, hopefully, yet to be fully crafted and open to input from the nonprofits they support.

Not Inevitable

For many foundations, when they see their assets depleted by 20, 30, or 40 percent in one fell swoop, the first reaction is to cut back their grantmaking accordingly. It is a business-rational calculus. But what will happen as we all take a second and third look at the potential damage of this approach?

Unlike profit-oriented corporations responsive to shareholders, philanthropic foundations have a different mission—the welfare of our society—and a different set of stakeholders: the American public that has entrusted them with the stewardship of tax-exempt resources. From community foundations to health-care conversion foundations to family foundations and "independent" foundations, these institutions have the decision-making and financial latitude to respond to this economic crisis that is beyond the capacity of cash-strapped operating charities.

The social mission of foundations is on the docket. Are foundations going to husband their assets or deploy them at the most dire time for nonprofits since the Great Depression? Unlike many tens of thousands of nonprofits, foundations are unlikely to go out of business because of the recession. Their assets may have decreased, but they will survive until the market rebounds, as it inevitably will. But without capital infusions for their capacity and sustainability, many nonprofits will not be there to greet them, and the communities they serve will be devastated by the effects of this downturn.

During economic recessions, nonprofits and communities are at their most vulnerable, with few alternative ports in the storm. Foundations are under no mandate to cut back or hoard their resources. To the contrary, by virtue of their functions on behalf of the U.S. taxpayer, they could and should follow a more recession-specific agenda of increased grantmaking to help nonprofits overcome the turbulence of these economic times.

When the McCune Foundation temporarily stopped taking new applications early in the nation's economic slide, some observers misread the announcement as the foundation's having shut down its grantmaking entirely.[9] The grantmaker association surveys suggest that other foundations are doing the same regarding unsolicited applications, such as the decision of the Harry and Jeannette Weinberg Foundation to stop taking letters of inquiry until at least April 2009,[10] and other foundations have temporarily stopped future grantmaking.[11] Nonprofits should think boldly and creatively about the future, notwithstanding the challenges they will face in terms of increased service demands undermined by constrained finances. Shouldn't foundations do the same by thinking boldly about their roles in the present and future rather than hunkering down with their endowments?

As Stauber notes, the operating norm for philanthropic foundations is different than it is for individual charitable givers. But there are local circumstances that necessitate immediate foundation attention. To name two, the double-digit unemployment rates of Michigan and California cannot be ignored. Given the inevitable reductions in Fannie Mae and Freddie Mac grantmaking budgets, foundations have to be exceptionally aware of the vulnerability of Metro–Washington, D.C., area nonprofits. States with proportional double-digit gaps between revenue and expenses in their 2009 general funds—Arizona, Alabama, California, Connecticut, Illinois, Georgia, Rhode Island, South Carolina, and Utah—require special foundation attention and creativity.[12] Unless their investment advisers or Bernard Madoff decamped with their assets, foundations should put their money into the budgets of frontline nonprofits and open themselves up to nonprofits with the best ideas for responding to the crisis. Hibernation is not an option.

Counseling no need to panic, researchers from the Foundation Center and elsewhere have documented how foundations weathered the recessions of 1981–1982, 1990–1991, and 2001 to bounce back in a year or two with increased endowments and grants.[13] But this time, many of the nation's most important nonprofits serving and giving voice to the needs of the poor and disadvantaged may not be there to benefit from the philanthropic recovery. Unlike its predecessors of the past 30 years, this downturn might affect foundation endowments more like the Great Depression than the September 11 recession by requiring several years to rebuild foundation assets. In the interim, the cumulative work of foundations building a nonprofit infrastructure across the United States might be rapidly eviscerated—unless foundations come to grips with their obligation to sustain the investments they have made in our civil-society institutions.

During these turbulent times, foundations have choices to make. With the help of regional and state grantmaker associations and state nonprofit associations, they may find their way to the choices that support nonprofits and boost economic prosperity.

During these turbulent times, foundations have choices to make.

Endnotes

1. Foundations also receive 9.1 percent of all charitable gifts, according to *Giving USA 2008*, the *Nonprofit Quarterly's* Illustrated Nonprofit Economy, vol. 15, no. 4, Winter 2008 issue, which indicated that in 2006, foundations received $100 billion in interests, dividends, bequests, and individual contributions from which they made $41 billion in philanthropic contributions but also added $59 billion to their own assets. Since one-third of individual charitable giving goes to religious institutions and initiatives, the $41 billion from foundations in the form of philanthropic grantmaking is significant.
2. The John T. and Catherine D. MacArthur Foundation (www.macfound.org/site/c.lkLXJ8MQKrH/b.4196225/apps/s/content.asp?ct=6334379).
3. The Bill & Melina Gates Foundation (www.gatesfoundation.org/press-releases/Pages/statement-financial-crisis-081121.aspx).
4. The James Irvine Foundation, "Letter from the President" (www.irvine.org/news/from-the-president/letters/2008-letters/fall-2008).
5. For example, see this letter from the Knight Foundation: www.knightfoundation.org/news/press_room/knight_press_releases/detail.dot?id=339422#
6. See statements from the McKnight Foundation and the Gund Foundation for explanations (www.mcknight.org/newsandviews/ourviewpoint_detail.aspx?itemID=6728&catID=2442&typeID=16; www.gundfdn.org/NEWS_AND_PUBLICATIONS/NEWS/how_we_respond_economy.asp). Both foundations have lost about one-third of their endowment value.
7. Some grantmaker associations and their surveys have not been included in this article either because the surveys were not yet completed or because the information was not available.
8. Karl Stauber, "Staying the Course in Hard Times," and Emmett D. Carson, "Grantmaking with Intention," *Thought>Action>Impact* (www.cofinteract.org/taijournal/index.php/2008/11/19/title-three/comment-page-1/index.php?author=5).
9. Dan Fitzpatrick, "McCune Foundation Puts Hold on Grant Applications," *Pittsburgh Post-Gazette*, February 19, 2008.
10. Harry and Jeannette Weinberg Foundation, November 5, 2008 (www.hjweinbergfoundation.org/subPages/press_pdfs/110608_lettersofinquiries.pdf).
11. At the earliest, the John Templeton Foundation, for example, will not make new grants until September 2009; see "Restructuring Our Grant-Making System" (www.templeton.org/submitting_a_proposal). In the grantmaker surveys, responses to the South Florida and Northern California surveys indicated they may temporarily suspend grantmaking.
12. Elizabeth McNichol and Iris J. Lav, *State Budget Troubles Worsen*, Center for Budget and Policy Priorities, updated February 10, 2009 (www.cbpp.org/9-8-08sfp.htm).
13. See, for example, Steven Lawrence, *Past Economic Downturns and the Outlook for Foundation Giving*, October 2008 (foundationcenter.org/gainknowledge/research/econ_outlook.html); Steven Lawrence, A First Look at the Foundation and Corporate Response to the Economic Crisis, January 2009 (foundationcenter.org/gainknowledge/research/econ_outlook3.html); Daniel Trotta, "U.S. Charities Resisting Recession, but Hardships Ahead," *Reuters*, February 5, 2009 (www.reuters.com/article/lifestyleMolt/idUSTRE5147NJ20090205).

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 160105.

The *Dance* of the *Four Veils*

by Tom Ahern

Drama overcomes indifference and inertia, which are your real enemies when you're trying to communicate.

Editors' note: *In the current economic environment, it's vital that every communication from your organization hits its mark. Effectively communicating the value of your work and engaging constituents is an essential organizational skill. Excerpted from Tom Ahern's book* Seeing through a Donor's Eyes, *this article reminds readers of some of the fundamentals.* Nonprofit Quarterly *readers may also want to refer to the Fall 2005 issue on communications and the article "Wanted: Master Storytellers" by Susan Nall Bales.*

For the most part, nonprofit communications are boring. Not on purpose, mind you. Still, they are almost always uninteresting. Why? Because they swaddle themselves in one or more of the following interest-draining veils.

Veil Number One: Avoiding Conflict at All Costs

Ditto for controversy, uncomfortable truths, and subjects or language that might upset people.

Conflict and controversy are the essence of drama. Drama automatically engages and intrigues us, because our brains are wired to respond to such stimuli. Drama moves people. Drama overcomes indifference and inertia, which are your real enemies when you're trying to communicate, and particularly when you're trying to fundraise.

An absence of drama leaves readers bored, cold, unmoved, and indifferent.

Does your mission naturally lack drama? Doubtful. Many charitable missions are in some way a solution to a serious problem: teenagers in trouble, a disappearing natural habitat, disease, ignorance, chronic poverty. Problems like these are inherently dramatic.

Bear in mind too that your solution to such problems is what makes your organization relevant to donors, prospects, the media, and others. If you climb aboard the Happy Talk Express and avoid drama at all costs, your communications ring false, and your organization seems less relevant.

Tom Ahern is a consultant specializing in capital campaign case statements, nonprofit communications audits, direct mail, and donor newsletters. His efforts have won three prestigious IABC Gold Quill awards, given annually to the best communications work worldwide (www.aherncomm.com).

ILLUSTRATION © HISTORICAL PICTURE ARCHIVE / CORBIS

In nonprofit communications, instead of fear, anger, hope, and salvation, we are served extra helpings of pontification.

Veil Number Two: A Tendency toward Weak, Bland Language Rather Than Bold, Vivid Words

Consider headline verbs, for example.

Here's a collection of verbs plucked from headlines in the *Wall Street Journal*: *mauls*, *devours*, *looms*, *sparks*, *threatens*, *embraces*, *sputters*, *sows*, *surges*, *rejects*, *retools*, and so on. What characterizes these verbs? Vigor, sound, fury, sharp action. In sum: these verbs have impact.

Newspaper editors have a saying: The verb is the story. Surges? The trend is up. Collapses? The trend is down. Verbs are fireworks, motion, attitude.

In contrast, here are verbs that I scoured from headlines in nonprofit newsletters: *establishes*, *lists*, *uses*, *unites*, *reaches*, *gives back*, *plans*, *unifies*, *builds*, *sets*, *visits*, *shares*, *administers*, *awards*, *helps*, *benefits*.

What characterizes these verbs? They are inconclusive (*shares*), weak (*administers*), unnecessarily lofty (*unifies*), and flat (*visits*, as in "visits an issue"). In sum: no impact.

Veil Number Three: Faint Appreciation for the Emotional Basis of Human Response

Instead of fear, anger, hope, and salvation, we are served extra helpings of pontification.

As noted earlier, with modern MRI diagnostics, we can now watch the brain fire as it makes a decision. It fires first in the emotional seat, then the impulse routes to the rational seat. Imagine the rational part of your brain as a flunky armed with a rubber stamp that says in formidable letters, "APPROVED." The emotions decide what to do. The rational part of your brain seconds the decision: approved.

The old thinking held that emotions and reasoning were opposites. They struggled for dominance. The well-informed thinking now knows that emotions initiate the decision, and the reasoning area of your brain struggles to keep up with a "Yes, dear."

Veil Number Four: Relying on Jargon

Allowing jargon into your case is a faux pas. It's a mildly disgusting habit, something you don't do in front of guests, like flossing at the dinner table.

Here's a United Way communication explaining itself: "Our awareness and efforts now focus on community-impact goals, and how we feed into that. *In other words*, our work has become driven more by mission than by function. We need the multipronged approach to move public will, and there has been an exponential benefit of working more closely and in concert [emphasis added by author]."

In other words? This writer needs help. Real "other words" would have said something obvious like, "We've changed the way we do things. We hope to get better results this way. Our first attempt was a big success."

Jargon is not public language. It's for specialists only. Words like *interdisciplinary*, which bring to mind all sorts of positive connotations among educators, do not resonate the same way for the average person.

And the average person—who isn't a specialist—is your target audience. When the University of Toronto raised a billion dollars recently, 112,819 people made gifts. It's safe to assume that few contributors were specialists conversant with academic jargon.

Return to the example of nonconversational writing that opened this chapter. The full text reads as follows:

> XYZ University's strategic plan is designed to amplify the university's academic excellence. The result of a 13-month planning effort, the plan identifies strategies to enhance the university's work for students on three fronts:
>
> - Reinterpreting the liberal-arts skills of communication and critical thinking to take

into account 21st-century challenges and opportunities

- Multiplying connections between students and faculty members by building on the faculty's record of original research and creativity
- Building on XYZ University's strong sense of community, locally and globally.

What's wrong with this kind of writing? At least three things: (1) it's freighted with jargon, the kind of bureaucrat-ese that only insiders understand; (2) it mentions no emotional goals; and (3) the donor is nowhere in sight. Here's a rewrite that covers the same ground but eliminates these flaws:

"If all goes according to plan, within a decade XYZ University will emerge as the top school in its class, leaving behind our 'peer schools' of today. Admittedly, the plan is ambitious. And it won't be cheap: excellence in education at this level never is. But we will get there, thanks to your vision, commitment, and help."

There's no jargon. The donor is given all the credit in the last sentence. And what are the "emotional goals" (i.e., goals that touch the heart of the target audience)? There are several: emerging as the top school in its class, leaving behind its peer schools, and pursuing an ambitious (rather than an ordinary) plan. These are all things alumni understand, appreciate, and want. How do I know? I've asked.

Final word goes to the brothers Heath from their business bestseller *Made to Stick:*

"Concrete language helps people, especially novices, understand new concepts. Abstraction is the luxury of the expert."

So what does *concrete* mean? "If you can examine something with your senses, it's concrete. A V8 engine is concrete, whereas the term *high-performance* is abstract. Most of the time, concreteness boils down to specific people doing specific things."

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org using code 160106.

"Concrete language helps people, especially novices, understand new concepts."

—*Made to Stick*

Chip and Dan Heath

How Applied Learning Shapes Nonprofit Management Education

by Judith Millesen

***Editors' note:** The* Nonprofit Quarterly*'s 2009 supplement on nonprofit educational programs focuses on the evolution of service experience in this rapidly evolving field and its implications for prospective students, educators, and the nonprofits that work with the graduates of these programs.*

In nonprofit management educational programs, applied-learning techniques provide students with the practical skills they need after graduation. Nonprofit employers value the combination of academic rigor and hands-on experience, but what makes for an effective, experiential university-based program? To get a sense of what constitutes a strong applied-learning program, I conducted several interviews with faculty and administrators in university-based centers across the country that are dedicated to creating a strong link between community engagement and the academic work of a university. These interviewees cited the integrity of the institution's commitment to applied learning and the ability of a university's faculty to carefully organize a program around rich unpredictability.

Institutional Commitment

In terms of a program's integrity, it matters when

Institutional commitment is essential to the success of an applied-learning program.

a university makes the mission of the nonprofit management center or institute an extension of an explicit commitment to service.

At the Swearer Center for Public Service at Brown University, the work is "part and parcel of what Brown is," Roger Nozaki explains. "Students come to Brown because they are interested in learning what they can do to make a difference."

At Xavier's Leadership Center, faculty members work with students to "solve urgent and important problems while facilitating an environment of guidance, participation, and hands-on learning" that is consistent with the university's mission of "assisting students as they journey toward becoming civic-minded leaders."

Institutional commitment is essential to the success of an applied-learning program. When undertaken correctly, these experiences are incredibly time- and labor- intensive, requiring a dedicated effort to build and sustain relationships with community partners so that authentic practical learning can take place outside the classroom.

Authentic Engagement

Strategies for authentic engagement generally should be longer term and build trust between a university and nonprofit leaders as well as reflect an understanding of the projects that will best serve students and add value to nonprofits.

But building trust is tricky. As in any relationship, many factors influence creating a healthy partnership between a university and a community partner. So managing expectations of community members, students, and a university is essential. Ensuring that everyone is on the same page and maintaining open lines of communication go a long way toward creating valuable partnerships.

"We can't just send students out into the field," remarks one instructor, "and hope that they pick an applied-learning experience and that they can figure out how it fits into the curricular content. If I'm going to assign a student into some sort of applied project for their coursework, I will put as much care into it as I would picking exactly the right textbook."

Still, part of what makes an applied-learning program work is its ability to respond to real complexity. After all, this kind of learning teaches the skills that students will be expected to have in the field, and there is no way to fully anticipate when a situation can present teachable moments. One instructor likened the experience to his program's boot camp session in which military representatives conduct a strategic thinking exercise that focuses on the value of partnerships and leaning on others. The exercise presents a chaotic situation, and instructors look for teachable moments. Faculty members have discovered that the opportunity to find these teachable moments arises when they are least looking for them. And these moments often don't occur in the classroom, so it can be difficult for instructors to create these moments when they are accustomed to more structure.

Complexity and teachable moments can manifest in any number of unpredictable situations. Instructors must let go of the perception of safety that traditional classroom structure provides and be comfortable responding to the teachable opportunities that unpredictable situations offer.

Addressing this complexity adequately can be a difficult thread to pull through, but it is essential to the learning experience. Some programs encourage co-teaching classes, and many integrate practitioner presentations into classroom learning.

So applied learning is part and parcel of what's happening in the classroom, not an add-on. In strong programs, faculty take the lead in identifying the project and in making a connection between the curriculum and the projects that students work on. And formality actually matters. The structuring of the agreement between a community partner to ensure that everyone is on the same page may seem bureaucratic, but the more formalized the process, the better the experience for everyone. Client expectations are managed, the integrity of the learning experience is ensured for students, and the university is able to better fulfill an articulated service role in the community. Moreover, all participants know what to expect.

Well-Articulated Expectations

Many of the program leaders with whom I spoke had strong relationships and an ongoing dialogue with their community partners, so they had a strong corps of resources to which they could turn for advice. Experience plays a major role in receptivity, so the care with which projects are chosen and monitored lays the foundation. One interviewee discussed the valuable role of alumni in locating and hosting projects. "They've been through the program, they understand how it works, they know what to expect," the interviewee says. "They can think about the project in the way that the school actually does the work."

Again, some measure of formality matters. A careful process for identifying projects and articulating expectations is essential. To solicit projects, some schools send out a formal request for proposal, while others have an established network of community partners. It is also crucial to be forthright with prospective clients; they are expected to work with the team, provide feedback and advice, and evaluate the team's performance (and this assessment is factored into the student's overall grade for program coursework). Clients also agree to attend the public presentation of projects and to permit the university to publicize the work students have done for them. In some programs, clients reimburse students' out-of-pocket expenses.

Random-Order Learning and Other Nonlinear Stuff

Although a robust body of context-specific experiences is essential for learning to occur, experience can become learning only once it is reflected upon. Reflection is important to applied learning and some of students' "aha" moments may reveal themselves at unexpected moments. Persistent, directed vigilance to find teachable moments can facilitate the process of translating experience into learning. But this requires flexibility in the learning process.

The learning process has to include moments for students to say, "I feel," "I think," and then "I do," but most academics omit the "I feel" part. So how do you bring faculty along? "Many faculty members live in their head," shares one interviewee. For them, "teaching is one-directional not bidirectional. . . . These faculty members teach just what's in their head." Instructors are often anxious about a chaotic classroom, but students need to get used to experiencing and working with the unexpected. So instructors need to work with students to allow events to unfold, seizing the moments when learning can happen. This can be a seemingly random process, but we have to seize those moments. In stellar programs, faculty members do just that.

Instructors need to work with students to allow events to unfold, seizing the moments when learning can happen.

Challenges

Even when there is a strong institutional commitment to applied learning and highly developed mechanisms for aligning expectations, a few challenges must still be overcome to ensure programmatic integrity and success as well as to generate authentic learning experiences for students. Interviewees identified at least four important challenges.

First, it is essential to engage faculty in pedagogical discussions about what matters. "The problem with too many universities," notes one interviewee, "is that we never have deep conversations about what good learning is or what good teaching is. And we get all wrapped up in this whole idea of academic freedom: 'No one touches my classroom, I know better what to teach, it's nobody's business what I am teaching'—that's the academic culture. [So you have to] find the faculty who are open to learning."

A second challenge is related to student expectations and assessment. "Just like in the business world, salary and bonus and performance appraisal always get in the way of organizational effectiveness," notes one interviewee. "In the classroom, grades get in the way. . . . Students are so fixated on what they need to do to get a good grade. . . . You want to almost scream at them and say, 'I don't give a damn about the grade. I care that you have an epiphany and gain new insight,' and it is really hard to make that happen in a classroom."

A closely related third challenge is students' lack of experience in the field. "What I expect from students is something equivalent to what their boss would ask of them, and they really do not have the skills to do that," emphasizes an interviewee. "Crafting acceptable solutions is harder in the public and nonprofit sector, because there are so many variables and other kinds of things that are happening. You develop sensors and are able to pick up the cues."

And finally, even the most well-articulated agreement or memorandum of understanding cannot predict the future or prevent people from behaving badly. "We can't control the clients," emphasizes an interviewee. "Sometimes liaisons move; projects fall off the radar at the client agency; sometimes people get busy at the client agency and don't provide prompt feedback. . . . People change jobs, get sick; things crop up. Sometimes there will be conflict within a client agency about what they really want, and the team faces a challenge to work with the client agency about what the final deliverable will look like. . . . We try to stay out of all of that and coach the students about how to deal with it. But clients are unpredictable, and they have their own agendas."

Applied learning can increase self-directed learning and improve problem-solving skills.

In sum, applied learning is an important pedagogical tool that can increase self-directed learning and improve problem-solving skills. By recognizing that students come to the classroom with knowledge and beliefs about what is being taught, faculty can help students to make connections between what they know, the reference materials they discover, the situation in their organizations, and the goals of the classroom. Even though complexity will rear its head along the way, students are almost always pleased with the "real world" experience that applied learning provides.

Judith Millesen is an associate professor of political science and a faculty fellow at the Voinovich School of Leadership and Public Affairs at Ohio University.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 160107.

Education Directory 2009

The following directory of nonprofit management education programs lists programs by state. Some institutions offer single programs, while others offer an array. The programs offered by each institution are noted by numbers accompanying the listings from 1–8.

Readers wishing to get a fuller abstract for each program can access the database directly at http://academic.shu.edu/npo/. Educational institutions may also update their information at this address.

Thanks to Roseanne Mirabella, Ph.D., Associate Professor, Political Science Department at Seton Hall University for working in collaboration with *NPQ* to produce the directory. The database resides as Seton Hall University and is maintained by the Seton Hall Department of Information Technology. Special thanks to Paul Fisher, Michael Soupios, and Thomas A. McGee at the Teaching, Learning, Technology Center for developing and maintaining the site.

Key to Listings

1. Noncredit Programs
2. Undergraduate Certificate Programs
3. Undergraduate Concentrations (3+ courses)
4. Graduate Nonprofit Studies classes
5. Graduate Certificates
6. Graduate Concentrations Leading to a Masters
7. Graduate Degree Majoring in Nonprofit Studies
8. Online Courses

ALABAMA

Auburn University at Montgomery 2,4,5,6
Dr. Thomas Vocino, Head, Department of Political Science and Public Adminstration, Department of Political Science and Public Administration, P.O. Box 244023, Montgomery, AL 36117; Graduate: tvocino@mail.aum.edu American Humanics:tlucybou@mail.aum.edu

Troy University 4,6,8
Dr. Robert Abbey, Associate Professor, Public Administration, 111 Adams Administration Building, Troy, AL 36982; rabbey@troy.edu

University of Alabama at Birmingham 4,5
Dr. Akhlaque Haque, Director, UAB Station, Birmingham, AL 35294; ahaque@uab.edu

ARIZONA

Arizona State University - Undergraduate Program 2,3
April Maguire, Administrative Assistant, ASU Lodestar Center for Philanthropy & Nonprofit Innovation, 411 N. Central Ave., Suite 500, Phoenix, AZ 85004-0691; nonprofit@asu.edu

Arizona State University - Graduate Program 1,2,3,4,5,6,7,8
April Maguire, Administrative Assistant, Center for Nonprofit Leadership and Management, 411 N. Central Ave., Suite 500, Phoenix, AZ 85004-0691; nonprofit@asu.edu

Arizona State University - Noncredit and Professional Development Courses 1,8
April Maguire, Administrative Assistant, ASU Lodestar Center for Philanthropy & Nonprofit Innovation, 411 N. Central Ave., Suite 500, Phoenix, AZ 85004-0691; nonprofit@asu.edu

University of Arizona 4,6
H. Brinton Milward, Director, The School of Public Administration and Policy, 405 McClelland Hall, Tucson, AZ 85721; bmilward@eller.arizona.edu

ARKANSAS

University of Arkansas at Little Rock 1,2,4,5
Kim H. Evans, UALR Institute of Government, Institute of Government, Room 616 Ross Hall, 2801 S. University Drive, Little Rock, AR 72204-1099; khevans@ualr.edu

University of Arkansas at Little Rock - American Humanics 2
Betsy Hart, Coordinator of Community Relations, Sociology & Anthropolgy Department, Stabler Hall, Room 401, 2801 S. University Ave., Little Rock, AR 72204-1099; edhart@ualr.edu

CALIFORNIA

Alliant International University 4
Patrick A. Sullivan, Professor of Strategic mgmt., 10455 Pomperado Road, San Diego, CA 92131-1799; arahma@alliant.edu

American Jewish University 3,4,5,7,6
Nina Lieberman-Giladi, Dean, Graduate Programs in Nonprofit Management, Department of Business, 15600 Mulholland Drive, Los Angeles, CA 90077; nlieberman-giladi@ajula.edu

Azusa Pacific University 4
Susette Trinque, Graduate Admninssions, School of Business and Management, 901 E. Alosta Ave., PO Box 7000, Azusa, CA 91702; strinque@apu.edu

California State Polytechnic University, Pomona 1
Lisa Lucio, Coordinator, Grants, Contracts and Public Relations, College of the Extended University, 3801 W. Temple Ave., Bldg. 220A, Pomona, CA 91768; lmlucio@csupomona.edu

California State University - Hayward 4,5
Kathy Ferber, Program Coordinator, 25800 Carlos Bee Blvd., Hayward, CA 94542; eandrews@csuhayward.edu

California State University - Los Angeles 2,4
Dr. Anne Larson, Executive Director, Youth Agency Administration Studies, 5151 State University Drive, Los Angeles, CA 90032-8165; alarson@calstatela.edu

California State University - Los Angeles, Political Science 4
Siegrun Fox Freyss, Director, MSPA Program, Department of Political Science, 5151 State University Drive, Los Angeles, CA 90032; sfreyss@exchange.calstatela.edu

California State University - San Bernardino 4
Montgomery Van Wart, Professor and Department Chair, Jack H. Brown Hall, 5500 University Park, San Bernardino, CA 92407-2397; mpainfo@csusb.edu

California State University, Fresno 2,3
Matthew A. Jendian, Ph.D., Associate Professor of Sociology; Director, American Humanics Program, Department of Sociology, 5340 North Campus Drive, SS97, Fresno, CA 93740-8019; matthewj@csufresno.edu

California State University, Long Beach 4,8
Joanne Conley, Campus Director, Department of Recreation and Leisure Studies, 1250 Bellflower Boulevard, Long Beach, CA 90840-4903; jconley@csulb.edu

Fielding Graduate Institute 4
Charles McClintock, Ph.D., Dean, 2112 Santa Barbara Street, Santa Barbara, CA 93105; admissions@fielding.edu

Pepperdine University 2,3
Dr. Regan Harwell Schaffer, Executive Director, American Humanics, Seavor College, Business Administration Division, 24255 Pacific Coast Highway, Malibu, CA 90263-4184; regan.schaffer@pepperdine.edu

San Diego State University 2
Ms. Tracie Hitter, American Humanics Coordinator, Career Services, 5500 Campanile Drive, San Diego, CA 92183-8255; thitter@projects.sdsu.edu

San Francisco State University 1,2,4,6
Dr. Genie Stowers, Program Director, Public Administration Program, 1600 Halloway Avenue, San Francisco, CA 94132; gstowers@sfsu.edu

San Jose State University 2
Dr. Nancy Da Silva, Executive Director, American Humanics, Department of Psychology, One Washington Street, San Jose, CA 95192-0120; ndasilva@email.sjsu.edu

Sonoma State University 1,4,5,6
David McCuan, Coordinator, MPA Program, 1801 East Cotati Avenue, Rohnert Park, CA 94928; David.mccuan@sonoma.edu

University of California at Berkeley 4
Dr. Nora Silver, Director, Public and Nonprofit Management Program, HAAS School of Business, 350 Barrows Hall, Berkeley, CA 94720; Silver@haas.berkeley.edu

University of California at Irvine 1
Fundraising Certificate Program, UCI Extension, Irvine, CA 92697; unexarts@uci.edu

University of California at Los Angeles 4,6,8
MPP Admissions, Department of Public Policy, 3250 Public Policy Building , Box 951656, Los Angeles, CA 90024; mppinfo@spa.ucla.edu.

University of California at Riverside 1
John F. Azzaretto, Dean, UCR Extension, 1200 University Avenue, Riverside, CA 92507; smedina@ucx.ucr.edu

University of San Diego 4,6,7
Pat Libby, Director, Nonprofit Leadership & Management Program (graduate), 5998 Alcala Park, San Diego, CA 92110; plibby@sandiego.edu

University of San Diego American Humanics 2,3
Tracie Hitter, Executive Director, 5998 Alcala Park, San Diego, CA 92110-2492; thitter@projects.sdsu.edu

University of San Francisco 3,4,6,7
Kathleen Fletcher, Director, Nonprofit Management Program, College of Professional Studies, 2130 Fulton Street, San Francisco, CA 94117; admission@usfca.edu, fletcher@usfca.edu, inom@usfca.edu

University of Southern California 3,4,5,6
Dr. Elizabeth Graddy, Senior Associate Dean of Faculty and Academic Affairs, School of Policy, Planning & Development, Ralph and Goldy Lewis Hall 312, Los Angeles, CA 90089; graddy@usc.edu

COLORADO

Metropolitan State College of Denver 2,3
Kelly Felice, MSM, Ass't Prof. of Human Services; Director, Center for Nonprofit Studies, Center for Nonprofit Studies, Campus Box 12, P.O. Box 173362, Denver, CO 80217; felice@mscd.edu

Regis University 4,5,6,7,8
Lou Stenger, Assistant Professor, 3333 Regis Blvd., Mail Stop L-16, Denver, CO 80221; lstenger@indra.com

University of Colorado at Colorado Springs 4,5
Dr. Terry Schwartz, program Advisor, Graduate School of Public Affairs, P.O.Box 7150, Colorado Springs, CO 80933; Contact: Mary Lou Kartis : mkartis@uccs.edu

University of Colorado at Denver 4,5,6,8
School of Public Affairs, Program on Nonprofit Organizations, 1380 Lawrence Street (Campus Box 142, P.O. Box 173364), Denver, CO 80204; spa@cudenver.edu

University of Northern Colorado 2,3
Cynthia Evans, MBA, Director, Monfort Executive Prof. Program, Department of Management, Kepner Hall, Room 1070C, Greeley, CO 80639; cynthia.evans@unco.edu

CONNECTICUT

Eastern Connecticut State University 2
Dr. Eric Martin, Assistant Professor, Department of Business Administration, 83 Windham Street, Willimantic, CT 06226; MartinE@EasternCT.edu

Sacred Heart University 4
Valerie Christian, Director, John F. Welch College of Business, Roncalli Hall 263, Fairfield, CT 06432-1023; ChristianV@sacredheart.edu

Southern Connecticut State University 4,6
Todd Rofuth, Chairperson, Graduate School of Social Work, 501 Crescent Street, New Haven, CT 06515; rofutht1@southernct.edu

University of Connecticut 1
David Garvey, Ph.D., Director, Nonprofit Leadership Program, Center for Continuing Studies, One Bishop Circle, Unit 4056, Storrs, CT 06269; d.garvey@uconn.edu

University of Connecticut 4,5,6
Amy Donahue, Associate Professor and Department Head, MPA Program, 1800 Asylum Avenue, West Hartford, CT 06117; Amy.Donahue@UConn.edu

Yale University 4,6
Professor Sharon Oster, Director, PONPO, Yale School of Management, 135 Prospect Street, New Haven, CT 06520-0154; sharon.oster@yale.edu

DELAWARE

University of Delaware 1,4,6
Dr. Jeffrey Raffel, Director, The School of Urban Affairs and Public Policy, 184 Graham Hall, Newark, DE 19716; raffel@udel.edu

Barry University 1
Marina Paolov, President, In partnership with the Florida Association of Nonprofit Organizations, 7480 Fairway Drive, #206, Miami Lakes, FL 33014; Marina.fano@gmail.com

DISTRICT OF COLUMBIA

Georgetown University 1,4,5,6
Kathy Postel Kretman, Ph.D., Director, Center for Public and Nonprofit Leadership, Public Policy Institute, 3520 Prospect St., NW 4th Floor, Washington, DC 20007; gppiadmissions@georgetown.edu

Howard University 2
Ms. Linda Jones, Executive Director, College of Arts and Sciences, 2441 6th Street NW, Room 114, Washington, DC 20059; lgjones@howard.edu

The George Washington University - Human Services Program 3
Honey W. Nashman, Assoc. Prof. Director of Human Services Program, 801 22nd. Street, Washington, DC 20052; hnashman@gwu.edu

The George Washington University - Nonprofit Management Program 4,5,6
Michael J. Worth, Professor of Nonprofit Management, Trachtenberg School of Public Policy and Public Administration, 805 21st Street, NW, Suite 601, Washington, DC 20052; mjworth@gwu.edu

University of the District of Columbia 2,3
Sylvia Ramirez Benatti, Assistant Professor and Campus Executive Director, 420 Connecticut Avenue, NW, Bldg 41, Room 400-20, Washington, DC 20008; sbenatti@udc.edu

FLORIDA

Florida Atlantic University 3,4,5,6,7
Ronald C. Nyhan, Associate Professor, College of Architecture, Urban and Public Affairs, 111 East Las Olas Boulevard, Ft. Lauderdale, FL 33301; rcnyhan@fau.edu

Florida State University 4,6
C. Aaron McNeece, Dean and Walter W. Hudson Professor of Social Work, School of Social Work, Office of Graduate Student Affairs, Tallahassee, FL 32306; grad@ssw.fsu.edu

Rollins College 1
Emily Furlong, Senior Program Manager, 1000 Holt Avenue - 2755, Winter Park, FL 32789; efurlong@rollins.edu

University of Central Florida 2,3,4,5,6,8
Mary Ann Feldheim, Ph.D., Nonprofit Management Programs Coordinator, Department of Public Administration, HPA II Suite 238, Orlando, FL 32816; mfeldhei@mail.ucf.edu

University of Central Florida - American Humanics 2,3,7,8
Ms. Stephanie Krick, Director, American Humanics, College of Health and Public Affairs, PO Box 163224, Orlando, FL 32816-3224; skrick@mail.ucf.edu

University of North Florida 4,5,6
Dr. William Voorhees, Department of Political Science & Public Administration, 1 UNF Drive, Jacksonville, FL 32224; William.Voorhees@unf.edu

University of South Florida - Continuing Education Program 1
Lisa Orr, Program Coordinator, 4202 East Fowler Ave., Tampa, FL 33620; lisaorr@admin.usf.edu

University of South Florida - Public Adminstration 4,5,6
Joan E. Pynes, Director, Public Administration, Public Administration Program, 4202 E. Fowler Avenue, SOC 107, Tampa, FL 33620; pynes@cas.usf.edu

University of Tampa 4,5
Fernando Nolasco, Director of Graduate Studies, 401 W. Kennedy Blvd., Tampa, FL 33606-1490; fnolasco@ut.edu

University of West Florida 4
Dr. William Tankersley, Program Director, College of Professional Studies, 11000 University Parkway, Pensacola, FL 32514; wtankers@uwf.edu

GEORGIA

Clayton College and State University 2,3
Dr. Sandy Harrison, Professor of Psychology and Human Services, American Humanics Program, 5900 North Lee Street, Morrow, GA 30260; sharrison@mail.clayton.edu

Clayton State University 8
Sandy Harrison, Professor of Human Services, 2000 Clayton State Blvd., Morrow, GA 30260; sharriso@clayton.edu

Georgia College and State University 2
Ms. Sara Faircloth, American Humanics Program Coordinator, Office of Experiential Learning, Beeson Hall W-2 , Campus Box 101, Milledgeville, GA 31061; sara.faircloth@gcsu.edu

Georgia State University 4,5,6
Dennis Young, Bernard B. and Eugenia A. Ramsey Chair of Private Enterprise, Andrew Young School of Policy Studies, Georgia State University, University Plaza, 1275 Urban Life, Atlanta, GA 30303; nonprofitstudiesprogram@gsu.edu

Kennesaw State University 2,4,6
Andrew Ewoh, Director, MPA Program, 1000 Chastain Road, Kennesaw, GA 30144; uzimmerm@kennesaw.edu Humanics: apeters@kennesaw.edu

University of Georgia 1,4,5,6,7
Dr. Tom Holland, Professor of Social Work, Institute for Nonprofit Management, The Graduate School, Athens, GA 30602; tholland@arches.uga.edu

IOWA

Graceland University 2
Tabor Nowlin, Campus Director, American Humanics, L.E.A.D. Director, 1 University Place, Lamoni, IA 50140; tnowlin@graceland.edu

University of Iowa 4,8
Enrollment Services, Enrollment Services, Center for Credit Programs, 116 International Center, Iowa City, IA 52242; credit-programs@uiowa.edu or law-nonprofit@uiowa.edu

University of Northern Iowa 4,6,7
Dr. Christopher Edginton, Professor and Director, School of Health, Physical Education & Leisure Studies, 203 Wellness/Recreation Center, Cedar Falls, IA 50614; christopher.edginton@uni.edu

University of Northern Iowa - American Humanics 2,3
Ms. Stacy Van Gorp, Executive Director, School of Health, Physical Education & Leisure Studies, 215 Wellness/Recreation Center, Cedar Falls, IA 50614; stacy.vangorp@uni.edu

ILLINOIS

Aurora University 3
Don Phelps, Director, Social Work Program, School of Social Work, 347 S. Gladstone Avenue, Aurora, IL 60506; dphelps@aurora.edu

Bradley University College of Education and Health Sciences 4,5
Lori Scroggs, Assistant Professor, 202C Westlake Hall, Peoria, IL 61625; lscroggs@bradley.edu

DePaul University 1,4,6,7
Megan Balderston, Admissions & Marketing Manager, School of Public Service, 25 E. Jackson, Suite 1250, Chicago, IL 60604; pubserv@depaul.edu

Illinois Institute of Technology 4,5,6
Assistant Director/Admissions Coordinator, 565 West Adams Street, Suite 659, Chicago, IL 60661; mpa@iit.edu

Loyola University Chicago 4,5
Louis Delgado, Graduate Program Director, Philanthropy & Nonprofit Sector Graduate Certificate Program, 820 N. Michigan Avenue, Chicago, IL 60611; ldelgad@luc.edu

North Park University 1,2,3,4,5,6,7,8
Chris Nicholson, Director of Graduate Admissions, 3225 West Foster Avenue, Chicago, IL 60625; cnicholson@northpark.edu

Northern Illinois University 4
Donald C. Menzel, Professor, Division of Public Administration, De Kalb, IL 60115; dmenzel@niu.edu

Northwestern University 1,4,6
Jennifer Paul, Assistant Director, Center for Nonprofit Management, Kellogg School of Management, Evanston, IL 60208; j-paul@kellogg.northwestern.edu

Northwestern University School of Continuing Studies 1
Tim Gordon, Associate Dean of Student Services and Registration, 339 East Chicago Ave., Chicago, IL 60601-0388; tgordon@northwestern.edu

Roosevelt University 4,5,6
David Hamilton, Chair, Department of Political Science and Public Administration, 430 S. Michigan Avenue, Chicago, IL 60605; dhamilto@roosevelt.edu

Saint Xavier University 4,5
Sr. Margaret Mary Hinz, Associate Director Graduate Programs, 3700 W 103rd Street, Chicago, IL 60655; hinz@sxu.edu

Southern Illinois University - Edwardsville 4,5,6
Richard Bush, Assistant Professor, Box 1457, Edwardsville, IL 62026; rbush@siue.edu

Spertus Institute of Jewish Studies 4,6,7
Spertus Center for Nonprofit Management, 618 S. Michigan Avenue, Chicago, IL 60605; eslott@spertus.edu.

University of Illinois at Chicago 8
Certificate in Nonprofit Management, Online Program, 412 South Peoria Street, Chicago, IL 60607; externaledu@uic.edu

Western Illinois University 2
Dr. Dean A. Zoerink, Campus Director, American Humanics, Department of Recreation, Park and Tourism Administration, 1 University Circle, Macomb, IL 61455; da-zoerink@wiu.edu

INDIANA

Anderson University 3
Dr. Rebecca Haskett, Professor of Business, Falls School of Business, 1303 E. 5th Street, Anderson, IN 46012; bahaskett@anderson.edu

Indiana State University 2
Dr. Nancy Brattain Rogers, Campus Executive Director, American Humanics, Department of Recreation and Sport Management, Arena B-64, Terre Haute, IN 47809; nschaumleff@indstate.edu

Indiana University - Bloomington 1,2,3,4,5,6,8
Jennifer Forney, Director, Graduate Student Services, SPEA Bldg., Suite 260, Bloomington, IN 47405; jjforney@indiana.edu

Indiana University, Center on Philanthropy 1,2,3,4,5,6,7
Marsha Currin McGriff, Director of Student Services, Center on Philanthropy, 550 West North Street, Suite 301, Indianapolis, IN 46202-3272; mcurrin@iupui.edu

Indiana University-Purdue University - Indianapolis 4,5,6,8
Alfred Ho, Associate Professor and Director of Public Affairs, 801 W. Michigan Street, Indianapolis, IN 46202; speaga@iupui.edu, altho@iupui.edu

University of Notre Dame 4,7
Thomas J. Harvey, Director, Nonprofit Education Program (MNA degree and non degree), 340 Mendoza College of Business, Notre Dame, IN 46556; tharvey@nd.edu

KANSAS

Kansas State University 2
Olivia P. Collins, Ph.D., Director, American Humanics/Nonprofit Leadership Focus, 2323 Anderson Avenue, Suite 125, Manhattan, KS 66502-5228; ocollins@ksu.edu

Wichita State University 1
Lynne McCraw Schall, Center for Urban Studies, Hugo Wall School of Urban and Public Affair, 208 Lindquist Hall, 1845 Fairmount, Wichita, KS 67260-015; lynne.schall@wichita.edu

KENTUCKY

Murray State University 2
Roger Weis, Ph.D., Campus Director, American Humanics, 105 Carr Health Building, PO Box 9, Murray, KY 42071; roger.weis@murraystate.edu

University of Kentucky Martin School 4,6
Meredith Howes Graduate Assistant,13 Patterson Office Tower, University of Kentucky, Lexington, KY 40506; mlstan2@uky.edu

Western Kentucky University 2,3,8
Dr. Raymond Poff, Executive Director, American Humanics, Department of Physical Education and Recreation, 1906 College Heights Blvd. #21090, Bowling Green, KY 42101; raymond.poff@wku.edu

LOUISIANA

Louisiana State University in Shreveport 1,2,3,4,6
Norman A. Dolch, Ph.D., Director of the American Humanics Program, One University Place, Shreveport, LA 71115-2399; ndolch@pilot.lsus.edu

Southern University 4,6
Mylon Winn, Associate Professor, Chairman of Department of Public Administration, Graduate School, Box 9656, Baton Rouge, LA 70813; charmaine_williams@subr.edu

Xavier University of Lousiana 1,2
Donielle Smith Flynn, Campus Director, American Humanics, 7325 Palmetto Street, Box 37B, New Orleans, LA 70125; dsmithfl@xula.edu

MAINE

University of Southern Maine 1,4,5,8
Dahlia Lynn, Associate Dean, Muskie School of public Service, 34 Bedford Street, Portland, ME 04104-9300; dlynn@usm.maine.edu

MARYLAND

College of Notre Dame of Maryland 3,4,5,7
Ann Whitney Breihan, Coordinator of Nonprofit Management Programs, Graduate Studies, 4701 N. Charles St., Baltimore, MD 21210; abreihan@ndm.edu

Coppin State College 2
Ms. Tenyo Pearl, Campus Director, American Humanics, Social Science Department, 2500 W. North Avenue, Baltimore, MD 21216-3698; tpearl@coppin.edu

Johns Hopkins University 4,5,6
Institute for Policy Studies, Wyman Park Building, 3400 N Charles Street, Baltimore, MD 21218-2696; mpp@jhu.edu

University of Baltimore 2
Dr. Jessica Elfenbein, Campus Director, American Humanics, Legal, Ethical and HIstorical Studies, 1420 N. Charles Street, Baltimore, MD 21201; jelfenbein@ubalt.edu

University of Maryland - College Park 4
Taryn Faulkner, Coordinator, Admissions and Student Affairs, 2101E Van Munching, College Park, MD 20742; Faulkner@umd.edu

University of Maryland, University College 4,5,6,7,8
Not-for-Profit Management Program, University College, 3501 University Boulevard East, Adelphi, MD 20783; umucinfo@nova.umuc.edu

MASSACHUSETTS

University of Massachusetts, Amherst 4
Brenda Bushouse, Assistant Professor, Center for Public Policy and Administration, 422 Thompson Hall, Amherst, MA 01003; bushouse@polsci.umass.edu

American International College 4,6,7
Roland Holstead, VP Educational Enterprise, 1000 State Street, Springfield, MA 01109; roland.holstead@aic.edu

Bay Path College 2,3,4,5,7,8
Melissa Morriss-Olson, Professor and Director, Graduate Programs in Nonprofit Management and Philanthropy, 588 Longmeadow Street, Longmeadow, MA 01106; mmolson@baypath.edu

Boston College 4,6
Alberto Godenzi, Dean, Graduate School of Social Work, McGuinn Hall, Chestnut Hill, MA 02467; gssw@bc.edu

Boston University Metropolitan College 5,6,7
Fundraising Management Graduate Certificate, Department of Arts Administration, Richard Maloney-Faculty Coordinator, 808 Commonwealth Ave., Boston, MA 02215; fr@bu.edu

Boston University Center for Professional Education 1,8
Certificate in Professional Fundraising, Jessica Marden-Program Manager, 1010 Commonwealth Ave., Boston, MA 02215; cpe@bu.edu.

Boston University School of Management 1,4,6
Public and Nonprofit Management Program, 595 Commonwealth Avenue, Boston, MA 02215; mba@bu.edu.

Boston University School of Social Work 4,6
Gail Steketee, Ph.D., Interim Dean, 264 Bay State Road, Boston, MA 02215; steketee@bu.edu

Brandeis University 4,6,7
James Sabourin, Assistant Dean, The Heller School for Social Policy and Management, PO Box 9110, MS 035, Waltham, MA 24549; sabourin@brandeis.edu

Cambridge College 4
Nonprofit and Public Organization Management, 1000 Massachusetts Avenue, Cambridge, MA 21385; admit@cambridgecollege.edu

Clark University 4,6
Max Hess, Director of Graduate Programs, College of Professional and Continuing Education, 950 Main Street, Worcester, MA 01610; mhess@clarku.edu

Harvard Business School 4
Laura Moon, Director, Social Enterprise Initiative, Loeb House 3rd floor, Soldiers Field, Boston, MA 02163; se@hbs.edu

Harvard Kennedy School Executive Education 8
Stephanie Hamel, Marketing Coordinator, 79 JFK Street, Cambridge, MA 02138; stephanie_hamel@ksg.harvard.edu

Harvard University 4,6
JFK School of Government, 79 JFK Street, Cambridge, MA 02138; hauser_center@harvard.edu

Lesley College 1,4,6,7
Marian Darlington-Hope, Director, Nonprofit Management Programs, School of Management, 29 Everett Street, Cambridge, MA 02138; mdarling@mail.lesley.edu

Regis College 4,5,6
Dr. Mary Fitzgerald, Program Director, 235 Wellesley Street, Weston, MA 02493; mary.fitzgerald@regiscollege.edu

Suffolk University 4,5,6
Sandy Matava, Director and Instructor of Public Administration, Center for Public Management, 8 Ashburton Place – Room 1049, Boston, MA 02108; mpa@suffolk.edu

Tufts University 4,5,6
Julian Agyeman, Professor and Chair, Lincoln Filene Center, Medford, MA 02155; julian.agyeman(at)tufts.edu

Worcester State College 4,6,7
Dr. Maureen Power, Program Coordinator, Master of Science in Nonprofit Management, 486 Chandler Street, Worcester, MA 01602; mepower@worcester.edu

MICHIGAN

Eastern Michigan University - American Humanics 2,3
Dr. Claudia Petrescu, Campus Director, Department of Political Science, 601 Pray Harrold, Ypslanti, MI 48197; humanics@emich.edu

Eastern Michigan University - MPA Program 4,5,6,8
Susan C. Kattelus, Professor of Accounting, CPA, CGFM, Department of Political Science, 601 Pray-Harrold, Ypsilanti, MI 48197; susan.kattelus@emich.edu

Grand Valley State University 2,3,4,5,6
Dan Balfour, Director, SPNA, 2nd Floor, Bldg. C, DeVos Center, 401 W. Fulton Street, Grand Rapids, MI 49504; balfourd@gvsu.edu Humanics: williamq@gvsu.edu

Lawrence Technological University 1,4,5,6,8
Jerry Lindman, J.D., Senior Lecturer and Director of the Center for Nonprofit Management, College of Management - Center for Nonprofit Management, 21000 West Ten Mile Rd, Southfield, MI 48075; lindman@ltu.edu

Michigan State University 1,8
Katie Burnham Laverty, President, Society for Nonprofit Organizations, The Learning Institute for Nonprofit Organizations, 5820 Canton Center Rd, Ste #165, Canton, MI 48187; kburnham@snpo.org

Oakland University 4,5,6
Master of Public Administration Program, Department of Political Science, Rochester, MI 48309-4401; gradmail@oakland.edu

University of Michigan 4,6
Ashley Zwick, Managing Director, Nonprofit and Public Management Center, Collaboration between three schools: Social Work (SW), Business (Bus Ad), Public Policy (Pub Pol), 1080 South University Avenue, Ann Arbor, MI 48109; zwicka@umich.edu

University of Michigan School of Social Work 1,4,5,6,7
John E. Tropman, Professor, School of Social Work, 1065 Frieze Building, Ann Arbor, MI 48109; tropman@umich.edu

Walsh College 1
Dr. Marla Scafe, Vice President, Dean & Chief Academic Officer, 3838 Livernois, Troy, MI 48007; admissions@walshcollege.edu

Wayne State University 3,4,5,6
Daphne W. Ntiri, Associate Professor & Chair, Non-Profit Sector Studies, 5700 Cass Ave, #2142, Detroit, MI 48202; dntiri@wayne.edu

Western Michigan University 2,3,4,5,6
Janice Maatman, Director of Nonprofit Education Programs, 1903 W. Michigan, Kalamazoo, MI 49008-5440; janice.maatman@wmich.edu

MINNESOTA

Hamline University 1,4,6,7
Cathy Gustafson, Program Director, Graduate School, 1536 Hewitt Avenue North, St. Paul, MN 55104; gradprog@hamline.edu

Minnesota State University Mankato 2,8
Keith Luebke, Director, Nonprofit Leadership Certificate Program, 113 Armstrong Hall, Mankato, MN 56001; keith.luebke@mnsu.edu

Saint Mary's University of Minnesota 4,7
700 Terrace Heights #77, Winona, MN 55987; philanthropy@smumn.edu

St. Cloud State University 4,6
Patricia Hughes, Professor, Program Director, Departments of Economics and Political Science, 386 Stewart Hall, St. Cloud, MN 56301; pahughes@stcloudstate.edu

University of Minnesota, Humphrey Institute 4,5,6
Admissions Office, Director of Admissions, 225 Humphrey, 301- 19th Avenue South, Minneapolis, MN 55455; hhhadmit@umn.edu

MISSISSIPPI

University of Southern Mississippi 4
Michael Forster, Assistant Professor, Box 5114, Hattiesburg, MS 39406-5114; michael.forster@usm.edu

University of Southern Mississippi, American Humanics 2
Dr. Ann Marie Kinnell, Director of Nonprofit Studies; Campus Director, American Humanics, 118 College Drive #5074, Hattiesburg, MS 39406-0001; Ann.Kinnell@usm.edu

MISSOURI

Lindenwood University 2,3,4,6
Jack Beckerle, Associate Professor, 209 S. Kings Highway, St. Charles, MO 63301; jbeckerle@lindenwood.edu

Missouri Valley College 2
Tammy Harrelson, Campus Director, Instructor in Human Service Education Division, Department of Human Services, 500 East College Avenue, Marshall, MO 65340; harrelsont@moval.edu

Park University 4,5,6,8
Laurie N. DiPadova-Stocks, Ph.D., Dean, Hauptmann Schoolfor Public Affairs, 911 Main, Suite 900, Kansas City, MO 64105; gradschool@park.edu

Rockhurst University 2,3
Jennifer Rinella, Director, Nonprofit Leadership Studies and American Humanics, Nonprofit Leadership Studies, 1100 Rockhurst Road, Kansas City, MO 64110; nonprofit.leadership@rockhurst.edu

St. Louis University 4,6
Steven Wernet, Director, School of Social Service, 3550 Lindell Blvd., St. Louis, MO 63103; wernetsp@slu.edu

University of Missouri at Kansas City 1,2,3,4,5,6
David Renz, Director, Midwest Center for Nonprofit Leadership, 5110 Cherry Street, Kansas City, MO 64110; renzd@umkc.edu

University of Missouri at St. Louis 1,2,3,4,5,6
Nancy T. Kinney, Academic Director, One University Boulevard, 406 Tower, St. Louis, MO 63121-4499; npml@umsl.edu

William Jewell College 2,3
Kevin Shaffstall, Director, Pryor Center for Leadership Development, 500 College Hill, Liberty, MO 64068; shaffstall@william.jewell.edu

MONTANA

University of Montana (The) 1,2,3,4,5,6,8
Dr. Andrea Vernon, Director of the Office for Civic Engagement, Office for Civic Engagement, Davidson Honors College 015, Missoula, MT 59812; andrea.vernon@mso.umt.edu

NEBRASKA

University of Nebraska at Omaha 1,2,4,6
Russell Smith, Ph.D., Director, School of Public Administration, 6001 Dodge Street, Annex 27, Omaha, NE 68182; rsmith@mail.unomaha.edu

University of Nebraska at Omaha - Division of Continuing Studies 8
Christina Davis, Distance Education Manager, Division of Continuing Studies, 6001 Dodge St., ASH 202, Omaha, NE 68182; bgsonline@lists.unomaha.edu

NEW HAMPSHIRE

Antioch University New England 1,4
Leatrice Oram, Director of Admissions, Master of Science in Management, 40 Avon Street, Keene, NH 34313; admissions@antiochne.edu

Dartmouth College 4
Richard C. Sansing, Associate Professor, Tuck School of Business at Dartmouth, 100 Tuck Hall, Hanover, NH 03722; richard.c.sansing@dartmouth.edu

New England College 4,6,8
24 Bridge Street, Henniker, NH 03242; msnpl@onlinenec.com

University of New Hampshire - Professional Development and Training 1,8
Linda Conti, Marketing Director, Professional Development & Training, 6 Garrison Avenue, Durham, NH 03824; lac@cisunix.unh.edu

University of New Hampshire - Thomson School of Applied Science 2,3
Kate Hanson, Chair of Community Leadership Program, Thompson School of Applied Science, Cole Hall, Durham, NH 03824; Kate.Hanson@unh.edu

NEW JERSEY

Kean University 4,6
Dr. Patricia Moore, Program Coordinator, College of Business and Public Administration, Willis (W) 311, 1000 Morris Avenue, Union, NJ 07083; pmoore@kean.edu

Rutgers University - Newark 4,5
Alan Zalkind, Director, MPA and Executive MPA Program, Department of Public Administration, 701 Hill Hall, 360 King Boulevard, Newark, NJ 71021; spaa@newark.rutgers.edu

Rutgers University/Camden College 2,3
Jon Van Til, Professor of Urban Studies, Department of Public Policy and Administration, 321 Cooper Street, Camden, NJ 08102; vantil@crab.rutgers.edu

Rutgers, The State University of New Jersey 4
William Waldman, Lecturer & Interim Director, Center for Nonprofit Management & Governance, School of Social Work, 536 George Street, New Brunswick, NJ 08901; william@ssw.rutgers.edu

Seton Hall University 1,2,3,4,5,6
Roseanne Mirabella and Matthew Hale, Chair, Political Science and Chair Department of Public and Healthcare Administration, Departments of Political Science and Public and Healthcare Administration, 400 South Orange Avenue, South Orange, NJ 07079; Undergraduate Program: mirabero@shu.edu; Graduate Program: halematt@shu.edu

The College of New Jersey 1
Nonprofit Management Development Program, School of Business, PO Box 7718, Ewing, NJ 86280; bonner@tcnj.edu

NEW YORK

Binghamton University 1,4,5,6
David Campbell, Assistant Professor, College of Community and Public Affairs, Department of Public Administration, Binghamton, NY 13902; dcamp@binghamton.edu

C.W. Post College 4,5,6
Thomas C. Webster, Chair, Long Island University, 720 Northern Blvd., Brookville, NY 11548; thomas.webster@liu.edu

Columbia University - Division of Executive Education 1
Lisa C. Hines, Director, Institute for Nonprofit Management, Graduate School of Business, Div of Executive Ed, 310 Uris Hall, New York, NY 10027; inm@columbia.edu

Columbia University - Graduate School of Business 1,4,6
Carolyn Champ, Associate Director, Social Enterprise Program, Social Enterprise Program, 3022 Broadway, Room 700, New York, NY 10027; socialenterprise@gsb.columbia.edu

Columbia University - School of Continuing Education 4,7
Lucas Rubin, Director, Master of Science in Fundraising Management, Fundraising Management Program, 303 Lewisohn, 2970 Broadway, Mail Code 4110, New York, NY 10027; ce-info@columbia.edu

Columbia University- School of International and Public Affairs 4
Brendan O'Flaherty, MPA Program Director, School of International and Public Affairs, 420 West 118th Street, 15th Floor, New York, NY 10027; bo2@columbia.edu

CUNY - Baruch College 2,4,6
Annie Balocating, Program Associate – Center for Nonprofit Strategy and Management, One Bernard Baruch Way, New York, NY 10010; Anita.Balocating@baruch.cuny.edu

CUNY - Hunter College 1,4,6
Harold Weissman, Director, Post-MSW Certificate Program, School o f Social Work, 129 E. 79th Street, New York, NY 10021; grad.socworkadvisor@hunter.cuny.edu

Fordham University School of Law 4
Linda Sugin, School of Law, 33 West 60th Street, 2nd Floor, Room 222, New York, NY 10023; lsugin@mail.lawnet.fordham.edu

Long Island University 1,4,5,6
Judith J. Kirchhoff, MPA Program Director, Brooklyn Campus, University Plaza, Brooklyn, NY 11201; admissions@brooklyn.liu.edu

Marist College 4,8
Laura Zurowski, Graduate Admissions, Marist College, 3399 North Road, Poughkeepsie, NY 12601; graduate@marist.edu

New School University 1,4,6,7
Rikki Abzug, Associate Professor & Chair, Nonprofit Management, Nonprofit Management Program, Milano Graduate School, New School University, 72 Fifth Avenue, New York, NY 10011; AbzugR@newschool.edu

New York University - School of Continuing & Professional Studies 1,7,8
George H. Heyman, Jr. Center for Philanthropy and Fundraising, 145 Fourth Avenue, Room 201, New York, NY 10003; scps.giving@nyu.edu; www.scps.nyu.edu/phil; 212-998-6770

New York University - Wagner Graduate School 4,6
Leanna Stiefel, Director, The Puck Building, 295 Lafayette Street , 2nd Floor, New York, NY 10012; wagner.admissions@nyu.edu

Roberts Wesleyan College 4,5
Sandra Ferguson, Admissions Coordinator, 2301 Westside Drive, Rochester, NY 14624; Ferguson_Sandra@roberts.edu

Siena College 4
Michael Van Patten, Accounting and Business Law Department, School of Buesiness, 515 Loudon Road, Loudonville, NY 12211; Vanpatten@siena.edu

SUNY College at Brockport 4,5
Dr. James Fatula, Chair, Department of Public Administration, 350 New Campus Drive, Brockport, NY 14420; jfatula@brockport.edu

SUNY College at Buffalo - American Humanics 2
Dr. Margaret Shaw-Burnett, Executive Director, American Humanics, Continuing Professional Studies, 1300 Elmwood Avenue, Cleveland Hall #210, Buffalo, NY 14222; shawma@buffalostate.edu

SUNY College at Buffalo - Urban and Regional Planning 4
Robert Silverman, Associate Professor, 201k Hayes Hall, 3435 Main Street, Buffalo, NY 14214; rms35@buffalo.edu

SUNY College at Oneonta 2
Linda Drake, Director, Center for Social Responsibility & Community, 225 Alumni Hall, Oneonta, NY 13820; drakelm@oneonta.edu

SUNY University at Albany 4
Judith B. Saidel, Ph.D., Executive Director, Center for Women in Government, Rockefeller College, Milne Hall, 135 Western Avenue, Albany, NY 12222; saidel@csc.albany.edu

SUNY University at Buffalo 4,6
Kathleen A. Kost, Ph.D., Associate Dean for Academic Affairs and Director of the MSW Program, School of Social Work, 685 Baldy Hall, Buffalo, NY 14260-1050; kost@acsu.buffalo.edu

Syracuse University 4,5
Rosemary O'Leary, Director, Ph.D. Program, The Maxwell School, 215 Eggers Hall, Syracuse, NY 13244-1090; roleary@maxwell.syr.edu

Yeshiva University 4
Sheldon R. Gelman, Dean, Belfer Hall, 2495 Amsterdam Avenue, New York, NY 10033; wsswadmissions@ymail.yu.edu

NEVADA

University of Nevada, Las Vegas 4,5,6
Jessica Word, Assistant Professor, 4505 Maryland Parkway Box 456026, Las Vegas, NV 89154-6026; jessica.word@unlv.edu

University of Nevada, Reno 1
Fred B. Holman, Ph.D., Vice Provost for Extended Studies, Extended Studies/048, Continuing Education Building, 1041 N. Virginia St., Reno, NV 89557; dgali@unr.edu.

NORTH CAROLINA

Duke University 1,8
Nancy Love, MPA, Director, 2024 West Main Street, Campus Box 90708, Durham, NC 27708; nancy.love@duke.edu

High Point University 2,3,4,6
Mr. David Walker, Graduate Program Director, Department of Behavioral Sciences and Human Services, University Station, 3471, High Point, NC 27262; dwalker@highpoint.edu; Humanics: pmurrill@highpoint.edu

North Carolina State University 3,4,5,6
Richard Clerkin, Assistant Professor, Department of Public Administration, School of Public and International Affairs, N.C. State University, Raleigh, NC 27695; rmclerki@ncsu.edu

Salem College 1,3
Doug Borwick, Director, Not-for-Profit Management Program, 601 S. Church St., Winston-Salem, NC 27101; borwick@salem.edu

Shaw University American Humanics 1,2
William A. Thurston, Ph.D., Director of American Humanics, 118 East South Street, Raleigh, NC 27601; wthursto@shawu.edu

University of North Carolina - Greensboro 4,5,6
Dr. Ken Klase, MPA Program Director, Department of Political Science, 234 Graham Building, Greensboro, NC 27402; kaklase@uncg.edu

University of North Carolina at Chapel Hill 4,5,6
Gordon Whitaker, Nonprofit advisor, CB #3330, Knapp-Sanders Building, School of Government, Chapel Hill, NC 27599; whitaker@sog.unc.edu

University of North Carolina at Chapel Hill, Social Work 4,5,6
Mat Despard, MSW, Program Coordinator, Nonprofit Leadership Certificate Program, UNC-CH School of Social Work, 325 Pittsboro St., CB 3550, Chapel Hill, NC 27599-3550; despard@email.unc.edu

University of North Carolina Wilmington 4,6
Laurie Paarlberg, Assistant Professor, 601 S. College Road, 268 Leutze Hall, Wilmington, NC 28403; paarlbergl@uncw.edu

University of North Carolina-Charlotte 4,5,6
Joanne G. Carman, Assistant Professor, Coordinator of the Graduate Certificate in Nonprofit Management, 9201 University City Blvd, Charlotte, NC 28223; jgcarman@uncc.edu

NORTH DAKOTA

University of North Dakota 2
Ms. Heather Helgeson, Campus Director, American Humanics, Gillette Hall, Room 302, Centennial Drive, PO Box 7135, Grand Forks, ND 58202-7135; heather.helgeson@und.edu

OHIO

Case Western Reserve University 1,4,5,6,7
Rebecca Zirm, Director of Recruitment, 10900 Euclid Avenue, Cleveland, OH 44106; mcnoadmissions@case.edu or rebecca.zirm@case.edu

Cleveland State University 3.4.5.6
Jennifer Alexander, Associate Professor, Levin College of Urban Affairs, 2121 Euclid Avenue, Cleveland, OH 44115; j.k.alexander@csuohio.edu

Franklin Univeristy 2,4
Lorraine Hartley, Asst. Dean, Graduate School, 201 South Grant Avenue, Columbus, OH 43215; gradschl@franklin.edu

Kent State University 4,6
Joseph Drew, MPA Coordinator/Associate Provost, 308 Bowman Hall, Kent, OH 44242; jdrew@kent.edu

Ohio State University 1,4,6
Tom Gregoire, Associate Dean and Director of the M.S.W. Program, The College of Social Work, 1947 College Road, Columbus, OH 43210; gregoire.5@osu.edu

Ohio University 3,4
Judith L. Millesen, Associate Professor, Voinovich School of Leadership and Public Affairs, The Ridges, Athens, OH 45701; millesen@ohio.edu

Union Institute & University 3,4,6,8
Linda C. Van Volkenburgh, Director, Institutional Research, 440 E. McMillan Street, Cincinatti, OH 45206; linda.van@myunion.edu

Union Institute, The 4,6,8
Linda C. Van Volkenburgh, Director, Institutional Research, 440 E. McMillan Street, Cincinatti, OH 45206; lvan@tui.edu

University of Akron 4,5,6
Julia Beckett, Ph.D., J.D., MPA Program Coordinator, Department of Public Administration and Urban Studies, The Polsky Building 265, Akron, OH 44325; jlott@uakron.edu or jbecket@uakron.edu

Wright State University 2,4,5
Jack Dustin, Chair, Department of Urban Affairs, 62 Rike Hall, Dayton, OH 45435; jack.dustin@wright.edu Humanics: mary.wenning@wright.edu

Youngstown State University 2,3
Dr. Jane S. Reid, Campus Director and Professor of Marketing, Center for Nonprofit Leradership, One University Plaza, Youngstown, OH 44555; jmreid@ysu.edu

OKLAHOMA

Oklahoma City University 3
Dr. Jeri Lynn Jones, Assistant Dean, 2501 N. Blackwelder, Oklahoma City, OK 73106; jjones@okcu.edu

OREGON

Portland State University - Division of Public Administration 1,2,3,4,5,6,8
Sharon Hasenjaeger, Program Coordinator, Division of Public Administration/INPM, PO Box 751, Portland, OR 97207; inpm@pdx.edu

Portland State University - Social Work 4,6
Richard W. Hunter, Assistant Professor, Graduate School of Social Work, P.O. Box 751, Portland, OR 97207-0751; hunterr@pdx.edu

Southern Oregon University 2,3,4,5,8
Dr. John Laughlin, School of Business, 1250 Siskiyou Boulevard, Ashland, OR 97520; laughlin@sou.edu.

University of Oregon 3,4,5,6
Renee A. Irvin, Director, Nonprofit Certificate Program, Department of Planning, Public Policy and Management, 114 Hendricks Hall, 1209 University of Oregon, Eugene, OR 97403-1209; rirvin@uoregon.edu

PENNSYLVANIA

Bucknell University 1
Carl Milofsky;, Professor, Dept. of Sociology/Anthropology, Lewisburg, PA 17837; milofsky@bucknell.edu

Duquesne University 4,8
Kelley Maloney, Director, Marketing and Communication, School of Leadership and Professional Advancement, 600 Forbes Avenue, Pittsburgh, PA 15282; leadership@duq.edu

Eastern University 4,6,7
Denise Robinson, Director, Nonprofit Management Program, Nonprofit Management Program, 1300 Eagle Road, St. Davids, PA 19087; drobinso@eastern.edu

Gratz College 4,5,6,8
Marsha Covitz, Director of Recruitment, 7605 Old York Road, Melrose Park, PA 19027; admissions@gratz.edu

Indiana University of Pennsylvania 4,6
Dr. Susan Boser, Doctoral Coordinator, Admin & Leadership Studies, McElhaney Hall, Room 102, 441 North Walk, Indiana, PA 15705; sboser@iup.edu

LaSalle University 1
Laura Otten, Ph.D., Director, 1900 West Olney Avenue, Philadelphia, PA 19141; nonprofitcenter@lasalle.edu

Marywood University 1,4
Dr. Alicia McDonnell, Department Chair, College of Health and Human Services, Scranton, PA 18509; pubadm@marywood.edu

Robert Morris University 1,4,7
Michele T. Cole, Director, MS in Nonprofit Management Program, 6001 University Blvd, Moon Township, PA 15108; cole@rmu.edu

Slippery Rock University 2
Alice Kaiser-Drobney, Director, Community Service Learning Institute, The Institute for Community, Service-Learning and Nonprofit Leadership, Robert Lowry Center, Slippery Rock, PA 16057; alice.kaiser-drobney@sru.edu

Temple University 4,6
Edward Newman, Ph.D., Director of MSW Programs, Ritter Annex. Rm. 55, 1301 W. Cecil B. Moore Avenue, Philadelphia, PA 19122; edward.newman@temple.edu

University of Pennsylvania School of Social Policy & Practice 4,6,7
Eric D. Ashton, Associate Director, Nonprofit & NGO Leadership Program, The Caster Building, 3701 Locust Walk, Philadelphia, PA 19104-6214; ashtoned@sp2.upenn.edu

University of Pennsylvania, Fels Institute of Government 4,5
Donald F. Kettl, Director, Fels Institute of Government, 3814 Walnut Street, Philsadelphia, PA 19104; dkettl@sas.upenn.edu

University of Pennsylvania, Nonprofit Certificate Programs 1
Anita Lakshman, Manager, Non-Credit Programs, 3440 Market Street, Suite 100, Philadelphia, PA 19104; alak@sas.upenn.edu

University of Pittsburgh 4,5
John Mendeloff, PhD., Division Director, Graduate School of Public and International Affairs, 3601 Posvar Hall, Pittsburgh, PA 15260; jmen@gspia.pitt.edu

Widener University 4,5,6
James E. Vike, Director, MPA Program, 1 University Place, Chester, PA 19013-5792; james.e.vike@widener.edu

RHODE ISLAND

Providence College 4
Harkins Hall, Room 209, Providence, RI 02918; graduate@providence.edu

Rhode Island College 4,5
Mark Motte, Professor and Director, The Forman Center 207, 600 Mt. Pleasant Ave, Providence, RI 02908; mmotte@ric.edu

SOUTH CAROLINA

College of Charleston 4,6
Kendra Steward, Director, MPA Program, 284 King Street, 2nd Floor, Charleston, SC 29424; stewartk@cofc.edu

University of South Carolina 4,6,8
John McNutt, Associate Professor & Coordinator C & O Program, College of Social Work, Communities and Organizations Program, Columbia, SC 29208; mcnuttjg@gwm.sc.edu

University of South Carolina Upstate 2,3,8
Theresa Ricke-Kiely, Director, Center for Nonprofit Leadership, Center for Nonprofit Leadership, 800 University Way, Library 225F, Spartanburg, SC 29303; tricke-kiely@uscupstate.edu

Winthrop University 1
Nell Walker, Director Institute of Management; Assistant Professor f Management, 213 Thurmond Building, 701 Oakland Avenue, Rock Hill, SC 29733; walkern@winthrop.edu

SOUTH DAKOTA

South Dakota State University 2
Dr. Cindi Penor Ceglian, Campus Director, American Humanics, Human Development, Consumer & Family Sciences, PO Box 2201, NFA 369, Brookings, SD 57007; cindi_ceglian@sdstate.edu

University of South Dakota 4,6
Donald C. Dahlin, Acting Chair, Department of Political Science, The University of South Dakota, 414 E. Clark, Vermillion, SD 57069; ddahlin@usd.edu

TENNESSEE

Crichton College 3
Division of Business, PO Box 757830, Memphis, TN 38175-7830; admissions@crichton.edu

LeMoyne-Owen College 2
Ms. Damita Dandridge, Campus Director, American Humanics, Service Learning, 807 Walker Avenue, Memphis, TN 38126; damita_dandridge@nile.lemoyne-owen.edu

Maryville College 2
Mr. Cole Piper, Campus Director, Development, 502 E. Lamar Alexander Parkway, Maryville, TN 37805; spiper1072@aol.com

Southern Adventist University 2,3
T. Lynn Caldwell, Executive Director, American Humanics, Journalism and Communication Department, PO Box 370, Collegedale, TN 37315-0370; caldwell@southern.edu

University of Memphis 2,3,4,6,8
Dorothy Norris-Tirrell, Ph.D., Associate Professor and Director, Division of Public and Nonprofit Administration, 136 McCord Hall, Memphis, TN 38152; dnrrstrr@memphis.edu

University of Tennessee, Chattanooga 4,5,6,8
Fouad M Moughrabi, Nonprofit Management Program, Political Science, Public Administration and Nonprofit Management, 225 Davenport, Chattanooga, TN 37403; Fouad-Moughrabi@utc.edu

Vanderbilt University 1,4
Kelly Christie, Director Of Academic Programs, Owen Graduate School of Management, 401 - 21st Avenue South, Nashville, TN 37203; kelly.Christie@owen.vanderbilt.edu

TEXAS

Abilene Christian University 4,5
Bill Culp, Advisor, Social Services Administration, ACU Station, Box 27890, Abilene, TX 79699; culpb@acu.edu

Texas A&M University 4,5,6,8
William Brown, Associate Professor & Director, Bush School of Government & Public Service, 4220 TAMU, College Station, TX 77843-4220; wbrown@tamu.edu

Texas Tech University 1,4
Wendell Aycock, Ph.D., Associate Dean, The Graduate School, 02 Holden Hall * POB 41033, Lubbock, TX 79409; wendell.aycock@ttu.edu

University of Dallas 4,5,6,8
Melody Sullivan, Program Director, Graduate School of Management, 1845 East Northgate, Irving, TX 75062-4736; admiss@gsm.udallas.edu

University of Houston 1,2,4,6
Margaret O'Donnell, Campus Director, American Humanics, Graduate College of Social Work, SW4013, 4800 Calhoun, Room 237, Houston, TX 77004; margaret.odonnell@mail.uh.edu

University of Houston - Victoria 3,4,6
Alma Alvarado, Degree Plan Counselor, Center for Nonprofit Leadership, #UC101, 3007 N. Ben Wilson, Victoria, TX 77901-5731; alvaradoa@uhv.edu

University of North Texas 2,3,4,5,8
Trey Anderson, Campus Director, American Humanics, Center for Public Service, PO Box 310919, Denton, TX 76203; AndersoT@pacs.unt.edu

University of Texas at Austin, Lyndon B. Johnson School of Public Affairs 4,6
Steven Smith, Program Coordinator, Graduate Portfolio Program in Nonprofit and Philanthropic Studies, RGK Center for Philanthropy and Community, P.O. Box Y, Austin, TX 78713; steven.smith@mail.utexas.edu

University of Texas at San Antonio 1,2,3,4,5
Chris Reddick, Chair and Associate Professor, UTSA Dept of Public Administration and the Center for Policy Studies, 501 W. Durango Blvd, San Antonio, TX 78207; Chris.Reddick@utsa.edu

UTAH

University of Utah 1,4
Virginia Gowski, Marketing Director, 1901 E. South Campus Drive, Room 1215, Salt Lake City, UT 84112; vgowski@aoce.utah.edu

VERMONT

Johnson State College 2,3
Ms. Ellen Hill, Co-Director, Career Center, 337 College Hill, Johnson, VT 05656; ellen.hill@jsc.vsc.edu

SIT Graduate Institute (formerly School for International Training) 4,6
Graduate and Professional Studies, Kipling Road, PO Box 676, Brattleboro, VT 53020; admissions@sit.edu

VIRGINIA

George Mason University 3,4,5,6,8
Bernadette Costello, Graduate Coordinator, Department of Public and International Affairs, 4400 University Drive - 3F4, Alrington, VA 22030; mpa@gmu.edu

University of Richmond 1
Kathy Powers, Program Coordinator, Institute on Philanthropy, School of Continuting Studies, University of Richmond, VA 23173; kpowers2@richmond.edu

Virginia Commonwealth University - MPA Program 1,2,3,4,5,6
Janet R. Hutchinson, Coordinator; Program Director, L. Douglas Wilder School of Government and Public Affairs, 923 West Franklin Street, Scherer Hall, Richmond, VA 23284; jhutch@vcu.edu

Virginia Commonwealth University - Nonprofit Learning Point 2,3,4,5
Rachel Kopelovitch, Program Director, 920 West Franklin St, Box 843062, Richmond, VA 23284-3062; kopelovichr@vcu.edu

Virginia Tech 3,4,5
Dr. Max O. Stephenson, Jr., 103 Architecture Annex (0113), Blacksburg, VA 24061; mstephen@vt.edu

WASHINGTON

Antioch University Seattle 1,3,4,6
Kasa Tupua Pierson, NPLP Program Coordinator, 901 - 12th Avenue, PO Box 222000, Seattle, WA 98122; tupuak@seattleu.edu

University of Washington MPA Program 1,4,5,6
Steven Rathgeb Smith, Nancy Bell Evans Professor of Public Affairs, Daniel J. Evans School of Public Affairs, Box 353055, Seattle, WA 98195; smithsr@u.washington.edu

University of Washington School of Social Work 1,4,6
Mark Ezell, Assoc. Professor, Box 354900, 4101 15th Avenue NE, Seattle, WA 98195; uwgrad@u.washington.edu

University of Washington, Tacoma 2,3
Stephen DeTray, Program Director, Interdisciplinary Arts and Sciences, 1900 Commerce Street, Campus Box 358436, Tacoma, WA 98402; sdetray@u.washington.edu

Washington State University 1,8
John Thielbahr, Director, Van Doren Hall, 106, Pullman, WA 99164; jthiel@wsu.edu

WEST VIRGINIA

Salem International University 4,6
Department of Management Studies, PO Box 500, Salem, WV 26426; gcossey@salemu.edu

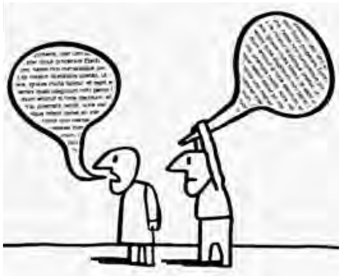
West Virginia University 1,4,5
Roger A. Lohmann, Professor & Director, 105 Knapp Hall, P.O. Box 6830, Morgantown, WV 26506; rlohmann@wvu.edu

WISCONSIN

Lakeland College 2,3
Don Francis, Campus Director, Sociology, W3718 South Drive, CTHM, Plymouth, WI 53073; francisd@lakeland.edu

University of Wisconsin - Milwaukee 1,4,5,6,7
Lisa C. Peterson, Administrative Program Specialist, Helen Bader Institute for Nonprofit Management, PO Box 413, Milwaukee, WI 53201; lcp@uwm.edu

University of Wisconsin-Superior
Sheryl Homan, Program Manager, PO Box 2000, Superior, WI 54880; shoman@uwsuper.edu



Dr. Conflict

by Mark Light

DEAR DR. CONFLICT,

I work at a nonprofit organization and previously served as a board member, but now only as a parent. Serving an educational function, this organization has massive debt and the true decision makers are a small group of members who make up an executive committee. The executive director has a vote on the executive committee. This group has power to overrule full board decisions and has done so many times. Treasurers, bookkeepers, and several board members have resigned because of this decision-making structure.

I am one of the board members who resigned because it was impossible to work with the executive director. In all matters—in every committee, at every fundraiser, at every event—this director must have final word. He has even overturned committee decisions. He has never received a job review, and even though the board passed a motion to review this person, it was overturned in an executive committee meeting just afterward. Many motions that were passed have been ignored, and many others were tabled month after month, such as one calling for an internal audit, which was needed because a six-digit loan was taken out without board member approval.

We'd like to get another opinion. These parents are ready to bolt, and for good reason. But we don't want to be portrayed as ill willed. These parents truly care about the organization and the people it educates and strive for an organization that is fiscally responsible and working for the benefit of the people in it. What can we safely and legitimately do?

No names, please; we live here.

Dear No Names,

Dr. Conflict has just one question: How do you really feel about the executive director?

Although the root causes of the situation may be many, including a reprehensible lack of accountability flowing from the dreaded founder syndrome, Dr. Conflict can see that at the core of the situation you describe is a balkanized executive committee.

Dr. Conflict may get into big trouble for saying this, but executive committees in general are a pestilence; nothing has done more damage than this ubiquitous wolf in sheep's clothing. On the surface, executive committees seem like a great idea. What could be better than a committee to take a load off the board, handle business during in-between meetings, and maybe do the annual review of the executive director? And what incompetent executive director wouldn't want the protection of an executive committee from the rest of the board?

By their nature, executive committees create an inner-outer, upstairs-downstairs dynamic within a board. If you're on the committee, you're part of the in group where the action happens and where important work gets done; there's red meat on the table. If you're not on the committee, prepare to starve for substance; you're destined for rubber-stamping. You're in the out group, pal. Tough luck, no need to come to board meetings, no need to participate, just send in the check. And if you need to know what happens, read the daily paper. Even worse, while the executive committee is busy building strong bodies eight ways with a Wonder Bread diet of give-and-take decision making, the rest of the board becomes malnourished with mind-numbing junk-food show-and-tell reports.

Some will say that their board's too big to do business without an executive committee. But unless you're talking about 20-plus members, that's simply not true. Others will say they love their executive committee. That's great for you lucky anomalies, but Dr. Conflict thinks the risks of damage are too high.

So here's a novel idea: get rid of the executive committee and take all that important work to the full board.

Attendance will improve, better decisions will be made, and transparency will be, well, more transparent. And while you're at it, get rid of all the other time wasters and use ad hoc committees instead. If you have to retain the executive committee, restrict its diet to the little stuff; never empower an executive committee to make major decisions for the full board, such as firing the executive director or taking on major debt. That's what transparency means: everyone who needs to know information knows it. And that means the full board, not just the in-group few.

You may say that your problem isn't so much about the executive committee that enables the executive director's behavior or bows down to him in fear or reverence but with the executive director himself. From your perspective, the executive director is way out of line. Taking on major debt without the full board's knowledge? Countermanding the will of the board in general and for a financial review in particular? Are these board members just a disastrous combination of stupid and lazy? Is the executive committee related to the guy or doing business with him? What other reasons could there be for this group to act so irresponsibly?

Of course, your executive director's side of the story may be quite different. He may think that you're one of those micromanaging board members who is never satisfied, always delving into areas that are none of the board's business, not respecting the chain of command. "Good riddance," he may have said when you threw in the towel. But throw in the towel you did, and when you resigned from the board, you took yourself out of the equation. You now have to decide whether this conflict is worth pursuing.

Though it's obvious that you care about the program, you have surely incurred hefty emotional costs that include lying awake at night worrying, fuming, and nurturing the conflict. That's why the first question is whether it's worth it to continue paying the freight of carrying the conflict forward. When you resigned, you said, "I'm done with this." So one alternative to consider is just that: it's over, move on.

Another path is to stick with it and carry on the fight. Consult legal counsel, talk to press, picket the agency, contact the state's attorney general, phone your mayor or senator. Ramp it up. It's time-intensive to go this route, and you will be subject to sour-grapes dismissals. But many a cause has been worth the fight; if folks like you didn't get angry about injustice, there wouldn't be a nonprofit sector.

A different way to work out your anger is to launch your own agency and put this derelict agency out of business. That's right, instead of complaining about how bad it is, put the gloves on and duke it out in the marketplace. Don't like the way that agency runs? Think you can do a better job? Go ahead, make your day. Take all that energy, assemble those who resigned and everyone else you can find, and hang up a shingle. Put that outfit out of business with a better value proposition. That's not sour grapes; that's the American way!

Dr. Conflict is the nom de plume of Mark Light. In addition to his work with First Light Group (www.firstlightgroup.com), Light teaches at Case Western Reserve University and Antioch University McGregor. Along with his stimulating home life, he gets regular doses of conflict at the Dayton Mediation Center, where he is a mediator.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 160108.

Escaping the Perpetuity Mindset Trap

by Arthur "Buzz" Schmidt

Over the past 15 years, as their valuations have increased dramatically, many of us have wondered why foundations couldn't be more generous with their payouts. After all, in real terms they had grown far larger. Why should they continue to give only 5 percent of their endowments to charity? Why not increase their annual payout to recognize their windfall? In this spirit, Congress recently considered a proposal to increase U.S. foundation payout rates, but it was defeated after an intensive lobbying effort by the largest foundations.

In response to the payout proposal, foundations argued that they must preserve their assets to serve future human needs rather than spend it sooner in reflexive attention to more current needs. Several motivations drove this refrain. Foundations spoke publicly about their fear of the erosion of their independence and fiscal integrity, declining endowments, and their loss of power in the national policy discourse. In sum, the proposal to increase payouts was viewed as a threat to fundamental foundation prerogatives. This was a shot across the bow of the "doctrine of perpetuity": the underlying and largely unchallenged maxim that compels most foundations to preserve their fiscal lives and power forever.

This article argues that today more aggressive foundation fiscal policies are not only critically needed but that they make long-term social and economic sense. While this article does offer prescriptive strategies, it is intended primarily to provoke discussion. As a rule, foundations are essential, committed, and generally progressive players in the social-capital marketplace. They have been a wellspring of innovation and intervention. Many of those who govern and manage these institutions are accomplished leaders and proud partners of the charities that are their beneficiaries. I am keenly aware of the importance of the work of foundations and have been a beneficiary of their largess.

But current structures and fiscal practices limit the potential of foundations to do their work most effectively. Thus, this article first explains the role of the doctrine of perpetuity in driving foundation behavior. Second, it explains three disabling limitations that result from foundations' unchallenged adherence to this doctrine. Third, it proposes an alternative core doctrine—social-value maximization—to drive foundation fiscal behavior and offers sample strategies that foundations can pursue to maximize their value. It concludes by discussing the implications of today's depressed investment markets and the prospect of severe recession.

The Doctrine of Perpetuity

In practice, the potential of almost every private foundation is constrained by a single, ubiquitous institutional imperative:

> To manage and grow a portfolio of assets to ensure a foundation's ability to pay out annually to charity the inflation-adjusted equivalent of 5 percent of beginning asset value in perpetuity.

As a result, just about any private foundation's books reveal that these institutions invest the bulk of their assets, and hence their potential to effect change, in the same publicly traded equities, real estate, private equity, and debt instruments that you'd find in standard private-investment portfolios. This is often literally the same portfolio of assets that existed before the personal wealth that "made" the foundation become "charitable." Further, after deducting credit for qualifying administrative expenses, the remaining 4-plus percent that a foundation will eventually pay out in grants is dwarfed by a retained endowment that is nearly 25 times that amount. And while percentages vary in years when investment markets trend up or down, most large endowed foundations view 5 percent as not only the minimum requirement but also the strategically determined maximum they expect to spend. The amount granted is therefore determined not by need or opportunity but by an arbitrary, statutory threshold.[1]

A majority of foundations, with a particularly high concentration of large foundations, adhere to this minimum-maximum threshold without a second thought. When you think about the process of creating new foundations, this is not surprising. Professional advisers—tax accountants, trust lawyers, and investment advisers who are trained to perpetuate wealth—are the formative architects of foundations. Because they do what they are trained to do, we cannot fault these advisers individually for this architecture. They may also direct clients to follow the perpetual fiscal practices of other foundations. And once an "experienced" foundation hand takes the helm, which often happens with substantial new foundations, the die is cast. Together, these "best practitioners" construct a nearly impenetrable barrier to fiscal innovation—a perfect storm of perpetuity—that severely limits foundations from adopting more creative and aggressive strategies to make their contribution to society.

The end result is that foundations have become little more than *private investment companies* that give a signficant portion of their excess cash to charity. We have arrived at this juncture because we are intellectually and culturally constrained by the institutional imperative of *perpetuity*. It sets a trap that severely diminishes the potential benefit to society of more optimal uses of foundation resources.

The Limitations of the Doctrine of Perpetuity

In establishing an impenetrable wall around foundations, perpetuity imposes three fundamental limitations on foundations' strategic potential.

1. The doctrine of perpetuity immunizes foundations from public accountability. The doctrine enables foundations to operate as self-contained systems, needing little from the outside to operate. In other facets of our national life, institutions are guided by, if not formally governed by, empowered stakeholders. Governments serve voters and constituent beneficiaries; businesses have shareholders and customers; universities have students and alumni; and hospitals have patients. Customers, shareholders, and other stakeholders are the principal means to keep our institutions grounded and responsive.

But foundations lack these mechanisms of accountability. The doctrine of perpetuity ensures that foundations never have to look outside for approval or resources. Once a foundation's original founders and close associates fade from the picture, it has nothing analogous to "shareholders." As a consequence, foundation boards generally elect themselves, with all the good and bad results that implies. And while charities are the de facto "customers" of foundations, the disproportionate power of foundations in the "transaction" prevents charities from demanding accountability and responsiveness.

Without empowered stakeholders, foundations lack the accountability of other institutions that benefit the public. Regulators and the media periodically uncover fiscal malfeasance by a foundation's board or executives. But such oversight has nothing to do with grantmaking performance or maximization of the value of foundation assets for society. And while foundations conduct excellent work for society, such work is predicated on the sustained goodwill and energy of trustees and foundation managers. That's a difficult and largely elusive proposition. In no other context is exclusively internal oversight deemed adequate. Why here? Given the absence of any obligation to report on performance, foundations are arguably the least accountable institutions in our society.

2. Perpetuity diminishes a foundation's internal accountability, its ability to make consistent performance demands of its grantees, and its ability to optimize deployment of its assets. The unbroken connection of a foundation's endowment to its grantmaking apparatus limits the potential of both these operating components. Grantmaking staff knows it will have 5 percent of an endowment to distribute regardless of the quality or results of the organization's grantmaking. As a result, foundations and their grantmaking staff have little incentive to calculate and communicate the quality of their grantmaking as well as little propensity to share research and information with other grantmakers to establish better grantmaking practices.

The same people that manage a foundation's grantmaking also supervise its endowment. In nearly every other investment context, the owner of a pot of funds selects one or more intermediaries (such as money managers, mutual funds, or stock brokers) to invest the pot and then demands subsequent comparative performance reporting by each intermediary. Certainly that is how foundation trustees handle endowment investments, but not their grants—that is, their social investments. Trustees seldom consider external services to handle endowment grantmaking, and few demand grantmaking accountability.

On the flip side, foundations sometimes establish highly professional, expert grantmaking capabilities in specific subject areas. Yet despite this competence, they continue to view the captive endowment payout as the one and only source of funds to pass through their grantmaking systems. Due in large part to their inherent insularity, foundations with demonstrable grantmaking competencies are blind to the opportunity to attract and distribute philanthropic monies from external sources. With this level of insularity, it is no wonder that foundations fail to leverage the best grantmaking expertise, that they duplicate grantmaking efforts, and that they fail to harmonize charity grant application and reporting requirements.

In this respect, perhaps the most remarkable thing about Warren Buffett's commitment of the proceeds from more than $30 billion in Berkshire-Hathaway shares to the Gates Foundation was that other foundations did not bid for a piece of the Buffett business or catch the significance of the Buffett model and"market" themselves as intermediaries for other new philanthropic capital. If Buffett had put his proposition out to tender, we might hope to have witnessed a flurry of responses by foundations eager to exploit their insights, expertise, and grants' management capabilities with substantial new funds. Instead, I fear that the insulating qualities of perpetuity would have prevented nearly every foundation from recognizing even the Buffett event as an opportunity to lever its own grantmaking competencies.

This insularity of foundations has implications for the performance of charities as well. Foundations are the principal institutional "investors" in charities, and society should expect these investors to establish performance expectations. In fairness, many foundations require grantees to document the outcome of their work. But because foundations are subject to little accountability themselves, it's unlikely that grantmakers will apply performance demands consistently over time or link grantee data to any public assessments of their own grantmaking performance.

3. Perpetuity erodes the real value of society's philanthropic assets. In theory since foundations give roughly 5 percent of their endowments to charities annually, the value of the retained 95 percent has an opportunity to keep pace with or exceed inflation. But as the public waits for each foundation's relatively small annual distributions to charity, there are real costs. In addition to the public's loss of tax revenue from the charitable deduction and lost capital gains taxes thereafter, society suffers when it has to wait to solve pressing problems.

Unresolved problems not only create immediate human costs—a malaria sufferer left to die, a child left unfed—but also increase the future cost of remediation to society. The hundreds of examples of this principle include whether to promote early-childhood education rather than build prisons later; whether to work to prevent AIDS transmission rather than treat terminal patients indefinitely; and whether to limit carbon emissions now rather than allow global warming to continue unchecked. In the case of some unresolved problems, notably climate change, there may be no strategy or price tag for future remediation. Certainly, any nominal appreciation in the value of a perpetual endowment should be discounted by the cost society incurs today (that is, the *social cost*) of human suffering, environmental degradation, and other problems left unresolved.

But in light of our current depressed economic conditions, shouldn't we perpetually warehouse philanthropic capacity to ensure that we have resources to provide grants to future generations or to deploy resources on a rainy day? No! Even if we ignore the cumulative social cost of waiting to solve long-standing problems, deferral is a valid strategy only if future generations become less philanthropic or the philanthropic capacity of the economy declines. Over any meaningful time period, however, neither condition has presented itself. In practice, individuals have become increasingly philanthropic, and society has always expanded its philanthropic capacity.

There is little justification for foundations to save now to prevent a contraction of assets in the future, and it is a pity that foundations did not address some of the world's most pressing problems when they felt richer. But there's no point in bemoaning the past. Despite and because of our difficult economic circumstances, foundations should persist in addressing today's problems, even at the risk of exceeding perpetuity-sustaining payout levels.

When compelling, unserved current needs stare us in the face, the idea that foundations should save resources to serve a theoretical future need makes little sense. Despite all the good work of foundations, their perpetuity-at-all-costs mindset ensures that endowments are a depleting social asset.

An Alternative Core Doctrine: Social-Value Maximization

What strategies can we pursue to preserve foundations' flexibility and unfettered philanthropic function but also help these institutions become more accountable and social value–maximizing? One obvious strategy is to require all foundations to stipulate a formal strategy to pay out their assets in grants over a prescribed time period that fits the circumstances. This strategy might encourage an internal accountability and time-pressured acuity, causing foundations to deploy assets to solve problems more quickly and intelligently as well. Alas, this blanket prescription is not politically possible. And it may not always be the best solution. Nonetheless, we must escape the *perpetuity mindset trap* and compel foundations to follow a revised institutional imperative. Without bias for perpetuity or immediate payout, trustees should consciously follow this alternative doctrine:

To manage a foundation's financial and human resources and to maximize their value for society.

On its face, accepting this new institutional imperative should not be difficult. Most foundation trustees assume they already follow this principle. Indeed, some may argue that because it preserves maximum philanthropic capacity for future generations, managing a foundation's endowment for perpetuity and restricting payout to the statutory minimum best maximizes a foundation's societal value. But given the cost to society of deferring philanthropy, it is not plausible to assume that even in a minority of cases perpetuity maximizes social value. If foundations were to follow this new social value–maximizing imperative faithfully, in addition to generally higher payout levels, we would observe more foundation operating strategies such as the following:

1. The use of mission-related investments (MRIs) in endowment portfolios. MRIs are made in profit-seeking enterprises that work in areas that mesh well with the mission and objectives of a foundation. Theoretically, their double–bottom line return (social and financial) mitigates a portion of the "social cost of capital" discount applied to retained endowment assets.

2. The application of a calculated annual "social cost of capital" to discount the value of assets retained in endowments. Application of a calculated social cost of capital would compel foundations to reconcile the cost of waiting to solve problems through their annual payout policy. Despite its imprecision, this exercise is important. It focuses trustee attention on the implicit erosion in the social value of a foundation's endowment over time.

3. The separation of the endowment and grantmaking components of foundations to create accountability and improve performance. Yes, in virtually every substantial foundation, different personnel manage the organization's endowment and grantmaking. Nonetheless, there is no practical separation for the automatic flow of the annual payout from the endowment into the grant's budget. If the components were truly distinct, it would be an endowment manager's job to ensure that a foundation's annual payout is granted as effectively as possible, and as is the case with any external grantmaking alternative, it would be the grantmaking manager's job to prove his team's work was effective and deserving of subsequent grantmaking responsibilities.

Without consideration for the quality of grantmaking, when tens of thousands of "pots" of foundation funds are dispensed through captive grantmaking services, inefficiency and low quality are inevitable. To prevent these problems, a foundation's policy could provide that if the endowment management were dissatisfied with the conduct of grantmaking, it should choose a competing grantmaking service. By segregating endowment and grantmaking and considering alternative grant-delivery mechanisms—either through dedicated grantmaking intermediaries or the grantmaking departments of other foundations—we could make all grantmaking more effective and efficient.

4. The pursuit of capital from other sources (new to philanthropy and other foundation endowments) to process through existing foundation grantmaking services. This paradigm-shifting strategy is the flip side of the previous strategy. Once the two foundation operating components have been separated, a newly liberated grantmaking service within one foundation could compete to provide grantmaking services for the endowment manager of another.

5. The enhancement of the accountability of foundation boards by establishing a broad-based foundation membership to elect them. These "stakeholder" electors can include practitioners, beneficiaries, experts, and independent thinkers who care about the work of foundations and the utility of foundation assets. A culture of performance and accountability must extend beyond a foundation's staff to its board.

6. The shattering of the benefactor-supplicant condition endemic to grantmaker-grantee relationships to encourage more honesty, feedback, and safe criticism. The foundation serves as "banker" to a grantee "customer." The nature of this relationship should be acknowledged, and foundations should be reviewed regarding the quality of "customer service" they offer. In this respect, the Center for Effective Philanthropy's Grantee Perception Report is an important model. But because it is conducted for only voluntarily participating foundations and its results remain sealed, its impact is limited.

7. The alignment of foundation compensation and expense indices with comparable practitioners in relevant fields. Not surprisingly, foundations generally establish their compensation policies using data from other foundations. Because perpetuity insulates foundations from market and other pressures to contain expenses, use of other foundations alone as comparables in salary administration is a prescription for spiraling costs, declining grant budgets, and eroding social value. Including salaries of all practitioners in the foundation's field, staff at nonprofits, intermediaries, government officials, business actors, and so on would help create needed discipline.

8. The regular recruitment of new program officers from the practitioner ranks rather than from among grantmaking professionals. Staying grounded in a foundation's field of interest and limiting grantmaking positions to discrete terms allows it to remain nimble, informed, responsive, and efficient.

9. Counting only actual grants or direct-program activities as qualifying against payout requirement. If foundations were unable to count administrative expenditures toward annual payout obligations, they would have greater incentive to control excessive expenses and preserve the social value of their assets.

These examples underscore the limitations of the simple "perpetual" construction. But escaping the perpetuity mindset trap does not mean that a foundation must spend down its assets. Foundations have huge financial and human capabilities. They face vastly different challenges. But at the same time, their ability to use resources most effectively must not be constrained by an institutional imperative of perpetuity at all costs. Perpetuity should be viewed as only a possible strategy rather than as an inviolate precondition.

Implications of the Economic Downturn

But hasn't the recent market downturn vindicated the caution of foundations in conserving their assets? Doesn't it argue for further caution? I argue no. Certainly, we face a truly momentous economic moment: a recession or, worse, a situation in which personal wealth has declined, millions of jobs have been lost, and opportunity has diminished. If we seek to engage society most effectively and heroically, this is our opportunity; *this is the proverbial rainy day*. It will be instructive to see how foundations respond. After all, in real terms, asset values have probably returned to the levels of the mid-1990s.

I predict that foundations' first reaction will be to preserve capital, restrict grantmaking, and reduce discretionary administrative expenses. Certainly the decline in valuations has been deeper than anyone could anticipate. So it is easy to understand the fear of fiduciaries.

But after foundations gain perspective on the downturn, let's hope for more from the second round of foundation reactions. Maybe more will conclude that the time to grant is now and that despite declining resources, continuation or expansion of grant- or mission-investment programs is paramount. While foundations had more to give before the economic downturn, it still makes sense to give now while the need is so great.

Ultimately, society's philanthropic capacity resides in the larger economy. Over time, new philanthropists will emerge. As the economy grows, our capacity to give will grow, as will the interest in creating new foundations. If we apply any socially determined discount rate to philanthropic assets, the cost to society of the indefinite retention of endowment in a growing economy is immense. And if the economy continues to stagnate, there is even less justification for holding onto declining assets. We do need policies that ensure that professional, well-capitalized institutions of philanthropy will endure. But these institutions need not be permanently endowed. As they demonstrate their utility, over time they can compete for funds from new donors. Even with the most aggressive payout and value-maximizing endowment strategies, we will experience little, if any, impact on our future capacity to give. But such strategies will surely help those left unserved and make the job easier for tomorrow's philanthropists.

Now more than ever, we face economic, environmental, and human conditions that require foundations to maximize the value of their resources for society. They must become as creative, resourceful, and accountable as the organizations they support. It is only when foundations escape the perpetuity mindset trap that they can reach their full potential to contribute to a sustainable future.

Endnotes

1. For recent research on this topic, see Richard Sansing, "Distribution Policies of Private Foundations," *Nonprofit Economics and Management: The State of Research*, by Bruce Seaman and Dennis Young, (eds.), 2008, which shows higher average payouts during the down-to-stagnant 2000–2003 investment period versus payout practices during the late-1990s growth period. The same study found significant variation in payout policies among foundations but also confirmed that the largest 1 percent of foundations holding 60 percent of assets made only 50 percent of grants and adhered to payout rates in the 5-percent–plus range. The latter observation conforms more closely to the conclusions of Akash Deep and Peter Frumkin, "The Foundation Payout Puzzle," *Taking Philanthropy Seriously: Beyond Noble Intentions to Responsible Giving*, by William Damon and Susan Verducci (eds.), 2006, who in an examination of 169 large foundations during the 1972–1996 period found strikingly little deviation from the legally required minimum distribution.

Arthur "Buzz" Schmidt is the founder of GuideStar and the founder and CEO of GuideStar International.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 160109.

Solid Associations: Not Recession-Proof

by Rick Cohen

Is this recession that is currently whacking 501(c)(3) nonprofits also hitting tax-exempt "associations" such as chambers of commerce? A front-page story in the April 11 and 12, 2009, *Wall Street Journal* on the impact of the recession in Loganville, Georgia (population: 9,500), noted that the number of dues-paying members in the small town's chamber of commerce had decreased by about 40 percent (from 300 members to 180).[1]

There may be some recession-resistant businesses and products ("social media marketers," Dunkin' Donuts franchises, and Apple's iPod, for example), but it seems that even reliable nonprofit performers, including chambers of commerce, are not among them.

How does the economy affect trade associations compared with 501(c)(3)s? And how have business leagues and trade associations strategized their way through this devastating global economic spiral?

Most members of the American public may not be aware of the various kinds of tax-exempt associations across the nation, but these associations are everywhere. Many were established as 501(c)(6) organizations such as business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, and others sometimes incorporated as 501(c)(3) charities.[2] Chambers of commerce such as Loganville's are particularly well known. Other typical associations are business trade organizations, such as the National Association of Manufacturers (NAM) and the National Federation of Independent Businesses (NFIB); local and national boards of realtors, economic development groups, such as "downtown associations"; visitors bureaus; professional associations, including the American Bar Association and the American Medical Association; and the National Association of Women Business Owners. Less well-known associations are various sports entities such as the National Football League (an association of football teams with a common business interest).

The trade association that represents these various trade associations—the American Society of Association Executives (ASAE), a 501(c)(6) organization—contracted with McKinley Marketing Inc. to gauge the impact of the economic downturn on ASAE's 2,500 members.[3] The survey reveals some expected and some surprising results.

Negative impacts anticipated. Among some 300 respondents, nearly 75 percent indicate that the economy will have a somewhat negative impact on their ability to achieve their goals in 2009, only 10 percent say that the impact will be extremely negative.

Varying areas of revenue concern. Negative impact centers on nondues-related areas of revenue. Forty-five percent of respondents are somewhat concerned, 43 percent are extremely concerned. Meanwhile, 42 percent are somewhat concerned about advertising revenue, and 32 percent are extremely concerned. These are the discretionary expenditures of association members, which are at risk as the economy squeezes their bottom lines.

Membership revenue contraction. While members have strong motivation to protect their interests through their trade associations, membership dues may constitute discretionary "free rider" expenditures to be cut: Sixty percent of respondents are somewhat concerned, and 28 percent extremely concerned about membership retention, and 48 percent are somewhat concerned about members' attendance at their associations' annual meetings, and 35 percent extremely concerned. The plummeting enrollment at the Loganville Chamber of Commerce exemplifies this finding.

Budget cuts, but not program reductions. One-third report already having made budget cuts, another third say that cuts will probably happen, and one-fifth say that they haven't cut their budgets yet but definitely will, while 8 percent say that they have reduced programs and services, 9 percent say that program retrenchment will definitely occur, and 29 percent say that such retrenchment will "probably" take place.

Protecting staff from the economy. While one-fourth have already frozen hiring, another third say that they probably or definitely will freeze hiring. Only 8 percent report having resorted to layoffs, another 4 percent say they will have to lay off employees, and 14 percent indicate that they will likely have to conduct layoffs.

Strategies focused on members. How do trade associations envision surviving the recession? By being more effective membership associations. Respondents' top priorities for 2009 are improving member retention (50 percent), acquiring new members (41 percent), using branding and public awareness efforts (36 percent), and developing new methods of member engagement (34 percent).

Spending for effective strategies. Evaluating the potential effectiveness of various strategies to help associations achieve their goals, respondents say their most effective tools are direct mail, event marketing, and public relations. Surprisingly, respondents identify online media (blogs, Facebook, Twitter, and so on) as the least effective tool at their disposal. Nonetheless, 52 percent of respondents say they will increase their budgets for these social-media techniques (and one-quarter will keep their budgets stable), 56 percent will increase spending on e-mail communications with members, and 60 percent will spend on Web site modifications. Despite their positive orientation toward direct mail, 42 percent say that they will reduce their 2009 direct-mail budget, and 40 percent will reduce print advertising.

Based on respondents' expectations and prognostications, are the survey findings reflected in the actual membership and performance of trade associations? As the press covers a regular stream of stories of declining membership rolls, Loganville's chamber of commerce is not alone in dealing with membership disintegration.

- Only about 70 local businesses have maintained their membership in the Kuna, Idaho, Chamber of Commerce, and even fewer remain actively involved.[4]
- The Indio, California, Chamber of Commerce, with membership down from 750 to 709, dismissed its executive director for "economic reasons."[5]
- Over the past year, the Las Vegas Chamber of Commerce laid off 20 percent of its employees, and its membership declined from 6,800 to 6,550 members.[6]

Perhaps the most telling example comes from Redondo Beach, California. Responding to the economic times, the chamber held this year's annual meeting not in the fancy digs of the Portofino Hotel & Yacht Club but on the second floor of the local public library and reduced the advanced registration fee from $50 to $30. The theme of this year's program? "Surviving Challenging Times."[7]

Are there lessons in the trade associations' perspectives? Two seem obvious:

- Membership and constituency development and expansion strengthen organizations in normal times and sustain them through financial challenges. As membership rolls shrink, the strength of associations such as chambers of commerce withers.
- To survive economic downturns, organizations may have to spend money on the strategies that build short- and long-term organizational sustainability or watch themselves lose muscle and edge.

There's probably a third lesson in the survey findings as well, exemplified by the contradictory responses regarding social media. Just like most nonprofits, these business associations don't have silver bullets to draw on. This is one sweeping, deep recession with reverberations that will clearly extend into 2010. And all kinds of 501(c) organizations will suffer.

But like these trade associations, all nonprofits have constituencies, formalized as members or not. Whether for 501(c)(3) or 501(c)(6) organizations, these constituencies are the core strength of the nonprofit sector. To weather this storm, investing in the sector's core strength is the lesson to be learned from the nation's top trade associations.

Endnotes

1. Gary Fields, "Tough Times for Town Fathers," the *Wall Street Journal*, April 11–12, 2009.
2. According to the *Internal Revenue Service Data Book, 2008*, there are 89,409 organizations classified as 501(c)(6) "business leagues."
3. *2009 Economic Impact on Associations: A Benchmarking Report on Association Priorities, Challenges and Strategies for the Coming Year*, McKinley Marketing Inc., 2009.
4. "Membership Melts at Kuna Chamber of Commerce," *South Valley Press*, March 5. 2009.
6. Aldrich M. Tan, "Decline Forces Updates to Chamber's Events," the *Desert Sun*, February 27, 2009.
7. "LV Chamber Lays Off 20 Percent of Staff," *Las Vegas Review-Journal*, April 8, 2009.
8. Muhammed El-Hasan, "Commerce Groups Are Cutting Back," *Daily Breeze*, March 17, 2009.

Rick Cohen is the *Nonprofit Quarterly*'s national correspondent.

Compassionate Layoffs: Proceed with Care

by Melanie Lockwood Herman and Ruth McCambridge

***Editors' note:** This article has been adapted from an original article that was published in the Summer 2003 issue of the* Nonprofit Quarterly *by Melanie Herman.*

As nonprofit funding streams dry up, executives and boards watch carefully and try to judge when to make dreaded staffing cuts. Some are waiting until their inability to make payroll at current staffing levels has been confirmed, and some are making cuts quickly to stem the erosion of cash reserves. But whether it includes pay cuts, benefit reductions, staff furloughs, layoffs, or a combination of the above, most nonprofits facing financial stress will likely have to eliminate positions or reduce staff hours because payroll reductions are where the largest dollar savings lie.

But how nonprofit leaders proceed when faced with the need to cut staff is critical to a nonprofit's long-term success, ability to rebound from challenging circumstances, and a key predictor of whether damaging fallout will result from action taken to protect the mission.

Organizational compassion and transparency are guiding principles, and the combination of the two make a valid risk-management strategy. Just as employees expect to be treated fairly and with respect during their employment, they also expect that when a nonprofit with a community-serving mission needs to reduce its workforce, it will be equally kind and fair.

Transparency

In this case, transparency is the soul of fairness. Enlightened nonprofit leaders keep employees informed of what the organization's financial situation is on a continual basis and, therefore, when circumstances start to decline, employees are well aware of the stress facing the organization, which allows employees to do two things:

- help the organization take action that might lead to retaining income or generating new funds; and
- consider their own finances and life options to help inform management decisions about which positions should be eliminated if such action becomes necessary.

The long and short of this principle is that few employees like unpleasant surprises or having things forced on them—even if these decisions are necessary from management's point of view. Providing ongoing information and involving people in providing input on staff cuts can improve decision making and present an organization with options it otherwise might not have entertained.

While some experts are fans of the "Just do it, and do it quickly" school, when it comes to staff reductions, this approach is arguably antithetical to the values held dear by most nonprofits and may expose the organization to claims and damage that could have been avoided with a more compassionate and transparent approach. A few organizations with which we discussed staff reduction asked for staff input on the kinds of cuts preferred.

One recent, well-publicized example was at Boston's Beth Israel Deaconess Medical Center, a "supersize" nonprofit. Faced with the prospect of a $20 million operating loss, the world-class teaching hospital had tentatively planned layoffs of 600 staff. But first Paul Levy, the CEO, presented the problem to staff. Where other than staffing cuts could cost savings be achieved? By providing input, staff identified sufficient cost savings to reduce the layoff list to 150 positions. Among the alternatives implemented were withholding an annual salary increase of 3 percent (exempting lower-paid employees), temporarily discontinuing the employer match into pension funds, and voluntary pay cuts for senor executives, starting with the CEO, who took a 10 percent reduction. Reimbursements for cell phones and BlackBerrys were also eliminated. But the hospital's administrator drew the line on tuition reimbursement ("I do not want to abandon the goal of providing professional advancement for people") and the institution's relationship with the Red Sox as the team's "official hospital."

Clearly, the responsibility for making staff cuts is in the hands of the executive and board. But if what you hope for in the wake of these cuts is a staff with fierce allegiance to the organization and its mission, keeping staff informed about the financial condition of the organization and including staffers in critical decision making (as in this case, where it involved staff livelihoods and hospital spending) can help create unity of purpose.

The Golden Rules of Layoffs

A fundamental risk management principle is to treat employees according to the Golden Rule. Never is this principle more important than when an organization is facing adversity.[1] When you do need to lay off staff, being compassionate serves an organization well in the following ways:

- Departing employees have less animosity toward their former employer and may provide invaluable help during the transition period, such as training co-workers to perform essential tasks and duties.
- After they witness the help provided to departing staff, remaining employees may feel less anxious about their own job security.
- Morale among remaining employees is likely to remain high, and this can improve the odds that an organization can successfully move forward with its critical mission.

But some rules are critical to observe:

1. ***Never* lay off an employee where the true goal is termination.** Layoffs are not a means to prevent terminating an employee for poor performance, violation of workplace rules, or the simple desire to remove an employee from the payroll. Where employment practices are concerned, truth is both a virtue and powerful defense against claims of wrongdoing. When you inform an employee that he is being laid off and subsequently hire a replacement, you're being dishonest, and that is all too often discernable by other employees. This creates a sense of mistrust of motives and, therefore, anger and tension in the workplace. Further, you expose your nonprofit to claims that your actions were a pretext for illegal discrimination.

2. **Consider severance pay, but proceed with caution.** Because layoffs are unexpected and not the fault of an employee, many nonprofit employers offer separation pay when economic necessity requires termination. A standard policy that guarantees a certain amount of severance based on years of service can be risky. When a severe shortfall necessitates immediate layoffs, you may not have sufficient resources to cover these guaranteed payments. Failing to meet the promised formula exposes a nonprofit to breach-of-contract claims by laid-off employees.

3. **Communicate individually with each affected staff member.** News about layoffs should be communicated verbally to affected employees on an individual basis. An organization should also prepare a letter stating the conditions of the layoff for each laid-off employee. After counseling affected employees, an organization's leadership should communicate with all employees, explaining the rationale of the final decisions.

4. **Provide outplacement assistance and support.** Be creative in offering outplacement assistance to employees affected by your reduction in force (RIF). Consider allowing—even encouraging—employees to use the nonprofit's equipment for writing résumés and cover letters, searching online employment listings, and setting up interviews with prospective employers.

5. **Never use salary as a basis for determining layoff candidates.** Limiting layoffs to employees at the higher end of the salary scale can raise the specter of age discrimination, as older workers with seniority tend to earn more than their newly hired and younger counterparts. Layoffs should be based on preservation of the most essential *functions*.

6. **Review all RIF-related documentation.** An organization must ensure that its RIF-related materials don't refer to protected classes, such as age, sex, and race. In *Krchnavy v. Limagrain*, for example, after an older female employee was laid off, the company's documentation of the selection criteria for its RIF was an effective defense against the former employee, who alleged that the RIF was a pretext for age and sex discrimination.

7. **Identify a single employee to coordinate communication with laid-off employees, such as an HR director or another responsible senior manager.** Instruct other managers that they should refer laid-off employees with questions about the process to the single point of contact. This strategy helps to reduce the spread of misinformation.

Avoiding the "Survivor Syndrome"

A recent article in the *Washington Times* describes post-layoff workplace dynamics among "survivors." It goes something like this:

- Survivors of a layoff miss departed colleagues and mourn their absence.
- Survivors are left picking up the slack in light of a reduced workforce.
- Following a layoff, survivors may work harder at first, hoping to be spared if another round of cuts emerges.
- Remaining employees' worry about additional cuts, however, can breed caution and a lack of creativity just

Survival Strategies for Nonprofit Leaders

In an organization's post-layoff environment, organizations should consider the following steps to create stability and assurance for employees who remain.

- **Get it out on the table.** Ensure that employees have information about what the organization needs in order to thrive, and listen carefully to what employees need to thrive in a reduced-workforce environment. People may express guilt and anger. Help employees to acknowledge these feelings and don't force them underground. Instead promote as much goal-oriented teamwork as possible.
- **Communicate often.** After layoffs have been announced, supervisors should meet with staff based on agreed-upon talking points. Providing clear, concise, and consistent information to all employees is important. For leadership, a key decision is how much to share about your own concerns. Leaders always have concerns, but this environment only intensifies this worry. Some of this is simply your own load to carry, so it is important to be forthcoming without promoting terror and instability.
- **Make thoughtful decisions about work allocation.** Most nonprofit organizations have more work than they can handle, and layoffs can exacerbate overwork. Senior staff should think about and negotiate with remaining staff on work priorities and which tasks should be dropped altogether. Most nonprofit leaders are accustomed to doing more with less. In the wake of staffing cuts, it is very likely that a nonprofit will have to do less with less. These choices are difficult, but assuming that all work will simply continue as previously is a mistake. It can create staff resentment and burnout.
- **Make time for community.** During layoff periods, many organizations may need to make budget cutbacks, but that doesn't mean that opportunities to nurture and support staff should disappear as well. A breakfast gathering or a potluck lunch is an inexpensive way to nurture the bonds that hold organizations together. Colleagues and a sense of purpose keep employees engaged. During a period of retrenchment, it is particularly important to consider how best to maintain bonds and staff cohesion.
- **Hold the current reality, prepare for better days.** After a period of layoffs, it is easy to slip into a negative mindset, especially in the face of daily headlines of economic gloom. There is also a tendency to approach every task or project with a scarcity or "not enough" mindset. An organization must navigate the delicate balancing act to support employees through the current reality but also to see beyond it. Help everyone, including yourself, to balance reality with hopefulness and to ground that hopefulness in actual steps that strengthen your organization for the long haul.
- **Take care of yourself.** Nonprofit directors and senior staff need to support others at a time when they too may feel discouraged and depleted. It is critical that leaders find time to handle their own emotions and the inevitable roller-coaster ride that layoffs present. With so much to do and so many people to think about, it is easy to skip the core considerations that keep leaders sane through these downturns. But that's an unwise decision. Leaders who are in it for the long haul need to take care of themselves to be truly present for others and bring their best thinking and spirit to the organization. During a time of layoffs, investing in your own care is vital and a wise investment of your time and other resources. In her book *Life Is a Verb: 37 Days to Wake Up, Be Mindful, and Live Intentionally,* author Patti Digh reminds readers to "put your own mask on first." This simple and familiar advice contained in every pre-flight safety briefing is a wonderful reminder for leaders to take care of themselves first in order to protect and fortify the missions of the nonprofits we serve.

when it may be most needed.

- Even worse, fear of additional cuts may also breed a tendency for employees to seek favor at the expense of their colleagues.
- The whole experience becomes exhausting and finally results in the layoff "survivors" feeling envy for the layoff "victims."

While economic belt-tightening and staff reductions clearly create stress and anxiety within an organization, organizations can create a participatory, inclusive, and empowering culture—even in the wake of layoffs. Managers can create a climate of fear or a new beginning—and the key here is the empowerment of employees in crucial decisions, particularly in such areas as potential budget cuts. When cuts are on the table, engaging employees in shaping a nonprofit's future can work in favor of the mission and the staff.

Endnote

1. In its book on enlightened employment practices *Taking the High Road: A Guide to Effective and Legal Employment Practices*, the Nonprofit Risk Management Center articulates this principle and how to practice it (www.nonprofitrisk.org/store/high-road.shtml).

Melanie Lockwood Herman is the executive director of the Nonprofit Risk Management Center. The center offers a range of resources for nonprofits on various risk management topics. For more information, see www.nonprofitrisk.org. **Ruth McCambridge** is *NPQ*'s editor in chief.

Nonprofit Dissolution: What to Do When Closing the Doors

by Lee Bruder

Dissolution, or the closing of an organization in its current state, is more common than one might think. But when an organization seriously considers ending its life, it's a difficult and complex process. It is a time of mixed and strong emotions for those involved, including a nonprofit board, senior staff, administrative and line staff, partners, and stakeholders.

An organization has to make the difficult and momentous decision to close for two kinds of reasons: (1) involuntary reasons (e.g., an external shutdown is required, usually initiated through the state's attorney general's office or the office of the secretary of state) and (2) voluntary ones (e.g., mission has been achieved, a financial crisis has taken place, board and staff have exhausted their energy and ideas, or internal interpersonal disputes have overtaken an organization).

By federal and state law, nonprofit organizations should outline in their articles of incorporation and bylaws all tasks and responsibilities regarding organizational dissolution, and these policies must be followed. But most nonprofit organizations have not drafted such policies and procedures. The purpose of this article is to outline the steps and tasks involved in dissolving a nonprofit organization. And it may serve as a guide for establishing a protocol for an "honorable and respectful transition for all."[1] Our approach is based on four essential principles:

1. Like any organizational initiative, dissolution should be carried out with interpersonal integrity.

2. A successful dissolution preserves an organization's legacy and contributes to a positive collective memory of the organization.

3. Laying the groundwork is essential to a successful outcome. Many authors and theorists have addressed this stage of the process. The Gestalt International Study Center discusses balancing the intimate with the strategic;[2] numerous authors talk about attending to group dynamics; Eunice Parisi-Carew and Ken Blanchard offer the team charter model;[3] and a model of governance as leadership has also been developed.[4]

But no matter what it's called or how you choose to address it, we are convinced that organizations must pay as much attention to the process of laying the groundwork for a closure as they should to the tasks of the dissolution itself.

4. During this process, an organization should rely on a network of professional nonprofit experts, legal council, human resources support, and dissolution planning and implementation. While finances may be paramount in the minds of board members and senior staff, relying solely on internal resources may lead to a less-than-satisfactory outcome. Using expert input during the dissolution process can better ensure that all aspects are thoroughly addressed and that a board and staff groups are included in the right way and at the right time.

The process of closing a nonprofit organization takes many months. It is important that those implementing the dissolution are prepared for this time frame and equipped with responses to questions from the community about the status of the process.

The Decision to Dissolve

An organization's board and senior management must pick up and carry the burden of this difficult, emotional process; coordinate; and follow through on each step. This is a critical time for skilled leadership, governance, and generative thinking. Thus the decision must be well informed and thoughtful. For the purposes of this article, we assume that an organization's board of directors and key staff have exhausted all reasonable alternatives (such as restructuring and downsizing, changes in leadership, mission refocusing, merging with another organization, etc.) and that these deliberations have been documented in official meeting minutes.

Defining Strategic Goals and Objectives in Nonprofit Dissolution

The dissolution plan should have strategic goals with objectives that cover the following:

- Areas of impact
- Asset distribution
- Preserving organizational legacy
- Announcements and communication
- Legal filings

Each strategic goal should have specific objectives with action steps, time frame or target dates, and personnel designated to each task.

The body vested with the power to make the final decision to discontinue an organization's affairs should be identified in an organization's official documents (e.g., articles of incorporation and bylaws). The decision must take place at an official meeting that is duly called and documented.

We also recommend that an organization's board and key staff make the decision to dissolve privately. In the case of a nonprofit membership organization, a board must make a recommendation to membership for its consideration and approval. In most cases, this means that the information will then "go public." As the dissolution plan develops, key players in the process should keep these information management issues in mind.

While we often advocate transparency, in this case we advise strict information control. A board and key staff must feel safe in exploring all issues without fear that the community or other staff will prematurely hear about plans that may never be implemented. You can imagine the effect on an organization's credibility if the word were to get out that it was closing its doors, only to have a last-ditch fundraising effort become highly successful. In the meantime, staff may have launched job searches, and key community partners may harbor serious doubts about the organization's ability to deliver quality services. To ensure solid information management, the question of where meetings take place is also a factor. As a board and senior staff explore the possibility of dissolution, there will likely be strong disagreement, frustration, and sadness. "Sound carries," and administrative and line staff suspicions may increase because of additional meetings among power groups. Consider the possible ripple effects on the process.

Once the decision to dissolve has been made, board and key staff must have the time to debrief. Throughout the entire process, those who make the decision as well as the implementation team must have ample time and space to address their thoughts. Otherwise, they can't adequately support administrative and program staff. Left unattended, emotions can give rise to doubts and dissent and, in turn, create additional problems.

After an organization's board and senior staff have attended to the above tasks and prior to implementing the dissolution process, it's time to engage in planning. Whenever possible, nonprofit dissolution should not be implemented prior to a solid period of thought and planning. Every board member must recognize that this period of intense work must be completed as soon as possible to minimize leaks and the inevitable increasing concern on the part of staff members who are not privy to the proceedings. Board meetings should take place more frequently. It is critical to establish secure e-mail procedures with unanimous agreement among those involved. Frequent reminders about confidentiality guard against laxness.

An organization's board should identify a planning group that includes the board chair and CEO as members. The planning group will be tasked with creating a detailed draft of the plan for presentation to the board. In addition, because of dissolution's legal implications at both state and federal levels, we recommend that at this stage of planning an organization's board engage legal council for the duration of the implementation process.

Developing a Comprehensive Plan

A plan for nonprofit dissolution should be translated into a formal document that includes several sections. It should be strategic and tactical in nature and must cover all main areas of the process.

Informing Stakeholders and Constituencies

The planning group should identify all the groups and individuals who must be informed about an organization's closing. Each should have an articulated method of being informed, along with a designated person or group to provide the information and, if needed, required support.

Stakeholders to Inform and Processes in Organizational Dissolution

- Community at large (this may fall under a public-relations goal)
- Participants and clients
- How and when to inform
- Referral to alternative services
- Staff and human resources
- Recognizing staff
- Job-placement supports
- Determining severance packages (within legal and financial bounds)
- Determining last day(s) of work (will all employees leave at once or be phased out?)
- Funders, donors, and sponsors
- Board of director and advisory groups
- Honoring current and past board members, and other volunteers

Close Enough: Distributing Charitable Assets

by Scott Harshbarger and Alison Langlais

Shortly after the Thirteenth Amendment that abolished slavery passed, a donor's bequest that was designed to "create a public sentiment that will put an end to negro slavery in this country" came under scrutiny.[1]

In *Jackson v. Phillips*, a court ultimately applied the doctrine of *cy près* to prevent the bequest from lapsing and to provide the funds for the "use of necessitous persons of African descent in the city of Boston and its vicinity." Two centuries later, the doctrine of *cy près*—which means "as near as possible"—is still relevant when a charitable organization decides to dissolve.

Once an organization decides to dissolve, it must redistribute its assets. But it cannot simply close its books and haphazardly "re-gift" the pledges, bequests, and gifts it has received. Indeed, in addition to the standard procedures for dissolution applicable to all charities, those charities with assets to transfer at the time of dissolution have additional responsibilities.

Making the Decision to Dissolve

To minimize conflict that may arise later, an organization should agree—while it is robust—on the conditions that signal it is time to dissolve. These conditions, or triggers, may include the following: if a minimum number of employees can no longer be supported, if an organization's donor base decreases by a certain percentage, and so forth. These triggers should be included in an organization's governing policies.

Though procedures vary by state, the state attorney general's Web site is a good starting point to determine a state's specific dissolution requirements. In some states, the office of the attorney general is a necessary party to dissolution proceedings and must be notified and, in turn, give approval at various stages of the proceedings. Specifically, the attorney general may have oversight of the transfer of a dissolving organization's assets and may monitor dissolution to ensure that a terminating charity's assets are preserved. In many states, after filing a complaint for dissolution with the state court, a dissolving charity must also file a motion seeking the court's approval of the transfer of its assets, naming the attorney general as a party to the motion.

Invoking the Doctrine of *Cy Près*

While a dissolving charity may have a destination in mind for its assets, a court will apply the judicial doctrine of *cy près* to determine whether the chosen destination is most appropriate. When the general charitable intention of a donor cannot be followed because it is obsolete, inappropriate, impracticable, or impossible—as in the case of an organization's dissolution—courts still apply this doctrine to redirect charitable assets. *Cy près* is therefore applied to carry out a donor's intentions as nearly as possible. Courts afford relief under *cy près* when doing so is the least restrictive method of preserving a donor's charitable intent. Many statutes and dissolution procedures have embodied *cy près* and, in turn, made the doctrine more accessible.[2]

Often, the administrative detail—that is, how the charitable purpose is accomplished—is not the essence of a gift, and a donor's intentions cannot be met if *cy près* relief is not granted. Indeed, "where a main charitable purpose is disclosed with reasonable clearness, directions of the donor as to management and the precise manner of its application may be regarded as directory rather than mandatory, if necessary to carry out its leading purpose. It will be presumed that the details were meant to be subject to unforeseen and unforeseeable circumstances that may render them impracticable or illegal. In such cases, administrative duties may be varied, details changed, and the main purpose carried out 'cy près,' or as nearly as possible."[3]

Upon dissolution of a charity, a court may use its discretion and modify the purpose of a charitable donation to place funds in a new entity. In this way, an organization's assets can be preserved for charitable purposes in accordance with a donor's original intent, even though the original object of a donor's gift no longer exists. Indeed, courts assume that a donor would prefer that its donation be applied to a like charitable purpose rather than cease to have charitable purpose altogether. In application, courts consider evidence of the donor's wishes had she realized that the particular purpose of her donation could not be carried out as planned.

Distributing Assets

The critical task of the disposition of assets must meet the standards of the Internal Revenue Service Code and any applicable state laws. In general, a nonprofit's assets may not be distributed to a board of directors, staff, or other organizational insiders. Most states require that an organization's assets be distributed to other charitable organizations or governmental bodies. These laws ensure that assets amassed for charitable or other nonprofit activities continue to be used for similar purposes.

The asset distribution component should delineate how all organizational assets will be distributed to other organizations or parties, including programs, cash, investments, equipment, supplies, and facilities. An asset distribution document should also include an organization's programs and services as an asset. It may be able to identify other organizations that can adopt its programs, especially if a funding stream is associated with these programs. Thinking through which programs can be passed on may also keep some staff employed and part of the organization alive. This can be part of preserving an

Courts will not apply *cy près*, however, if there is no evidence of a general charitable intention behind a gift. If it appears that a donor intended a specific purpose for a gift and did not make a gift with a general charitable purpose, courts will allow the gift or legacy to lapse. The key to determining the original intent of a donor, and often the limitations meant to be imposed on a charitable donation, is an examination of the original recipient's organizational purpose.

Cy Près in Practice

While the doctrine is not always invoked by name, *cy près* is alive and well and highly publicized when its application goes awry. Many may recall the legal battle over the proposed sale in 2002 by the Hershey Trust of its control in Hershey Foods Corporation. Over the past century, courts have applied *cy près* to discern the intent of Milton Hershey, who founded the Hershey Trust in 1909, though not always without conflict and criticism.

More recently, in late 2006, a legal battle ensued between Greenpeace and the Salvation Army. In 2006, a wealthy donor left some $264 million in his last will and testament to be divided equally among eight charitable organizations, including Greenpeace International and the Salvation Army. Unbeknownst to the donor, in 2005, Greenpeace International was absorbed into the Greenpeace Fund. Seeking clarification on how to effectuate the Greenpeace donation, the trustee of the donor's estate filed a petition in state court, since technically Greenpeace International no longer existed.

Seemingly more opportunistic than charitable, the Salvation Army filed its own legal action to challenge the disbursement, arguing that the Greenpeace Fund was not eligible to claim the $33 million gift left to Greenpeace International because it was merely an affiliate. The Salvation Army instead advised that the gift would be most appropriately divided among the seven remaining charities, increasing its slice of the charitable pie by nearly $5 million.

Subsequently, philanthropy blogs and the media had a field day speculating whether under *cy près* the donor's original intent was to bequeath part of the estate to Greenpeace generally or only to the defunct Greenpeace entity. Most observers agreed: the Greenpeace Fund was meant to be a successor to Greenpeace International, and the gift should remain within the Greenpeace organization. In the spring of 2007, however, the parties settled the dispute, and Greenpeace forfeited a piece of its bequest, walking away with a $26 million gift rather than the $33 million it was supposed to receive.

Indeed, though *cy près* is a helpful tool to relax impracticable restrictions imposed on charitable gifts, it clearly has its imperfections when a sizable donation is at stake.

About the Authors

Scott Harshbarger is senior counsel at Proskauer Rose LLP and the former attorney general of Massachusetts. **Alison Langlais** is an associate at Proskauer Rose LLP. Their governance and regulatory litigation practice focuses on providing counsel to nonprofit and corporate clients on a range of issues.

Endnotes

1. *Jackson v. Phillips,* 96 Mass. 539 (1867).
2. Massachusetts, M.G.L. c. 12, section 8(k), for example, states that a "gift made for a public charitable purpose shall be deemed to have been made with a general intention to devote the property to public charitable purposes unless otherwise provided in a written instrument of gift."
3. 15 Am. Jur. 2d Charities § 135, at 143.

organization's legacy. In the event that the preferred plan for the distribution of assets doesn't work out, it's also prudent to develop an alternate plan.

Preserving Organizational Legacy

Any nonprofit organization that has done marketing has addressed the question "What makes us unique?" Periodically, it's a good idea to ask, "What would this community be like if we didn't exist?" Identifying the contributions of an organization to its community is the first step toward understanding the organization's legacy for constituencies. Once it clearly articulates its contributions, it must assess the depth and breadth of its impact. It is the real impact that constitutes the legacy, not just the effort of making a contribution. This information is an important part of an organization's public relations and celebration.

Communicating Dissolution to Stakeholders

This portion of an organization's plan details how an organization controls the release of sensitive information to each of the groups identified under a dissolution plan's section on areas of impact. When it comes to communicating this kind of information, we all live in a "small town." So dissemination must be orchestrated and coordinated. This part of the plan outlines to all involved what they can say, to whom, and when. It should also address what an organization will do if this aspect of the plan is violated.

In addition to an information-release schedule, an organization may want to institute mechanisms for responding to concerns and questions from the parties involved. Implementation is a pressurized and hectic time. As the organization works to implement the myriad details of dissolution, the task of responding to questions and concerns can get left in the

A Dissolution Plan Outline

Dissolution goal 1: An organization evaluates the potential and real impact of dissolution on various groups to minimize negative effects. Note that this goal requires a detailed time line with tasks that are well coordinated.			
	Objective 1. Communicate with community partners to anticipate potential gaps that closing may create and help them identify alternatives.		
		Action 1: Meet individually with local superintendents of schools to announce closing and hear concerns.	
			Key actor: CEO
			Target date: 00/00/0000

dust. Thus having a clear response plan is helpful.

Finally, we strongly recommend creating written communication procedures that include the board, staff, and other key personnel and organizations.

Implementing Dissolution

Clearly the two key guiding documents for implementation are the nonprofit dissolution plan and a time line. As mentioned previously, these documents must incorporate all federal and state requirements.

Creating a Time Line

Coordinating the timing of each action in your plan is important. So, in the planning stage, ensure that target dates are feasible. A time line is derived directly from the target dates of the plan. We suggest developing a Ghent chart or a true time line. Regardless of the format, the time line helps those involved see how each element of the plan relates, interacts, and overlaps.

Filing Legal Documents

Generally, an organization's first step in the documentation process is to file articles of dissolution with a state attorney general's office and/or office of the secretary of state. The office then issues a public notice. When you develop your plan and time line, allot time for this step. Check with the IRS regarding requirements for your type of nonprofit. You may also need to notify the appropriate officials in your city and county. After filing these notifications, the organization continues to exist until all existing invoices and other business including legal procedures are completed. All other business, such as signing contracts and running programs, is no longer permitted.

Celebrating

Honorable and thoughtful leave-taking involves acknowledgment of the result of people coming together for a common cause and shared values. During the process of dissolution, it's extremely valuable to reflect on the history of the organization and to create rituals that recognize the hard work and dedication of those who have been involved.

In addition to recognizing individuals, it's also important to recognize the contributions of the organization as a whole. We are a culture of peoples and stories. Celebrating the story of an organization that is about to close is an important tradition that is all too often forgotten.

Remember, this process can be tricky to pull off. Some may be tempted to paint a rosier-than-realistic picture of an organization or its staff. Thus, this kind of celebration can be bittersweet and stimulate anger or sadness. The key is to plan different rituals for different groups and to be honest and appropriately open given the group for which this process is intended.

Closing

If your organization has considered dissolution, consider the steps and guidance here as an outline for the plan you ultimately put in place. Stressful challenges tend to exaggerate the best and the worst of the human condition. Leaders can expect that during the process of dissolution, all aspects of organizational culture will heighten. The strengths and the trouble spots between individuals, roles and positions, and divisions and groups may need rapid, clear, and direct attention. Calming any rough internal waters as quickly as possible improves the potential for a successful outcome.

The IRS categorizes many different types and subtypes of nonprofit organizations, which have a range of sizes and missions. We do not believe in a one-size-fits-all approach, but we hope this article offers guidance for organizations on the cusp of dissolution.

Endnotes

1. Lee Bruder, *The Five Phases of Board Development*, Lee Bruder Associates, 2004 (www.leebruderassociates.com).
2. Sonia Nevis, Stephanie Backman, and Edwin Nevis, "Connecting Strategic and Intimate Interactions: The Need for Balance," *Gestalt Review*, vol. 7, no. 2, 2003.
3. Ken Blanchard and Eunice Parisi-Carew, *The One Minute Manager Builds High Performing Teams*. New York: William Morrow and Co., 2000.
4. Richard Chait, William Ryan, and Barbara Taylor, *Governance as Leadership: Reframing the Work of Nonprofit Boards*, BoardSource, 2005.

Lee Bruder is the founder of Lee Bruder Associates in New Hampshire (see www.leebruderassociates.com).

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 160112.

Measuring Grantmaking Excellence: How Good Are Your Foundation Donors?

by Aaron Dorfman and Niki Jagpal

If you work in the nonprofit sector, chances are you know of foundations that do great work and other grantmakers that are awful or irrelevant. They just don't understand your needs or those of the communities you serve. They have the money, but they just don't get it.

What are the key differences between exemplary and lackluster grantmaking institutions? When you survey the nation's more than 75,000 grantmakers, how can you determine the extent to which a funder—in partnership with its grantees—enhances the public good and creates positive impact? The National Committee for Responsive Philanthropy (NCRP) attempts to answer these questions and has devised criteria for gauging grantmaker impact in the report *Criteria for Philanthropy at Its Best*.[1]

Just as profit is the bottom line for the private sector, impact is the best measure for the civic sector. A nonprofit organization serves the public good when it enhances social benefit, such as by improving the lives of individuals, communities, and society. But grantmaking institutions rely primarily on nongrantmaking nonprofits to achieve their missions and to have impact. So in NCRP's report, the four criteria for exemplary grantmakers focus on values, effectiveness, ethics, and commitment and establish reasonable and fair benchmarks to gauge the performance of funders. NCRP developed these criteria to improve philanthropic practice and enhance sector-wide impact.

In 2006 total estimated giving by foundations was $39 billion, and in 2007, grantmakers' assets increased to $670 billion, the highest level recorded. While the economic recession has reduced foundation assets, the most recent data from the Foundation Center indicates that foundation assets were worth $530 billion at the end of 2008, still a substantial figure.[2] Because institutional philanthropy is largely exempt from taxation, the government forgoes substantial revenue that could be used to expand social–safety net programs or provide for the common good. As public programs continue to dwindle, the nonprofit sector has become more important than ever to ensure that community needs are met effectively.

Grantmakers' monies are partially public dollars, and as a result of generous tax subsidies, government and the public are partners with philanthropists to enhance the public good. And the tax-favored status of institutional philanthropy dictates that foundations practice exemplary philanthropy and puts the onus on grantmakers to maximize the impact of their contributions. To maximize impact, the nonprofit sector must be empowered as a vehicle to carry out the work this money funds.

Fearing retribution, most grantees don't speak out about foundations' bad practices; no one wants to lose important funding. But for grantmakers to improve, well-grounded criticism is vitally important. Nonprofits must ask grantmakers for what they need more boldly, but they have to back up these requests with sound arguments. NCRP developed these criteria to provide a tool for grantees to do just that. Nonprofits need to be engaged partners in creating a new set of grantmaker norms and expectations so that the public benefit of philanthropy can live up to its potential.

NCRP's first criterion concerns values and calls on grantmakers to serve the public good by investing in marginalized communities and by contributing to a participatory democracy. Most nonprofit leaders agree that serving disadvantaged groups should be a higher priority for grantmakers. In analyzing data to establish benchmarks for this criterion, only 33 percent of grant dollars could be classified as benefiting vulnerable populations, even when defined broadly. Although philanthropy and the nonprofit sector aren't a substitute for public programs, this low level of giving to benefit those with the least power, wealth, and opportunity is cause for concern. How can nonprofits that serve marginalized communities—such as lower-income people, the disabled, the elderly, or people with HIV and AIDS—respond to community needs when foundation support for them remains so limited?

The United States now experiences the highest levels of income and wealth inequality it has ever faced. This inequality affects more than the economy and the poor; it has negative implications throughout society and prevents a level playing field in which all citizens are equally empowered to participate. Despite the election of President Barack Obama, the country has not overcome racial barriers: we are not living in a postracial society. And for any underserved group, overcoming social problems is complicated and has many dimensions. When a foundation uses systems thinking to guide its grantmaking, it recognizes, among other things, the importance of multi-issue work. Foundations need to be comfortable with a certain level of uncertainty. No one is prescient or omniscient: which funder can identify a problem and predetermine the best solution that will most effectively address the intersecting challenges faced by communities? When a grantmaker adopts a systems approach, the impact of its contributions is augmented because the solution adapts to the realities of nonprofits and communities. This approach means addressing how various institutions, practices, policies, and structures work in concert to keep all community members from equal opportunities for advancement. And while this approach to long-term problems may seem abstract, it's an issue of changing how funders think about social problems and a challenge to address issues holistically. They can do so by supporting nonprofits that demonstrate a systems approach in action, such as advocacy, community organizing, and civic engagement. These initiatives achieve significant, measurable impact. A foundation that provides 50 percent of its grant dollars for the intended benefit of marginalized groups and 25 percent of its grant dollars for social-justice work meets the two benchmarks under the values criterion in *Philanthropy at Its Best*.

The second criterion is effectiveness: that is, nonprofits' ability to have impact on the issues they care about most. Too often, grantmakers undermine the effectiveness of nonprofit partners by providing short-term, highly restricted program grants and by drowning grantees in a tsunami of paperwork. This criterion addresses three issues directly related to nonprofit effectiveness: general operating support, multiyear funding, and reasonable administrative requirements.

Core support grants and multiyear funding are crucial to the civic sector's health, growth, and effectiveness. They enable grantees to respond to crises and opportunities as they arise instead of having to wait until grantees can secure new funding. Additionally, multiyear general operating support grants allow nonprofits to plan, retain talented staff, and invest in building their own capacity. In the aggregate, only 16 percent of grant dollars go toward general operating support; multiyear grants show similar figures, and disappointingly, more than 40 percent of the 809 foundations surveyed in NCRP's report didn't provide a single multiyear grant. But exemplary foundations exist and provide at least 50 percent of their grant dollars for general operating support (15 percent of the sample) and at least 50 percent of their grant dollars as multiyear grants (16 percent of the sample).

Applying for grants is cumbersome and labor-intensive. Any nonprofit leader can attest that this task is one of the most frustrating aspects of running a grantseeking nonprofit. The nation's best grantmakers ensure that application and reporting requirements are proportional to grant size. It makes sense to spend a lot of time applying for and reporting on a six-figure grant, but requiring a major proposal and lengthy report for a $5,000 grant is inefficient use of grantees' time. Applications and reports or evaluations should include only that which is essential and useful to both the funder and the grantee, nothing more.

Grantmakers' reliance on the nonprofit sector as the means to carry out charitable purposes places the responsibility on funders to engage grantees as true partners. In this approach, grantmakers don't lord the "power of the purse" over grantees. In a meaningful partnership, the funder that controls the supply (i.e., the funds) and the grantees that identify and address the demand (i.e., social and community needs) are on equal footing. Both parties recognize that neither can exist without the other and both advance their missions because of the other. Creating an environment of trust and meaningful partnership demonstrates philanthropy at its best.

The third criterion concerns ethics. An exemplary grantmaker is an ethical steward of the partly public dollars with which it is entrusted. But too many grantmakers continue to abuse philanthropy for personal gain and violate the public's trust in foundations and in the nonprofit sector.

As the ultimate decision-making body of the institution, a grantmaker's board bears the responsibility to ensure that it operates ethically, and thus board composition is critically important. Research indicates that diverse groups are more effective decision makers. But those familiar with foundations know that the majority of trustees share the same class and racial background, are from the same family, or are far removed from the on-the-ground realities that grantees confront daily. For many family foundation boards, adding the grantee perspective has been beneficial, and it is a sound practice for other grantmakers to consider adopting.

Diversifying a board also requires that it have enough members to bring a range of perspectives to its decisions, so a board should have at least five members. It's also important for all voices to be heard to reach the best conclusions. No nonprofit would consider paying its board members; funders would be outraged at using grant monies in this way. Thus, as a rule, trustees of grantmaking institutions should not be compensated. Two exceptions are when a foundation's CEO sits on the board and when a foundation wants to compensate lower-income board members who otherwise couldn't afford to serve. But organizations must be conscious that every dollar sucked up by trustee fees or other perks is a dollar diverted from charitable purposes.

Operating ethically goes beyond board composition, and the NCRP criteria call for significant measures for accountability and transparency. By maintaining and ensuring compliance with policies that prevent abuse, such as a conflict-of-interest policy, a foundation demonstrates substantive accountability. It's also important for grantmakers to set reasonable executive compensation levels. Most nonprofit leaders are paid modestly, and it can be infuriating to see leaders of grantmaking institutions paid exorbitantly.

Transparency is equally important. Grantees and the public benefit significantly when foundations make relevant data publicly available. At a minimum, a grantmaker practicing exemplary philanthropy should freely share demographic information on trustees, staff, grantees, and the intended beneficiaries of its grants; information about the types of grants it provides; and information for grant seekers about priorities and application procedures. This increases institutional philanthropy's accountability and transparency, which benefits grantees, policy makers, and the public.

The final criterion concerns commitment and calls on grantmakers to operate in ways that show they are committed to their missions and use their financial assets to that end. The purpose of foundations' tax subsidies is to enable these institutions to serve the public interest by creating social benefit. When a foundation warehouses its assets instead, it ignores its charitable purpose at the expense of taxpayers and the civil-society sector.

While some foundations pay out more than the legally mandated minimum of 5 percent of their assets to maintain their exemption, the majority do not. And most grant less than 5 percent because of allowable expenses that count toward the payout requirement. An exemplary foundation is one that pays out at least 6 percent of its investment assets as only grants. Our sector desperately needs

NCRP's Four Criteria for Exemplary Grantmaking

Criterion One: Values

- A grantmaker practicing philanthropy at its best serves the public good by contributing to a strong, participatory democracy that engages all communities.
- An exemplary grantmaker provides at least 50 percent of its grant dollars to benefit lower-income communities, communities of color, and other marginalized groups.
- An exemplary grantmaker provides at least 25 percent of its grant dollars for advocacy, organizing, and civic engagement to promote equity, opportunity, and justice.

Criterion Two: Effectiveness

- A grantmaker practicing philanthropy at its best serves the public good by investing in the health, growth, and effectiveness of its nonprofit partners.
- An exemplary grantmaker provides at least 50 percent of its grant dollars for general operating support.
- An exemplary grantmaker provides at least 50 percent of its grant dollars as multiyear grants.
- An exemplary grantmaker ensures that the time to apply for and report on a grant is commensurate with grant size.

Criterion Three: Ethics

- A grantmaker practicing philanthropy at Its best serves the public good by demonstrating accountability and transparency to the public, grantees, and constituents.
- Such a grantmaker maintains an engaged board of at least five members who include a diversity of perspectives and who serve without compensation.
- An exemplary grantmaker maintains policies and practices that support ethical behavior.
- An exemplary grantmaker discloses information freely.

Criterion Four: Commitment

- A grantmaker practicing philanthropy at its best serves the public good by engaging a substantial portion of its financial assets in pursuit of its mission.
- An exemplary grantmaker pays out at least 6 percent of its assets annually in grants.
- Such a grantmaker invests at least 25 percent of its assets to support its mission.

additional monies to do work in and for communities, and allocating 6 percent or more for grants is consistent with grantmakers' goals of perpetuity. Some foundations, especially newer and smaller ones, already do so and they have no intention to sunset.

Finally, by engaging in mission investing, grantmakers can leverage their tremendous assets in ways that extend beyond grantmaking. Research shows that aligning mission with investment decisions yields similar rates of return as those of traditional market investments. Grant seekers can benefit from this use of assets as well. A foundation that votes its proxy after screening its investment portfolios, for example, has real power in the private sector. In NCRP's report, field-leading grantmakers invest at least 25 percent of their assets using screens, shareholder advocacy, and proactive mission investing. This is the benchmark for philanthropy at its best.

Trustees of grantmaking institutions can use these criteria to examine their practices and make changes. But nongrantmaking nonprofits have an important role to play as well. These criteria are an effort to create new norms and expectations for U.S. grantmakers. Whenever nonprofit leaders can reinforce these criteria in discussions with policy makers and grantmakers, it will help vulnerable communities as well as the entire sector. The time is now to begin redefining excellence in grantmaking to maximize the social benefits of philanthropy.

Endnotes

1. The National Committee for Responsive Philanthropy's March 2009 report *Criteria for Philanthropy at Its Best* is available at www.ncrp.org/paib. Since its release, the report has generated significant controversy, fueling much-needed discussions about the difficult issues that foundation leaders need to address. Please visit www.ncrp.org/paib for ongoing media coverage of supporters and detractors and also endorsers of the report who express substantial agreement with the recommendations made in the report.
2. Steven Lawrence and Rena Mukai, *Foundation Growth and Giving Estimates: Current outlook, 2009 edition*, the Foundation Center, 2009 (http://foundationcenter.org/gainknowledge/research/pdf/fgge09.pdf).

Aaron Dorfman is the executive director and **Niki Jagpal** is the research and policy director of the National Committee for Responsive Philanthropy, a Washington, D.C.–based watchdog and advocacy organization that challenges grantmakers to strengthen communities.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org using code 160113.

The Take-Away

by the editors

High Anxiety
by Ruth McCambridge
With no end in sight, fears about how bad things will get have mounted. Across the country, nonprofit organizations face unprecedented financial hardship and difficult decisions about how to survive.

In the first article in a series on the impact of the economy on nonprofits, editor in chief Ruth McCambridge explores how organizations have hunkered down, gotten creative, and prepared to ride out the storm.

Improving Nonprofit Decision Making amid Economic Crisis
by Kate Barr
How do organizations recognize the signs that their financial situation has plummeted and react quickly? How can nonprofit executives and boards distinguish between the normal ebb and flow of nonprofit life and impending crisis? Kate Barr outlines frameworks for solid nonprofit decision making during economic crisis.

Sweat Equity: Housing Assistance in the Downturn
by the editors
As a housing assistance nonprofit, the Colorado Rural Housing Development Corporation is in the eye of the storm, facing the housing crisis head-on. Associate Director Judi Patrick speaks candidly about CRHDC's challenges in the wake of economic downturn and how the organization has adjusted in this complex funding environment.

Foundation Grantmaking during the 2008–2009 Economic Collapse
by the editors
What do shrinking endowments mean for the future of foundations? Using data from various sources, including regional grantmaker associations, the editors assess the damage of the financial collapse and forecast what's to come.

The authors' main finding is not surprising: foundations will give less this year and even less in 2010. And while the outlook is bleak for some organizations, the economic crisis offers lessons about bolstering nonprofits in tough economic times.

The Dance of the Four Veils
by Tom Ahern
Now more than ever, the onus is on nonprofits to communicate the value of their work, and they need to do so effectively.

But nonprofits can be their own worst enemy in communicating mission and message. They avoid conflict and controversy, use bland, flabby language, fail to appeal to human emotion, and rely on jargon to convey what should be compelling. A nonprofit fundraising expert discusses how to achieve impact through nonprofit communications.

How Applied Learning Shapes Nonprofit Management Education
by Judith Millesen
In nonprofit management education, applied learning is essential for a successful program, and students benefit from these "teachable moments" by gaining real-world experience.

But for these programs to be effective, universities and instructors alike have to embrace the opportunity to teach through unscripted moments. Program directors and other interviewees report the key factors in the success of applied-learning curricula, including institutional commitment, authentic engagement, and well-articulated expectations.

Dr. Conflict
by Mark Light
Are executive committees a blessing for overburdened board members or merely a vehicle to tip the balance of power in their favor and shut out other board members? Dr. Conflict responds to a fed-up former board member bullied by the executive committee one too many times.

Escaping the Perpetuity Mindset Trap
by Arthur "Buzz" Schmidt
Are foundations too stingy? Author Buzz Schmidt argues that the doctrine of perpetuity—or foundations' tendency to spend too little of their grantmaking funds to ensure their own longevity—promotes foundation rigidity and poor use of funds, both of which ultimately limit foundations' impact.

Unless foundations take a more active role in using and managing their endowments, they will continue to stunt nonprofit performance and improvement goals, undermine their own accountability, and waste opportunities to solve pressing societal problems now.

Solid Associations: Not Recession-Proof
by Rick Cohen
In these economic times, associations such as chambers of commerce have begun to feel the crunch of diminished dues and fewer members. The result is a crisis for many associations that have historically seemed unshakeable.

Compassionate Layoffs: Proceed with Care
by Melanie Lockwood Herman and Ruth McCambridge
How do you make employee layoffs less painful? According to Melanie Lockwood Herman and Ruth McCambridge, it starts with compassion. By treating employees with respect, including them in the decision-making process, and showing you care about their professional development, making the tough choice to let an employee go may be easier than you think.

Nonprofit Dissolution: What to Do When Closing the Doors
by Lee Bruder
Is there a right way to shut down a nonprofit? Author Lee Bruder argues there is. If a nonprofit has laid the necessary groundwork for closing its doors, dissolution can happen gracefully. The key is to create a strategic outline and time line that includes objectives and tasks to make the process run smoothly. And Scott Harshbarger and Alison Langlais discuss the doctrine of *cy près*, which can help organizations decide how to distribute their assets.

Measuring Grantmaking Excellence: How Good Are Your Foundation Donors?
by Aaron Dorfman and Niki Jagpal
Are you getting the best from your grantmakers? Authors Aaron Dorfman and Niki Jagpal discuss the National Committee for Responsive Philanthropy's recent report on what makes grantmaking organizations great or mediocre. The authors offer four main criteria for grantmaker assessment—values, effectiveness, ethics, and commitment—and challenge foundations to improve philanthropic practice.

Invisible Hand Crushes Fund for Economic Literacy
by Phil Anthrop
What can the CEOs of Wall Street teach middle-schoolers? Not much. Phil Anthrop recalls the rise and fall of the Fund for Economic Literacy.

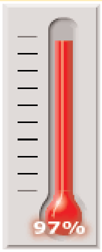
Project Bread's Walk for Hunger
May 3, 2009

Thank You!


Photo © Joshua Touster


Photo © David Leifer

You've walked the Walk, now we're reminding you that feeding 522,000 hungry people next winter takes one more step — so please send in all your pledges. This year, every dollar counts, and we're asking that you go back to those who pledged you to tell them about your success. You can help us even more by reminding your supporters that their employer's matching contribution can also help. And remember, if you raise $500, you become a member of our Heart & Sole Circle.



Have a question about matching gifts? Call us at **617-723-5000** or check out our website at **www.projectbread.org/matchinggifts.**

And, if you didn't get chance to participate, there's still time to help. The good you do will provide warm and sustaining food to families in need next winter.

PROJECTBREAD.ORG
THE WALK for HUNGER

145 Border Street
East Boston, MA 02128-1903

617-723-5000 • www.projectbread.org

Classifieds

CAREER OPPORTUNITIES

Transform, Develop, or Begin Your Career in Philanthropy

- **Diverse assignments**
- **Relationships with leading non-profit organizations and philanthropists**
- **Dynamic training program and corporate resources**
- **Performance based career paths**

The firm seeks talented professionals with capital campaign or major gifts experience as well as professionals with transferable consulting, communications, marketing, and strategic planning experience to join our dynamic consulting team.

CCS provides full-time, resident fund-raising counsel and campaign management services to the most recognizable brands in philanthropy, serving over 300 organizations a year.

Helping Extraordinary People Champion Inspirational Causes

Please visit our web site to apply:
http://www.ccsfundraising.com/Careers/
800-223-6733

Equal Opportunity Employer

CCS
Fund Raising • Development Services • Strategic Consulting

VOLUNTEER OPPORTUNITIES

Internet-savvy Nonprofit Volunteers Needed!

NPQ is seeking talented, hardworking volunteers to help fill out our website under the direction of our Publisher and our Webmaster. Each will be responsible for supporting and maintaining our Web presence, ensuring the currency, usability and attractiveness of its content, as well as its overall functionality. Volunteers will also assist with all Web-related initiatives. We are located in Boston, Massachusetts, but are willing to work with others across the country.

If you have a working knowledge of content management systems, and can code, test, and debug HTML, CSS, and/or PHP, write to our webmaster, James Morgan: james@npqmag.org

NONPROFIT RESOURCES

Campbell & Company
One East Wacker Drive, Suite 3350, Chicago, IL 60601
877-957-0000
info@campbellcompany.com

Campbell & Company is a national firm offering counsel in advancement planning, fundraising, marketing communications and executive search from offices in Chicago, Boston, Cleveland, Los Angeles, Phoenix, Portland, San Francisco Bay Area and Washington, DC.

Through thirty years and thousands of engagements, we have helped nonprofit organizations anticipate and manage the challenges of the philanthropic marketplace. Campbell & Company brings together the people, resources and ideas you need today — for tomorrow's success. To learn more, *visitwww.campbellcompany.com*.

FISCAL SERVICES

GrantsPlus
grant administration & more

Your funding should work as hard as you do!
Fiscal services just for nonprofits.
212-417-8505
www.GrantsPlus.org

FUNDRAISING SOFTWARE

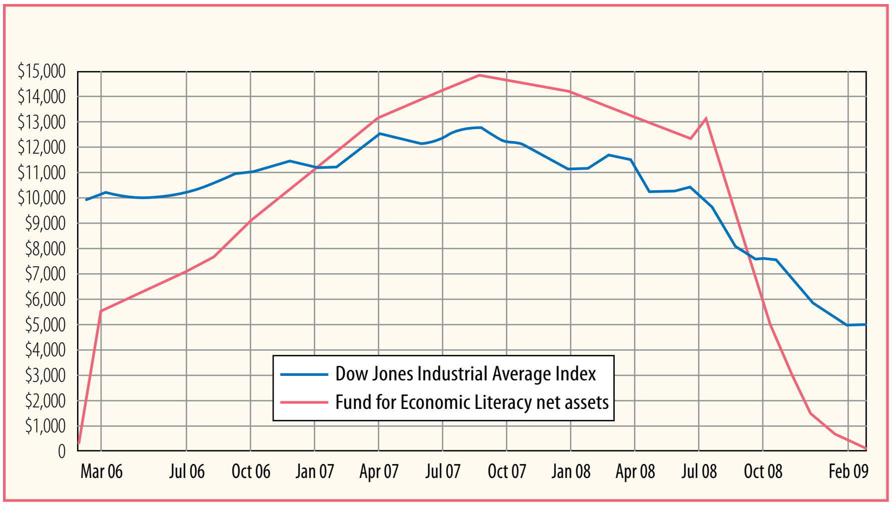
Blackbaud, Inc.
2000 Daniel Island Drive, Charleston, SC 29492
800-443-9441
solutions@blackbaud.com • www.blackbaud.com

Blackbaud is the leading global provider of software and services designed specifically for nonprofit organizations, enabling them to improve operational efficiency, build strong relationships, and raise more money to support their missions. Approximately 19,000 organizations use one or more of Blackbaud products and services for **fundraising** *www.blackbaud.com/products/fundraising/fr_overview.aspx*, **constituent relationship management** *www.blackbaud.com/products/crm/crm_overview.aspx*, **financial management** *www.blackbaud.com/products/financial/finance_overview.aspx*, **direct marketing** *www.blackbaud.com/products/directmarketing/directmarketing.aspx*, **school administration** *www.blackbaud.com/products/school/school_overview.aspx*, **ticketing** *www.blackbaud.com/products/ticketing/ticket_overview.aspx*, **business intelligence** *www.blackbaud.com/products/intelligence/bi_overview.aspx*, **website management** *www.blackbaud.com/products/internet/int_overview.aspx*, **prospect research** *www.blackbaud.com/products/prospectresearch/pr_overview.aspx*, **consulting** *www.blackbaud.com/services/consulting/consult_overview.aspx*, and **analytics** *www.blackbaud.com/services/targetanalysis.aspx*.

Since 1981, Blackbaud's sole focus and expertise has been partnering with nonprofits and providing them the solutions they need to make a difference in their local communities and worldwide. For more information or to view product demos, visit *www.blackbaud.com*.

Sage Software Nonprofit Solutions
12301 Research Boulevard, Austin, TX 78759
800-811-0961 • www.sagenonprofit.com

With 40,000 nonprofit customers and the largest range of award-winning fundraising and fund accounting software options, Sage Software is the vendor of choice for nonprofits of all sizes. Our global strength gives you unrivaled choice, quality, and service—providing innovative, flexible, and easy-to-use solutions designed with your needs in mind.



The Best of Intentions

The FEL investment contest winners turned out to be a Hollywood screenwriter's dream and a welcome respite from the tanking financial services industry, everyone was thrilled. Against all odds, the winning investment portfolio was registered by a class at Cesar Chavez Middle School in South Central Los Angeles. These gritty but tender and geeky ghetto youths struck a note of hope in an otherwise dismal time for bankers—13- and 14-year-olds who would rather sell you a collateralized debt obligation than steal your wallet.

By the end of 2008, all seven of the CEOs had been through hell—their firms had either collapsed or been sold at bargain-basement prices—and had endured a combined $100 billion in losses. The CEOs took their lumps and severance payments, while several floors down the young members of the FEL Investment Committee cleaned out their desks.

Pain was everywhere. Like the middle car in a fiery, multiple-car pileup, the $10 billion endowment of the Fund for Economic Literacy was first pinned, then torched, and finally annihilated. Fourteen of the 15-member FEL staff members were let go, leaving the associate director to pull together the promised banquet at the Waldorf Astoria, which was meant to be as cheerful as possible under the circumstances.

Half the FEL trustees and two-thirds of the investment committee quit by the end of 2008, so the March 10 banquet was to be small—which the six surviving board and committee members agreed would allow the focus to be on the young finance students and their accomplishments.

As their final duty, the FEL volunteers told the Chavez middle schoolers that their prize would not be a check but subordinated debentures. Rather than spoil the celebration, the committee decided to present a blown-up mock check, along with an envelope explaining the "prize."

The FEL volunteers "low keyed" the event, with modest chicken entrees combined with hope that few would notice the 50-plus assembled in a Midtown hotel meeting room. As luck would have it, a *Wall Street Journal* reporter was assigned to a new beat covering philanthropy and nonprofits.

Berenson made the presentation to Chavez team captain Ramon León. "Outperforming the market is always an achievement," Berenson said as she presented the envelope. "But under these circumstances, it is a miracle. Clearly FEL's curriculum should be mandatory training for every financial professional in the world. Tell us, how did you do it?"

Fourteen-year-old León shrugged. "We really all owe Mr. Rodriguez a big thank-you," he said. "He is our mathematics teacher. Teacher doesn't know stocks, but he does know game theory. Mr. Rodriguez showed us how the rules didn't say you could enter only one simulated portfolio. So we used a random-number generator to pick the stocks for about 121,000 scenarios of stock trades on your online system and picked one of the few that made any money."

"So you didn't use the FEL curriculum at all?" an incredulous Greenberg asked.

"No, the first unit never really worked online, so we just entered the contest as much as we could." León replied.

The last-standing FEL trustees and investment committee members sank further into their chairs.

Still at the podium, Berenson shook her finger at Rodriguez, "Mr. Rodriguez, if your students are half as smart as you made them out to be, they don't need any prize money—or maybe you can find a way to make what's in this envelope worth something again. Good luck with that! The FEL board is transferring what's left of the endowment to you and your students—maybe you can figure out if it's worth anything."

The five-foot-tall León looked less surprised than disgusted. "Are you kidding me? What's wrong with you people?"

León surveyed the suits in the room. "Are you completely illiterate? You are the reason this country needs a planned economy!"

Phil Anthrop is a consultant to foundations in the G20 countries.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org using code 160114.

Invisible Hand Crushes Fund for Economic Literacy

by Phil Anthrop

The $10 billion Fund for Economic Literacy (FEL) had one of the most distinguished beginnings in the history of U.S. nonprofit organizations.

On April 15, 2007, CEOs of seven of the largest U.S. financial institutions—American International Group Inc. (AIG), Bear Stearns, Citigroup, Countrywide Financial, Lehman Brothers, Merrill Lynch, and Washington Mutual—set aside their competitive instincts to give back to the community. As the giants of Wall Street signed FEL's charter for a permanent endowment to coach American middle-school students on the essentials of economics, the Mount Hope Community Center in the South Bronx buzzed with excitement.

"We have a duty to take what we know to invest in the future of this country," said Lehman Brothers CEO Richard S. Fuld. "We know the future of America is our youth. And when their generation takes over, they need to know how to make this economy work."

Countrywide Financial CEO Angelo R. Mozilo was one of the initiative's early supporters. "As the engine of the economy, the financial services industry has a unique opportunity to guarantee a perpetual source," he said. "We have created a $10 billion fund to generate $500 million a year in perpetuity: more than 50 times what is now being spent to teach middle schoolers economics."

The Fund for Economic Literacy was the brainchild of AIG CEO Maurice R. Greenberg, who conceived of an online system for registering and logging putative stock portfolios and a complex online curriculum of webinars and mathematical models to teach economics to the nation's disadvantaged. "These kids' schools haven't a clue about how to teach this. That's where we come in."

Young people today are better informed . . . and have learned quickly that money is what life is all about.

With a national retraining for middle-school teachers and a new incentive for high performers—including an eye-popping $10 million annual prize for the best performing middle-school stock portfolio—FEL set out to remake economics education.

To handle its massive endowment, the Fund for Economic Literacy developed a high-profile investment committee of young investment bankers nominated by their CEOs—whose only objectives were to "be creative and make tons of money."

FEL reached its $10 billion goal of pledges and gifts on August 25, 2007, the day the Dow hit 13,380. The $10 billion milestone was celebrated at a gala kickoff, and the $10 million annual middle-school prize was first publicly announced—to be awarded for the first time on March 10, 2009.

"These things have to be big to attract attention," Fuld intoned. "This will get attention, alright—definitely the biggest prize out there for middle-school classrooms!"

At the peak of the mortgage production boom, Mozilo was effusive: "We know more about how the economy works than ever before. We need to take the expertise of 2007 and turn it into the wealth and genius of 2009!"

The first meeting of the FEL investment committee was an event in itself. It was held at the Hyatt Grand Champions Resort in Palm Springs. Every investment committee member was under 30 years old, highly leveraged, and had at least one $10 million bonus under his belt—and thus well understood the power of incentives.

"If you want systems change, you have to change the rewards," said Marisa Berenson, 26. "I think young people today are better informed by all the social media around us and have learned quickly that money is what life is all about."

Continued on page 87 ↺