

# The NMAG Journal

*A newsletter for the members of the  
New Mexico Association of Grantmakers*

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[www.nmag.org](http://www.nmag.org)

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## **Advancing Mission with Program- Related Investments**

According to a new report from the Foundation Center, foundations are increasingly considering program-related investments as a way to advance their mission in a down economy. Doing Good with Foundation Assets followed 173 private and community foundations that made at least one program-related investment greater than \$10,000 and found that foundations' limited use of PRI's was attributable to a variety of factors, from limits in investment tool proficiency among foundation staff to the lack of a predictable income stream needed for

## **Executive Director's Report**

### **LEVERAGING YOUR FOUNDATION'S DOLLARS: LESSONS FROM THE GREAT RECESSION**

With the Great Recession most foundations and grantmakers were hit with losses averaging 20-30% in their assets. Almost everyone has since been engaged in a re-thinking of foundation operations and are seeking ways to make every foundation dollar count. The Chronicle reports that about 60% have reduced staff or severely restricted staff travel. Some stopped giving entirely, taking the opportunity to re-size, re-think their goals, or re-set priorities. A few, began to concentrate their resources exclusively on emergency needs and some restricted their giving to highly focused program grantees they considered essential to carrying out the foundation's mission. All of these are laudable steps that in the long or short term will benefit grantees. However each of these approaches has a down side: less staff means larger grants and less capacity to accept unsolicited proposals; less travel means reduced on the ground knowledge; focusing on program priority grantees, tends to pick winners and by default losers, and giving more smaller grants all around, spreads the pain but sometimes simply prolongs an inevitable demise.

A very few grantmakers have taken the opportunity that any crisis provides to seek maximum leverage for every dollar spent, given, and invested by the foundation. By looking at spending as they would mission related investing, and by looking at giving with an eye to affecting public policy with grassroots leadership, their leverage has gone from good to great.

Some grantmakers re-considering spending itself have more closely shaped their spending to support their program goals to serve the common good. These grantmakers have established audits and set in place practices, that allow them to buy their goods and services in a way that supports, for instance, the less well off in the community, if they're interested in helping vulnerable populations. Or, if their interest is in social development they may spend as much as possible with start-up business or minority or female owned businesses. These strategies may determine who they hire to clean their offices, through who they choose as vendors for regular goods, to where they take their trustees for dinner. As an example an anti-hunger organization I know always takes its board to dine at restaurants that supply food rescue programs. Likewise they use caterers, under the direction of professional chefs, that train high school drop-outs and the homeless in cooking skills. By seeing spending as an extension of their mission to serve the common good, funders approach this in the same socially responsible way they would investing.

But it is in grantmaking that some have realized even larger gains. A

repayment. [Read the full report.](#)

## Upcoming Programs

**April 22 webinar:** The American Independent News and the New Mexico Independent (NMI)  
Register at [scantor@nmag.org](mailto:scantor@nmag.org)  
**STILL TIME TO REGISTER!**

**May 6:** Foundation Sustainability in the New Normal  
Register at [scantor@nmag.org](mailto:scantor@nmag.org) or [Akilah@smallfoundations.org](mailto:Akilah@smallfoundations.org)

## 2009 Saw Record Decline in Foundation Giving Giving Likely to Remain Flat in 2010 and 2011

*New York, NY - April 16, 2010.*  
The recent economic crisis caused the nation's more than 75,000 grantmaking foundations to cut their 2009 giving by an estimated 8.4 percent-by far the largest decline ever tracked by the Foundation Center.  
[Read full article here.](#)

We count on you to keep us informed of any news regarding your organization.

*Letters to the Editor are welcome and encouraged.*  
Send to [rwhite@nmag.org](mailto:rwhite@nmag.org)

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very few funders have increased their grantmaking, thus increasing their payout. Their reasoning flows along the lines of a favorite saying of my mom's: "a stitch in time, saves nine". I would think the reasoning behind this approach is fairly self evident: Foundations that have increased their payout by 1% or 2% to keep their grantmaking level with past grantmaking or sometimes even increase above previous years' giving, see this as a critical time not just for their grantees but for the whole nonprofit sector. And while careful not to weaken themselves to a point beyond recovery, funders see the need to give more resources, not fewer, in this time. Others, not limiting themselves to their funding, have loaned staff expertise in finances or communications, or built their capacity to introduce grantees to other funders, thus using their knowledge and networks as additional resources to be shared. And still other grantmakers hope to foster greater synergy amongst their grantees through requiring closer collaborations in a time of tight resources.

Almost all grantmakers are now examining their giving through what has been encouraged in the field as best practices for a while now: acceptance of common grant applications (NMAG is committed to developing one), multi-year funding, and general (operating) support grants vs. strictly program grants.

I would be remiss if I didn't mention the recent spate of studies coming out of the National Committee for Responsive Philanthropy (NCRP) which gives real validity to funding strategies that focus on public policy reform through support of advocacy and community engagement efforts. All of their studies confirm what their initial study with NMAG suggested, that the amount leveraged through these strategies is simply astounding. The leverage seems to derive primarily from the investment in leadership, "action research" and the strategic convening of those leaders' grassroots organizations to impact policies.

It could be we are entering an age in which philanthropy will be the major resource behind the maintenance and spread of democratic change movements. And the increase in more democratic and cooperative strategies amongst grantmakers themselves: donor circles, issue based funding collaboratives, grantmaker affinity groups sharing strategies and coordinating funding, and joint funding pools for technical assistance or emergency loans, seem to be leading the way as a major resource these grassroots efforts.

The final way in which grantmakers are maximizing their impact is through use of their investment dollars, which is where the majority of foundation dollars reside. Some, like Annie E. Casey have re-committed strongly to the use of program related investments (PRI's). These short term low interest loans made out of a set aside pool from the corpus, supply sufficient "patient capital" to lift non-profit or social development organizations to new levels of stability and productivity. The Annie E. Casey Foundation found their PRI's and other mission related investing even out performed their regular investments over the past two years<sup>1</sup>. Other socially responsible investment screens, which prevent one from investing against one's self interest, and mission related investment strategies, which positively use investment money to support the mission of the grantmaker, are by now well established and available from few for the latter and more financial management groups for the former, for the remainder of one's corpus. All one need do, is ask about them.

Re-examining spending and giving, along with investing, especially in one's

use of PRI's and socially responsible investing, should be easy first steps to leverage a grantmaker's service of the common good.

4/12/10 RMW

notes

1 Despite Asset Gains, Most Grant Makers Will Keep Purse Strings Tight in 2010

Many grant makers plan to decrease giving or keep it flat in 2010, annual Chronicle survey finds--- Philanthropy Today e-newsletter March 26, 2010

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