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Foundations Regain Footing, But Economic Uncertainty Clouds Future

Concerns Over Stock Market, Fewer Corporate Contributions, Fed Cutbacks



The Cambodian Community History and Archive Project (CamCHAP), located at the offices of the Historical Society of Long Beach in Bixby Knolls, received major funding from the Long Beach Community Foundation recently. CamCHAP presents the Long Beach Cambodian community in documents, narratives, photographs, videos and a Web site at www.camchap.org. Pictured from left are: Julie Bartolotto, Historical Society executive director, James Worsham, president and CEO of the Long Beach Community Foundation, Anthropology Professor Susan Needham of California State University, Dominguez Hills, and Anthropology Professor Karen Quintiliani of California State University, Long Beach. (Photograph by the Business Journal's Thomas McConville)

■ By **SEAN BELK**
Staff Writer

Philanthropic foundations continued to deliver grants to the many nonprofits, operations and causes throughout Long Beach this year after the economy appeared to be getting back on track in 2010. But, philanthropy experts and foundation officials said a slowdown in prosperity might impact financial support in coming years.

James Ferris, director of the University Southern California's Center on Philanthropy and Public Policy, which tracks foundations in Los Angeles County, said the headway made in the last few years

should enable local organizations to maintain their service levels, but added that recovery should continue to be "protracted."

"In the last year or so there's been more confidence, things have been coming back and there's more sure footedness," Ferris said. "Now is not the worst thing in the world . . . In terms of foundations, things aren't nearly as dire at this point." He cautioned not to overstate impacts of the daily stock market, since foundation investments don't "turn on a dime" and endowments typically maintain their values over the long-term.

Still, many foundations have adjusted to the market by giving less funding over a shorter period of time and by becoming

more selective, increasingly requiring organizations to "demonstrate impact." As a result, nonprofits are now stepping up their efforts to raise funds on their own through individual donors, while diversifying revenue streams, maintaining strong leadership and implementing conservative spending practices.

While individual support is down, the number of willing philanthropic contributors tends to grow during times when there's more of a need for services, said Jeff Wilcox, president and CEO of the non-profit consulting firm The Third Sector Company based in Long Beach.

"Throughout history it has been proven

that in tough economic times, people find a desire within themselves to share with others who are struggling,” he said. “Even in the Great Depression, while giving levels by individual people were down, the number of people contributing grew. You have more people giving, but at a smaller level.”

According to Giving USA, a report compiled annually by the American Association of Fundraising Counsel, individuals or household donors accounted for 73 percent of all contributed dollars last year, which is the greatest portion of charitable giving. Individual donations “slightly increased” over the previous year, providing more than \$211 billion in gifts nationwide, according to the report.

However, Wilcox added that the recent instability in the stock market might ultimately impact the value of endowment funds, which foundations pay out through a percentage of interest from the original investment in order to prolong the life of grant making.

Wilcox, who for the past three years has penned the column “The Third Sector Report” for the Business Journal, said a lower rate of return on investments this year might create a “ripple effect” in the nonprofit sector. But it won’t be realized until at least 2012, since nonprofits are one to two years behind the for-profit market. “There’s a ripple effect that happens in society when a corporation has a bad year,” he said. “Not for profits will have a bad year the next year, because they have less yield from that portfolio performance to invest into the community.”

While there are various types of public and private foundations, Wilcox said philanthropy in general goes beyond just the act of a single charitable contribution to an organization, but impacts society as a whole. “Philanthropy is generosity demonstrated at such a significant level that it changes communities or systems,” he said. “What you’re trying to do is create a sense of generosity in a community, not solicit dollars.”

In addition, each type of charitable organization has specific guidelines for financial reporting, spending policies and political involvement under various versions of 501(c) tax-exempt status. But, due to recent economic scrutiny, Wilcox said the internal revenue service (IRS) may soon come down on foundations and nonprofits that have been lax on filing reports, causing some to lose their nonprofit tax status.

Community Support

In many ways, community foundations are the backbone to thriving societies, by providing the public a way to reinvest into its community and inspire social change for the better. One such example is the

Long Beach Community Foundation (LBCF), which was created in 1996 in collaboration with local founders, the Long Beach Estate Planning & Trust Council and the California Community Foundation.

In 2006, the foundation obtained its nonprofit status and incorporated as an independent public charitable organization to focus on the Long Beach community. Today, the foundation assists individuals, families and organizations by managing close to 60 charitable funds that help provide grants to local programs, causes and nonprofits.

James Worsham, president and CEO for the foundation, said community foundations provide a secure way for individuals and organizations to make sure their funds, some as little as \$25,000, go to “viable” nonprofits in good standing with the IRS. The process costs much less than setting up an entire private foundation.

“We act as a steward for whatever their grant making wishes are, and we regard that stewardship role as one of the most important things that we do,” he said. “We can give an individual the opportunity to run a private foundation, through our public charity vehicle at a much reduced cost.”

As of June 30, LBCF had close to \$18 million in total assets, which is an increase of close to \$3 million over 2010, Worsham said. He said the foundation had some large funds that were set up during the early part of this year. As a rule of thumb, the foundation has a policy to pay out roughly 5 percent of endowed funds.

One example is Dr. John Kashiwabara, a family practice physician in Long Beach who recently passed away and left a large sum that is now being used to set up an endowment. His niece, Annette Kashiwabara, who is the development director for the Assistance League of Long Beach, said the community foundation provides a sense of “security” that his funds will last and go toward her uncle’s wishes.

“That money is supposed to last forever, so it’s nice to have the security of knowing that we could give it to an organization like the Long Beach Community Foundation and not have to worry about it,” she said. “I think it’s a wonderful organization to be able to work with.”

For several years, LBCF has also been a grant maker for the John S. and James L. Knight Foundation, and more recently the Bank of America Foundation. Worsham said such large foundations don’t have the resources to know what’s most needed in a community. “We have our finger on the pulse of the community, we know what’s going on and as a result we can make a viable strategic grant that can make a dif-

ference here and not just be giving money away,” he said.

Specifically, the Knight Foundation restructured its relationship with LBCF by committing to an additional \$2.5 million to build an endowment fund instead of giving substantial sums to grant out directly to projects. The fund pays out over a seven-year period, providing for about \$350,000 in grants each year. “In effect we’re giving away less each year, but over time we’re giving much more,” Worsham said.

LBCF has changed to “strategic grant making,” where the foundation uses its pooled resources to fund projects that have a chance of “changing the landscape” of the community. Some examples include focusing on job creation through digital media arts, partnering with high schools, the Boys & Girls Club and the Community Action Partnership.

“There are many foundations that due fund business as usual, we just don’t see that as our role,” Worsham said. “We prefer to be conveners and leaders of change in the community. We hope that our grants will start a new effort so that we’re trying to in effect change the landscape, start new concepts and new ideas.”

Maria Blanco, vice president of civic engagement for California Community Foundation, said one of the initiatives of the public charitable organization is to focus on education issues through “immigrant integration.” In fact, the foundation gave the YMCA of Greater Long Beach a grant of \$108,000 this year for a two-year project, after giving a similar grant in 2009. The nonprofit was one of 62 recipients in Los Angeles County that received funding from the foundation’s \$5.6 million support this year.

The program focuses on the post-immigrant population in Downtown Long Beach, collaborating with parents, family members and schools to improve educational opportunities for students. The project provides workforce investment training, information on college preparation and efforts to improve the high school dropout rate, she said.

“We’re trying to have all of these communities be engaged at all levels, and part of that is to be engaged in the education of our children,” Blanco said. “We have always funded this area and we always try to have funding that’s meaningful that can make an impact and ensure the stability of good performing organizations.”

The Long Beach Public Library Foundation, formed in 1996 by private citizens, ensures the future of quality library resources and literacy programs, supporting the 12 public libraries in Long Beach. Sara

Pillet, executive director for the foundation, said demand for library services continues to rise due to economic conditions.

One program in particular includes family learning centers that provide longer time on computers, English learning assistance and resume writing support. In 2010, those centers received over 40,000 visitations and libraries through the city saw a total of 1.5 million visitors, she said. "Last year, there was just an incredible need and demand," Pillet said. "I think that people recognize the library continues to be desperately needed. Our donors have been generous and we appreciate that."

The foundation primarily relies on private donations from individuals and corporations, while receiving grants for various library programs. While the books budget has been cut by 60 percent over the years, three major endowments left by generous individuals now help to purchase books and materials.

Other programs funded by the foundation include Long Beach Reads One Book, which encourages reading and supports literacy amongst the greater community, and 40 community events throughout the year. The foundation's major fundraiser each June is called Grape Expectations and continues to hit its fundraising mark. This year, the event set a record, netting \$122,000. "We've been really trying to improve our fundraisers," she said. "We've also added some new ones to help during these are challenging times."

Healthcare Needs

Another area with philanthropic needs is healthcare services, funded through supporting foundations that receive grants, strictly use endowment income or raise individual contributions – or a combination of all three. These foundations primarily fund initiatives or maintain operations of hospitals.

Pam Dingwell, development director for the Community Hospital of Long Beach (CHLB) Foundation, said the hospital's recent merge with MemorialCare Health System is expected to open up new programs the foundation can now help with. "I think that community hospital has a great future ahead of it," she said. "I think the merger with Memorial is going to benefit the community at large. We can do nothing but serve the community better than we did before, that's how I see it."

CHLB Foundation was spawned from an original charitable gift in 1924 from former Long Beach Mayor Fillmore Condit. About 50 years later, Jess Grundy formed the foundation, which over the years has provided for healthcare programs, including the Women's Heart Health Program, along with capital equipment.

While the hospital now has new manage-

ment and a new governing board, the foundation will remain intact and continue to provide funds for community hospital, Dingwell said. She added that overall individual support and contributions has remained steady from a loyal group of contributors. "Our donors seem to be very loyal and supportive and continue to give," she said. "The hospital has a lot of community supporters."

Memorial Medical Center Foundation (MMCF), established in 1961, now provides financial assistance for all three of Memorial's campuses, including Memorial Medical Center, Miller Children's Hospital and CHLB. The foundation focuses its efforts primarily on "research, education, clinical capital and patient programs," said MMCF President James Normandin.

The majority of gifts, he said, come from individual donors, while the foundation is also fortunate to have support from various corporations, including Southern California Edison and Wells Fargo, in addition to private foundations such as the Ahmanson Foundation, Norris Foundation, Annenberg Foundation and the Loraine and Earl B. Miller Foundation.

However, Normandin said the bad economy has presented a few challenges for the foundation. In particular, the stock market crash in 2008 made it tougher for grant makers to be able to provide the same financial support, a scenario that could play out again if the current economic conditions persist, he added.

"Some grantors said they had to stop accepting new grant requests until they fulfill all their previous requests . . . Some of that was due to the stock market downturn and because all the other assets weren't as big as their commitments," he said. "I wouldn't be surprised if history repeats itself a little bit."

On average, MMCF pays annually back into the hospital system, using funding to support the missions of the medical center, such as genetic testing for cystic fibrosis, which he said is "a small grant but makes a big impact." Other initiatives include building endowment capital for the pediatric hematology oncology program that treats children with cancerous blood disorders and upgrades to the neonatal intensive care unit.

Capital initiatives include raising \$10 million for the Todd Cancer Pavilion, expanding the Memorial Heart and Vascular Institute, and supporting ongoing needs of the hospitals. "I think the changes that are coming with healthcare, people are beginning to realize that investing in healthcare is very, very important," Normandin said.

Drew Gagner, president of the St. Mary Medical Center Foundation, said the foun-

ation has been "fortunate" to have a diverse program that has withstood the travails of the economy. "We're very, very fortunate to have a comprehensive program that does withstand the severities of economic downturns," he said.

The foundation's 40th anniversary campaign last year brought in \$1.4 million in just nine months, Gagner said. Overall, the foundation raised roughly \$5.2 million in 2011, after receiving over 3,800 gifts in 2010, and made \$4.5 million in commitments back to the medical center in a variety of areas, he said.

St. Mary Medical Center Foundation also received \$834,791 this year through the Port of Long Beach's port mitigation grants, to provide a mobile clinic, which Gagner said will "extend the reach and breadth of the mission" of the Sisters of Charity. Other programs include services for HIV/A.I.D.S. patients and \$500,000 toward the palliative care program.

The Archstone Foundation is another healthcare related organization focusing on issues regarding the ever-increasing aging population. The private foundation was converted in 1996 after previously being known as FHP International Foundation. The original foundation was formed in 1985, first starting with a \$45 million charitable fund, which now has a primary focus to help in the topic of aging.

Joseph Prevratil, the foundation's CEO, said Archstone provides grants that focus on elder abuse and neglect, prevention of falls in the frail elderly and spirituality and care at the end of life, particularly in hospice. The foundation has been able to give out approximately \$5 million a year in grants despite the economic turmoil, he said. "The board of directors has held fast giving out that sum of money each year," Prevratil said. "We have been fortunate our investments have done well enough that we can cover that without having to invade the corpus primarily."

Due to state and federal government budget cuts, funds for healthcare services have shrunk and the foundation has stepped in to help fund adult daycare centers, along with a myriad of other programs in a time of need. But he said nonprofits aren't a "substitute for the state." As of June, the foundation has given a total of \$76.5 million in grants since it was established.

Also focused on the senior population is the SCAN Foundation, created in 2008, through a \$205 million endowment from the nonprofit SCAN Health Plan. The foundation focuses on innovative healthcare solutions and influencing public policy on long-term care policy. The foundation's board of directors allows for an annu-



Joseph F. Prevratil is the president and CEO of Archstone Foundation, a private foundation that focuses on providing grants for various issues related to aging. The foundation was converted in 1996 from previously being known as FHP International, which shifted from a nonprofit to a for-profit. (Photograph by the Business Journal's Thomas McConville)

al expense of \$7.5 million in grants.

Rene Seidel, vice president of programs and operations for the SCAN Foundation, said the Affordable Care Act of 2010 came with a number of long term care provisions that are now being implemented, some of them on a state level. Another big effort is to provide for senior home and community-based services, which face state budget cuts, in addition to innovative approaches to new services and university curriculum, he said. "It's complex," Seidel said. "Especially in an environment where we have shrinking resources, so it takes a lot of creativity."

Arts And Education

Many arts and cultural institutions, from large theater productions to museums, also rely heavily on the support of philanthropy. In the case of the Museum of Latin American Art (MoLLA) in Long Beach, almost all funding for programs and operations comes from "external sources," said Lisa Nashua, associate vice president of foundation and government relations.

Robert Gumbiner, who founded the museum in 1996, died in 2009, leaving behind a cash bequest of \$25 million, which provided \$18.4 million the first year and \$4.3 million last year, to go toward an endowment and to pay off loans. Besides Gumbiner's contributions, revenues still dipped last year, Nashua said. "MoLLA is about 15 years old, which is relatively new and it's been very challenging to kind of crack the door open on new agencies," she said.

What's critical is to keep an equal 25 percent revenue stream of endowment income, donation support and foundation grants. This year, the foundation received a \$70,000 grant from the Andy Warhol Foundation based in New York for a project

room series for two years, in addition to a more than \$200,000 grant from the Getty Foundation for an initiative called Pacific Standard Time: Art In L.A. 1945-1980, expected to be the museum's "blockbuster" this year, she said.

However, Nashua added that future funding from foundations and corporations is expected to be relatively stagnant for the arts community and nonprofits in general and even individual donors are much more conservative. "We're always tightening our belt and our team is extremely creative in how we utilize the funds that we have," she said. "For us, our biggest strategy is filling that pipeline of prospects and constantly prospecting new opportunities for partnerships."

Ron Nelson, executive director for the Long Beach Museum of Art (LBMA), which also received a grant this year from the Getty Foundation, said the museum is constantly looking for new sources of funding and looking to form relationships. He added that while educational grants have maintained a strong level this year, the museum has had to cut its hours due to funding cuts from the city, and the museum has had to take a 40 percent cut.

However, Nelson said there's enough "energy" in the city currently that the arts community should be able to reach out to other funding sources in California and nationally. "I think that everybody's gotten used to being poor and they're making due with what they have to give out," he said.

Public higher education also relies on philanthropy. The California State University, Long Beach Foundation, for instance, provides a majority of its funding for student scholarships. Mary Stephens, the foundation's executive director, said

contributions have held steady. For fiscal year 2010-2011, which ended in June, the foundation had raised roughly \$26 million, which she said is "impressive."

While a predominant source of funding comes from federal grants to pay for professors to do research and other programs, a large source of funding comes from contributions from members of the community, alumni and corporations such as Boeing that donates dollars to the university college of engineering. Some recent contributions include a legacy gift left by Bob Cole to rehabilitate a music conservancy, paid for by a \$16 million revocable endowment trust, Stephens said.

Ginny Baxter, executive director of the Long Beach City College Foundation, added that about 80 percent of its donations go to scholarships, through endowments, or individual scholarship funds. For the 2010-2011 fiscal year, the foundation took in roughly \$2.8 million, which was a near \$700,000 increase from the previous year.

In addition, the foundation just completed a campaign with the California Community College Foundation, in which they matched funds, providing for up to \$1 million in endowed funds. Other funds have come from grants and corporations, such as Verizon. However, she added that 98 percent of the money comes from individual contributions.

Although there may be some loss due to the stock market slump, she said the college foundation should more than make it up down the road. "We have been investing our funds for over 25 years and we have seen the ups and downs," Baxter said. "You just have to hold on and go with the flow and hope things come back." ■