

AHP in the News  
Charities brace for lean times in 2009  
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by Jeff Gammage  
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Last year in the United States, charitable giving reached an all-time high of \$306 billion - impressive in a miserable economy.

In fact, when adjusted for inflation, donations were up in every sector. In the arts. Health. Culture. Religion. Animal care. The environment.

But that was last year. Today, as the American economy treads onto new and frightful terrain, many charities are bracing. In the philanthropic marketplace, the stab of a failing economy can take six months to be felt, because corporations, foundations, and other big givers are still making previously scheduled donations, even as financial conditions deteriorate.

"I think everyone's scared," said Casey Cook, executive director of the Bread & Roses Community Fund, a Philadelphia foundation that helps groups working for social change. "We have not seen a considerable decline in giving to our organization this year. But we're going to have to plan for that."

Ninety-five percent of donations to Bread & Roses come from individual donors, the majority of whom live in households earning less than \$100,000 a year. Today, the foundation is trying to increase its number of donors, even if their actual dollar donations may be smaller, in the \$25 to \$100 range, and expects "other nonprofits will have to do the same."

And quick.

Across America, charities are entering the key fund-raising period of the year: half of all individual donations are made between Thanksgiving and New Year's Day. That's when people most think of others in need, but also when they have a clearer view of their end-of-year finances and a desire to snag a tax credit through a last-minute gift.

But "even if people have money they may withhold it this year, because they're unsure of what the future may bring," said Sandra Miniutti, a vice president at Charity Navigator, which evaluates charities. "There's a lot of concern out there."

That's because nearly 75 percent of last year's record \$306 billion haul came from individual donors. And people who are afraid of losing their savings, stock accounts or jobs - or who have already lost them - may curtail their giving.

The most immediate impact is felt by organizations such as food banks and soup kitchens, where demand for services goes up as revenue goes down. Those types of charities often don't have the glitzy reputations - or big endowments - of major art museums or orchestras.

They're also not the only ones being challenged.

A new study by the Association for Healthcare Philanthropy warns of serious financial problems among nonprofit hospitals and care providers, the result of a sour economy coupled with uncertainty over the presidential election. Declines in giving would hurt the ability of those providers to pay for uninsured patients and to make up for lower reimbursement rates and higher operating costs, the report said.

"All the common sense of life would say we should be nervous, but I'm not nervous," said Eileen Heisman, president and CEO of the National Philanthropic Trust in Jenkintown. "Wall Street is really cracking at the seams, but there are still other parts of the economy that are working."

The trust manages \$725 million in charitable assets. Since its founding in 1996, it has raised \$1.3 billion in contributions and made 25,000 grants worth \$715 million to charities around the world.

Today, with TV news covering the crisis minute-by-minute, Heisman worries about perceptions, that scary headlines lead people to ask, "Do I have enough money to give?" And that even if the logical answer is yes, the emotional answer may be no.

"It will be harder this year, no doubt," said Michelle Reale, a librarian who lives in Abington Township. "And we're being asked a lot more than we have been. Needs seem to be arising everywhere. I'll give what I can, but it probably won't be as much or as often."

She and her husband tend to give more emotionally than systematically, she said, making on-the-spot donations to help people affected by sudden disaster. These days, she notices people all over feeling financial uncertainty in new and unsettling ways.

"You go to buy a gallon of milk, and it's almost \$4. That's a shock. It's a self-preservation mode."

Yardley-area businessman Paul Michele said probably 85 percent of his personal charity is made by donating his time - and he's increasing that donation now.

"In these times, I've devoted more time than ever," he said.

Michele runs two businesses, Compass Imports International, which specializes in costume jewelry, and Retail Consults, which helps firms set up operations overseas. He's heavily involved in charitable causes, serving on the executive board of the Variety Club,

helping out at Holy Redeemer Church in Chinatown, and giving time to charities such as Half the Sky, which provides education and care to children in China's orphanages.

He figures he donates 30 to 35 hours a month in meetings, labor and phone calls. And he plans to make his normal financial donations.

Historically, Americans have been consistently generous, and not just after disasters such as Hurricane Katrina. Since 1969, as adjusted for inflation, total giving in the United States has increased every year but one, 1987. That year is considered an anomaly caused by changes in tax laws.

But it's also true that giving has slowed slightly during recessions, according to the Giving USA Foundation, which studies philanthropy. In the five recessions since 1975, giving fell an inflation-adjusted average of 1.3 percent. In non-recession years from 1996 through 2006, giving increased 4.3 percent.

"It's important at this juncture for cooler heads to prevail, and for nonprofits to not listen to those who would claim the sky is falling," said George Ruotolo Jr., a past chairman of Giving USA. "Charities with a clear and compelling case and an established, loyal donor constituency will continue to succeed."

Indeed, for many nonprofits, how you feel depends on where you sit.

For Josh Ruxin, reached last week at a restaurant in Rwanda, the future doesn't look so glum. The Columbia University assistant professor is cofounder and director of the Access Project, which helps African nations develop public-health programs.

His donors want to improve health and economics in lands such as Rwanda, known mostly for its mid-1990s genocide. They tend to give from \$25,000 to as much as \$1 million. Those donors haven't been made poor by the economic crisis - just less rich.

"This downshift is going to push donors to be even savvier about how their money gets leveraged," Ruxin said. "They want to see more matching funds. They want to see more people impacted per dollar."

In this country, the \$306 billion given to charity in 2007 represents a 1 percent increase over 2006, as adjusted for inflation. America now supports more than 1 million charities, many of which duplicate the services of others. For instance, about 1,000 nonprofits are devoted to fighting breast cancer.

Miniutti, of Charity Navigator, wonders whether the crisis might lead to more collaborations and consolidations - a Wall Street-style shakeout.

If it does, one well-known charity won't be part of it.

Weirdly, when the economy sours, prospects at Goodwill Industries sweeten. Revenues are up almost 9 percent this year, according to Mark Boyd, president and CEO of Goodwill of Southern New Jersey & Philadelphia.

Why? In hard times, people try to save money, and one way is by buying clothes and household goods at Goodwill, which gathers and sells cast-offs, then uses the proceeds for jobs programs.

At the same time, though, Goodwill depends on having a steady supply of free merchandise to sell. Boyd is concerned about what Goodwill calls its "donation flow."

"The only reason why people donate to Goodwill is they went and bought new stuff," he said. The fear is that in this economy, people won't buy new goods - they'll make do with the old.

So far this year, the number of donations is up 11 percent, and Boyd wants to keep it growing. Goodwill is trying to entice people into its stores through programs like Reconnect, a computer-recycling project operated with Dell. Boyd figures that when people bring in old computers, they'll bring other stuff, too.

"Everything has been happening so fast and furiously," said Cook of Bread & Roses, which makes grants from \$50 to \$10,000 to groups working on projects such as establishing a community FM radio station. "We will definitely be looking at our budget and seeing where our challenges are, and where our opportunities are, scaling back efforts to some extent. . . . In these times, though it gets more difficult, our work is ever more important."

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