



[March 08, 2009]

## Local grants to nonprofits declining

Mar 08, 2009 (The Leader-Telegram - McClatchy-Tribune Information Services via COMTEX) -- Three million bucks.

That's how much the total assets of four west-central Wisconsin community foundations dropped in 2008 as a result of the plunging stock market.

In human terms, that's the amount of cash no longer available for grants to nonprofit agencies that serve area residents struggling with homelessness, hunger, a lack of medical care and other hardships in these difficult economic times.

Chippewa Valley community foundation officials said they would be forced to give less this year after suffering a steep loss in their investments last year.

"These returns will definitely affect the 2009 granting cycle for the Eau Claire Community Foundation and likely future ones," said Heidi Fisher, executive director of the 12-year-old foundation, which suffered a 22 percent drop to \$4.9 million in the value of its endowments in 2008.

It's the same story for the Greater Menomonie Area Community Foundation, where total assets dipped 19 percent to \$975,000 in 2008.

"Our maximum grant has probably been under \$5,000 anyway, and there is no way we could be making grants at that level this year," said Linda McIntyre, executive director of the Menomonie foundation, launched in 1995. "Our grants are going to be way more conservative." For charities already facing a decline in government grants and individual donations because of the recession, the revelation that money will flow less freely from foundations is yet another layer of bad news on the financial front.

Need rising Last year, for instance, the Chippewa Valley Free Clinic received nearly \$12,000 from the Eau Claire Community Foundation. Most of the money was used to buy a month's worth of medication for clients who can't afford health care.

"It was a tremendous help for our organization," said Brent Hafele, the clinic's executive director. "This year I am not as optimistic that the foundation will be in a position to be so generous." Hafele, along with officials from other local charitable groups, said nonprofits often suffer from a sort of double whammy during hard times because their income falls at the same time demand for their services rises.

"We know the whole substance abuse thing will get worse as more people become unemployed, so we know our services will be needed more than ever," said Betty Kleemeier, director of Pathways, a Chippewa Falls nonprofit agency providing substance abuse intervention and education services.

Though Pathways has applied for foundation grants, Kleemeier recognizes that money will be much harder to come by this year.

The Eau Claire Area Hmong Mutual Assistance Association, which provides a variety of services to area Hmong residents, already has begun making cuts in response to funding shortfalls. The agency recently trimmed the hours of two of its three full-time employees and is assessing other cuts to account for this year's expected 36 percent drop in its budget, mostly the result of cuts in state funding, said Evan Xiong, the agency's executive director.

The association applied for assistance from the Eau Claire Community Foundation, but Xiong said it's too early to know how fruitful that might be given the difficult climate faced by foundations too.

Better than most The regional foundations are by no means alone in watching their portfolios sink, as just about anyone with a 401(k) retirement savings plan can attest.

In fact, the community foundations in Eau Claire, Chippewa Falls, Menomonie and the St. Croix Valley outperformed the industry and the overall stock market last year.

Nationwide, the median decline in asset values for independent and public foundations was 28 percent in 2008, according to a recent survey by the Washington, D.C.-based Council on Foundations. The stock market, as measured by the SandP 500, fell 38 percent last year and is down about 25 percent more so far this year.

Though misery supposedly loves company -- and the national statistics may offer a measure of reassurance about investment philosophies -- officials from the area foundations acknowledge it is difficult to see their bottom line moving in the wrong direction.

"Things are uncomfortable right now, and we don't like it," said Carol Gienapp, executive director of the eight-year-old Community Foundation of Chippewa County, where total assets fell 14 percent to \$2.7 million in 2008. "It certainly was a lot more fun when our funds were all making money and we could give out that money." The foundation directors' biggest concern, however, isn't the number at the bottom of their portfolio statement; it's the people who need services from the local charities the foundations support.

"Those nonprofits will be getting hit with more and more service requests at a time when they have less and less," Gienapp said.

Limited by law In some cases, foundations can't touch their money even if they want to because of a Wisconsin law that prohibits withdrawing money from endowments that fall below their "historic dollar value" -- the money given to create the endowment plus any later gifts.

The St. Croix Valley Community Foundation enjoys an exception to that rule by being incorporated in Minnesota, which doesn't have the same requirement. The foundation serving St. Croix, Pierce and Polk counties in Wisconsin and two Minnesota counties saw its total assets fall 7 percent last year.

"We have a number of funds that are going to be below their historic value ... but in hard times we really can't stop giving grants," said Jane Stevenson, foundation president. "These nonprofits need us more than ever right now." Thus, the board approved making grants this year at slightly below the usual level, or between \$1.5 million and \$2 million, she said.

Another key problem is that the same economic factors that hurt the foundations' fund balances

also have sapped wealth from potential donors, leading to a significant decline in the gifts necessary to replenish lost assets.

The Chippewa Valley foundations have responded with special fundraising efforts for what are known as pass-through grants -- money that goes directly to nonprofits and never becomes part of a long-term endowment.

The Eau Claire Community Foundation recently reached its \$15,000 goal for that effort by tapping staff, board members, trustees and major donors, Fisher said. Those grants will be in addition to the lower-than-usual awards the organization will give from its traditional funds. A similar effort is under way in Chippewa County.

For the Menomonie foundation, grants would have fallen to about \$3,000 this year had it not been for a gift challenge by Menomonie residents Doug and Ann Larson, who agreed to donate \$1 for each \$1 raised by the board of directors up to \$15,000.

"Doug and Ann's generosity will allow us to award about the same level of grant dollars as last year," McIntyre said. "Their generosity means a great deal to us and the community." Executives at the regional community foundations -- much like many investment advisers -- keep reminding themselves to think long term, although they acknowledged that can be difficult when the short term is so painful.

"We know the market's going to come around," McIntyre said, "and we know we're in it for the long haul." Lindquist can be reached at 833-9209, 800-236-7077 or [eric.lindquist@ecpc.com](mailto:eric.lindquist@ecpc.com).

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