

2020: THE YEAR THAT CHANGED EVERYTHING

How private foundations are meeting this moment



Introduction

The word “unprecedented” has been used to describe the current year with such frequency that it’s becoming shopworn. Still, the cumulative impact of COVID-19, high unemployment, and social turmoil has been nothing less. Confronted with suffering and ever-increasing need, the entire philanthropic community is under pressure to do more with finite resources.

To determine how private foundations are meeting this moment, Foundation Source asked its private foundation clients about the forces shaping their grantmaking, how they’ve adapted their missions and strategies, and their outlook for the remainder of the year. Because most Foundation Source clients, like the vast majority of private foundations, are relatively small (most with assets of less than \$50M), their answers could provide insight into how the broader private foundation community is responding to the ongoing crisis and what we might expect to see in the coming months.



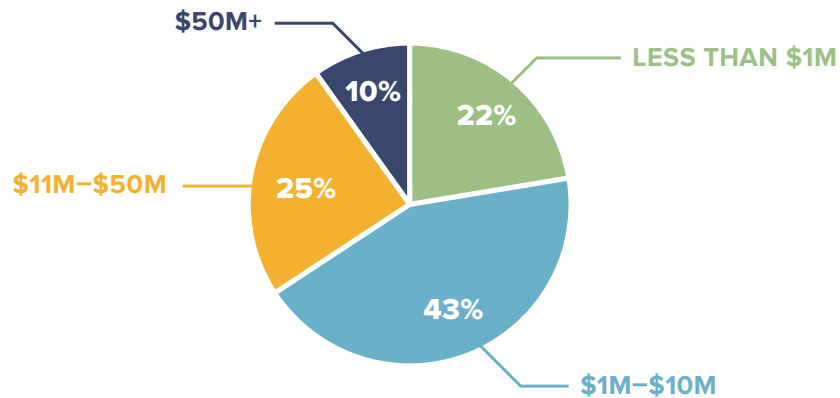
Summary of Findings

- Thirty-nine percent of respondents said they had shifted their foundation's mission since the start of 2020. When asked what factors contributed to their decision, respondents most commonly cited COVID-19 and the increased need of nonprofits.
- Forty-two percent said they'd increased the dollar amount of their grantmaking since the start of 2020, and the same percentage said they expect to do so in the remaining months of the year. In addition to COVID-19 and the increased need of nonprofits, respondents cited social justice concerns (e.g., Black Lives Matter) as factors in their decision.
- Some respondents used the capabilities of their foundations to go beyond granting to nonprofit organizations to grant directly to individuals, award scholarships, engage in direct charitable activities, or make program-related investments in 2020. For a number of these foundations, it was the first time they'd used these capabilities.
- Although 86% plan to grant exclusively to nonprofits for the remainder of the year, other respondents are planning to employ other options as well. For those respondents, granting to individuals is the most popular choice.

SURVEY DEMOGRAPHICS

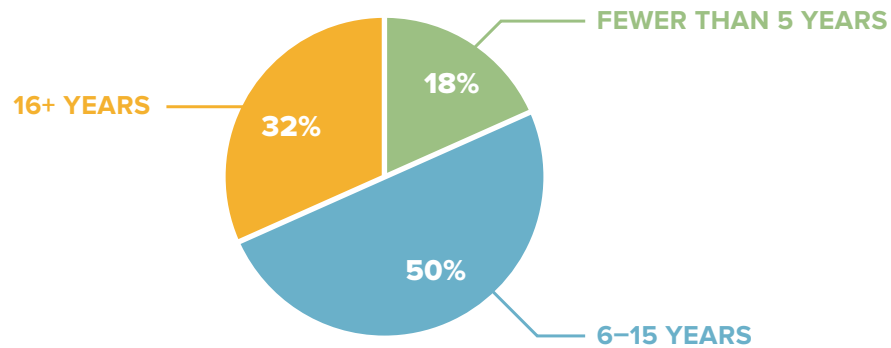
Q1: What is the approximate asset size of your foundation?

Of the 105 survey respondents, 24 had foundation assets of less than \$1M; 45 had between \$1-10M; 26 had between \$11-50M; and 10 had more than \$50M.



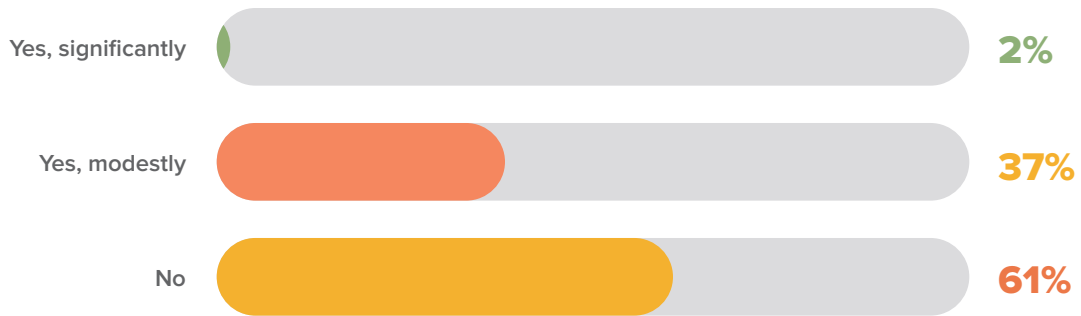
Q2: How long has your foundation been in existence?

Half of the foundations in the sample have been in existence 6-15 years; 32% were older, and 18% were younger.



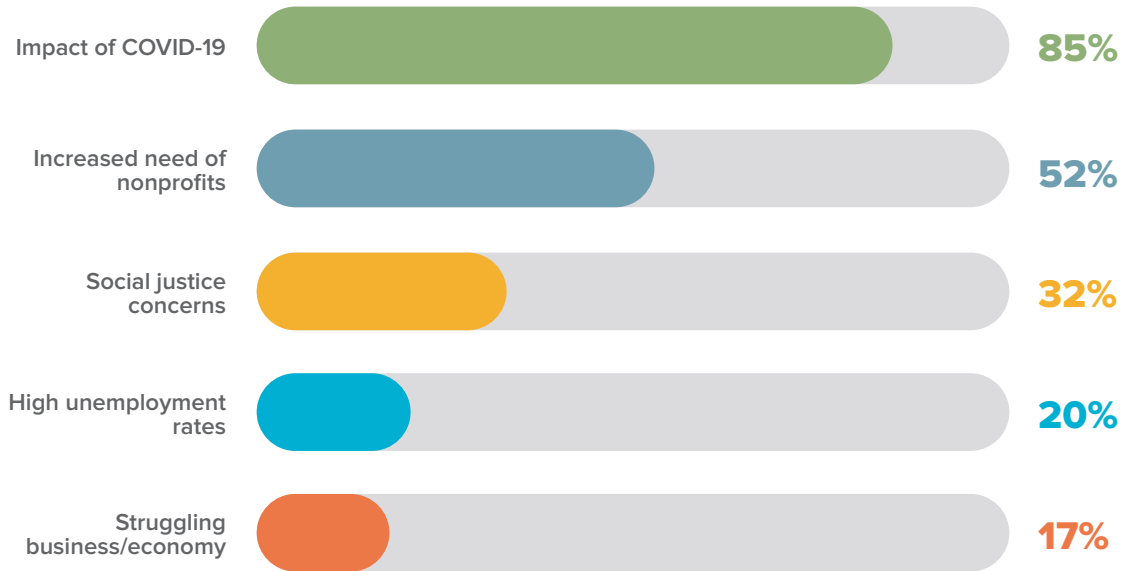
Q3: Since the start of 2020, has your foundation shifted its mission/focus?

While the majority of respondents (61%) said they hadn't altered their foundation's mission/focus in 2020, 37% said they had—and 2% of those respondents said they'd done so "significantly."



Q4: What factors contributed to your foundation’s decision to shift its mission/focus? (Check all that apply.)

Perhaps unsurprisingly, when asked to select the factors that contributed to their decision to shift the foundation’s mission/focus, respondents overwhelmingly cited COVID-19. “Increased need of nonprofits” and “Social justice concerns” rated highly as well.



IN THEIR OWN WORDS:

Respondent Comments on This Question

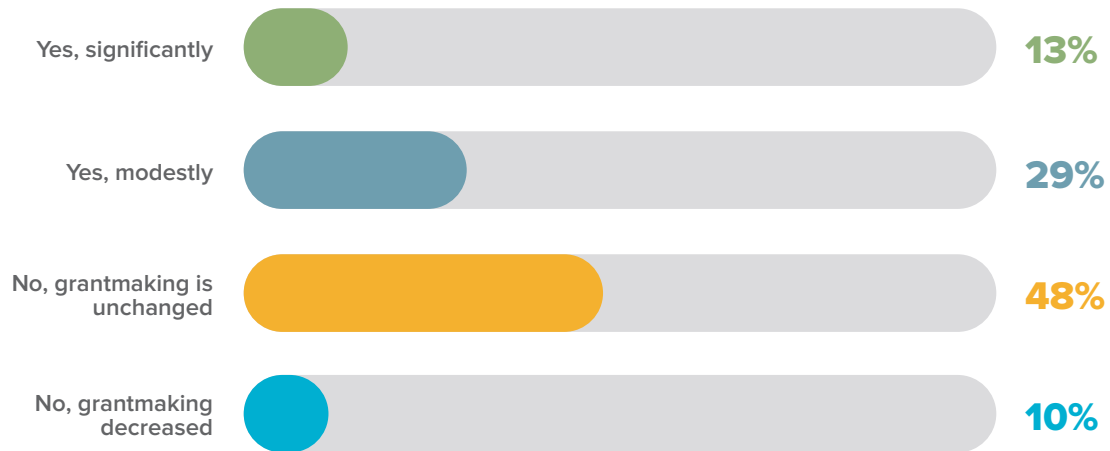
“We were in midst of a change before COVID, but this pushed us to make adjustments.”

“People are hungry!”

“We refined our objective to make ‘critical’ grants to ‘critical’ grantees.”

Q5: Since the start of 2020, has your foundation increased the dollar amount of its grantmaking?

While 48% said grantmaking was unchanged for their foundation, 42% said it had increased either modestly (29%) or significantly (13%). Just 10% said their grantmaking had decreased in 2020.



MEETING THE CHALLENGE

Q6: What factors contributed to your foundation's decision to increase grantmaking? (Check all that apply.)

Those respondents whose foundations increased the dollar amount of grantmaking attributed the decision chiefly to COVID-19 (79%) and the increased need of nonprofits (72%). Social justice concerns (28%), such as Black Lives Matter, and an increased payout requirement (21%), which is calculated based on 2019 foundation assets, were also cited.



IN THEIR OWN WORDS:

Respondent Comments on This Question

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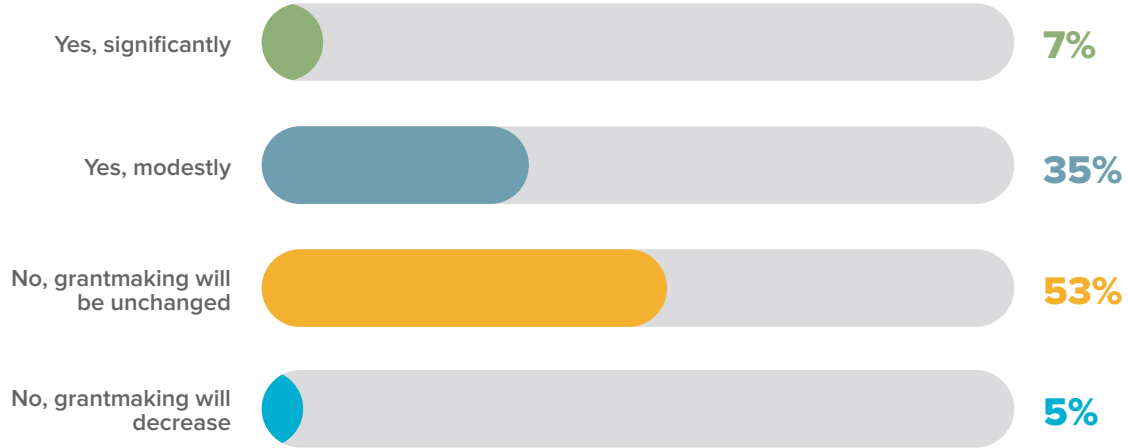
“Social justice concerns are inherent in our current funding.”

“We increased allotment to grantmaking due to the increased stock market in 2019.”

”

Q7: Looking ahead, do you plan to increase grantmaking in the remainder of 2020?

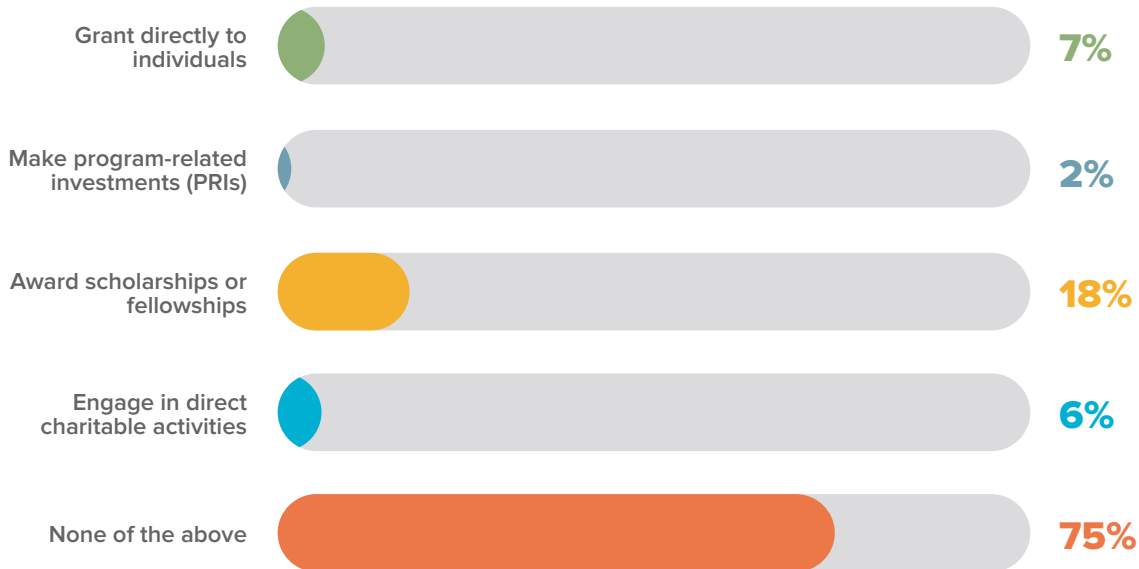
Although the majority of respondents (53%) said their grantmaking would be unchanged during the last months of 2020, 42% anticipated it would increase either modestly (35%) or significantly (7%). Just 5% expected to decrease their grantmaking during this period of time.



MEETING THE CHALLENGE

Q8: In 2020, did you do any of the following? (Check all that apply.)

Making donations to nonprofits is the cornerstone of private foundation giving, and many survey respondents exclusively chose that option to respond to the crises of 2020. However, respondents did use other capabilities of their foundations. Eighteen percent said they awarded scholarships or fellowships; 7% gave directly to individuals; 6% engaged in direct charitable activities; and 2% made program-related investments.



BEYOND GRANTS TO NONPROFITS

Although private foundations typically donate to nonprofit organizations, they have almost limitless philanthropic capabilities. These include:

Granting to individuals Private foundations are permitted to grant directly to individuals and families in case of disaster, medical emergency, or financial hardship. They don't need to set up a separate nonprofit, nor are they required to seek advance approval from the IRS before making these types of grants.

Engaging in direct charitable activities A private, non-operating foundation can conduct its own charitable programs directly, instead of through a public charity, without setting up a separate nonprofit or converting to an operating foundation.

Make program-related investments (PRIs) Besides making grants, a foundation can support a charitable purpose by making loans, loan guarantees, and even equity investments. Foundations fund PRIs out of their grantmaking budget, and because PRI dollars are generally recovered in part or in whole, they may earn some return for the foundation in the form of interest or appreciation.

Awarding scholarships and fellowships Private foundations can create their own scholarship programs and select the recipients. Whether used to achieve a specific goal, such as swelling the ranks of healthcare professionals, or lifting up kids (and adults) from disadvantaged communities, a scholarship program can make philanthropy both personal and powerful.

**Q9: Which of these did your foundation do for the first time in 2020?
(Check all that apply.)**

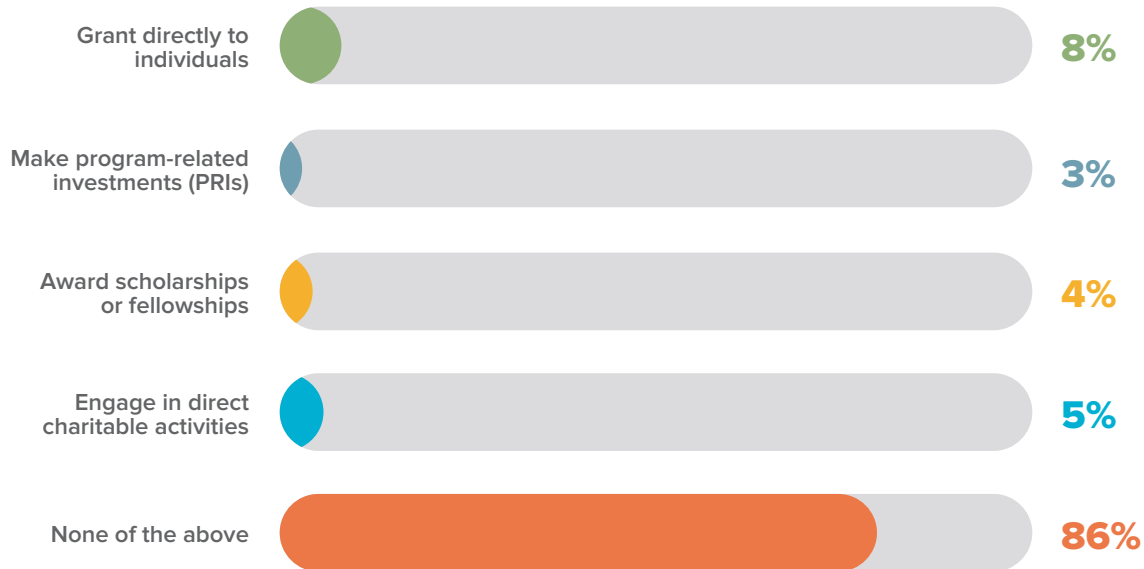
As noted in the previous question, most foundations in our sample granted exclusively to nonprofit organizations. However, in 2020, some respondents employed other philanthropic capabilities as well: 15% made their first grants to individuals; and 11% awarded scholarships/fellowships or engaged in direct charitable activities for the very first time.



MEETING THE CHALLENGE

Q10: Before the end of 2020, do you plan on doing any of the following? (Check all that apply.)

For the remainder of the year, most respondents (86%) said they plan to grant exclusively to nonprofits. However, 8% said they plan to grant directly to individuals; 4% plan to award scholarships/fellowships; 5% intend to engage in direct charitable activities; and 3% said they will make program-related investments.



Q11: Is there anything else you'd like to tell us about the impact of 2020 on your foundation?

IN THEIR OWN WORDS:

Respondent Comments on This Question



“2020’s pandemics of COVID-19 and social unrest have encouraged us to have open dialogue about taking intentional steps to address racial equity in our grantmaking.”

“We have made some of our annual grants earlier in the year in order to help the nonprofits weather the first few months of the pandemic.”

“We will be careful with our total number of grants and size of each grant due to the economic environment.”

“The disconnect between the markets and the need helps. We are able to sell stock without experiencing losses and also increase grants to those in need.”

“During the pandemic, there were so many worthwhile charities to give to. I am on the board of an orchestra. My main charity was/is to provide means for the orchestra to stay alive. The musicians are on unemployment, the concert hall is empty, and we are struggling to find ways to keep the orchestra alive and get music to our patrons. It is an all-consuming project.”

“We usually make most of our grants at the end of the year, but this year, we feel that the need is greater now and will be making our granting much earlier than usual.”

“We narrowed our focus with increased funding for community-based charities and less for large nonprofits.”

“We are analyzing how we can increase assets in the foundation due to the current pandemic and its effects on the economy and social welfare.”

“While the mission has not changed, we were able to make bridge grants to two existing grantees for the same projects we originally funded, and to make a handful of one-time emergency-based general operating grants through a streamlined and expedited application and granting process.”





Conclusion

As documented by Foundation Source's annual reports, our client foundations are both energetic and generous, routinely exceeding the federal 5% minimum distribution requirement—even during the years of the Great Recession. As the challenges of 2020 cascade from COVID-19 to job loss, civil unrest, and deprivation, they are once again responding with appropriate alacrity.

Nearly half (42%) have already increased their grantmaking, and 42% say they plan to do so in the remaining months of the year. A significant percentage (39%) have pivoted from their foundation's mission/purpose, and respondents are exploring the versatility of their private foundations, employing capabilities such as granting to individuals and awarding scholarships—perhaps for the very first time.

What this survey cannot capture, however, are the countless ways that our clients are digging deep to achieve more impact for every charitable dollar. As they call on their Private Client Advisors and Foundation Source's in-house tax, legal, and philanthropic experts for guidance, we're learning that our clients are leveraging their resourcefulness as well as their resources. Whether they're granting earlier in the year, giving with fewer restrictions (e.g., providing general operating support that can be used as the grantee deems appropriate), or volunteering their time and professional expertise, they're finding opportunity in challenge and, as always, inspiring us with their commitment to a better world.

ABOUT FOUNDATION SOURCE

www.foundationsource.com

Foundation Source is the nation's largest provider of comprehensive support services for private foundations. Our complete outsourced solution includes foundation creation (as needed), administrative support, active compliance monitoring, philanthropic advisory, tax and legal expertise, and online foundation management tools.

Now in our third decade, Foundation Source provides its services to more than 1,650 family, corporate, and professionally staffed foundations, of all sizes, nationwide. We work in partnership with wealth management firms, law firms, accounting firms, and family offices as well as directly with individuals and families. Foundation Source is headquartered in Fairfield, Connecticut.

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