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Charities feel Wall Street's pain

Economic turmoil means less money for donations. Many New York nonprofits worry for the future.

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NEW YORK CITY — For Marcia Stein, the collapse of Bear Stearns Cos. is not about sub-prime mortgage loans or complex securities.

It's simple math.

Last year, Bear Stearns employees donated \$500,000 during the main fundraising drive for Stein's organization, Citymeals-on-Wheels, an organization that last year delivered 3 million meals in the city.

This year, she will have a hard time raising even \$100,000 from Bear Stearns or anyone. As a result, 64,000 fewer meals will be going out to elderly New Yorkers.

"There's nowhere to turn except to cut the budget," said Stein, executive director of Citymeals-on-Wheels. "When you are in the feeding business, that's tough."

The philanthropy of high-earning New Yorkers constructs hospital wings, underwrites university research, funds scholarships, enables museums to acquire new work and stocks soup pantries. For many companies, philanthropy is not just charity but a strategic investment in the company's image. At some investment banks in New York, giving is mandatory.

Nonprofits target their fundraising around Wall Street windfalls. The United Jewish

Appeal Federation of New York, which last year raised \$290 million for charity and relief programs in the U.S. and Israel, has in other years held its biggest fundraiser on the day Bear Stearns told employees the size of their bonuses.

But with turmoil on Wall Street and a worsening national economy, New York charities are beginning to feel the pinch. Officials at nonprofit organizations are increasingly worried about their financial future.

In 2006, the last year for which a comprehensive survey exists, Americans donated a record \$295 billion to charity, according to Giving USA, an Illinois-based foundation that publishes data and trends about philanthropy.

Charitable giving follows national economic trends, with a lag time of six to 18 months. So far it is unclear exactly how much Wall Street's difficulties and the wider financial problems will hurt nonprofits.

One group, the Assn. of Fundraising Professionals, has noted that giving has stalled since late 2007.

"There's definitely a sense, particularly in the first quarter of this year, that [fundraising] is going to be challenging," said Michael Nilsen, a spokesman for the organization. But Nilsen added that it was too early to tell if this signaled the beginning of a serious decline or simply a return to normal levels after several years of record donations.

Although corporations reported a 7% increase in grant-making in 2007, nearly a third of corporate foundations expected to reduce their giving in 2008, according to a report published last week by the

Foundation Center in New York.

Already, corporations have cut back on discretionary spending and reined in budgets, said Aaron Dorfman, executive director of the National Committee for Responsive Philanthropy, a Washington-based watchdog.

"We are seeing nervousness among nonprofits of all sizes — nervousness about what the downturn in the economy is going to mean in terms of being able to attract donations," he said.

Officials at smaller New York charities aiding the elderly, the poor and the homeless are particularly concerned that they will soon find themselves in a bind: less money for a growing demand.

City Harvest, an organization that feeds 260,000 New Yorkers every week, reported a 24% increase over last year in the number of people needing help.

And both City Harvest and Citymeals-on-Wheels are contending with the rising cost of food and fuel for transportation in delivering their services.

"We are being cautious, and I think prudently so," about next year's budget, said Patricia Barrick, a spokeswoman for City Harvest, referring to next year's budget. "Anybody who's not being cautious isn't really reading the paper."

Some clues also arrive in the mail.

Harriet Karr-McDonald, chief development officer for the New York-based Doe Fund, a job and shelter resource for homeless people, said she received a letter from a longtime Wall Street donor last week "saying, 'I'm sorry. I've lost my job. I can't make a commitment

this year.'"

As Wall Street writes off billions of dollars in losses incurred in the sub-prime market, there's also less tax revenue in city and state coffers and, in turn, less money for public assistance programs.

The Chronicle of Philanthropy, the industry's leading newsletter, published a report this year saying many social service charities "are facing increased demand and such a severe budget crunch they may have to lay off workers.

"Rising gas and construction prices are adding to the challenge of financing services and expansion plans that numerous charities have underway."

Holly Hall, who coauthored the report, said she had spoken to nonprofit officials who "practically cried on the phone."

The country's top private donors will probably keep up their level of giving, in part because they are more insulated against the economic turmoil by the sheer size of their wealth.

But the richest donors tend to give to universities, hospitals and the arts rather than feeding the hungry and helping the poor, Hall said.

"It's not that wealthy people are heartless, but it has something to do with how well an organization can manage a big gift," she said.

Stein, for her part, will continue to reach out to Wall Street.

"You can decide to delay a wing on a museum," she said. "But how can you delay to get a meal to someone who can't get out and shop?"

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