



Surviving Amidst Crisis: A Roadmap for Baja California Nonprofits

Richard Kiy
President & CEO
International Community Foundation
June 1, 2009



Presentation Overview

- I. Overview of International Community Foundation
- II. Assessing the Current Economic Crisis
- III. Understanding U.S. Philanthropy
 - I. 2007 USA Giving Survey
 - II. Understanding Philanthropy in San Diego
 - III. U.S. International Giving Trends
 - IV. U.S. Giving in Mexico
 - I. General Trends
 - II. Maquila Giving
- IV. Indiana University/Bank of America 2008 Study of High Net Worth Giving Trends in the United States
- V. Recommendations for Baja NGOs
- VI. Questions & Answers



OUR MISSION

**To increase charitable giving and
volunteerism across U.S. borders
to benefit overseas nonprofit
organizations.**

We connect donors and communities to make a difference



OVERVIEW

- n Est. 1990 by San Diego Foundation
- n Assets: \$12.8 million (Year end June 30, 2008)
- n Types of funds
 - n 75 Donor Advised Funds
 - n Friends of Funds
- n Grantmaking
 - n FY-08: \$4.6 million
- n Geographic Focus:
 - n Mexico (grantmaking to 10 states with emphasis on BC)
 - n Other geographic areas in the Americas
- n Funding Areas:
 - n Education
 - n Health
 - n Environment
 - n Community & Economic Development
 - n Arts & Culture



OUR DONOR PROFILE

- Immigrants
- Companies and individual investors with business ties overseas
- Former expatriates or volunteers
- Individuals with overseas travel experience
- People with an interest in foreign affairs
- US second home buyers overseas



Value Added Service to Donors

- **Offers U.S. donors the ability to give directly to overseas nonprofits**
- **International grantmaking can be costly and complicated** especially for a family foundation, requiring a tremendous amount of due diligence and compliance with law
- **Makes international grantmaking easier**

America in Economic Crisis

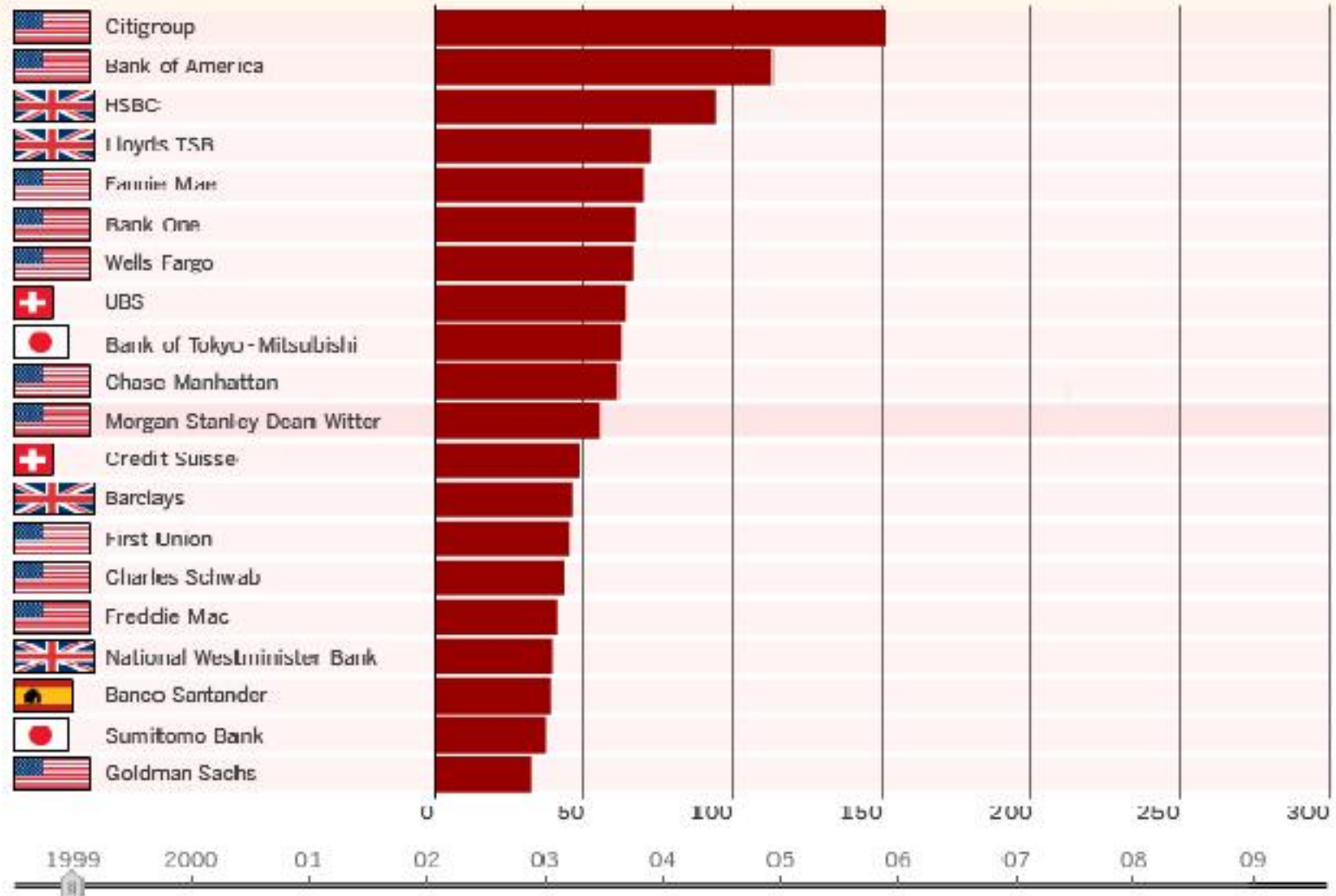
- America's Net Worth is down \$15.5 trillion (as of March 31, 2009)
- US household losses included over \$5 trillion in decreased housing/real estate related wealth
 - 20% decline in past year
- Because of U.S. stock market decline and housing troubles, many U.S. companies, including the country's leading banks are in trouble.
- In U.S. many nonprofits will close doors. In Los Angeles 21.5% of area nonprofits will cut staff in 2009
- The economic changes occurring today will have long-term consequences for not just America but also the world.



Top 20 financial institutions by market capitalisation, \$bn, 1999 - 2009

Mouseover chart for more information. Click on bank to highlight it and track its progress.

Reset bank highlight



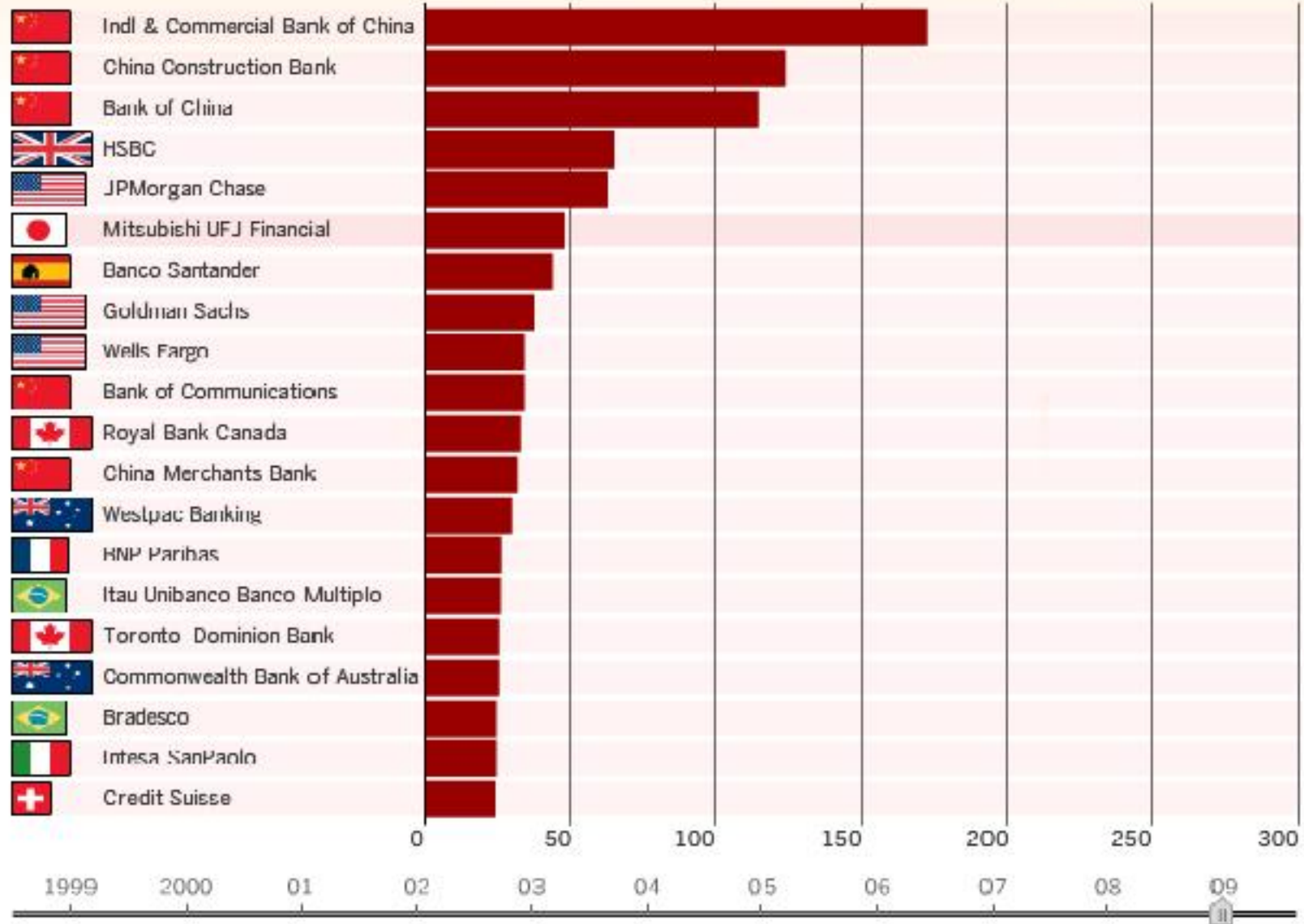
Source:

[The decade for global banks](http://www.ft.com/cms/s/0/ea450788-1573-11de-b9a9-0000779fd2ac.html), Steven Bernard, Jeremy Lemer, Helen Warrell, Cleve Jones, Peter Thal Larsen and Simon Briscoe
 Financial Times, March 22 2009, <http://www.ft.com/cms/s/0/ea450788-1573-11de-b9a9-0000779fd2ac.html>

Top 20 financial institutions by market capitalisation, \$bn, 1999 - 2009

Mouseover chart for more information. Click on bank to highlight it and track its progress.

Reset bank highlight



Source:

[The decade for global banks.](http://www.ft.com/cms/s/0/ea450788-1573-11de-b9a9-0000779fd2ac.html) Steven Bernard, Jeremy Lemer, Helen Warrell, Cleve Jones, Peter Thal Larsen and Simon Briscoe
Financial Times, March 22 2009., <http://www.ft.com/cms/s/0/ea450788-1573-11de-b9a9-0000779fd2ac.html>

Effects of Economy on Charitable Giving

- **There is a direct relationship between giving and changes in the overall economy.**
- **During good economic times, giving tends to grow robustly.**
- **On the other hand, when the economy grows at a moderate or slow rate, philanthropy continues at a slower rate of growth, and giving generally tends to decline during recessions, after adjusting for inflation.**

Current Trends in U.S. Organized Philanthropy

- According to the Chronicle of Philanthropy **most U.S. foundations lost over one-third of their assets in 2008.**
- According to the Council of Foundations, **U.S. foundations lost over \$260 billion in asset value of as 12/31/2008;**
- The two largest, the **Bill & Melinda Gates Foundation and the Ford Foundation**, were down 20 percent and 30 percent, respectively, for 2008.

Foundations Response to Crisis

Grantmakers in Health Survey

Grantmakers are Getting More Focused with More Reductions on the Way:

- 43% of members are reducing their grantmaking budget;
- 37% of members are delaying consideration of new initiatives
- 30% are maintaining calendar year grantmaking through 2008
- 15% creating a safety net fund to address critical needs
- 13% are supporting operational support for nonprofit grantees

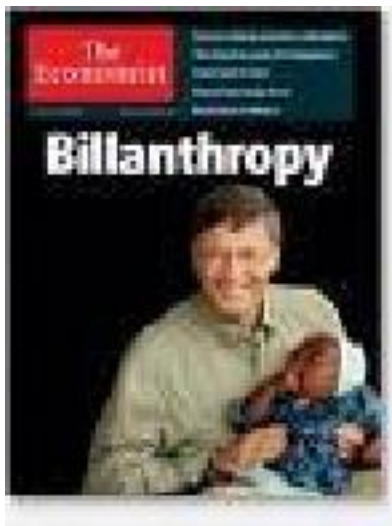
Grantmakers are Collaborating More:

- 61% are seeking collaborations with other funding partners including government
- 56% Working with likeminded funders to coordinate funding strategies

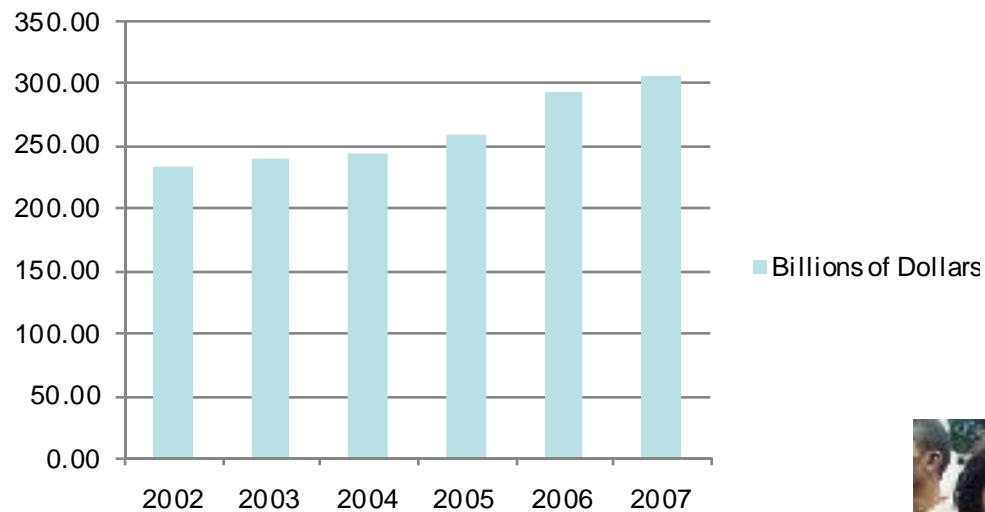
Grantmakers are Reducing Costs:

- 58% reducing administrative expenses
- 49% are creating new efficiencies
- 44% are reducing travel budgets
- 40% holding staff salaries down to 2008 or cutting salaries

Understanding the U.S. Philanthropy



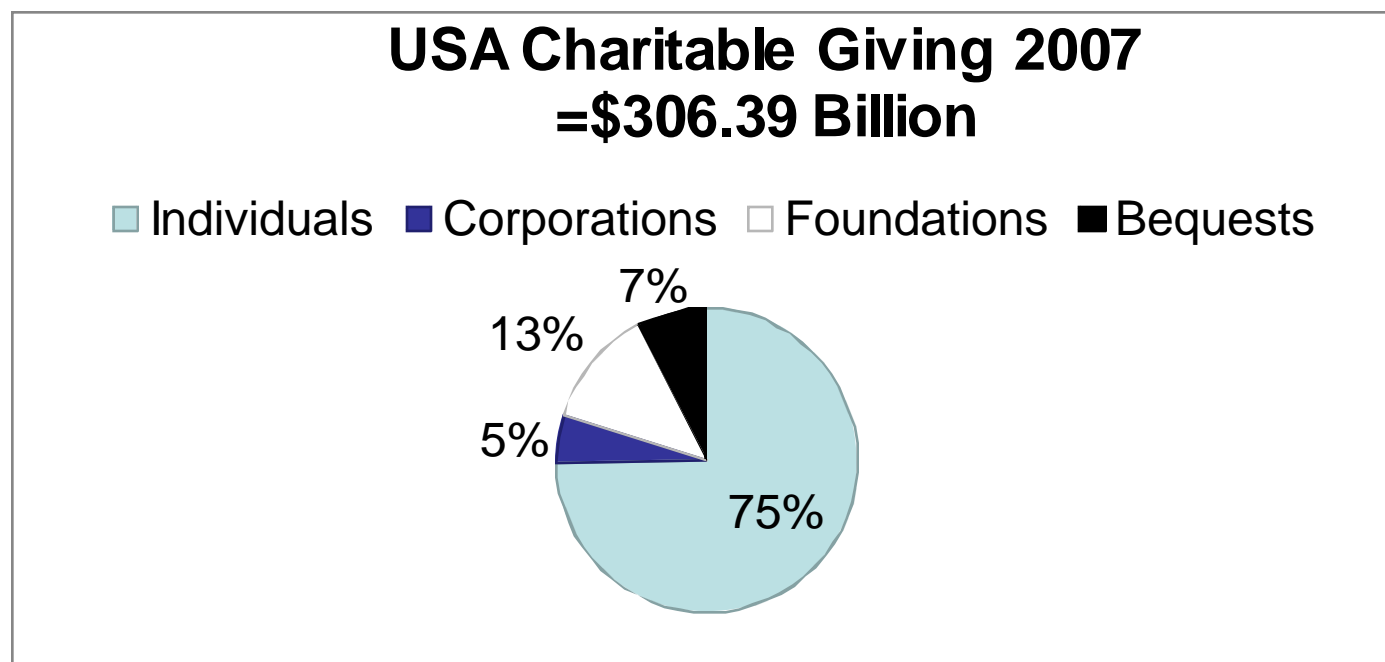
US Charitable Giving (2002-2007)



US Charitable giving rose to over \$306.39 billion in 2007



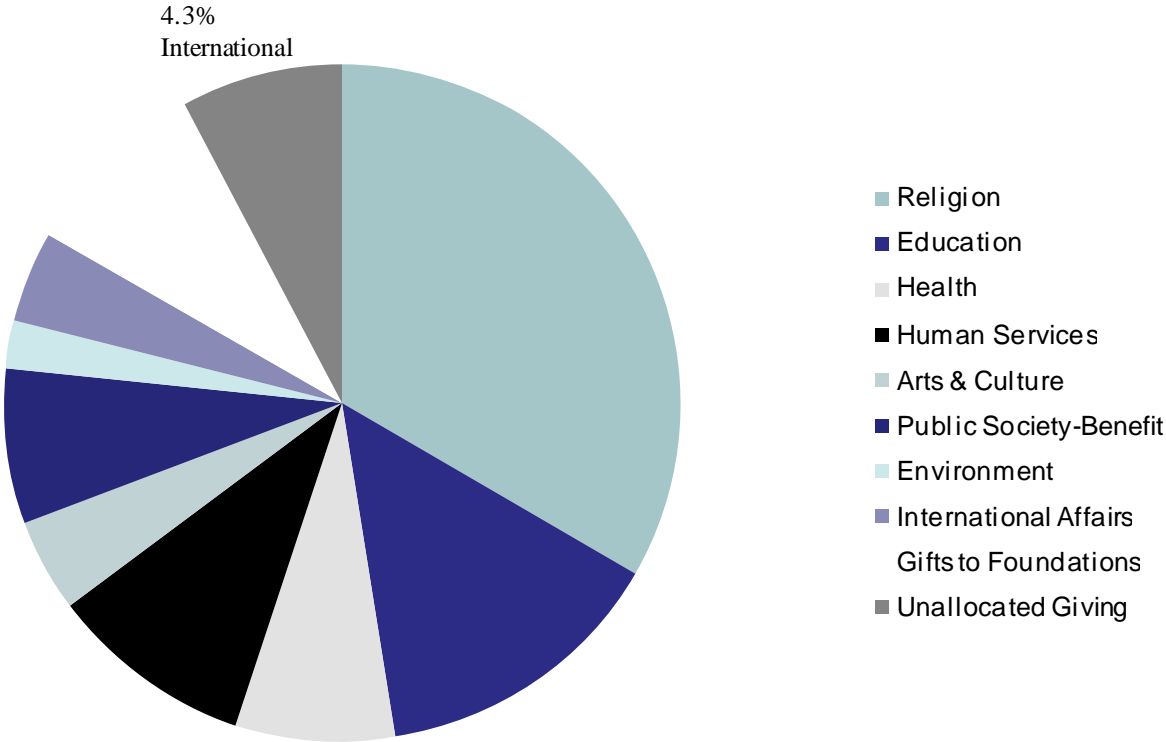
What were the sources of contributions?



**Most giving is by individuals (not companies or foundations)
*over 82% of total gifts (individuals + bequests)***

Source: Giving USA 2007 Report

Where did the contributions go?



International giving accounts for only \$13.22 billion or 4.3% of total US charitable gifts

Source: Giving USA 2007 Report

San Diego's Philanthropic Landscape

- When combined, San Diego's private and community foundations have considerably fewer assets than other key California cities:
 - San Diego: \$2.29 billion
 - San Francisco: \$31.3 billion
 - Los Angeles: \$34.7 billion
- Grant dollars per nonprofits is also lower than other California Cities:
 - San Diego: \$30,990 (2.8 nonprofits per 100,000)
 - San Francisco: \$246,638 (4.69 per 100,000)
 - Los Angeles: \$53,668 (2.57 per 100,000)

[NOTE: Tijuana has 0.24 registered nonprofits per 100,000]

Source: San Diego Grantmakers, The Grantmaking Report: Foundation and Corporate Giving in the San Diego Region (2008)

San Diego Philanthropy Trends

Private Foundations & Corporate Philanthropy

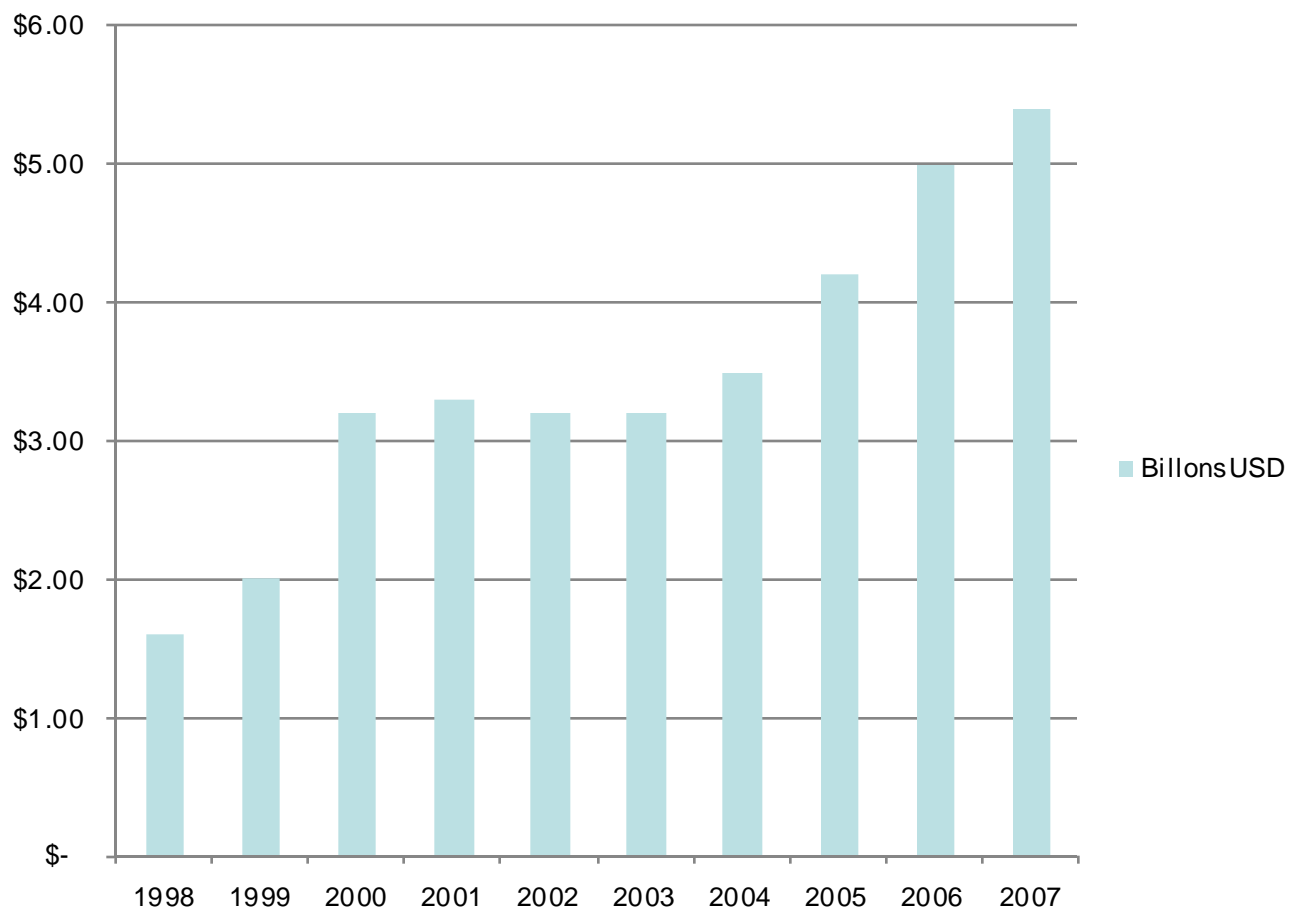
Private/Family Foundations:

- 94% percent of San Diego's private foundations hold assets of less than \$10 million
- 53 percent, hold assets of less than \$500,000
- 78% of the region's private foundations were established (received tax-exempt status) after 1990 and nearly 50 percent of those were incorporated after 2000.

Corporate Giving:

- Only 3 Fortune 500 Companies (Sempra, SAIC, Qualcomm)
- The majority of San Diego companies are small/medium sized.

U.S. Foundation International Giving—1998 to 2007



Source: *“International Giving IV: An Update on U.S. Foundation Trends, Foundation Center, 2008*

Top 10 US Foundations By Amount of International Giving-2006

Foundation	Amount (Billions Dollars)
Bill & Melina Gates Foundation	1974.394
Ford Foundation	287.292
William & Flora Hewlett Foundation	116.27
Gordon & Betty Moore Foundation	105.357
Rockefeller Foundation	104.26
John D. & Catherine T. MacArthur Foundation	100.018
Starr Foundation	88.174
W.K. Kellogg Foundation	74.322
Susan Thomas Buffett Foundaiton	60.939
David & Lucile Packard Foundation	57.367

Source: "International Giving IV: An Update on U.S. Foundation Trends, Foundation Center, 2008

U.S. international giving in perspective

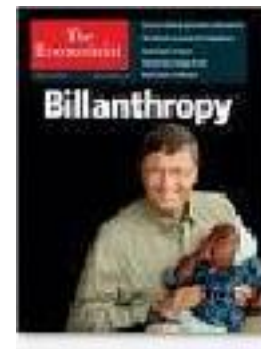
- **\$306.39 billion**

[2007 estimate of total U.S. giving]



- **\$13.22 billion**

[2007 estimate of U.S. international giving]

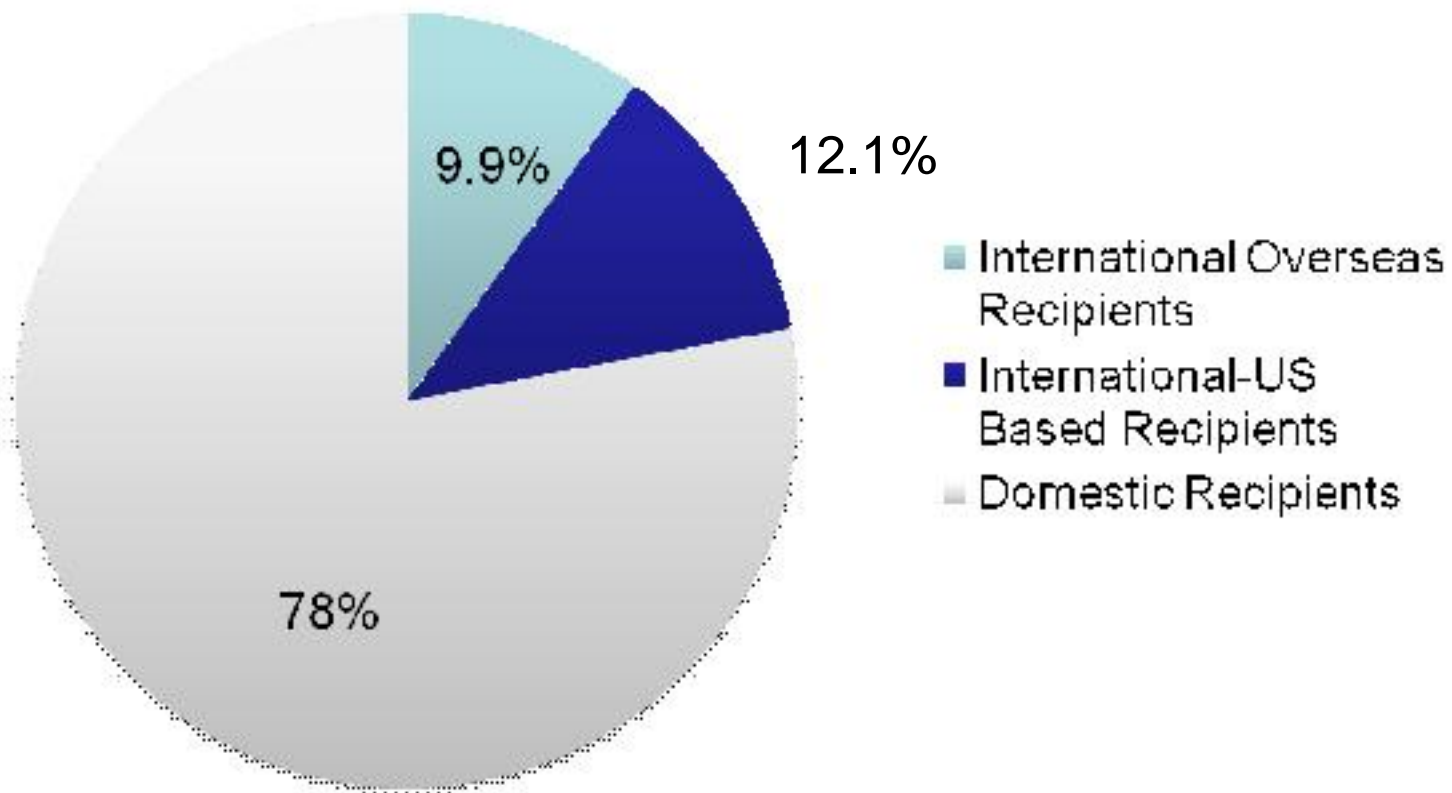


- **Less than \$1.9 billion**

[to Overseas non-profits-2007]



US Based International Programs Accounted For a Larger Share of Grant Dollars than Overseas Recipients in 2006



Source: "International Giving IV, An Update on U.S. Foundation Trends,"
Foundation Center, 2008

US Charitable Giving to Mexico

- In spite of strategic importance of Mexico, U.S. charitable giving to Mexican NGOs remains small:
 - \$46 million awarded to Mexican NGOs by leading US funders (41 funders total)
 - Mexico ranked 6th in total US internationally focused grants (Switzerland-#1; England-#2; Kenya #3; South Africa-#4; India #5)
- Also, many funders still prefer to support Mexico through US-based International Program (e.g. Care, World Vision, etc)
 - \$24 million in grant funding in 2006

TOP 12 Countries by Grant Dollars Awarded to Overseas Recipients-2006 (\$1.89 Billion)

	No. of Funders	Dollars (thousands)	
Switzerland	41	\$	762,246.00
England	96	\$	196,668.00
Kenya	16	\$	174,873.00
South Africa	36	\$	66,000.00
India	39	\$	46,999.00
Mexico	41	\$	45,931.00
Israel	50	\$	45,138.00
Bangladesh	3	\$	40,528.00
Canada	106	\$	35,192.00
Brazil	33	\$	31,170.00
China	26	\$	30,990.00
South Korea	9	\$	22,364.00
		\$	1,498,099.00
All Others		\$	392,614.00
Total:		\$	1,890,713.00

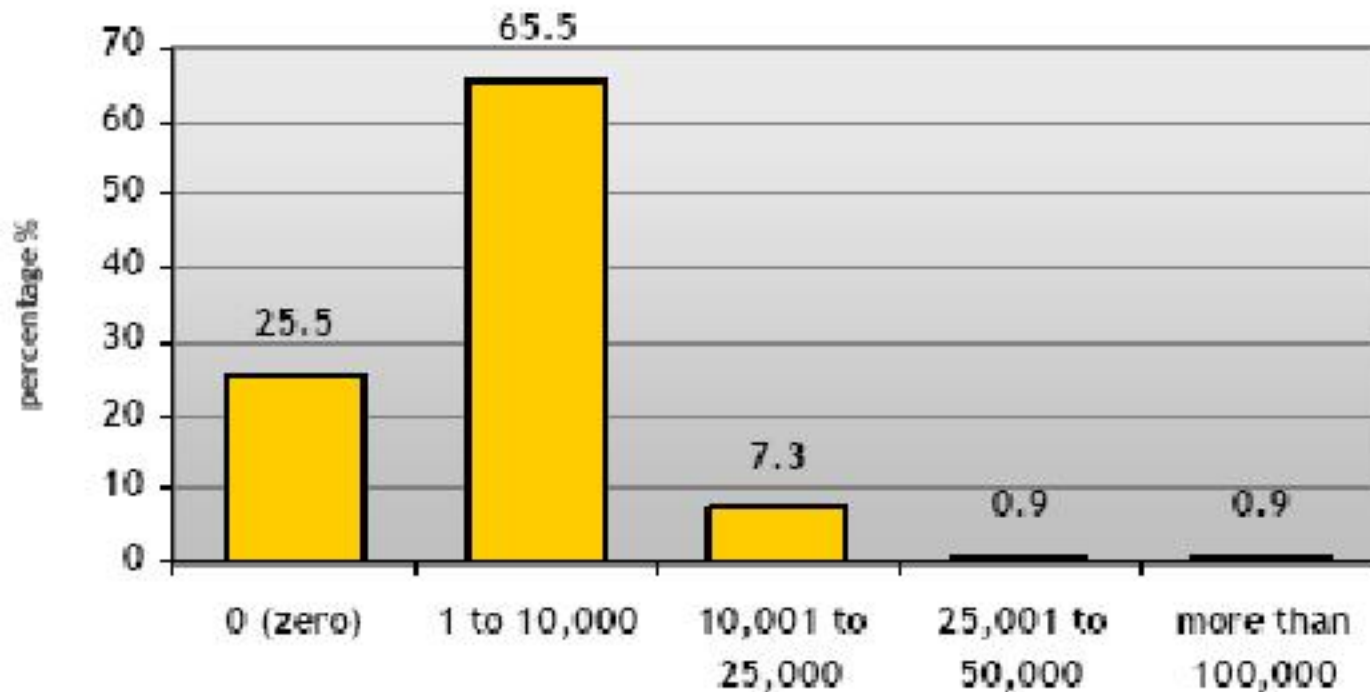
Source: International Grantmaking IV: An Update on US Foundation Trends: Foundation Center, 2008

U.S. Donors: Who's Giving?

- Individual donors
 - US Retirees living in Mexico
 - 2nd homebuyers
 - People with an interest in Mexico
- Immigrants/New Americans
- Diaspora Giving (Mexican HTAs)
- Private Foundations
- Corporations/Corporate Giving Programs
- Community Foundations

Border Area Maquila Giving Trends

Graph 2. Value of Cash Donations Contributed by Maquiladoras
% Maquiladoras: Value of Cash Donations

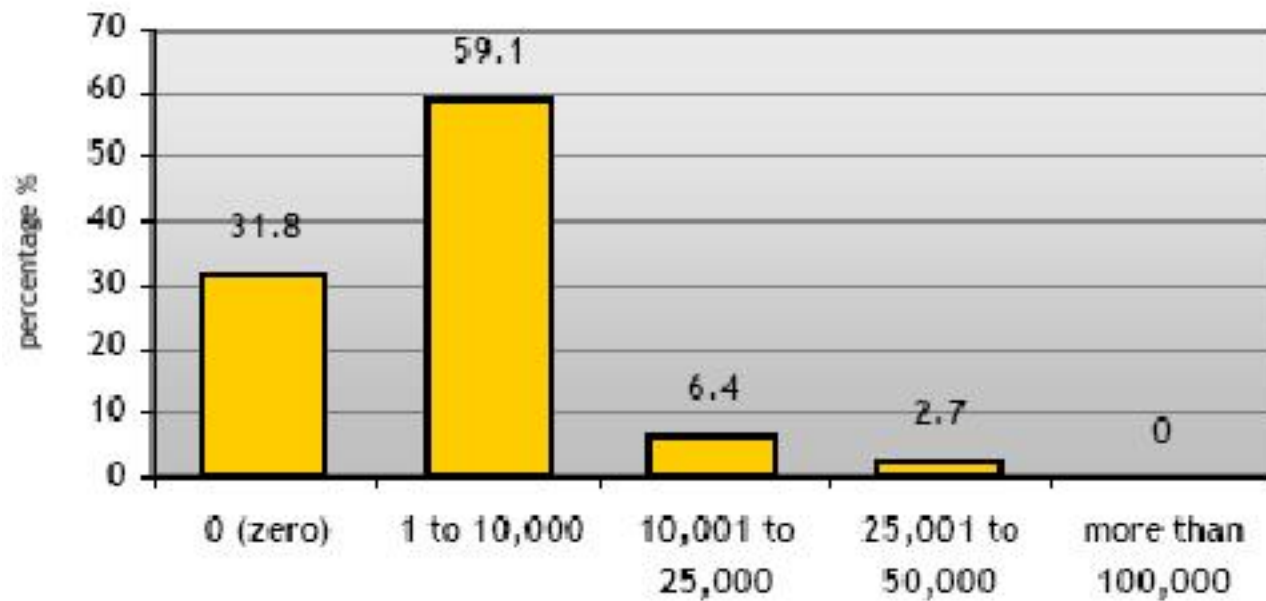


Source: Corporate Giving Trends in the US-Mexico Border Region, US-Mexico border Philanthropy Partnership/ICF, 2006

Border Area Maquila Giving Trends

Graph 3. Value of In-kind Contributions made by Maquiladoras

% Maquiladoras: Value of In-Kind Contributions



Source: Corporate Giving Trends in the US-Mexico Border Region, US-Mexico border Philanthropy Partnership/ICF, 2006

Border Area Maquila Giving Trends

Table 3. Factors Influencing Maquiladora Giving

On a scale of 1 to 5 (1 being "least important", and 5 being "most important"), please indicate the importance of each factor in terms of why your company gives charitably in the border communities:	(1) Least Important	2	(3) Neutral	4	(5) Most Important
Good Business Practice for Company	10.0%	5.5%	37.3%	22.7%	24.5%
Improves Employee Morale/Spirit	6.4%	1.8%	23.6%	26.4%	41.8%
Being a good Corporate Citizen in the Community	8.2%	2.7%	15.5%	23.6%	49.1%
Brand and Corporate Image Identification	21.8%	9.1%	30.0%	25.5%	13.6%
Improves Shareholder Value	56.4%	8.2%	20.0%	9.1%	6.4%

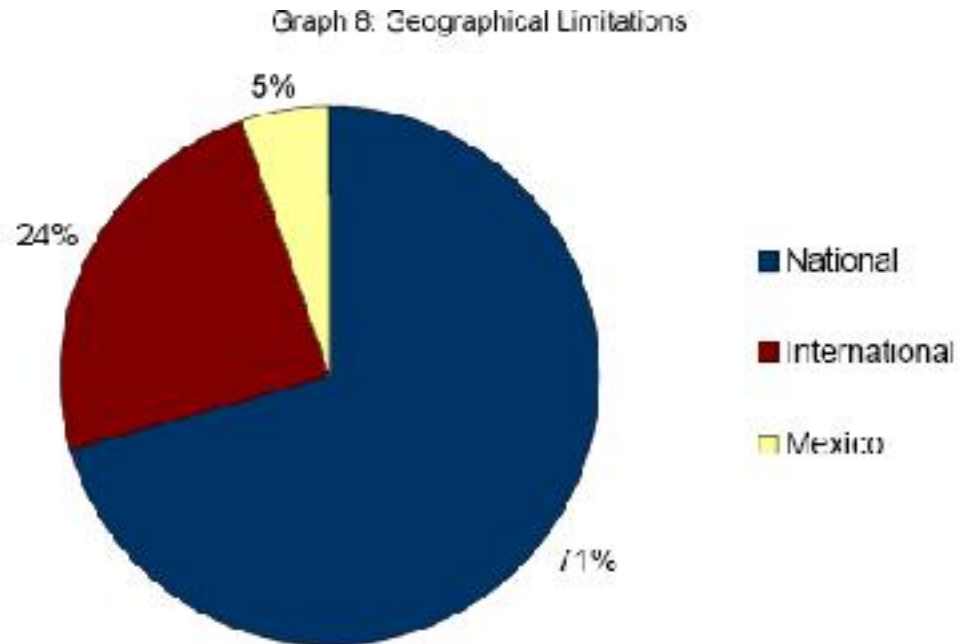
Source: BPP Maquiladora Survey results.

Source: *Corporate Giving Trends in the US-Mexico Border Region*, US-Mexico border Philanthropy Partnership/ICF, 2006
<http://www.icfdn.org/publications/cs/index.htm>

US Corporate Foundation Giving Among Multinationals with a Maquiladora Presence in Mexico

Of companies with a presence on the border only 5% were contributing to charitable causes in Mexico.

71% were focused on charitable giving in the United States.



Source: Corporate Giving Trends in the US-Mexico Border Region, US-Mexico border Philanthropy Partnership/ICF, 2006

2008 Study of High Net Worth Donors Giving Trends



Donors Trying to Make an Impact

- **Wealthy donors believe that their charitable contributions have a greater impact on their own personal fulfillment (46.0 percent) than on those who receive their gifts.**
- **Just less than 20 percent of donors believe that their donations make a major impact on the organizations they support, and only 6.1 percent believe they are making significant contributions to the improvement of society in general.**
- **56.7% of wealthy individuals made gifts to general operating support.**

Source: BofA/Indiana University, 2008 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households, March 2009

Donors are Locally and Personally Motivated

- **Over 80 percent of high net worth households reported they usually give in order to give back to the community (81.2 percent)**
- 66.9% of donors were motivated to give to make an immediate difference in the world around them, according to the survey.
- Other leading motivations include:
 - **Individuals' social (70.4 percent) and political (58.5 percent) beliefs**
 - **Loyalty to certain causes and organizations (70.7 percent).**
 - **Charity whose mission seek to remedy an issue that may have affected the donor personally or someone close to them (57.7%)**

Source: BofA/Indiana University, 2008 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households, March 2009

The Wealthy as Volunteers

• **The more high net worth individuals volunteered, the more they gave:**

- Non-volunteers gave \$35,127, on average, in 2007
- Those who volunteered between 101 and 200 hours donated on average \$124,267 in 2007,
- Those who volunteered more than 200 hours donated on average \$132,315 to charity in 2007.

Source: BofA/Indiana University, 2008 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households, March 2009

Board Service

- **Nearly half of high net worth individuals reported service to their community by serving on at least one board of directors of a nonprofit organization in 2007.**
- **When the wealthy served on at least one board of directors of a nonprofit, they volunteered, on average, 147 hours for all of their board service and donated, on average, \$137,449 to all nonprofits in 2007**

Source: BofA/Indiana University, 2008 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households, March 2009

Donors Raising Philanthropic Children

- **Setting an example for children or other young people is also an important motivator for donors (45.6 percent)**
- **More and more parents actually involving their young and adult-age children in decisions about grant-making (40.8 percent) and the charitable organizations they choose to support (53.2 percent).**
- **More than 60 percent of wealthy donors actively involve their children in philanthropy.**

Source: BofA/Indiana University, 2008 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households, March 2009

Wealthy Donors have High Expectations of Nonprofits they Support

The following factors were among the most important in determining which charities to support:

- o Sound business and operational practices (93.0 percent)
- o Spend appropriate amount on overhead (88.3 percent)
- o Acknowledgement of contributions (including receipts) (83.7 percent)
- o Protection of personal information (82.7 percent)
- o Full financial disclosure (77.7 percent)

Source: BofA/Indiana University, 2008 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households , March 2009

Why Did Wealthy Donors Stop Donating

- In 2007, 38 percent of donors stopped supporting a charitable organization, with more than one-quarter of those surveyed (26 percent) discontinuing support for at least two organizations.

- **The top 3 reasons why donors stopped giving to a particular charity included:**

1. no longer feeling connected to the organization (57.7 percent)
2. deciding to support other causes (51.3 percent)
3. feeling they were being solicited too often (42.3 percent)

Source: BofA/Indiana University, 2008 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households, March 2009

6 Recommendations for Nonprofits in a Recession

- 1. Avoid “strong, silent behavior” and sustained spending**
- 2. Engage with board members and funders in contingency planning on what is likely to happen to clients and funders during a recession.**
- 3. Avoid large investments in fixed assets and infrastructure**
- 4. Get a firm handle now on their revenue patterns**
- 5. Nonprofits should consider shared services to take advantage of economies of scale**
- 6. Stay focused on mission. Avoid any new projects/programs**

Baja California Specific Recommendations

- **Engage Baja Californianos now living in San Diego**
- **Reach out to San Diegans that care about the border**
- **Don't' overlook individual donors**
- **Reach out to San Diego area media**
- **Better engage maquilas**
- **Don't overlook non-US sources of funding**
- **Don't overlook in-kind donations**

What Baja California Nonprofits Can Do Together

- **Promote transparency and professionalism of Baja California's nonprofit sector**
- **Recommend to SEDESOL and State of Baja California that a 3X1 program be initiated for Baja Californianos living in the United States**
- **Together get a spokesperson who can be a strong advocate for your cause (Julieta Venegas, Carlos Santana)**
- **Consider combining services or merging**

Crisis Defined

危机

wei="danger; peril". + *ji* ="opportunity; crucial point"

Chinese symbol crisis can mean "opportunity" in a time of "danger".



Thank you