

## **SESSION II : Management of Corporate Philanthropy**

### ***Foundation Management under Difficult Economic Circumstances***

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Many of our groups share a great deal in common, and have made great strides in the originality and the effectiveness of our charitable activities. Nevertheless, most if not all of us are at the moment involved in an economic situation that portends great difficulties for a wide range of individuals and not-for-profit institutions. In Canada the charitable sector of society is now challenged by substantial changes in our tax laws, a complex set of new proposals for our national agenda over the next few years, and, of course, the after-effects of a severe economic recession. In the United States a curious combination of circumstances has come together at one time to destabilize the not-for-profit sector. Economic uncertainties, a major transfer of responsibilities from Federal to state and local governments, an astonishing expectation of private sector involvement, a questioning of time-honored methods of tackling social problems, and a general retrenchment in the face of an uncertain international future have all left their marks on the world of philanthropy. For many it seems as though what has taken years and even decades to build and put into place could very easily be damaged or wiped out with the stroke of a pen.

At the very time when profits for many companies are still down, and funds are exceptionally hard to raise, we are told that the private sector should step up its efforts to fund and take responsibility for a wide range of activities formerly accepted

as functions of one or another level of government. Thus, a major gap has been created between the expected and the possible. Clearly, all of us here realize that the rhetoric is fast outpacing the reality. It seems quite clear to me that even if the philosophical and economic changes were halted today, a good many institutions dependent on charitable donations would find themselves already severely wounded. Cutbacks in staff, mounting debt, psychological reverses, and crushing interest rates will have caused some of them to contemplate giving up the fight.

I am not, however, entirely pessimistic about the future of the charitable sector. Institutions are meeting the current challenges with imagination and undertaking a number of healthy reforms. Donors with capital assets such as foundations, trusts, corporate foundations, and corporations themselves have shifted increasing portions of their portfolios into new types of investments. While inflation may have cut the capital values of portfolios, for the most part revenues have been high. As a result of compulsory payout requirements imposed by many taxing authorities, the flow-through to charitable recipients should be relatively high, at least in the short run. A searching review of funding sources is also taking place, and a new intensity being brought to the fund raising process.

Moreover, both donors and recipients are conducting a painstaking review of both the costs of their operation and the fields of their activities, to focus limited resources on the essential goals of their operations. Careful attention is being paid to such important considerations as overhead, salary policies, evaluations, organization-centered research rather than personal projects, and the cost effectiveness of programs for which funding is sought.

I believe that donors will respond enthusiastically to such efforts by recipients, even though they cannot possibly replace governmental grants, especially in the fields of health, education, and social welfare. Likewise, the reevaluation by donors of just what they are trying to accomplish through their programs should lead to the funding of better, more effective, and more innovative projects.