



Commentary by Rip Rapson:

Kresge Is Honoring All Its Grant Commitments, Promises Creativity and Flexibility in Assisting Grantees

In an open letter, Rapson updates nonprofit community on Kresge's philanthropic approach during the national economic crisis.

December 23, 2008

My unequivocal message is this: The Kresge Foundation is honoring all its commitments to its current grantees. And as we look ahead to 2009, we will strive to maintain our grantmaking at levels as close as possible to those in 2007 and 2008.

With the economic crisis dealing devastating – and, in some tragic circumstances, fatal – blows to many of our nation's private foundations and nonprofit organizations, I want to reassure our grantees that although our endowment is diminished, our commitment to help is unwavering. At our year-end board meeting two weeks ago, our trustees charged us to be proactive, nimble and creative in identifying ways to contribute to the health and long-term sustainability of organizations that serve and protect our most vulnerable populations.

Nearly two months ago, we surveyed our grantees that have received challenge grants to complete facilities capital campaigns. We wanted to gauge the health of their campaigns overall, understand better the demands for their services and programs and find out if their operational resources and reserves were adequate to meet increased needs. Most important, we asked them what were the one or two most important and meaningful actions Kresge could take to support their organizations and their capital campaigns.

Five broad themes emerged from the responses.

First, a majority of those campaigns that are near completion report that although there are greater demands for their services (the response of virtually all of the respondents), their campaigns are on track and they do not anticipate having trouble completing them.

Second, most of those campaigns with a longer timeline for completion are concerned that their campaigns will be adversely affected by the economic contraction.

Third, approximately two-thirds state that they do not have adequate operational reserves to buffer the anticipated impacts of the economic crisis.

Fourth, the most common suggestion for how Kresge could be helpful to the campaign – noted by approximately three-quarters of the respondents – is for us to give them more time to complete the campaign.

Fifth, the most prevalent idea offered for helping the organizations' overall operations was for Kresge to provide operating support to assist in meeting expanded demand or to furnish some form of bridge support between the capital campaign and the annual fund.

These are sensible and compelling observations and suggestions. But the accelerating economic deterioration over the last months has made clear that the path to successful completion of facilities campaigns will be increasingly rocky – perhaps to an even greater extent than suggested by the survey. We will accordingly have to find a middle road.

On one hand, it is logical and important for us to place our first energies with existing grantees, deciding on a case-by-case basis how best to be flexible, reasonable and appropriate in our response. These are highly effective organizations, and we should explore a full range of options to help those who are in a position to use them effectively – modest infusions of operating support, bridge loans, loan guarantees and others.

On the other hand, we'll need to guard against reacting too quickly and instinctively, cementing ourselves to a course that may need to change in a year or two. We'll have to accept the reality that we can't help all those we would like to. We'll accordingly need to be an honest broker, raising hard questions about proposed financing structures, the viability of campaign strategies and the efficacy of challenge grants themselves.

But, importantly, we won't limit ourselves to the capital challenge grant strategy. Our trustees and staff have dedicated more than two years to putting in place a strategic program framework whose appropriateness seems even more powerful in the current economic environment:

- The introduction of new tools to strengthen the capitalization of nonprofits, including business planning, operating support, working capital and program-related investments;
- The development of a five-part framework for the Detroit Program, our primary community development effort, that focuses on the most intractable issues of community stability – foreclosures, revitalizing central business districts, retooling the economy, providing essential support for families and children and others;
- The creation of a Health Program that focuses on attacking the community-based drivers of poor health outcomes for low-income people;
- The birth of an Environmental Program focused on ameliorating climate change, adapting to its effects and encouraging the transition to a green economy based on renewable resources;
- The expansion of our South Africa work to concentrate on investments that will strengthen the role of higher education in promoting a stable democratic order and encourage more broadly shared economic opportunity;
- The build-out of our work in Arts & Culture, Human Services and Education to balance a continuing commitment to facilities capital requests with an exploration of how best to contribute to issues of particular importance to each of these fields.

It's all too tempting to give in to a sense of fatalism and malaise when the recession has hurt so many so deeply and promises to be unrelenting in its future cruelty. But that's exactly when philanthropy needs to step forward even more assertively. We have the great privilege of being able to take risks, make adjustments, deploy our capital with flexibility and partner with others to maximize our leverage. But we will need your help as we do. Please stay in touch. And thank you for all the passion, effort and commitment you bring to improving the life circumstances of our citizens.

Sincerely,
Rip Rapson