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Corporations aim at the essentials; Arts, museums hurt as funders focus tighter budgets on hunger, shelter

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Though the International Rescue Committee does some work in the United States resettling refugees, it's mostly known for helping displaced people fleeing wars in the world's hot spots, like Afghanistan.

So with a domestic financial crisis that has left thousands hungry and homeless, it comes as little surprise that the renowned nonprofit is getting less attention these days, especially from corporate funders with reduced budgets that are looking to burnish their image as socially responsible neighbors.

"It has been difficult," says Janet Harris, vice president of development at IRC, where corporate support has dropped 30% in the past two years. "We don't run food banks or homeless shelters."

Scaling back programs

as the recession drags on, many corporations whose earnings have suffered are scaling back their giving programs. At the same time, some are reallocating part of what is left to respond to newly unemployed Americans in need of food, shelter and clothing, at the expense of programs they funded in the past, like the arts and higher education.

"It's been a challenging year for nonprofits and funders," says Tim McClimon, president of the American Express Foundation. "We've had to change our own cost structures and have fewer resources at a time of greater need."

Fewer dollars, greater impact

American Express gave away \$29 million in 2008, an increase of nearly 7% from 2007. This year, however, the financial services company is cutting its philanthropy budget between 10% and 15%. The company, which funds programs in the arts, leadership training and community service, isn't reducing the grants' dollar amounts since it wants to make an impact; instead, AmEx is cutting down on the number of grants it makes. Mr. McClimon declined to list any of the funding requests that the foundation has turned down.

At Citigroup, the cut in its philanthropic budget has been much greater. The Citi Foundation, which focuses on the economic empowerment of low-income families, is reducing its budget by about 30%, to around \$65 million. Though the loss in funding hurt, Pam Flaherty, president of the foundation, says the foundation had already decided to narrow its focus in 2007, even before the recession began, eliminating former causes such as after-school programs.

"Even though our grants' budget is down this year, I think we have more impact because we are so focused," Ms. Flaherty says.

Nonprofit executives admit that they feared much worse. Corporations—which typically account for 5% of charitable giving nationwide, according to Giving USA—are not abandoning their philanthropic efforts, just scaling back. Some, like the Met Life Foundation, are even increasing their giving budgets this year. Bank of America, which began a 10-year, \$2 billion charitable investment goal in 2008, expects to give away around \$200 million this year, the same as last year.

General Electric Co.'s foundation announced last December that because of the recession, it was redirecting

\$20 million, about 20% of its annual philanthropic giving, to help people with basic needs like food and shelter. The company did not say which causes might lose out as a result.

Kerry Sullivan, president of the Bank of America Charitable Foundation, says the bank is reallocating a greater portion of funds for health and human services charities, though she declined to say how much. The money will be coming out of the pot that in the past was used by BofA to fund capital projects at large institutions like museums, hospitals and libraries—an effort the foundation has abandoned for now.

Bucking the trend

“the demand for basic human services, even feeding, is dramatically up, and funding is down,” Ms. Sullivan says. “These things are pivotal.”

Organizations that deal with essential social services are indeed becoming more prominent among funders. At City Harvest—a New York charity that picks up food from restaurants and delivers it to soup kitchens—corporate donations are up 14% so far this year, and the organization recently received a special \$100,000 grant from Citibank.

But as corporations rush to help such groups, causes like the arts are suffering.

A recent survey by the Alliance for the Arts and the Arts & Business Council of New York found that a whopping 71% of the corporate donors planned to decrease their arts giving, while 29% said it would stay the same. Not one company in the survey said its arts giving would increase.

“The needs are different now, and we have to reprioritize the needs,” says Charles Moore, executive director of the Council to Encourage Corporate Philanthropy. “I am a big fan of the Brooklyn Museum, for example, but when we have a lot of people starving in the streets, we have to deal with the homeless before we come back to the museums.”

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