



# From Crisis to Opportunity: Learning from One Region's Response to the Economic Downturn

Rebecca Graves, Fay Hanleybrown, Veronica Borgonovi

## About FSG Social Impact Advisors

FSG Social Impact Advisors is an international nonprofit consulting and research organization dedicated to accelerating social progress by advancing the practice of philanthropy and corporate social responsibility. Founded in 1999, FSG achieves its mission in three ways:

- **Advice** – Advising leading foundations, corporations, and nonprofits on how to increase social impact through strategy development and evaluation
- **Ideas** – Developing and sharing original research and innovative approaches
- **Action** – Identifying long-term initiatives that address critical challenges and opportunities in the field

FSG's staff of international consultants combines the highest standards of strategy consulting with a deep understanding of philanthropy and the nonprofit sector. Our ideas are regularly featured in such publications as *Stanford Social Innovation Review*, *Harvard Business Review*, the *Chronicle of Philanthropy*, and many others.

In this paper, we share stories of how Pacific Northwest funders responded to the economic crisis because they provide a rich opportunity to reflect back on the past year and learn from others' experiences. We also provide a discussion guide so readers can reflect on their own institutions' responses with these experiences in mind.

For more information and additional resources, see [www.fsg-impact.org](http://www.fsg-impact.org).

## About the Authors

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## About the Paul G. Allen Family Foundation

Celebrating its 20th anniversary, the Paul G. Allen Family Foundation supports nonprofit organizations focused on making positive and measurable change in the Pacific Northwest. The Foundation's vision for building healthy communities and transforming lives guides its five program areas, which include nurturing the arts, engaging children in learning, addressing the needs of vulnerable populations, advancing scientific and technological discoveries, and providing economic relief to strengthen the social safety net. For more information, visit the Foundation online at [www.pgafamilyfoundation.org](http://www.pgafamilyfoundation.org).

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July, 2010



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## **Executive Summary**

*“It is sometimes in those times of challenge that you can clarify and crystallize what it is you want to be doing.”*

– Social Venture Partners



# Executive Summary

In March of 2009, the S&P 500, Nasdaq, and Dow Jones Industrial Average hit their lowest points in over a decade. Although opinions vary about whether our global and local economies are on the path to recovery, philanthropy remains critically important to our communities, particularly in places with little evidence of economic prosperity on the horizon.

From the outset of the economic downturn, many funders nationwide responded quickly to support their communities. Kathleen P. Enright, President and CEO of Grantmakers for Effective Organizations, stated recently that “These changes should not be viewed as short-term fixes in response to the economic crisis, but as part of the ‘new normal’ for how grantmakers support nonprofit success.”<sup>1</sup> It is our hope, and the central theme of this paper, that reflection on the economic downturn offers lessons that inform more flexible and effective strategies for the future. One of the most productive aspects of the downturn for community-based philanthropists could be that it inspires transformational changes and helps to recalibrate giving practices.

In this paper, we profile the actions taken by funders across one region of the US in order to surface lessons for community-based funders more broadly. We found that many funders within the Pacific Northwest demonstrated an ability to respond to urgent needs in a strategic and coordinated manner. To do more with less, these funders were intentional about how best to apply and leverage their assets, and they collaborated with others to avoid wasting time, effort and money. The experiences of these funders offer a set of guiding principles:

1. **Engage in ongoing dialogue** with grantees, partners, and the larger community to understand shifting needs and resources and communicate back your response
2. Periodically step back and **reassess your approach** to creating impact given your unique capabilities and the external environment
3. **Maximize effectiveness** of limited resources
4. **Collaborate with others** to leverage strengths and avoid duplication of effort

Now that a year has passed since the bottom of the economic crisis, funders have an opportunity to look back at their initial response and determine how they can incorporate some of the adjustments they have made into their ongoing work, such as flexible grantmaking and increased collaboration.

It is important to note that although funders appear to be making changes to the ways in which they engage with and support grantees, this may not always be transparent. Nonprofits recently reported to the Center for Effective Philanthropy that they feel funders have offered little useful help in responding to the challenges presented by the downturn.<sup>2</sup> So what can we take away from these lessons?

**Take action.** Seize the opportunity to look back at your initial response and begin to ask whether changes made in times of crisis are relevant going forward. Engage with your colleagues, grantees and partners. What have you learned? What would you change? Given the depth of need in our communities, this is an opportunity for reflection and learning that funders simply cannot miss.

*“I suggest that philanthropy’s greatest challenge may not be in how we’ve managed the past 18 months. Rather, our greatest challenge may rest in how we prepare for and engage the future... May this time together define a new era of philanthropic leadership in ways that enable all the angels in heaven and all the children on earth to say, “When philanthropy was most needed, philanthropy rose to the call.”<sup>3</sup>*

— Steve Gunderson, President of the Council on Foundations

<sup>1</sup> Kathleen P. Enright, President and CEO of Grantmakers for Effective Organizations, “How Grantmakers Can Help Nonprofits Survive – and Emerge Stronger – in 2010,” *geofunders.org*. Grantmakers for Effective Organizations. December 17, 2009. Web. Feb 2010.

<sup>2</sup> Shahryar Minhas and Ellie Buteau, Ph.D. “A Time of Need: Nonprofits Report Poor Communication and Little Help from Foundations During the Economic Downturn,” *CEP Data in Action*. Center for Effective Philanthropy, June 2010. Web. June 2010.

<sup>3</sup> Steve Gunderson, Council on Foundations Annual Conference, May 4, 2009.

# I. The “New Normal”

*“These changes should not be viewed as short-term fixes in response to the economic crisis, but as part of the ‘new normal’ for how grantmakers support nonprofit success.”*

– Kathleen P. Enright, President and CEO of  
Grantmakers for Effective Organizations

*“The economy is our friend. It may cause people to become more disciplined in work related to their mission.”*

*— Grantmakers of Oregon and Southwest Washington*

## I. The “New Normal”

In March of 2009, the S&P 500, Nasdaq, and Dow Jones Industrial Average hit their lowest points in over ten years. Over a year has passed since the markets bottomed out, and many philanthropic funders have weathered the initial shock. Still, philanthropy remains critically important as the economy continues to stress local communities nationwide.

Funders now have an opportunity to look back at their initial response to the economic downturn and begin to ask how they can incorporate some of the adjustments they have made, such as flexible grantmaking and increased collaboration, into their ongoing work. Given the needs that continue to persist, this is an opportunity that funders cannot miss.

Kathleen P. Enright, President and CEO of Grantmakers for Effective Organizations, stated recently that “These changes should not be viewed as short-term fixes in response to the economic crisis, but as part of the ‘new normal’ for how grantmakers support nonprofit success.”<sup>4</sup> Others concur – 78% of respondents to a 2009 Foundation Center survey agreed that “There is a clear expectation among grantmakers that the field of philanthropy will become more strategic as a result of having weathered the economic crisis.”<sup>5</sup>

It is our hope, and the central theme of this paper, that reflection on the economic downturn can become a means for developing more sustainable, effective and flexible strategies for the future. One of the most productive aspects of the downturn for community-based funders may be that it inspires transformational changes and helps to recalibrate philanthropic practices.

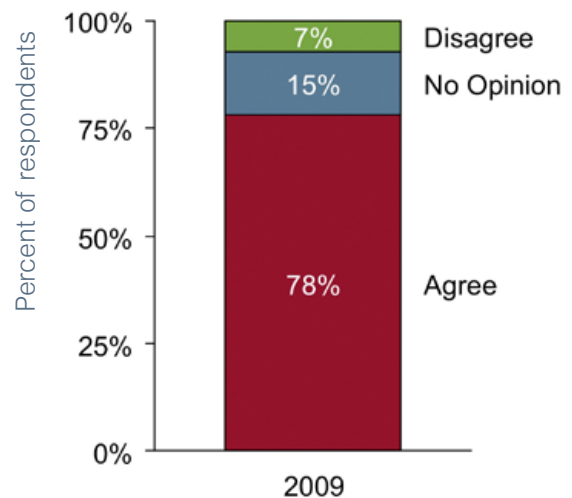
As funders begin to step back from responding to urgent community needs, **it is important to hold onto practices that can multiply impact and enable grantees to thrive with fewer resources.** In response to the crisis, individual funders have changed their approach in a number of ways, including gaining a deeper understanding of local needs in the community, reassessing their approach to balance short-term community needs with long-term strategic goals, and maximizing effectiveness through adjustments to core tactics and policies. One of the most striking outcomes

of the downturn has been the increase in collaboration among community-based funders to jointly assess and address local needs. The crisis created an opportunity for communities of funders to come together and develop coordinated, strategic responses.

We begin this paper by highlighting the national response to the recession. To gain a deeper understanding of these experiences, we then focus on the choices that funders in a specific region - the Pacific Northwest - have made over the past year to maximize individual and collective impact. We hope that readers will reflect on the challenges of this crisis and take note of the large and small ways in which philanthropy can be more effective. A discussion guide is included at the end of this document to prompt thinking and strengthen funders’ individual and collaborative efforts.

**“The field of philanthropy will become more strategic as a result of the economic crisis.”**

567 foundations surveyed



Source: Foundation Center, 2009

<sup>4</sup> Kathleen P. Enright, President and CEO of Grantmakers for Effective Organizations, “How Grantmakers Can Help Nonprofits Survive – and Emerge Stronger – in 2010,” [geofunders.org](http://geofunders.org). Grantmakers for Effective Organizations. December 17, 2009. Web. Feb 2010.

<sup>5</sup> Steven Lawrence, “Foundations’ Year-end Outlook for Giving and the Sector,” Foundation Center Research Advisory, November 2009.

## **II. Answering the Call for Help**

*“The stakes have never been higher... How foundations are seen to respond to the economic crisis during 2010 and beyond will drive the whole discussion of foundations as either hoarders or caring and creative forces in their communities.”*

– Marcia Sharp, CEO of Millennium Communications Group and leader of Outreach 2010



## II. Answering the Call for Help

As the economy began to dip, funders across the country started making changes to their grantmaking practices. In May of 2008, the Council on Foundations reported that foundations and corporate giving programs were quickly reacting to the new environment by providing funding for basic needs services (e.g., grants for families, human services, lower income populations or economic development).<sup>6</sup> Roughly 40% of survey respondents stated they would be increasing their grantmaking in this area over the coming year or two, requiring a shift in funding from other areas as resources became constrained. By October of 2008, the Foundation Center suggested that foundations had begun reaching into their corpus or increasing payout rates to maintain commitments to their communities.<sup>7</sup>

In March of 2009, as the stock markets hit historic lows, the Foundation Center reported that several of the nation's largest foundations were beginning to announce what had been predicted – that payouts would be increased to mitigate reductions in funding to grantees. But several large funders also announced plans to reduce their funding levels in 2009, as the impact of declining assets and scope of the economic downturn became increasingly severe.<sup>8</sup> Also in March, the Council on Foundations surveyed 430 foundations to better understand how they were responding to the changing environment. Respondents reported significant asset declines, and not surprisingly, stated they would be reducing grantmaking in 2010 while focusing on basic needs and operating support for grantees. Significantly, foundations also reported increasing activities other than grantmaking to support their grantees, including collaborating with other funders, convening meetings of funders and grantees to work together on devising strategies, assisting nonprofits to better coordinate their assistance, and helping nonprofit organizations reassess or merge their operations.<sup>9</sup>

A month later, the Foundation Center noted that “As the ongoing economic crisis reaches a scale and duration not seen in the post-war period, foundation behavior during past downturns may become a less precise predictor of how funders will cope with current reality.”<sup>10</sup> Subsequently, the Foundation Center fielded a survey of over one thousand of the nation's largest foundations to assess the actions being taken to address the changing environment.

### Highlights of the Foundation Center survey included:<sup>11</sup>

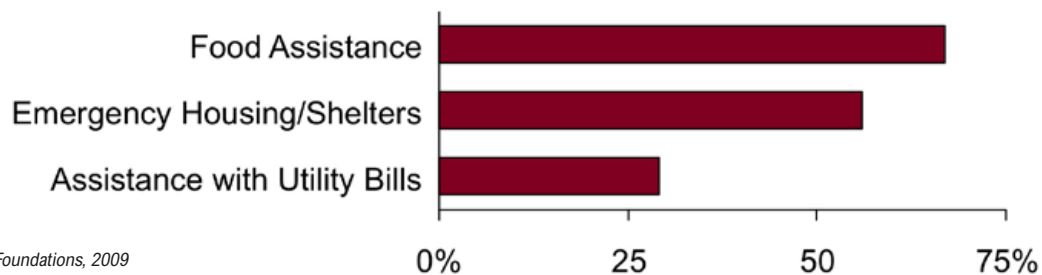
**Funders' priorities would be hit with budget cuts:** As funders continued to respond to urgent needs for basic services support, other priority areas would see decreases in dollars awarded. Sixty-one percent of respondents making exceptional commitments indicated they were reallocating funds from existing grants budgets

**However, foundations expected to maintain grantmaking priorities:** Eighty percent of foundations indicated they would maintain their existing number of program areas

**Capital funding would be significantly decreased:** Over one-third of respondents indicated they would be reducing the amount of capital support they provide

**Funders planned to move beyond grantmaking:** Over half of foundations surveyed stated that they would engage in more non-grantmaking activities as a direct response to the downturn. A significant majority (two-thirds) of respondents sought to engage in more collaborations and partnerships, while about one-third expected to initiate more convenings. Furthermore, over ten percent of respondents intended to make more program-related investments (PRIs).

### Types of support provided by foundations making grants to families in response to the downturn



Source: Council on Foundations, 2009

<sup>6</sup> “Foundations Support Families Hit by Economic Downturn,” Council on Foundations, May 1, 2008.

<sup>7</sup> Steven Lawrence, “Past Economic Downturns and the Outlook for Foundation Giving,” Foundation Center Research Advisory, October 2008.

<sup>8</sup> Lawrence T. McGill and Steven Lawrence, “Grantmakers Describe the Impact of the Economic Crisis on Their Giving,” Foundation Center Research Advisory, March 2009.

<sup>9</sup> Nearly three-quarters of respondents faced asset declines of 25 percent or more over the prior year, and nearly half reported that their endowment value had dropped by 30 percent or more. As a result, a majority of funders stated they would be reducing grantmaking in the following year (62 percent). As needs continued to persist, 82 percent of respondents indicated they would continue providing similar or higher levels of assistance toward basic needs, or would be adding it as a new funding area. Eighty-three percent of foundations reported providing operating support for grantees, with 8 percent noting that this was a new practice. “Foundations Respond to the Needs of Families Even as Their Assets Have Declined,” Council on Foundations, May 6, 2009.

<sup>10</sup> Steven Lawrence, “Foundations Address the Impact of the Economic Crisis,” Foundation Center Research Advisory, April 2009.

<sup>11</sup> Steven Lawrence, “Foundations Address the Impact of the Economic Crisis,” Foundation Center Research Advisory, April 2009.

## Types of non-grantmaking activities foundations anticipated increasing (2009)



More than a year after the stock market reached its trough, strong voices in the philanthropic community are emphasizing the need to understand **what can be done to prepare for continued challenges**, especially given the possibility that the economic climate is likely to improve slowly and significant increases in grantmaking resources are not yet seen on the horizon. As the Foundation Center recently pointed out, “[Our] prediction that overall foundation giving will likely decline further in 2010 is holding true.”<sup>12</sup>

Funders’ continued sense of urgency is appropriate, given the needs and expectations of our communities. In its 2009 report, “High Expectations, High Opportunity,” the Philanthropy Awareness Initiative found that “engaged Americans”<sup>13</sup> are looking to foundations to lead a response to the challenging economic climate. “It seems clear that the desire for foundations to do more to ‘fill the gap’ has intensified due to the recent economic downturn,” says Dave Clayton, Vice President of Strategic Communications at Neimand Collaborative, who has been tracking public opinion of foundations over the last decade.

Indeed, the challenge is great and the bar is high for foundations a spiring to make a real difference in the circumstances of nonprofits and their constituents. According to a recent report from the Center for Effective Philanthropy, a survey of over six thousand grantees across the country revealed that from the nonprofits’ perspectives, “funders have offered them little useful help in responding to the challenges of the downturn.”<sup>14</sup>

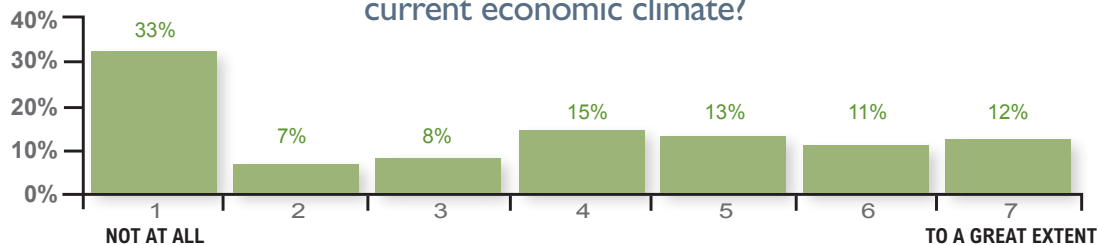
One-third of grantees surveyed stated that their funders have not helped them at all in dealing with the economic climate, and only 51 percent

suggested their funders had helped them respond to the slowdown “at least somewhat.” Grantees noted that funder communication and support during this period is particularly important: “with guidelines changing, I feel a need for more frequent communication and reassurance.”

Clearly, funders’ intentions to assist grantees through the economic downturn do not always translate into grantee perceptions that efforts are making a difference. *Given the need that exists, it is time for funders to step back and determine how to embed lessons learned over the past year into their daily practice, for their own benefit and for the benefit of their grantees and communities.* As grantees continue to work with fewer resources, there is an ongoing need for funders to communicate clearly and help maximize the effectiveness of available resources.

The themes highlighted in national stories of responses to the recession were echoed by funders in the Pacific Northwest. These funders adjusted their individual practices to stretch limited resources, and strengthened existing relationships to develop collaborative strategies for increased impact. In the following pages, we provide an in-depth review of one region’s response to the recession as an example of the ways in which community-based grantmakers can collectively and strategically respond to local needs. By incorporating the best of these responses into long-term strategies and daily operations, funders can rise to the challenge of better meeting the ever-changing needs of grantees and the larger communities in which they work.

## To what extent has the foundation helped your organization respond to the current economic climate?



<sup>12</sup> Steven Lawrence, “Foundations’ Year-end Outlook for Giving and the Sector,” Foundation Center Research Advisory, November 2009.

<sup>13</sup> Engaged Americans were defined as individuals who hold a leadership, committee or board position in an organization working on community or social issues

<sup>14</sup> Shahryar Minhas and Ellie Buteau, Ph.D. “A Time of Need: Nonprofits Report Poor Communication and Little Help from Foundations During the Economic Downturn,” *CEP Data in Action*. Center for Effective Philanthropy, June 2010. Web. June 2010.

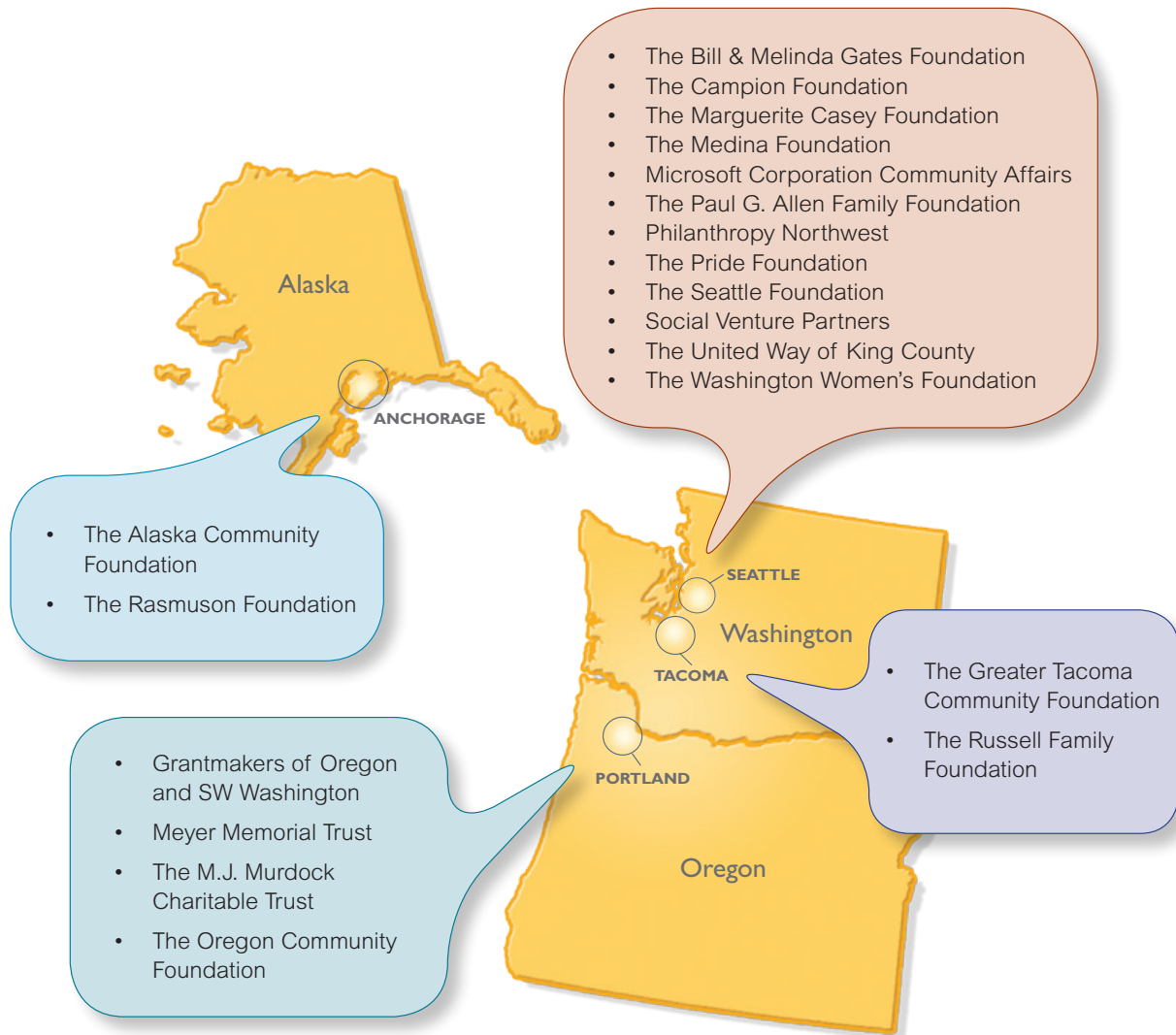
### **III. Learning from One Region's Response**

*“How do we maintain or increase our relevance with fewer dollars?”*

– The Medina Foundation

### III. Learning from One Region's Response

#### Community-level perspectives from the Pacific Northwest



FSG spoke with 20 funders and regional associations of grantmakers across four communities in the Pacific Northwest: Seattle, Tacoma, Portland, and Anchorage. We found that their actions in responding to the downturn mirror the experiences of many US institutional funders. The stories they shared can serve as a model for ways in which other communities of grantmakers can make strategic choices, both in the course of normal business and in responding to a crisis. Within the region, nearly two-thirds of funders planned to maintain or increase their support for the social safety net during 2009.<sup>15</sup> Working together with other funders was a theme heard repeatedly at Philanthropy Northwest's most recent annual conference. Although the examples on the following pages come from a single region, **similar activities have been and continue to be implemented across the country.**

<sup>15</sup> Philanthropy Northwest Conference Materials, Philanthropy Northwest, 2009.

Now that funders are transitioning from crisis response to crafting sustainable, flexible and high impact strategies for the future, it is critical to take time to step back and reflect on what has been learned during the economic downturn. Staff and board members can take this opportunity to identify what strategic lessons can be learned from their foundation's response and build these lessons into future practices.

Within this paper, we examine four key activities funders are engaging in as they determine how best to respond to the crisis and consider what, if anything, to change going forward:

1. Understand need and communicate response
2. Reassess approach
3. Maximize effectiveness of limited resources
4. Collaborate with colleagues

Many of the stories reported by Pacific Northwest funders echo what has been happening at a national level. By delving further into the experiences of a subset of funders, we hope to generate dialogue about your own organization's choices, motivations, and goals.

## 1. Understand need and communicate response

Several Pacific Northwest funders first addressed the downturn by proactively reaching out to better understand community needs, often in partnership with others. **Working together and leveraging resources, funders were able to more efficiently get a deep understanding of the impact that the economy was**

**having in their areas.** Funders used a variety of methods to assess needs, including surveys, facilitated meetings, and interviews with grantees and community members. Some interviewees leveraged existing regional networks to expand their reach quickly across a broad geography.

A consortium of arts funders including the Paul G. Allen Family Foundation, the Seattle Foundation, 4Culture, and the Seattle Mayor's Office of Arts and Cultural Affairs joined forces to better understand how cultural organizations in the Pacific Northwest region were being affected. Among other things, they learned that while grantees expected flat or decreased funding, they were seeking help in other ways (collaborations, reduced paperwork, capacity building). Grantees also wanted "to be informed about funders' and public agencies' policy and program decisions as early as possible."<sup>16</sup>

Many foundations in other sectors echoed the arts funders' findings. As a result of these conversations, funders gained a better sense of specific pain points and a heightened sense of urgency for addressing them. Conversations with grantees surfaced three clear areas of stress: the need to cut ongoing costs, an urgency about maximizing board and staff effectiveness amidst the crisis, and increased need for flexible operating funds. Furthermore, funders highlighted the **increasing importance of being transparent with grantees about grantmaking decisions.**

Once funders developed a stronger grasp on the issues grantees were facing, they began to consider what courses of action might be most effective.

### Getting up close and personal

The Rasmuson Foundation views **two-way communication** with grantees and donors as tremendously important during tough times. In late January of 2009, Foundation President Diane Kaplan hit the road for a multi-week tour of Alaska, meeting with funders and grantees to discuss the economic situation, more thoroughly explain Rasmuson's resulting policy changes (such as approving funding only for critical organizational needs), and to listen to stories of how the economy was impacting nonprofits and their communities. "We really peeled the onion – we said, here's what's happening nationally, here's what's happening in philanthropy, here's what's going on with sources of funds in the state, here's what you can expect from Rasmuson. In some ways, this was our best response, as we didn't have new capital to put on the table." Reaction to the tour was very positive despite the message that new funding applications were not being accepted – "The biggest learning we had was how thankful everybody was that they got the straight scoop really quickly."

<sup>16</sup> Helicon, "The Economic Recession's Impact On Cultural Organizations In The Puget Sound," *Puget Sound Arts Scan*, February 2009.



## 2. Reassess approach

### *In a community crisis, how do funders balance short term needs with long term strategic goals?*

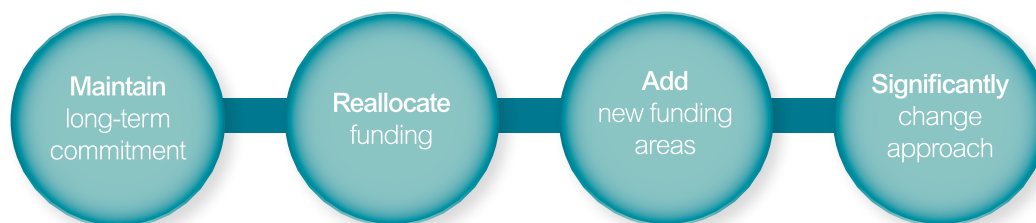
The answer to this question is different for every foundation. However, most Pacific Northwest funders considered a common set of questions in deciding how to respond:

- What are we good at?
- What are our values and motivations?
- Where can we get the biggest bang for our buck?
- What are others doing, and who else can help?

When considering the opportunities available for responding to the crisis, funders found it important to keep in mind their own unique goals, motivations

and experiences. In speaking with funders from the Pacific Northwest, we found that the actions funders chose to take fell along a continuum, from affirming and re-committing to existing strategies to significantly adjusting their grantmaking approach. While very different, all of these responses to the recession addressed community needs and reflected funders' unique capabilities and organizational goals.

Most foundations we spoke with clustered around the middle of this spectrum (reallocating funding or adding new funding areas), but all interviewees stressed the need to consider their own motivations, values, and prior experience in making structured, intentional decisions about what response was right for them.



### Deciding how to respond

**Maintain long-term commitment:** The Marguerite Casey Foundation made an intentional decision to focus on their core strategy and approach by continuing to provide general support to grantees, thus sustaining grantees' work through the crisis as other resources were becoming more constrained. Similarly, investments made by several funders before the crisis became even more critical once the downturn hit. The Medina Foundation had identified a gap in the market for services to low-income workers and founded a credit union that launched in May of 2009. "[This] has become a really important avenue for more and more people impacted by the downturn, so we made the commitment to invest in this and stick to our strategic plan," noted Tricia McKay, Executive Director.

**Reallocate funding:** Meyer Memorial Trust chose to maintain its overall strategy. However, Meyer established a new, internal priority continuum to guide its responsive grantmaking that emphasized human services, where the statewide need was greatest. "We continue to fund in all prior focus areas, but are looking even more critically at all proposals, especially those aimed at growth and capital construction. And we've promptly communicated the new emphasis to applicants via our website," said Barbara Gibbs, Director of Policy and Strategy at the Trust. Meyer and several other funders also began taking a more proactive approach to grantmaking. As Audrey Haberman of the Pride Foundation pointed out, "We need to be responsive to the community, but we're beginning to take money that would go into responsive grants and put it toward invitations in areas that are most meaningful to us."

**Add new funding areas:** The Paul G. Allen Family Foundation continued to make grants in core program areas, but as a result of the crisis added a new funding area to provide emergency funding to human services organizations. "Though we hadn't funded this in the past, we shifted funding toward basic needs," explained Bill Vesneski, Director of Evaluation, Planning and Research. This shift is meant to be temporary, rather than a long term change in the foundation's strategy.

**Significantly change approach:** At the other end of the continuum, the responsive grantmaking arm of the Bill & Melinda Gates Foundation's Pacific Northwest group made significant adjustments in response to the economic environment. The Foundation determined they would not make new capital grants to Pacific Northwest groups in 2009, given "there [were] more pressing needs." The Foundation was one of the first funders to address emergency food provision locally, and has focused their efforts on increasing access to existing resources for needy families. As their endowment has fallen, the Foundation has looked for additional ways to leverage resources. "We've been very mindful about what we can do to help communities access stimulus funds and government services," said program officers Nicole Trimble and Marie Sauter.

### 3. Maximize effectiveness of limited resources

For many Pacific Northwest foundations, responding to the crisis meant making changes to core policies and procedures. Foundations provide a relatively small but important source of funding, which becomes even more important when resources are constrained. Funders began looking for ways to maximize limited resources as they faced dramatic increases in community needs. In our interviews, funders most often highlighted changes in the following tactics:

Tactics	Typical Changes
<b>Grantmaking (e.g., spending policy, flexible resources, capital grants)</b>	<ul style="list-style-type: none"> <li>• Maintained prior levels of support through deficit spending/increased payout</li> <li>• Provided operating support</li> <li>• Provided more flexible funds</li> <li>• Decreased capital funding</li> </ul>
<b>Mobilizing key constituents</b>	<ul style="list-style-type: none"> <li>• Held community convenings</li> <li>• Acted jointly to meet community needs</li> </ul>
<b>Mission- and Program-related investing</b>	<ul style="list-style-type: none"> <li>• Created small business development funds</li> <li>• Increased use of PRIs</li> </ul>
<b>Capacity building</b>	<ul style="list-style-type: none"> <li>• Offered technical support training</li> <li>• Created Management Support Organizations</li> </ul>
<b>Mergers and alliances</b>	<ul style="list-style-type: none"> <li>• Funded merger and alliance workshops</li> </ul>
<b>Advocacy</b>	<ul style="list-style-type: none"> <li>• Built support for new sources of funding</li> </ul>

Of these tactical changes, Pacific Northwest interviewees most commonly cited making changes to their grantmaking practices (such as modifying payout policies or providing more flexible resources), supporting capacity building efforts, and mobilizing/collaborating with others as key adjustments. Many of these tactics were pursued by individual funders, but there were also many examples of funders working together to share knowledge, support grantees and mobilize change. Below are examples of approaches that Pacific Northwest funders took to maximize their impact:

**Grantmaking:** Most funders that we spoke with took steps to adjust their grantmaking policies and guidelines in light of reduced resources, including:

**Adjusting spending policy to raise payout and maintain grants:** Social Venture Partners decided to keep support at prior year levels and deficit spend, supporting this by dipping into their reserves. The Bill & Melinda Gates Foundation similarly supported grantees by increasing their payout, from five to seven percent of assets.

**Providing more flexible resources:** Several funders were more flexible with the dollars they were granting, providing general operating support and using fewer directed giving methods. Lisa Jaguzny of the Champion Foundation noted that they were "...shifting funding to general operating grants with wilderness grantees... It was a direction we were moving in anyway, but it was expedited by the recession."

**Managing the pipeline of capital spending:** Several foundations made intentional changes in the pipeline of new capital campaigns, given the challenges of a executing a successful campaign in a difficult economic environment. Foundations such as the M.J. Murdock Charitable Trust and the Tacoma Foundation noted that many organizations have significantly decreased capital funding, in some cases dropping it altogether.

As seen in stories of the national response, individual funders in the Pacific Northwest also looked for ways to provide their communities with **support beyond grantmaking**:

**Mobilizing:** The single most common theme we heard from Pacific Northwest interviewees was the **increased sense of urgency around the need to collaborate** with others. Given the desire to adapt to the scarcity of resources with minimal negative impact on grantees, there was a natural move toward working together. The Washington Women's Foundation noted that the last year provided an opportunity to reach out to other funders, a new approach for an organization that had a history of "going it alone" prior to the downturn. The Oregon Community Foundation moved quickly to hold "Recession Response" convenings, bringing together community members, other funders, nonprofits and government agencies to jointly identify needs and develop appropriate solutions.

Given the emphasis interviewees placed on mobilizing as a tool for greater impact, we address it in further detail below (see "4. Collaborate with colleagues").

**Mission- and Program-Related Investing:** Several foundations are using mission-related investments to stretch funds and support organizations that may not be able to access investment funding from traditional lending sources. The Seattle Foundation recently made their first foray into Mission-Related Investing, creating a small business development fund offering credit to local small businesses at low interest rates. The Bill & Melinda Gates Foundation hopes that by making Program-Related Investments, they will help grantees establish credibility and attract additional partners. Jeff Clarke of the Rasmuson

Foundation emphasized the value of these investments in stretching resources, noting "**If you don't want to overcommit, recycling dollars is the way to go.**"

**Capacity Building:** Many interviewees felt the economic crisis has increased the importance of developing grantee capacity, and have offered leadership, fundraising, and other technical support for increasing board and staff effectiveness. Social Venture Partners, long recognized for their contributions to capacity building, **invited other funders to attend trainings** for grantee board members. Several funders participated, including the Bill & Melinda Gates, Medina, Seattle, and Brainerd foundations. In addition to participating in the trainings with Social Venture Partners, the Seattle Foundation provided funding for a local nonprofit to become a Management Support Organization for multiple counties in Washington State.

**Mergers and Alliances:** Funders such as the Medina Foundation started encouraging nonprofits to achieve greater efficiency through leveraging of shared resources and/or mergers and alliances. The Tacoma Foundation partnered with ten other local foundations to fund workshops for nonprofits. Facilitated by La Piana Consulting, the sessions focused on **opportunities for nonprofit mergers and alliances (M&A), such as sharing back office support**, to reduce costs and ease administrative burdens. However, several organizations recommended proceeding carefully with this work, noting that supporting mergers and alliances is a lot of work and may require hiring external support (or making a significant allocation of your own organization's resources). Furthermore, they noted that grantees may view an offer to provide M&A exposure or training with suspicion, feeling that it can be heavy-handed for funders to suggest this type of work.

## Beyond funder collaboratives: Working with the community to prevent homelessness

The Oregon Community Foundation (OCF) has a history of bringing people together to understand community needs and brainstorm ideas for effective and integrated responses. In response to the downturn, OCF began holding **Recession Response Convenings** so a variety of community members could come together to discuss specific needs, share ideas and coordinate action.

In July of 2009, the Northwest Oregon Housing Authority (NOHA) determined that there were only 40 days left until hundreds of families would be terminated from their rental assistance program. NOHA had already dipped into reserve funds to pay for July and August rent, and was concerned about how to cover the rest of the year.

OCF set aside the agenda for their North Coast Recession Response Advocate Council, instead using the session to discuss how to help the 219 families threatened with eviction as a result of NOHA's announcement. Clatsop Community Action, the Columbia County Community Action Team, the Women's Resource Center, and State Senator Betsy Johnson were among those debating how best to respond to the situation. Together, they discussed "making sure they weren't duplicating each other's efforts" and put forth ideas for developing a coordinated response.

As a result of their joint advocacy, the U.S. Department of Housing and Urban Development approved increased funding and none of the families were forced from their homes. "The community came together, designed a plan, and succeeded," noted Kathleen Cornett of OCF. The Foundation has hosted six convenings to date, all to address recession response. "What we've found most interesting are the cross-sector relationships that develop," she continued. "We aren't providing projects, but are offering space and trained facilitators to see if at the local level communities can find productive ways to respond."

*"Our value to Oregon is not about money, it's about the community building we have done."*

**Advocacy:** Advocacy provides an opportunity to **multiply the impact of funding** decisions and can also provide **another layer of support** to organizations who face cuts in their grant funding due to economic pressures. The Paul G. Allen Family Foundation added an advocacy element to its efforts to improve new teacher support services throughout Washington state. This work helped contribute to a line item that was added to the state budget to provide funding for new teacher programs, reducing grantees' vulnerability to potential funding cuts from private sources.

Some funders took their approaches even further, engaging in **other forms of creative non-monetary support**. The Pride Foundation recognized that scholarship recipients were having trouble finding summer internships and jobs, and also saw grantees struggling to accomplish more with scarcer resources. The Foundation has successfully helped broker internships between the two groups.

In addition to pointing out examples of tactical changes that had worked well, Pacific Northwest funders also pointed to an area of concern. Specifically, some funders noted that the onset of the economic downturn may have caused funders to pull back from making long-term, meaningful commitments in favor of short-term responsive grants. To the extent that such long-term relationships are effective in achieving funders' desired outcomes, it may be important to continue investing in longer term partnerships - but it will also be important to build in inflection points so funders can assess progress and determine whether to continue with the next stage of funding.

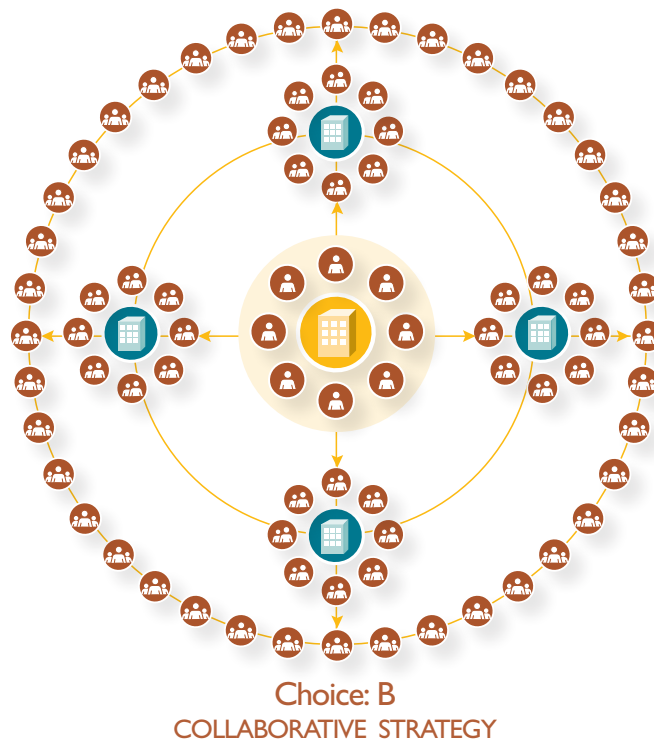
## 4. Collaborate with colleagues

The most universal message from Pacific Northwest funders was an emphasis on increased collaboration. Working together provided opportunities for funders to lessen the burden of reporting on grantees, avoid duplication of resources, increase opportunities for learning, and improve the efficiency of dollars allocated against community needs. Grantmaker associations such as Philanthropy Northwest, Grantmakers of Oregon and Southern Washington, the Alaska Funders Network, and others have been playing a critical role in providing a forum for funders to connect and collaborate in structured ways with a focus on increasing impact. Of course, funders were already working together prior to the downturn; **what was new was a sense of urgency, as many organizations began to recognize collaboration as a critical way to increase the impact of their strategies and activities.**

Funders were explicit about their approaches to working with others:

**Break down isolation and build networks:** The Russell Family Foundation has been using a fellowship program to catalyze a support network for nonprofits in the Tacoma/Pierce County region. The Foundation selects Fellows for a two-year commitment, facilitating "learning dialogues" and "providing stipends, professional development accounts, and an opportunity to convene once per month. These are often people who haven't participated in other official programs." Not only are Fellows developing ties with each other, they are also working on behalf of the Foundation to assist grantees with developing a larger support network.

### Collaboration offers an opportunity to increase reach with the same resources





Social Venture Partners funded an effort over the past year to develop a network map of organizations involved in early childhood learning. Although SVP planned this effort before the crisis, they believe the need for a clear map of actors in the sector became heightened as a result. **“Now more than ever, understanding how a network is communicating, who the leaders are, and building stronger connections between practitioners and funders is important for developing strategy.”** SVP hopes to use this information to strengthen the early learning network statewide.

**Share knowledge for greater coordination:** The United Way of King County found that interactions with faith-based organizations exposed them to **new perspectives, ideas and resources** that could improve the community’s ability to support its citizens. Similarly, Microsoft Corporation Community Affairs described the leadership of other foundations as critical in assessing where best to deliver support. They noted that **developing a systemic understanding of issues facing a given community enhances funders’ ability to establish a coordinated**

## The United Way of King County/Seattle Foundation collaborations

*In Fall of 2008, the United Way of King County and the Seattle Foundation brought together a group of local funders to think practically about how to respond to the region’s increasing needs. After jointly investigating community needs, they decided to pursue a two-pronged approach to provide both short- and long-term support by creating parallel pooled funds. The United Way has been leading the short-term response to address immediate needs such as hunger and shelter, while the Seattle Foundation is leading longer-term efforts to develop a network of services that can put people on the road to self-reliance. How have they been making this work?*

- **Strategic planning included perspectives from other partners**

“To craft our Response for Basic Needs plan, we brought together a steering committee (including the Seattle, Bill & Melinda Gates, and Medina foundations, among others) that met for two months to craft the strategy.”  
– *The United Way of King County*

- **Aligned but separate funding is welcomed**

“We’ve had a number of funders who aren’t around the Building Resilience Initiative table, but they have done aligned funding alongside us. In order to meet our \$6M goal, it’s not all going to be pooled – we want organizations to take these principles back to their shops and fund opportunities as individual foundations.”  
– *The Seattle Foundation*

- **External assistance helps fill in resource/knowledge gaps**

“We brought in the Department of Social and Health Services to talk about access to benefits... We have also hired consultants specifically for this effort.” – *The Seattle Foundation*

*How is the philanthropic community responding?*

- An **array of funders**, including foundations who historically would not contribute to human services, have **provided funding to both efforts**

“This is a **great collaboration**. The United Way piece is going at the symptoms, getting food into the food banks, helping to beef up the crisis line for basic service. The Building Resilience Initiative is trying to add another layer of depth to it – what more can we do to shore up for a long-term response? What is it that people need in the long run to be financially stable in a crisis?” – *The Medina Foundation*

- **Both organizations have surpassed their fundraising goals**

The United Way of King County originally set a goal of raising \$1M in incremental funding to devote to human services; their Response for Basic Needs program has raised \$4.5M (as of April 2010). The Seattle Foundation’s Building Resilience Initiative pledged to raise \$6M over 3 years, and by June of 2010 had raised over \$2.4M toward the goal with nearly \$1.5M in additional aligned funding.

*What impact have they had?*

- **The efforts are reducing homelessness, increasing food availability, and giving people access to public benefits**

The Response for Basic Needs results to date include preventing over 1,000 individuals from falling into homelessness; helping 42 food banks and multi-service centers gain additional storage, refrigeration and transport capacity; and connecting 4,000 families to food stamps and other public benefits. The Building Resilience Initiative has awarded over \$2.1M in four rounds of grants focused on providing comprehensive basic services, increasing financial security, supporting immigrants and refugees, and strengthening informal social networks to help people cope with the effects of the recession.

**“What’s been great is the strength in numbers. There are things we have been able to do collectively that would have been hard to do individually.”** – *The Seattle Foundation*



**approach**; by taking cues from funders seen as leaders on a particular issue (and providing cues in areas where they are perceived to be a leader), community organizations were able to better focus their resources and minimize duplication with other funders. In addition, interviewees pointed out that joint research and analysis can **strengthen the entire sector**. For example, a group of Washington State funders worked together with Philanthropy Northwest to research nonprofit capacity building needs. The group gathered and synthesized geographically specific data to inform how funders can best respond to the needs of their specific communities. To download their report, visit our webpage with resources from the field at [http://www.fsg-impact.org/ideas/item/crisis\\_to\\_opportunity\\_resources.html](http://www.fsg-impact.org/ideas/item/crisis_to_opportunity_resources.html)

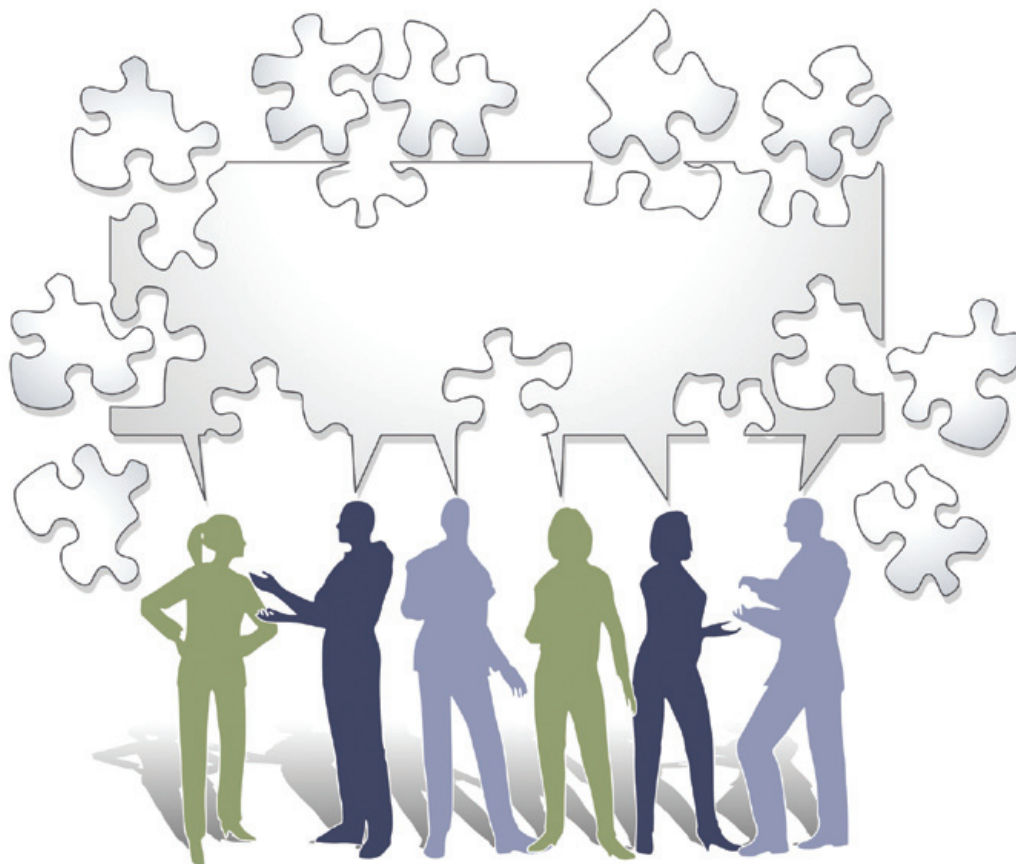
***Pool funding and align incentives for greater leverage:***

In response to the economic downturn, the United Way of King County, the Seattle Foundation and other local funders created an integrated solution to address both short term needs and long term goals through the Response for Basic Needs and Building Resilience Initiative efforts. “We agreed it was **important not to confuse the community by going in different directions**,” explained Michael Brown of the Seattle Foundation. “We worked to figure out how to knit our responses together so we would be **combining our donors and staffs**.”

It is important to note that some funders question whether the increased focus on collaboration has been more about talk than action; some also wonder whether the collaborations have been leading to real results. “Collaboratives are tough,” Brown adds. “Whoever is leading should know it’s a lot of work.” A few foundations note that true collaborations, while happening in the field, are taking place among “the usual suspects;” those who have engaged collaboratively with others in the past are doing so with greater urgency, but those who have not continue to remain away from the table.

Foundations that have historically shied away from collaborative efforts may want to consider the importance of building strong relationships with potential partners when pressures are less urgent. **Healthy networks can improve effectiveness during the normal course of business; existing relationships can expedite partnerships when times of crisis hit.** “We’ve been collaborating with partners in our community for years,” noted Vince Matulionis of the United Way of King County. “We have an ongoing collaboration with the King County government and the Seattle Foundation, along with other organizations, to address homelessness in our city. Such experiences meant we could act very quickly in planning our Response for Basic Needs.”

**Collaboration can help funders piece together knowledge and support**



## IV. From Crisis to Opportunity

*“We’re moving from using the term “response” to talking about “investments” in basic services, and are looking to roll this effort back into our regular work. We’re thinking about how response evolves into something more long-term and sustainable.”*

– The United Way of King County

## IV. From Crisis to Opportunity

Are the changes that have been made in response to the economic slowdown proving to be both timely and transformative for funders and their communities?

More than a year has passed since the bottom of the economic crisis, and grantees and communities are still in great need. Many foundations are questioning how to be more effective as they continue to manage through the downturn.

It's too early to know whether the actions we are seeing are simply responsive, truly transformational, or both; but we hope that there will be dialogue at both the organizational and community levels regarding next steps. Nationally, funders made changes to grantmaking and other practices in order to do more with constrained resources. In the Pacific Northwest, funders have demonstrated that responding can be strategic, and have provided examples of ways in which strategic philanthropy can reach beyond the walls of an individual organization.

The opportunity to apply lessons learned over the past year is ongoing, and should not be viewed as relevant only in times of crisis. Increasing funders' capacity to be flexible, collaborate with others and respond quickly to external pressures will always be important. Funders can achieve this by:

1. **Engaging in ongoing dialogue with grantees, partners, and the larger community to understand shifting needs and resources and communicate their response**
2. **Periodically stepping back and reassessing their approach to creating impact given their unique capabilities and the external environment**
3. **Maximizing effectiveness of limited resources**
4. **Collaborating with others to leverage strengths and avoid duplication of effort**

Within the Pacific Northwest, funders and regional associations of grantmakers are working to ensure that the lessons learned during the crisis are not lost. For example, organizations such as Philanthropy Northwest are hosting informal gatherings of funders with the specific intention of providing dedicated, open space for funders to come together, share ideas and exchange knowledge, and listen to each others' experiences of what is happening on the ground in their communities. To foster openness and give space for creativity, topics for these gatherings are surfaced by Philanthropy Northwest's members, and working groups are created to follow up on needs identified through these discussions.

Beyond learning from the stories included within this paper, funders may want to further stretch and find new modes of operating as a result of these challenging times. To explore options for mobilizing change in your community by leveraging a wide range of philanthropic tools, refer to FSG's recent article "Catalytic Philanthropy" in the *Stanford Social Innovation Review* at [www.fsg-impact.org](http://www.fsg-impact.org).

### Despite the challenges ahead, Pacific Northwest funders remain hopeful

*"This is an opportunity to really determine what is most meaningful to us. What is really core and most important?"*  
– The Pride Foundation

*"Funders have a choice – we can hunker down or open up. We agree with the Council on Foundations — if we provide a sense of opportunity and encourage hope that people can accomplish things in this environment, they will."*  
– Social Venture Partners

For further information on the impact of the economic recession and the responses that funders nationwide continue to make, visit our webpage with resources from the field at [http://www.fsg-impact.org/ideas/item/crisis\\_to\\_opportunity\\_resources.html](http://www.fsg-impact.org/ideas/item/crisis_to_opportunity_resources.html)

## **V. Discussion Guide**

## V. Discussion Guide

These questions are intended to guide community-based funders in discussing lessons learned from the economic recession, and how to adopt effective practices going forward. These questions may be used by an individual foundation's staff, or may serve as the basis for a discussion among a community of funders interested in developing collaborative strategies. For further information and ideas, visit our webpage listing resources from the field at [http://www.fsg-impact.org/ideas/item/crisis\\_to\\_opportunity\\_resources.html](http://www.fsg-impact.org/ideas/item/crisis_to_opportunity_resources.html)

Key Discussion Questions	Funder Perspectives
<p><b>Make time for reflection</b></p> <ul style="list-style-type: none"> <li>• Does your organization have <b>dedicated space/ time</b> set aside for reflection?</li> <li>• <b>What have you learned</b> from the responses that other funders made to the downturn? From your own response?</li> <li>• <b>Is your organization/community ready</b> to adjust its approach if needed?</li> </ul>	<p><i>"We're seeing a strong desire for informal gatherings, for opportunities in which community funders can come together in an open space without expectations of commitment or action. This enables them to share ideas, learn from each other and think creatively about how they can accomplish their goals."</i></p>
<p><b>Be proactive and anticipate needs</b></p> <ul style="list-style-type: none"> <li>• What do grantees need? When?</li> <li>• Would acting now mean that less resources are needed to help in the future?</li> <li>• What <b>short- and long-term requirements</b> can you foresee?</li> <li>• Can you work with others to get a deeper understanding?</li> </ul>	<p><i>"We want to anticipate what's next... to be proactive and see what [grantees] need, rather than wait for them to fall into crisis."</i></p>
<p><b>Increase frequency and intensity of two-way communication</b></p> <ul style="list-style-type: none"> <li>• Are you making an effort to <b>communicate more frequently</b>/clearly with grantees? Peers?</li> <li>• <b>Do you have the real picture</b> of what is happening in your community, and are you using data and real-time information to support decision-making?</li> <li>• Now that some time has passed, have you worked to <b>loop back</b> with grantees to reassess needs, see what has changed, and decide whether further adjustments are needed?</li> </ul>	<p><i>"It behooves us [funders and grantees] to communicate more, especially with instability in the economic environment."</i></p> <p><i>"We did fact-finding, asking "What are you seeing? What is really happening?" in order to base [our response] on data."</i></p> <p><i>"It would be interesting to find out what fund-seeking organizations think of our response – are we doing the right things?"</i></p>
<p><b>Align strategy with clarified priorities</b></p> <ul style="list-style-type: none"> <li>• Can you increase impact by shifting toward <b>more proactive</b> grantmaking?</li> <li>• What do you want to change about your approach, if anything?</li> </ul>	<p><i>"We have had to decide what our priorities are... it is sometimes those times of challenge when you can clarify and crystallize what it is you want to be doing."</i></p> <p><i>"The <b>opportunity</b> in this is to really <b>determine what is most meaningful</b> to us – what is really core and most important?"</i></p>



Key Discussion Questions	Funder Perspectives
<p><b>Use all the tools you can</b></p> <ul style="list-style-type: none"> <li>• Are you <b>going beyond grantmaking</b> (Mission- and Program-related investing, capacity building, supporting mergers and alliances, mobilizing others, and engaging in advocacy) to maximize impact?</li> <li>• Are these tools being used across the entire foundation, or would it be more effective to use specific tools for particular activities (e.g., targeted toward areas where your foundation plays a leadership role relative to other funders)?</li> </ul>	<p><i>“How can we build a stronger safety net without new dollars?”</i></p> <p><i>“What can we provide other than money – can we provide technical assistance?”</i></p>
<p><b>Divide and conquer</b></p> <ul style="list-style-type: none"> <li>• <b>In what ways/areas are you a leader?</b></li> <li>• In which areas can you <b>leverage the work of others</b> in pursuing impact?</li> <li>• How can you coordinate with other funders to <b>avoid duplication of effort</b> and maximize efficiency?</li> </ul>	<p><i>“Others have larger staffs, so when someone decides to exercise leadership and devote resources to research, why wouldn’t we build on that to create impact?”</i></p> <p><i>“Getting organizations to talk to each other is important right now – how can we not duplicate our services?”</i></p>
<p><b>Work together</b></p> <ul style="list-style-type: none"> <li>• Can you collaborate across sectors to <b>ensure that funding is well integrated</b> and can lead to meaningful change?</li> <li>• How can you partner with other funders to <b>collectively drive systems change and advocate for improvements</b> within your priority areas?</li> </ul>	<p><i>“Early on, different organizations were funding different aspects of the same issue. We were making disjointed investments and policy recommendations in an already fragmented system. We started to communicate and build a more unified plan. Now when we advocate for a change it is in the context of that larger, unified plan. We tell a more complete story that we want to see unfold.”</i></p> <p><i>“We asked ‘How do we align with other funders, cities, etc. – all of whom have investments in common programs – to work together?’”</i></p>

*“We’re taking the time to ask ‘Where can we be of more and different value?’”*  
*— The Alaska Community Foundation*

## **VI. Acknowledgments**

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FSG Social Impact Advisors gratefully acknowledges the financial support of the Paul G. Allen Family Foundation in the research, writing, and publication of this report. We are also grateful to Philanthropy Northwest for their assistance and advice with this project, and to the 20 organizations who graciously donated their time to interviews:

The Alaska Community Foundation  
Iris Matthews, *Program Officer*

Bill & Melinda Gates Foundation  
(Pacific Northwest Region)  
Marie Sauter, *Program Officer*  
Nicole Trimble, *Program Officer*

The Campion Foundation  
Lisa Jaguzny, *Executive Director*

Grantmakers of Oregon and Southwest Washington  
Joyce White, *Executive Director*

The Greater Tacoma Community Foundation  
Rose Lincoln Hamilton, *President and CEO*  
Shirley Brockmann, *Vice President of Finance*

The Marguerite Casey Foundation  
Peter Bloch-Garcia, *Program Officer*  
Alice Ito, *Program Officer*

The Medina Foundation  
Tricia McKay, *Executive Director*

Meyer Memorial Trust  
Barbara Gibbs, *Director of Policy and Strategy*

Microsoft Corporation Community Affairs  
Jane Broom, *Community Affairs Manager*

The M.J. Murdock Charitable Trust  
Steve Moore, *Executive Director*

The Oregon Community Foundation  
Greg Chaille, *President*

The Paul G. Allen Family Foundation  
Bill Vesneski, *Director of Evaluation, Planning and Research*

Philanthropy Northwest  
Carol Lewis, *Chief Executive Officer*

The Pride Foundation  
Audrey Haberman, *Executive Director*

The Rasmuson Foundation  
Jeff Clarke, *Vice President*

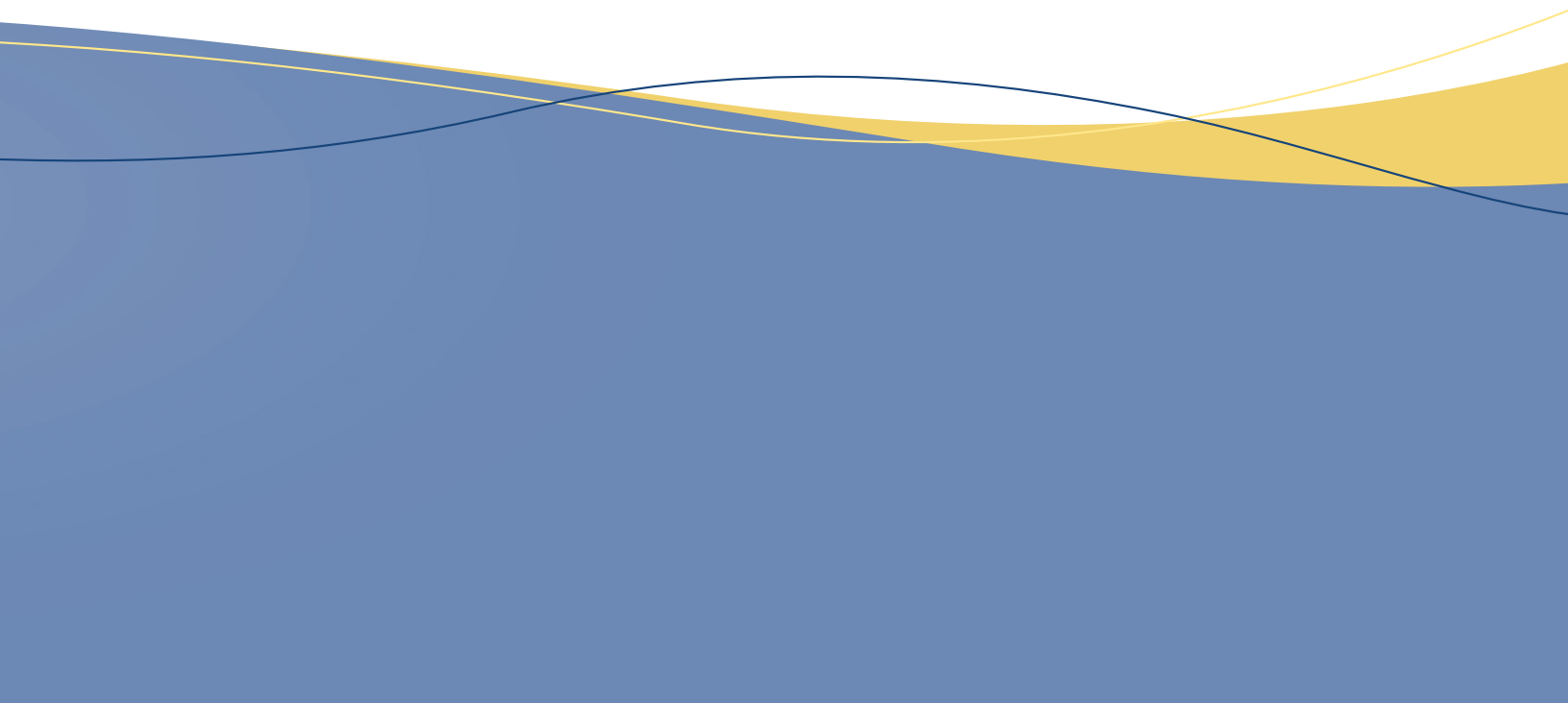
The Russell Family Foundation  
Richard Woo, *Chief Executive Officer*

The Seattle Foundation  
Molly Stearns, *Senior Vice President*  
Michael Brown, *Vice President of Community Leadership*

Social Venture Partners  
Sofia Michelakis, *Program Director – Partner Development*

The United Way of King County  
Vince Matulionis, *Director of Homelessness*  
Michael Beneke, *Director of Communications and Development*

The Washington Women's Foundation  
Carla Lewis, *President*  
Marion DeForest, *Deputy Director*





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