

SPONSORED BY THE COUNCIL OF MICHIGAN
FOUNDATIONS

Agenda

Foundation Visitation Program
Tuesday, November 3, 1981

W. K. Kellogg Foundation
Battle Creek, Michigan

- 10:00 a.m. I. Welcome
Russell G. Mawby, President
- II. Kellogg Slide/Tape Presentation
- 10:30 a.m. III. How Kellogg Makes Grants
- *Board/Staff Programming Process (10 minutes)
Robert D. Sparks, V.P. for Programming
- *Screening, Declining, and Approving Requests
Joanne M. Drewno, Corporate Secretary
Laura A. Davis, Assistant Corporate Secretary
- *Contacting and Monitoring Grants
Lloyd E. Holt, Treasurer
- 11:45 a.m. IV. Building Tour
- 12:00 noon Luncheon
Dorothy A. Johnson, CMF Executive Director
- 1:00 p.m. V. From a Program Director's Viewpoint
Robert A. DeVries, Program Director in Health
Joan L. Cleary, Program Assistant in Health
- 1:30 p.m. VI. Evaluating Projects
Robert E. Kinsinger, Vice President
- 2:00 p.m. VII. Communicating With The Public
Robert E. Hency, Director of Communications
- 2:15 p.m. VIII. Questions and Answers
- 3:00 p.m. IX. Adjourn

Council of Michigan Foundations

September 2, 1981

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GRAND HAVEN, MICHIGAN 49417
PHONE 616/842-7080

Memo to: Board of Trustees

From: Dorothy A. Johnson

Re: Non-Profit Assistance Fund Feasibility Study

Background

Non-profit organizations are continually faced with cash flow problems whose solutions often require an inordinate amount of time and energy to resolve. These cash flow problems are primarily related to: delayed reimbursement or payment of grants and contracts; unforeseen cash requirements and/or inadequate cash flow planning. Because short-term credit is not widely available to non-profit organizations, for a variety of reasons, the typical solution is to temporarily cut back services which, by definition, are vital to the community.

In many cities foundations and corporations have been joining together to form emergency cash flow loan programs...New York, Chicago, Winter Park, Minneapolis, Boston, San Francisco, and Denver. All of these programs have basically the same goals:

1. To make available short-term funds to non-profit organizations unable to secure loans from commercial banks or other traditional sources, and
2. To stabilize budgets, and consequently program activities for existing non-profit organizations.

Some Council of Michigan Foundation Members have expressed interest in a similar fund for the state of Michigan, however they desire to know the extent of the need.

The CMF Board of Trustees indicated in the fall of 1980 that the idea had merit, but that the only responsibility of CMF should be one of facilitating and convening, not as administrator.

Further Activity - Study Grant

The Webber Foundations and Charles Stewart Mott Foundation each contributed \$1,000 for a survey of the need which was prepared by the Michigan League for Human Services. A summary of the results is attached. Eighty percent of the charitable organizations surveyed indicated a need for such an assistance loan fund.

Comment

The state and federal budget cuts will have an obvious impact on the proposed emergency loan fund and if the project is undertaken these factors need to be carefully considered. Interested parties who may be willing to undertake designing the structure and administration of such a fund include the Michigan League for Human Services and state lending institutions.

Board Action Requested

The CMF Board is asked to receive this report and to endorse the actions taken to date. The Board further directs the staff to further refine the considerations delineated above and to report back specific implementation procedures. Such activity should continue to reflect a convening/facilitating role. It is further recommended that the project come under the auspices of the Membership Services Committee.

DAJ/sh

Michigan League for Human Services

EMERGENCY LOAN FUND SURVEY STATEWIDE STUDY OF NEED

Survey Summary

The Michigan League for Human Services, on request of the Council of Michigan Foundations, initiated a needs assessment of non-profit, charitable organizations throughout the state. The study was to determine the need of these agencies for an emergency loan fund, such as those already established in several cities throughout the country (i.e., Chicago, New York, Denver). They were developed in response to cash flow problems of 501(c)(3) organizations, loaning money to them on a short term basis.

The League, to accurately assess the needs of Michigan organizations, set up a three tiered system of a.) statewide umbrella organizations, b.) local umbrella organizations, and c.) local agencies. From this system 104 organizations were selected and 75 were surveyed by telephone over a two week period.

The survey results indicated an overwhelming need for an emergency loan fund (76% of the agencies experienced substantial cash flow problems). The chief cause of these problems was a delay in government funding. The majority of organizations surveyed needed less than \$10,000, for a period of 30 days or less, once or twice a year. A large number of the agencies surveyed cope with their cash flow problems by delaying payments and payrolls, obtaining loans from lending institutions, obtaining advances from their funding sources, and/or receiving reserve funding from their "parent" organization. A few resorted to lay offs of staff.

A majority of the surveyed organizations have not attempted to obtain commercial loans. Though 70% of them are allowed to seek loans, only 59% are allowed to pay interest on those loans.

A large majority of the agencies conduct annual audits and all of them prepare a month-end balance sheet - indicating a basic level of management control and source of information for examination of their process of financial management.

Most (80%) indicated a definite or probable benefit from the establishment of an emergency loan fund. Their recommendations for the operation of that fund center around quick processing of loan applications, interest below market levels, clear guidelines, accountability of loan seekers, and the provision of technical assistance to agencies experiencing cash flow problems.

Finally, while the survey did not deal directly with the possible effects of federal budget cuts and the economic recession, it was apparent from some telephone conversations that agencies experiencing few problems now may not be so fortunate in the near future. Thus an emergency loan fund may be only one of many supports nonprofit organizations will need to survive an increasingly uncertain time.