

## More From the Front Lines of Philanthropy | Questions You Have, Answers You Need

Host: Ted Hart | President & CEO, CAF America

Guests: Jessie Krafft | Senior Vice President of External Affairs, CAF America

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**Announcer:** Learn how to take your caring and giving further with the *Caring and Funding* Podcast powered by CAF America. CAF America, America's leader in cross border philanthropy helps corporations, foundations, Wealth Advisors, and individuals who wish to give internationally and with enhanced due diligence in the United States. Through its industry-leading grants management program and philanthropic advisory services, CAF America helps donors amplify their impact and ensure their gifts are made in a safe and effective manner.

This *Caring and Funding* podcast is dedicated to these donors and the charities they support. Our guests are leaders in their field who join us to share tips for success and stories that inspire. Our host is Ted Hart, the CEO of CAF America. After the show you can find all our podcasts at [cafamerica.org](http://cafamerica.org) on iTunes and now just say Alexa play C-A-F America on TuneIn. Now, welcome the host of CAF America's *Caring and Funding* podcast, Ted Hart.

**Ted:** Welcome to this latest edition of the *Caring and Funding* podcast. We are coming to you live from the frontlines of philanthropy where we will be able to share with you today the insights of my two guests who are advisors on the frontlines of philanthropy here at CAF America. First guest that I want to introduce you to is our senior vice president of External Affairs, Jessie Krafft. Jessie, welcome back here to the *Caring and Funding* podcast.

**Jessie Krafft:** Thank you, Ted.

**Ted:** Jessie, so much has happened in just the last few weeks during the Coronavirus global pandemic, and charities are on the front line, donors are there with them wanting to provide funding that will be impactful that will make a difference. As the world continues to fight this pandemic, we're learning that there are a number of nonprofit organizations that are being forced to suspend some of their services, and worse, some are having to shut down operations altogether. Jessie, when a nonprofit shuts down there is intellectual property that is lost. There are service models that will not continue. Can donors learn what type of work is being done and how we can connect that work with their philanthropy?

**Jessie:** Yes, absolutely. Certainly, the numbers you're talking about are dire. There are a number of charities that have been forced to suspend their work and close some of their operations. We've done a lot of research on this. Over the past couple of months, we've done some surveys the last of which brought in responses from 880 charities, from 122 countries.

The resources that we have on CAF America's website related to these surveys are really helpful as a starting point to see some of the challenges that these charities are facing and some of what they're asking for in terms of the types of resources they need to learn about how they're trying to cope with the loss of funding or the inability to complete some of their most important programs.

**Ted:** In trying to connect those two and helping charities to complete their program. I want to bring in another one of our experts here at CAF America, Loren Previti. He is the Senior Director of donor services. Again, one of our professionals right here on the frontlines of philanthropy. Loren, here at

CAF America-- CAF America is different and that makes all the difference. What are some of the trends that are emerging within the context of the Coronavirus pandemic? Are donors able to provide the support that's needed on the ground?

**Loren Previti:** Thanks. We're definitely seeing some really interesting trends emerge. Of course, we're still seeing a significant focus on immediate relief efforts, whether that funding, access to medical care, funding food banks, and other immediate needs like personal protective equipment. We're also starting to really see a shift in focus from immediate relief to funding that's meant to sustain the organization.

We're really seeing donors that are looking to fund things like salaries, rent, basic program expenses, utilities. While many organizations have been able to shift their programs to meet the new normal, some are just unable to continue services that will be essential to people who will start going back to work soon as we start to see this pandemic shifts. This incremental funding that donors are showing a lot of interest in is really intended to help organizations stay afloat and ensure the short-term and medium-term stability of these organizations.

**Ted:** That's so important, Jessie. When organizations are trying to bring the funding together to allow them to focus on what might be at some point seen as a new normal, will beneficiaries come for those services? Does that become the new big problem for charities who are able to survive?

**Jessie:** It's a really interesting question. I think one of the really great examples of this is a food bank that we recently worked with in Europe, and they really had to dramatically change the way that they provide their services. For that exact reason, they can no longer be a central place for individuals to access food in their region with lockdown measures in place.

They really needed to adjust their programs to allow for delivery and distributed food pickup location. We're really seeing organizations have creative and dynamic responses. Those also require a lot of planning and changes to the way that they implement their programs. The communication with donors on what those needs are as they change so rapidly is so important.

**Ted:** Jessie, one of the questions that I think we're hearing really, for the first time, or at least it's gaining strength, it's a bit louder is donors turning to charities and asking, "What do you need to survive?" How does that then connect to the funding coming to those charities? What are you hearing right now on the front lines?

**Jessie:** I think that's a really interesting and hopeful trend to see. It's a different dynamic right now between donors and charities in that regard. Not across the map, but I think what we're seeing is donors becoming more flexible and listening more because the dynamics have just changed so much and donors no longer feel like they're in a position where they know what is necessary on the ground in order to accomplish their impact goals.

One of the most interesting things that donors have been asked to support, which, of course makes a lot of sense is assisting charities in their digitization process. Many organizations who are not set up to telework or to provide remote services. As to Loren's point, donors are being asked to support more mundane things like utilities, but in this case, they're purchasing cloud-based services and purchasing laptops and things like that for their employees to be able to connect at home. It's a unique challenge that we're facing right now and not something donors have specifically sought to

support in the past but because in some of these cases, that means the difference between operational or shutting down, donors are very realizing that that's where their support is needed.

**Ted:** Loren and Jessie, the very fabric of philanthropy around the world that very fragile safety net that has grown over the last many decades is possibly endangered right now. One of the trends that emerged in CAF America's latest report, Volume II of the voice of charities facing COVID-19 worldwide is the need for support that is not necessarily related to COVID-19 relief efforts but it's focused on those ongoing projects that Jessie just mentioned and the operational expenses.

It feels very much and I'll go to Jessie first that, in some ways CAF America continues to fill, what you might see as philanthropic middleware, bringing donors together with charitable needs, but that's happening in a very different way now. Can you give us some examples of the questions that you're hearing or the answers that we're giving around how this can best be done?

**Jessie:** Definitely. I think donors are coming to us to ask us where certain organizations are that need their assistance whether they're focusing on specific regions or specific issue-areas that they want to ensure receive support in those regions. We have a page on our website that is outlining all of our eligible organizations that are responding to the crisis. That's been a hugely utilized resource during this time and speaks to the strength behind CAF America's vetted database in the sense that we're able to provide that kind of resource very quickly to our donors who are searching for different programs to support and don't have the resources or the network themselves. It's really creating a different space for us as an intermediary and creating new importance around the network that we have globally and how we can work quickly to get funds where they're needed most.

**Ted:** Loren, as Jessie mentioned, the 251 eligible charities in 55 countries that are listed on the CAF America website at [cafamerica.org](http://cafamerica.org), fully vetted charities that are providing relief on the ground during this global pandemic. Can you give us some examples of how that lift is really making a difference for corporate supporters, foundations, and individual philanthropists?

**Loren:** Absolutely, Ted. I think we've just seen this really incredible dynamic with donors who are coming to us. They're coming from a place of just wanting to help and wanting to know the best ways to apply their funding and they're really asking charities, what do you need? It's really been amazing to see this shift away from the traditional grant-making process, but really, looking at the regions that mean most to them or the areas that they want to be able to support and connecting with those organizations through CAF America to understand exactly what their need is.

What we're hearing from our recent survey and from talking to these charities day in and day out has really just been that they need that immediate support to keep the doors open and to keep the lights on so that we can get through this pandemic, and they can continue to provide such vital support to their communities.

**Ted:** Thank you, Loren. We're going to take a very quick break and when we come back, I'm going to ask Jessie Krafft to help us navigate through planning beyond the immediate relief in this global pandemic. It's unclear when this global pandemic will end but there is now a dialogue as Loren mentioned earlier, moving beyond or at least thinking of the world beyond relief and moving towards stability and resilience of the infrastructure. We'll be right back.

**Announcer:** Remember, our podcasts and archives are always available 24 hours a day at [cafamerica.org](http://cafamerica.org) on iTunes or just say, Alexa, play C-A-F Ameri, go on TuneIn. Now, back to the *Caring and Funding* Podcast and our hosts, Ted Hart.

**Ted:** We're back here on the *Caring and Funding* Podcast. Jessie Krafft, Senior Vice President External Affairs. Many organizations' ability to survive as we've discussed on this podcast and on earlier podcasts, depends on funding directed to support their operations. However, unrestricted grants are not always easy to make. Can you help us navigate through how donors can think differently about their philanthropy and how charities can engage in maybe a different kind of dialogue that brings these two topics together?

**Jessie:** Yes, definitely. It's a complicated question because part of your question is rooted in internal revenue code but, of course, we don't expect all of our donors and charities to understand. That's our role to help them understand the best way that they can accomplish their goals with US cross border giving from the United States. Yes, unrestricted giving is complicated. The only way that you can truly make an unrestricted gift is through a process called equivalency determination, which, in very basic terms is, is determination that a foreign organization is the equivalent of a US public charity. That's, of course, possible but it takes more time on the front end, and it takes a lot more input from the charity which, of course, we've all these organizations.

There are very resource strained at the moment with many furloughed or laid off employees and things like that. We try to, in these instances, equivalency determination is much more difficult for these organizations. The alternative is expenditure responsibility. Under expenditure responsibilities, all grants are restricted just by the nature of their legal requirements. What we do if a donor wants to make "unrestricted grants" to a foreign organization. What we'll do is talk to that organization and ask them, what are your needs? What do you want to apply the funds to right now, and we'll build a grant agreement around that.

We are restricting the funds then at that point, because we're isolating the specific projects, but are the specific expenses, the charitable expenses that they want to fund with that money, but we're asking them first. We're not telling them how to use the funds upfront. We're asking them and if they agree, we add that to the unrestricted expenditure responsibility grant agreement. It gives, in that instance, the organization more autonomy in deciding what their needs are so that we can ensure that we're funding where it needed most.

**Ted:** Jessie, it sounds to me, like you're saying that even during the emergency of a global pandemic, we are not dispensing of all of the best practices of international grantmaking and that donors should be able to rely on not dispensing of those regulations, but a full and complete implementation of regulations but doing that in a way that requires a deeper level of understanding of the regulations, a deeper level of listening to the needs of donors. Is that right?

**Jessie:** Yes, actually, that's a really good point, Ted. We've been asked for a lot of very creative solutions to difficult questions in terms of how to support different charitable activities around the world, from the ability to make unrestricted grants as we've just discussed to funding certain for-profits or social enterprises that might be conducting charitable nonprofit activities. Doing that is definitely possible and legal within the Internal Revenue Code and the US regulations, but it's complicated.

CAF America has compliance as a number one priority. Really, what our grants are our officers on, and there are fund managers, and those that work with donors on our team are doing right now is really having those conversations with the donors to get an understanding of what they want to do. Then we're really providing advice on what is the legal way to accomplish what they're trying to do. It takes a lot of expertise on behalf of our team to navigate these different requirements and ensure that we're getting money to where it's needed most.

**Ted:** Loren, I want to explore this a little bit further with you because, certainly, we hear from donors push for more flexibility during the grant process. Jessie's making the case that we should not be doing that and taking a blinds eye to regulation to best practices, particularly, when it comes to grantmaking. Why is that the case if this is a global pandemic, this is a planet-wide emergency, shouldn't regulation or should regulations still matter?

**Loren:** Ted, it's a great question. From the CAF America perspective, absolutely. Being in compliance with the relevant regulations for international grantmaking is our bread and butter. We too could do that on a day-to-day basis. Even in a global pandemic, we understand the implications of getting it wrong. We are really working closely, as Jessie said, every day, with our donors to ensure that we're able to make compliant grants around the world that are still making an extremely meaningful impact, particularly, during this time of a global pandemic.

We've just facilitated a large number of grants, almost \$2 million in grants for a Fortune 500 Company. They really came to us with this incredible idea of saying, "Look, we want to support these organizations, we want to just really meet their needs." We did just as Jessie said, we connected with each of those organizations, we put a strong grant agreement in place, and we were able to disperse that money in full compliance with IRS regulations and very quickly, and now those organizations have those resources to continue their work.

**Ted:** Absolutely. Jessie, I want to go back to you since you're the one who put this whole notion of regulatory compliance during a global pandemic on the table. CAF America, many times, speaks of its core principle of the three Rs, which is risk, regulation, and reputation. Walk us through why that's a core principle and why does it matter now?

**Jessie:** Yes, it does matter. In some cases, as you've suggested, it's difficult to explain to some donors why it matters during this time. We have had donors come to us saying, "Well, we're in the midst of a pandemic, can't you just push it through?" I absolutely understand the sentiment behind that and it seems like it should be that easy. In the long run, all of these donors are going to be thanking us that we are remaining in compliance and ensuring that their reputations and our reputation is still protected through our due diligence process. We are expediting all of our COVID-19 validations right now, and we've brought on extra capacity to do so. We're really making an extra push on our end to bring on the resources that we need to ensure strict compliance to the IRS guidelines while also getting funds out the door quickly. Where I think our team is doing an amazing job of balancing those two, it is still very important to get money there quickly but it does require the charities to respond to our application and sign grant agreements and things like that. It is really still very important during this time.

Particularly, there's a lot of fraud and phishing going on right now. There are people and entities out there that are aware that donors are trying to move money very quickly and might not be paying as much attention because of that. It's actually even more important right now that we protect our

donors and CAF America from those different risks of those that are trying to take advantage of the great generosity that's going around the planet right now.

**Ted:** Loren, Jessie spoke about protecting donors. I think it's understandable that CAF America is in the forefront of helping to manage risk, particularly international risk. Both of you have spoken a great deal today about regulations but talk to me a little bit about that third R, that reputation and protecting reputations. How does all of that work can come together even during a global pandemic?

**Loren:** Sure. It's a really important combination of factors that we're considering anytime we make a grant. Of course, it's so important that we're supporting organizations in a way that's fully compliant with the relevant regulations but there is a reputational risk with any grant that's made, both domestically and internationally. CAF America works very closely with our donors to not only assess the regulatory compliance of a grant, but we're looking at each organization from the perspective of how this looks for this donor, whether that's a corporation and individual or foundation.

How will this grant reflect upon that entity, that donor and it's so important that that donor can speak confidently and openly about what they've done to support relief efforts, to support organizations around the world. CAF America is here to provide that confidence and ensuring that the grants that we're sending out on behalf of our donors are going to reputable organizations who are doing good work and that they're going to use the funds in the way that they're telling us they're going to use them.

**Ted:** Absolutely. Jessie, we're seeing something in this global pandemic that quite honestly, we've really not seen since the Great Recession and that is donors volunteers; those who have been supporting charities becoming beneficiaries of services, switching of roles. What is this dynamic playing out for charities who are seeing a decrease in funding and an increase in the need for their services?

**Jessie:** I think that was a really impactful part of these recent surveys that we conducted was really to see a lot of charities saying, "Yes, our grants and donations are decreasing." Part of that is because many of our normal donors are in need themselves. While they are, of course, upset that their funding has decreased they're understanding at the same time that many of their donors might have lost jobs or things like that. It's really having an impact on the sector, across the map.

The other area where we're seeing that happen is in specifically an employer disaster relief funds or employee hardship relief funds that we've seen, of course, a huge increase in donations or contributions going to employees that normally would have been donors themselves. We've seen quite an influx of activity for that type of program. Overall, it's a struggle for the charities to realize that they need to support their donors during a time when they need support themselves. It's really just stretching the organization then because they don't have the funding to meet that increased need.

They're trying to really be creative about the funding sources and not relying on the funding sources that they would typically have in this circumstance because they're coming up dry.

**Ted:** Jessie, it sounds like this is a really high level of stress period for charities trying to maintain conversations with important donors, at the same time that they're having to learn how to do

business in a different way, provide services in a safe way, and at the same time, keep their doors open. How is this dynamic changing between the donors and their grantees?

**Jessie:** I think it's a frustrating balance for the two of them. I think time will tell. I think we're pretty early on into this crisis, although I think it seems like we've been dealing with it for many years at this point. What we're seeing is that as part of our questions in our survey asked about the time horizon for when charities see the most impact, and one of the statistics that we learned was that the expected impact on revenue due to the Coronavirus in the next 12 months, 50% of them said that they expect a decrease of more than 20% in the next 12 months.

Some of them are a bit more optimistic about the short-term but in the long-term, it's much more uncertain. I think that's one of the questions that we're going to continue to explore throughout this crisis. Is that dynamic between donors and charities and how they're communicating and working together or not. Then what charities are doing in terms of finding new creative fundraising or revenue lines, that will help them fill this gap of need.

**Ted:** I hear you being very clever there, Jessie, giving a little bit of a preview to our Volume III of the voice of charities facing COVID-19 worldwide report that will be looking at those topics specifically to bring to light how charities are responding and what they are doing to try to survive. Hard to believe our time is almost up so I wanted to give each of you an opportunity to just wrap this up and share with us, what is foremost in your mind? What is coming over the phones and through email most? What are your biggest concerns? Let's go to Loren Previti, Senior Director of Donor Services first.

**Loren:** Thanks, Ted. I think the biggest concern, and what's really weighing heavy on my mind, are the grassroots organizations that we work with every day and that are really struggling and this pandemic may force them to close their doors. While that is a difficult thing to wrap my head around, I'm also just continuously inspired by the creativity and passion of donors and this increased focus on ensuring that these organizations can survive.

**Ted:** Jessie Kraft, Senior Vice President External Affairs, biggest concern?

**Jessie:** I'm going to start with a priority because I think that's important too. For CAF America, our number one priority is ensuring that charities know that we're here to support them through the application process. Then particularly right now during this time, is that we're here to support them through potential changes that they might be experiencing in their programs and for them to know that if they are experiencing changes in what they anticipated doing with our funding, they need to reach out and let us know and we'll work with them on that approach. It's really important to make sure that they know that CAF America is here to support them in whatever way we are able.

Then along with that, my number one concern is really for these local small grassroots organizations, they're really struggling in this and their voices are often not as heard and particularly because many of them don't have access to teleworking capabilities. Reaching them and ensuring that they're still within our communication loop and supported to the extent that we are able to support them is of utmost importance right now and it's the most challenging for us.

**Ted:** Jessie Kraft and Loren Previti, thank you for being our guests here on the *Caring and Funding* podcast bringing us all of this really useful information directly from the frontlines of philanthropy.

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