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6 CREATIVE WAYS TO MANAGE IN AN UNCERTAIN ECONOMY

Grant Makers Offer Financial Advice and Credit to Cash-Strapped Charities

By Ian Wilhelm

To help cash-strapped charities in Los Angeles, a new foundation partnership offers lines of credit to nonprofit groups, while also teaching them how to avoid the mistakes that could lead to long-term debt problems.

The California Community Foundation, the Bank of America Charitable Foundation, and other funds are supporting the \$6-million program, which will provide capital loans to charities. The Nonprofit Finance Fund also provides financial advice through workshops and one-on-one consulting sessions.

"It's a very concerted effort to address debt financing along with capacity building," says Clara Miller, chief executive of the Nonprofit Finance Fund, which created a similar program in Hawaii last year.

Thanks to the mortgage crisis and the problems it caused at banks nationwide, financial institutions lack the money needed to make a lot of loans, leaving charities scrambling to find credit as they suffer declines in revenue, she says.

At the same time, the finance fund and the grant makers are wary of offering loans without the proper guidance.

During the last decade or so, a large number of museums, universities, and other nonprofit institutions used tax-exempt bonds to buy real estate or build new facilities. What's more, some of those groups used too much "fancy debt," like auction-rate securities and other complex arrangements, says Ms. Miller.

Now they are hard pressed to pay off what they owe.

"You have to be very careful about who can handle debt and who can't," she says. Her organization hopes its advice will help the beneficiaries of the foundation loans "make sure that they are not going from the frying pan into the fire."

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