CHAPEL HILL, N.C. - Denise Tawwab hadn't heard about the Morgan Creek Foundation until she received an email inviting her nonprofit to apply for a grant.

"I don't know how they found out about us," says Tawwab, CEO of NC Connected, a nonprofit that provides pre-teen and teenage girls in rural areas with technical and web-design skills. "I've never gotten a grant that way before."

Tawwab will use the $7,500 grant to take 10 girls from her introductory web-design class all the way to proficiency by this fall, then have them create websites for local nonprofits.

The financial infusion was helpful, but equally valuable was the vote of confidence.

"It means the work we do matters," says Tawwab. "I knew that, but it's rewarding when someone notices that and offers to help you. It's great validation."

The Morgan Creek Foundation, which concentrates its grantmaking on education-focused nonprofits, does not accept unsolicited grant applications. Rather, the Chapel Hill-based funder relies on the employees of its corporate parent to recommend worthy charities.

"We know our goals and interests and there are plenty of organizations to support just from the ideas of people in our firm," says Mark Yusko, founder of Morgan Creek Capital Management, an investment management and advisory company that serves wealthy individuals as well as small endowments and family foundations.

And with no paid staff at the foundation, a flood of applications could create an overwhelming number of grant requests, which today are tackled by employees of Morgan Creek Capital Management, and by Mark's wife Stacey Yusko, who serves as director of grants for the foundation.

Mark Yusko estimates about seven in 10 of his employees are actively participating with the foundation at any one time, either by recommending nonprofits, conducting due diligence on potential grantees or conducting site visits.

"In a sense, everyone contributes by making the company profitable," he says.

The foundation was created in 2005 with a gift of $200,000 from the Yusko family, and each year the company contributes 10 percent of its net income to the foundation.

The Yusko family chose to focus its efforts on education to support the country's transition from an industrial economy to a knowledge economy, which demands educated workers, says Mark Yusko.
"A lot of the inequity in the world comes from a lack of education," he says. "We can start in our local communities and go from there."

Programs funded by the foundation have include Agape Corner, a nonprofit boarding school in Durham that serves troubled children; the Durham Literacy Center's Teen Career Academy, which helps out-of-school youth earn their high-school equivalency degrees; and Wee Care Children's Enrichment Program, a nonprofit preschool in Raleigh that serves at-risk children free of charge.

The foundation's assets stand at about $2.5 million, and this year the funder will award about $200,000 in grants, or about 10 percent of its assets.

That's roughly double the 5 percent of assets private foundations are mandated by law to spend on charitable activities each year.

"If you are successful and you are fortunate enough to have a good business, there's an obligation to give back to the community," says Yusko, who before starting Morgan Creek, served as chief investment officer for the endowment of the University of North Carolina at Chapel Hill. "I think every firm should be a good community citizen and the foundation was a way to formalize that."

Since its inception, the foundation has awarded 44 grants totaling $328,550 in the communities where its 45 U.S. employees live and work.

And more than $200,000 of that was awarded during 2009, when nonprofits were feeling the brunt of the recession.

"Because we knew that we would be growing the firm and growing contributions to the foundation over time, we were able to spend at a higher rate when the economy turned down," says Mark Yusko. "Even though the profits of the firm were a little lower, we knew we'd be adding to the foundation the next year."

That philosophy served the community well, providing cash at a time when other funders and donors were pulling back.

"That was a really good period," says Yusko. "People expected to be cut back but some got even more. It was a happy coincidence that our model worked out that way."

But it's not all coincidence.

Yusko believes strongly that foundations should make every effort to support their grantees, particularly when times are tough, knowing that nonprofits meet critical needs in the community.

"You should separate the spending and the investment, and spend based on the rising expenses of your grantees and the needs of nonprofit organizations," he says of foundations.

And he questions some foundations' goal of growth for growth's sake.

"This issue of intergenerational equity is really important," he says of foundations’ effort to preserve assets over time. "But there's also this piece that people believe they want their foundation to get bigger and bigger. Really you only want to grow at the rate of inflation - everything above that you want to spend."

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