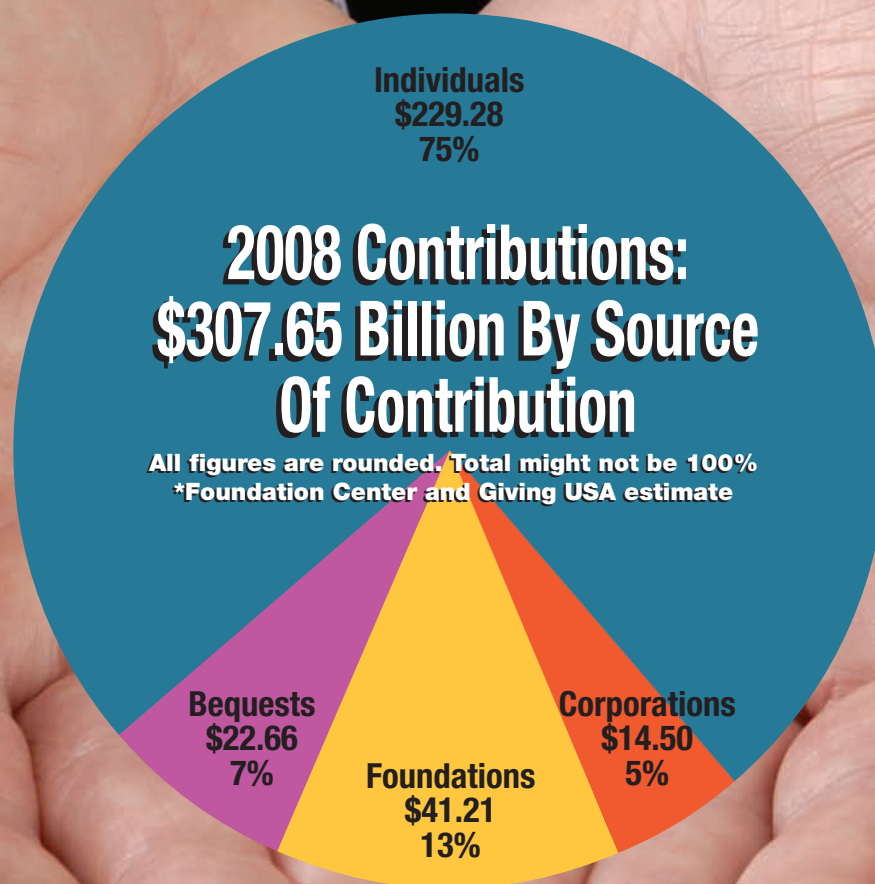


GIVING USA

AN NPT SPECIAL REPORT



2008: GIVING DROPPED \$6.4 BILLION LARGEST DROP ON RECORD

Individuals remain the largest portion of the giving pie

By MARK HRYWNA

Overall giving in the United States declined last year by 2 percent, the largest drop since records have been kept, and the first since 1987. Giving from individuals was down 2.7 percent (6.3 percent adjusted for inflation) but still comprised three-quarters of all giving.

However, declines in foundation endowments and grant-making are making for an even more challenging environment for fundraising in 2009, which will be reflected in next year's Giving USA report.

The \$307.65 billion estimate in giving last year represents a decline of \$6.42 billion or 2 percent, but 5.7 percent when adjusted for inflation, the largest drop recorded since Giving USA began tracking America's donations in 1956. The last time a decline in giving estimates was reported was in 1987.

Total giving was still estimated to be around 2.2 percent of Gross Domestic Product (GDP). Giving by individuals was \$229.28 billion while the largest recipient of donations was the religion subsector. Bequests were down 2.8 percent (6.4 percent inflation adjusted), to \$22.66 billion, and 7 percent of overall giving, while corporate giving was off 4.5 percent (8 percent adjusted), to \$14.5 billion, about 5 percent of total giving.

The revised figure for 2007 overall giving was \$314.07 billion, \$7.68 billion or 2.5 percent more than the original estimate last year of \$306.39 billion.

The 54th annual report on philanthropy, *Giving USA*, a publication of Giving USA Foundation™, research and written by the Center on Philanthropy at Indiana Univer-

sity, was released June 10.

"There was no doubt in anyone's mind that charitable giving would be down," said Del Martin, chair of Giving USA Foundation. "However, what we find remarkable is that individuals, corporations and foundations still provided more than \$307 billion, despite the economic conditions," she said.

"It would have been easy to say 'not this year' when appeals came their way and we definitely did see belt-tightening. This drop in giving meant that nonprofits have had to do more with less over the last year, but it could have been worse," she said.

The only subsectors that experienced an increase last year were religion, public society-benefit and international affairs, though the latter was down 3 percent when adjusted for inflation. Religion continued to be the largest recipient of charitable dollars, accounting for 35 percent of overall giving, or almost \$107 billion, and up 5.5 percent (1.6 percent inflation adjusted), over 2007.

Giving to the public society-benefit subsector – which includes entities that collect money and then redistribute it, such as United Way, the Combined Federal Campaign, donor-advised funds – increased 5.4 percent (1.5 percent for inflation) to \$23.88 billion, or 8 percent of overall giving. While giving to international affairs groups was up 0.6 percent, when adjusted for inflation it was down 3.1 percent. The \$13.3 billion to this group comprised about 4 percent of total giving.

One encouraging aspect of the report is that giving is estimated to remain at 2.2 percent of the GDP, said Elizabeth Boris, director of the Center on Nonprofits and Philan-

thropy at The Urban Institute in Washington, D.C. "We've maintained the level of effort," for the past 10 years, she said, adding that between 1972 and 1996, giving was estimated to be less than 2 percent of GDP.

"The dip in individual giving was expected, but the surprise for some will be that foundation giving stayed relatively stable," said Boris, reflecting the lag between the drop in endowments and its effect on giving. "This year (2009) and next will be harder hit," she said, adding "that drop is likely to affect the grants of many foundations that rely on one year's gifts to finance the next year's giving."

There also might be a "double whammy" this year – and perhaps next year – if there are both reduced endowments and lower amounts from pass-through foundations, Boris said.

FOUNDATION GIVING DROPS THE MOST

The largest drop in giving was experienced by foundations, which were down 19 percent (22 percent for inflation), to \$32.65 billion, or 10.6 percent of the overall pie. Foundation grants to individuals accounted for \$3.71 billion, or 1 percent of total giving, and another \$19.39 billion, 6 percent, was unallocated.

The new statistics don't reflect the deterioration of the market and endowments last year, and what it means for 2009, said Steve Gunderson, president and CEO of the Council on Foundations (COF) in Alexandria, Va.

While Giving USA indicates a 3-percent increase in current dollars last year, that might or might not happen in 2009, said Gunderson. He pointed to a COF survey early this

year that found 62 percent of foundations predicted they would reduce their grant-making during 2009, which will be seen in next year's Giving USA study. Even if there is a collective, positive market return at the end of this year, Gundersen said foundations won't see that until 2010.

Community foundations, in particular, have been hit hard, first because of the declining value of their endowments, but also the lack of additional or new gifts because of the economy, according to Gunderson. The biggest impact on family foundations, meanwhile, depends on the size and commitments they have, he said, adding that there's been some evidence during the past year that smaller family foundations have chosen to convert to a donor-advised fund within a community foundations. Other larger foundations have decided to go into their endowments to maintain grant-making, he added.

Lester Salamon, director of the Center for Civil Society Studies at the Johns Hopkins Institute for Policy Studies in Baltimore, Md., said a decline in foundation giving is likely to continue considering the three-year rolling average upon which their grant-making is based. Giving to foundations was one of the sharpest declines because that involves the giving of stock and other assets, he said, and there's still uncertainty as to what the market will do in 2009.

Foundation giving in 2009 is likely to be shaped by access levels in 2008, and those were down pretty sharply, Salamon said, so unless foundations make the decision to boost giving based on 2009 he expects a decline in foundation giving going into next year.

As for 2009, corporate giving will be challenged in a number of ways, but won't go away completely, and bequest giving is always an unknown, said Nancy Raybin, chair of the Giving USA Institute. And, foundations might dip into endowments to support organizations. "There are a lot of unknowns out there trying to project 2009," she said.

Since individual giving makes up the bulk of the donations, Raybin said giving should be OK if individuals make decisions to support their favorite charities and continue at current levels.

SCHOOL'S OUT

Though education saw a drop of 5.5 percent (9 percent when adjusted for inflation), it still remained the second largest subsector of giving with almost \$41 billion, or 13 percent of all charitable dollars. The numbers suggest a historic level of decline in the education subsector, one not seen in three decades, according to John Lippincott, president of the Council for Advancement and Support of Education (CASE) in Washington, D.C.

Giving USA's education subsector includes libraries and reading programs, in addition to higher education and private schools, Lippincott said, but a 5.5-percent drop when higher education has been averaging 7-percent increases would still represent a major decline. At the same time, he said a 5.5-percent dip in this economic environment actually sounds pretty good relative to declines in the stock market and GDP and the rising unemployment rate.

"While nobody likes to see a decline, on the other hand, if you look at the continued return that fundraising provides to educational organizations, it's still an incredibly good investment," Lippincott said.

There is little doubt that 2009 will continue to be a

challenging year as well, Lippincott said, but if historical patterns hold – a big if, he concedes – a comeback in giving might be rapid and significant as people regain confidence in the economy and their financial situations.

Predictions during the past year that giving to arts organizations would subside as donors give to more pressing needs, like social service agencies, proved false, at least judging by Giving USA data.

Giving to arts, culture and humanities organizations dropped by 6.4 percent (10 percent inflation adjusted), yet human services saw the second largest dip in giving, down 12.7 percent (15.9 percent for inflation). Total giving to human services was \$25.88 billion, about 9 percent of the charitable pie, while the arts accounted for 4 percent, or \$12.79 billion.

Several observers were surprised that the human services subsector was not among the few to see a boost in charitable giving last year. Raybin said giving to social services had been up in past recessions as Americans came to help their neighbors in need. Social service organizations don't have alumni to depend on, she said, so it's important for them to organize resources to go after contributions.

If one only looks at the 2 percent decline in overall giving, Raybin said, significant declines and increases within each subsector could be missed. "It continues to be important that organizations don't take the numbers and use the 2 percent as the sole yardstick but look within sectors and organizations, their donor base, their geographic location, and make an assessment to figure out how you're going to succeed in the coming year," she said.

Some organizations have come to a halt while others have made staffing cuts across the board, Raybin said, making it vital that development personnel and CEOs tell their stories, to "keep moving forward to keep doing important work."

"We're seeing smarter organizations cutting back, being strategic and figuring their way through this time

period," Raybin said.

The arts were not drastically worse off than the environment and health subsectors, which seem to get a lot of attention about where Americans need to invest more, said Robert Lynch, president and CEO of Americans for the Arts in Washington, D.C. "It's important to realize that it's a total economic problem for society and arts organizations need to understand there's both good news and tough news for the industry," he said.

While the good news is that there's been massive growth in the arts – whether it's organizations, audience or reach across America – during the past decade, Lynch said like everyone else, the industry has been hurt by the economic downturn.

Giving USA data are just the most recent indicator of the slippage being seen the past decade in support from individuals, foundations and corporations, Lynch said, where the arts gets as much as 40 percent of its funding. The dollar amount given to the arts has been up in the past 10 years but the share of the market going to the arts has steadily diminished. "That's the bigger problem for the arts," Lynch said. "The arts needs to do a more aggressive job of showing that...it's part of the answers to problems of Americans, not the problem," he said.

Despite the decline in corporate giving, 53 percent of companies surveyed by the Center for Encouraging Corporate Philanthropy (CECP) reported increasing their giving from 2007 to 2008. For the most part, those increases were between 1 and 10 percent, according to the survey. Aggregate giving, adjusted for inflation, was down from \$10.47 billion in 2007 to \$10.03 billion last year, across a matched-set of 102 companies, according to CECP data.

There are some "business-as-usual reasons" for corporate giving to be down as well as economic uncertainty, according to Margaret Coady, director of the Manhattan-based CECP, such as currency exchange fluctuations and mergers and acquisitions, which may absorb giving programs. Companies might structure giving to include a multiyear grant commitment, and in the final year, they may pause their giving to determine whom to fund and at what level, she said.

The decline in giving but rise in the number of companies that said they increased giving could be a result of big drops in giving by one company offset by more companies giving a little less, Coady said.

There is a way of giving that's not cash but just as valuable to nonprofits. Corporate leaders recognize how important cash is to nonprofit partners but they also must realize they have access to resources that others don't, like extra volunteers, meeting space, budgeting strategy or pro bono/consultant service, said Coady. "It could be a period of great creativity in that regard," she said.

The annual estimates are based on econometric studies using tax data, government estimates for economic indicators, and information from other research institutions. Sources of data used in the estimates include the Internal Revenue Service, Bureau of Economic Analysis, Foundation Center, Independent Sector, Council for Aid to Education, National Center for Charitable Statistics at the Urban Institute and National Council of Churches of Christ. *NPT*

