

GIVING BEAT GDP BEFORE INFLATION

Religion is lagging in new \$316 billion Giving USA estimates

BY MARK HRYWNA

Giving in the United States totaled \$316.23 billion during 2012, up 1.5 percent when adjusted for inflation from a revised estimate of \$305.45 billion in 2011. In real terms the increase was 3.5 percent.

Economic optimism coupled with a fear of potential changes to the federal tax deduction for charitable contributions helped boost giving in the United States, despite another flat year of giving to the largest recipient: religion.

It's the third consecutive year that giving increased, providing some sustained optimism that's been absent in the five years since the Great Recession. Giving remained at about 2.2 percent of Gross Domestic Product (GDP).

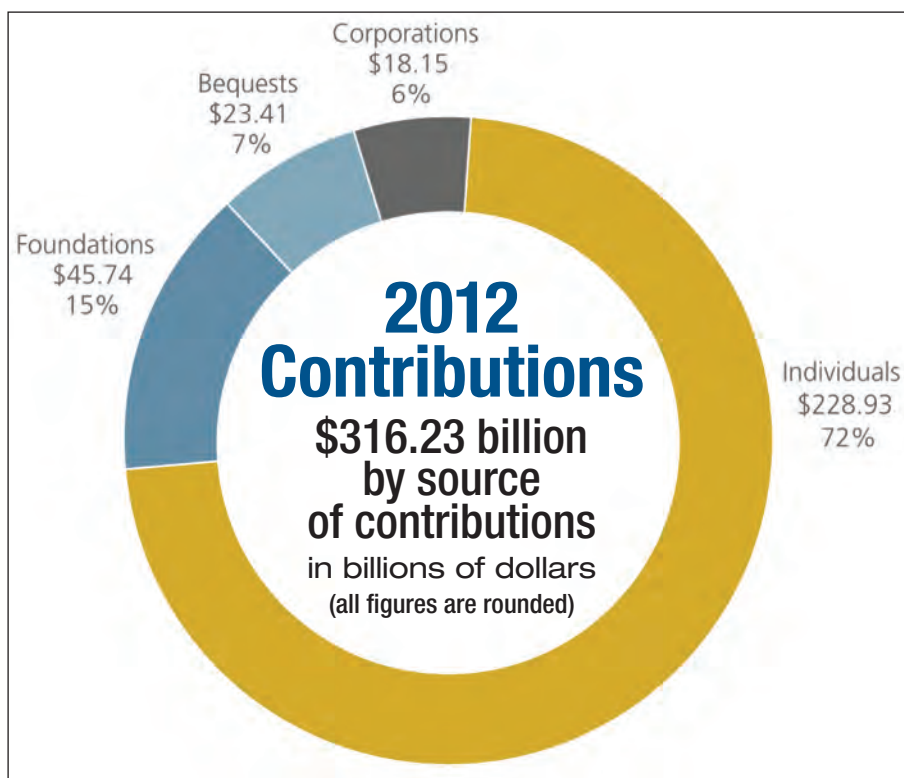
According to The Giving USA Foundation™ and its research partner, the Indiana University Lilly Family School of Philan-

thropy, which last month released the 58th consecutive edition of *Giving USA*, overall growth in giving was outpaced slightly by individual giving, which was up 3.9 percent (1.9 percent adjusted for inflation), to \$228.93 billion. Corporate giving saw the biggest jump among sources of giving, up 12 percent when compared to 2011.

After falling some 15 percent during the depths of the recession in 2008-09, charitable giving is back on track, albeit slowly. "The good news is we're not declining anymore but growing slowly," said Patrick Rooney, Ph.D., associate dean for academic affairs and research at the Lilly Family School of Philanthropy. Overall giving, however, is still more than 8 percent off what it was five years ago, when adjusted for inflation, he said. It would take another six or seven years of growth at the current pace (2.5 percent over 2011-12) to reach pre-recession levels seen in 2007. Adjusted for inflation, that would be \$344.48 billion.

Religion and foundations were the only subsectors to see a decrease in contributions during 2012. Every other subsector was up for the period, with only international affairs not keeping pace with the overall 3.5-percent growth in giving:

- Arts, culture and humanities, +7.8 percent (5.7 percent adjusted for inflation), \$14.44 billion;



- Education, +7 percent (4.9 percent), \$41.33 billion;
- Environment/animal, +6.8 percent (4.7 percent), \$8.3 billion;
- Public-society benefit, +5.4 percent (3.3 percent), \$21.63 billion;
- Health, +4.9 percent (2.8 percent), \$28.12 billion;
- Human services, +3.8 percent (1.8 percent), \$40.4 billion;

- International affairs, +2.5 percent (0.4 percent), \$19.11 billion;
- Religion, -0.2 percent (-2.2 percent), \$101.54 billion; and,
- Foundations, -4.6 percent (-6.5 percent), \$30.58 billion.

Giving to individuals was down 6.8 percent, for a total of \$3.96 billion. The bulk of this giving was in-kind gifts of medications to patients in need through pharmaceutical companies' operating foundations. Unallocated giving, which includes itemized deductions carried over from previous years and gifts to government entities, totaled \$6.82 billion last year.

Corporate giving jumped 12.2 percent (or 9.9 percent when adjusted for inflation), to \$18.15 billion, to grab a slightly larger share of all giving (from 5

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--Patrick M. Rooney of the Lilly Family School of Philanthropy

Special Report, page 3

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Continued from page 1

to 6 percent). The category was driven by strong gains in corporations' pre-tax profits as well as contributions of \$131 million toward Hurricane Sandy relief.

Philanthropic response to Hurricane Sandy, which struck the Northeast on Oct. 30, 2012, drove charitable contributions of some \$223 million to human services organizations and \$54 million to public-society benefit organizations. In all, about \$400 million went to organizations in support of hurricane relief.

"That was new giving that would not happen otherwise but a relatively small drop in bucket," Rooney said. Another \$100 million related to Sandy is expected to be included in the 2013 Giving USA data, he said.

"One of the tough things is almost all fundraising happens in the first few months after a disaster. It's harder to sustain that kind of activity and support in part because media coverage dissipates," Rooney said.

Donors seem to be returning to long-term trends, catching up in their giving to arts and environmental groups after several years of more attention on human services, Rooney said. "Growth rates in those subsectors at higher rates than overall giving is pretty reflective of the strength of philanthropy generally, but looks more like things did before the Great Recession," he said.

An improving economy might incite competition in fundraising, according to Amy Ragan, chief development officer at the Houston Food Bank. "We are in a city that's incredibly generous, in a sector of the nonprofit world where we're out there meeting basic needs," she said. "As the economy improves, it can get harder for us because other organizations are regaining the donors they may have lost during the recession," said Ragan.

She estimated that the food bank raised its historically greatest total operationally during the 2012 calendar year, more than \$11 million and \$1 million more than the previous year. Houston Food Bank, the top food bank in the country by distribution, has achieved double-digit increases in recent years,

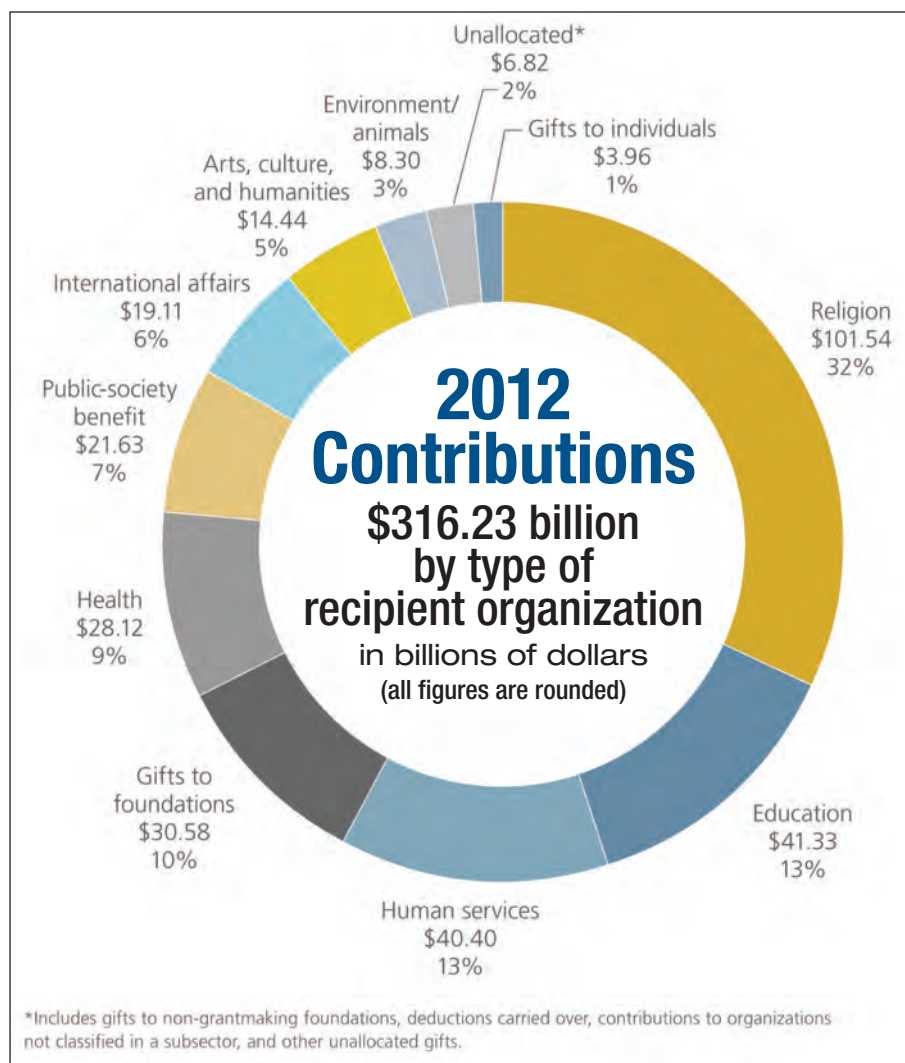
some as much as 25 percent.

For Robert Lynch, president and CEO of Americans for the Arts in Washington, D.C., an even more important percentage than the arts' growth rate is the increased market share, rising from about 4.4 to 4.6 percent last year. Had it reached 4.8 percent of all giving – the high-water market in 2008 – that would have meant another \$800 million to the arts.

Americans for the Arts last month released its own tri-annual study of business support for the arts that was just as optimistic as Giving USA's numbers, and also echoed the boost in corporate giving. While there continue to be struggles among the variety of 110,000 arts organizations in the county, Lynch said the business model is becoming more diversified.

On average, about 60 percent of an arts organization's revenue is from earned income, which has increased over the years, with 31 percent from the private sector and 9 percent from government. "The model itself is shifting to be more self-reliant," Lynch said, though there's still a need for all parts of the pie. "That combination, that model, has allowed situations where there continues to be growth in tough times," he said.

Arts organizations tend to get a higher percentage of gifts than other areas, Lynch said, with about 8 percent



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--Amy Ragan of the Houston Food Bank



was down 1.1 percent, including a drop of 2.2 percent last year.

Total religious giving has doubled in real dollars during the past 40 years, reaching \$100 billion by the late 1990s, with a high of \$108 billion before the recession. "Clearly, it's something that's taken a bit of a hit," said Rooney and is contrary to the broader trend that giving is growing slowly. During the past two years (2011-12), giving to each subsector but religion has increased (when adjusted for inflation):

- Overall giving, +2.5 percent;
- International affairs, +6.5 percent;
- Public-society benefit, +5.8 percent;
- Foundations, +5.6 percent;
- Arts, culture and humanities, +5.3 percent;
- Education, +5.2 percent;
- Environmental/animal, +4 percent;
- Human services, +0.3 percent; and,
- Health, +0.3 percent.

"That's a material difference when you look at the total," Rooney said, pointing to the 2.5-percent increase in overall giving since 2011. Religion, comprising nearly a third of all giving, could actually be weighing down the total numbers, he said.

Research has shown that if people don't attend their house of worship, they're not likely to give to religious organizations, outside of a small gift in memory of a loved one or some other episodic event. Each generation going back to the Great Depression is attending services less often – if at all – than their parents and grandparents, Rooney

of households giving to the arts but 68 percent of high net-worth households giving to the sector.

GIVING TO RELIGION LAGS COMEBACK

"One of the most intriguing and shocking aspects" of the latest report, Rooney said, was the religion subsector. Giving to religion was growing, albeit slowly, just before the Great Recession. In inflation-adjusted dollars, giving to religion was up less than 1 percent in each of the three years before 2008, when it dropped by 3.3 percent. It rebounded by 1.8 percent in 2009 but then dipped again in 2010 by 3.7 percent. The cumulative two-year change in 2011 and 2012 for giving to religion

Continued from page 3

said. “Part of the problem is a long-term secular trend away from religious engagement,” he said.

Church giving is struggling, with decreases for three years in a row before holding steady this year among the 37 denominations of churches with which Church World Service (CWS) engages, according to Bill Wildey, vice president for development. “I don’t think that people don’t want to give, but the economy has gotten tougher,” he said, with people looking to pay off bills before they can make donations.

Individual giving increased a few percentage points for CWS but the Elkhart, Ind.-based organization is struggling with its largest source of gifts – special events. CWS organizes about 1,300 CROP Hunger Walks around the nation, which contributes about a third of its \$34 million in non-government income, according to Wildey. “Most of the givers in our events program tend to be people who give \$5, \$20 or \$50, to folks walking. The economy hasn’t improved just yet there,” he said. “We’re certainly not the only event program that’s been struggling,” said Wildey.

“We do have a sense that the economy is coming back in the Bay Area though there’s still high unemployment,” said Thom Lynch, vice president of development at United Way of the Bay Area (UWBA) in San Francisco.

“We’re trying new things and they’re working. We’re trying to be responsive to donors’ need for high accountability,” he said. “We certainly had our challenges in the recession, with some contraction in 2008 until a couple of years ago,” Lynch said.

UWBA used to raise about \$36 million annually before dipping to \$30 million in the years after the recession. After three years of increases, Lynch said, the Bay Area affiliate has returned to levels it saw before the plunge, reaching almost \$37 million last year, including a 27-percent jump in last year’s workplace giving campaign and a 25-percent boost in corporate giving.

United Way of Jackson County also has returned to pre-recession levels of fundraising. The Medford, Ore.-based affiliate raised about \$1 million annually prior to the recession and dipped to six figures when the economy soured, but is now back over \$1 million, with close to \$1.1 million last year.

Jackson County saw gains in each category but corporate giving – which was down 2.5 percent – and over the last five years, individual giving has caught up to match workplace giving, according to Executive Director Dee Anne Everson. The recession hit rural communities later and tends to last longer than in urban areas, she said. Jackson County is a rural area, equidistant between Portland, Ore., and San Francisco, Calif.

“It’s all about our ability to tell the right story,” she said. If organizations are

successful in telling their story, making a compelling case, they’re having more success than those who are less skilled at it, said Everson.

UNCERTAINTY A ‘STIMULUS FOR GIVING’

Uncertainty about the charitable tax deduction might have pushed donors to make gifts before the end of 2012, to lock in their federal deduction before lawmakers make any potential changes. Congress started discussions on comprehensive tax reform, including changes to tax deductions, while President Barack Obama continues to propose limits on charitable tax deductions for higher-income households.

The Pittsburgh Foundation has enjoyed three consecutive record years of fundraising, including a nearly 8-percent spike in 2012. President and CEO Grant Oliphant said the foundation benefited from the continuing recovery of the economy as well as the stock market but also the “strange confluence” of the presidential election and uncertainty around potential new tax laws.

“Almost always, uncertainty goes against fundraisers. In this case, it really worked toward our benefit because a lot of people were guessing that they needed to make a gift earlier,” Oliphant said. He doesn’t expect to see the same record level of fundraising this year, not because core giving is dropping off – “I don’t think that’s happening” – but because they won’t benefit from uncertainty around the election and tax reform debate.

Oliphant heard repeatedly from colleagues about a “crush of gifts” at the end of the year from donors who were aiming to lock in their deductions for 2012.

For some institutions of higher education, uncertainty around the federal charitable tax deduction was a sort of “stimulus for giving,” said John Lippincott, president of the Council for Advancement and Support of Education (CASE) in Washington, D.C.

While Lippincott heard from colleagues who anticipated a record calendar year precisely because of donors making gifts before the end of 2012, there were others who expected a typical year. “It’s a mixed response to that question,” he said, as to whether uncertainty about the charitable deduction affected giving.

The 7-percent rise in giving to education goes back to a rate that higher ed was experiencing for the 20 years prior to the recession. At that rate, Lippincott said, it could be only one more year before higher education returns to the high-water mark of \$31.6 billion in giving during the 2007-08 academic year.

“Regardless of how much money people have, it’s how they feel about the future that determines their willingness to give,” said Richard Trollinger, vice president for college relations at Centre College in Danville, Ky. Last year, 2012, was

Special Report, page 5

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Continued from page 4

the first year that “the economic recovery felt real,” he said, and is optimistic that the college’s next campaign, which is set to go public in 2015, is on target. “I’m very encouraged by that. Like most every college and university, if you’re not in a campaign, you’re planning one. Our timing looks good.”

The small private liberal arts college some 40 miles south of Lexington, Ky., raised more than \$18 million last year, about double what was raised the previous year, according to Trollinger. It was their third-best year ever, and their best non-campaign year ever.

Trollinger attributed the increases to a combination of a good year in bequests as well as a building project that was under way. Planned giving can represent less than 10 percent of the overall fundraising but some years it can be as much as third, he said. There also was substantial growth in annual fund and giving clubs. “It was a combination of all those,” he said.

The last campaign year at Centre College raised almost \$29 million and coincided with the recession in 2008-09. “We had a large number of commitments that came in that year, then fell off dramatically for a couple of years, so this was the first real recovery this past year,” Trollinger said.

There was also good growth in the college’s giving clubs. Centre celebrated the 50th anniversary of its \$100 gift club and the \$1,000 Gift Club eclipsed 1,100 members for the first time in its 22-year history, according to Trollinger.

One challenge facing Centre College is similar to what other nonprofits are facing: fewer donors. Alumni participation was right at 50 percent in 2012 after many years of holding steady at 60 percent or higher.

SOURCES OF GIVING

Corporate giving has grown rapidly, from \$13.3 billion in 2008 to \$18.5 billion last year, but it’s still a relatively small share of the pie, inching up from 5 to 6

percent of the total for 2012. Companies that give tend to have a philanthropic budget, which usually is based on the previous year’s profitability, Rooney said.

Corporate giving was revised up by 11 percent in the 2011 figures and 3.5 percent in 2010. When there’s a big revision in corporate giving, it’s almost entirely driven by the fact that corporations were substantially more profitable than originally estimated by the Internal Revenue Service (IRS) and therefore more generous, according to Rooney.

Giving by individuals continues to be the largest source of charitable giving, making up more than \$4 of every \$5 given to charity last year. Taxpayers who itemize their gifts represented 81 percent of the total \$228.93 billion donated by individuals last year.

Foundations make up the second largest source of charitable dollars, totaling \$45.75 billion last year, or about 15 percent of all giving. Giving was up 4.4 percent, or 2.3 percent when inflation is taken into account, led by community foundations, which grew 9.1 percent. Operating and independent foundations increased grant making by 3.5 and 3.9 percent, respectively.

Bequest giving, which fluctuates the most of any source, declined 7 percent (8.9 percent inflation-adjusted), to \$23.41 billion. Itemizing estates contributed 78 percent of the total, some \$18.3 billion. “Bequest giving tends to be volatile from year to year, as it is highly influenced by very large gifts from estates that closed during the year,” according to Giving USA.

CWS experienced a bump of about 8 to 10 percent in planned gifts for 2012. “Quite often, we’ll get a bequest from someone we didn’t know or didn’t engage with,” said Wildey, someone who might have been giving through their local church for 20 years. CWS doesn’t have corporate giving to any degree but he said it’s an area they’re hoping to grow in the next 12 to 18 months.

Corporate giving to COA Youth and



Regardless how much money people have, it’s how they feel about the future that determines their willingness to give.

—Richard Trollinger of Centre College

Family Centers in Milwaukee, Wisc., was down but a number of individual donors “who’d been with us a long time stepped up even more because they knew it was going to be an issue,” said Executive Director Thomas Schneider said. “Our relationship with our donors is personal,” Schneider said, personalizing letters, sending notes to keep them advised. “It’s really about building a relationship, letting them know what we’re doing. It includes inviting them to take a tour of our programs and locations, seeing what their charitable dollars are accomplishing,” he said.

COA also had to make up a loss of \$1.2 million in federal stimulus dollars the previous three years, said Schneider. Other fundraising from non-government sources increased by \$400,000, along with some \$800,000 from a variety of public and private sources, he said.

“Donors want to know what are your

metrics and outcomes, looking beyond the service to details of programs you’re providing. It’s just smart investing,” Schneider said.

He credited a four-star rating from Charity Navigator, one of only 23 in the state and among the top 10 children and family agencies in the nation, as well as support from United Way of Greater Milwaukee. The affiliate more than maintained its pace during the recession, he said, and raised \$51.6 million last year, 3.3 percent more than the \$50 million raised in 2011.

Preliminary estimates on charitable giving are based on econometric models and use historical data from Forms 990 submitted to the IRS. Data sources include the Bureau of Economic Analysis, Foundation Center, Committee Encouraging Corporate Philanthropy, Council for Aid to Education, and the National Center for Charitable Statistics at the Urban Institute, among others.

Preliminary estimates typically are revised annually once IRS data are compiled. Revised estimates for 2011 are 2.4 percent higher than the initial \$298.42 billion estimated a year ago, showing an increase in giving of 4.2 percent from 2010 to 2011. Individual giving was up 3.3 percent between 2010 and 2011.

Corporate giving had the largest revisions for 2011, higher by 11.2 percent, from \$14.55 billion to \$16.18 billion. Foundation giving was revised 5.2 percent higher, to \$43.83 billion, and bequest giving revised 3.2 percent, to \$25.18 billion. Individual giving was 1.1 percent higher in the revised numbers, from \$217.79 billion to \$220.26 billion.

Final revisions tend to be changed less dramatically. Only corporate giving was revised upward by more than 1 percent, at 3.47 percent, among the four main sources of giving in the final figures for 2010.

Final estimates for 2010 came in at \$293.04 billion, 2.1 percent higher than the revised estimates of \$286.91 billion last year, and initial estimates in 2011 of \$290.89 billion. *NPT*



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