Giving USA 2014

Who Gave, How Much, and To Whom in 2013?

Thursday, June 26, 2014 ▪ 12:00 to 1:30 p.m.
Hudson Institute ▪ Betsy and Walter Stern Conference Center ▪ 1015 15th Street, NW ▪ Suite 600

Event Description
Charitable giving as a form of civic engagement in the United States attracts greater participation than many other types of civic involvement - even voting. For more than fifty years, the annual publication Giving USA has documented who gives what to whom. But 2013 was no ordinary year. How did charitable giving fare amidst the economic crisis? What shifts took place in giving by individuals, corporations, and foundations? More importantly, what do the results tell us about who we are, where philanthropy is going, and what fundraisers can expect of 2014?

On June 26th Hudson Institute's Bradley Center for Philanthropy and Civic Renewal and Indiana University's Lilly Family School of Philanthropy joined forces to host Indiana University's **Patrick M. Rooney**, Ph.D., a member of the team that researches and writes Giving USA, to discuss the questions raised by the latest numbers. Joining Dr. Rooney on the panel was *Nonprofit Quarterly*'s **Ruth McCambridge**, **Thomas H. Pollak** of the Urban Institute's National Center for Charitable Statistics, and **Wendy McGrady** from The Curtis Group. **Stacy Palmer** of the *Chronicle of Philanthropy* moderated the discussion.

PROGRAM AND PANEL

12:00 p.m.	Welcome by Hudson Institute's **William Schambra**
12:10	Panel discussion **Patrick Rooney**, Associate Dean for Academic Affairs and Research at the Indiana University Lilly Family School of Philanthropy **Ruth McCambridge**, Editor of the *Nonprofit Quarterly* **Thomas Pollak**, Program Director at the Urban Institute **Wendy McGrady,** Executive Vice President of The Curtis Group **Stacy Palmer** (moderator), Editor of the *Chronicle of Philanthropy*
1:10	Question-and-answer session
1:30	Adjournment

WILLIAM SCHAMBRA: Good to see you all here today. My name is Bill Schambra and I am the director of Hudson Institute's Bradley Center for Philanthropy and Civic Renewal. Kristen McIntyre and I welcome you to today's discussion of "Giving USA: The Annual Report on Philanthropy," recently published by the Giving USA Foundation and its research partner, the Lilly Family School of Philanthropy at Indiana University.

First, a brief preview of coming attractions. Many of you probably know by now, the Bradley Center is going to be shuttering its doors at the end of this calendar year. We don't have a date yet, but we have a fantastic topic for discussion in a monograph written by Ben Soskis, the historian who recently authored a much-Tweeted piece in *The Atlantic* entitled, "The Importance of Criticizing Philanthropy." If you are not familiar with that piece, I would advise you to read it right away. It is really a terrific piece.

The Bradley Center some time ago commissioned Ben to take a look at one of the central conceits of modern foundations, namely that old, disreputable, limited, parochial, Band-Aid-dispensing charity has been supplanted once and for all by sleek, modern, efficient, root-cause-seeking philanthropy. This charity/philanthropy distinction is absolutely central to modern philanthropy. The resulting monograph is probably going to stand for some time as the most concise and authoritative account of that defining distinction. We will let you know as soon as we have set a date for that event.

Back to today's panel, the latest Giving USA estimate covering the year 2013 is now the most recent plot point in a line that stretches back over 50 years. It is widely acknowledged to be the most authoritative and comprehensive estimate available for giving in the United States. It is, therefore, our honor once again this year, the fifth year in a row, for the Bradley Center to co-sponsor today's event with Giving USA Foundation, the Lilly Family School of Philanthropy and the *Chronicle of Philanthropy*, in order to discuss the implications of this year's estimate in the heart of the nation's capital.

We have assembled a distinguished panel to do so, and if you have been here at previous events, it will be a very familiar panel, because it has been the same panel for five years, including leading representatives of the organizations behind the numbers. My sole duty is to introduce our moderator for today's panels, Stacy Palmer.

Stacy is the founding editor of the *Chronicle of Philanthropy*. She is an excellent editor. She has edited my stuff, which is to say lightly, she is a very good and light-handed editor. The journal of record for the world of foundations, a frequent conference speaker and a widely cited expert on non-profits and foundations, it is a pleasure to have you back as our moderator, Stacy. Take it away.

STACY PALMER: Thank you, Bill. Before we start talking about Giving USA, I want to thank Bill for all the tremendous work that Hudson has done. I think all of us are going to miss the fact that we aren't going to have sessions like this. I hope we are going to be able to have other versions of things, but I think we all owe Bill a round of applause for the great work he has done.

[APPLAUSE]

It does feel a little bit like déjà vu all over again, given that we have the same panelists, but the wonderful thing about doing this year's edition of this event is the fact that there was better news in Giving USA than we have seen in previous years. I was grateful not to have to take out my notes from last year or the previous years and still have to say that it is going to be a long time until giving recovers. Fortunately, we seem to see indications that the recovery may already be here, which was certainly the headline news out of Giving USA.

We also see that many of the shifts that are going on in philanthropy may be permanent ones, as you look and dig deeper into the numbers. We certainly see that some groups did a whole lot better than others, in part powered by giving by the affluent. Some causes didn't do so well, social services didn't do very well religion has had its continuing struggles.

What does that mean for the state of giving? What is going to happen in 2014? What are some of the permanent changes because of the Great Recession? I hope our panelists will talk about some of those things.

First, we are going to hear from Patrick Rooney, who did the numbers and how he came up with them. Then our other panelists will respond. Patrick?

PATRICK ROONEY: Giving USA has been in operation for almost 60 years and as such, it is really sort of the definitive yearbook on philanthropy in terms of looking at all the sources and uses simultaneously, a nice long data run. Indiana University has been doing this for 13 or 14 years and I think it has been a wonderful partnership with the Giving USA Foundation and the Giving Institute, but from a scholarly perspective, it is nice to have such a nice long data series.

Total giving from all sources—$335 billion dollars. The good news/bad news is that that number is a substantial improvement over the last several years. The bad news is that we are still not to where we were in 2007, which was, in inflation-adjusted dollars, about $350 billion dollars. So we are about four percentage points away from where we were before the Great Recession began. It's not to say that that's an ultimate goal in itself, or that that is enough. It is just to say that as a benchmark, how we have fared through the business cycle, it has taken us this long to get back to where we were and we are not quite there yet. Hopefully within a year or two, we will be back to where we were before the Great Recession began.

I just want to point out a couple highlights. Giving by living individuals, 72 percent of the total, it has been about three-fourths for a while, but as an absolute percentage, it is losing market share. One of the reasons it is losing market share is that giving by foundations has increased, so I ask you to keep in mind that foundation grant-making includes family foundations. In fact, about 45 percent of that total is from family foundations, so you see living individuals giving through two different checkbooks, their family foundations and their family checkbooks.

Together, when you add that in with charitable bequests at eight percent of the total, it's about 87-88 percent of the total giving. Most of you know, I'm not one for rounding, but if you were to round, that would bring us to about ninety cents out of every dollar or nine cents out of every ten that is given, is given by households that are living through their family foundations or when they have passed through a charitable bequest.

The role of individuals, the role of families is very important with respect to philanthropy. Corporations give five percent and again, corporate giving is not a large share of the total, but it plays an important role in terms of doing greater due diligence. More structured philanthropic giving through independent foundations and family foundations at 15 percent, also may play a disproportionate share in terms of attracting donations from others as well.

Where does the money go? Thirty-one percent goes to religious organizations, and I want to stress that when we say religious organizations, this is mass/mosque/synagogue. This is not Notre Dame, which might be influenced by Catholic values, or it is not a Jewish hospital, which might also be influenced by religious values. And it is not giving to United Way, which might also be influenced by religious values.

The role of religious values is understated at 31 percent, but that is the amount and the share given to organizations whose primary mission is faith formation, proselytizing and so on. Education gets 16 percent of the pie, the second-largest piece. Education has done very well during the recovery and especially well following the stock market boom last year. Human services, 12 percent.

Gifts to foundations, so this is money that those of us who are raising dollars would like to see in our accounts, but we are also happy to see it at least in the foundation accounts because that is going into philanthropy in a permanent way, held ten percent. Public society benefit is this ad mixture of United Ways, Jewish Federations, Catholic Charities and donor-advised funds.

Arts, culture, humanities, five percent. International, four percent. Environment, three percent. Gifts to individuals, one percent. Gifts to individuals, primarily these are free and deeply-discounted drugs that pharmaceutical companies are donating. We are counting this because it is a big enough piece of the pie that we are tracking it, but it is a relatively recent phenomenon.

All right, let's look at rates of change, these are in nominal dollars and we also have these in inflation-adjusted dollars. 4.4 percent total increase, again this is fairly robust increase compared to what we saw during the Great Recession and the first couple of years coming out of the recession, smaller than the prior year. It is not a big surprise that individual giving, which is the leading driver of philanthropy, is at 4.2 percent.

Bequest giving, 8.7 percent. That is a very rapid increase. One of the things we will see when we look at the bequest giving historically is that bequest giving is often driven by a few key estates, who dies, when, and how much they give that year. It is fairly volatile.

Foundation grant-making, very consistent the last couple of years, 5.7 percent increase. Corporate giving declined 1.9 percent. A little bit of a surprise, given the fact that corporate profits increased and GDP increased last year, some of the key drivers of this. Keep in mind that corporate giving the prior year increased 17 percent, and that corporate profits the prior year were growing even more robustly, and GDP had grown more robustly. If you look at the longer term trend, corporate giving still exceeds giving before the Great Recession began. So while this is a little bit of a take-back compared to the prior year, this is still at or above the trend line.

I'm not going to do both in inflation-adjusted dollars, just because of time purposes. In current dollars, giving to religion declined last year and one of the things that is surprising about this is, I used to say that giving to religion is like the tortoise in the tortoise and the hare. It used to increase in good times and in bad, not rapidly but it would increase. What we have seen since the Great Recession was that giving to religion has been flat or declining most years and that the increases are the exception. And if you go back to the year 2000, giving to religion has increased more than two percent in inflation-adjusted dollars only once. It has been flat or declining more years than it has increased, and I think this is, empirically, an important trend to notice because we used to say giving to religion was losing market share but only because it wasn't growing as rapidly as other sources. Now what we are seeing is that giving to religion is actually declining, both as market share, but also in absolute terms.

Education grew 8.9 percent. We track separately publically-reported gifts of a million dollars or more. Higher education has gotten 45-55 percent of those every quarter. K-12 and libraries get another 5-10 percent every quarter. So education has done well, especially the high-end gifts. If you look at changes in giving to education and changes in the SP500, you see a strong correlation there.

Human services increased 2.2 percent. One of the things we saw during the Great Recession and immediately afterwards was that many foundations and high net worth households decided to reallocate their philanthropic portfolio to help feed the hungry and house the homeless, so giving to human services increased in more rapid growth than some of the other sub-sectors. Now what we are observing is that giving to human services four years out of the recession has resumed its growth at a lower role and that people are giving to education, the arts, international not as much this year, environmental more so. They are giving to causes that they had given to at a greater rate pre-Great Recession and that human services has grown but not as rapidly.

I was teasing Ruth before we came in here that I was looking at our results and asking myself who is going to be really happy and who is going to be really angry? And the one person who is going to be really angry is Ruth. We will see what she has to say at the end of our program. I'm just guessing. [LAUGHTER].

Gifts to foundations, there is a lot of volatility. Two years ago, it increased 32 percent, last year it declined 15.5 percent. Keep in mind that gifts to foundations often happen as part of an estate gift or on a liquidity event, so an entrepreneur sells his or her business and they put money either into a donor-advised fund or if it is a really big business, they put money into a family foundation. Depending on who dies in a given year or depending on who has a liquidity event and how philanthropic they are, we will see this volatility in gifts to foundations.

Health increased six percent, public society benefit, 8.5 percent. This 8.5 percent is largely driven by increases to donor-advised funds. If you are looking at United Way, Jewish Federation, Catholic Charities, the other federated campaigns, those have not grown very rapidly and some have declined, but the national donor-advised funds are growing at a fairly dramatic rate. So one of our goals is to be able to unpack that data and report those out separately in the future. We are not there yet and we would like to be, so we will see if we can do that in the future.

Arts and culture, fairly dramatic increases the last two years, 7.8 percent. International declined over 6.5 percent last year. This is a little surprising because international has been the fastest growing sub-sector since we started tracking it in 1987. We think that there are two causes. One, that there were very few major natural disasters worldwide. They don't attract all of the international dollars but it is a big driver for that. But also, when you look at the trend, international had been growing so rapidly that this is a little bit more of a return to the trend line perhaps. I really think it is more the lack of natural disasters that draw attention to that.

Environmental and animals has grown very robustly the last two years, 7.5 percent, and again, this is an area that did not do so well during the Great Recession and coming out of it. Some people are saying that now that the recovery is in full force, unemployment is still higher than we'd like but dramatically lower than it was at the depths of the Great Recession, that more dollars are going into environment, animals, arts, culture and so on, than we had seen before.

The Great Recession had the largest negative impact on philanthropy that we have ever seen. In inflation-adjusted dollars, total giving declined 15.5 percent during the Great Recession. We are coming back, but the glass is half empty. We are not all the way there. Glass half full, we have made substantial progress and we should exceed the 2007 benchmark either next year or certainly the following year, as long as the economy continues to recover.

Before the tech boom, giving by individuals increased by about 1.1 percent in inflation-adjusted dollars, compounded annually for many years, growing but slowly. During the tech boom, we saw this dramatic increase. We saw a little give-back following the recession induced by the attack on America. Following that recovery, we see a fairly dramatic uptick again.

What is interesting, even after the tech bubble burst though, we never went back down to where we were in 1993, 1994 and so on. It has been sustained at a higher level. Household giving though, fell precipitously during the Great Recession. They lost about 18 points, so that is a very precipitous decline, and it has been slower to recover than some of the other sources. We are starting to come out of this. We can see it has been a slower recovery.

The one good news about foundations is that they are required by law to pay out five percent of their asset base. They may pay based on last year's assets or two years or three years or even a longer moving average, but they are going to pay it out. So, it's a smoother trend line than what you see for some of the other sources that are much more intimately affected by changes in the economy.

Trying to forecast giving by requests is very difficult, particularly because it is affected not only by the volatility of who dies and so on, but by tracking when the estate closes. It is not just if there is an estate, but when does it close and what year does it close in. And it is affected by changes in values that are affected by the business cycle.

We also see a very strong business cycle effect with corporate giving. Corporate giving is largely predicated on corporate profitability and GDP. One of the things that has been an interesting phenomenon in this recovery is, people have referred to this as the jobless recovery or the joyless recovery because there has not been the same formation of new jobs that we see in other business cycles. And frankly, one of the reasons the unemployment rate has declined is because people are leaving the labor force at a faster rate than they are joining it and not as much because of job creation. One of the pieces with this, though, is that corporations during the Great Recession wrung out every nickel of excess labor cost as they saw it, so they are tremendously profitable and as the recovery grows, we have seen increases in corporate giving.

If we look at this market share of the sources of giving, for the last five years household giving or individual giving has averaged 72 percent. If we go back to the mid- to late- 70s, we'd see individual giving at 83 percent. The difference really isn't corporate giving, that is pretty static at five percent, and bequest giving has bounced around a little bit, but it's really foundation grant-making that has grown the most dramatically. Again, this has really been driven by family foundations, so I would argue that the decline in market share from individuals has really largely been offset by the increase in the creation and influence of family foundations.

Total giving as a percentage of GDP, two percent last year and it dipped down to 1.9 percent during and immediately following the Great Recession. Good news/bad news, it increased as a percentage of market share, the good news. The bad news is that we are still stuck at two percent. One of the things that Stacy's staff interviewed me about is, what would it take to move the needle from two percent to four or five, much less than Biblical tithe at ten percent.

I use the Starbucks comparison, and this is not an indictment of Starbucks, great company, they spend more money on fringe benefits, healthcare for their employees than they do on the coffee beans. Now they are adding college as a fringe benefit for many of the people who have worked there for a while, so I am not saying this to devalue Starbucks as a company. However if you think of Starbucks as an example of frivolous consumption, and I do [LAUGHTER], but whether it is Starbucks or whether it is something else, if each household reallocated five dollars a day from frivolous consumption to philanthropy, that would double household giving overnight.

I bring this up because other people have talked about if the Gates Foundation or billionaires or the Philanthropy 400 gave more, if we did this or we did that, we could get to a bigger number. However I think here is a very feasible plan. Five dollars a day would double household giving.

Clearly, if you look back over the last 40 years, it hasn't happened. This is clearly a values choice and one of the things about philanthropy is, it's voluntary! I am going to be the last person in the room to say that we should increase taxes to stimulate philanthropy. An increase in the top marginal tax rate would stimulate philanthropy in the short run, empirically that is true, but that is not the argument I want to make. I think for those of us in the philanthropic sector, we have to ask the question, why are we not offering value, why are we not offering inducements in terms of our core mission and our core activities, that is attracting a higher share of GDP to the philanthropic sector?

Individual giving as a percentage of disposable, that is, after-tax income, we are stuck at two percent, 1.9 percent last year. We have talked about corporate giving growing but corporate giving hasn't grown as rapidly as corporate profits, therefore corporate giving as a share of pre-tax corporate profits is stuck at eight percent. It is actually lower than its long-term trend of 0.9 percent, i.e., just under one percent.

When we look at where the money goes, the share of giving to religious organizations for the first 20 years was in excess of 50 percent. For the last decade, it has been about a third. We saw this year that it was 31 percent. So again, giving to religion is losing market share, in part because other sources, other uses are growing more rapidly but also in part because giving to religion has declined in absolute and relative terms over the last few years.

The big winners in this are really giving to international and giving to the environment. Some other sub-sectors have done well as well.

One part of philanthropy is giving; another part of philanthropy though is volunteerism. I just want to add a little bit about that. Sixty-five million people volunteer each year. We survey the same 8,000 households every other year and we see that between two-thirds and 70 percent of Americans donate every year. More people donate every year than vote for the President. However as a percentage of volunteerism, it is disappointing that only about one-fourth of Americans are volunteering.

One of the things that has been talked about is that there is more competition among non-profits. At first it may seem that the amount of competition has declined and in fact, a number of charities did go bankrupt or close their doors during the Great Recession and immediately following that. However a big part of this decline, from almost 1.3 million to just over a million in the last few years, is because the IRS tidied up their records. There were a number of charities that were defunct. The IRS hadn't noticed and the charities hadn't bothered to officially close themselves or report that to the IRS if they had closed themselves. Part of this attenuation of the number of charities is an accounting difference rather than a real trend.

Keep in mind that because religious charities that are primarily proselytizing organizations don't have to file an IRS 990, some of them do but they are not required to, it is estimated that there are another 300,000-350,000 charities whose primary mission is religious fulfillment. So there is a lot of competition for those philanthropic dollars. There has been more growth recently in charitable support than there has been in the number of charities, but I think that is really due to an accounting error rather than a reality.

I would encourage you to go to our website, www.givingusareports.org/2014. There is a free executive summary and a more complete report that you can buy on the website as well. I would encourage you to do that. I will be here to answer questions after my colleagues on the panel do their schtick. Thank you.

STACY PALMER: Thank you. Next we are going to hear from Tom Pollak, who studies non-profits at the Urban Institute, so he will give us another view from the researcher's desk.

TOM POLLAK: Thanks, Stacy. Thanks, Patrick. Let me begin by giving you some perspective on the finances of non-profits. I think it is very important to keep in mind that private contributions play a very important role in the life of most non-profit organizations, but not in all. Overall the public charities around the country, excluding religious congregations, took in around $1.6 trillion dollars in total revenue in 2011. We would expect 2013 numbers to be probably five or ten percent higher than that, although we don't yet have the data. Overall, we see private contributions providing around 12-13 percent of the total revenue for these public charities.

The lion's share of the revenue is coming from so-called program service revenue, which included everything from government fees and contracts going to human service organizations to purchases of tickets in the performing arts and museums to patient fees to the tuition you pay when you send your child to college, which I am well acquainted with. We also see around ten percent of the revenue from this sector coming from government grants, as opposed to fees and contracts. And then we see the remaining five to ten percent coming from a mix of investments and some other sources of income.

Unfortunately, our data tends to lag a little bit behind the Giving USA estimates. We rely on organizations around the country filing their 990s and we in turn have to rely on the IRS to make them readily available to us and to help us through the process of key-punching the data. Just as an aside, one of our long-standing interests is in working with Indiana, the Aspen Institute, GuideStar and the Foundation Center in promoting electronic filing, as that will give us much quicker access to accurate data.

In the absence of full population-wide data on revenue of the sector in 2013, what we have done over the past couple years is kind of create a leading indicator for the financial health of the sector. The way we do that is we look at the 25-30 percent of the organizations that have in fact filed their 990s with the IRS as of our most recent business master file from the IRS. We have very limited financial data from those. Basically what we have is total revenue and total assets, but what we can look at is the changes in those total revenue numbers from year to year. What we see from that 25-30 percent that are reporting, is that far more showed substantial increases in revenue than showed decreases. In that sense, our findings are certainly consistent with what Patrick is seeing in the world of private contributions.

To be more precise about it, around 46 percent of organizations reported a gain in 2013. In contrast, 38 percent reported some sort of decline, with the remainder somewhere in the middle. Framed a little differently, around 40 percent were sort of in the middle, maybe had small gains, small declines, 26 percent had losses of ten percent or more, in contrast around a third had increases of ten percent or more. Once again, overall I think the picture is certainly consistent with Patrick's research. The sector certainly appears to be moving in the right direction, but we really won't know for another year or two the true status of the financial health of non-profit organizations.

Switching gears here a little bit, as Patrick began discussing at the end of his talk, giving has remained remarkably flat over many, many years. I would like to talk a little bit about where we stand in our understanding of those trends. First off, I think it's important to recognize that although the aggregate number of volunteers looks relatively stable, we actually see a statistically significant decline in volunteer rates this past year. They dropped by 1.1 percent based on the current population survey data, which is a very broad survey of American households.

From my perspective, that bodes poorly for the future health of the non-profit sector. Volunteering and contributions are very highly correlated and the fact that you see declines after ten or twenty years of infrastructure building in the sector, the creation of volunteer centers around the country, the creation of very active efforts by United Ways around the country to promote volunteering, yet with apparently very little or even a negative impact, does not bode well.

What are the causes? I think at this point, we can only speculate. One potential cause is the decline in the religiosity of the American public. As Patrick's statistics showed, private contributions flowing to religion have declined quite dramatically over the past 30 years. Once again, that is consistent with other statistics about declining church attendance and a decline in formal religiosity of Americans. We will talk more about this in a minute.

Religious adherence is very highly correlated with giving, so to the extent that you see this decline in religious adherence as a cause rather than a symptom of something else, you could argue that that may be part of the explanation for why giving is as flat as it is despite a lot of efforts over the past couple decades to improve it.

Another possible explanation is the role of technology and the impact our ubiquitous cell phones and computers have in undermining civic engagement of the American people, especially younger generations. It is very likely that plays a role. I think the magnitude of that role remains to be seen.

Economic inequality, the instability of the middle class, clearly that seems likely to play a substantial role as well. If families are saving for college educations and feeling very unstable in their financial well-being, that certainly seems highly likely to depress their willingness to give their discretionary dollars to charity.

More broadly, the indictment of Bob Putnam on the health of social capital in America is part of the underlying context of giving in America. I won't open that longer argument, but that clearly is a factor.

Finally, I'd kind of like to turn my comments to how we should be thinking about increasing the rates of giving in America. I think Patrick's point is a nice vivid one, if we all just gave five dollars more a day we would double giving in America. That is a good concrete way of thinking about this. However at a deeper level, we also have to think about the civic culture that we have in America and the impact of elections. The sense of polarization we have in the country. The broader sense that there is very little that can be accomplished in the public sphere in America. I think these factors have likely contributed to this stagnation or decline that we see in both the giving and volunteering statistics.

Some of you might say that is perhaps an opportunity that President Obama missed. Arguably we had the opportunity after his first election to build on the energizing impact that campaign had on the American civic culture. I think that can be debated one way or another, but I think there is a metaphor from soccer that we should keep in mind as we think about how to rejuvenate civic culture and volunteering in America. If you look at how the American team rebuilt over the past four years, I think maybe that is a good metaphor for the non-profit sector as well.

We see just an outpouring of interest around the country in collective impact projects. The work I do in cities on their community platform project, I can't think of a city that doesn't have some sort of a collective impact project underway. I think that is a good step in the right direction. It is non-profit organizations leading by example, showing that they can in fact work together for the good of the community as a whole.

I would say it is a good first step, but I don't think it goes quite far enough. We would see potentially a significant increase in giving and volunteering if non-profits were to take that kind of model to a further level. To say, let's really see if we can collectively fundraise. Let's see if we can collectively mobilize the whole community, not just coordinate our work and coordinate our work with government, but truly try to mobilize the whole community, both middle class and lower income communities as well as the wealthy, around civic purposes.

I think when that takes place, we really have the potential to see dramatic increases in volunteering. To finish out the soccer analogy, the parallel to me is, you have to stop doing things in the old ways. You have to get rid of your aging stars and think fresh about how you build a team or how you build a community from the ground up. I think if we can do a little more of that, I think that would take us down this path towards collective impact raised to a new level. Thank you very much.

[APPLAUSE]

STACY PALMER: Thank you, Tom. Next we will hear from Wendy McGrady, who works with a lot of non-profits around the country trying to raise money. Now that our scholars have thrown down the gauntlet to say how much you need to increase fundraising, tell us how challenging that is and what you are seeing on the ground.

WENDY MCGRADY: Thank you, Stacy. To continue on Tom's analogy, my comments are more around how to put the team back together. That is where I am going to focus today.

As Stacy said, my name is Wendy McGrady. I am a fundraising consultant with The Curtis Group. Our firm is one of 40 members of the Giving Institute, who founded the Giving USA Foundation and published Giving USA. In addition to being a member of Giving USA's editorial review board, I work with non-profits every day. My colleagues and I have watched these numbers over the last few years.

I would like to share just a few observations with you from our work today. How many of you in the room have some role in fundraising for your non-profits? Okay, so half or so. Now those of you that are responsible for securing resources for your organization, this data is important.

However, what you do with the data and how you integrate it into your strategy may be even more important. What do these trends mean for your organization? How do they help you grow your fundraising capacity and results?

I would like to take just a few minutes again and share our take on some of the numbers and again, the observations from our work. First of all, the fact that this is the fourth straight year of increased giving is certainly encouraging. We do know that Giving USA reflects giving in aggregate, and that some of you in other non-profits may not be experiencing the same gains shown here. Particularly those of you heavily reliant on government funding may still be experiencing challenging times.

For now however, while we have seen modest gains the last few years, and a 4.4 percent increase in giving this year, the fact is that giving is moving back toward its peak in 2007 and if we continue to grow at the same rate, we should hit that mark in the next one to two years. Already five sector categories have reached their all-time high in giving levels—giving to education, human services, health, foundations, environment/animals and giving to arts/culture is only one-tenth or one percent away from reaching its all-time high.

When you look at the last few years as a whole, the trends seem even more encouraging. Total giving since the end of the recession in 2009 is up 22 percent, and no different than in years past, individual giving is leading the way in terms of recovery. Individual giving between 2011-2013 represented 73 percent of the growth in giving overall. I know it is always interesting to look at each sector to see the gains in your particular sector and to compare them to your organization's performance, but when you are thinking about applying this information, the sources of charitable gifts are still the most important data to consider and to factor into your development strategy. The pie chart that Patrick showed you doesn't change much from year to year.

The reality is that the allocations by source are not a trend resulting from the recession or the recovery. Individual giving has always represented the lion's share of giving in our country. Think about this, 66 percent of all households give. More people give than vote.

This year, individuals and bequests together represent 80 percent of all giving, corporations five percent, and foundations 15 percent. Keep in mind that, as Patrick noted, half of foundation giving is from private family foundations. So really 87 percent of all giving is coming from individuals. That is almost nine out of every ten dollars.

Breaking individuals down even further, high net worth individuals, who account for only four percent of households, give over 50 percent of the individual gifts. When you think about who is giving, 95 percent of high net worth individuals give versus 66 percent of the general population. Giving from family foundations has increased 80 percent over the last ten years.

So when you are thinking about strategy and tactics for raising the most money, while online giving and giving through social media continue to grow, and while everyone seems to have the next great idea for your fundraising events, the results pale in comparison to the return you will get with a focus on major individual gifts.

Bequest giving sees big swings each year and is highly dependent on the settlement of large estates which include charitable gifts. The more relevant purpose in looking at bequests for you may be to identify the opportunity in planned giving. If your non-profit hasn't offered a simple planned giving program and promoted itself as a gift destination, I would encourage you to start now. I say simply because focus on bequests and the ability of your organization to accept bequests is an easy place to start. More than 80 percent of planned gifts are bequests.

Corporate giving was down this year, largely as we have heard the result of decreases in corporate pre-tax profits. Once again this year, much of corporate giving is in-kind giving. Even cash gifts may be better classified as marketing expenditures as corporations often give to support causes that align with their marketing strategy along with their corporate social responsibility goals. So, if you don't align with a corporation's mission and goals, it is highly unlikely that they are going to support your organization in a large way.

Foundation giving was up for the third year in a row; this year up 5.7 percent due to their recovering assets and increased grant-making. About 15 percent of all giving comes from foundations, so while we all want to think that writing grants and seeking out foundation funds will get us to our goals, and we spend a lot of time behind our desks pursuing those grants, they are not likely to be the largest source of our success.

When you think about these sources, how is your organization reaching out to individuals? How are you developing relationships with them? Not just direct mailing, not inviting them to golf tournaments, not just counting them as a walker or a runner, how are you developing and deepening relationships with your individual donors? Are you able to identify your best prospects? Is your board helping you connect to them? Are you providing your board the opportunities and the tools to engage with your donors?

In fundraising, leadership is your most important component and not just your staff leadership. Your board is key. Are you placing priority on getting the right people involved and engaged, those people who can connect you to the folks who can give major gifts? Think for a moment about why and how people giving. Giving USA shows a number of mega-gifts this year. Those gifts don't just happen. They take months and sometimes years to cultivate, and the right people, staff and board, are typically involved in those conversations. Major gift donors say they give because they want to make a difference with their gifts. It sounds intuitive, but sometimes we don't respond to that. They say they give because they want to make an impact with their gifts. Are you showing them how their gift is doing just that?

Stewardship of current and past donors is just as important as cultivation of new ones. Many of those mega-gift donors were not new donors to the organizations that received their gifts. Major gift fundraising is about relationships, not transactions.

Giving to public society benefit is up again, much of it due to donor-advised funds which continue to be a very popular way to give, and which represent 4.3 percent of total giving. From your perspective, it is important to remember that payout rates from those funds are relatively low, so it may be more difficult to recognize or to cultivate those donors, but remember, a check from one of those funds typically indicates a large pool of money that donor still holds in that fund and will give in the future.

This year, we see a continued return to arts, culture and humanities, and education giving, sectors that are highly dependent on individual giving. It appears that some donors are migrating back to pre-recession priorities. For human service organizations who may have seen growth during the recession and immediate post-recession years and typically don't have the large staff an education and arts organization may have, this may require an increased stewardship effort. Are you providing your donors with meaningful opportunities to engage with your organization?

You have heard that there is a striking correlation between volunteerism and philanthropy. Meaningful opportunities mean different things to different donors. Getting to know them, demonstrating return on their investment the way they want to see it demonstrated may help you hang on to some of those donors.

Finally, I encourage you to share this information with your team and with your board. Download the full report, share the numbers certainly as they are encouraging, but help your board and staff interpret the numbers, determine your response and integrate the findings into your development plan. I wish you great success. Thank you.

[APPLAUSE]

STACY PALMER: Now that Patrick suggested that Ruth would be the one person who would be angry at the numbers, you have probably all been wondering why. Ruth McCambridge edits the *Nonprofit Quarterly* and she will be our last speaker.

RUTH MCCAMBRIDGE: I want to leave time for questions, so I am going to go through this quickly. It's not so much that I am angry, but it feels like, to wake up and smell the plutocracy, I just don't feel like we are really focusing here. We are in an economic recovery where the top seven percent of the population, in terms of wealth, have gained 28 percent in net worth while the rest of us have declined four percent. Are we going to ignore that context?

The recovery has primarily benefitted the very rich in this country, so when we look at these giving statistics, what we see is yes, an increase in giving and a kind of significant increase in mega-gifts. Those mega-gifts have gone from $1.22 billion, $1.55 billion last year to $4.22 billion this year. That is a significant increase.

If you think that money is going to get anywhere near most of your organizations, you are very sadly mistaken. That money is generally going to go to very large institutions that the mega-giver is comfortable with, so it may go to elite universities or to elite healthcare institutions. The biggest part of that kind of money is going to go to very big organizations with very well-developed development departments, with development departments that number in the hundreds. Unless you have a development department that numbers in the hundreds, and most of us don't have one that numbers in the ones [LAUGHTER], those mega-gifts are going to be very much outside of your control.

I do want to say, I have full faith in the non-profit sector, but this has been a very difficult few years for us. It has been a very difficult last decade for us. At the very beginning of the recession, *NPQ* started tracking a number of organizations to watch how they were going to do during the recession. One of them was called the San Jose Repertory Theatre and I talked to a woman there called Christa Steiner who was their CFO. She talked to me about all the machinations that they had to go through, the very sophisticated projections, the risk-taking, the capitalization of performances and of their building and of the relationship with the local town. During the recession, all of that was entirely unpredictable. It was not within their control at all.

Two weeks ago, I saw a notice that the San Jose Repertory Theatre, which has been there for 34 years, closed. It is not the only good mid-sized arts organization to have closed in the last year. We have been following them, one after another after another, kind of giving up the ghost.

My point is, even though you may see an increase in giving, you need to really understand what that increase in giving means. I am going to tell you a couple of other things we've been tracking, and actually the report tracked this, the number of multi-billion dollar capital campaigns that are being launched by these very big institutions, universities and healthcare institutions.

You know, Harvard, because they are so poor and so in need, launched a $6.5 billion dollar one last year when they have $32-plus billion dollar endowment. That is not neutral to the landscape of giving. For instance, I was reading one story about a group of organizations, a group of fundraisers that had gotten together to talk about the fact that in Oregon, a $5 million dollar challenge grant was given to one university. A $5 million dollar challenge grant in Oregon means that you have to match it, and primarily from Oregon. What does that mean for the rest of giving in Oregon? It's not that big in the first place. I think in 2012, it was $1.8 billion dollars, so that is a significant portion of the dollars available, right?

As we look at this, we have to understand that as the economy goes, and Patrick is very good at saying this, philanthropy tracks the economy. Well it doesn't just track the economy in terms of so-called overall growth of the economy, but it tracks it in terms of where that money sits and where it is going to go to.

Does it make me angry? It concerns me. I feel like I am not sure what is going to happen to organizations that are marginalized out of relationships with people who have enormous amounts of money. As money more and more gets concentrated in the very few at the top of the economy, that is a pretty insular community. To me, it is like a tale of two countries that is emerging here and not just in the economy generally, but in philanthropy as well.

I want to look a little bit at the mega-gifts from last year, because I do want to say, please don't set your sights on this until you know Pierre Omidyar or someone similar. If you are have a really good relationship with him, maybe you will get a little something, but in terms of the Omidyars' giving this year, they were one of the mega-givers last year and in fact, gave almost a billion dollars to the Hawaii Community Foundation, where presumably it will be redistributed. And I love the Hawaii Community Foundation, so hopefully there will be some good stuff in there.

At the same time, they made a $225 million dollar grant to someone called Hope Lab. Does anybody know what Hope Lab is? Right [LAUGHTER]. This is what I'm talking about. It was where Pam Omidyar used to work. She has a relationship with that institution. You do not have a relationship with Pam Omidyar. [LAUGHTER] Here is what I would caution you to understand. In fact, what we are working with here is a relationship problem. Most of the country has fallen out of relationship with the very rich in this country.

More and more, control of assets, including philanthropic assets, is in their hands. Unless we can deal with that and begin to establish that this really is one country and we are all interdependent on one another's welfare, I think we are going to be watching these two communities get more and more distant.

Am I angry? I guess I am a little bit [LAUGHTER]. I really worry about human services. It's not that the number of jobless people has gone down; it is that they have disappeared from view. Communities are suffering. Communities that don't have relationships with corporations that feel responsible to them, and those are fewer and fewer.

I think as a whole sector, it is our responsibility to understand how this landscape can work better, because it is not working for a good part of the sector and a good part of the country now. I have heard philanthropy described a number of ways, as an equalizer and as a passing gear. I don't think that is what it is acting as in good part now. I think it can. I think it needs to be redirected. Thank you.

[APPLAUSE]

WILLIAM SCHAMBRA: While I am waiting for a question, let me just say, a relationship does sound like it is quite central to the fundraising effort and giving and so forth. Of course, relationship is absolutely essential to civil society. The indications of civil society, religious affiliation, volunteering and so forth, as that declines, individual giving is not exactly robust. That is a very depressing prospect. Ruth, I think you are right. I have faith in the non-profit sector too, but we all know that there are many forces in the non-profit sector that are cutting against relationship, pushing toward mechanization, strategic top-down professionalization and so on. As you undercut relationship, aren't you in fact undercutting the very real possibility of civil society in America? Yes, please.

Q: My name is Wayne Young. I just wanted to say that I thought Ruth's comments, I don't have a question, but it helped but everything in perspective. If she had something else to add, that would be great.

RUTH MCCAMBRIDGE: I do want to say something in response to both of you. One of the things about the big new givers, Patrick and I talked about this the other day, too, is that a lot of them are new money. They give in a different way, which means that they want to decide what is going to happen with their money. It is not like you go to them and say that you have this good idea and ask them if they will fund you. It's that they decide what they want to see done, and if they can't get someone to take basically what is a contract, they are going to do it themselves. It really is a relationship that is top-down at this point, and in my opinion, it's very scary for democracy.

Q: My name is Gasby Brown. I am a philanthropic consultant and also on the faculty of the Fundraising School at Indiana University's Lilly School of Philanthropy. My question is about building a culture of philanthropy, which you all touched upon. What ideas do you have for building a culture of philanthropy among the middle class, since you did speak about the disparity between the connection with grassroots organizations or even mid- or larger-sized organizations that are doing good work? How do we build that culture of philanthropy?

WILLIAM SCHAMBRA: That's a great question. It really gets to what we were just discussing. In other words, let's get beneath the numbers and talk about some of these underlying cultural social aspects that we might be able to influence in order to rebuild giving.

PATRICK ROONEY: Some of our colleagues have worked on this project that looks at the transmission of philanthropic values across generations using panel study data. What we are finding is that the key variable is parents talking to their kids about philanthropy. This is not a radical concept, but it works, and in fact, it is the single most important thing you can do. If you want your child to be a philanthropist, talk to them about it.

There are other analogies that might be more humorous, but I think in many ways this is a key American value. However you need to make it a key household value.

TOM POLLAK: I would certainly second what Patrick said, but how do you get the families to have that conversation? I really think we have to be starting at the community level, and what I have been working to do is to find some mayors and civic leaders who will take this issue very seriously and say, let's step up.

We have to create a different kind of civic culture in our communities that will transform outcomes in education, levels of volunteering, levels of giving, perhaps tax policy and other policies as well. I think it is a longer term endeavor than the typical kind of quick fixes that are proposed.

WENDY MCGRADY: So Patrick has spoken to household culture and Tom has spoken to sort of community culture. Since my work is with organizations, I would say organization by organization, we have to build that culture. Whether you are a school or a university or a church or whatever, you have got to show your donor, many of them new donors, donors who aren't used to being philanthropic. They are giving because they like what you are doing for their kids or they like what you are doing for the people down the street.

You've got to show them results in order for them to continue investing, and they are looking at it as an investment. Whether they have been giving for a long time or whether they are new donors, they are looking at it as an investment. Showing them meaningful results is a way I think you can build that culture.

Q: Good afternoon, my name is Daniella Foster and I'm a director of public/private partnerships at the State Department. I have spent a lot of time setting up our global philanthropic working group, so I am curious about a couple of things. One, on the corporate side, I work with a lot of corporate foundations and companies and we are seeing a shift too. They also want to be involved in the design phase and not just have people come to them and say, fund this.

So have you notice shifts in terms of what types of things they are funding, thematic areas? And I would also ask the same question on the international front. I know disaster relief was big but do you see any key trends coming up on that front as well? Thank you.

PATRICK ROONEY: We did this study several years ago so this data is a little stale, but on corporate giving, one of the things we found was that corporations were doing far more what they called 'strategic corporate giving.' And they didn't mean strategic in the same way you and I might interpret this. This was really a code word for correlating their corporate giving with their corporate profitability, so that they are giving to a couple of things, one, education, to build a labor force. To have a long term strategy for profitability, you have to have good workers.

Shorter term strategies are things like giving to sectors that are affiliated with their core products and trying to win over their customers, shareholders and workers, but particularly their customers, through their corporate philanthropic endeavors in order to increase their profitability over time.

That is a change, because I think 40 years ago, 20 years ago, corporate giving would have largely gone to the arts and more civil society things locally, and we are seeing this pretty radical transformation in how they approach philanthropy.

Q: I'm Mina Devadas from the Center for Public Integrity. Tom, you spoke about the collective impact projects you are doing around the country, and also Wendy, you had said that organizationally, you are working with organizations. So my question is, have you seen more non-profits among the million public charities in the country coming together to really consolidate mission in some aspects and approach funders with more of a unified front? What we hear from a lot of funders is that they are having to make a choice between too many with overlapping missions.

WILLIAM SCHAMBRA: Stacy, didn't you run an op-ed in the latest issue of *Chronicle of Philanthropy* on this question?

STACY PALMER: Absolutely, and it is well worth reading. If you haven't had a chance to, it is called, "Small Groups Need Sustained Funding to Develop Breakthrough Ideas." It is really looking at the fact that there isn't merger and acquisition kind of business. We don't even talk about that kind of thing in the non-profit world and as a result, so many efforts get started and struggle for too long. It's not good for anybody and it is really wasting effort.

I think we all need to find some ways to solve that problem. I think it is hard to tell any non-profit that is just trying to get started, why is your idea the best idea ever. Most people don't want to collaborate in the very beginning.

MINA DEVADAS: There's also a kind of non-profit ego as well.

STACY PALMER: There's non-profit ego and then there is donor ego that they want to start at the best and greatest thing as well.

WILLIAM SCHAMBRA: So you are now going to say we need more mega institutions and organizations and fewer small ones, right? No.

STACY PALMER: No, but I want to say that I think everybody has a tendency to approach this issue from a negative viewpoint, and I just don't think it is true. When you look at some of the work that has been done by national networks of non-profits over the last few years, it is phenomenal. You look at what Neighborhood Reinvestment has done, what the Association of Community Health Centers have done, what NAMI has done, they have effected policy. They have effected funding. They have worked with philanthropy to make sure there is local giving going on.

I think that this kind of a constant drone about there are too many non-profits. They don't work together well, blah blah blah, I think it is a little bit of an overstatement. I have seen some phenomenal work get done in the worst of circumstances, particularly around stuff like foreclosures and the development of the health centers, health homes, that kind of thing.

Q: Hi, I'm Cinthia Schuman Ottinger from the Aspen Institute's Program on Philanthropy and Social Innovation Non-profit Data Project. I wanted to ask about the data itself and how more transparent, accessible data on giving would help you in your job of collecting the data annually.

PATRICK ROONEY: I'm all in favor of more data, bigger data, faster. One of the challenges of Giving USA is that we release this typically in the middle of June and we would love to be able to release it sooner, but we rely on the IRS for a lot of our data, so much of it is not available until the end of March, early April. And then we need some time to analyze it and write it up, so on and so forth.

As Tom talked about, the e-filing would be very helpful for the 990s. I think one of the challenges in the non-profit sector is that there is a lot of data out there that fundraising consulting firms have access to, that they are getting paid to gather this data, and non-profits are paying them to gather this data, whereas it would cost us a lot of money to raise the money to get that kind of data.

I don't know how you do these types of data sharing, but I think that is the kind of thing that could be helpful as well. And obviously, getting the IRS to do things bigger, better, faster, cheaper, and more transparent as well.

WILLIAM SCHAMBRA: Any last thoughts?

WENDY MCGRADY: I would like to leave it on an encouraging note, and since we have all sort of hovered around this --

WILLIAM SCHAMBRA: Ruth was negative as usual!

RUTH MCCAMBRIDGE: I was not! [LAUGHTER]

WENDY MCGRADY: No, I think we have all sort of hovered around this concept of relationship and I would just like to remind you all, as Ruth has, so most of you probably aren't those organizations receiving those mega-gifts of $180 million dollars or more. However you all could be the organizations receiving a $100,000 or $25,000 dollar gift.

I would venture to say that many of you in the room would consider a $10,000 or $25,000 dollar gift a major gift for your organizations. So we come back to this point of relationships. It is not out of your realm to think you can develop relationships with those kind of people who can make a major impact in your organization.

WILLIAM SCHAMBRA: Okay, now Ruth wants to be positive.

RUTH MCCAMBRIDGE: I do. I want to be positive. I think the discussion, and Bill has mentioned this a couple times, he is a little obsessed with strategic philanthropy, the discussion in philanthropy that strategic is basically code for top-down. I think that until we begin to turn that around, we are going to have serious problems of democracy relative to philanthropy.

I do want to say that I think it is perfectly within our capacity to do so. I have seen people begin to question some of their precepts just in the last few months, so God only knows how that happened, except that Bill won't be quiet when he is supposed to [LAUGHTER], but I do think it is up to us to question philanthropy. I think that is where we started, that we have to question it. We have to be critical of it. We can't just say, 'Oh aren't you wonderful for giving us this money.'

We have to say, but let's talk about the way that you are in relationship with communities when you do provide money and whether you are in relationship with the right communities to make the right kind of change, that kind of thing.

WILLIAM SCHAMBRA: Terrific. Very good. On that comment about the importance of criticizing philanthropy, let me remind you that that's our next panel. Ben is sitting right there on the aisle, there he is, wave Ben. He is the young man who, as I said, you've got to go read the article on *The Atlantic*, terrific article, and thoroughly based in history. I mean, he actually believes that something happened before the last strategic plan at your organization, which is just a remarkable historical depth. [LAUGHTER]

Anyway, we will get back to you with a date for that. Meanwhile, let's thank this panel for a terrific conversation.