GivingUSA 2010:
WHO GAVE, HOW MUCH AND TO WHOM IN 2009?

Thursday, June 10, 2010 • 12:00 to 2:00 p.m.
Hudson Institute • Betsy and Walter Stern Conference Center • 1015 15th Street, NW • Suite 600

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, published by Giving USA Foundation and researched and written by the Center on Philanthropy at Indiana University, has reported who gives what to whom. But 2009 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 2010?

On June 10 -- the day after the release of Giving USA 2010 -- Hudson Institute’s Bradley Center for Philanthropy and Civic Renewal and the Center on Philanthropy at Indiana University joined forces to host PATRICK M. ROONEY, Ph.D., the Center on Philanthropy's executive director, to discuss the questions raised by the latest numbers. Joining Dr. ROONEY on the panel were Nonprofit Quarterly's RUTH McCAMBRIDGE, WENDY McGrady of The Curtis Group, and TOM POLLACK of the Urban Institute/National Center for Charitable Statistics. STACY PALMER of The Chronicle of Philanthropy moderated the discussion and the Bradley Center's WILLIAM SCHAMBRA introduced the panel.

Program and Panel

12:00 p.m. Welcome by Hudson Institute’s William Schambra
12:10 Panel discussion
  Patrick Rooney, The Center on Philanthropy at Indiana University
  Ruth McCambridge, The Nonprofit Quarterly
  Tom Pollack, Urban Institute
  Wendy McGrady, The Curtis Group
  Stacy Palmer (moderator), The Chronicle of Philanthropy
1:10 Question-and-answer session
2:00 Adjournment

Further Information

This transcript was prepared the Federal News Service and edited by Kristen McIntyre. To request further information on this event or the Bradley Center, please visit our web site at http://pcr.hudson.org, contact Hudson Institute at (202) 974-2424, or send an e-mail to Kristen McIntyre at Kmcintyre@hudson.org.
Biographies

**Ruth McCambridge** is the editor in chief of the *Nonprofit Quarterly*, this country’s premier journal for nonprofit practitioners. She began her career more than forty years ago door-knocking in Boston for a national civil rights organization and spent the next twenty years working in grassroots organizations that mixed self-help and organizing with policy advocacy. In the late 1980s, McCambridge took a longstanding interest in organizational dynamics to the Boston Community Foundation where she managed the Fund for the Homeless, a public/private partnership, and developed and implemented a number of collaboratively funded city and statewide capacity building initiatives.

**Wendy McGrady** is vice president of The Curtis Group, is a seasoned and successful development and marketing professional. Her career includes more than a decade of development experience and eight years of marketing experience. McGrady’s work with The Curtis Group includes campaign planning and management, feasibility studies, development assessments, donor and volunteer cultivation, grant writing, and board training. Her background in marketing provides her clients with unique insight into brand enhancement, public relations, and advertising. In addition, she oversees The Curtis Group’s executive search services and frequently speaks to nonprofit organizations and associations about how to enhance development capacity and other fundraising issues. McGrady is president of the Hampton Roads chapter of the Association of Fundraising Professionals and a member of the Giving Institute’s Editorial Review Board, as well as the Virginia Fund Raising Institute Caucus Board.

**Stacy Palmer** is editor of *The Chronicle of Philanthropy*, the leading national publication of nonprofit affairs. Palmer played an instrumental role in founding the newspaper in 1988 and in the development of its internet site. Previously, she was editor of the government and politics section of *The Chronicle of Higher Education*.

**Thomas H. Pollak** is program director of the National Center for Charitable Statistics, a program of the Center on Nonprofits and Philanthropy at the Urban Institute. His recent research projects include a study of overhead costs in the nonprofit sector and an analysis of private contributions to U.S.-based international development organizations. In addition to these and other research projects, he manages NCCS’s web site, data development, and online data services. He holds a law degree from Georgetown University and is a member of the Maryland and District of Columbia bars.

**Patrick M. Rooney**, P.h.D., is executive director of the Center on Philanthropy at Indiana University. A nationally recognized expert on philanthropy and charitable giving, Rooney has been quoted by national news media outlets such as PBS’s *Nightly Business Report*, *The New York Times*, *The Wall Street Journal*, *The Washington Post* and *USA Today*. Rooney oversees the center’s ongoing role as the research partner for *Giving USA*, including the research and writing of the report, which is published by Giving USA Foundation. He previously served as the center’s chief operating officer and director of research, leading its ongoing research, including its signature research project, the Center on Philanthropy Panel Study (COPPS). He guided center research for clients such as Bank of America, American Express, Target Corporation, United Way Worldwide, the Business Civic Leadership Center and the U.S. Chamber of Commerce. Prior to joining the Center on Philanthropy, Rooney served as both special assistant to the Indiana University Vice President for Long-Range Planning and chancellor of Indiana University–Purdue University Indianapolis (IUPUI) and as assistant dean for academic programs for Indiana University–Purdue University Columbus (Indiana). A professor of economics and philanthropic studies at IUPUI and a member of the graduate school faculty at Indiana University, Rooney is a prolific researcher with an extensive body of published work.
WILLIAM SCHAMBRA: Good afternoon. My name is Bill Schambra and I’m the director of Hudson Institute’s Bradley Center for Philanthropy and Civic Renewal. Krista Shaffer and I welcome you to today’s discussion of the “Annual Report on American Giving” just published about 36 hours ago by the Giving USA Foundation and its research partner, The Center on Philanthropy at Indiana University. In addition, a particular welcome to our new audience watching on Ustream.

This estimate of giving covering the year 2009 is now the latest 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 a particular honor this year for the Bradley Center to cosponsor today’s event with the Giving USA Foundation and Indiana University’s Center on Philanthropy, in order to bring this discussion of the implications of the estimates to the nation’s capital.

We’ve assembled a distinguished panel, including leading representatives of the organizations behind the numbers. My sole duty today is to introduce the person who will in turn introduce the others and moderate the panel. However before I do that, permit me to try to summarize what you’re about to hear in a paraphrase Winston Churchill, who famously noted that nothing is so invigorating as to be shot at without effect. (Laughter.) For philanthropy it might be said that nothing is so invigorating as to face a recession with only a modest drop in giving. At any rate, we’re proud to welcome back as our moderator for today’s panel, Stacy Palmer. As you all know, in 1988 Stacy helped found The Chronicle of Philanthropy, the journal of record for the field of American philanthropy, and she is still at the post helping to steer this distinguished journal into the digital age. Stacy. (Applause.)

STACY PALMER: Welcome. That means, of course, that I’ve been covering Giving USA for 20 years or more and watching all of its incarnations. And I have to say, in these years, I have never seen such eagerness for the numbers because everyone wants to know what is happening, what is going and what is the state of giving. A lot of our discussion today is going to focus on what happened last year and what it tells us about the future. As journalists we’re in the privileged position of writing the first draft of history and letting the scholars figure out what’s going on. But I am now about to get to the real facts of what we’ve found.

We have been looking at first quarter giving results and we have found good news. Certainly giving is going up. At the biggest charities in the country, they’re seeing an 11 percent median gain and that doesn’t even count the giving that happened in the wake of the terrible earthquake in Haiti. If you count that in, giving went up by a median of 14 percent.

To give you a sense of who is doing well, the Fidelity Charitable Gift Fund – which raises more money than anybody but the United Way and the Salvation Army – saw a 109 percent increase in the first quarter. That’s the largest increase since the fund was started 20 years ago. So we’re seeing remarkable increases. But we’ve had such a difficult time these past few years that going up anywhere feels good. However it still is not enough to allow most groups to meet the very deep needs that they find across the country.

As a matter of fact, things are so bad that even those who are doing well sometimes don’t want to talk about it. We find a really shocking thing that we’ve never encountered in our decades of covering the world of philanthropy. Instead of wanting to talk about the good news and the accomplishments of their fundraising, some fundraisers are almost embarrassed that in this climate they are actually doing well and have asked us not to publish some of their figures. So it gives you a sense of just how hard it is to track what is really going on in this world and we’ll talk about some of the problems of figuring out the numbers today.

Looking at charitable giving is important not just to see whether the numbers are up and down. It tells us a lot about the spirit of generosity in this country. In these very hard times, are people really giving as much as they did in the past? How much are they stretching themselves? What does that say about their belief about the role of charity in this country? And being here in Washington, I’m sure we’ll also talk about the role of government and what it can or should do to stimulate charitable giving.
So we’re going to look at the numbers first. Then we’re going to talk about them and we’re going to take your questions and I hope you’ll have lots of them. We want this to be a very interactive session. We’ll get started with a presentation by Wendy McGrady, who is a long-time, experienced fundraiser. Patrick Rooney will follow. He is responsible for the numbers and can really tell you all of the gory details about them. Tom Pollak at the National Center for Charitable Statistics is also an expert on everything there is to know about nonprofit numbers. And then Ruth McCambridge of the Nonprofit Quarterly, who has worked with a large number of grassroots organizations over the years and has the perspective of both a grant-maker and a fundraiser. So we have a terrific panel of people who are on the ground, as well as those who study this world. And we have all of you, who I know will inform our debate tremendously. So let me turn it over to Wendy, who will tell you more about what’s really happening in the numbers.

WENDY MCGRADY: Good afternoon. As Stacy said, I’m Wendy McGrady. I’m vice president of the Curtis Group, which is a fundraising consulting firm headquartered in Hampton Roads, Virginia. And I’m pleased to be with you today. Our firm, the Curtis Group, is a member of the Giving Institute. The Giving USA Foundation and its predecessor organization, what is today the Giving Institute, which began publishing annual reports on charitable giving in 1956. Giving USA is a trusted source of information evaluating and integrating trends over long periods of time. Together with our research partner, the Center on Philanthropy at Indiana University, we’re pleased to present the numbers for 2009. We are particularly pleased today to let you know that for the first time, because of our generous donors, an executive summary of Giving USA is available free of charge online and that website is www.givingusa2010.org. So that’s a first for us and we’re excited about it.

Overall, getting on to the numbers, there was good news and bad news in this year’s report. In the worst year economically in our country since the Great Depression, Americans proved their generosity once again. For only the third year, our country gave over $300 billion to charity. While giving was down 3.6 percent in current dollars or 3.2 percent adjusted for inflation, down to $303 billion (dollars) from an adjusted figure of 2008’s $315 billion (dollars), given the environment, it could have been much worse. Giving could have dropped much more.

The decrease is the largest decrease in Giving USA’s history in current dollars – not in inflation-adjusted dollars. In current dollars, it’s the largest decrease in its history. In adjusted inflation dollars, the worst was 1974, and that was a drop of 5.5 percent. Giving USA has reported an increase in giving in current dollars in every year it’s been published except two – this year and 1987, when there was an incentive to give early in 1986 for tax benefits. So this is only the second year that there’s been a decline in giving reported. Last year, Giving USA had estimated a drop in giving, but several large bequests pushed the total given from a decrease to a slight increase.

This histogram shows you in blue the inflation-adjusted dollars in recessions and the current dollars line is trailing up through the histogram there. Basically a visual of how giving tracks what’s going on in the economy in this country, with giving growing much slower in those recession years. So those organizations this year that were particularly hard hit were those that typically receive gifts for capital, for endowment, for long-term planning – that is, education, arts, foundations, public society benefit – which are those freestanding, donor-advised funds, such as Fidelity and Schwab donor-advised funds, as well as the United Ways, the UJFs – those were particularly hard hit. Those that did well or that showed growth were typically immediate services such as frontline services, human services, health, international aid and even environment showing an increase.

Why did giving decrease? Last year, as we’re all aware of what’s going on in the economic environment, GDP was down 3.6 percent. Personal income and the stock market are two key indicators of giving and giving behavior in this country. Personal income was down 1.7 percent. The stock market was up 23 percent, but given its performance over the end of 2008 and for the year in 2009, the market only was up to its 2003 value. So stock market and personal wealth – two important indicators in giving – both lower than in recent years.
Why didn’t giving decrease more, you might ask. If you remember the last quarter of 2008 when our economy was so hard hit – and for those of you who are fundraisers or development professionals you’ve probably tried to block it out. Things tanked in that last quarter, which is when organizations typically receive up to 40 percent of their giving. There are many reports that show an increase toward the end of 2009 as the market improved, which could have helped the year overall.

Another factor which likely kept the numbers from falling further was that 85 percent of the workforce continued working and the industries that lost the most jobs – construction, manufacturing – were those industries that tend to hire the people that are not donors anyway. So it wouldn’t have had a large impact on those workers and their gifts. Women are 50 percent of the workforce and employed women are some of the most likely donors.

And then the last factor that probably helped giving not decline as much as it could have is that there were five individual donors that gave a total of $1.6 billion. And without those five gifts, giving would have been down another 1 percent in current donations. Nearly all of that money went to foundations, and so charities haven’t seen the benefit of those gifts as of yet.

So while Giving USA reports the numbers in aggregate, we do recognize that there are individual organizations whose experiences were very different than the numbers that we’re reporting today. As a practitioner, a consultant who works with nonprofits every day, I know that 2009 was a tough year and 2010 continues to be a challenge. That said, we are seeing many organizations that are raising significant dollars because they are effectively communicating their message and donors are responding to that need. And I hope we can have more of a discussion about that today after our remarks: What does this mean for you? What does this mean we need to be doing in our organizations?

So as you hear from Patrick on trends in giving in this country and the details of these Giving USA numbers, I encourage you to have hope. I am probably the only one on the panel today that’s going to talk about hope. (Laughter.) In my job, it has to be glass half-full, so I’m going to tell you to have hope. I am seeing very positive signs. I am seeing donors giving for the organizations that are raising money in the right ways. I think we’re moving in the right direction. History suggests that giving will improve as the economy improves. And this recovery may take a bit longer, but in our work we are seeing signs of improvement, so thank you. (Applause.)

PATRICK ROONEY: Hi, I’m Patrick Rooney. I’m at The Center on Philanthropy at Indiana University and we’re proud to be a research partner with the Giving USA Foundation. Giving USA has been doing this work for 55 years and so we have a long cumulative knowledge about what works and what doesn’t work in trying to understand, explain and predict these things. We’ll be very transparent about some of our concerns in the forecast but also what we think are some of the solid aspirational things that we are highly confident about and some of the things that we’re more worried about.

I had the honor and the privilege of being named the executive director of The Center on Philanthropy in September of 2008. I started September 1 and a mere two weeks later the stock market collapsed and started a downward death spiral. Our endowment and our earnings went down very dramatically and most of our revenue is earned income and endowment income. So like most charities, we’ve had to make some significant adjustments in terms of budgeting and staffing; and so we’ve experienced this roller coaster with most of you.

This pie chart that’s up here is one of the key pie charts for Giving USA and so I want to take a second to go through this. When I came to The Center on Philanthropy this pie chart was one of the most surprising things to me: 75 percent of all giving comes from living individuals. This is checkbook giving from households who are alive. Another eight percent comes from individuals who have recently passed away. You add that up and if my math is right, that’s 83 percent.
Well then you look at family foundations, 13 percent, and that foundation piece is the fastest growing piece of the pie. Over the last 20 years their share of the pie has doubled. It went from 6 percent 20 years ago to 13 percent today. About half of those gifts are given by family foundations where the family founders are still making those decisions. So you add the half of that to the bequests, to the individual giving, the inter vivos giving, together that is about 89 percent. It’s almost 90 percent – nine out of 10 dollars that’s given is coming from individuals who are alive or who have recently passed, whether it’s through their family foundations or through their checkbook. So I think that’s an important thing to note. Corporate giving has been very steady at 4, 5 or 6 percent for the last 40, 50 years and this year it is at 4 percent.

As Wendy (McGrady) mentioned, these five donors who each gave over $100 million – collectively, they gave $1.6 billion – is one of the reasons why household giving did not decline last year in inflation-adjusted dollars by our estimates. You have to keep in mind that in Giving USA, we are estimating total giving and giving by all the different subsectors and average rates of change.

I want to say upfront, we understand that your organization may not have experienced the exact same things that Giving USA reports. In fact, I would say probably exactly nobody experienced the exact same thing that Giving USA is reporting overall. These are averages aggregated across 1.5 million charities, plus or minus, and aggregated across hundreds of thousands of donors, corporations and foundations who are making individual decisions. So we’re reporting the averages, we’re reporting the aggregates and we think it’s useful for the individual nonprofits, but it may not be your exact personal experience.

Three of the sources declined. Surprisingly, we estimate that corporate giving went up last year. We believe that this is based largely on the fact that many producers are giving more in-kind goods and services. So again, the corporate giving increase is a good thing. However, not all charities benefit from that and not all charities can use the in-kind goods and services that were donated as well.

Overall sources of contributions decreased 3.2 percent when you adjust them for inflation. Since I just talked about these individual pieces – household giving, corporate, bequest giving and the family foundation grant-making, I’m going to skip that right here to allow more time for Q&A and the other panelists.

Where does the money go? A third of all the giving goes to religious organizations. Twenty years ago this was 50 percent. Forty years ago, this was 50 percent. Does that mean that giving to religion is going down? No. The mathematics of this are a little tricky, but the difference is between averages and rates of growth. On average, charitable organizations have had a faster rate of growth than religious organizations. So on average, the piece of the pie going to religious organizations has decreased. However giving to religion over the last 40 years has grown normally – it actually decreased last year – but most years it continues to grow; it just grows at a slower rate.

Our other research – not related to Giving USA – shows that each successive generation since the Depression era, including the boomers, is attending mass, mosque and synagogue at a lower rate than their parents and grandparents. And if you don’t attend religious services, you’re probably not giving to religious organizations. In fact, in our “Center on Philanthropy Panel Study” we do find a very small percentage of nonbelievers, atheists, agnostics and others who don’t participate in any way by their self-revelation actually do give a little bit to religious organizations each year. I call that insurance. (Laughter.) Thank you for laughing. Humor is always risky. (Laughter.) But the main point here is that giving to religion is still the dominant recipient-type of organization.

Education, second-largest: 13 percent of the pie. One of the fascinating things about the Giving USA pie chart is that giving to grant-making foundations is the third-largest recipient set of organizations. So high-net-worth households and ultra-high-net-worth households are giving so much directly to their family foundations that this is the third-largest subsector in terms of where do the dollars go. In Giving USA we measure this and we report that understanding that not all of those dollars are regranted that year. Some of them are; sometimes the
foundations are simply a pass-through conduit to the recipient organizations. But other times, those dollars are invested and 5 percent is paid out over time. But those dollars do go out over time.

Going around the horn, human services, public society benefit, health, arts, culture, international, environment; we’ve added a new category: foundation grants to individuals, 1 percent of the pie. We’ve added this – and granted, 1 percent is small – but we’ve added this because a number of foundations now are making direct donations to individuals. For instance, pharmaceutical companies and their grants are providing drugs either for free or at a greatly reduced price. This has become a significant enough pattern that we’ve started isolating it and reporting it.

The unallocated giving – 10 percent of the pie. We think it’s important to report that there is 10 percent that we can’t really account for. This comes from a couple of different things. When we measure the sources of philanthropy and the uses of philanthropy, they’re coming from different pieces of data. So you wouldn’t really expect everything to add up to be exactly the same and it doesn’t. But it’s actually pretty close. Those differences are only about 2 percent. But what we find is that some donors give more than they can legally deduct – that is, you can only deduct 50 percent of your adjusted gross income (AGI) in any given year. You can carry any additional donations forward five years and you can only deduct 30 percent of your AGI to a family foundation in any given year. Again, carried forward for up to five years, but it is important to note that those types of things create a difference between the sources and the uses so that the source side is reporting this in their tax return, but they’re only reporting a part of it because they can’t deduct all of it, whereas the charities are getting all of it in any given year.

Similarly, Sen. Grassley has tried to cut down on this, but if I donate my classic Porsche I might value that at more than the nonprofit organization values that at. And so that’s another possible reason for unallocated giving. Where did the funding go? I think it’s important to note that – and Wendy (McGrady) mentioned this a little bit too – that some of the sectors that saw decreases were organizations like education, arts and culture and so on; some of the larger organized philanthropy. I work for a university so I’m not going to say that giving to education is not important during recessions. But I think that many donors made decisions that on the margin, it was more important to give those who were hungry, those who were homeless, those who have been afflicted by disasters – to give additional dollars to those individuals and their families rather than giving additional dollars on the margin to organizations that are in higher education, arts and culture.

Again, we have to be careful because there is a core level of philanthropy that is going to arts, culture and education throughout the business cycle. We don’t want to minimize that or diminish that in any way. But at the same time, I think people are making some decisions on the margin about where to invest those dollars.

Normally we don’t tout other people’s research. And so in an ecumenical moment – (laughter) – I’m going to – yeah, I grew up Catholic and still am, so here we go. We have GuideStar here and GuideStar does a survey or does a poll of charitable organizations. It is self-reported. One of the things that you see is that the brown band on the top is the percentage of charities that reported a decrease in their charitable receipts that year and on the bottom is the green band that said it had increased. The yellow in between says it stayed about the same. And every year, some say it goes up. And every year, some say that it goes down. And some also say that it stayed the same. Guess what, that’s reality. It’s messy. It’s ugly. It’s hard to predict.

But things that we can note that are different is that during recessionary years – 2001, 2002 and 2008, 2009 – the percentage who reported increases were smaller than the percentage reported increases during growth years. Conversely, those who were consistently reporting decreases had a higher percentage reporting decreases in recessionary years and lower percentage reporting decreases in nonrecessionary years. This is casual empiricism suggestive of the fact that people are not giving because of changes in the economy, but the amounts that they’re giving do vary with changes in the business cycle. People are not saying, ‘I’m going to stop giving altogether.’ Typically they’re adjusting how much they give as we move through the business cycle.
One of the things we’ve seen from looking at the data historically and using the Giving USA data is that typically during the recovery philanthropy recovers and returns to what it was before the recession began. However, it takes three, four and even five years to recover to where we were before the recession began. So this is not to be doom and gloom – and I share Wendy’s (McGrady) optimism and Stacy’s (Palmer) optimism for this year and next – but I think we also have to be realistic that when there is a reduction in philanthropy, there is pain and suffering in the nonprofit sector. And more importantly, there is pain and suffering for the different constituencies the nonprofit sector serves. Most of those cuts happen in staffing cuts and that means that there are fewer people to help feed the hungry, house the homeless and so on. I think that we want to be realistic about this. We think the recovery will happen and we think that the recovery in philanthropy will parallel the recovery in overall economic forces, but it may take a little while – three to five years.

All right – adjusted for inflation. This is a little interesting, I think, to look at what are the rates of change over the past year and then the prior two years and the cumulative effects. Total giving in inflation-adjusted dollars last year fell 3.2 percent. The year before fell 2.4 percent. The cumulative effect: 5.5 percent. Now, one of the things the year before – and we’re going to see when we see the bequest data – is that we had estimated that bequest giving had declined slightly. There were two large charitable bequests that came online late in the year that we didn’t know. And this is one of the things that is difficult about estimating bequest giving is we know that every year there are a lot of people who die and who leave small charitable bequests, right? And that goes on.

But whether or not we see an increase or a decrease in charitable bequest giving is largely driven by a few hundred of the wealthiest individuals who die that year and whether or not they’re philanthropic, how philanthropic they are and how long it takes for their bequests to go through probate. Last year there was a very wealthy estate – and when you look at the estate-level data – there was a very wealthy estate in New York and you might guess who that might be. And that popped the numbers for 2007 to 2008, which then meant 2008 was an artificial high and we returned to that – to kind of a normal range in 2009. We see this in bequest giving.

From 2007 to 2008 you see a 30 percent increase. There was also a large estate that went through probate in Arkansas. We don’t know precisely who these people were, but we can maybe do the math magic on this and make some guesses. But then this last year, we see a decline of almost 24 percent in inflation-adjusted dollars in bequest giving. So this bequest giving was volatile and it’s largely driven by these two estates. It’s just kind of crazy but that’s the reality of trying to do this work.

All right. Where did the money go? Again, religious giving, if you think about it, giving to religion is kind of like the tortoise in the tortoise and the hare. And it generally does not decline much if at all during recessions. But at the same time, it tends not to grow very rapidly during the growth-recovery phase. So you’ve got to keep that in mind. Heuristically that makes sense to me. If you think that you ought to tithe in any period because of your religious values, then you’re going to continue tithing during recessions. Now how much you have to tithe from will go up and go down with your earned income and so you see a little bit of that going on.

Education went down, as did public society benefits and giving to the arts. These are large institutions, for the most part, who actually get a large share of total philanthropy. They have well-organized fundraising and development offices. However I think people were making some decisions on the margin to give to human services, health and international affairs, which includes international relief organizations.

I want to stress the fact that our estimate is that when adjusted for inflation, household giving did not change, but that was very much affected by these five gifts of $100 million or more. If you absent that out of the equation, then household giving would have dropped by about 1 percent as well.
This slide is not normally in the PowerPoint deck for Giving USA, but I think that this is illustrative because it shows – the Giving USA initial estimate is the light blue bar; the black bar in this histogram is the IRS maximum amount that was allowed to be deducted, okay, for that year. So this gives us a comparison of what the IRS said was allowable and our initial estimate. Then the gray bar to the right of the black bar is the total non-cash and cash giving, which includes amounts that had to be carried forward – because to the extent that that gray bar exceeds the black bar, that’s the amount that was carried forward each year.

A couple things to point out about this. One is that in almost every year, Giving USA slightly underestimated the IRS actual totals. We use fairly conservative methods; we’d rather be a little conservative than expressing exuberant expectations on this. But I also want to say that in almost every year, we’re within 2 percent of where the IRS comes in at after the fact. In 2002, we overestimated a little bit. I think this was a little bit of a 9/11 effect. We tried to estimate based on what charities were reporting they were getting for 9/11 gifts. We add that on to the total and we overshot that a little bit.

I want to point out that 2005 was the one year that we were off a little bit more than normal – and we were still not off that much – but that was because we did not try to make any estimation for the KETRA provision that year of the IRA rollover. That was intentional because there was no history for doing that. It turns out that turned out to be pretty substantial. So we underestimated giving that year more substantially than we did in other years.

I love this graph. I have paid three different econ doctoral students over three different summers a lot of money by their standards – not very much by yours, I’m sure – to try to figure this out, try to develop a forecasting model. This is tough work because at the end of the day it’s driven by changes of a few hundred households; when they die, whether or not they’re philanthropic or not. What we see is that there is a core level of charitable bequest-giving that goes on. The secular path for that is upwards overall as society has become wealthier and more money is being left for charities in charitable bequests. However at the same time, these spikes are hard to predict and that makes our job a little bit tough.

Total giving as a percentage of GDP: So here’s the good news. Last year, in spite of the recession, giving remained above 2 percent as a percentage of GDP. This is the 10th year in a row that GDP has been at 2 percent or higher. That’s wonderful; something to be celebrated. But I think one of the problem areas for the nonprofit sector is, you look at this for the last 40 years – and we could extend it back for 50 years and it’s the same thing – philanthropy as a percentage of GDP – you put this on a bar chart up to 100 – that’s a straight line, right? We’ve not moved the dial at all.

I’ll use Business Week-speak for a moment – what’s the value-added proposition nonprofits need to offer to society to move that from 2 percent to 3 percent, much less 5 percent or the biblical tithe of 10 percent? Pardon the colloquialism, but we ain’t close. So I think it’s an interesting question. I don’t have the answer; I wish I did. But I think that this is something for us to think about, discuss and debate.

Household giving as a percentage of personal income and disposable income – by disposable income I mean after-tax income. This is not after you buy your car, buy your house and things like that. Those are personal choices and I don’t care how you spend your money. But I recognize that you can’t give money that you don’t have because you paid it in taxes. So we’re looking at after-tax income - 2.1 percent. A good result given the recession.

At the same time, we know from our survey research of households that about one-third of households don’t give in any given year and about two-thirds do give. That means if you add in the zeroes from the one-thirds – or you take out the zeroes from the one-third who don’t give at all, then those households who are giving at all are giving about 3 percent of their income. But then a third of the households are not giving anything and that’s where you get the 2 percent.
One of the things that we’ve done is research what drives changes in household giving, changes in corporate giving and so on. One of the things that we found, that was a little surprising, was that changes in the S&P 500 is the single biggest predictor of changes in household giving. It is also the single biggest predictor of changes in foundation grant-making because foundations are required by law to pay out 5 percent of their asset base and many of them have diversified portfolios in the stock market.

When you look at this individual giving, the lighter line, versus the stock market, the S&P 500, the orange, bolder line, what you see is the S&P 500 and individual giving move in the same general direction. Stock market goes up, giving goes up with a little bit of a lag, but it doesn’t go up as rapidly. Conversely, when the stock market goes down, individual giving also goes down but again, with a little bit of a lag and not as dramatically. This is probably a good thing. If charities’ income revenue budgets from philanthropy exactly paralleled the S&P 500, think of the volatility we’d have to deal with. We’d have to have all sorts of temporary workers and contingent plans and so I think it would be pretty difficult to plan and budget. But at the same time, I think this is very illustrative to show that in our society, when we add wealth, we tend to give more to charities.

Corporate giving as a percentage of pretax corporate profits: 40-year average, 0.9 percent. We’re just slightly above that at 1 percent this year. There was this artificial spike in 1986 because corporations and high-net worth households pre-gave in ’86 in anticipation of the reduction in tax rates in ’87 as part of the tax simplification act. And so you had an artificial spike in ’86 and a decline from that in ’87. But we’re chugging along at 1 percent. Is that enough? Is that too much? Those are normative questions and I’m going to report what is right now and we can discuss what ought to be perhaps during the Q&A.

The Corporation for National and Community Service has engaged BLS and CPS to do surveys of households’ volunteerism for the last several years and because volunteerism is part of philanthropy and we think it’s an important part of philanthropy, we’ve added in a little bit of information about that. What’s fascinating to me is only about 26 percent of households – about one-fourth of households volunteer at all. You have two-thirds of households donating, so you have a much higher rate of civic engagement through philanthropy in the giving form than you do the volunteering form.

The number of charities – again, keep in mind that this does not include an estimated 350,000 religious organizations that are not required by the IRS to file IRS 990s, informational tax returns – but you see a fairly steady growth in the number of charities. Kirsten Gronberg on our faculty has estimated in Indiana, though, that this number is probably wrong by about a third – underestimating by about a third the number of organizations, the kitchen table charities that are not reporting – most of them small, but are large enough they exceed $5,000 a year in total revenue that they should be reporting. At least this is what she has found in Indiana and in Illinois. We think that this is probably common nationwide.

Whether or not this is too many nonprofits or too few, I think is a fascinating conversation for discussion and debate and maybe during the Q&A or one of our other panelists may address that so I’m not going to touch that right now. But you see a growth in the number of nonprofits. I will point out that the amount of growth in the number of charities pretty much parallels the growth in the amount of total giving over the last several decades. So what you see is Americans are saying, ‘I’m pretty comfortable with specialization and division of labor and that diversity of the nonprofit sector is an okay thing. I’m going to give to support specialized cancer research centers as opposed to just cancer research overall. And I’m going to support a local food bank as well as a national one and so on.’ So I think that that’s part of what’s going on.

Well, that ends my presentation for now and I’ll turn it over to Tom.

TOM POLLAK: Well, thank you. Let me begin by talking about what the Giving USA report tells us about the present. All in all, I concur with the other panelists that this is good news for the sector. We survived the heart of the recession. The sector battened down its hatches, cut spending and survived the gale. Preliminary data
from my organization, the National Center for Charitable Statistics, paints a similar picture. Overall, and excluding congregations, private contributions account for approximately 14 percent of the sector’s total revenue. When we exclude hospitals and higher education, they account for approximately 25 percent.

However, these percentages vary substantially by subsector. In the arts, environment and international development subsectors, private contributions represent between 40 and 70 percent of the revenues of the average organization. For the typical large human service or health-care organization, private contributions may well account for less than 10 percent of their total income. Thus, to fully understand the impact of the recession, one needs to look not just at private contributions, vital as they are, but also at the bottom line. One needs also to look at total revenue and revenue in relationship to expenses.

We don’t yet have a full picture of the expenses of nonprofit organizations in 2009, but we do have some preliminary data on their revenues. What we see is from the one-third of organizations that have filed 2009 returns to date is that revenues declined more or less at the same level that one sees for private contributions. We found that in current dollars, total revenue declined overall for the sector about 5 percent. Arts and culture and education took the worst hits of the major subsectors but overall, the picture was not nearly as bad as many of these smaller-scale surveys would indicate. However, this fails to capture the extent to which the recession’s impact was felt differently by different organizations. Only about 45 percent of the organizations in our study showed declines of 5 percent or more in revenue, while a surprisingly large 33 percent actually showed increases of at least an equal amount. Assuming that the typical organization was reasonably well-managed and able to cut its expenses in line with its revenues, it seems safe to assume that the overwhelming percentage of organizations survived the year.

Now for the future and what I think is the bad news. The sector survived the gale but many organizations appear on course to sail into a hurricane. Government remains a key source of funding for the sector. With the current level of pressure on state, local and federal budgets, human service organizations in particular and weaker organizations in other subsectors that have depended on government funding will face enormous pressures to substitute private contributions for declining government funding. Seen from one perspective, the relative stability of private contributions over 40 years is highly encouraging. But juxtapose these numbers with the increased need for our nation to work together to solve major public problems in education, the environment, health care, international development, the threat of nuclear terrorism and growing violence and disorder along our southern border. Add to the mix the public’s lack of confidence in government and the limits of government resources. Taking all this into account, a very different picture emerges. Our nation is in dire need of solutions. Neither business nor government seems to have the wherewithal. One of the best ways to restore confidence in our public world, in our democracy is to give people the experience of working together for the public good at a local level, slow and difficult as it often is. As de Tocqueville understood, this is the role best filled by the nonprofit sector. But clearly, the sector needs more resources. I don’t believe we’re going to get there by focusing more on acting like businesses and generating new sources of earned income, popular as that approach is in the sector. Instead, private contributions need to fill this gap. Every year, the IRS publishes data on individual tax returns for each state. Every year the average contributions for individuals who itemize their returns is in the two to 3 percent range nationwide.

Yet one state consistently stands out when we look at the numbers at the state level. That’s Utah. Mormons are accustomed to tithing, to giving 10 percent of their income to their church. From my perspective, it seems like it ought to be possible to create a new civic religion; one built on a nonprofit sector that works close to the ground, that demonstrates results, that collaborates aggressively for the public good and that shows the sort of public-service-oriented commitment to the greater good that has long been the defining characteristic of the sector.
When one looks at surveys of public confidence in the sector, the statistics are good but not great. My sense is that if the sector could work more diligently to create a public service ethos, then we could begin to generate new levels of volunteering and we could begin to turn those volunteers into new contributors and to truly double the level of contributions over the next five to 10 years. Thank you. (Applause.)

RUTH MCCAMBRIDGE: Hi. I’m always trying to figure out what it is that Bill (Schambra) has asked me here to do. (Laughter.) Today when he said that I’m going last, I figured I knew. So what I’m going to talk to you about today is my sense of – there is a British saying of, what is that when it’s at home? When in a very complicated way described what’s going on, you have to know what it is when it hits the ground before you really know what it is. So I think actually we’ve gotten a very nuanced view. Patrick (Rooney) did a fabulous job of describing what it is that – what was behind the numbers in the study. I want to talk about what this actually means for nonprofits.

As Tom (Pollack) pointed out, individual contributions are a small part of the nonprofit economy. A small but extremely important part of the nonprofit economy. We also have a federal budget and state and local budgets. There are individual fees. These are also extremely important parts of the economy and these have also been affected by the economy in a very serious way.

The Nonprofit Quarterly really prides itself on having ongoing conversations with its readers. Most of its readership is executive directors of small- to mid-size organizations across the country. So what we try to do is track what it is that people are experiencing on the ground. Here’s the picture that I see. I think it’s reflected in the numbers to some extent, which is that there are large parts of the country who are getting it, who are experiencing the recession in a way that’s much more serious than other parts of the country. So part of the way people experience the recession is geographically driven. Part of it, as we can see from the Giving USA numbers, is field-driven. If you happen to be in a field that isn’t in particular favor on everybody’s radar screen during a moment of recession and your state and your locality is suffering from a lack of tax income, what you’re going to find is that that particular segment of the nonprofit sector is going to go wanting.

So I’m going to talk to you about one particular segment, which I think is extremely important and just to give you an example of what I mean. In some areas of the country late last year, what we found as we were tracking was that there were a lot of child-care agencies that were in very serious trouble. They obviously weren’t in serious trouble primarily because of individual contributions; they were in serious trouble because of a combination of individual fees and government supplements to those individual fees. There were many nonprofit child-care organizations that went under late last year because of this. That is such critical infrastructure for community, and yet, we saw in many states, huge numbers of child-care organizations going under. So as we look at the giving and think that it’s not that bad; what we have to realize is that some of what we’re losing is infrastructure that is going to cost us a lot to rebuild and that truly matters to communities. As the jobs begin to reappear, where are the child-care structures for those jobs?

In states where the revenue base is in really serious trouble that also have lost a large number of the corporations that pay into that revenue base – there’s a kind of cascade effect that, you know, the United Way money goes down, individual giving goes down because of joblessness, and it just kind of cascades. So these multiple areas – when people don’t have jobs, they don’t pay the fees for the arts organizations or the child-care organizations. There’s a cascade effect that happens to some organizations where, literally, every single source is affected. In some cases, those organizations just simply gave up the ghost.

We can look out and see that there are organizations that have actually increased their revenues over this year. But some of this is so sensitive to the geographic and the field placement of those organizations, and I think it’s important that we understand that we are losing valuable community infrastructure. To some extent, there’s been a little bit of a shell game, as well. Part of what I think people are experiencing is extraordinary fits and starts in their revenue. At the beginning of this year, it was really anybody’s guess; at the beginning of last year, it was anybody’s guess. When there are a lot of different revenue streams affected by the recession,
there’s a level of anxiety in organizations that may lead to people painting a more disastrous picture than what they actually have.

For a lot of organizations, we do have a fairly disastrous picture. When we look closer at the numbers we see that some of the private contributions have gone into foundations, where they’re sitting and they’re not getting out into communities. We look at the corporate contributions and see that a lot of that was in-kind donations in a few particular categories, or otherwise you would have seen a real reduction in those areas. We understand that these numbers are a little bit obfuscating. They don’t show you the real picture unless you get right down into them.

It is also important to note that not only do we have these decreases of more than 10 percent in whole categories of organizations over the past two years, but that those decreases actually were much worse in some areas of the country than they were in others. So we have organizations that had to close their doors because they literally you could not keep their budgets going any longer. This means that these portions of the nonprofit sector have literally disappeared. In human services and in the arts – I hear it every day. Then you hear the creative strategies, the entrepreneurial strategies that people are putting to work to try to keep life and limb together in those organizations and you’re convinced that we will come out of this; we’re resilient.

But it does lead me to feel like there are some things that are not being attended to here. One of them is the philanthropically underserved areas. Particularly where philanthropically underserved areas are combined with states that have bad economies, you’ve got a very serious situation. I do not see philanthropy really addressing this, at this point. I think that it absolutely needs to address it because we’re just going to make things worse if we do not address the fact that some of the losses may be being felt much worse in areas that were already underserved philanthropically.

I do want to say one thing, which has been interesting to me to watch. We have an article in this issue of the magazine by Clara Miller called “The Four Horsemen of the Nonprofit Financial Apocalypse.” (Chuckles.) And it talks about that, for a lot of organizations, their level of fixed costs and restricted money were so high that being able to respond to this recession was extraordinarily difficult for them. There is also a piece in there about giving unrestricted money during fairly unpredictable periods of time. We don’t know what’s going to happen from one month to the next and giving unrestricted money actually allows the organization to put its best judgment to how it’s going to handle the bit of money that it has for the best interests of its community.

Another interesting thing that she said in there is that – and this has been true in my experience – that the recession has not just hit small organizations. In fact, a lot of small organizations have been fairly agile during this period. They still have numbers of volunteers and they don’t have high fixed costs. So a lot of the organizations that have been hit the hardest are the mid/large-size organizations that had high building costs, high debt, had tried to be somewhat entrepreneurial and gotten themselves in a bind, and actually got caught, maybe, mid-campaign with a big, key contribution going south, and then just getting stuck.

One organization like that that I’ve talked to over the last 18 months is an organization in Chicago that’s a big senior-services organization. They got caught right in the middle of developing an assisted-living facility and it just absolutely ground to a halt. So they’ve been paying the freight on this half-developed project, waiting and hoping that the recession is going to wane a bit so that they can begin to bring the investment money in again.

So I guess what I’m saying is that there are some sectors that have been hit much worse than others. Some areas of the country, particularly rural areas, philanthropically underserved areas that have been hit much worse than the rest of the country. We need to be paying attention to a couple of different areas in the very immediate future. One of them – and I just have to really emphasize this – is, there is this cliff for a lot of state budgets at this point at the end of stimulus money, and there’s a question in the Senate right now about whether or not they’re going to authorize the extension of expanded Medicaid payments. That is a huge issue right now for the sector. There is somewhere in the area of $89 billion of a gap across the state budgets, at this point – cumulative
We have to keep an eye on that mix and what’s actually happening out in the field because these kinds of discussions are great but the fact of the matter is, if there’s been a lot of contributions and it’s parked in foundations that don’t intend to give it out at a level of more than 5 percent, year by year, that doesn’t provide very much solace for us right now, for grassroots organizations across the country. I think foundations need to be paying out at a much higher rate than 5 percent, particularly now. I think that the rationale for it is right there in our face. I think we need to pay attention to those underserved areas and that we need to be more trusting that grassroots organizations know how to spend their money and stop restricting money into program-specific chunks because that is going to serve nobody’s purpose right now. Thank you. (Applause.)

STACY PALMER: Thank you very much, all of you. Those were excellent presentations and I can see people already have questions, so I’d like to go to those right away.

Q: I wanted to ask Ms. McCambridge at what rate do you think foundations can give sustainably?

MS. MCCAMBRIDGE: Oh, I would love to hand that over to Pablo. (Laughter.) I think I’ll just let Pablo answer that question.

PABLO EISENBERG: Well, I think the NCRP – that is, National Committee for Responsive Philanthropy’s position is a reasonable one, and that is 6 percent, all in grants. And if you think about how much money that would provide the nonprofit sector – additional money – we’re talking in the region of $10 billion new dollars. The Obama administration, unfortunately, doesn’t understand that and so they’re putting around with tiny, social innovation funds and hoping that they can persuade philanthropy and foundations, in particular, to give more money. That’s how they could do it: Take the bully pulpit, push the Congress to pass 6 percent in grants measures. That would do an enormous amount of good, not only for grassroots, but for arts organizations, for universities, all sorts of organizations.

TOM POLLACK: Could I make a comment on that, too? I think rather than saying 6 percent across the board, I think one of the things that would be more helpful to society is to say that in bad times, you have a higher payout rate. So foundation grant-making becomes a countercyclical tool, so that in bad times, maybe it’s 7 or 8 percent and then in good times, maybe it’s 3 or 4 percent to offset that. Because 3 or 4 percent in good times would throw off a reasonable amount of cash, but 7 or 8 percent in bad times would throw off cash when society needs it most, not only as a countercyclical tool for the overall economy, but to feed the hungry and house the homeless at a time when there is more of those people who have more of those needs. We could then argue whether that averages out to five or 6 percent. I actually think that’s a valid argument, but I think that using foundation grant-making as a countercyclical tool is an area that hasn’t really gotten enough attention.

STACY PALMER: Who’s next?

Q: I’m Bill Huddleston. I do consulting about the Combined Federal Campaign. Ruth (McCambride), it’s nice to meet you face to face. (Laughter.) We’ve had many e-mails, and I know most of you on the panel. Two things, one going to Tom (Pollack). Your point of whether it’s a civic religion or not, I think one of the things that this sector needs to do a much better job of is agreeing on something and making it more visible. So my personal submission for that is literacy because it doesn’t matter if you’re conservative or liberal or anywhere in between. If you have somebody that was, for example, sent to prison 10 years ago for smoking a joint, they’re about to be released. And I think as a sector, if we say literacy is something that everyone should be involved in – doesn’t matter if you read books for the blind, doesn’t matter if you work with kids or you work with adults that don’t – as a social good, it’s better to be able to have them read, than not.
So that’s one, and Stacy (Palmer), maybe we can put an open thread or a discussion on the website. As many of you know, I do consulting about the combined Federal Campaign. Just to let everyone know – I just got these results 48 hours ago – the 2009 results for the CFC were, overall, a 2.4 percent increase - $282 million. I organized it by state and I’ve got copies for the panelists. It’s the world’s largest supply of unrestricted money.

STACY PALMER: Great. Back there?

Q: My name is Ray Foote. I’m with the National Parks Conservation Association. What does the report have to say specifically in the area of individuals about things like median gift size and percentage of households giving? So moving away from gross dollars and averages, but more to major gifts, more smaller gifts – what, if anything, are you seeing in that?

PATRICK ROONEY: That’s really not the domain of GivingUSA because we use IRS tax data to forecast household giving and corporate giving. The Center on Philanthropy does research on household giving as a separate part of our work, and we have a panel study where we follow the same 8,000 households, survey them every other year, with the University of Michigan’s panel study of income dynamics about their giving and volunteering behaviors. On average, 65 to 70 percent of households donate in a typical year. The most recent year for which we have data, the average household gift, among those who gave anything, was about $2300. So that’s pretty consistent.

One of the things that’s interesting, though, is over a three-year period, where you survey the same households – and you can only do this with a panel study – one-third of households don’t donate each year, but 15 percent, across six years, never give a nickel. So these are hardcore non-donors. You can send all the mailings you want; you can call them a lot of times, and you’re just wasting your money. Fifty-six percent gave every year, and 29 percent moved in and out of the donative market. And so one of the things that we see is as education increase, of these households, they’re more likely to be persistent donors; as income increases, they’re more likely to be persistent donors; as wealth increases, as employment status – so things that kind of intuitively make sense. Those who are wealthier give three times as much as those who earn less than $100,000 a year – again, not a big surprise, but these are kind of a correlates. A lot of the work that we do is we’re testing folklore and myth, and a lot of times, there’s truth to some of the folklore and myth, but sometimes, we find some surprises as well.

STACY PALMER: I will say anecdotally, all of the charities that we’ve talked to, when we asked them for their giving figures, they’re all saying that median gift size is dropping. I don’t think I’ve heard too many that say it’s increasing. So it does seem, at least anecdotally, that it’s dropping.

Q: Before the recession started there was a lot of interest in philanthropy, and I think that that interest was growing fairly exponentially – newspaper articles, sections of magazines on giving, and what have you. Not only was there more coverage on philanthropy, but there was also new money that people had and were making. So when donors come back, what do you think that they’ll be interested in? Do you think that they’ll have more interest in social services or international aid? Do you think it will all go back to going to higher education? I just wonder if you think that the nonprofits will be prepared when the donors come back, that they’ll be able to deal with the donors, their increased interest in knowing how their money was spent, et cetera, et cetera?

PATRICK ROONEY: If anybody does not want to deal with a donor, send that donor to me. (Laughter.)

RUTH MCCAMBRIDGE: I don’t imagine that the nonprofits will not be prepared when the donors come back, but I actually think the donors are absolutely everywhere around us. If we imagine, for a minute, that the donors are not everywhere around us, then we lose traction. Here’s what I’ve been noticing, is that local foundations have gotten much more excruciatingly local. What they’re dealing with is what’s happening in the community around them. I was just talking yesterday to somebody who runs a small foundation in Humboldt County, California, which is way rural and somewhat isolated. They are kind of on their own up there. It’s not
like a lot of people are coming in, looking to invest in the county. So what they’ve had to do is really watch what elements of the safety net system are hurting and need help at that moment. They’ve gotten very, very local.

I think that some of the national philanthropists, on the other hand, have taken off on special initiatives and have tied up large amounts of money on special initiatives. I don’t honestly know where that’s going to go. I think if history is any tutor, a number of those special initiatives are going to fail miserably and there’s going to be tens of millions of dollars gone out the window. We are almost looking at two different realms of philanthropy, one of which is looking at the dynamics of what’s going on in communities and really trying to be a part of that, and another which is making up strategies – and they may be well-informed strategies, but they’re making up the strategies, and then selling those strategies to communities and to the Obama administration.

STACY PALMER: Wendy (McGrady) is on the ground working with fundraisers probably more than any of us on this panel, so do you want to add some perspective on that?

WENDY MCGRADY: I think donors all have their own personal interest in terms of sectors. In terms of your question of what they’re looking for, I think particularly those high-net-worth individuals that are still giving – maybe they’re giving less; maybe they’re giving to fewer organizations – pooling their gifts and giving larger gifts to fewer organizations. I think they’re looking for impact like never before, and I think they’re looking at organizations in terms of investments, like they never had before. I mean, we’re coming off a time where people were holding their money close to their chest. Now they’re giving a little bit more and they’re looking at it as an investment, and they want to know what you’re going to provide in terms of return on that investment.

So when we think about those high-net-worth individuals, those folks – not the national philanthropists that Ruth was speaking about, but those high-net-worth individuals that are in all of our communities that can make a big difference in a lot of organizations, how do you position yourselves to be their philanthropic priority? And that’s a good conversation to have with those folks.

STACY PALMER: Tom (Pollack), did you also want to answer that question, and Patrick (Rooney).

TOM POLLACK: I hesitate to prognosticate, but from my perspective the real opportunity, as Ruth said, is at the local level. Even more than local level, at the community and neighborhood level. I think you really do have this dramatic loss of confidence in the ability of government to solve problems. There is a real opportunity for the nonprofit sector to fill in some of this gap by stepping into the role of assisting school systems develop their own Harlem Children’s Zone sorts of models and developing the community clinics that can fill the gaps that are not going to be filled by our new health reform legislation. That’s where the opportunity is.

PATRICK ROONEY: Since I gave you a glib answer, I want to give you a sincere answer, too. (Laughter.) One of the things in talking to some of our donors and to donors nationally is, several people have said, ‘Look my portfolio is way down right now. I’m not taking on any new initiatives.’ And in fact some donors have said, ‘I’m reallocating all of my giving to feed the hungry and house the homeless. So The Center on Philanthropy, don’t expect anything from me right now.’ And I suspect other arts, cultural and educational institutions are getting some of that, in return. How that plays out in the future will be a function of the donor’s interest and how the other charities – the homeless shelters, the food banks, and so on; how they steward the gifts from those donors and how they engage those donors, but also perceptions of need.

One of the things colleges and universities have is grateful alumni. And when you look at – we report gifts of a million dollars or more on our website every quarter, and one of the things we see is, higher education gets 45 to 55 percent of those gifts all the time. The local food bank is probably not going to get the gifts of a million or $5 million or $100 million, typically. But there may be an evolution, so that if you have an opportunity to engage that donor and do a good job with that, they may reallocate their priorities – but hard to tell.

Q: I am Julianne Escobar. I'm with Georgetown University. And this is for Ms. McCambridge. You pointed out the influence that geography has on the index of success of the donations. What do you think would be a good way to incorporate the more underserved sectors of the country?

RUTH MCAMBRIDGE: I think it would be great if the Council on Foundations really took that seriously over the next few years and really tried to direct money in the direction of rural philanthropy and areas that are underserved. I think there's been a lot of lip service to it that has not effectively funneled large amounts of money in that direction.

And I think we have to start taking the issue of equity seriously in the philanthropic world. I mean, presumably, we understand we're a whole nation and that we care about the nation as a whole nation. Honestly, I think that it's the job of the Council on Foundations to really push that conversation forward in a way that has results and impact.

STACY PALMER: Who’s next?

Q: Hi, thank you. I’m Gail Franck with the Case Foundation. I’m curious to know if you have any thoughts on the sort of hybrid area in the sector of philanthropy and marketing, with Pepsi Refresh or Target’s 5 percent and the interaction that it has with social media for social good. Also if you see that reflected in giving figures?

STACY PALMER: Who wants to take that one?

PATRICK ROONEY: I think that this is an interesting phenomenon. I think that charities need to be careful about doing this because in fact, you're co-branding. And the part that makes it attractive to the corporate sponsors is the perception that it creates that the corporations are doing good, in collaboration or in partnership with the charity. And sometimes, I think that those are good, authentic, legitimate things.

Other times, though, the deal is struck in a way that very little dollars are transmitted from the point of sale to recipient organizations. So I’m in favor of full disclosure. There should be disclosure when some of these proceeds are given to charity. Well, what does some mean? Is that 1 percent; is it 5 percent; is it one-tenth of 1 percent? And I think that very rarely do the corporations and the charities reveal that, and I think we need to move in that direction.

WENDY MCGRADY: It's also creating a whole lot of energy -if you sit around a board table, many of our clients, their first conversations about fundraising will be about which foundations they should approach and how should they go after corporations in the best ways. When you look at the overall picture, you’re creating a whole lot of energy to go after these prizes, that in the end – corporate giving is 4 percent of that total pie. If you go back to that pie chart, 89 percent of the giving in this country is coming from individuals. So I think those boards around those tables that are spending the energy on getting that one corporate prize, if they were putting that same energy into approaching and cultivating those individual gifts, might see a greater return.

RUTH MCCAMBRIDGE: And I want to pile on to what Patrick (Rooney) said, which is that we have been tracking a lot of stories on our newswire that there relationships are going awry. PBS Sesame Street just dumped McDonalds. An aquarium in Florida just had a hard time explaining that BP was sponsoring its sea otter exhibit. (Laughter.) There’s a significant downside if things go wrong. Right now what I’ve noticed is that a lot of this is focused around the issue of obesity. You have so many of these fast-food companies that are sponsoring charities. You may have a case like Sesame Street where the charity wants the best for children. Does it really want Ronald McDonald as a major spokesperson? So I think that in some cases, it may be a little bit of a deal with the devil.

STACY PALMER: Pablo’s ready to talk about a deal with the devil, I can tell by his face.
PABLO EISENBERG: Pablo Eisenberg from Georgetown Public Policy Institute. I’d like to get to Ruth’s (McCambridge) very important point, namely, that sub-sectors are not reflected accurately in the statistics. It’s not so optimistic a picture when you think about poor people, people of color, disabled, women and children at risk because we know that a huge number of grassroots organizations, youth summer programs, hunger organizations, homeless organizations and neighborhood groups have suffered vast losses. Those are not really reflected in GivingUSA’s statistics.

So my question is, is it possible for both GivingUSA and the Center for Charitable Statistics to begin to develop indicators that will more accurately reflect these sub-sectors? It’s very tough to define. The research will be difficult. But surely, there’s a better way to get a fuller picture of what’s going on philanthropically than just the broad categories that exist. There should be some ways to measure low-income organizations. Is there anything underway in either of your two organizations to develop indicators that would more accurately reflect what’s going on?

PATRICK ROONEY: Well in terms of GivingUSA, I’m going to disagree that the numbers are inaccurate. However I’m going to say that what’s captured, though, is the aggregate numbers. It is by sub-sector, and so we are very careful to say we are not explaining or predicting what happens in your organization. We’re explaining and predicting what’s happening overall.

I fully agree that there’s a lot of heterogeneity in the nonprofit sector, and that’s a good thing. There are winners and losers, and that’s life. There are equity issues, and I agree, Pablo, that that’s something that needs to be addressed. The problem with doing this in GivingUSA, though, is that the IRS data don’t reflect donations to specific organizations; they reflect aggregate donations. So it would be hard to use the IRS data that we use for GivingUSA to do that. It’s something that NCCS might tackle, and Tom, I don’t know if you want to –

TOM POLLACK: Currently we have a lot of this data on our website. We’ve spent a good amount of time exploring how to do a report like you describe. I think we can do something like that, but there are a lot of challenges, particularly when you look at the difference between a community theater that is in an affluent neighborhood and one that is in an underserved neighborhood, and thinking through what that means in terms of how you want to be thinking about the role it plays in the community. I expect we will do something along these lines in the next year.

RUTH MCCAMBRIDGE: I want to say something about the fact that the more you look at it, the more complicated the endeavor of trying to figure out who’s getting what becomes. I’ve been watching what’s been happening with community health centers really carefully, and it’s been this very weird picture because there was a huge amount of investment that went into them in terms of stimulus money, but the whole middle of the country was excluded in one round of that. And a good part of that money was actually organized around not just increased need, but facilities development, in anticipation of health reform passing, and in electronic records development. So you really have to carefully track what it is. And then even in the states that did get additional stimulus money, like in California, California immediately withdrew its money from the health centers.

So there was this kind of shell game going on and that’s what I mean when I’m talking about fits and starts. It’s like the Wild West in some communities of nonprofits. So I think it is difficult to track, but I do think you have to dig down to really understand what’s at risk because I think there are whole fields that are at serious risk right now, and we’re not doing a very good job, across the country, of naming who they are.

Q: Thank you. Hi, I’m Patricia Pasqual, Foundation Center here in Washington. When you talked about why individual giving didn’t go down as much as we all feared in 2009, do you think that social media was part of the reason, keeping the issues in front of people – not so much that people gave through it, but did you look at
the effect on individuals because we all saw it everywhere? It seemed to really blossom, from the people coming into our libraries, who were using it more in order to get the word out about their dire straits. So I was wondering if anybody looked at that.

PATRICK ROONEY: Yes, we have done studies on the disaster giving that followed the attack on America, following Katrina, following the tsunami and following Haiti and Chile. In each of the prior cases, except for Haiti, we’ve participated with other partners to do surveys of households about how much they gave and the average gift. One of the things that found is that those that give something at all to each disaster give an average gift $125 to $135 per household. The median is $50. So what you see is a kind of a stimulus from this disaster – there’s a kind of empathetic response, and people are giving relatively small amounts. I mean, $50 is the median gift. Let’s face it: You can blow $50 going out for pizza. I don’t think people are reallocating their philanthropy around the disaster-relief giving.

The thing that is interesting and that we have not studied and haven’t gotten funding to, but I would like to, is the giving following Haiti and the role of these texting gifts because a lot of the phone companies have set up gifts of $5 or $10 or $20. My hypothesis going into that is actually that the texting type of giving is going to lower the average gift from what is has been historically because – now, it may expand participation, which is wonderful, but that’s not creating a relationship with those donors, right? Because the charities are getting gifts from the phone companies from the text messages from their clients. They’re not creating a donative pool for future fundraising efforts. Although I’m not advocating against it, I think empirically, it’s going to lower the average.

RUTH MCCAMBRIDGE: One of the things that has happened with that kind of giving is that there are increasing numbers of scams that are occurring. The FBI says that it’s becoming increasingly difficult to track down who’s running those scams because of the more and more mobile nature of technology. So you wonder, at what point are people going to get too scared? What I hear is that you should know who it is you’re giving to first, which would make me think that those kinds of donations would be headed towards the more brand-name charities. You heard after Haiti a lot of discomfort with the way giving was being allocated and who it was going to, in the wake of that disaster. You don’t know how this stuff is actually going to end up because there are so many unanticipated consequences.

TOM POLLACK: From my perspective, I think the opportunity is in figuring out how to build sustained relationships with donors. The Web 2.0 stuff is nice, but it really doesn’t get us there. If you look at the needs in Haiti, for example, they’re not going away in six months. So that sudden spurt of gifts doesn’t really get you where you need to go. The same is true domestically.

STACY PALMER: And while the reports have been anywhere from 3 to 8 percent overall, online giving is still a very small percentage of how gifts are being given.

Q: Hi. I am Laura Smothers, and I am a graduate student at Indiana University, School of Public and Environmental Affairs. I’m also interning at the Corporation for National and Community Service. You talked about how nonprofits are focusing more on the impact that they’re making. There seems to be a push in the nonprofit sector to measure outcomes and performance, but in a recent study done by British researchers more than half of the financial donor behavior was not affected by performance information. I think you guys might have read about that study. So what do you think that says about philanthropy in general, and do you think that donors will change their behavior and start to consider nonprofit performance when they give money?

PATRICK ROONEY: Tom and I partnered on a study several years ago looking at fundraising costs and overhead costs in charities, and if you believe the surveys, I think it was something like 79 percent of households said that it was really important to know the fundraising costs and the overhead costs of the charity.
However I’ve made a personal commitment to give 10 percent of my income and I do absolutely no due diligence. (Laughter.) How much organizations spend, I don’t know that, and at the end of the day, I really don’t care! I’m giving to organizations I believe in. I believe in their mission. I think they’re doing good work. And you kind of do it intuitively, heuristically by who’s on the board, what are they doing, are there any scandals, do you trust them.

I think Ruth made the point about unrestricted gifts. Unrestricted gifts are a question of trust – do you trust the organization to use the money well? With that said, there are, in this era of philanthro-capitalists and high-impact giving, there will be individual donors for whom that is a big deal. And you’d better be able to demonstrate impact, and I think it’s very difficult. One of the things about the for-profit sector is, at the end of the day, it doesn’t matter whether you’re making steel, tires or software: You’ve got ROI. And you can measure that and dollars are immutable, right? You can measure that across any industry.

In the nonprofit sector, how do you compare what an art institution is doing compared to a university, compared to a grassroots organization that’s teaching local kids how to read or feeding people in a poor neighborhood? So I’m all in favor of impact. I like the concept. I get it. But guess what – it is difficult work.

WENDY MCGRADY: In our work, I think we see a lot of Patricks out there. There are nonprofits wrapped up in this outcome conversation, and probably fueled by funders to some extent. But in the end, what a nonprofit cares about is what their donor considers impact, and so that’s what the conversation needs to be focused around. As a donor, if you want my major gift, you need to talk to me about the kind of work you’re doing that resonates with me. What kind of an outcome am I interested in, and what is impact to me? What is return on investment to me, as your potential donor?

TOM POLLACK: I think there’s also a recognition, certainly where I work at the Urban Institute, of the importance of using outcome measurement as a critical management tool. However that is different from saying that we must compare an arts organization to a homeless shelter. It’s using it as a management tool – developing peer groups within particular fields is really vital for moving the sector forward. But I completely agree with Patrick (Rooney) in terms of its utility for informing donor decisions.

RUTH MCCAMBRIDGE: You know what I liked? It was that study that had a list of how people got their information. Pretty high on that list was somebody who benefited from the organization and they told you it was good. There’s something in that. That was extremely important.

In the end, this is about relationships and trust, and it’s about being able to feel the results that you want to see from the organization. I do agree with Tom (Pollack). I think it’s a great management tool. I think we should all be using those tools to evaluate our own stuff. Is that the reason why I think people give? Absolutely not – not a lot of people.

Q: Peter Wolf. I’ve been a fundraiser for the last 20 years. It seems to me that we’ve all been talking around an issue here that needs exploration, and that is, how do we as a sector make ourselves better understood? We really are one of the most misunderstood sectors in this society, as demonstrated by something like the Grassley committee a few years ago, which made a big splash with a few specific cases, all of which had been covered by present law – or most of them. Ninety-two percent of the cases that the Grassley committee uncovered were covered by present law. And momentarily, there was the thought that they could increase their tax revenue by going after the nonprofit sector. I think we, as a sector, do a very poor job of explaining ourselves. We have two journalists up there; maybe they can address that issue.

RUTH MCCAMBRIDGE: I completely agree. When I started publishing a magazine, it was the first time that my parents really knew what to ask me when I came in the house. (Laughter.) Because they understood a magazine. Some of the other stuff – they didn’t really get it.
I don’t think that people truly understand who we are and how we work, and that some of the false conversation that goes on in Washington about what’s important to us and what our priorities should be and all of that – it just obfuscates things, just confuses people. I wish we could get down to brass tacks and just explain to our neighbors how important this sector is to the quality of community life.

TOM POLLACK: I would actually break that question into two pieces. I think one is how do you explain large organizations and their dynamics? And I think the work that’s been done comparing large for-profit and nonprofit hospitals, that doesn’t show huge differences in many cases, is very telling. I think until we deal with issues like that among large organizations, it’s pretty tough to make that case.

Among small organizations, quite frankly what I see is small organizations that are wrestling to get their program work done. I was working on a project last summer, going door to door in a community in D.C. And what we found in talking to the people in the community about the nonprofit organizations that served them is that many people really are not aware of the nonprofit next door. Not for reasons having to do with any lack of good work by the nonprofits, specifically because they’re too busy doing their program to do the kind of outreach to become some true grassroots organizations that we would all like them to become. So I think more work on nonprofits collaborating on a local level to kind of get their message out is the key.

PATRICK ROONEY: I think one of the challenges is the media. We have industry media here, so they have to go and talk about what’s really going on in the sector, right? That’s their core job. But for the regular, mainstream media, I think that when you think about the aphorism, “if it bleeds, it leads.” Nonprofits are inherently about doing good work to help make society a better place. Well that makes us feel good and it is good. It’s important. That’s why we exist. That’s why many of us are working in the sector. And yet, that’s not newsworthy compared to a double-murder homicide and all these kinds of things that are more newsworthy. One of the reasons we’re misunderstood is, we’re more likely to be covered in the mainstream media if there’s a scandal than we are if we’re doing good work.

RUTH MCCAMBRIDGE: We’ve been doing this nonprofit newswire for the past year or more, and what we do every single night, is, we scour in the news reports for what’s going on in the nonprofit and philanthropic sector, and also in state budgets, to try to kind of keep people up to date in what’s happening in their contexts. Here’s what we’ve found: That there are some states who do an absolutely fabulous job reporting on the nonprofit sector and there are some states where there is a virtual blackout. So if you look at California, you look at Florida, you look at Minnesota, you look at Hawaii, you can get reports – New Jersey. They’re great at reporting on what’s going on in the sector – New York, great; Washington, D.C., great.

There are whole sections of the country where you might see an article every month that is very vague and obviously is not very informed about what it’s reporting about. So we really do have a serious problem with the media, and it may partially have to do with the fact that in some of those states, you may have people mostly picking up AP reports to put in the newspaper and that there is not a whole lot of money in local reporting. But the fact of the matter is, there is a virtual blackout across most of this country, as far as what nonprofits are doing in the community.

STACY PALMER: But now that so many journalistic organizations are going nonprofit, I have a feeling they’ll start talking a lot more about it anyway. (Laughter.) So I expect to see change, actually. We probably have time for two quick questions, so who wants to get them?

Q: Hi, my name is Yulia and I’m with the Center for Global Prosperity, Hudson Institute. This kind of goes along with what we’ve been discussing. The international affairs sector has been recession-resilient and has been growing fairly steadily over the past 30 years from what I recall reading in one of your summaries. Is there something in particular that these organizations are doing to attract donors, or is it just becoming more sexy, in a sense? Is it more newsworthy? What is driving this group, and do you foresee it continuing, post-recession?
PATRICK ROONEY: Yes, the giving to the international sub-sector, including disaster relief, is, in fact, one of the fastest-growing sub-sectors since 1987, when GivingUSA started tracking it. I attribute it to a couple things. One of the things is 9/11. We’ve seen a huge burst in giving to international organizations, following the attack on America. There was a lot of collateral damage that came with the attack, obviously. However one collateral benefit is that we started thinking about our role in society more globally. Perhaps being more proactive and thinking about reaching out and helping others around the world in a preventative manner.

I think the other piece of it is that because of media attention following not just Katrina, but the tsunami, Chile, Haiti and so on, that Americans have reached in and been a little more empathetic to those who are needy around the world because – and I have to say, the media have really done a great job in capturing our attention on this and showing – again, “if it bleeds, it leads,” – but in showing the dire circumstances of people affected and afflicted by those disasters. So I think that’s been a part of it. To answer post-recession, I would say yes, I think that this is an area that, percentage-wise, will continue to grow above average.

Q: Hi, I work with Yulia. I’m Carol Edelman. We publish the “Index of Global Philanthropy and Remittances,” which some of you have written about. I want to address a data issue, a methodology issue, which I think is important. I think it reflects the bigger issue of how we’re going to keep a handle on international giving with the rise in technology and more Internet giving and global giving.

But first of all, we always get asked why our absolute number that we measure is higher than yours. I think after combing through the books and talking with Tom, who also does our methodologies for us, the main reason is because you use tax deductions and we go to the direct surveys. We capture money that is going from the U.S. directly to organizations overseas, which people don’t put down for tax deductions. So that’s one of the biggest things that create the difference in our numbers.

Secondly, in the categories that people report to the IRS, the way it’s categorized, if a group is predominantly domestic, all of the donations to that group are listed as domestic, even though a significant part of their giving might be international. So we have that problem, an organization such as the American Red Cross is listed as domestic because its primary activity is domestic. But yet, their international money isn’t going into your international section.

So consequently, our number for 2008 was $37 billion for international giving, and yours was, I think, $13.3 billion. Also we measure the value of volunteer time and we measure the amount that universities give in scholarships to students coming from developing countries. So that’s – in case any of you wondered, that is sort of the main reason.

I think what is interesting is, what is going to happen when more and more money is going through the Internet for you, even here, domestically in the U.S.? Granted, most of that goes to organizations who do have to report it on 990s. But a lot of it’s going to individuals – so that it may not be getting reported. I think it’s a changing world out there in how giving is being done and a changing world in how it’s categorized, or how we measure it, and it’s becoming increasingly more challenging.

PATRICK ROONEY: On the methodology, if we’re going to capture giving to a charity, we’ll capture it, whether it’s giving by texting, on the Internet or by mail or phone or whatever. That part doesn’t matter. What does matter, though, and I think one of the reasons the numbers are different, is remittances can not only be to foreign-based organizations, but directly to other individuals. So if you do a survey of individuals and ask them about remittances, one of my colleagues, Una Kakwa Asili has done a lot of work on remittances around the world. And a lot of it is individual-to-individual, or individual-to-community back home, and that’s not going to be captured in GivingUSA because that’s not a tax-deductible gift, whether it’s a gift to an individual abroad or a gift to an individual in the United States. That’s informal philanthropy. We don’t devalue that. It’s still
important. We still think that’s great. But that’s not part of GivingUSA, where we’re trying to measure and count formal philanthropy in the United States.

STACY PALMER: Sorry, I think we’re going to have to wrap up, and I apologize, but so we end on more questions than we have answers, but I think we’ve gotten a lot of answers today, and I want to thank our panel for their tremendous observations. (Applause.)

(END)