

Giving Pegged At \$290.89 Billion, Maybe

Deep recession, new economic models adjust previous estimates

By MARK HRYWNA AND SAMUEL J. FANBURG

The modest improvement in the U.S. economy during 2010 seemed to make for a modest recovery for charitable giving. Donations during and after the recession, however, plummeted far more than originally expected, by 6.5 percent in 2009.

Overall giving in the United States nudged upward about 3.8 percent last year, according to initial estimates released June 20. The 2010 estimate of \$290.89 billion is an increase of 2.1 percent, when adjusted for inflation, compared to the 2009 figure.

Last year, *Giving USA* reported \$303.75 billion in charitable giving for 2009, down a little more than 3 percent from 2008. That number is revised to \$280.3 billion, making for a 6.5-percent dip. It was only the second year that total giving had not increased in current dollars since *Giving USA* started tracking philanthropy in 1956. The only other time was 1987.

Overall giving was revised downward even more for 2009 and 2008 but observers still were hopeful about the increase last year, after a combined drop of more than 13 percent the past two years.

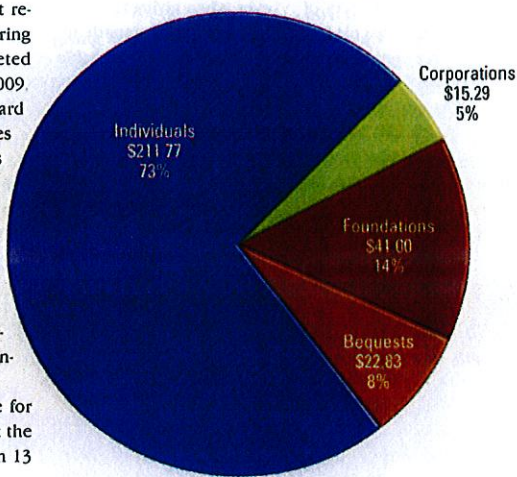
"The sobering reality is that many nonprofits are still hurting, and if giving continues to grow at that rate, it will take five to six more years just to return to the level of giving we saw before the Great Recession," said Patrick Rooney, Ph.D., executive director of the Center on Philanthropy (CoP) in Indianapolis, Ind. Adjusted for inflation, total giving exceeded \$280 billion annually for the past decade, and surpassed \$290 billion in six of the past seven years, he said.

Giving USA, a publication of Giving USA Foundation™ researched and written by the Center on Philanthropy in Indianapolis, Ind., was released by the Giving Institute. It's the first comprehensive look at overall charitable giving in the United States for 2010. *Giving USA* has been tracking charitable giving since 1956, calculating total giving by about 75 million American households, 1 to 1.5 million corporations, some 120,000 estates and about 77,000 foundations.

"People are starting to give a bit more, give larger gifts, and probably give to more organizations. That's good news in this overall compilation of data," said Edith Falk, chair, Giving USA Foundation, and chair and CEO of Chicago-based consulting firm, Campbell & Company. "The positive news is that as the economy is recovering, so is philanthropy," she said.

"It seems like we've gone quite a ways back in the giving and it's going to take us a long time to recover, unless the economy takes a giant step forward," said Elizabeth Boris, director of the Center on Nonprofits and Philanthropy at The Urban Institute in Washington, D.C. She ex-

SOURCES OF GIVING



pressed some concern about the significant revision to last year's data. "It makes me a bit concerned about talking about \$280 billion in 2009; you have to go all the way back to 2003 or 2004 to see numbers like that," she said.

GIVING BY SECTOR

Not only were the estimates in total dollars off, but where the money was going was also askew. During the depths of the recession, many observers warned that donors would focus giving more on people's basic needs instead of things such as the arts and humanities. But among the surprises in the latest estimates was that the arts, culture and humanities subsector actually experienced a jump of 5.7 percent (4.1 percent adjusted for inflation). The \$13.28 billion given to the arts made up 5 percent of overall giving.

Human services barely nudged past the previous year, despite more than \$1 billion in response to the January 2010 Haiti earthquake. Giving in response to Haiti didn't have quite the same impact on giving as previous disasters, such as Hurricane Katrina in 2005 or the Asian tsunami in 2004, said Rooney, but it did account for \$1.43 billion (about 0.5 percent of total giving). About three-quarters of the total, or \$1.07 billion, went to human services and yet the subsector was nearly unchanged from 2009, up only 0.1 percent (down 1.5 percent when adjusted for inflation), to \$26.49 billion. The other roughly 25 percent of Haiti giving, about \$358 million, went to international affairs.

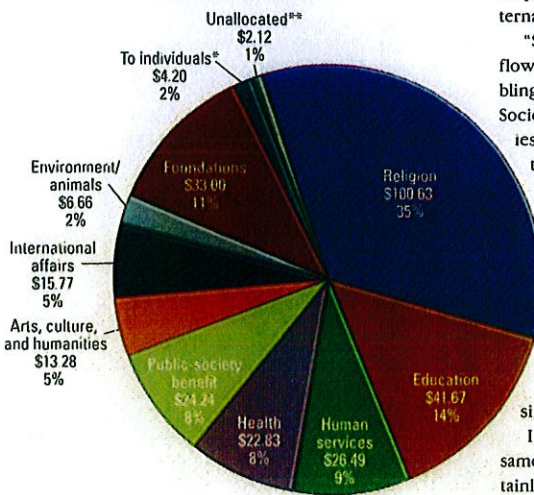
"Somehow the giving growth that's occurring isn't flowing into human services, and to me, that's a little troubling," said Lester Salamon, director of the Center for Civil Society Studies at Johns Hopkins Institute for Policy Studies in Baltimore, Md. The common public perception is that charitable giving is mostly made up of human service providers, but in reality, he said it's only a small portion, roughly 10 percent.

Going to pre-recession data from 2007, Salamon said giving to human services is down 11 percent in absolute terms, even more if adjusted for inflation while giving to the arts over that period is down a more modest 3 percent. "Arts and culture is clawing its way back, and I expect next year to be rosier for them," given the stock market rebound since 2009.

It's hard to tell from the data whether those are the same dollars moving from one sector to another but "certainly anecdotally, we're hearing that people are focusing their giving more, in support of human services," said Falk.

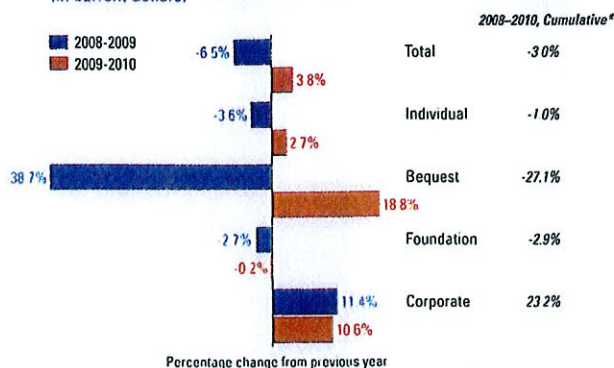
"Giving to education and the arts, those grew fairly rap-

2010 contributions:
\$290.89 billion by type of recipient organization
(in billions of dollars -- all figures are rounded)



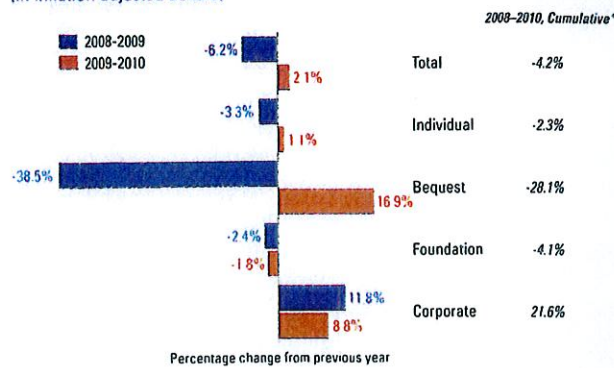
Includes rounding to get to 100%
* Estimate developed jointly by the Foundation Center and Giving USA
** See definition in "Key Findings" section

Changes in giving by source 2008-2009 and 2009-2010 and 2008-2010 cumulative (in current dollars)



* The two-year change is calculated separately and is not the sum of the changes in the two years.

Changes in giving by source 2008-2009 and 2009-2010 and 2008-2010 cumulative (in inflation-adjusted dollars)



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Continued from page 13

idly, people seem to be returning to their pre-Recession trends fairly quickly into the recovery," said Rooney. "When I think about this - and maybe it's argumentative - I think about arts and public society-benefit, education, these are organizations that generally have well organized development offices, so they're probably better able to go into the field and fundraise as the economy recovers," he said.

"It's hard to say in any definitive way why there's a stronger showing than any other sector," said Falk, but did point to some large gifts and capital campaigns at major art institutions. It also could be that high net-worth individuals - whom Falk said were "just as skittish as the rest of us in holding back their philanthropy" in the depths of the recession - are the ones that have stepped forward more quickly in their giving.

The arts subsector received the largest gift pledge last year: \$250 million worth of art and furniture to the National Gallery of Art in Washington, D.C. Without that pledge, giving to the arts would have been closer to an even \$13 billion, and "you find a different portrait of the arts community," said Randy Cohen, vice president of research and policy at Americans for the Arts in Washington, D.C. "A more typical experience is arts organizations are really struggling to sustain their private sector giving," Cohen said, rather than 5 percent growth. The stock market rebound in 2010 showed some promise, he added, which might have contributed somewhat to the increase.

"It's going to take a couple years for all the data to finally shake out. This has been an extraordinary cycle that we're still going through," Cohen said.

Of the nine subsectors in the report,

only environment/animals recorded an actual percentage decrease in giving. However, when giving is adjusted for inflation, four of the nine experienced a decline.

Pieces of the charitable pie that go to specific subsectors didn't change all that much. More than \$100 billion went to religion, which accounted for 35 percent of the total, up from 33 percent last year. Still, adjusted for inflation, giving to religion was essentially flat; up 0.8 percent, but down 0.8 percent when adjusted for inflation.

Individual giving and religious giving reflects the economy, Boris said, and likely indicates that lower-income households haven't yet rebounded.

"While we are happy that charitable giving is back up, it is going to take a while to get back to 2008 levels," said the Rev. Dr. Michael Kinnamon, general secretary for the Washington, D.C.-based National

Council of Churches (NCC), with the new data confirming what they've heard from affiliate churches.

When observing giving trends from local churches, Kinnamon has seen more contributions going to local chapters as opposed to denominational structures. "Even for causes like the outpouring of support we saw following the earthquakes in Haiti, congregations were more likely to donate to places where they'd see their impact a little more directly," he said.

The subsector with the largest increase in giving, by far, was international affairs, up 15.3 percent (13.5 percent adjusted for inflation) to \$15.77 billion. International affairs has been growing in recent years, with some of the increases attributable to the billions doled out by the Bill & Melinda Gates Foundation.

As a result of appreciated assets going

When \$300 Billion Really Isn't \$300 Billion

By MARK HRYWNA

So the number isn't \$300 billion after all.

Fundraisers and charities often use \$300 billion when referring to overall charitable giving in the United States each year but it appears, after revisions to the data, that charitable giving smacked up against the plateau and fell backwards.

In 2009, initial estimates for 2008 giving added up to \$307.65 billion. Last year, those estimates were revised to \$315.08 billion. Finally, this year the final number is more like \$299.81 billion for 2008.

Giving USA revises its estimates each year based on new data as they become available, but revisions this year were more extreme than usual. The 3.6 percent decline in giving for 2009 initially estimated last year turned into a 6.5 percent decline. Estimates for 2009 won't be finalized until next year when initial estimates for 2011 also are released.

What impacted the revisions most this year was data from the Internal Revenue Service (IRS) that showed larger than usual decreases in itemized giving, according to Patrick Rooney, Ph.D., executive director of the Center on Philanthropy (CoP) in Indianapolis, Ind. Originally estimated at \$193.6 billion, individual giving in 2009 by those who itemize their deductions was revised downward by 16 percent, to \$163.56 billion. Itemizers account for only about one-third of charitable giving. For the two-thirds of Americans who don't itemize, their giving is based on regression models and other forecasting.

Giving USA usually forecasts two years in advance what happened in the past year, without the benefit of IRS data that's always revised, said Edith Falk, chair, Giving USA Foundation, and chair and CEO of Chicago-based consulting firm, Campbell & Company. "We made a commitment two years ago to revise the model," she said, as it became clearer that the economy was in decline.

Giving USA typically examines and tests its models as needed but anticipated potentially bigger

changes due to economic volatility. The models using the first recession-related data were tested after final 2008 figures were released by the IRS last fall.

Several variables were added to the basic model in forecasting household giving, said Rooney, which seems to have led to larger variations in the data. Household consumption was added while household income was removed, he said, with the hypothesis being that it was slightly better for forecasting, particularly during extreme volatility. "Giving is in some ways a consumption good, you're making a choice of do you give or do you eat more, or shop more or buy a bigger house," Rooney said.

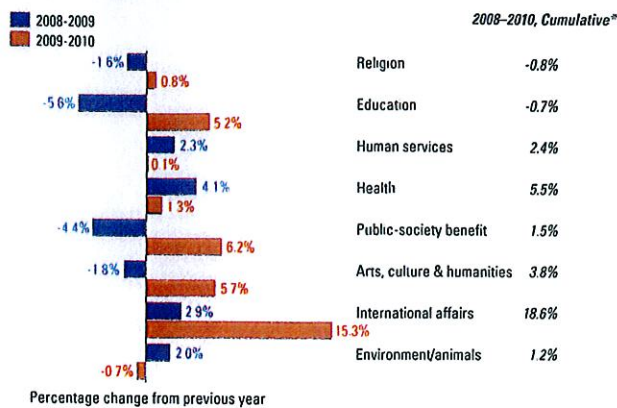
When *Giving USA* developed these models a decade ago, Rooney said there was discussion of which to use and the somewhat simpler one was opted for at the time. The forecasting model was refined to better capture the effects of economic volatility on giving, using a combined approach that incorporated for the first time preliminary estimates of giving from the IRS.

Previously, *Giving USA* only used final IRS data, released two years after the close of the tax year. Still, Rooney said, that final estimate is within 1.26 percent of the initial estimate made in 2009, based on the old model.

"2008 was the first year of the Great Recession. No one forecasted that or the severity of it. The fact that our model is within 1.26 points of the final estimate is a pretty strong testimonial to the accuracy of our model," said Rooney. "It's not a repudiation of *Giving USA* or its model," he said, but testing and changes as appropriate.

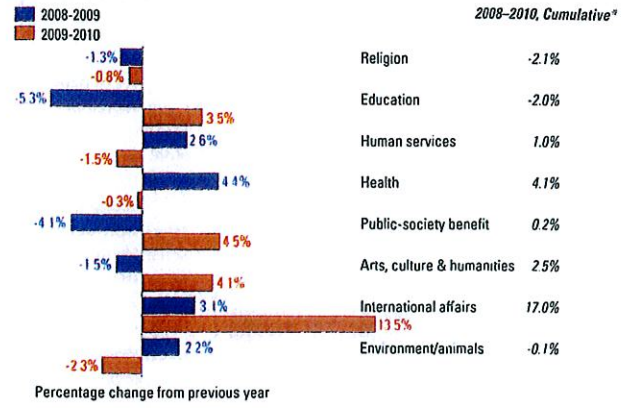
While other giving forecasts might survey hundreds or thousands of organizations, they're not econometric forecasts of giving, Falk said. "There's no other organization that has a consistent set of data that goes back as far back as Giving USA data. The value of information, what happened in past recessions, and other events that impacted giving... that's the real value of the *Giving USA* data, the trend line that it shows over time."

Changes in giving by type of recipient organization, 2008-2009 and 2009-2010, and 2008-2010 cumulative (In current dollars)



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Changes in giving by type of recipient organization, 2008-2009 and 2009-2010, and 2008-2010 cumulative (in inflation-adjusted dollars)



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to donor-advised funds, the public-society benefit subsector experienced a 6.2-percent jump in giving (up 4.5 percent inflation adjusted), to \$24.24 billion.

Giving to grantmaking foundations makes up the second biggest piece of the charitable pie, at 11 percent, or \$33 billion. Giving was up almost 2 percent, but when adjusted for inflation was up only 0.2 percent.

Based on predictions from constituents, Council for Advancement and Support of Education (CASE) President John Lippincott said he was "pleasantly unsurprised" by the 3.5-percent increase in inflation-adjusted giving to education. It is typically the second largest recipient of giving, clocking in this year at \$41.67 billion, or 14 percent of all giving.

"There is no question that the strongest correlation in giving is from the GDP and/or stock market," said Lippincott. "The fact that we have a strong upturn in the market from the recession, probably makes up for such a large increase."

Donors are putting their money toward current gifts as opposed to capital purposes, according to Lippincott. Acknowledging that donors wish to see more of the direct influence of their donations, he contended that this different contribution model also had to deal with the still-struggling economy.

"Even before the recession, donors wanted to know the direct impact of their gifts," said Lippincott. "Gifts are coming more in as restricted gifts and supporters have become interested in staying in touch with the organization. Because of the downturned value of endowments, you can see why people are gravitating more towards current gifts and assisting in student financial aid," he said.

Successful education institutions during this period did not stop investing in their fundraising efforts, said Lippincott. "Our sense is that higher education has slowed down hiring but have retained their fundraising infrastructure," he said. It also helps that donors to educational institutions tend to be lifetime supporters

rather than episodic givers, which Lippincott said helps dampen a downturn and accelerate the upturn.

Corporate giving increased to an estimated \$15.29 billion up 10.6 percent in current dollars and 8.8 percent in inflation-adjusted dollars. "We are really encouraged by this increase in giving," said Alison Rose, manager of standards and measurements for the Committee Encouraging

Corporate Philanthropy (CECP) in New York City. "From *Giving USA* and our own data, we've seen 53 percent of companies giving more than they did prior to the downturn," she said.

The increase in corporate giving was threefold, according to Rose: increased interest in charitable causes following economic resurgence; additional funding for disaster relief for situations like the earth-

quake in Haiti, and still seeing the impacts from mergers and acquisitions, extending former giving levels.

Corporate giving comes mostly through direct cash, with some through foundations, and almost 20 percent from in-kind donations, according to CECP.

Bequests are among the more volatile sources of giving in the report, Rooney said. Since estates may not be settled until a year or two after a person's death, it's difficult to forecast. Also, some estates go unrecorded because they aren't large enough to file with the IRS and in 2010, the estate tax expired and so no estates were required to file. After a fairly large jump in bequests two years ago, followed by a fairly large decline, Rooney anticipates that this year's figures are more a return to the long-term trend. *NPT*

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