



Philanthropy's Changing Landscape Resources for Tracking Recent Trends

For many cultural organizations, the end of summer brings the closing months of the fiscal year. It's a natural time to assess recent performance, celebrate successes and evaluate missed opportunities. While adjusting long-term strategies and goals in response to an analysis of year-end data is a necessary step in effectively evaluating an organization's financial success, it is also important to consider the context of national philanthropic trends when comparing financial results from year to year and even between different fundraising appeals and campaigns.

When measuring success, many nonprofit organizations overlook the importance of accessing updated information on national indicators when undertaking their annual review. They sometimes rely instead on general information and general impressions about current giving patterns within their organization. But specific data on funding sources, easily accessed on the web, can help organizations to place their own financial results in a real-world context and shape successful strategies for achieving long-term goals. Recent research from two widely regarded sources, Giving USA and The Foundation Center, can assist in providing such insight across the nonprofit spectrum as well as within the arts and culture sector.

CHARITABLE GIVING DECLINES

Giving USA 2009, a publication of the Giving USA Foundation researched and written by the Center on Philanthropy at Indiana University, provides an excellent overview of philanthropy nationwide. It estimates that total charitable giving **from all sources** for 2009 was \$303.75 billion, a drop of 3.6% from revised totals for 2008. Individual donor gifts accounted for 75% of the total while foundation giving accounted for 13% (unchanged from the previous year). Corporations accounted for just 4% of the total (down from 5%). When combined with bequests and family foundation giving, gifts from individuals accounted for 88% of the total.

The report estimates that the arts and culture sector received an estimated \$12.34 billion in contributions in 2009 (4% of total giving), representing a decrease of 2.0% in inflation-adjusted dollars from 2008. Interestingly, previously reported Giving USA figures for 2008 have been revised in several key areas, including the decline in giving to the arts, a figure which is now calculated to have dropped 10.1% from 2007. This decline is higher than previously reported in the sector, although revised figures for total giving increased from \$307 billion to \$315 billion.

Arts organizations received 4% of total estimated giving across all sectors and from all sources in 2008, which is down from 4.5% in 2007. Overall, based on the total of all gifts, this represents a decline of 2.4% from the previous year, following a steep decline of 6.5% the year before. Only three of the nine nonprofit sectors tracked by the report (religion, international affairs and public-society benefit) showed an increase in received funds in 2009.

A beautifully presented Executive Summary providing context and insight into declines in giving during previous recessions is available at www.givingusa2010.org/free.php (select View Online for enhanced features).

The complete report, published in June 2010, may be ordered by visiting www.givingusa.org/gusa/gusa_order.cfm

FOCUS ON FOUNDATIONS

As noted above, Giving USA reports that foundations represent only 13% of nationwide giving, but for many arts organizations they represent a critical source of support. Two reports recently released by *The Foundation Center* provide valuable insight into the recent giving patterns of the more than 75,000 grant making foundations in the United States.

Foundation Growth and Giving Estimates, 2010 Edition, provides an overview of preliminary data on foundation giving in 2009. It estimates that total foundation giving dropped an estimated 8.4% for the year, falling from \$46.8 billion to \$42.9 billion. This represents a startling drop, given that declines have been posted only three times since the Center began tracking foundation giving in 1975, and each of these was of less than 1% from the previous year (those years were 1983, 2002, and 2003)

Gifts decreased by 3.3% for corporate foundations and 8.9% for independent foundations from the previous year. Community foundations fell even further, by 9.6%, whereas they had posted a significant increase of 6.7% in 2008.

Despite this unprecedented decline, The Foundation Center suggests that there were several factors which prevented an even greater negative impact, among them the practice of "asset-averaging" by many funders. This methodology is where an average of assets for several prior years, rather than current asset levels alone, is used to determine funding levels. Additionally, some foundations decided to tap their endowments in order to maintain funding levels during the economic decline.

The second report, *Foundation Giving Trends, 2010 Edition* offers an in-depth analysis of overall trends in philanthropy for 2008. This annual overview includes a breakdown of funding by sector, including arts and culture, and is conducted by surveying 1,490 foundations across the country, which represents over half of all foundation funding.

The arts and culture sector experienced surprisingly robust growth in foundation support in calendar year 2008, climbing from \$2.29 billion to \$3.15 billion for a 37.5% jump from previously reported 2007 totals. Arts sector funding represented 12.5% of total foundation giving, up from 10.6% the year before. The actual number of grants to the sector also rose, reaching 22,902 – representing nearly 14% of all foundation grants. While one factor accounting for this steep increase may be that 2007 figures were slightly higher than previously calculated, it is clear that the arts and culture sector experienced a surprisingly strong surge in support during that year. Health and education, the other two sectors to post double-digit growth, showed higher increases in actual dollars and accounted for much greater shares of total giving, but significantly less growth than the arts sector in terms of percentage gains.

Other findings of interest include:

- Despite the unfolding economic crisis that began in October 2008, total grant dollars awarded for 2008 rose 6.6% when compared to a sample of nearly 500 of the same funders from the year before.
- As in past years, foundations in the Northeast granted a significantly higher percentage of their dollars (14%) to arts organizations than their regional counterparts, but all three other regions posted gains with the Midwest at 14% of the total vs. 11% in 2007, the South at 13% vs. 11%, and the West jumping to 9% of total giving from 6%.
- As in past years, community foundations provided proportionately more support to the arts than either independent or corporate foundations.

OUTLOOK

Included in the Foundation Giving Trends report are results from the Foundation Center's 2010 *Foundation Giving Forecast Survey* conducted in January. While a "substantial minority" of 38.9% respondents to the Survey reported that they expect to decrease giving in 2010, this compares favorably to last year's figure of 67.1%.

In recent years, community foundations, which are likely to support local arts organizations were significantly less likely than other types of foundations to report anticipated increases in giving. This year's Survey, however, showed much less of a gap with 41.4% reporting expected increases vs. 44.7% for all foundations.

In general, the report expects 2010 giving to "remain flat – a prospect that would have seemed improbably optimistic at the nadir of the market, just over one year ago." Assuming that the economy remains stable or experiences slow growth over the coming months, the report concludes that foundation giving is likely to show "positive, albeit very modest growth" in 2011.

Both reports can be purchased by visiting The Foundation Center's website, <http://foundationcenter.org/gainknowledge/research/nationaltrends.html> where free summaries of both reports are also available.

FUNDRAISING STRATEGIES IN AN UNCERTAIN ECONOMY

With many negative factors continuing to impact the economy, it's natural for development professionals and governance leaders to be cautious when setting new fundraising goals. Here are some tips to help maximize results:

Continue Cultivation

Many organizations react to such economic uncertainty by reducing expectations. Some actually scale back development efforts rather than redoubling their efforts. This is almost always a mistake, particularly in the long term. Re-affirmation of mission, consensus on vision and a robust community engagement plan are key during this time of uncertainty. A tight budget should never, for example, prevent an organization from performing donor cultivation, education, or expanding prospect research. Most often, a negative economic forecast should be seen as a challenge to refocus or even increase the resources devoted to development, particularly prospect research. If contracting a professional donor prospecting analysis is not in the budget, many organizations make certain that they are at least using the various free tools available on the web to their full potential. For example, www.guidestar.com is an indispensable resource for researching foundations, providing detailed information on giving guidelines, capacity, and scope. It even lists members of each organization's board of directors, a sometimes overlooked opportunity for identifying important connections to your organization.

Maximize Volunteer Resources

Successful organizations fully enlist the energy, enthusiasm, and expertise of their Board members and other volunteers in fundraising efforts. Organizations should verify that the development department has evaluated the benefits of working with volunteers when conducting prospect research. Many leaders are surprised at the skill level and expertise of people eager to contribute their time, talent, and treasure. The strategic momentum that their engagement can create internally and externally can be immeasurable in the long-term.

Strengthen Relationships

Remind staff, board members and key volunteers that strong relationships are essential to successful fundraising. Keep an eye open for new foundations in your community and get to know the program officers of foundations that are a good fit for your organization. In uncertain times, these individuals may be critical to your long-term success. Corporations (and their foundations) may continue to downsize over the next year. While it takes time and effort to establish a rapport with new contacts, this investment is essential to maintaining communication with current and potential partners and understanding how to best present your organization's case for funding.

CONCLUSION

Successful fundraising doesn't happen in a vacuum. Without a general picture of how the current economic climate is impacting arts and cultural organizations across the country, it may be difficult to fully understand the reasons for changes in your own organization's contributed income. Using resources like those mentioned above can provide important context to your organization as it develops attainable fundraising goals, identifies new opportunities, and shapes new strategies for long-term success.

[Courtesy, Arts Consulting Group, Inc.]