Philanthropy Update and Trends for 2016

AMDA- 2016

Los Angeles, CA

Lynne LaMarca Heinrich
Senior Consultant & Principal
Topics

• Key Studies

• What Do Big Donors Want?

• Institutional Tension: Sustainability vs Growth or Sustainability is Growth

• Top 1%, Wealth Concentration and it’s Impact

• Big Data

• Stewardship
The Philanthropy Outlook 2016 & 2017
Specific factors that will significantly influence total giving in 2016 and 2017 include:

- Average growth in personal income
- Slightly above-average growth in household and nonprofit net worth
- Increase in Donor Advised Funds
The Philanthropy Outlook

Distribution of Total Giving
By source for the years 2016 and 2017

Source: The Philanthropy Outlook 2016 & 2017
Specific factors that will significantly influence total giving in 2016 and 2017 include:

- Average growth in personal income
- Above-average growth in household and nonprofit net worth
Specific factors that will significantly influence total giving in 2016 and 2017 include:

- Above average increases in the S&P 500 in preceding years
- Slightly below-average to average projected growth in GDP in preceding years
Giving by Estates

Specific factors that will significantly influence total giving in 2016 and 2017 include:

- Above average growth in the S&P 500
- Slightly above-average growth in household and nonprofit net worth in preceding years
Specific factors that will significantly influence total giving in 2016 and 2017 include:

- Average growth in GDP
- Above-average growth in corporate savings
Implications

• Growth in total giving is likely to outpace predicted growth in GDP into 2016 and 2017.

• Relatively slower growth in giving by individuals/households will be offset by more positive growth rates in giving by foundations, estates, and corporations.

• Projected growth in giving in 2016 and 2017 should send a message of confidence to the nonprofit sector.
Conditions That Will Affect the Outlook for Giving

• Continued growth in the global and U.S. GDP

• Economic factors that support U.S. GDP growth:
  • Low oil prices
  • Low unemployment
  • Stable home prices

• Economic factors that may have implications for growth in U.S. GDP and charitable giving:
  • Expected increases in the Federal Funds rate from 0% to 0.50% in 2016 and to 2.0% in 2017
  • Projected increases in Consumer Price Index between 2016 and 2017

• Geographic regions will vary
A Status Report on $10 Million+ Gifts and Commitments to Arts, Culture, & Environment

FY06 – FY15
## Methodology

### $10 Million Gift Report Methodology

<table>
<thead>
<tr>
<th>Marts &amp; Lundy Data Pre-2015</th>
<th>Marts &amp; Lundy Data 2015 and Moving Forward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program scans Twitter for additional gifts at all $10M+ levels</td>
<td></td>
</tr>
<tr>
<td>Includes: Arts; Historic Preservation; Museums and Libraries; Parks and Gardens; Zoos and Aquariums</td>
<td>Includes: same categories plus Conservation and the Environment</td>
</tr>
<tr>
<td>Includes $1M+ gifts and commitments from individuals and family foundations.</td>
<td>Includes $10M+ gifts and commitments from individuals and family foundations.</td>
</tr>
<tr>
<td>Gifts in Kind (&quot;Non-Cash&quot;) are excluded from Arts &amp; Culture analysis (See Appendix A for list of Gifts in Kind)</td>
<td>US recipients only</td>
</tr>
<tr>
<td>US recipients only</td>
<td>US recipients only</td>
</tr>
</tbody>
</table>
# Executive Summary 2015

<table>
<thead>
<tr>
<th></th>
<th>Chronicle + Twitter for FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Giving Dollars</strong></td>
<td></td>
</tr>
<tr>
<td>Slide 5</td>
<td></td>
</tr>
<tr>
<td>2014: $488M</td>
<td></td>
</tr>
<tr>
<td>2015: $919M</td>
<td></td>
</tr>
<tr>
<td>88% increase</td>
<td></td>
</tr>
<tr>
<td><strong>Number of Gifts and Commitments</strong></td>
<td>2014: 21</td>
</tr>
<tr>
<td>Slide 6</td>
<td></td>
</tr>
<tr>
<td>2015: 37</td>
<td></td>
</tr>
<tr>
<td>76% increase</td>
<td></td>
</tr>
<tr>
<td><strong>Gifts in Kind</strong></td>
<td>For the second year in a row, there has been a very large gift in kind to an Arts &amp; Culture organization: $400M to the Art Institute of Chicago.</td>
</tr>
<tr>
<td>These gifts are excluded from the overall analysis but are included in the Appendix.</td>
<td>Slide 14</td>
</tr>
<tr>
<td><strong>Giving Dollars by State</strong></td>
<td>New York ($238M) was the leading recipient state of giving to Arts, Culture, &amp; Environment at the $10M+ level, followed by North Carolina ($165M) due to the $165M gift establishing the ClearPath Foundation.</td>
</tr>
<tr>
<td>Slide 8</td>
<td></td>
</tr>
<tr>
<td><strong>Arts, Culture, &amp; Environ. $10M+ Giving as Percentage of Total</strong></td>
<td>2013: 7.5%</td>
</tr>
<tr>
<td>Slide 9</td>
<td></td>
</tr>
<tr>
<td>2014: 7.3%</td>
<td></td>
</tr>
<tr>
<td>2015: 12.1%</td>
<td></td>
</tr>
</tbody>
</table>
The Chronicle of Philanthropy and Twitter Data
Arts, Culture, & Environ. Giving by Year

$10M+ gifts made a dramatic swing upward in 2015, with a 88% increase over 2014. This jump is due in part to a few very large gifts: the two largest gifts to this subsector make up 28.9% of the $919M total and the top four gifts make up 43.5% of the total. The 2015 total is a 373% increase from the 10 year low in 2009.

Line indicates year end value of the Dow Jones

2015 includes five gifts from outside The Chronicle dataset, including the $165M gift to found the ClearPath Foundation. This $165M gift makes up 38% of the increase over 2014, and the other four gifts make up 10.6% of the increase.

Source: The Chronicle of Philanthropy and Twitter

excludes gifts in kind; includes gifts and commitments
2015 Arts, Culture, & Environ. Gift Count by Size

However, 2015 also had a large number of gifts in the $10M-$24.9M range. From 2006 to 2014, gifts in this range comprised 68.5% of the total count, while in 2015, these gifts comprise 78.4% of the total count.

Source: The Chronicle of Philanthropy and Twitter

excludes gifts in kind; includes gifts and commitments
2015 Arts, Culture, & Environ. Giving by Gift Type

Note: Gifts can be of multiple types, but no gifts are duplicated here. Where property identified, gifts in kind are excluded. If a gift is a bequest, it is only included in “Bequest,” and if a gift is challenge/matching, it is only included in “Challenge and Matching.” All other gifts and pledges are in “Gift.”

Source: The Chronicle of Philanthropy and Twitter excludes gifts in kind; includes gifts and commitments
2015 Arts, Culture, & Environ. by Recipient State

New York was the leading recipient state of $10M+ Arts, Culture, & Environment funds with 25.9% of the total amount. From 2006 to 2014, NY has received 31.8% of these funds. Over the same period, California is the second leading recipient with 20.5%, but in 2015, CA only received 3.1% of the total. North Carolina ranks in second place for 2015 with 18.0% of $10M+ funds. This year’s gift in North Carolina was identified through Twitter. The Chronicle of Philanthropy data set has no $10M+ gifts recorded to Arts, Culture, & Environment organizations in North Carolina in this or any prior year.

Source: The Chronicle of Philanthropy and Twitter

excludes gifts in kind; includes gifts and commitments
Arts, Culture, & Environ. Giving as a % of 2015 Total Giving

From 2006 to 2014, Arts, Culture, & Environment giving has held 9.3% of $10M+ giving, excluding gifts in kind and gifts to foundations with more general missions. In 2015, this subsector holds a 12.1% share of total $10M+ giving.

Note: Excludes giving to foundations.

Source: The Chronicle of Philanthropy and Twitter

Marts & Lundy

Note: The Chronicle of Philanthropy designates giving to the Bill & Melinda Gates, Walton Family, Conrad N. Hilton, and similar foundations as giving to “Foundations.” Such gifts are excluded here. Other gifts to foundations, such as the ClearPath Foundation, are designated as giving to specific causes and are included here.
2015 Arts, Culture, & Environ. Giving by Area

Source: The Chronicle of Philanthropy and Twitter
excludes gifts in kind; includes gifts and commitments
2015 Arts, Culture, & Environ. Number of Gifts by Area

Source: The Chronicle of Philanthropy and Twitter
excludes gifts in kind; includes gifts and commitments
What **Do** Big Donors Want?

- **Big Ideas and Impact!** Their loyalty is to impact, vs. institution

- **Interdisciplinary initiatives, collaborations, entrepreneurial solutions**

- **Leaders as change agents**

  *There will continue to be strong focus on “Top of the Pyramid” mega gifts*
Top 1%, Wealth Concentration and its Impact

• Facts:
  – 2000: Total wealth of billionaires represented 10% of GDP
  – By 2015 U.S. had spiked to 15%, or from 403 to 536
  – Worldwide 2000-2015: 1,011 to 1,826

• Issue:
  – Traditionally wealth from corruption-prone industries like real estate, mining, construction seeds greater resentment
  – Family or political ties are resented: average of 50% inherited wealth in top 10% of the top developed nations

• U.S. Billionaire Wealth
  – U.S. only 34% of billionaire wealth inherited
  – Manufacturing, pharmaceuticals, technology
Good and Bad Billionaires

Billionaire wealth as a share of GDP

Share of billionaire wealth in corruption-prone industries
Observations:
- Uneasiness about wealth concentration, potential unrest
- “Good/Healthy Citizen” giving
- Social Services
- Concern About Visibility
- Competition for the Arts
Institutional Tensions

*Sustainability vs Growth*

or

*Sustainability is Growth*

- Deeper institutional planning efforts
- Priority on building operating income (earned/contributed) for fiscal stability
- Focus on leadership annual giving, major gifts pipeline
- Legacy clubs for endowment growth
- Campaigns around really big transformational ideas
- Board – CEO tensions
Big Data

• **Essential**
  – For prudent investments
  – To focus your teams
  – To wade through the numbers: align capacity and likelihood

• **What investments are needed?**
  – Wealth Screening, Yield Analysis, Modeling
  – Development Services departments
  – Dynamic portfolio management
  – Effective database management
$25K+ Rated Prospects, with Likelihood

Sample Analytics Slides
$25K+ Rated Prospects, High/Middle Likelihood and Stages

Sample Analytics Slides
- Unassigned
- Stewardship
- Solicitation
- Cultivation
- Strategy
- Qualification

First Column = HIGH / Second Column = Middle
### Current Portfolios: Prioritized

#### Sample Analytics Slides

<table>
<thead>
<tr>
<th>Priority Group 1 = Senior Major Gift Officer</th>
<th># Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Rating</td>
<td>$25K+</td>
</tr>
<tr>
<td>Likelihood to Give</td>
<td>High &amp; Medium</td>
</tr>
<tr>
<td>Gift Recency</td>
<td>0-18 months</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority Group 2 = Junior Major Gift Officer</th>
<th># Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Rating</td>
<td>$25K+</td>
</tr>
<tr>
<td>Likelihood to Give</td>
<td>High &amp; Medium</td>
</tr>
<tr>
<td>Gift Recency</td>
<td>19-36 months</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority Group 3 = Mid-Level Engagement/Qualifying</th>
<th># Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Rating</td>
<td>$10-25K</td>
</tr>
<tr>
<td>Likelihood to Give</td>
<td>High &amp; Medium</td>
</tr>
<tr>
<td>Gift Recency</td>
<td>19-36 months</td>
</tr>
</tbody>
</table>

Total Donors: 3,913
Good Stewardship

• Demanded! Competitive landscape

• No longer just getting the thank you letters done right

• Requires resources, and effective staffing

• Makes all the difference with leadership donors and volunteers