

Philanthropic Trends

AMDA 2014



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Interesting Times In Which We Live!

I. Economic Uncertainty Continues, But Getting Better

II. Increased Competition

III. \$1M+ Donor Trends

- *Who are they*
- *What institutions are engaging them*

IV. Campaign Update

V. Looking Ahead

Sources

Lilly Family School of Philanthropy, Indiana University

- *“Million Dollar Ready: Assessing the Institutional Factors that Lead to Transformational Gifts”*
- *Million Dollar List (www.milliondollarlist.org)*

Stanford Social Innovation Review

The Chronicle of Philanthropy

Global Wealth Report 2013: Credit Suisse

AAM TrendsWatch 2014

ImpactAssets

“The Millennial Perspective”

Essential Elements for Philanthropic Success

Case

Vision
Mission
Strategic Plan
Needs Assessment
Engagement
Buy-In
Budget/Resources

Constituency

Donors
Members
Friends
Volunteers
Corporations
Foundations
Staff

Engines

Boards
Lead Volunteers
CEO's
Development Staff
Leadership Team &
Program/Curatorial
Staff
Systems

Economic Uncertainty Continues, But Getting Better

- *Caution dominates*
- *Anxiety about possible tax policy changes*
- *Wealth accumulation at the top unprecedented; 1% is feeling pressure.*
- *Fewer multi-year pledges, but ability to go back*
- *Pure Endowments “under a cloud”*
- *Some Capital projects on hold, others taking longer*
- *Current-use gifts are priorities*
- *Working capital initiatives are succeeding*
- *Bridge strategies are working*

Economic Uncertainty Continues, But Getting Better

- *Leadership is looking hard at long-term sustainability; percentages of earned and contributed*
- *Predictions for philanthropy are getting stronger*

Increased Competition

- *Nonprofits are not the only game in town for doing good*
 - *Social impact investors*
- *Museums continue to be challenged in making the non-art case strongly enough to the next generation, and opening up their boards*
- *Thoughtful engagement strategies are essential at key levels*
- *Campaigns, campaigns, campaigns*

\$1M+ Donor Trends (2000 – 2013)



**LILLY FAMILY
SCHOOL OF PHILANTHROPY**

**INDIANA UNIVERSITY
IUPUI**

\$1M+ Donor Trends (2000 – 2013)

- A changing demographic. A dynamic mix of couples, families, partnerships for impact.
- \$1M is the old \$100K: 70K donors at this level
- Networks really matter, motivations are changing, “game changing solutions” are important.
 - *“Billionaires With Big Ideas Are Privatizing American Science” NYT*
- Over 7400 institutions received \$1M+ gifts between 2000 and 2011.

\$1M+ Donor Trends (2000 – 2013)

- Higher education was the recipient of 48% of the total number of these gifts
- Higher education has historically received 6 – 12 times more \$1M+ gifts than has A & C (since 2000)
- Foundations granted more \$1M+ *gifts*, while individuals gave more \$1M+ *dollars*

\$1M+ Donor Trends (2000 – 2013)

75% of major gift donors will **increase or maintain** their **giving** in the next five years

71% have a **philanthropic strategy**

61% have a **giving budget**

80% focus on a set of **issues** or **geographic area**

74% note **impact** as the **number one motivator** for giving

Key Findings: Impact of Macroeconomic Factors – Individual Giving

| Sector | S & P 500 | GDP | Personal Consumption | Unemployment | Recession |
|---------------------------|-----------|-----|----------------------|--------------|-----------|
| Higher Education | ✓ | ✓ | ✓ | ✓ | |
| Other Educational | ✓ | ✓ | ✓ | ✓ | |
| Arts, Culture, Humanities | ✓ | ✓ | ✓ | ✓ | |
| Environmental | ✓ | ✓ | ✓ | | ✓ |
| Foundation | ✓ | | | | ✓ |
| Health | | | | | |
| Human Services | | | | ✓ | |
| Public-Society Benefit | ✓ | | | | |
| Religious | | | | | ✓ |
| International | ✓ | ✓ | ✓ | ✓ | |

Key Findings: Geographic Distribution of \$1M+ Gifts by Source and Subsector

Ranked percentages of \$1M+ gift dollars by source to five highlighted subsectors, staying within the donor's census region

| Bequest | Individuals | Corporations | Foundations |
|-----------------------|-------------------------|-------------------------|-------------------------|
| Arts/Culture 82% | Health 78% | Higher Education 72% | Arts/Culture 68% |
| Health 80% | Arts/Culture 70% | Health 62% | Health 66% |
| Higher Ed 75% | Higher Education 65% | Arts/Culture 59% | Higher Education 63% |
| Human Services 68% | Human Services 62% | International 38% | Human Services 59% |
| International 50% | International 48% | Human Services 37% | International 29% |

A Status Report on \$1 Million+ Gifts to Arts & Culture*

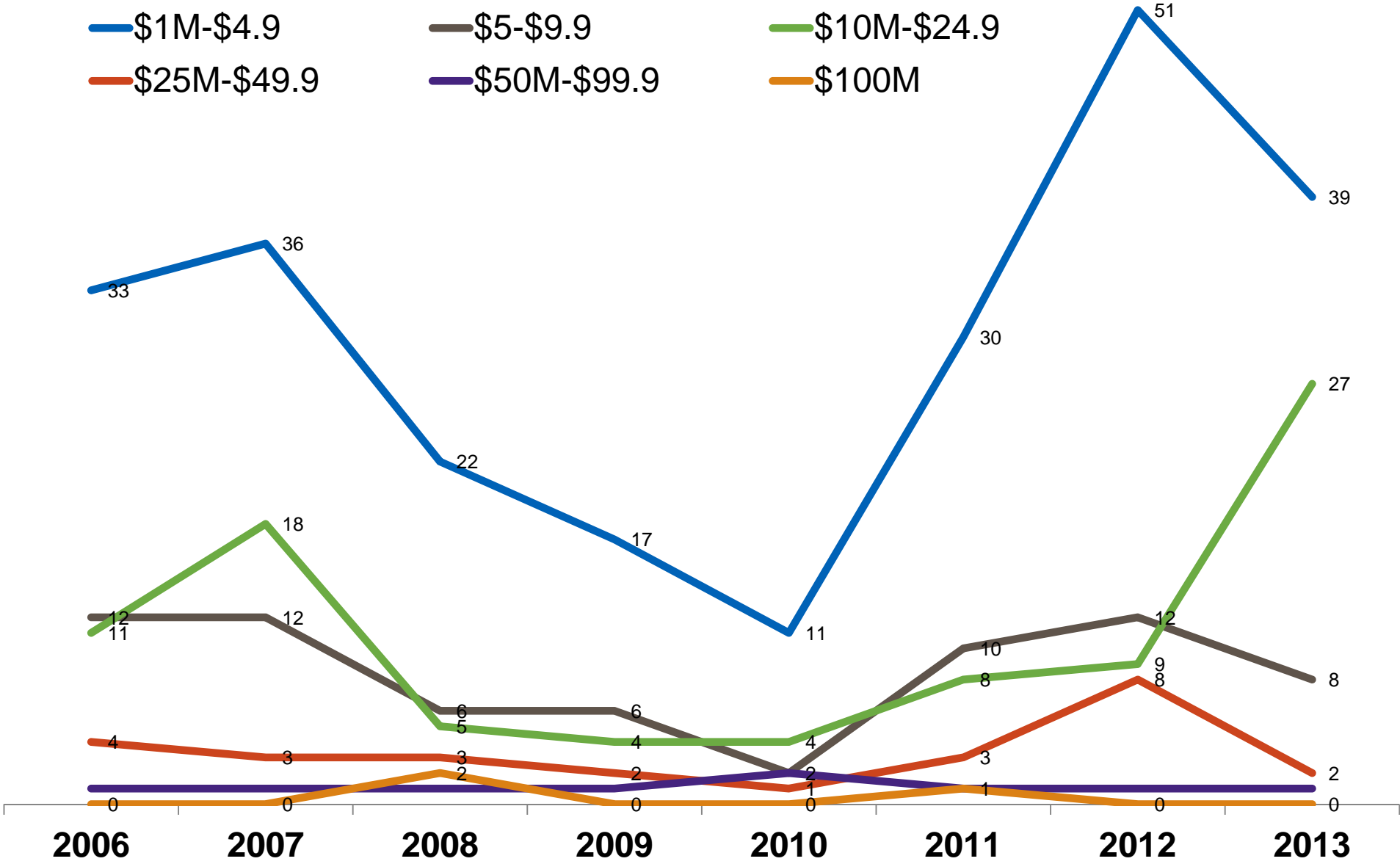
FY06 – FY13

*Source: Chronicle of Philanthropy

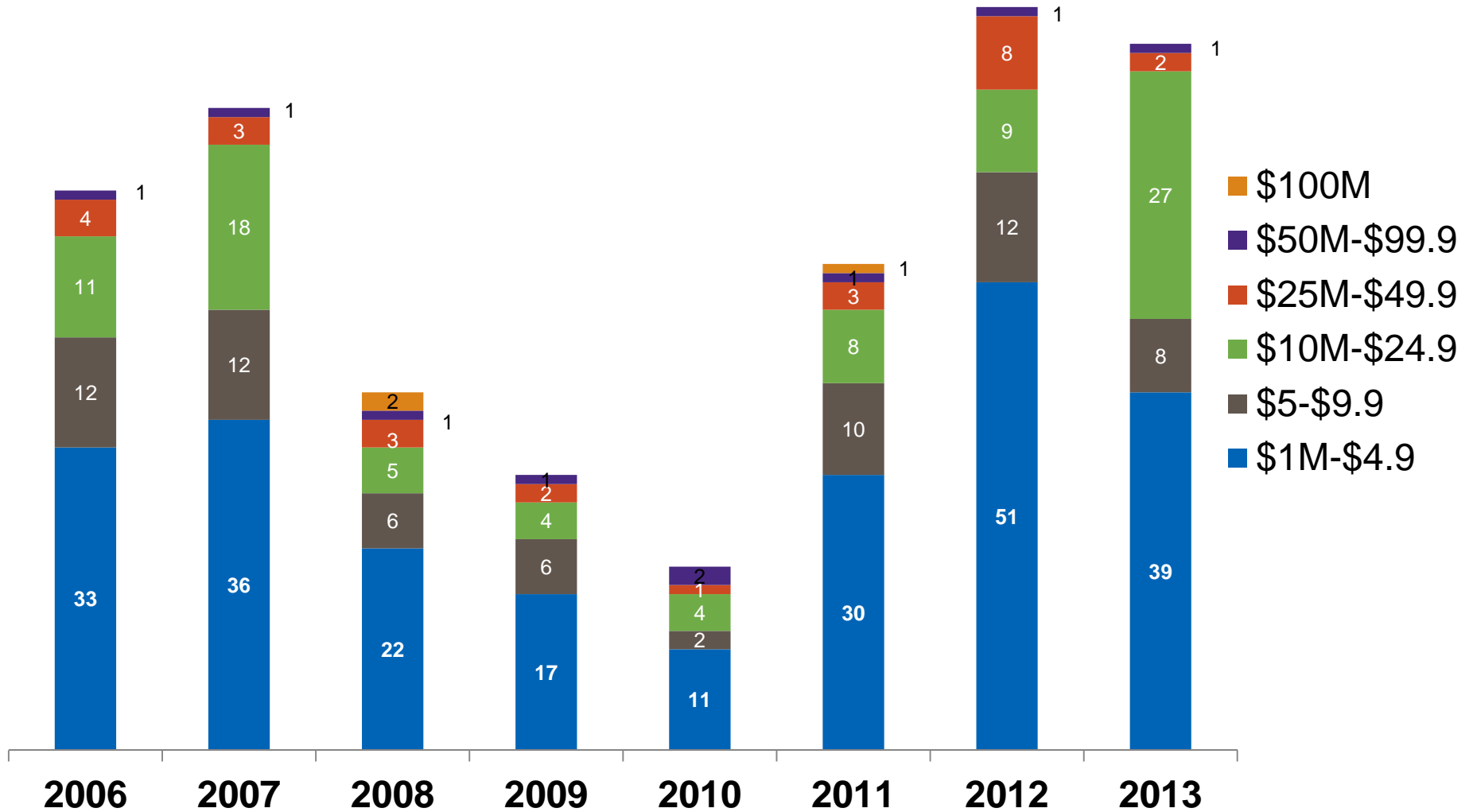
Marts&Lundy

Innovators in the
Art & Science of Philanthropy

A&C Gift Band Ranges: Comparison



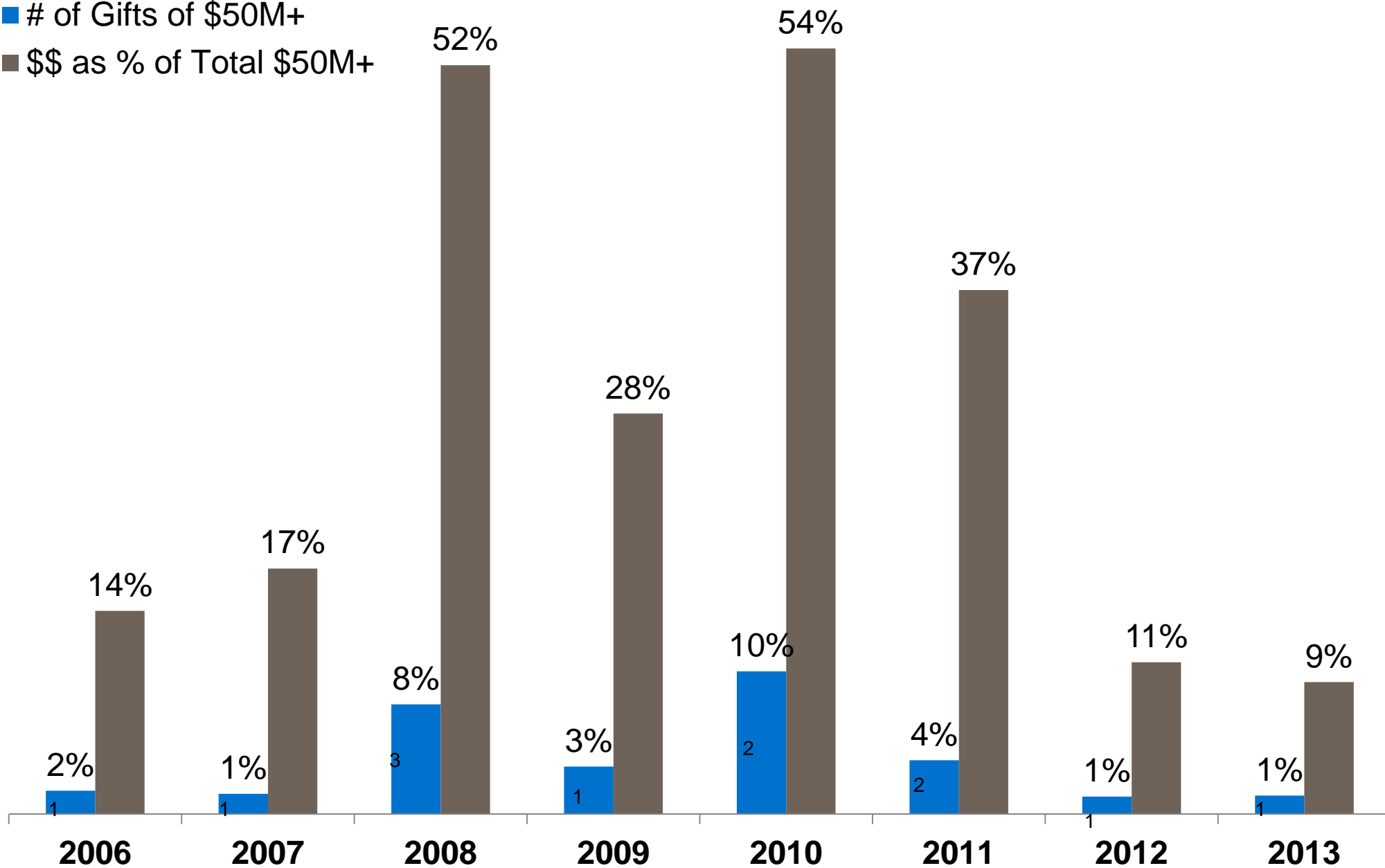
Total Gifts Comparison by Gift Band: FY06-FY13



Gifts of \$50M+ to A&C

■ # of Gifts of \$50M+

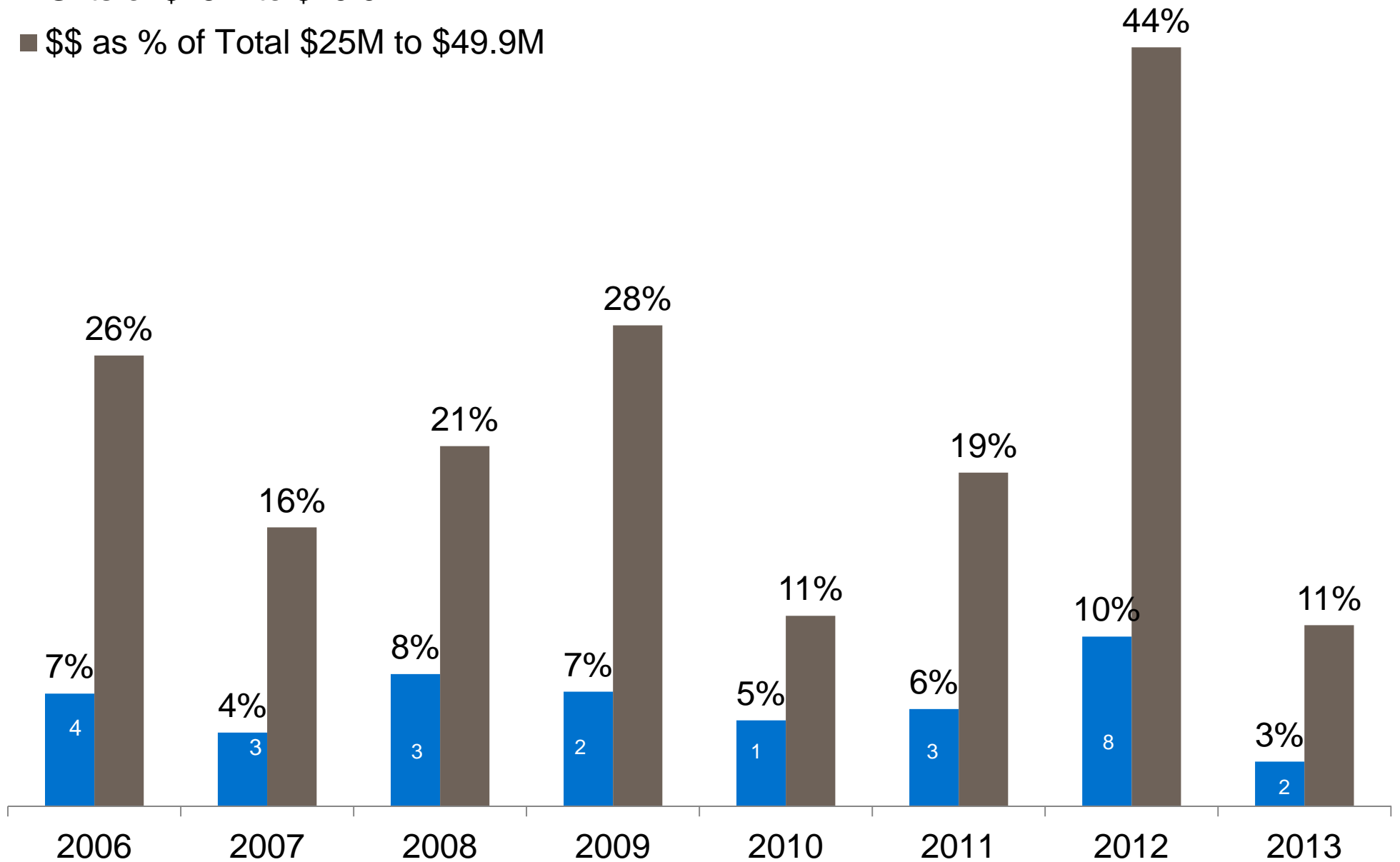
■ \$\$ as % of Total \$50M+



Gifts of \$25M+ to A&C

■ Gifts of \$25M to \$49.9M

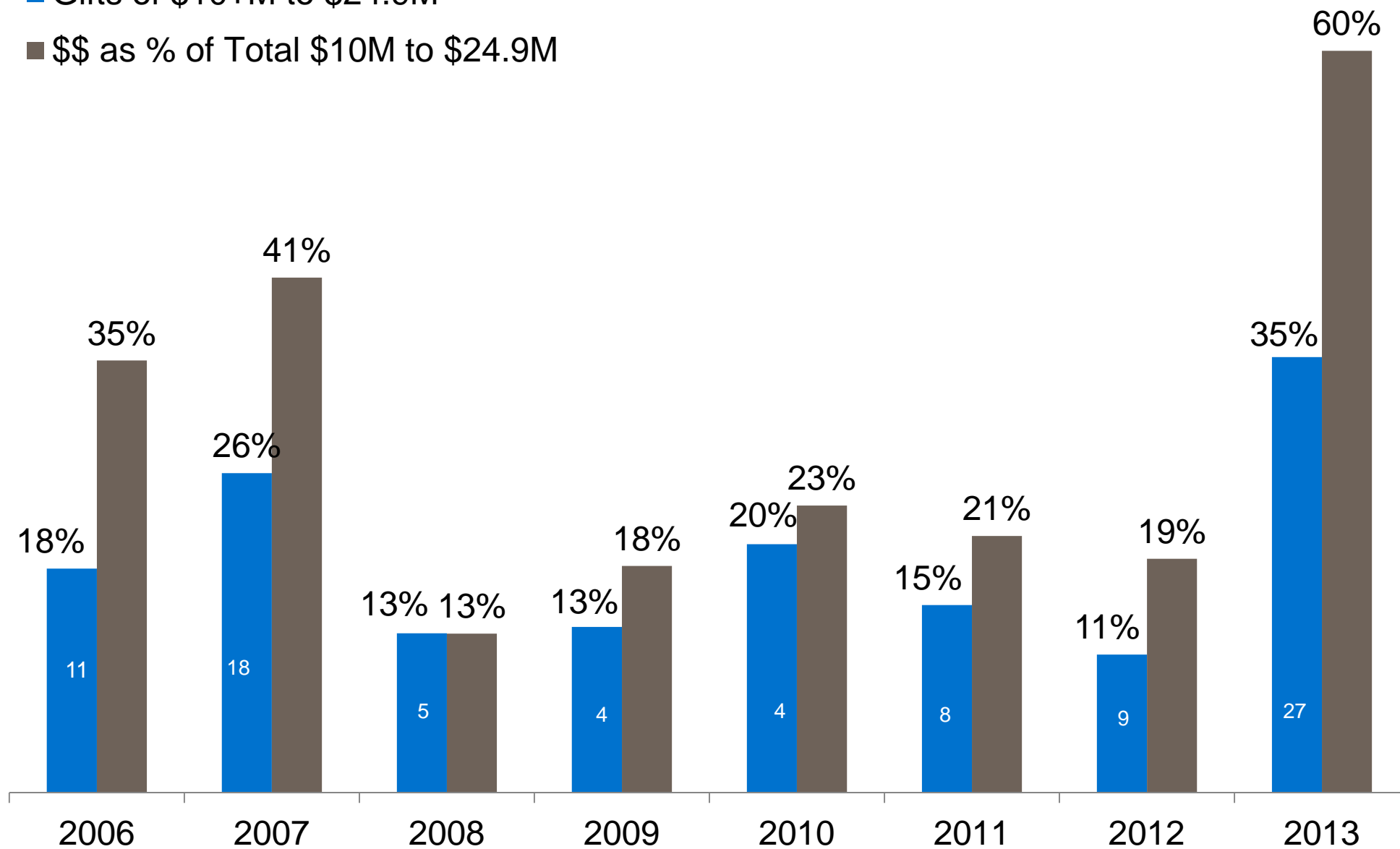
■ \$\$ as % of Total \$25M to \$49.9M



Gifts of \$10M to A&C

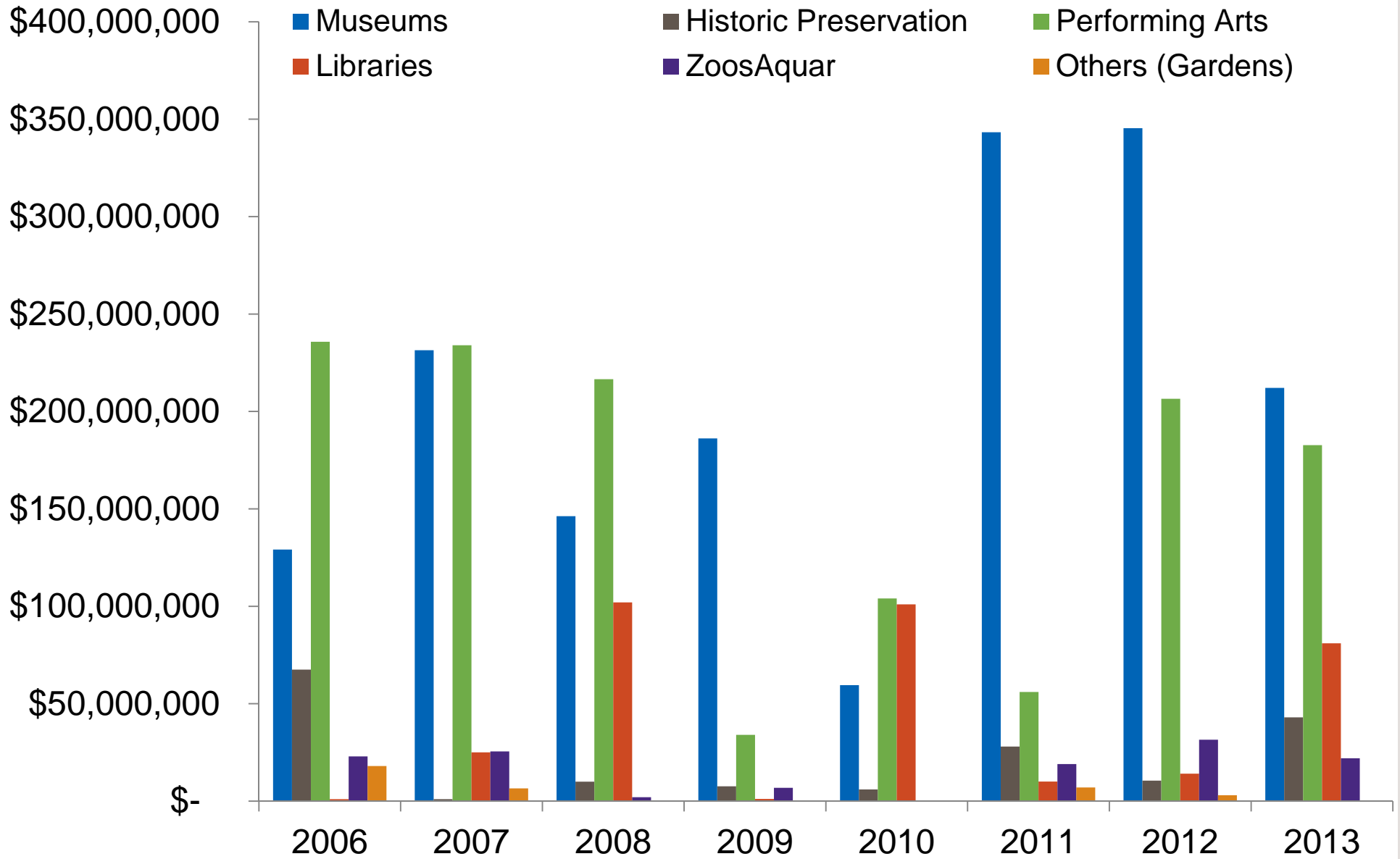
■ Gifts of \$10+M to \$24.9M

■ \$\$ as % of Total \$10M to \$24.9M

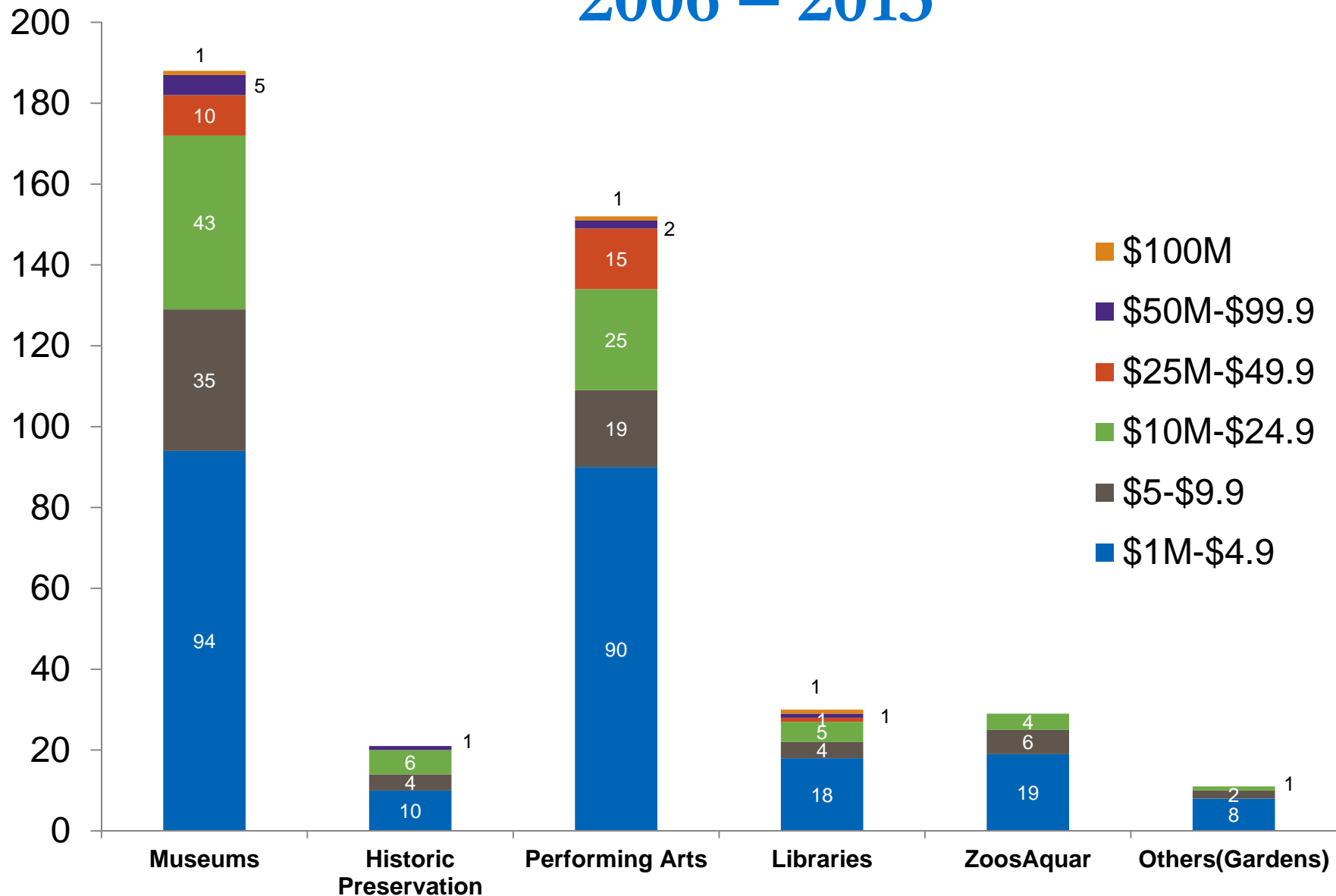


Sub-sectors breakouts

\$1 M+ Giving by Year by Sector



Number of \$1M+ Gifts by A&C Category: 2006 – 2013



“Million Dollar Ready” Institutions

Lilly Family School of Philanthropy Study of Higher Education – December 2013

- 1,449 institutions receiving 10,501 publicly announced \$1M+ gifts totaling \$90B between 2000 and 2012

Key Findings (7 total):

- It Starts at the Top
 - Longer presidential tenure
 - Ability to articulate a powerful vision, and connect it with donor motivations

“Million Dollar Ready” Institutions

Key Findings, continued

- Rankings and Age Matter
 - ‘Best Colleges’ Listings (61% increase in number, 156% increase in dollars)
 - Founding Prior to 1900
- Enrollment and Alumni Giving Play a Role
 - 10% increase in average alumni giving was associated with .07% increase in \$1M+ number
- Investing in People Reap Rewards
 - Tenured faculty, overall payroll

“Million Dollar Ready” Institutions

Key Findings, continued

- Solid Finances Attract More Gifts
 - Endowment value positively associated with \$1M gifts; greater value of these gifts.
 - Government funding does not crowd out private philanthropy
- Institution Type Has An Impact
 - Liberal arts, doctoral, research
- Location, Location, Location
 - Rural <11%
 - Southern/Western regions vs Northeast

Campaign Update

Campaign Realities

- **Highly competitive landscape** for the near future
- **Big gifts** continue to drive successful campaigns
- **Big ideas** drive big gifts, and appeal to the newly wealthy
- **Endowment campaigns are challenging:**
 - Worthiness test
 - Appeal to “inner circle”
 - Rely primarily on individuals
 - Not a favorite of the newly wealthy
 - Often done via estate/planned gifts
 - Other models deliver venture capital and reserves

Campaign Realities, continued

- **Integrate Strategic Planning and Campaign Planning:**
 - Take the long view; prepare well, take time.
 - Devise thoughtful engagement strategies with key donor constituencies (salons, 1:1 w/CEO, surveys, blue ribbon panels, targeted communications)
- **Don't wait to build leadership and ownership;** your Board is an essential element to campaign success.
 - Evaluate caliber, functioning, staffing
 - Demographics
 - Leadership
 - Focus on wealth and connections

Campaign Realities, continued

- **A Big Idea** is a philanthropic investment opportunity that transforms the organization or its ability to deliver on its mission
- It is *not* simply:
 - A gift opportunity with a big price tag
 - The bundling together of a collection of smaller ideas
 - An opportunity to put your name on something
- **Combination goals** are best: current-use monies, operating reserves, working capital, capital and endowment.

Looking Ahead

Data!

Data Informs Planning

Data Drives Constituent Strategies (Memberships, Annual Giving, Major and Planned Gifts)

- Wealth Screening
- Solid Research, Data Mining (NOZA)
- Modeling Best Donor Behaviors
- On-line Surveys
- Social Media
- Member-to-Donor Conversion Models

Looking Ahead

- **Seize the moment.** Conditions are seldom perfect for launching a campaign.
- **Philanthropy is resilient**
- **Successful fundraising organizations:**
 - Have compelling stories to tell
 - Set achievable goals based on updated knowledge of constituents
 - Stay in conversation with their volunteers, donors and prospects
 - Broker gifts that have the most personal meaning to donors
 - Emphasize stewardship to let donors know they matter more than ever

Looking Ahead

- **Manage risks and positive outcomes:**
 - Adopt tentative, testable goals until firm commitments support a final goal
 - Recognize that endowments grow primarily through bequests and other estate provisions
 - Let prospects know they can take time needed to make gift decisions
 - Build internal teams for fundraising. Create staff/volunteer partnerships for fundraising. Fundraising is a team sport.
 - Stay in conversation with key donors and volunteers – before, during and after a Campaign. Listen, Listen, Listen.