

Philanthropy Update and Trends for 2016

AMDA- 2016

Los Angeles, CA

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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

PRESENTED BY

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Innovators in the
Art & Science of Philanthropy

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**LILLY FAMILY
SCHOOL OF PHILANTHROPY**


INDIANA UNIVERSITY
Indianapolis

The Philanthropy Outlook

Total Giving

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

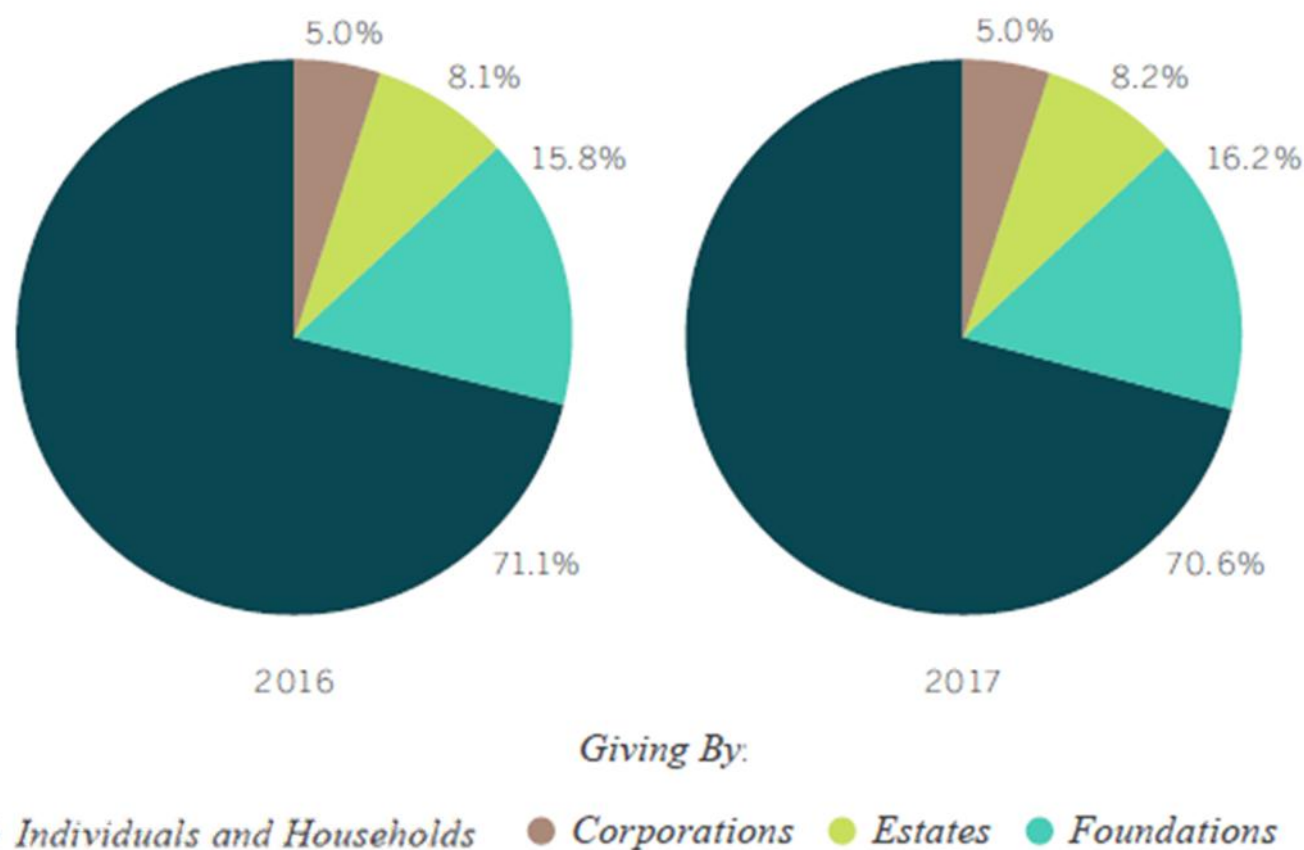
2016  4.1% 2017  4.3%



The Philanthropy Outlook

Distribution of Total Giving

By source for the years 2016 and 2017



The Philanthropy Outlook

Giving by Individuals/Households

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

2016 3.7% 2017 3.8%



The Philanthropy Outlook

Giving by Foundations

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

2016  5.7% 2017  6.4%



The Philanthropy Outlook

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

↑ 4.8% 2016 ↑ 4.9% 2017



The Philanthropy Outlook

Giving by Corporations

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




A PROPRIETARY REPORT

Marts
& Lundy

Methodology

\$10 Million Gift Report Methodology	
Marts & Lundy Data Pre-2015	Marts & Lundy Data 2015 and Moving Forward
<i>The Chronicle of Philanthropy, "America's Top Donors"</i>	<i>The Chronicle of Philanthropy, "America's Top Donors"</i>
	Program scans Twitter for additional gifts at all \$10M+ levels
Includes: Arts; Historic Preservation; Museums and Libraries; Parks and Gardens; Zoos and Aquariums	Includes: same categories plus Conservation and the Environment
Includes \$1M+ gifts and commitments from individuals and family foundations.	Includes \$10M+ gifts and commitments from individuals and family foundations.
	Gifts in Kind ("Non-Cash") are excluded from Arts & Culture analysis (See Appendix A for list of Gifts in Kind)
US recipients only	US recipients only

Executive Summary 2015

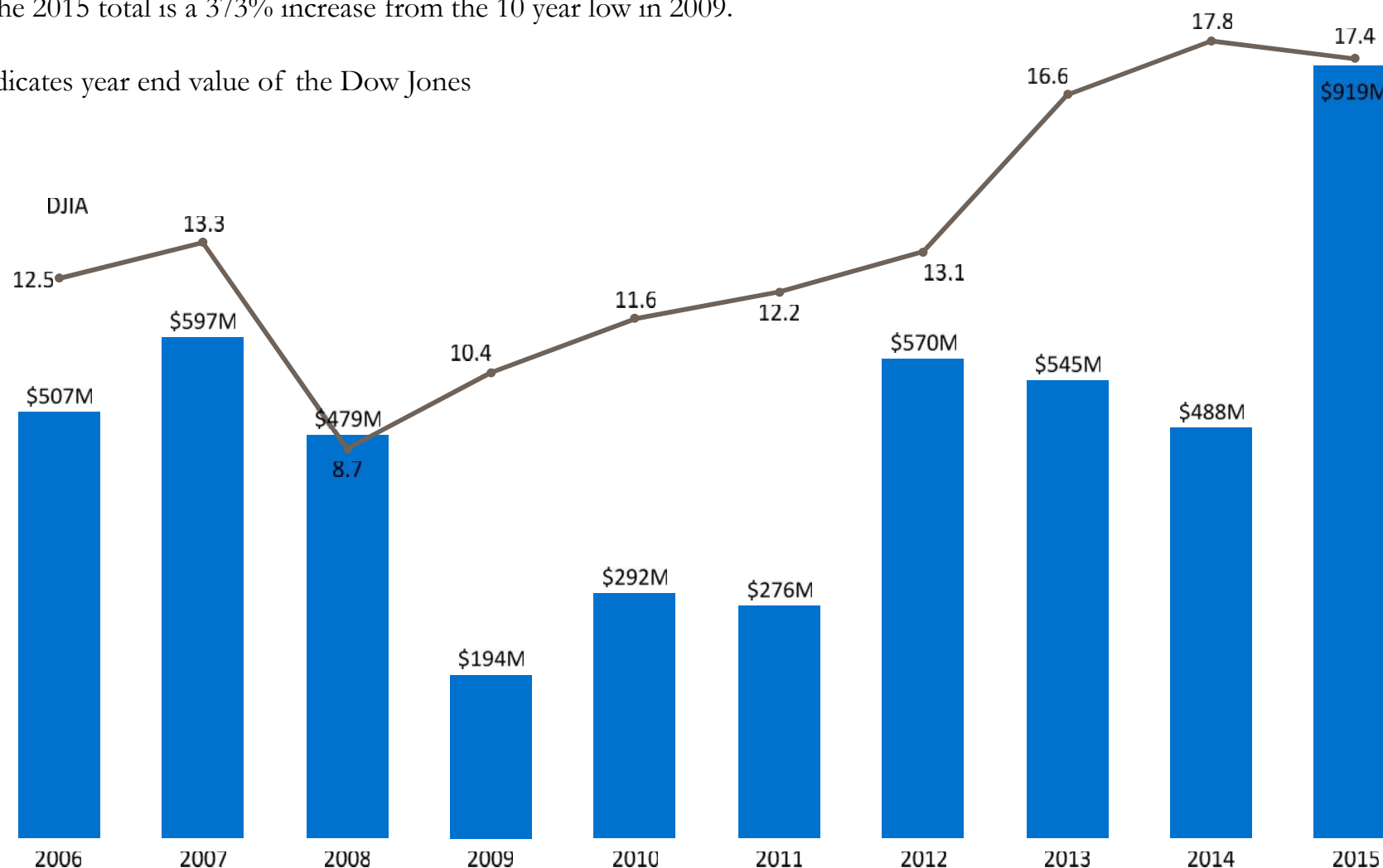
	Chronicle + Twitter for FY15
Giving Dollars Slide 5	2014: \$488M 2015: \$919M 88% increase 
Number of Gifts and Commitments Slide 6	2014: 21 2015: 37 76% increase 
Gifts in Kind <i>These gifts are excluded from the overall analysis but are included in the Appendix.</i> Slide 14	For the second year in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

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.

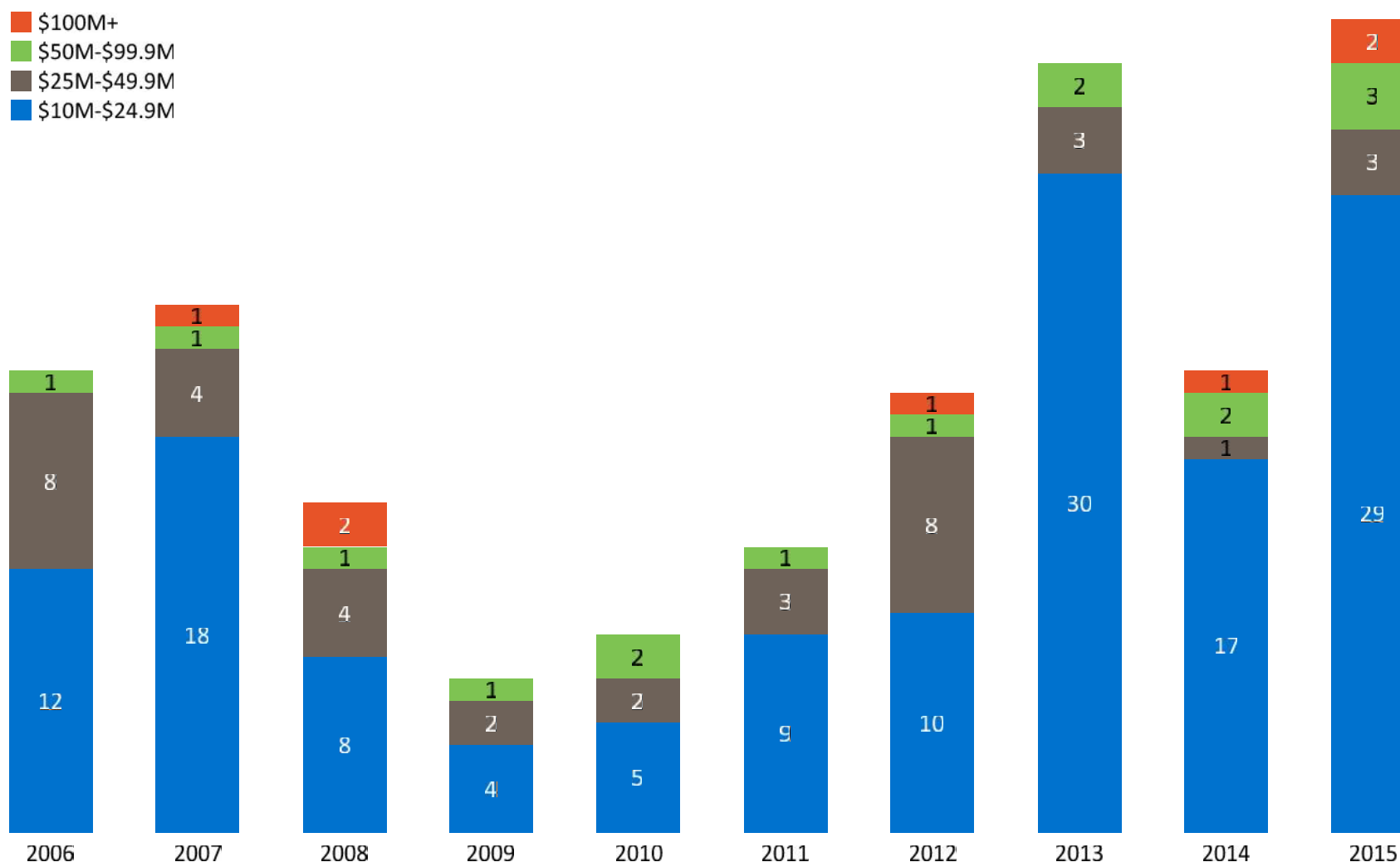
Line indicates year end value of the Dow Jones



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.

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.



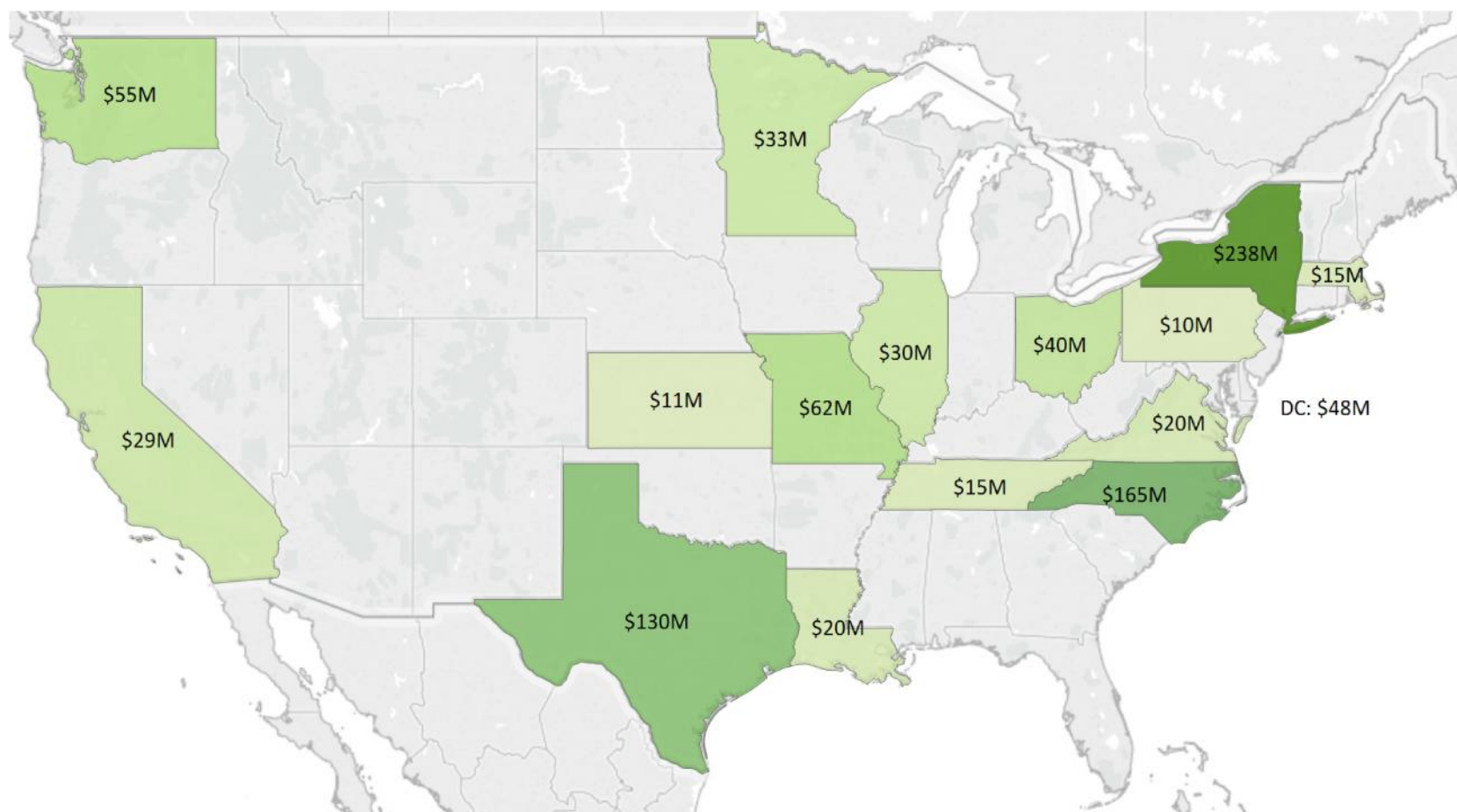
2015 Arts, Culture, & Environ. Giving by Gift Type



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".

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.

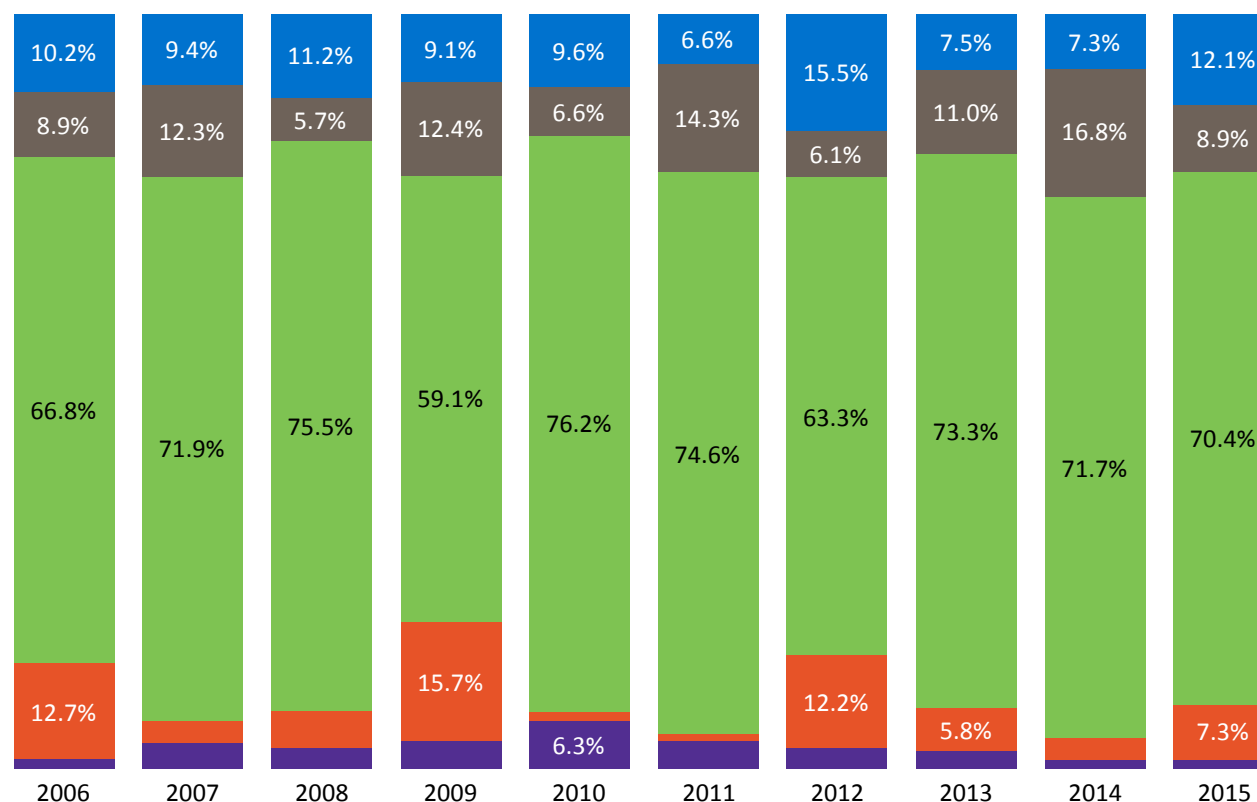


Arts, Culture, & Environ. Giving as a % of 2015 Total Giving

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.

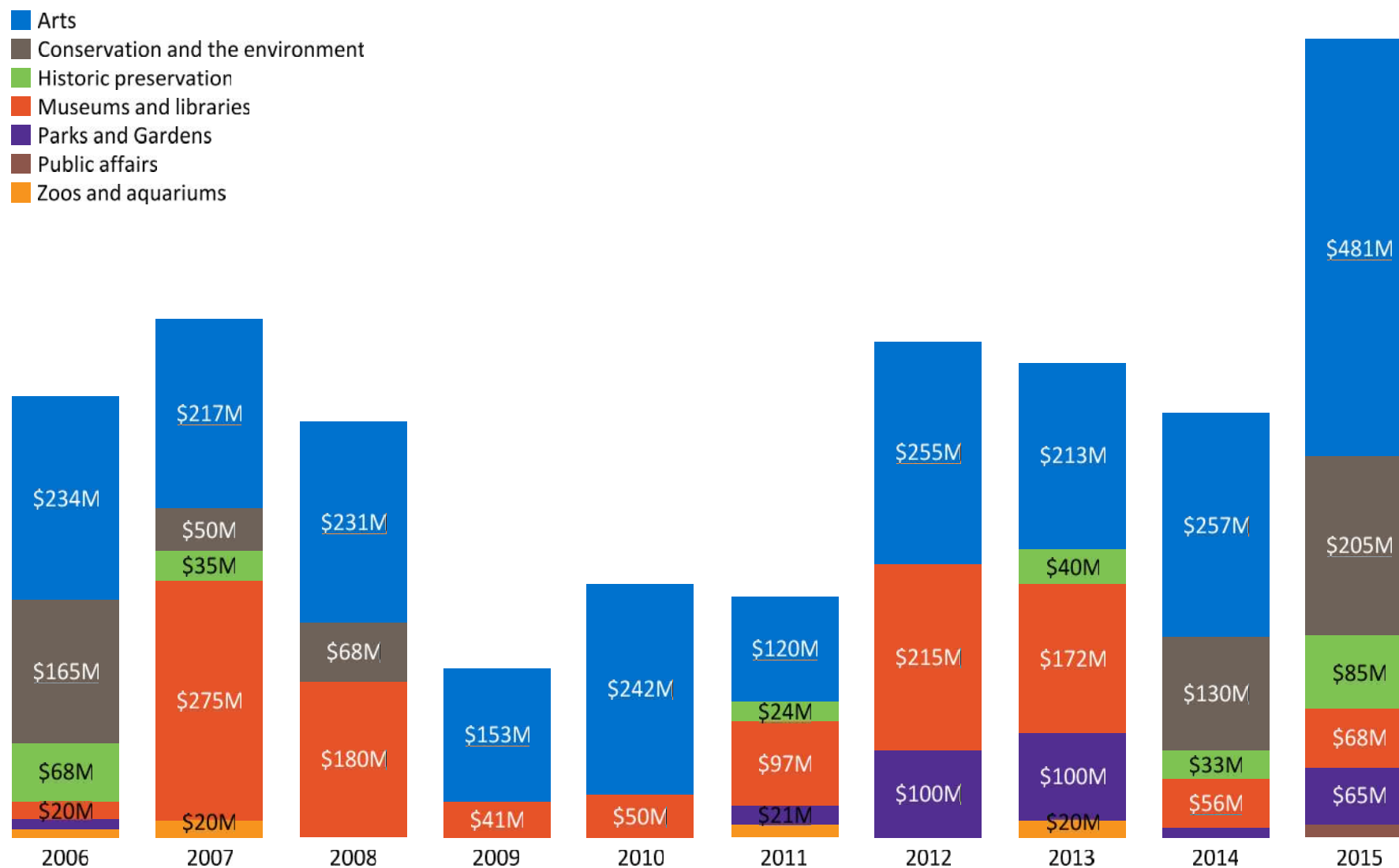
■ Arts, Culture, & Environment ■ Higher Education ■ Schools
■ Health ■ Other Causes

Note: Excludes giving to foundations.

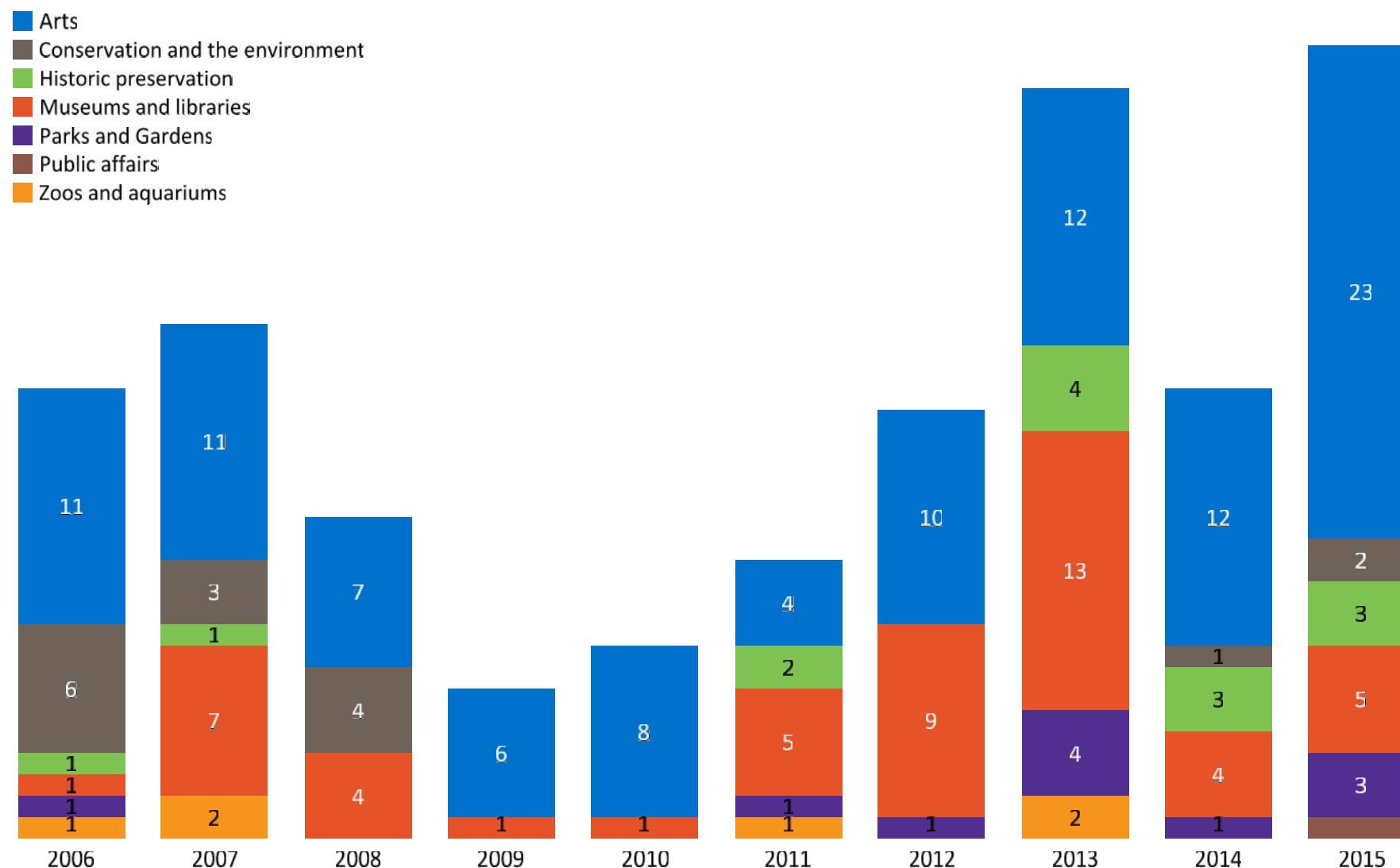


Note: *The Chronicle of Philanthropy* designates giving to the Bill & Melinda Gates, Walton Family, Conrad N. Hilton, and similar foundations as giving to "Foundations." Such gifts are excluded here. Other gifts to foundations, such as the ClearPath Foundation, are designated as giving to specific causes and are included here.

2015 Arts, Culture, & Environ. Giving by Area



2015 Arts, Culture, & Environ. Number of Gifts by Area



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

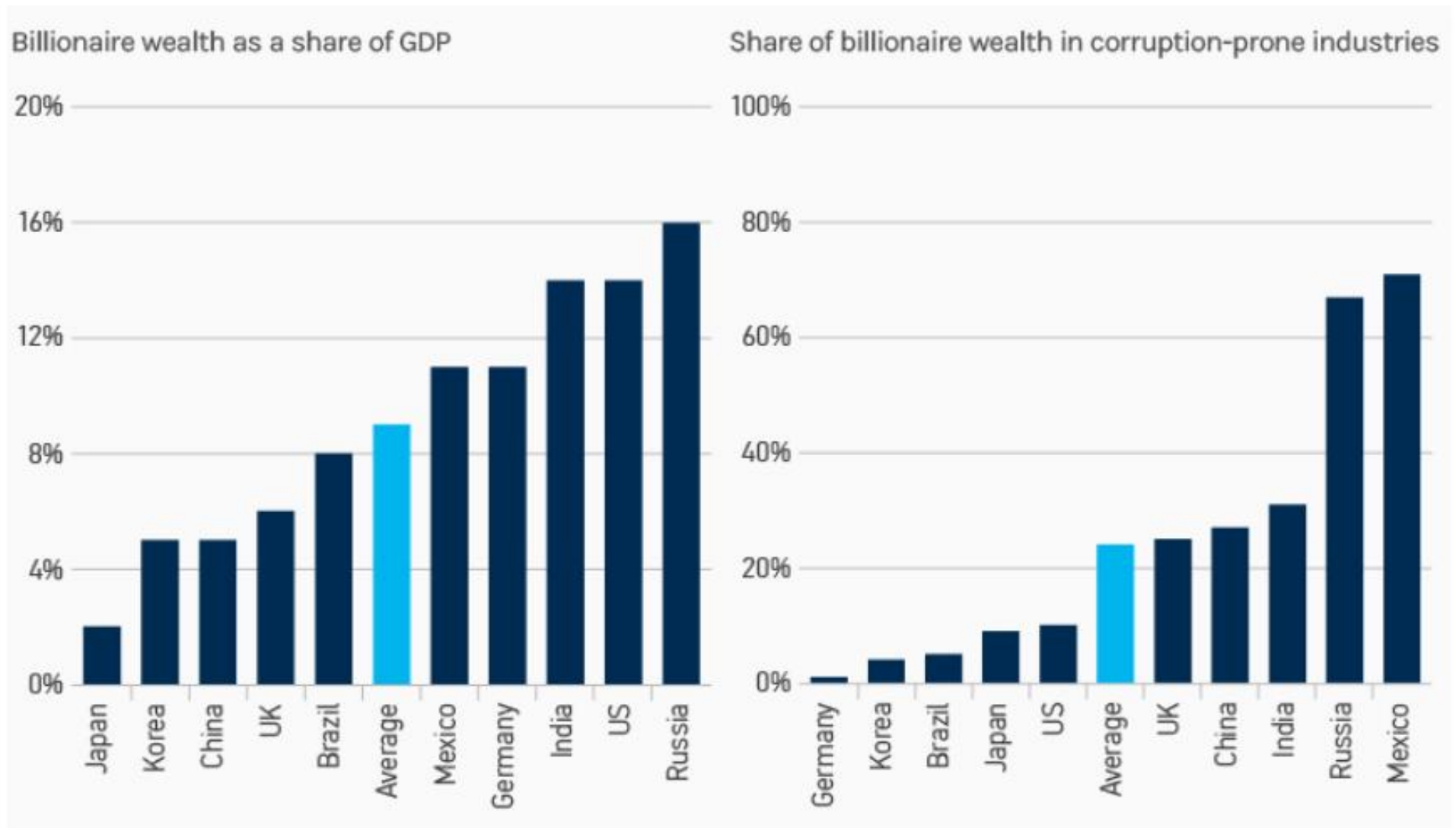
- **Issue:**

- 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



Top 1%, Wealth Concentration and it's Impact, continued

- **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**

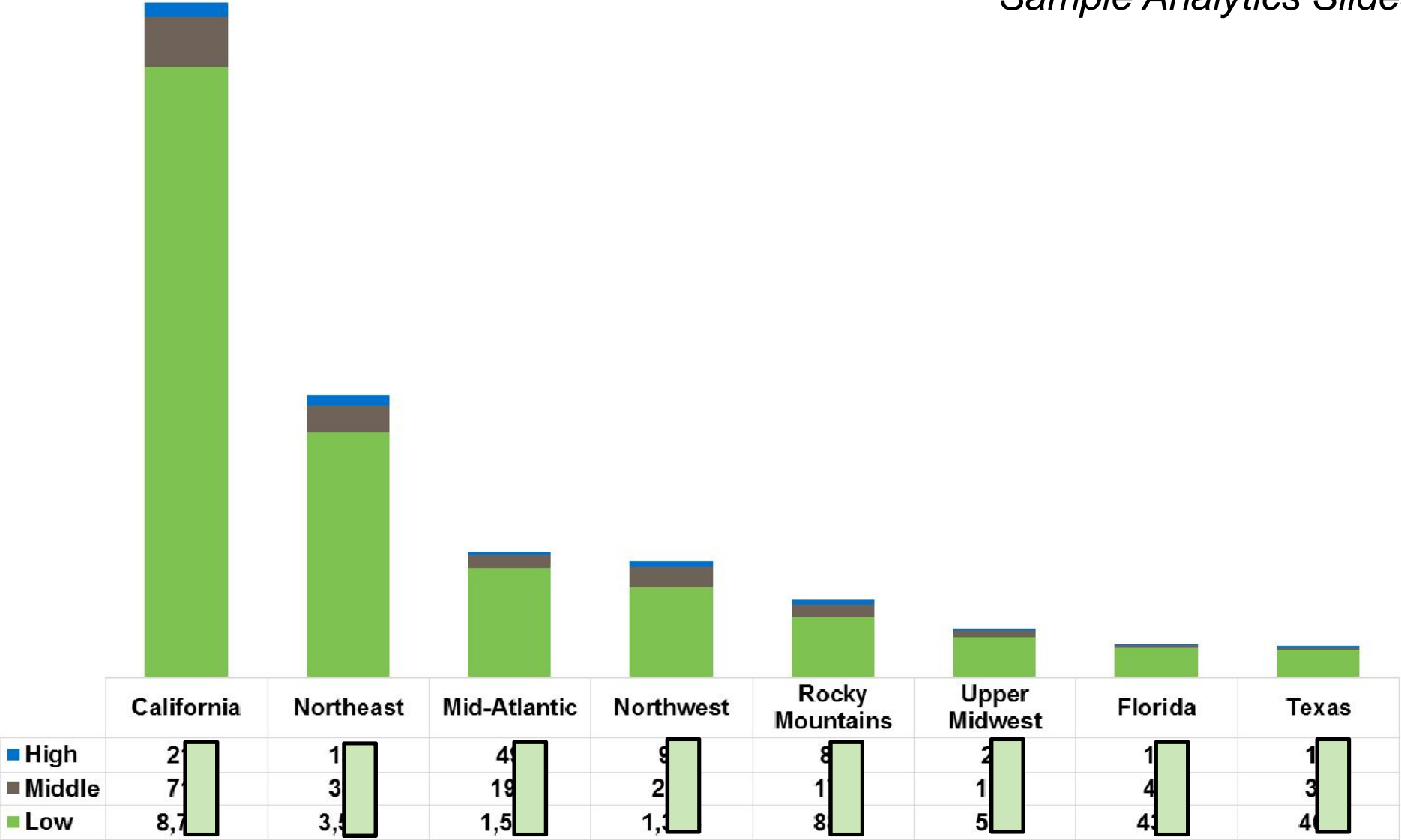
- For prudent investments
- To focus your teams
- To wade through the numbers: align capacity and likelihood

- **What investments are needed?**

- Wealth Screening, Yield Analysis, Modeling
- Development Services departments
- Dynamic portfolio management
- Effective database management

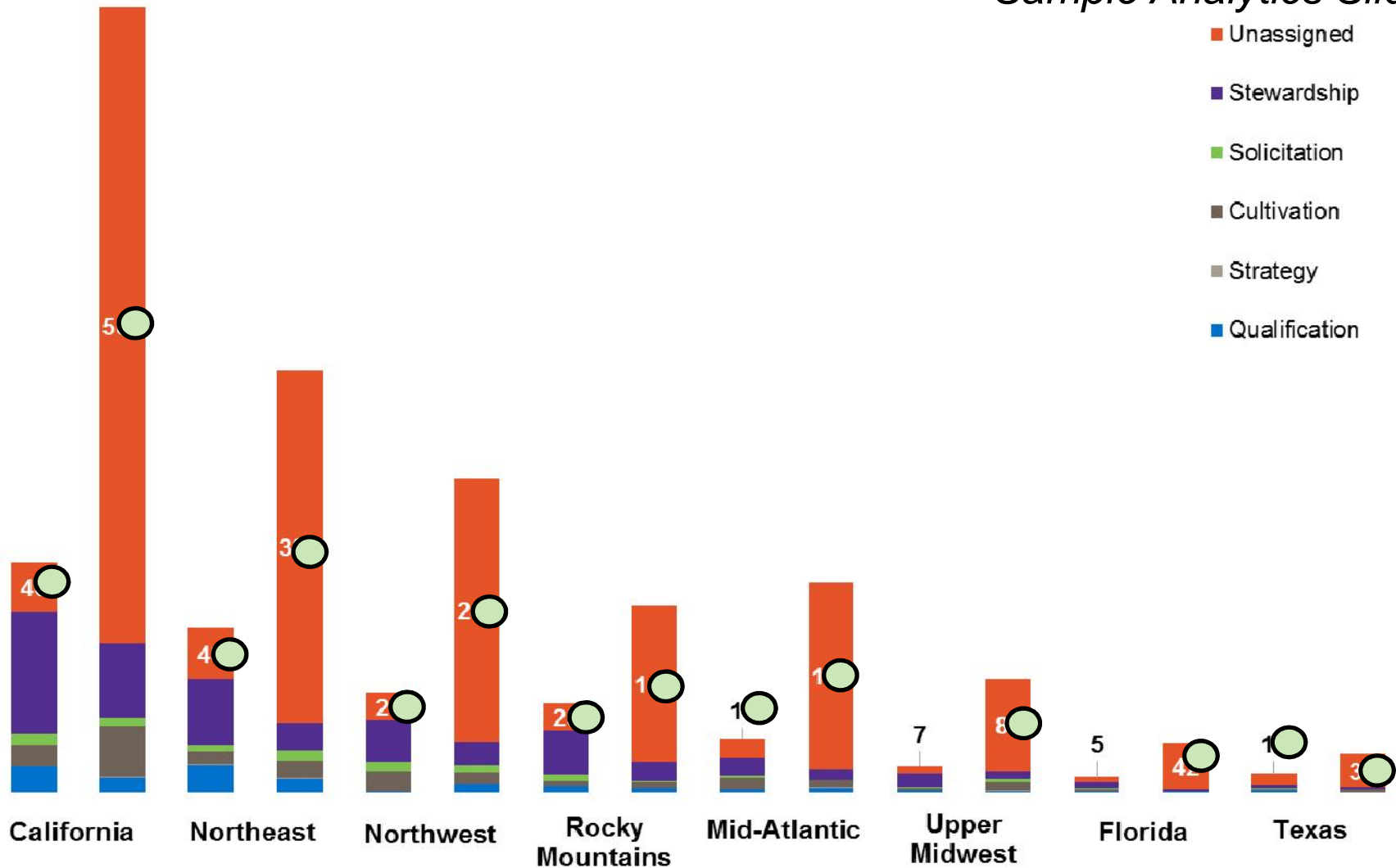
\$25K+ Rated Prospects, with Likelihood

Sample Analytics Slides



\$25K+ Rated Prospects, High/Middle Likelihood and Stages

Sample Analytics Slides



First Column = HIGH / Second Column = Middle

Current Portfolios: Prioritized

Sample Analytics Slides

Priority Group 1 = Senior Major Gift Officer

				# Donors
Capacity Rating	\$25K+	\$250K+	Not Rated	1
Likelihood to Give	High & Medium	Low		
Gift Recency	0-18 months	0-18 months	\$25K+ gift on record	

Priority Group 2 = Junior Major Gift Officer

				# Donors
Capacity Rating	\$25K+	\$25K - \$249K		5
Likelihood to Give	High & Medium	Low		
Gift Recency	19-36 months	0-36 months		

Priority Group 3 = Mid-Level Engagement/Qualifying

				# Donors
Capacity Rating	\$10-25K	\$0-\$9999	\$0-\$24,999	1
Likelihood to Give	High & Medium	High & Medium	Low	
Gift Recency	19-36 months	0-36 months	0-36 months	
				Total Donors
				3

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**