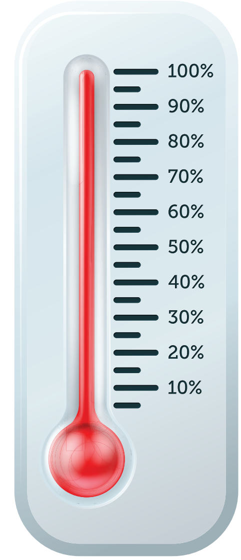
No More Fundraising Excuses



Giving USA 2015's annual report of philanthropic trends reveals five consecutive years of charitable giving growth

by Richard Tollefson

Giving USA, the definitive longitudinal research study on U.S. trends and issues in philanthropy, is compiled by The Giving Institute and is based on research from the Lilly Family School of Philanthropy at Indiana University.

2015 Report Highlights:

- The three sectors with the highest rate of growth in contributed income during 2014 were:
  - Arts, culture and humanities: 9.2 percent increase for a total of $17.23 billion
  - Environment/animals: 7 percent increase for a total of $10.50 billion
  - Health: 5.5 percent increase for a total of $30.37 billion

Growth in these areas can be attributed to high-net-worth individuals returning to the organizations they traditionally funded after a reallocation of funds during the recession to meet basic human services needs.

- The religion sector, which remained relatively stagnant during the past few years, grew by 2.5 percent to $114.90 billion contributed in 2014.

- Education — particularly higher education — experienced the highest two-year growth rate at 13.2 percent with a total in 2014 of $42.10 billion.

store.givingusareports.org.

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It is official. Philanthropic giving in the United States is not only on the rebound, it has fully recovered since the recession, marking the highest levels of giving in the country's history. Yes, even despite weak and uneven economic recovery.

According to the *Giving USA 2015* report, charitable giving has risen 7.1 percent over the last year, totaling $358.38 billion. While these figures are encouraging and a clear sign of growing national economic health, it's not quite time for executives sitting on nonprofit boards to celebrate.

In fact, it's a time for development directors, CEOs, board chairs and board members to step up, definitively discarding the most common excuse of past years: "We can't possibly raise money because no one is giving money." As the statistics prove, money *is* being donated to philanthropic causes more than ever before.

Knowing *where* philanthropic dollars are coming from is key to a nonprofit's success. Of all U.S. giving in 2014, individuals contributed 87 percent through outright gifts or their family foundations and bequests. Only five percent came from corporations.

What's more, individuals who have experienced a "liquidity moment" — they've sold a company or received an inheritance and suddenly have a windfall of cash — are turning more and more to donor-advised funds. Rather than donating those funds to particular charitable organizations for their stewardship, donors create their own donor-advised funds to hold that money, distributing it over a number of years to various nonprofits.

Traditionally, individual donors have created their donor-advised funds within community foundations. Increasingly, however, they are also turning to commercial donor-advised funds such as Fidelity, Vanguard and Charles Schwab. This means nonprofits are wise to build relationships with community foundations, understanding that contributions from donor-advised funds may be outside the foundation's organizational grant process and may be realized in future years.

The 2015 report also revealed insight about new wealth in the United States and where these individuals — mostly entrepreneurs from the high-tech sector — are directing their money. Primarily, this new wealth is being channeled to donors' own foundations, or in support of higher educational institutions. While the average mega-gift of the past hovered around the $80 million mark, the average in the past year has increased to $200 million.

2014 contributions

$358.38 billion by source

Contributors	Individuals	Corporations	Bequests	Foundations
Amount (in billions of dollars)	$258.51	$17.17	$28.13	$53.97
Percent	72%	15%	8%	5%

That's not to say nonprofits should focus all of their energy on mega donors, as the percentage of charities receiving such generous funds is minimal (and, most often, personal connections are critical to secure such gifts). In fact, it is most wise to build a base of donors beginning with the annual fund, working to increase the level of participation of donors over time while *also* identifying immediate donors with the highest financial potential.

A CASE FOR COMPETITION

So, while giving has increased, it is important to note that so, too, has competition for limited donor dollars. More than 1.5 million nonprofits exist in the United States today. Many of them, which once relied solely on government grants and contracts or worked under a fee-for-service model, are turning to philanthropic dollars for the first time to close the financial gap resulting from reduced governmental funds.

The most competitive nonprofits understand that, to secure funds amid such competition, they must:

Create a culture of philanthropy within the organization. Employees and volunteer leaders must understand the impact and positive potential of philanthropy, and how to steward donors and prospects for the long term.

Invest money to make money. An investment in professional fundraising staff as well as dedicated resources for fundraising — developing cases for support, implementing effective database systems for the management of prospect/donor information, and donor stewardship, for example — optimize philanthropic success.

Build and sustain relationships for the long term. Don't look at an individual donor as a simple pocketbook. The individual donor can wear multiple hats. He or she may make outright gifts annually, have a donor-advised fund or family foundation, be the CEO of a small corporation, or have planned giving potential. Do the background work and get to know the donor.

Understand where the greatest financial potential lies. While corporations represent only 5 percent of giving, that doesn't mean nonprofits should abandon philanthropic corporate partnerships and opportunities altogether. Consider approaching corporate marketing departments to discuss corporate sponsorship and cause-related marketing opportunities, and human resources departments about corporate volunteer opportunities.

In the end, those executives sitting on nonprofit boards who understand that philanthropic dollars *do exist* — and take the time to study and understand current trends in philanthropy — are the ones who can most positively impact the nonprofits they serve.

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As the only member of the Giving Institute in the Southwest, The Phoenix Philanthropy Group has conducted Giving USA preview events in Arizona, Nevada and California, as well as online webinars through the Social Venture Partners International Network. phoenixphilanthropy.com