Giving Trends Update

July-August 2020

01

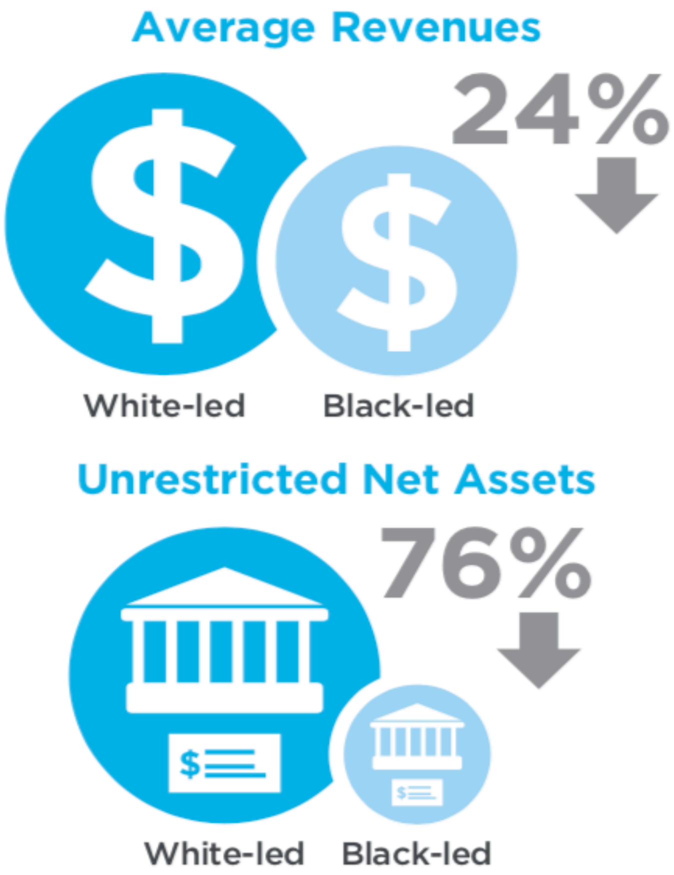
Racial Equity and Philanthropy

Foundation Funding – Primary Source of Funding for Organizations Led by People of Color

"… foundation grants were often the largest source of funding for organizations led by executives of color, whereas white leaders reported more diversified funding from government contracts, individual donors and fee-for-service."

Source: "Nonprofit Executives and the Racial Leadership Gap: A Race to Lead", *Building Movement Project*, 2019

Revenues and Unrestricted Assets



There are disparities in revenues and unrestricted assets between white-led and Black-led early-stage organizations.

"… on average, the revenues of the Black-led organizations are 24 percent smaller than the revenues of their white-led counterparts."

In terms of unrestricted funding, *"the unrestricted net assets of the Black-led organizations are 76% smaller than their white-led counterparts. The stark disparity in unrestricted assets is particularly startling as **such funding often represents a proxy for trust**."*

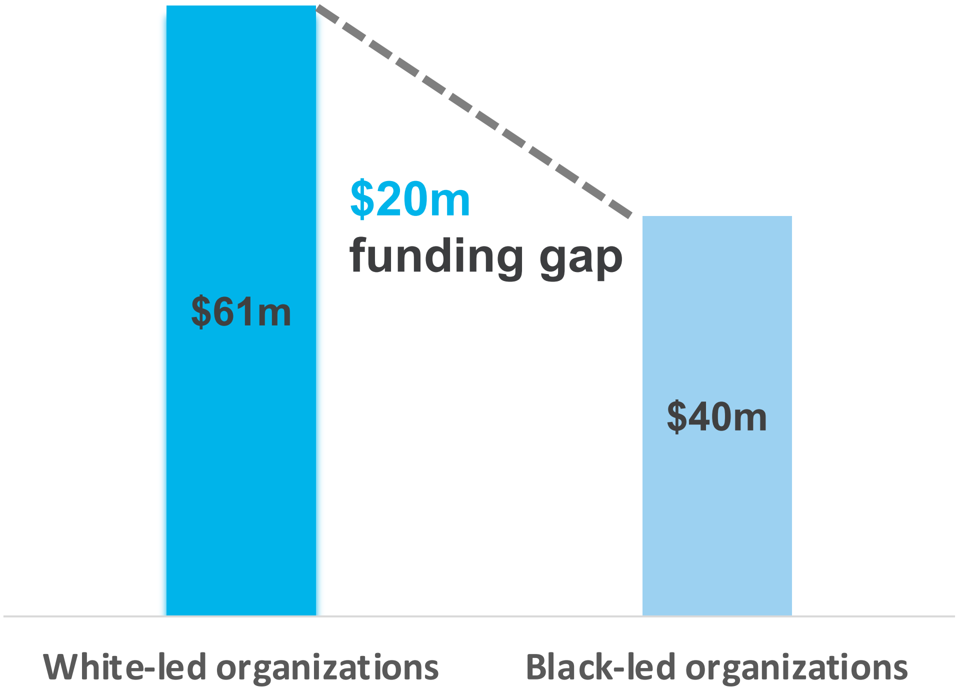
Source: *Echoing Green* 2019 applicant pool in "Racial Equity and Philanthropy", *The Bridgespan Group*, 2020

Four Key Barriers to Capital Faced by Leaders of Color

- **Getting connected to potential funders**: Leaders of color have inequitable access to social networks that enable connections to the philanthropic community.
- **Building rapport with potential funders**: Interpersonal bias can manifest as mistrust and microaggressions, which inhibit relationship building and emotionally burden leaders of color.
- **Securing support for the organization**: Funders often lack understanding of culturally relevant approaches, leading them to over rely on specific forms of evaluation and strategies with which they are familiar.
- **Sustaining relationships with current funders**: Grant renewal processes can be arduous if mistrust remains, and funding may stop if the funder has a white-centric view of what is a strategic priority and how to measure progress.

Source: "Racial Equity and Philanthropy", *The Bridgespan Group*, 2020

Racial Funding Gap



"A $20 million racial funding gap exists between white-led and Black-led early-stage organizations."

"The disparities continue as organizations attempt to grow. According to New Profit, during the mezzanine stage, Black and Latinx leaders receive only about 4% of funding although they make approximately 10% of nonprofit leaders."

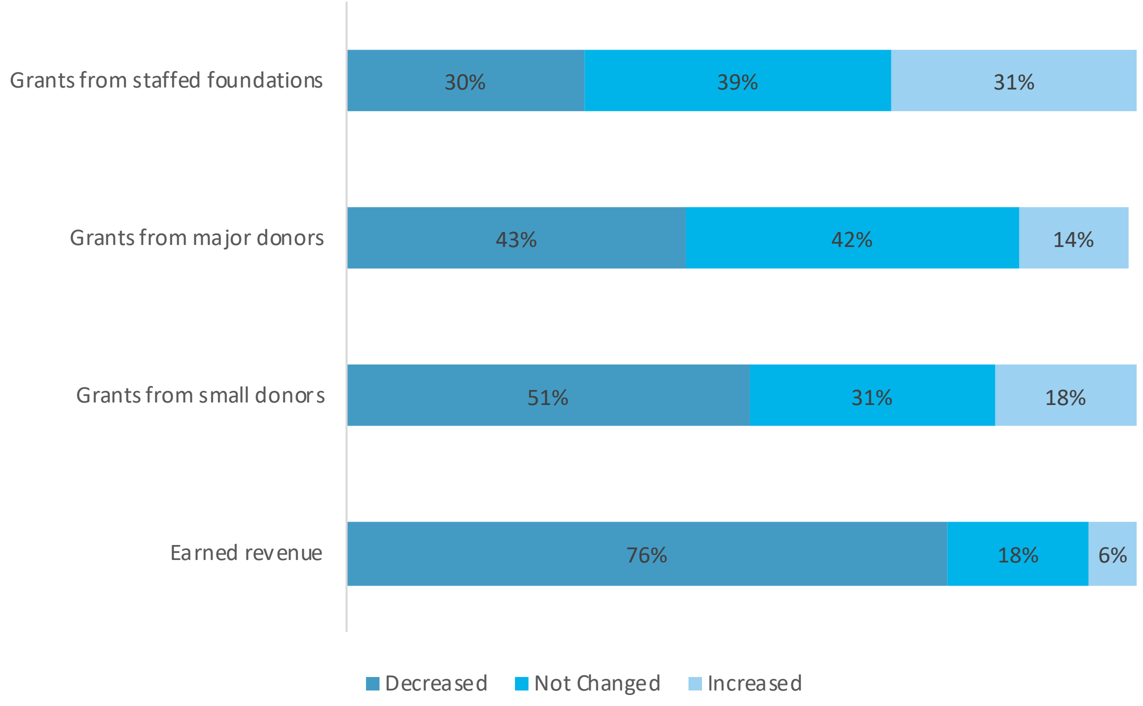
Source: "Racial Equity and Philanthropy", *The Bridgespan Group*, 2020

02

Giving Trends in the United States

Summer 2020

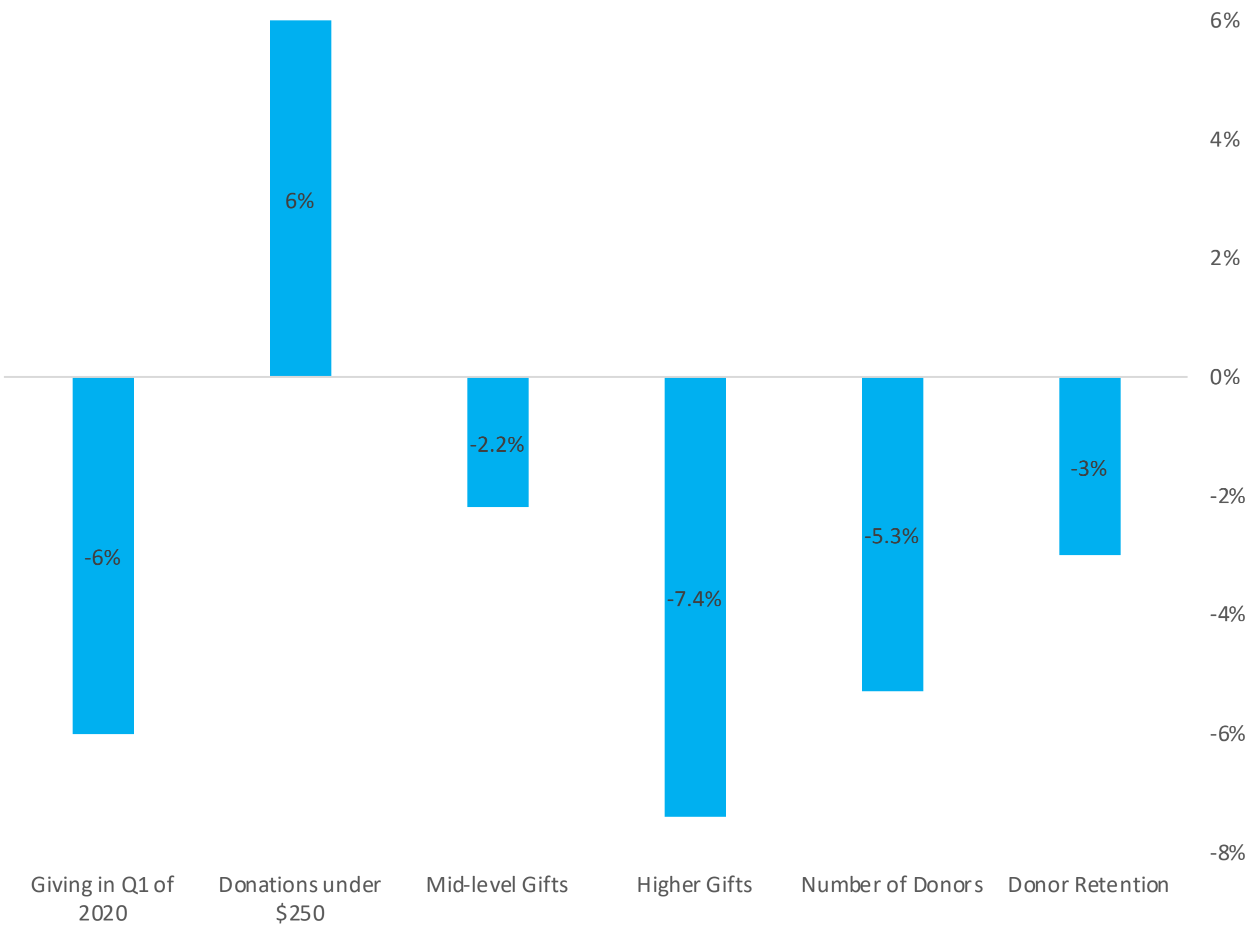
How Nonprofit Revenue Has Changed as a Result of the Pandemic



- **31% of nonprofit CEOs said their grants from foundations have increased.**
- For major donors (those who give more than $7500 annually), only 14% of CEOs reported increased giving, while 43% saw decreased giving.
- For small donors (those who give less than $7500 annually), only 18% of CEOs reported increased giving, while 51% saw decreased giving.
- 77% of CEOs saw a decline in earned revenue (fees for services, ticket sales, and other similar activities).
- In terms of the overall impact of the pandemic, 84% of CEOs said it has had a moderate or significant negative impact on their organizations. 81% said they plan to reduce programs or services.

Source: *Center for Effective Philanthropy* Survey, 2020

6% Drop in Q1, Low Dollar Donors Step In



- **Giving Down 6% in Q1 2020**: In comparison to Q1 2019, overall giving was down in Q1. January and February strong, but March saw an 11% drop.
- **Donations under $250 up 6%**: Not likely motivated by tax reasons (though CARES Act does allow this), every day donor stepped in.
- **Larger Gifts Lagged in Q1**: Mid-Level Gifts ($250-$999) dropped 2.2%; and higher gifts ($1k+) dropped 7.4%
- **Number of overall donors and donor retention dropped in Q1**: Number of donors decreased by 5.3% and donor retention rate dropped by 3 points to 16.4%.

Source: FEP 2020 First Quarter Report and AFP Report, June 22, 2020

What We Know So Far: One-Third of Organizations May Not Survive Post Pandemic

"Early estimates of contraction in the U.S. nonprofit sector range from 10 percent to 40%."

- **A significant number of nonprofits will be forced to consolidate or close their doors.** The most vulnerable will be nonprofits whose services are considered less essential, especially as funders are now focused more on helping families eat and pay rent. These organizations must also fundamentally re-imagine their program and financial models in the absence of remote service delivery capacity or feasibility.
- **The need for nonprofit services will dwarf available capacity and resources.** Nonprofits will face real limits and have difficult choices to make about whose needs get prioritized, what quality of services they can provide, and whether to focus on immediate need or more systemic causes.
- **The pandemic will intersect with and compound other ongoing trends.** Economic and health disparities in the impacts of the pandemic will be part of a larger conversation on racial equity.
- **Differences in outbreak rates and reopening strategies will cause varying levels of crises and need across geographies and time.** This will create wide deviations in our experience of the pandemic and heighten the significance of place and localized responses.

"When demands on its coronavirus fund vastly exceeded donations, the Greater Washington Community Foundation had to make difficult choices. Its grants, ranging from $10,000 to $50,000, went to 200 nonprofits out of 1,600 requests."

Source: "An Event or an Era? Resources for Social Sector Decision-Making in the Context of COVID-19," *Monitor Institute by Deloitte*, July 2020

Some Hope

75%
of major donors will either donate more or hold steady

58%
increase in grants from community DAFs from previous year

46%
of millennials have said they will give more

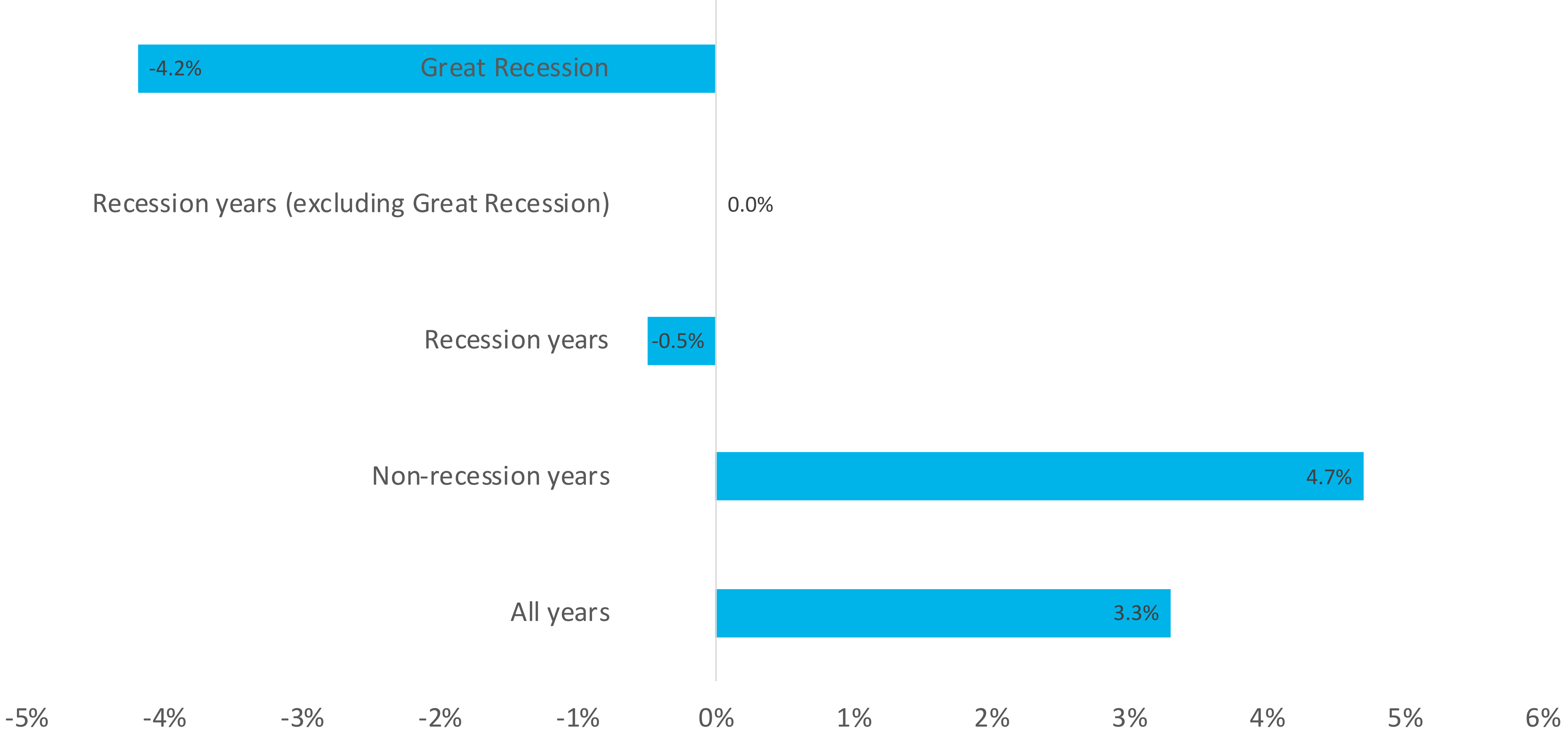
70%
DAF donors feel they have enough knowledge and information to direct support to address COVID-19

Sources:
- "How Giving Behaviors are Shifting Amid Pandemic," *Fidelity Charitable*, 2020
- "Covid-19 Sparks Surge in Giving From Community Foundation Donor-Advised Funds," *Community Foundation Public Awareness Initiative*, 2020

03

Fundraising And the Economy

Fundraising During Recessions



Source: "Fundraising During Recessions", *First Day Podcast from The Fundraising School*, 2020

Fundraising During Recessions

- On an average, total giving has **grown** on average by **3.3%** per year in terms of inflation adjusted dollars.
- In non-recession years, it has **grown** on average by **4.7%** per year in terms of inflation adjusted dollars.
- In recession years, it has **fallen** on average by **0.5%** per year. However, if we take out the great recession from the trend analysis, growth in total giving in other recessionary years has remained essentially flat.
- The great recession is an exception with total giving having **fallen** on an average by **4.2%** per year from 2007 to 2009 or **15.5%** overall.

Source: "Fundraising During Recessions", *First Day Podcast from The Fundraising School*, 2020

Economic Cycles and Giving Trends

- Risk aversion behavior is still very prevalent. Will likely see lower overall fundraising totals this year.
- 2019 was the second highest ever on record.
- Negative, but weak correlation between savings rate and giving. Savings rates have gone up. At some point, often after a “target savings amount” has been reached, savings can become wealth. A positive indicator for giving rebounding.
- Highest one month of consumer spending in April—17%.
- For every 100% increase in wealth, 7% increase in annual giving. Key to think about for HNWI.

Source: *First Day Podcast from The Fundraising School*, June 28, 2020

Stock Market Performance and Giving

- Donors' giving not influenced by day to day market performance. Trends key.
- Since Spring correction, S&P has had a sustained gain.
- **Remember**: stock market responds to the future (3-4 months ahead).
- If trends continue and major economic/political/health shocks avoided, by year end, might see substantial gains in the market compared even to 2019 and March 2020.
- Foundation giving, HNWI and even year end giving likely to be positively influenced by the market.

Source: *First Day Podcast from The Fundraising School*, June 28, 2020

04

The Election and Giving

Politics and Giving

- High political competition decreases charitable giving at the local level.
- Contributions increase in areas as they decrease in political diversity. As places get redder or bluer, giving goes up.
- Republican-voting residents give more unless they live in an area that is not Republican dominated.
- Democratic-leaning counties give via charity and government channels.
- Younger generations prefer causes more directly connected with them (GoFundMe vs United Way)

Source: *Political competition is hurting our charitable giving*, Brigham Young University, October 24, 2018

04 Looking Ahead

Opinion: How Heavily Do We Draw on Longitudinal Analyses?

- There is a prevalent belief that we can use learnings from the past years and the last recession to guide our decisions as we navigate the changing fundraising landscape.
- While this tendency to compare to the past makes sense in normal times, it might be counterproductive given the unprecedented nature of the COVID-19 crisis.
- Although data from recent charitable giving suggests that there has been a tremendous outpouring of generosity during the COVID-19 pandemic, it is too soon to gauge how tremendous the response of contributed revenue is in aggregate, especially relative to the magnitude of challenges confronting nonprofits and the people they serve.
- The most important indicator of how nonprofits will actually fare at year's end will come in the fourth quarter.
- Instead of comparing giving levels between this year and the last, we should look at giving relative to need and relative to assets.
- With regards to individual giving, while donor-advised funds (DAFs) saw a 16% increase form the same period of 2019, DAF donors and the institutions that provide them will need to step up more, in terms of mandating and encouraging more giving out of DAFs.

Source: *The Continued Need for Vastly Stepped-Up Giving and the Role of DAFs*, Center for Effective Philanthropy, July 22, 2020

THANK YOU!

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