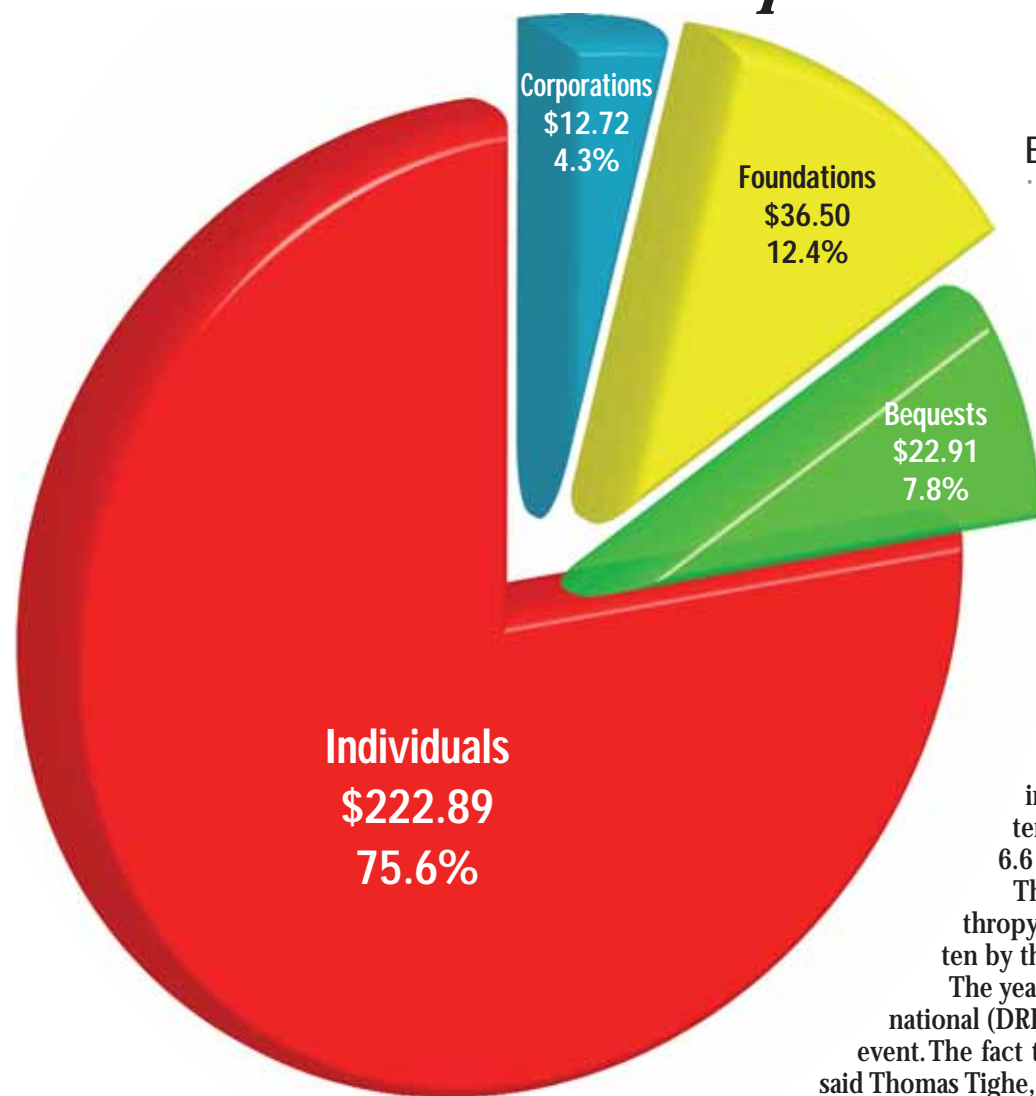


SPECIAL REPORT

Giving Hits Record \$295 Billion

*Faith groups trending downward
as a percentage of individual giving*



**2006 Contributions:
\$295.02 Billion By
Sources Of Contributions**

By Mark Hrywna

Despite the lack of a cataclysmic event like the tsunami of 2004 or Gulf Coast hurricanes in 2005, Americans gave more than \$295 billion to charity last year to set a new one-year record.

Led by a good year in the stock market, Americans gave an estimated \$295.02 billion during 2006, an increase of 4.2 percent (1 percent adjusted for inflation) or \$11.97 billion more than 2005, the third consecutive year giving increased. Foundations and individuals paved the way for increases, although gains in giving by individuals were not as robust as the economic gains. And, giving to religion might have peaked.

The revised total of \$283.05 billion for 2005 includes \$7.4 billion in disaster relief giving for the Gulf Coast hurricanes. Without disaster donations counted in 2005, giving in 2006 would have increased 6.6 percent, or 3.2 percent adjusted for inflation.

These latest figures are in *Giving USA 2007*, the yearbook of philanthropy published by Giving USA Foundation™ and researched and written by the Center on Philanthropy at Indiana University.

The year was a good one for many organizations, such as Direct Relief International (DRI). "Last year was the first year there was no major distorting national event. The fact that we received more support than ever before was a good sign," said Thomas Tighe, president and CEO of DRI. After the natural disasters in 2004 and 2005, the Santa Barbara, Calif.-based nonprofit didn't see a drop-off in donations, but instead set new records in giving. "Most of the new donors last year had found us; that's a great sign," Tighe said. Cash contributions to the primarily in-kind organization nearly doubled, even excluding a record \$30-million bequest.

The 2006 total reported in *Giving USA 2007* includes the \$1.9 billion first installment of Warren Buffett's 20-year pledge to four foundations, including the Bill and Melinda Gates Foundation.

"While headlines focus on 'mega-gifts,' they represented 1.3 percent of the total," said George C. Ruotolo, Jr., CFRE, chair of the Giving Institute: Leading Consultants to Non-Profits, parent organization of the Giving USA Foundation. "About 65 percent of households with incomes lower than \$100,000 give to charity. That is higher than the percentage who vote or read a Sunday newspaper."

Added Ruotolo: "Like an unusual baseball statistic, charitable giving for the year 2005 will always have an asterisk associated with it. Not so in 2006, when giving returned to more normal levels that were still a record."

Historically the largest source of donations, giving from individuals increased 4.4 percent (1.2 percent inflation-adjusted) to an estimated \$222.89 billion, more than three-quarters of all giving. On average, Americans donate about 2 percent of their after-tax household income.

"The stock market rose more than 10 percent adjusted for inflation in 2006," said Eugene R. Tempel, CFRE, executive director of the Center on Philanthropy. "Going back to 1990, giving rose, on average, about one-third as fast as the stock market did. So 2006 was right on target."

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In many respects, American giving follows the economy, said Richard T. Jolly, chair of the foundation. "And while at the upper echelons of our society, the stock market was good, leading to some very large gifts that were announced during 2006, the average American saw rising prices in nearly all categories, leading to difficult decisions of where to put discretionary income. That they continued to give to charity, and at record levels, is a sign of the health and significance of the nonprofit community to a large majority of Americans."

The aggregate increase in giving, once inflation is factored in, "was not enormous," said Lester Salamon, director of the Center for Civil Society Studies at Johns Hopkins University. "From all the evidence, the sector as a whole has experienced much more robust growth than that," he said.

"What it suggests to me is that growth is continuing to come from other sources. Philanthropy is not holding up its part of the bargain," Salamon said. "There's growth in absolute terms, but two wrinkles in my view are troubling: the growth in resources is not really available for annual support, and the growth rate is not commensurate of the overall needs of society. Nonprofits are having to look elsewhere to continue the growth path, turning more toward fees and governments, a long-term trend that this seems to confirm that is very much under way," he said.

The major story, according to Paul Schervish, director of the Center on Wealth and Philanthropy (CWP) at Boston College, is the close relationship between the growth in wealth and the growth in charitable giving. Also, the revisions in the 2005 data are significantly greater than what was first reported. "The question remains, if the growth in wealth continues, will 2006 numbers be revised upward next year," he asked rhetorically. He sees it as the beginning of a return of growth and wealth trends of the late 1990s.

"We should expect over the years in the future to see these numbers fluctuate according to the economic climate," Schervish said. "We shouldn't expect every year to see these numbers go up, but the long-term trend is up as long as the long-term wealth trend is up."

The rise in the stock market had a lot to do with the increased value of foundation assets, and in turn the grants foundations awarded. Foundations gave away \$36.5 billion, an increase of 12.6 percent (9.1 percent adjusted for inflation) during the year before and approximately 12.4 percent of the total giving in 2006, according to Giving USA and The Foundation Center.

"Foundation assets certainly are growing because of the markets," said Steve Gunderson, president and CEO of the Council On Foundations (COF) in Washington, D.C. More important, he said, is the growth of foundations and philanthropy with 3,000 new foundations in 2005, the sector is beginning to see the emergence of two generations transferring wealth at the same time. "We see a very significant growth in philanthropic giving and other types of philanthropy," said Gunderson.

Foundations have not enjoyed that kind of increase since the 1990s, said Elizabeth Boris, director of the Urban Institute's Center on Nonprofits & Philanthropy, and foundation giving follows the economy much more closely than individual giving.



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Individual giving was "not much to crow about," she said. Considering the stock market was up last year, one might expect stronger overall numbers.

CORPORATIONS, BEQUESTS TOOK A DIP

Corporate donations and those by corporate foundations saw the biggest decline in giving, a drop of 7.6 percent (10.5 percent inflation-adjusted), to \$12.72 billion last year. The decline is attributed to the extraordinary disaster relief gifts of 2005, in addition to slowing of corporate giving in general. Without 2005 disaster relief included, corporate giving increased about 1.5 percent in 2006 (a drop of 1.7 percent when adjusted for inflation).

Bequests saw a 2.1-percent decrease (5.1 percent for inflation), as 2006 estimates are \$22.91 billion, down from the revised \$23.4 billion in 2005. Bequests make up about 7.8 percent of the 2006 estimated total.

"Despite this blip, given the age and distribution of Baby Boomers, bequests and planned giving will be a tremendous growth area," said Rick Belous, di-

rector of research for United Way of America in Alexandria, Va., and a member of the advisory board to Giving USA. "It should continue to be a real source of major growth. This can be a fairly erratic number."

Traditionally, there tends to be a lag, especially in bequests, said John Havens, CWP's associate director and senior research associate. Charitable giving drops when wealth declines, and bequests follow a few years later, he said, and when wealth drops for lifetime giving, it goes down almost immediately, though neither goes up immediately after a downturn.

FAITH GIVING TRENDS DOWN

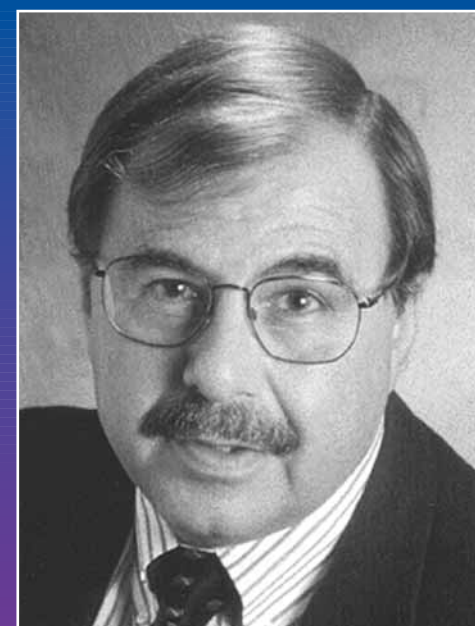
Religious congregations continue to get the most contributions, with an estimated 32.8 percent of total giving, and grew 4.5 percent from 2005 to \$96.82 billion.

Though the total dollars have not declined, there's been a downward trend in the percentage of total giving to religion, said Schervish. Aggregate total dollars are increasing to religion every year, but the pace is not keeping up with secular giving, so religious giving sometimes makes up a smaller piece of the pie.

More than 40 percent of individual giving goes toward religion, but it used to be closer to 50 percent or more. "What's happening is a large number of upper-end donations giving a smaller percentage to religion," he said. "A lot of high-end donors who are religious give money to religious schools and hospitals. It's not the demise of religious motivation in giving but all kinds of things that are called secular areas of giving that are actually religious institutions."

Through the 1960s and 1970s, religious organizations received more than 60 percent of overall individual giving, until the mid-1980s when it trended toward 50 percent, Havens said. Though the percentage of individual giving fluctuates, he said it continued into the mid-40 percentiles until 2002 when it reached back to 50 percent. This year's estimate figures to be in the lower 40s, with a margin of error of about 3 percent, he said.

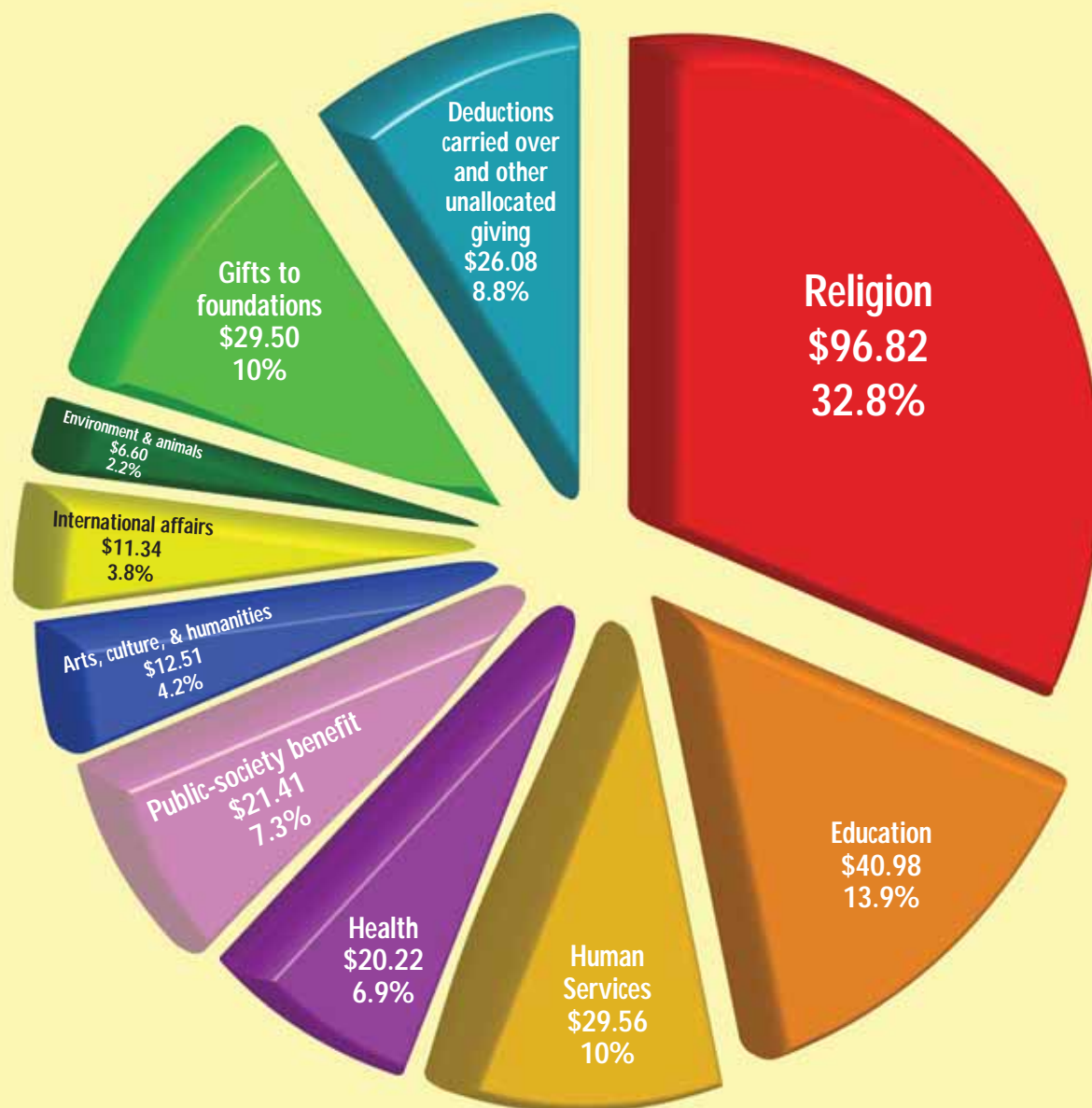
Between 1965 and 2005, Havens estimated religious giving was up 121 percent, adjusted for infla-



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2006 Contributions: \$295.02 Billion By Type Of Recipient Organization

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CULTURE COMEBACK

Among types of organizations, the greatest growth rate was among arts, culture and humanities organizations, which experienced a nearly 10-percent increase, the largest change since 2000. An estimated \$12.51 billion went to arts, culture and humanities in 2006. This category had been struggling for several years.

Gifts to education increased 9.8 percent to \$40.98 billion, almost 14 percent of all giving, according to the Giving USA survey and data collected by the Council for Aid to Education.

Contributions to foundations increased 7.4 percent to \$29.5 billion, or about 10 percent of total giving. About \$3.5 billion of the giving to foundations is estimated fair-market value of medical supplies and medicines donated.

The only subcategories that saw a decline in 2006, mainly because of the high donations in 2005 for disaster relief, were human services and international affairs groups. Donations to human services organizations dropped an estimated 9.2 percent (12 percent adjusted for inflation) to \$29.56 billion. International affairs groups saw a 9.2-percent decline (also 12 percent inflation-adjusted), to \$11.34 billion.

Giving to the human services subsector contin-

ues to worry sector leaders as it has for several years. Many hoped the increase from disaster-related giving the past few years would be a new trend for human services contributions, said Salamon, but "it's clear from this year's figures it was a blip. As a share of the total, human services is getting a pretty small amount."

It should be a concern "for all of us that except for a one-year blip related to disasters, giving has not been strong," said United Way's Belous. "It's not just a one-year trend, but the last three or four years. The trend is a real cause for concern, particularly at a time when many governments are retrenching in their commitments to human services."

Meeting human needs requires giving to several categories of organizations, "so many of the pieces of this pie are interdependent," such as education, public benefit, human services, and to some extent religion, said Irv Katz, president of the National Human Services Assembly in Washington, D.C.

Most human service organizations are not solely dependent on philanthropic giving, Katz said. Many get two-thirds or more of their resources that are devoted to human needs from fees, government contracts and third-party payers. "As important as philanthropy is, because it's the most flexible money, in most cases it is one of three or four major sources of revenue for a non-profit enterprise."

As the number of nonprofits continues to in-

crease while the total giving remains at about 2.2 percent of Gross Domestic Product (GDP) or less, Belous expects many organizations to be undercapitalized. "It's not just about creating more charities. Really, as a sector we need to be thinking about using resources more efficiently and maximizing institutions we have," he said.

Gunderson doesn't expect giving as a percentage of GDP to change unless there's some significant incentives that merge with the generational transfer of wealth to create a significant number in one year. Otherwise, the figure should remain steady year to year.

"Mega-gifts" from the likes of Buffet are expected to continue in the coming years. CWP's Schervish said much of the \$16-billion estate of Helen Walton, the matriarch of the Wal-Mart empire who died this past April, is expected to go to charity once it's settled, possibly by next year. Such a figure would be nearly three-quarters of the bequests estimated in 2006.

"The trend we expect would be, maybe not next year but long-term, several large bequests that are in the several billions of dollars," Schervish said. And in some cases, these bequests might turn into lifetime gifts, given the prominence that Buffett has brought to such giving.

"What would've been a \$30 or \$40 billion bequest," Schervish said, "now becomes a \$30 billion or larger lifetime gift." *NPT*