

Donations Barely Rose Last Year as Individuals Held Back

Researchers predict it will take at least six more years to raise as much as before the recession

By Debra Blum and Holly Hall

Editor's note: The first three paragraphs of this article have been updated to provide more details on the recovery forecast and the giving situation at UJA-Federation of New York.

Donations to charities are inching up so slowly that it could take at least five more years for most organizations to raise as much as they did in 2007, before the recession, predict researchers of ["Giving USA,"](#) who this week are releasing figures that show donations rose just 1.5 percent last year after inflation.

Contributions from foundations, corporations, and individuals totaled slightly more than \$316-billion, "Giving USA" said. That's a far cry from the \$344-billion raised in 2007, before the recession hit, and a sign that unless the economy heats up--and giving along with it--it will be 2018 at least before charities and foundations can expect a full recovery.

Among the charities still grappling with the steepest decline in total donations that "Giving USA" has ever recorded is the UJA-Federation of New York, which expects to raise \$141-million in its annual campaign this year--\$4-million more than last year, but still down from a high of \$153 million before the recession hit.

"While the stock market has recovered," declares Mark Medin, the federation's chief fundraiser, "the psychology of giving has not."

Donors of all income levels still feel shaky about their finances, he says.

"For working professionals, prior to 2008, you assumed you'd get a raise or bonus every year, but now you don't know if your firm is going to do layoffs again," Mr. Medin says. "Upper middle-class professionals are far more cautious, and low interest rates are very difficult for retirees."

The New York charity is hardly alone: Donations by living individuals, which account for nearly three-fourths of all charitable giving, rose by just 1.9 percent last year, to \$229-billion, said "Giving USA," which is compiled by the Lilly Family School of Philanthropy at Indiana University. That is still 11 percent less than living donors provided in 2007, before the economy entered the worst of its decline.

Billionaire Donors Are an Exception

At least one exception can be found to the gloomy state of giving by individuals: America's wealthiest are starting to give at rates not seen since the beginning of the downturn.

Donors have made nine gifts of \$100-million or more in the first five months of this year, including a \$1-billion gift of 78 Cubist works by cosmetics tycoon Leonard Lauder to the Metropolitan Museum of Art.

That's already more than the seven gifts of at least \$100-million that were made all year in both 2009 and 2010, according to *The Chronicle*'s [online database](#) tracking donations of \$1-million or more.

But even the most prominent nonprofits aren't relying solely on the very rich to shore up their fortunes.

Instead, in interviews with more than 40 charity fundraisers in recent weeks, *The Chronicle* found that groups forecasting the best outlook for 2013 and beyond are those making innovations in how they attract gifts and diversifying their sources of revenue. Such rethinking is widespread: Nearly 40 percent of the 6,000 charities that responded to a study by the Nonprofit Finance Fund said they planned to change how they raised money this year (*The Chronicle*, March 28).

Audacious goals also pay off, some nonprofits have found. In Louisville, Ky., the local United Way ran a campaign asking donors to give 110 percent of what they gave the year before, leading to a 12-percent rise in contributions. Another United Way, in Decatur, Ala., made a bold bet: that it could increase giving by 30 percent even amid plant closings and layoffs that have devastated the community. It's coming close to that goal.

Bucking Trends

Several national charities are succeeding by bucking conventional wisdom, spending more on fundraising at a time when their peers have cut back.

The National Psoriasis Foundation, which raises money to fight the skin condition, raised nearly \$9-million last year and expects an increase in giving again this year, not including bequests, by accelerating fundraising. The charity has hired a fundraiser to seek big gifts, expanded its telemarketing, and hired additional staff members to manage volunteers who organize events to raise money. Its first-ever ballroom gala last year raised \$820,000 after expenses.

Catholic Relief Services has also expanded its development staff, adding seven junior fundraisers who focus on building ties to people who give less than \$10,000 but are capable of contributing that much or more.

By sending handwritten thank-you notes and cards to such donors, calling them on the phone, and providing updates since their last gift, the development associates hope supporters will meet with one of the charity's 14 big-gift fundraisers scattered around the country. The approach is working: So far this year, the charity has received 216 gifts of at least \$10,000, up from 100 in 2011.

Reaching Goals Early

Other groups have focused on reaching new types of donors.

Drexel University has started soliciting the parents of its students and seeking donations from people who didn't attend the institution.

This year the university this year reached its goal 12 months early in a \$400-million capital campaign after securing the drive's largest gift from an individual, \$25-million from a local businessman who never attended Drexel but praised the work ethic of several of its students who he's hired over the years.

Drexel also started a Parents Council in 2011 that has attracted 60 couples who give \$2,500 annually. The institution offers them special perks, such as the chance to meet with the university's president three times a year.

Some of the parents are now giving big, with one couple providing \$150,000 to Drexel's Center for Jewish Life.

A growing number of nonprofits are also trying to capitalize on donors' heightened interest in supporting charities that can prove they get results. Omaha's United Way is teaming up with two local grant makers to identify high-performing nonprofits in the region. United Way officials hope that by demonstrating that they know which organizations are most deserving, donors will be more likely to support its fundraising campaign for local causes.

Key Findings

As fundraisers study trends from last year's giving to figure out what to do now, they will find few bright spots in "Giving USA."

The only sharp growth in giving came from corporations, which increased donations by nearly 10 percent, the report estimated, in part because of record profits for companies in the second half of 2012.

Among other "Giving USA" findings:

- Foundations increased their grants by 2.3 percent.
- Bequests fell by nearly 9 percent in 2012, after rising more than 6 percent in 2011.
- Contributions to colleges, universities, and private schools rose by nearly 5 percent, while health organizations raised almost 3 percent more.
- Donations to social-service groups grew by 1.8 percent in 2012, with many groups reporting a slowing of contributions after giving rose sharply in the worst of the downturn, and Americans responded generously to news accounts about the plight of the needy. The Cleveland Foodbank, for example, reported that its cash contributions increased by almost 25 percent in 2009 but last year rose by only 4 percent.
- Religious causes suffered a more than 2-percent drop in donations, though religion still attracted a bigger share of contributions than any other cause. A new report by the ECFA, formerly the Evangelical Council for Financial Accountability, which represents more than 1,750 churches and other religious charities, found that small groups did even worse: Giving to religious groups with budgets under \$5-million dropped 3.6 percent last year after falling by more than 2 percent in 2011.
- Contributions to international relief organizations were flat last year, growing by less than 1 percent. One reason: The humanitarian crisis in Syria, which started dominating headlines last year, has failed to generate as much giving as other overseas emergencies.

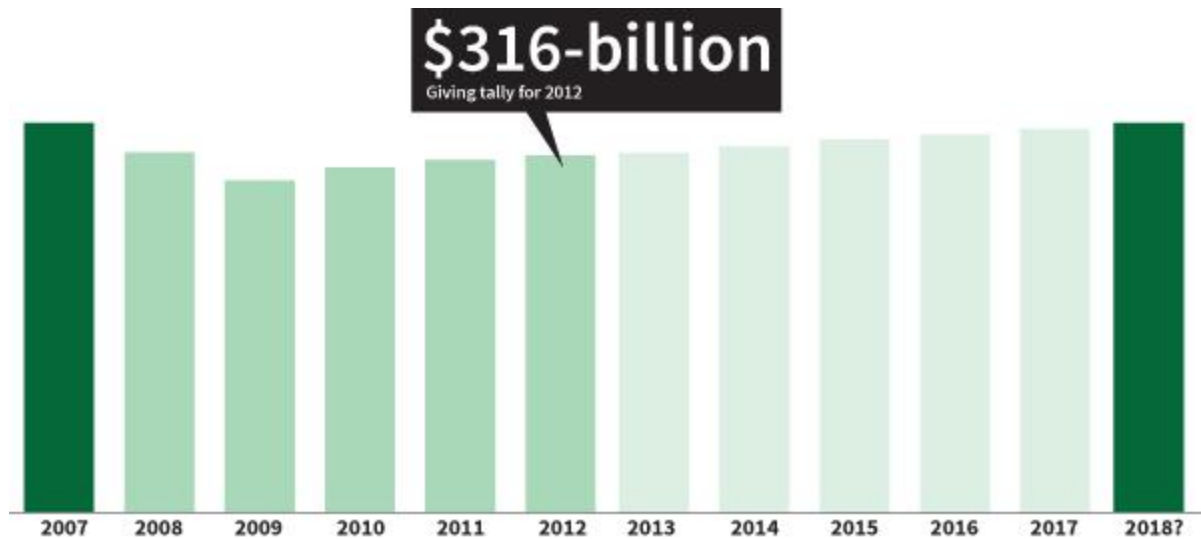
"Syria is largely man made without a clear sense of resolution and has not prompted nearly the levels of giving we see after a disaster like Haiti or the tsunami," said Sam Worthington, chief executive of InterAction, which represents more than 180 international-aid groups.

An executive summary of "Giving USA Highlights" is available free online at givinginstitute.org. The full report costs \$89.95.

Fundraising's Lost Decade

After adjusting for inflation, donations from individuals, corporations, and foundations are still 8.2 percent below their peak just before the recession started in 2007, when \$344-billion was donated.

If growth continues at the modest rates of recent years, it will be at least 2018 before charities can expect to raise as much as they did before the economic crisis.



Source: "Giving USA" estimates through 2012
Data reported by Emma Carew Grovum.