

# A Current Overview of Philanthropy and the Economy

March 2009

## INTRODUCTION

- The downturn in the economy and instability in the capital markets have shaken non-profits and givers alike.
- Confidence among professional fundraisers in the current giving climate, and their expectations for the giving future, has sunk to its lowest levels in a decade (Philanthropy Giving Index, Center on Philanthropy at Indiana University, December 2008).
- Stock values have plummeted; many companies have lost 50% or more of their value. Companies and executives who have been at the forefront of philanthropy have been most affected, including AIG, Citigroup, Lehman Brothers, Merrill Lynch, and Bear Stearns.
- Sixty of the leading US foundations report their assets declined a median of 28% this past year.

## HISTORICAL PERSPECTIVE

- Corporate giving is often most immediately affected in an economic downturn. Most corporate foundations are funded from annual profits.
- In difficult economies, foundation giving tends to decline over a three-year period: grant budgets often reflect a three-year rolling average on returns.
- Individual giving tends to show the greatest resiliency, and many donors respond significantly, during difficult times, e.g. Katrina, 9-11, Detroit (70s), Allentown (80s).
- Fifty-nine percent of non-profits actually grow their fund-raising results even in poor economic times.
- Organizations with diversified fund-raising programs are usually in a much stronger position to weather an economic crisis.

## THIS CRISIS

- This economic crisis is more immediate and severe than other recent recessions.
- This crisis has had a dramatic impact on those with significant assets. Thirty-three of the 80 largest donors in the US in 2006 derived their wealth from finance and investment banking.
- Sixty percent of all US philanthropy comes from high net worth individuals (those with liquid assets of \$1 million or more), who represent just 3% of the total population.
- Historically, economic uncertainty has proven to be one of the chief enemies of philanthropy.

## GIVING DURING RECESSIONS

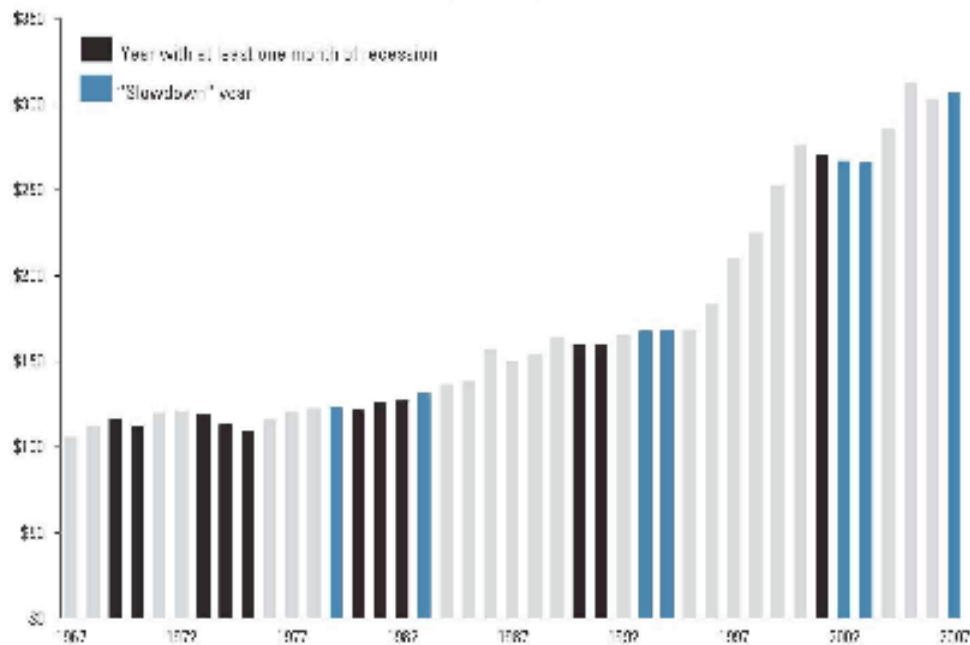
**Recessions vary in length:** The National Bureau of Economic Research (NBER) determines when recessions start and end. Table 1 shows the recessions summarized by NBER.

Table 1  
Start and end months and duration of recessions, 1967 to 2007

Start of recession	End of recession	Months duration
December 1969	November 1970	11
November 1973	March 1975	16
January 1980	July 1980	6
July 1981	November 1982	16
July 1990	March 1991	8
March 2001	November 2001	8

Source: National Bureau of Economic Research

Figure 3  
Inflation-adjusted total giving, 1967-2007  
Showing recession years and years with decreases  
(\$ in billions)



Source: Giving USA Foundation™/Giving USA Spotlight

## CURRENT ECONOMIC CRISIS' IMPACT ON PHILANTHROPY

- Many direct mail fund-raising programs have been negatively impacted.
- New donor acquisition from direct mail has declined precipitously for many non-profit organizations.
- Some galas and dinners are experiencing a 10-15% fall off from last year.

## CONCERNS OF FUND-RAISING PROFESSIONALS

- There is reluctance among some non-profit leaders (CEOs and trustees) to solicit or even contact donors at this time.
- Some non-profit leaders are inclined to retrench, while the desired approach by most experienced professionals is to move forward strategically.
- Many donors appear to be waiting for stabilization of the markets in order to assess the crisis' impact on their personal holdings.
- For some, it is proving a challenge to motivate volunteers and professional fund-raising staff.
- The impact of reduced endowment income on operating budgets is a major concern to fundraisers and non-profit administrators alike.
- Many foundation officers are more concerned about ensuring the viability of non-profit institutions at this time than launching new initiatives.
- Most institutions are developing contingency plans in light of possible reductions in philanthropic support.

## EXAMPLES OF HOW WEALTHY PHILANTHROPISTS ARE RESPONDING

### Some Increased Giving

- George Soros and others have indicated to a number of valued organizations that additional funds may be available to help meet immediate budgeting challenges.
- Despite a major stake in AIG, Eli Broad gave more to his foundation in 2008 than 2007, and has taken dramatic steps to stabilize causes he values.
- Leading foundations such as the MacArthur Foundation and the Kresge Foundation have taken special steps to help ensure the fiscal stability of valued grantees at this time, even if it means, in some instances, invading principal.
- A number of very large grants, including \$100M+ gifts have been announced recently to leading universities and medical centers (Harvard, Chicago, NYU, etc.). (see Appendix)

## Maintaining Current Levels of Support

- A number of leading NYC families have indicated that they will maintain their significant giving levels, including honoring recent nine-figure pledges.
- The Weingart Foundation in LA is undertaking a program to stabilize non-profits by helping with annual support while cutting back on capital grants.
- Harvey Najim has vowed to maintain his level of giving, but will be taking a more business-like approach to his philanthropy.
- Despite a substantial drop in equity holdings, Pete Peterson continues to support his foundation and said "we're suddenly energized by the financial crisis and what needs to be done..."

## Decreased Levels Of Support

- Conrad Hilton's family foundation suffered losses in 2008, conditions will "likely squeeze giving" this year.
- Hank Greenberg's loss of 90% of his net worth has prompted downsizing his plans to donate most of his fortune to his family foundation.
- The Paul G. Allen Family Foundation cut total spending in 2008 by 24% and plans to give at this reduced level in 2009.
- Donald Bren and T. Boone Pickens have indicated they will have to cut back on their philanthropy.
- The Starr Foundation has lost 57% of its value and will be forced to cut back on grants.

## SUGGESTED STRATEGIES FOR MAJOR GIFT FUND RAISING

1. **Reaffirm Mission And Impact:** Reaffirm your organization's mission and continuously remind donors of the impact and urgency of philanthropic support.
2. **Develop A Short-Term Action Plan:** Develop an immediate short-term action plan specifically designed for your organization.
3. **Increase Activity:** Significantly increase activity, including visits and briefings with donors and friends, and provide consistent communication with all constituencies.
4. **Motivate:** Redouble efforts to help motivate development staff, administrative leadership, and trustees by reminding them of the resilience of philanthropy in tough times.
5. **Open New Doors:** Encourage trustees and volunteers to help open doors and introduce new potential supporters to the institution.
6. **Increase Prospecting:** Reorder prospect lists to reflect the current state of affairs. Undertake additional research to help identify new potential donors and sectors of support.
7. **Challenge Gifts:** Explore the possibility of donors making challenge or matching gifts to stimulate giving from others and multiply the impact of their gifts.

8. **Share Philanthropic Information:** Share the latest philanthropic information to both motivate leadership and temper expectations.
9. **Introduce Payment Flexibility:** Provide donors with greater flexibility in fulfilling their commitments, including extended payment periods and planned and deferred giving opportunities.
10. **Explore Diversification:** Wherever possible, explore practical ways to diversify your fund-raising program.

## A TIMELINE OF RECENT UPS AND DOWNS

January 2008	January 4, 2008:	Nation's jobless rate hits 5 percent, a 2-year high, fanning recession fears.
	January 31, 2008:	Dow industrial average closes at 12,650 to end its worst January in eight years with a decline of 4.63 percent.
February	February 2008:	The White House releases details regarding economic stimulus package.
	February 4, 2008:	President George W. Bush introduces a Federal budget of \$3.1 trillion and a near-record deficit just ahead – \$410 billion.
	March 1, 2008:	Bear Stearns sells to JPMorgan Chase for less than \$10/share.
April	April 2, 2008:	Federal Reserve Chairman, Ben Bernanke, warns the joint economic committee of US Congress that the US economy may shrink in the first half of 2008.
May	May 12, 2008:	Giving by grant making foundations in the US jumps to \$42.9 billion last year, growth of 10 percent in the face of a slowing economy, Foundation Center's "Foundation Growth and Giving Estimates: Current Outlook."
June	June 26, 2008:	Oil prices pass \$140 a barrel, and Dow industrials drop 358 points, more than 3 percent, to close at 11,453.
July	July 11, 2008:	Indymac Bank, a subsidiary of Independent National Mortgage Corporation (Indymac), is placed into the receivership of the FDIC by the Office of Thrift Supervision. It is the fourth-largest bank failure in US history, and the second-largest failure of a regulated thrift. Prior to its failure, Indymac was the largest savings and loan association in the Los Angeles area and the seventh-largest mortgage originator in the US.
	July 17, 2008:	Major banks and financial institutions who have borrowed and invested heavily in mortgage backed securities report losses of approximately \$435 billion.
	July 30, 2008:	President Bush signs into law the Housing and Economic Recovery Act of 2008, authorizing the Federal Housing Administration to guarantee up to \$300 billion in new 30-year fixed rate mortgages for subprime borrowers if lenders write-down principal loan balances to ninety percent (90%) of current appraisal value.
August	August 1, 2008:	Unemployment in the U.S. rises to 5.7 percent, its highest rate in more than four years.
	August 7, 2008:	Claims for unemployment benefits in the U.S. rise to 455,000, the highest level since March 2002.
	August 2008:	UK home repossessions rise by 48 percent.
September	September 4, 2008:	Dow industrial average falls 344 points to 11,188.
	September 7, 2008:	Troubled mortgage giants Fannie Mae and Freddie Mac placed in government conservatorship.

	<p>September 13-14, 2008: Lehman Brothers declares bankruptcy.</p> <p>September 2008: Lehman Brothers Foundation will fold, but will take about five years to spend down its endowment.</p> <p>September 15, 2008: Dow industrial average drops 504 points to 10,917, while oil closes below \$100 a barrel for the first time six months amid upheaval in financial industry.</p> <p>September 29, 2008: Stock markets plunge as House defeats \$700 billion emergency bailout plan.</p>
<b>October</b>	<p>October 2, 2008: \$40M gift to San Francisco Opera \$30M gift to Stanford School of Engineering \$20M gift to Monroe Carell Jr. Children's Hospital at Vanderbilt \$12M gift to the Community Foundation of Broward</p> <p>October 6, 2008: Dow industrial average drops to 9,955, first close below 10,000 since 2004.</p> <p>October 16, 2008: \$125M gift to Harvard University \$42M gift to Stanford University School of Medicine</p> <p>October 17, 2008: \$50M gift to Cornell University</p> <p>October 29, 2008: \$63M gift to Oklahoma State University Athletics</p> <p>October 30, 2008: \$50M gift to Boston College \$45M gift to Harvard Art Museum \$40M gift to Hunter College \$30M gift to University of Rochester \$13.7M gift to University of Oregon</p>
<b>November</b>	<p>November 1, 2008: A week after workers ratified a new contract, Chrysler announces 12,000 job cuts.</p> <p>November 4, 2008: Barack Obama wins Presidency.</p> <p>November 2008: Top philanthropists continue to give despite economic downturn: Eli Broad gave \$18 million more to his foundation in 2008 than in 2007.</p> <p>November 2008: More than 100,000 non-profit groups nationwide will fail within the next two years, including a few "big brand-name non-profits," a scholar of philanthropy and government told charity leaders at a forum sponsored by the Foundation Center.</p> <p>November 7, 2008: Unemployment bolts to 14-year high of 6.5 percent. \$300M gift to University of Chicago Business School</p> <p>November 12, 2008: \$150M gift to NYU Langone Medical Center \$110M gift to NYU Langone Medical Center</p> <p>November 13, 2008: \$100M gift to Oregon Health &amp; Science University Foundation \$13M gift to Rutgers University</p>

		<p>\$12M gift to Skidmore College</p> <p>\$11M gift to New Jersey Performing Arts Center</p> <p>\$10M gifts to: Cape Cod Healthcare Foundation; George Washington University Medical Center; Niagara University; University of Illinois at Chicago; University of Michigan International Institute; Wentworth Institute of Technology</p> <p>November 18, 2008: Dow industrial average closes under 8,000 lowest close since March 2003.</p> <p>November 19, 2008: \$123M gift to Cambridge University</p> <p>November 27, 2008: \$50M gift to Le Moyne College</p> <p>\$50M gift to Wycliffe Foundation</p> <p>\$25M gift to Harvey Mudd College</p> <p>\$16M gift to University of Texas at Austin McCombs School of Business</p> <p>\$15M gift to Indiana University Kelley School of Business</p> <p>\$10M gift to Rady Children's Hospital</p>
<b>December</b>	<p>December 1, 2008: U.S. declared to be officially in a recession; oil drops below \$50 a barrel, and Dow industrials lose 679 points to end five-day win streak.</p> <p>December 5, 2008: Alarming half million jobs vanish as unemployment hits 15-year high of 6.7 percent.</p> <p>December 11, 2008: Former Nasdaq Chairman Bernie Madoff arrested, accused of running Ponzi scheme that lost \$50 billion.</p> <p>Within days of that news, at least five foundations announced they would be closing, including the Picower Foundation, in Palm Beach, Fla., whose assets totaled nearly \$1-billion, making it one of the 75 wealthiest grant makers in the United States. In addition, the JEHT Foundation, in New York, which gave away \$20-million to \$30 million per year, also said it would shut down. Access Philanthropy, a research institute in Minneapolis, identified 90 foundations that had invested at least a portion of their assets with Mr. Madoff during 2007. And the Jewish Funders Network put the losses to Jewish foundations and charities alone at \$2.5 billion.</p> <p>December 12, 2008: \$3M gift to Indiana University Law School</p>	
<b>January 2009</b>	<p>January 2009: While charitable giving by corporations and corporate foundations is expected to drop in 2009, the overall decrease may not be as severe as in past recessions.</p> <p>January 2009: Many grant makers have lost as much as twenty-five percent (25%) or more of their assets. While many grant makers say those losses are prompting reductions in giving, others plan to distribute as much in 2009 as they did last year.</p> <p>January 2009: Online giving remained relatively strong in 2008, despite the creaky economy.</p> <p>January 15, 2009: \$75M gift to Georgetown University</p>	

	\$70M gift to Culver Academies
	\$50M gift to Community Foundation of Louisville
	\$30M gift to Roman Catholic Diocese of Syracuse
	\$25M gift to Drexel University
	\$20M gift to Vanderbilt University
	\$17M gift to Yakima Valley Community Foundation
January 20, 2009:	Barack Obama inaugurated as 44 <sup>th</sup> President
January 21, 2009:	\$255M gift to Rotary International
January 22, 2009:	Microsoft announces 5,000 job cuts.
January 26, 2009:	Over 71,400 job losses with seven companies announcing massive layoffs.
January 29, 2009:	\$50M gift to Stanford University
	\$40M gift to Stanford University
	\$17M gift to Washington and Lee University
	\$10M gift to University of Denver

## APPENDIX

### Recent Public Gifts of \$10 Million or Greater Since October 1, 2008

(In order of gift amount) List updated 3/13/2009.

#	DATE	INSTITUTION	CITY	STATE	DONOR	GIFT
1	11/7/2008	University of Chicago Business School	Chicago	IL	David G. Booth	\$300,000,000
2	1/21/2009	Rotary International	Evanston	IL	Bill and Melinda Gates Foundation	\$255,000,000
3	11/12/2008	NYU Langone Medical Center	New York	NY	Helen L. Kimmel	\$150,000,000
4	10/16/2008	Harvard University	Cambridge	MA	Hansjorg Wyss	\$125,000,000
5	3/13/2009	University of San Francisco Medical Center	San Francisco	CA	Atlantic Philanthropies	\$125,000,000
6	11/19/2008	Cambridge University	Cambridge	UK	Lord Sainsbury	\$123,000,000
7	11/12/2008	NYU Langone Medical Center	New York	NY	Anonymous	\$110,000,000
8	2/27/2009	International Partnership for Microbicides	Silver Spring	MD	Bill and Melinda Gates Foundation	\$100,000,000
9	11/13/2008	Oregon Health & Science University Foundation	Portland	OR	Philip H. Knight	\$100,000,000
10	3/9/2009	Academy for Educational Development	Washington	DC	Bill and Melinda Gates Foundation	\$76,000,000
11	1/15/2009	Georgetown University	Washington	DC	Robert and Catherine McDewitt	\$75,000,000
12	1/15/2009	Culver Academies	Culver	IN	Frank Batten, Sr.	\$70,000,000
13	10/29/2008	Oklahoma State University Athletics	Stillwater	OK	T. Boone Pickens	\$63,000,000
14	10/30/2008	Boston College	Boston	MA	Anonymous	\$50,000,000
15	1/15/2009	Community Foundation of Louisville	Louisville	KY	Felix E. Martin, Jr.	\$50,000,000
16	10/17/2008	Cornell University	Ithaca	NY	Ratan Tata	\$50,000,000
17	11/27/2008	Le Moyne College	Syracuse	NY	Robert and Catherine McDewitt	\$50,000,000
18	2/12/2009	NewYork-Presbyterian Hospital/Weill Cornell Medical Center	New York	NY	Ronald Stanton	\$50,000,000
19	1/29/2009	Stanford University	Stanford	CA	Jay A. Precourt	\$50,000,000
20	2/20/2009	University of Minnesota Children's Hospital	Duluth	MN	Caroline Amplatz	\$50,000,000
21	11/27/2008	Wycliffe Foundation	Orlando	FL	Anonymous	\$50,000,000
22	2/27/2009	UNICEF	New York	NY	IKEA Social Initiative	\$48,000,000

#	DATE	INSTITUTION	CITY	STATE	DONOR	GIFT
23	10/30/2008	Harvard Art Museum	Cambridge	MA	Emily Rauh Pulitzer	\$45,000,000
24	10/16/2008	Stanford University School of Medicine	Stanford	CA	Lorry I. Lokey	\$42,000,000
25	10/30/2008	Hunter College	New York	NY	NY Community Trust/Silberman family	\$40,000,000
26	3/9/2009	Johns Hopkins Bloomberg School of Public Health	Baltimore	MD	Bill and Melinda Gates Foundation	\$40,000,000
27	10/2/2008	San Francisco Opera	San Francisco	CA	John A. and Cynthia Fry Gunn	\$40,000,000
28	1/29/2009	Stanford University	Stanford	CA	Thomas Steyer	\$40,000,000
29	12/11/2008	Indiana University Law School	Bloomington	IN	Michael Maurer	\$35,000,000
30	1/15/2009	Roman Catholic Diocese of Syracuse	Syracuse	NY	Robert and Catherine McDevitt	\$30,000,000
31	10/2/2008	Stanford School of Engineering	Stanford	CA	Jen-Hsun Huang	\$30,000,000
32	10/30/2008	University of Rochester	Rochester	NY	Edmund J. Hajim	\$30,000,000
33	2/26/2009	Philadelphia Museum of Art	Philadelphia	PA	H.F. (Gerry) Lenfest	\$27,000,000
34	2/27/2009	Deutsche Gesellschaft for Technische Zusammenarbeit (GTZ)	Eschborn	Germany	Bill and Melinda Gates Foundation	\$25,000,000
35	1/15/2009	Drexel University	Philadelphia	PA	Anonymous	\$25,000,000
36	11/27/2008	Harvey Mudd College	Claremont	CA	R. Michael Shanahan	\$25,000,000
37	3/6/2009	Museum of Latin American Art	Long Beach	CA	Robert Gumbiner	\$25,000,000
38	2/27/2009	World Cocoa Foundation	Washington	DC	Bill and Melinda Gates Foundation	\$23,000,000
39	3/3/2009	University of Florida Cancer Center	Gainesville	FL	Jerry W. and Judith S. Davis	\$21,000,000
40	2/13/2009	Birthright Israel	New York	NY	Adelson Family Foundation	\$20,000,000
41	3/4/2009	Dayton Foundation	Dayton	OH	Virginia Bernthal Toulmin	\$20,000,000
42	10/2/2008	Monroe Carell, Jr. Children's Hospital at Vanderbilt	Nashville	TN	Monroe Carell, Jr. Family	\$20,000,000
43	1/15/2009	Vanderbilt University	Nashville	TN	Anonymous	\$20,000,000
44	2/17/2009	University of Texas at Austin	Austin	TX	Anonymous	\$18,000,000
45	2/17/2009	University of Texas at Austin	Austin	TX	W.A. (Tex) Moncrief, Jr.	\$18,000,000
46	1/29/2009	Washington and Lee University	Lexington	VA	H.F. (Gerry) Lenfest	\$17,000,000

47	1/15/2009	Yakima Valley Community Foundation	Yakima	WA	Mary Monroe Davis	\$17,000,000
48	11/27/2008	University of Texas at Austin McCombs School of Business	Austin	TX	Will and Beverly O'Hara	\$16,000,000
49	11/27/2008	Indiana University Kelley School of Business	Bloomington	IN	William R. Fry	\$15,000,000
50	10/30/2008	University of Oregon	Eugene	OR	Beverly Lewis	\$13,700,000
51	11/13/2008	Rutgers University	New Brunswick	NJ	Anonymous	\$13,000,000
52	2/20/2009	Money for the Unbanked (MMU)	London	UK	Bill and Melinda Gates Foundation	\$12,500,000
53	10/2/2008	Community Foundation of Broward	Fort Lauderdale	FL	Mary Mackenzie	\$12,000,000
54	11/13/2008	Skidmore College	Saratoga Springs	NY	S. Donald Sussman	\$12,000,000
55	11/13/2008	New Jersey Performing Arts Center	Newark	NJ	Bety Wold Johnson	\$11,000,000
56	11/13/2008	Cape Cod Healthcare Foundation	Hyannis	MA	James M. Clark	\$10,000,000
57	11/13/2008	George Washington University Medical Center	Washington	DC	Cyrus Katzen	\$10,000,000
58	1/29/2009	Harvard University	Cambridge	MA	Blavatnik Family	\$10,000,000
59	11/27/2008	Miami Children's Hospital Foundation	Miami	FL	Rafael Herrera	\$10,000,000
60	11/13/2008	Niagara University	Buffalo	NY	B. Thomas Golisano	\$10,000,000
61	2/12/2009	Phillip T. and Susan M. Ragon Institute (Harvard University, Massachusetts General Hospital and MIT)	Boston	MA	Phillip T. and Susan M. Ragon	\$10,000,000
62	11/27/2008	Rady Children's Hospital	San Diego	CA	Peckham Family	\$10,000,000
63	1/29/2009	University of Denver	Denver	CO	James Cox Kennedy	\$10,000,000
64	11/13/2008	University of Illinois at Chicago	Chicago	IL	Romuald Hejna	\$10,000,000
65	11/13/2008	University of Michigan International Institute	Ann Arbor	MI	Ronald Weiser	\$10,000,000
66	11/13/2008	Wentworth Institute of Technology	Boston	MA	William H. Flanagan	\$10,000,000