

## THE CHRONICLE OF PHILANTHROPY

---

<http://philanthropy.com/free/articles/v19/i18/18002701.htm>

# A Record High

## Donations by Americans reached \$295-billion in 2006

[By Holly Hall](#)

American giving reached a record high last year — but contributions grew more slowly than many fund raisers expected in an economy marked by double-digit stock-market gains and groundbreaking contributions by many of the nation's wealthiest donors.

Donations totaled \$295-billion last year — an increase of 1 percent after inflation, according to *Giving USA*, the yearbook of American philanthropy released this week. That marked the third straight year that donations grew following the economic slump from 2001 through 2003, when contributions stagnated or declined.

Arts and cultural organizations, as well as educational institutions, many of which have recently embarked on ambitious capital campaigns, had the biggest fund-raising increases last year, with donations rising by more than 6 percent.

In 2006, charities across the country reaped rewards by building strong ties to wealthy individuals, foundations, and companies that benefited in the economic upswing, *The Chronicle* found in interviews with more than 60 charities. Many of those organizations project even better fund-raising returns this year.

But other charities — particularly those that rely on donors of relatively modest means — strained to raise as much as they did in 2005.

### Tough Times

Fund raisers say that many Americans were less inclined to give as they grappled with increased fuel costs, as well as escalating prices for other necessities, rising consumer debt, and poor local economies in many regions.

"You read all these stories about the economy booming, and corporate profits are up," says Lynn Greenberg, administrator of the Jewish Federation of Arkansas, in Little Rock, where annual contributions fell by \$30,000, to \$270,000, last year.

"What they are not saying is that people are spending and carrying a lot of debt. We see a lot of two-income families just making ends meet because their salaries are not going up commensurate with costs. This is the vicious undercurrent belying the fact that the economy is humming."

### Disaster Effects

In a sign of increasing fund-raising problems for some charities, 32 percent of the 764 charities surveyed by *Giving USA* reported a decrease in contributions last year, up 4 percentage points from last year's survey, and another 9 percent said that contributions were flat. The remaining 59 percent reported an increase.

To be sure, year-to-year comparisons can be misleading because Hurricane Katrina, the Asian tsunamis, and

other natural disasters prompted an unusually large outpouring of gifts in 2005. When disaster gifts are excluded from the 2005 and 2006 totals, giving rose by 3.2 percent last year after accounting for inflation.

The catastrophes also skewed the giving picture for social-services and international relief groups, which both faced declines of 12 percent in 2006. When disaster gifts are excluded, contributions to social-services organizations remained about the same as in 2005, while donations to international charities declined by 3.3 percent.

Meanwhile, gifts to hospitals and other health organizations fell by 5.4 percent last year, while donations to environmental and animal groups dipped by 1.3 percent.

Among *Giving USA's* other findings:

- Individual donors contributed \$222.9-billion in 2006, an increase of 1.2 percent. Another \$22.9-billion was given by people who left charitable bequests in their estates. The amount left through bequests dropped 5.1 percent last year, the second decline since 2004. The drop does not necessarily reflect a lack of interest in giving, researchers say. The Depression-era generation, whose members are now in their 80s and 90s, is smaller than the generations that preceded or followed it — so a smaller number of people are dying and making bequests.

Donations from individuals, including bequests, accounted for 83.3 percent of total contributions last year.

- Corporations gave \$12.7-billion last year, or 10.5 percent less than in 2005. Many businesses sharply increased giving in 2005 because of catastrophes like Katrina and the Asian tsunamis. However, the decline last year cannot be explained entirely by the disaster giving. When relief contributions are excluded, corporate giving still declined by 1.7 percent, *Giving USA* said.
- Foundations increased their giving by 9.1 percent, to \$36.5-billion. The endowments of many foundations have been growing because of the stock market, plus many of them received new infusions from donors.

For many of the nation's wealthiest institutions, 2006 was a landmark year, and not just because of Warren E. Buffett's commitment of the bulk of his fortune to the Bill & Melinda Gates Foundation. Many other institutions received large sums from wealthy Americans, at least 21 of whom donated more than \$100-million to charity last year, according to *The Chronicle's* annual ranking of the 60 most-generous donors. Stanford University, for example, which is engaged in a \$4.3-billion capital campaign, received two gifts of \$100-million or more last year, while the Memorial Sloan-Kettering Cancer Center got a \$100-million donation in its \$2-billion capital drive.

Such largess, however, did little to help charities besieged by economic and demographic changes.

The upward trend for big institutions is fueled by "very generous gifts by extremely wealthy benefactors," says Gary P. Steuer, vice president for private-sector affairs at Americans for the Arts, a Washington advocacy group. Many small organizations are struggling, he says, due to the widening gap between wealthy donors and their less-well-off counterparts.

"The major institutions tend to have people who can make six-, seven-, or eight-figure gifts," he says. "The smaller institutions don't have access to those people."

In Michigan, where the automobile industry's troubles have caused many people to leave the region and unemployment remains stubbornly high, the Albion-Homer United Way can no longer raise enough money to pay for the salaries of its staff members and other expenses.

While it raised \$95,000 last year, up from \$57,000 in 2005, and gave most of that money to local charities, the United Way is paying for its operating costs with a three-year grant totaling more than \$500,000 from the W.K. Kellogg Foundation. The grant is also being used to pay for surveys, professional fees, and other expenses as officials explore a possible merger with a larger United Way, in Battle Creek. "We are in a rural area, primarily blue-collar, that has been hit very hard," says John Ropp, the Albion United Way's executive. "Five or six years ago, we lost five major employers in the span of 18 months, and the economy has not picked up since. We lost a lot of population."

In other areas affected by pockets of deep-rooted poverty, escalating fuel and other price increases have made it harder for charities to carry out their missions, even when the organizations raise more money.

In Albuquerque, the Roadrunner Food Bank raised \$2.3-million, an increase of 15 percent. But many of the 700 smaller food banks and pantries it serves have closed their doors or can no longer afford to pick up groceries and other staples from the food bank.

"A lot of people working in food pantries and soup kitchens are volunteers or in poverty themselves," says Melody Wattenbarger, the food bank's executive director. "They cannot afford the gas, and they just quit. It affects the people we serve by causing more hunger and making it more difficult to serve them."

To cope with the problem, the food bank has devoted one truck to making full-time deliveries to local pantries and kitchens, and is in the process of buying another delivery vehicle. It is also looking into creating new mobile feeding units beginning next year. Each unit would serve as a pantry or soup kitchen on wheels for areas where such facilities are unavailable or have closed.

### **Cost of Doing Business**

Increased fund-raising costs are also putting pressure on some charities.

The Cystic Fibrosis Foundation, in Bethesda, Md., raised \$134-million, a 3-percent increase, but said the gain was difficult to achieve because of the rising cost of its golf tournaments, galas, and other fund-raising events, which account for more than 60 percent of the foundation's annual revenue.

"The cost of doing business in the hospitality industry went way up; this was very much on our radar screen," says Richard Mattingly, executive vice president. "The cost of golf courses, ballrooms all went up, and it's still going up."

To cope with the increases, the foundation "cut corners on decorations and meals," says Mr. Mattingly. "We spent a lot of time paying attention to expenses."

For other charities, however, expenses were more than covered by impressive double-digit increases in giving last year.

The Irving Healthcare Foundation, in Texas, raised \$2.2-million, or 38 percent more than in 2005, as it sought donations for its new cardiac-care facility.

Donations to the Sierra Club rose by 23.1 percent to \$22.9-million, as foundations increased their support for causes championed by the organization, such as improving environmental quality in impoverished regions and enlisting hunters in protecting natural habitats.

Other charities whose contributions increased last year chalked up their success to new efforts in which local and national units of the organization worked together to raise money — instead of competing for donations.

For example, a dozen chapters of the Alzheimer's Association are now dividing proceeds from direct mail,

special events, and major and planned-gift appeals with the charity's national headquarters in Chicago. The national headquarters provides free training on fund-raising methods to the chapters; what's more, it pays salaries of some of their fund raisers.

One of the first to participate, the association's Oklahoma and Arkansas Chapter, in Tulsa, exceeded its goal of raising \$2.5-million last year, securing an additional \$350,000 in its first year of shared fund raising.

Judi Ver Hoef, president of the Tulsa chapter, attributes the gain to work by a major-gifts officer paid for by the association's headquarters, training in event-management software and other ways to increase the number of participants in the chapter's annual Memory Walk, and a national direct-mail campaign in which a portion of contributions went to the chapter. What's more, Ms. Ver Hoef adds, her chapter gained another \$150,000 to \$175,000 because the association is not charging dues to those involved in the collaborative fund-raising effort.

The shared fund-raising approach has been so successful that 42 of the 77 Alzheimer's Association chapters have agreed to participate next year, says Mark Germano, vice president for relationship development at the association's headquarters.

When the new approach was initially floated, he says, "there was concern among chapters about 'us' versus 'them,' but the shift has been to 'we,' and it is powerful."

### **Diversified Fund Raising**

Other charities that increased donations last year have recently expanded their fund-raising methods. Among them: United Ways and Jewish federations that have traditionally depended on annual fund-raising campaigns to raise money for local needs.

"We really have diversified our funding streams in the last three years," says Bertina Ceccarelli, vice president for resource development at the United Way of New York City, where contributions reached \$117.6-million last year, an increase of 9.4 percent.

In addition to raising money in employee drives at corporations, the United Way now seeks direct-mail gifts and bequests, and solicits big donations from individuals. In addition, it seeks grants from foundations and local government agencies, while also holding four fund-raising events each year.

The United Way's campaign to raise money from corporate workers has remained healthy, raising 8 percent more, or \$30-million, last year. But that approach no longer dominates the charity's fund raising and now accounts for less than a third of all contributions.

At United Jewish Communities, which represents 155 Jewish federations across the country, officials have worked to persuade local federations to hold capital campaigns, seek grants, pursue corporate sponsorships, and engage in other types of fund raising to meet specific needs, in addition to their traditional campaigns.

But many federations have resisted, United Jewish Communities officials say. They fear the approach will encourage donors to earmark contributions for pet projects rather than making unrestricted annual gifts that collectively bring more resources to bear in meeting local needs.

The Allied Jewish Federation of Colorado, in Denver, however, has embraced the new approach with no ill effects. This year, it will raise \$14.2-million, up from \$11.3-million last year. Unrestricted annual-campaign gifts have increased from \$7.3-million to \$8-million. And at a time when many federations are losing donors, the Denver federation now has 5,800 donors, 500 more than last year.

The federation is also planning its first capital campaign, a comprehensive drive to improve the facilities and

services of 14 local Jewish organizations. "We want people to see the federation as the center of Jewish philanthropy, not just the annual-campaign machine," says Doug Seserman, president. "It is the beginning of a total philanthropic conversation."

## Changing Interests

Many charities are dealing with changing interests of donors by retooling traditional events.

Special events by the Leukemia & Lymphoma Society's 64 chapters raised \$166.9-million last year, nearly 70 percent of all contributions. In 2005, the society created a new event based on its most successful venture, a months-long course that prepares people to compete in marathons and raise about \$80-million a year.

The society's spin-off event, Hike for Discovery, is a less-strenuous event in which people spend four or five months training for a rigorous day-long hike at the Grand Canyon, Yosemite National Park, and other scenic places. Created in 2005, it is expected to net \$4.6-million this year.

New events helped other charities raise more money last year. The Besser Museum for Northeast Michigan, in Alpena, expects to raise about \$300,000 this year, about the same as last year, even though the government grants that museum officials were expecting disappeared when the state said it couldn't afford to give any more money to the arts.

The museum has been able to hold its own by appealing to wealthy retired people, many of whom own vacation homes in the region. It has raised money by creating exhibits and events for them, including its current show of antique snowmobiles as well as dinners, dances, chocolate-tasting parties, and other events.

Focusing on older donors also paid off for the Huntsville Hospital Foundation, in Alabama, where gifts rose by \$200,000 last year, to \$2.2-million, and are expected to reach \$2.6-million this year. Fund raisers made a special pitch to grandparents for contributions. In honor of their grandchildren, grandmothers gave \$75,000 to pay for a sculpture for the facility. Meanwhile, 55 grandfathers gave \$127,000 for a new ambulance, and the hospital put their names on the brightly painted emergency vehicle.

"We've tried to tap into the interests of individuals to help them leave a legacy but also meet our needs," says Candy C. Burnett, president of the hospital foundation. "We make it a great fit that benefits everyone."

The complete *Giving USA 2007* report will be available in late June and may be ordered by calling (847) 375-4709 or from the [Giving USA Web site](#). It is available in print and electronic versions at a cost ranging from \$70 to \$270.

*Elizabeth Schwinn contributed to this article.*