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Donations Grew 1.4% to \$390 Billion in 2016, Says 'Giving USA'

By Timothy Sandoval

Charitable giving hit a record high for the third straight year in 2016, reaching \$390.1 billion, according to "Giving USA," an annual study that estimates American philanthropy. However, donations rose at a slower rate than in recent years — 1.4 percent — as key economic indicators grew modestly and a divisive election season sowed uncertainty.

Giving from living individuals, which for years has made up more than 70 percent of donations, rose to \$281.9 billion, a 2.6 increase from 2015. That growth rate, though modest compared to recent years, helped offset a 10 percent loss in giving from bequests, which totaled \$30.4 billion last year.

Total Giving, 1976-2016



△ T L △ S | Data: Giving USA 2017: The Annual Report on Philanthropy for the Year 2016

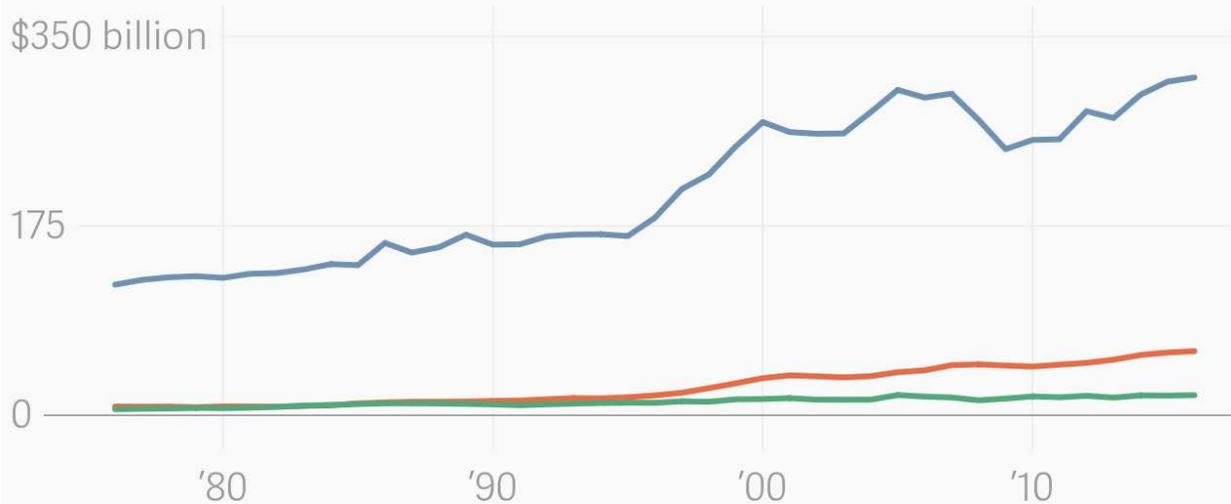
Foundation and corporate giving saw modest gains, with each increasing by a little more than 2 percent, to \$59.3 billion and \$18.6 billion, respectively.

Giving by foundations is the highest it's been, according to the report, even after adjusting for inflation, but companies have yet to reach a prerecession high of \$18.7 billion in donations, set in 2005. That might be explained by a shift in thinking about corporate philanthropy, said Una Osili, director of research at Indiana University's Lilly Family School of Philanthropy, which conducted the study for the Giving Institute.

In their philanthropy plans, some companies have focused more heavily on sponsorships, cause marketing, and volunteering opportunities for employees, which aren't captured in "Giving USA" data, Ms. Osili said.

Giving by Source, 1976-2016

■ Individuals and Bequests ■ Foundations ■ Corporations



ATLAS | Data: Giving USA 2017: The Annual Report on Philanthropy for the Year 2016

Slow Growth

Giving appears to have been affected by slower growth in key metrics like disposable income and personal consumption that are closely linked to philanthropy. Stock-market performance was strong in the final weeks of 2016, but market results were more mixed the rest of the year, which may have also reined in donors.

Last year "didn't look like such a robust year" for economic measures tied to giving, Ms. Osili said.

Political and economic uncertainty may have also influenced giving in a year marked by a raucous U.S. election campaign and disruptive world events like Britain's vote to leave the European Union. Still, Ms. Osili said it's hard to know exactly what impact the elections or any one event had on giving.

Total giving represented 2.1 percent of gross domestic product last year, the same proportion as the previous two years but slightly above the 1.9 percent average for the past 40 years.

The overall growth rate in "Giving USA" is close to a February 2017 estimate by fundraising-software company Blackbaud, which reported that giving grew 1 percent last year.

The numbers are "Giving USA" researchers' first estimates for 2016 giving; the figures will be amended over the next two years as researchers receive updated data.

Uncertain 2017

It's unclear how giving will fare in 2017. Gross domestic product grew at its slowest pace in three years in the first quarter of 2017, and as of mid-May the S&P 500 had seen returns of 6.5 percent, down from a 9.5 percent increase for all of 2016 (but well above 2015's sub-1 percent gain). "The big message is that it's a mixed picture" so far, Ms. Osili said.

The Trump administration released an outline in April for a tax-code overhaul that experts say would reduce charitable giving because it aims to eliminate the estate tax and increase the standard deduction — though it's unlikely any of the proposed changes would go into effect this year if Republicans are able to pass a major tax bill.

Forecasts released in January by the Lilly School and Marts & Lundy, a fundraising-consulting firm, predict that giving will jump 3.6 percent this year and 3.8 percent in 2018. But given the numbers of factors that could affect giving this year, it's too early to tell if those forecasts remain solid, said Phil Hills, president of Marts & Lundy. "Trying to predict what's going to happen in this kind of environment is very difficult," he said.

The biggest things to watch in 2017, he added, will be how well the stock market performs and if indicators like household income and GDP grow.

Geography's Impact

"Giving USA" does not report on geographic differences in giving. Still, many nonprofit leaders believe that parts of the country that have struggled to rebound from the Great Recession may be having a harder time attracting money than those in areas where economic growth has been more robust.

In most states, there's a big rural-urban divide in giving, said Kim Klein, principal of Klein and Roth Consulting.

"Out here in California we have Silicon Valley that is just rolling in money and giving is going up," she said. Traveling a little further southeast to places like Fresno yields "a very different story."

It's also likely that larger organizations, particularly big-name colleges and hospitals, are benefiting the most from any gains in giving over the past few years, experts say.

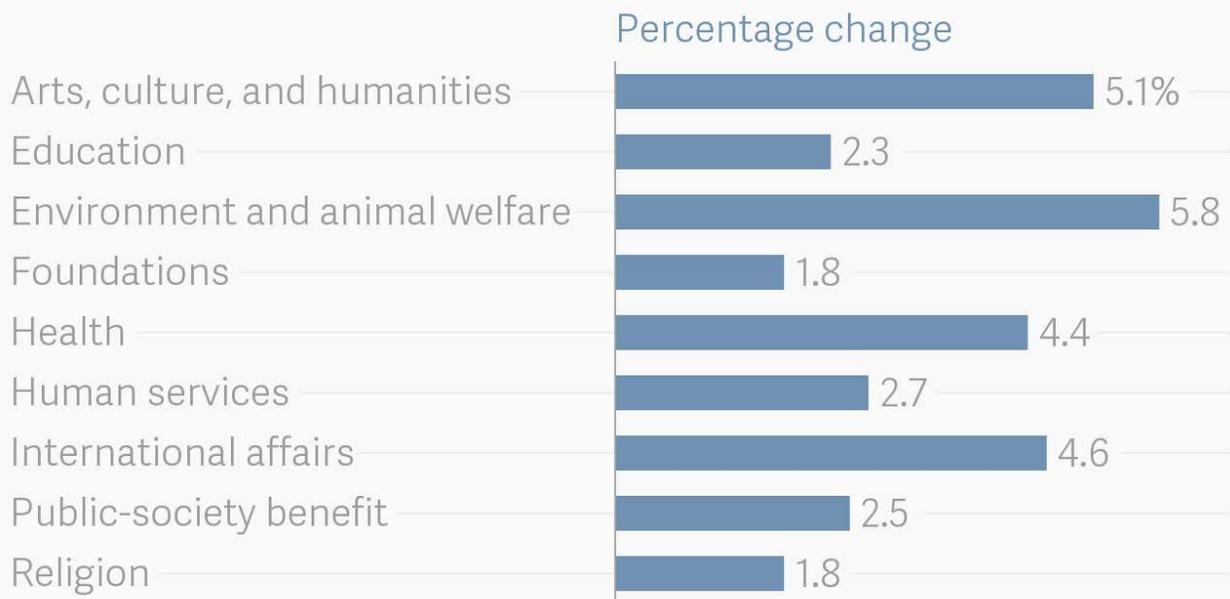
A February report from the Council for Aid to Education noted that less than 1 percent of the nation's colleges and universities accounted for 27.1 percent of all 2016 higher-education gifts.

Modest Growth in Education

Still, overall giving to colleges, K-12 schools, and education-related nonprofits grew by only 2.3 percent in 2016, compared to increases of 8.4 percent and 9 percent the previous two years.

Giving to public-society benefit organizations grew 2.5 percent, to roughly \$30 billion. The category includes an array of nonprofits, including commercially-affiliated donor-advised funds, United Ways, and Jewish federations.

How Support for Causes Changed From 2015 to 2016



△ T L △ S | Data: Giving USA 2017 and the Lilly Family School of Philanthropy at Indiana University

It's difficult to tell how well donor-advised funds performed based on that figure, because growth in the accounts may have been offset by poor donation results from groups like the United Way, which has seen private support decline in recent years.

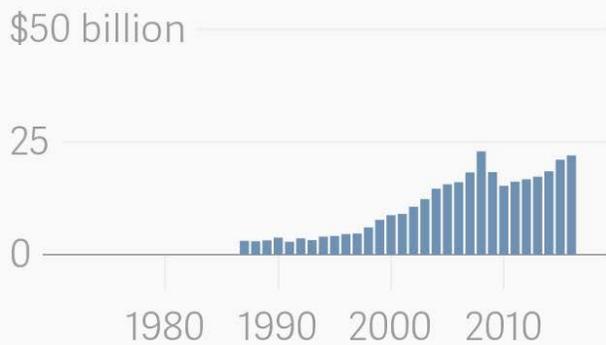
However, data from the largest donor-advised-fund providers suggests there was a boom in contributions to the accounts in last few weeks of 2016, said Eileen Heisman, president of the National Philanthropic Trust.

The growth was likely driven in part by a rising stock market at the end of last year and anticipated reductions in individual income-tax rates in 2017 under the new Trump administration, she said. Tax deductions for charitable gifts become smaller when marginal tax rates are lowered.

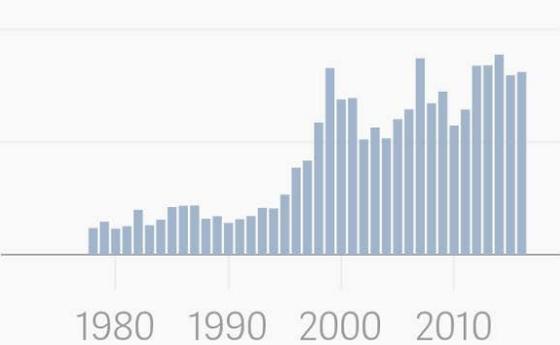
Last year was the biggest year for Ms. Heisman's organization, she said, as contributions to donor-advised funds managed by her organization jumped 72 percent, with a roughly 21 spike in new accounts opened.

Changes in Giving Over Decades, by Type of Organization

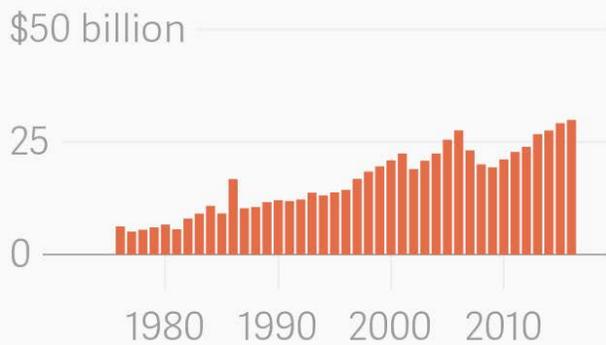
International Affairs



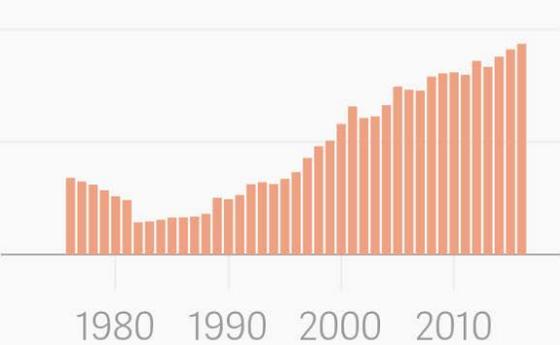
Foundations



Public-Society Benefit



Human Services



△ T L △ S | Data: Giving USA 2017: The Annual Report on Philanthropy for the Year 2016

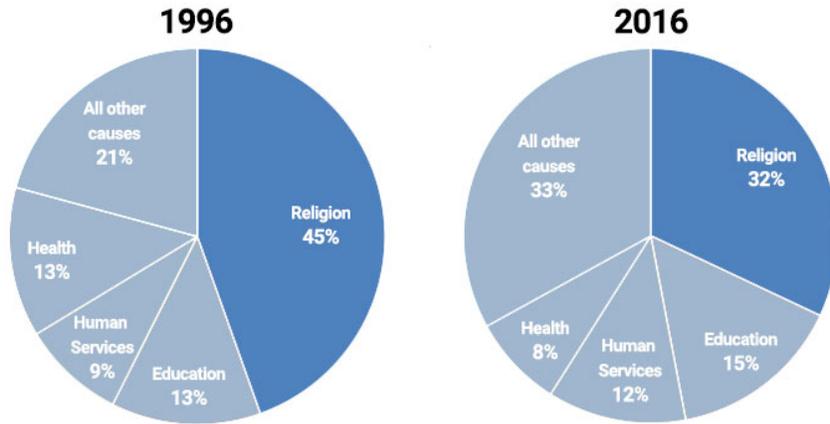
How Causes Fared

Among the findings about giving by cause in 2016:

- Environmental and animal-welfare organizations experienced the biggest growth, with donations rising to \$11.1 billion last year, a nearly 6 percent increase.
- Giving to arts and culture groups grew by 5.1 percent, the second-biggest jump, reaching \$18.2 billion.
- International-affairs nonprofits saw a 4.6 percent increase to \$22 billion. Researchers said the growth in donations for international and environmental causes may have been driven by the giving to organizations active on issues that generated heated debated during the presidential campaign.
- Donations to health nonprofits and hospitals rose 4.4. percent, reaching \$33.1 billion, while human-services groups saw a 2.7 percent increase in giving to \$46.8 billion.

- Religious institutions saw gifts rise 1.8 percent to \$122.9 billion. Although faith groups have represented the largest portion of total giving for decades, their share of donations has dropped as fewer Americans attend services and claim a religious affiliation.

How Religion's Share of Giving Has Declined



GIVING USA 2017: THE ANNUAL REPORT ON PHILANTHROPY FOR THE YEAR 2016

Corrections: The following numbers in the chart at the end of this piece have been corrected: share of total giving for religious organizations in 2016 and share of total giving for human-service, education, and religious groups and for the "all other causes" category in 1996.