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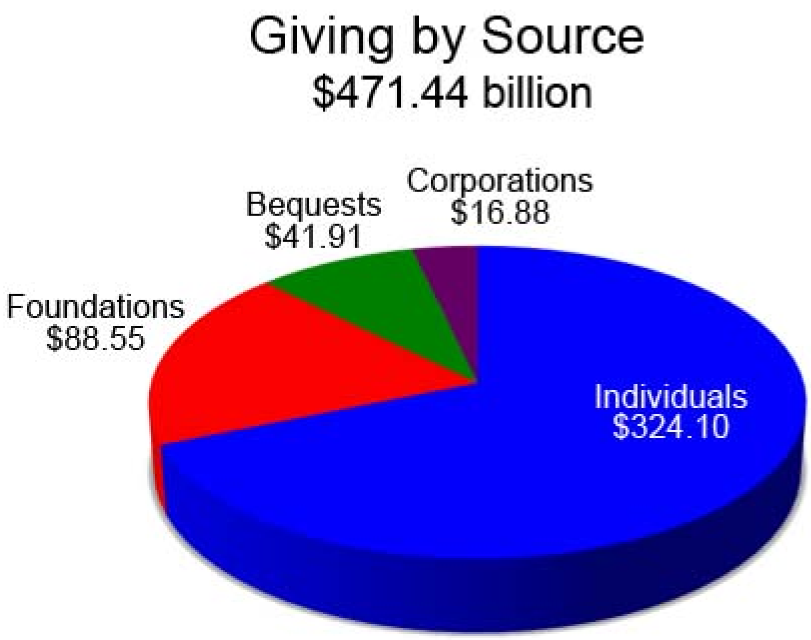
Giving Grows in 2020

Giving USA 2021: The Annual Report on Philanthropy for the Year 2020, released on June 15, reports that an estimated **$471.44 billion was donated to nonprofits in 2020.** Despite unprecedented developments in 2020 including the global pandemic, the ensuing economic crisis, and an ongoing movement in pursuit of racial justice, generous giving coupled with the stock market turnaround in the final months of the year boosted contributions. As a result, **2020 is the highest year of charitable giving on record.** Total charitable giving grew 5.1% measured in current dollars over the revised total of $448.66 billion contributed in 2019.

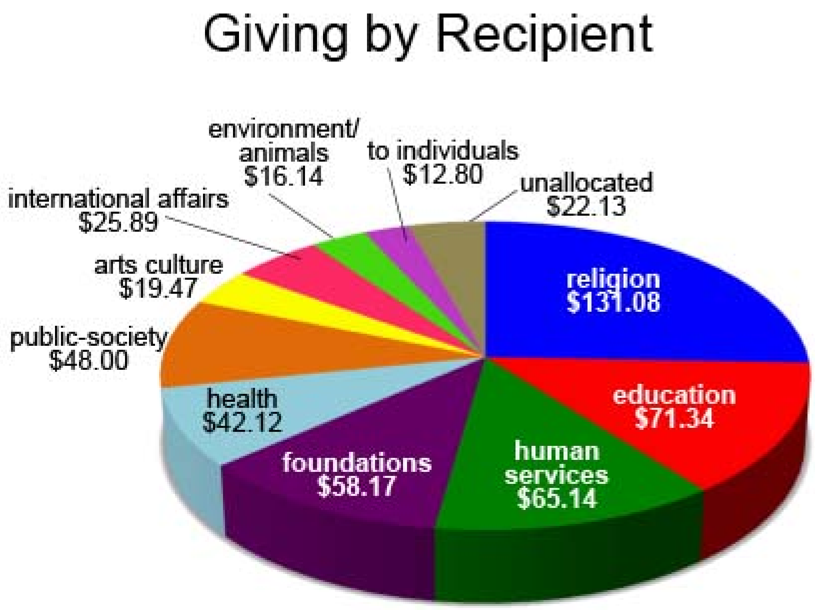


Source Highlights

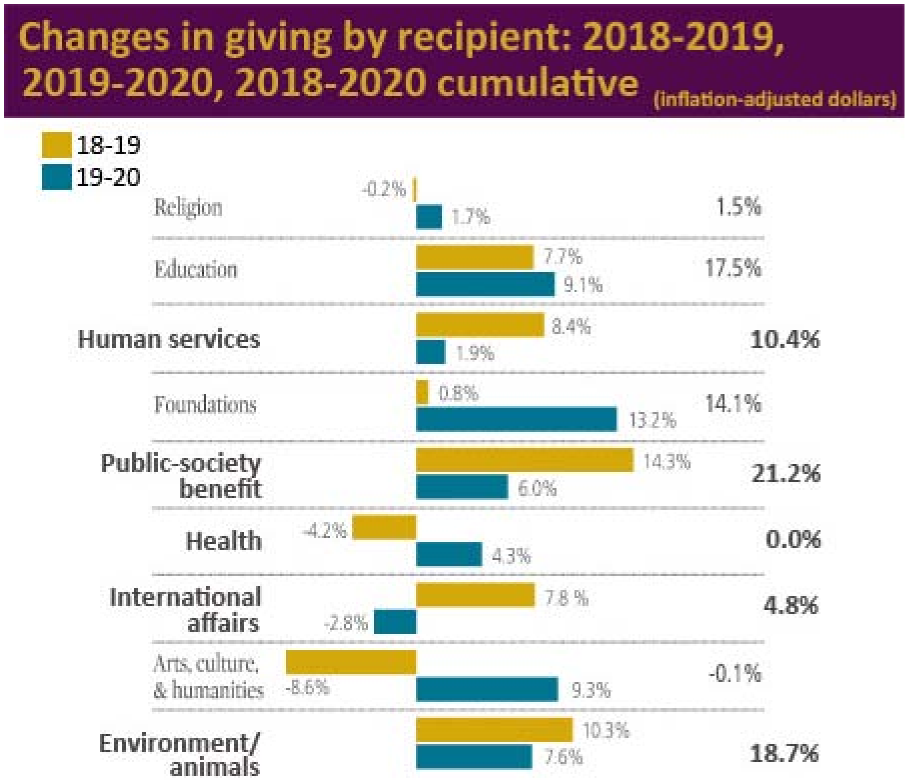
- Giving by **individuals** totaled an estimated $324.10 billion, rising 2.2% in 2020 (an increase of 1.0%, adjusted for inflation). Giving by individuals achieved its highest total dollar amount to date, adjusted for inflation, but it comprised less than 70% of total giving for the third consecutive year.
- Giving by **foundations** increased 17.0%, to an estimated $88.55 billion (a growth rate of 15.6%,

adjusted for inflation), reaching its highest-ever dollar amount. Giving by foundations, which has grown in nine of the last 10 years, represented 19% of total giving in 2020, its largest share on record. The estimate for giving by foundations was created by the Indiana University Lilly Family School of Philanthropy using data from Candid.

- Giving by **bequest** was an estimated $41.19 billion in 2020, and grew 10.3% from 2019 (an increase of 9.0%, adjusted for inflation). Giving by bequest often fluctuates substantially from year to year.
- Giving by **corporations** is estimated to have declined by 6.1% in 2020 to $16.88 billion (a decline of 7.3% adjusted for inflation). This type of giving is highly responsive to changes in corporate pre-tax profits and GDP, both of which declined in 2020.



David King, President & CEO of Alexander Haas said during an online presentation sponsored by the **AFP Greater Atlanta Chapter,** "It's not surprising that giving to human services was up. This makes sense when you have massive unemployment, businesses failing, inability to pay bills, etc. There were lots of human needs and, as usual, Americans stepped up to help one another. However, I thought we'd see a spike in giving to the healthcare sector, since we were in the middle of a global pandemic…but it was down. It was explained to me, the healthcare crisis was not one of lacking resources as much as it was a crisis of system capacity — which can't be fixed fast — and was a crisis of treatment protocols (really the lack thereof). It was not that we needed money so that we could deploy more COVID treatments to more people faster, for a long time there were no effective treatments to be deployed. Philanthropy can't really help with distributing something that does not exist."



- Adjusted for inflation, giving to **human services** increased 1.9% between 2018 and 2019, and increased 8.4% between 2019 and 2020. Cumulatively, giving to human services increased 10.4% in inflation-adjusted dollars between 2018 and 2020. Giving totaled an estimated **$65.14 billion** in 2020 to this sector.

- Adjusted for inflation, giving to **health** increased 4.3% between 2018 and 2019, and decreased 4.2% between 2019 and 2020. Cumulatively, giving to health remained flat with no change in inflation-adjusted dollars between 2018 and 2020. Giving totaled an estimated **$42.12 billion** in 2020 to this sector.

- Giving to **public-society benefit** increased 6.0% in inflation-adjusted dollars between 2018 and 2019. Between 2019 and 2020, inflation-adjusted giving to public-society benefit increased 14.3%. The cumulative change in giving to public-society benefit between 2018 and 2020 is 21.2% in inflation-adjusted dollars. Giving totaled an estimated **$48.00 billion** in 2020 to this sector.

- Giving to **international affairs** decreased 2.8% in inflation-adjusted dollars between 2018 and 2019. Between 2019 and 2020, inflation-adjusted giving to international affairs increased 7.8%. The cumulative change in giving to international affairs between 2018 and 2020 is 4.8% in inflation-adjusted dollars. Giving totaled an estimated **$25.89 billion** in 2020 to this sector.

- Adjusted for inflation, giving to **environment/animals** increased 7.6% between 2018 and 2019, and increased 10.3% between 2019 and 2020. Cumulatively, giving to environment/animals increased 18.7% in inflation-adjusted dollars between 2018 and 2020. Giving totaled an estimated **$16.14 billion** in 2020 to this sector.

Discontinue Advisory Councils?

by Arthur L. Criscillis, Ed.D.
Managing Partner

In my work with organizations, including the training and coaching I do, one constant question that arises relates to Advisory Councils. In some instances, an executive wants to start one and is seeking some advice. In other instances, one already exists but doesn't function effectively; the organization leaders want to elevate the work (which typically means more attention to giving and getting financial support for the institution) of the council.

It seems to me (and has for a long time) that, by taking some basic and fairly straight-forward steps, these leadership volunteer groups can be more helpful to the organization and its leaders, while also being more satisfying and rewarding for those who serve. How so?

Let's begin with being clear about what we want from this leadership volunteer group. Here we need to be honest with ourselves. I suspect we want some engagement in giving. We would also like for the members to help connect the executive director to important potential benefactors, companies that may benefit from the work we do, and/or the enrichments we may add to the community. We may also want and need advice. They could also provide insight into management/leadership principles that would be useful to the leadership team. They could act as a focus group to assist in planning. They could address concerns/issues that arise on an ad hoc basis. In short there are many ways this body could be meaningfully engaged in helping the organization and community she/he serves. Once we have clarity about that, we can more effectively recruit members and those members will have a clear understanding of what they are signing on to doing.

Let's move from expectations to nomenclature. When conducting training sessions for deans, I will frequently ask them the question: "How many of you have advisory councils?" Virtually all raise their hands. I quickly follow up with another question: "How many of you want advice?" Most of the hands drop and that question elicits knowing smiles and some laughter. In short, the name we give this volunteer leadership group sets expectations. If the expectations go beyond providing advice, then let's banish "advisory" from the name we give to the group. What we want is more like "leadership." Maybe Dean's Leadership Council would be a more appropriate name.

Consider how you want to handle the question of giving. Some go with a "pay to play" model, that requires a minimum contribution for members of the council. If you go that route, you will want and need to consistently enforce it. And you will need to indicate that this is a minimum expectation. Others indicate that providing philanthropic support for the organization is an essential component of membership but indicate that what is appropriate from a given member varies, but is still expected.

What about membership? It's the organization's Advisory Council. Therefore, the executive director needn't relinquish her/his role in determining who to invite to be a member. In short, don't cede that to a "membership committee." The leader should strongly encourage members to recommend others for membership; and also rely—maybe informally—on the advice of some key members given in an informal way about membership. Members can and should be involved in meeting with and inviting prospective members to serve when that is feasible and reasonable. Establish terms and term limits for members to allow the council to be renewed and refreshed. It also can allow for an easy way to have a less productive member removed from the council.
When forming these councils, there is no need to have bylaws—this isn't a governing body; it has no fiduciary responsibility; and it has no formal role in the administration of the organization. There is no need for bylaws, and they can only serve to give an incorrect impression about the role of the council. They can also unnecessarily bog things down.

These are, to my way of thinking, some key elements for more effective, more rewarding (for all concerned), and less confusing/frustrating leadership councils—clear expectations, broad opportunities for engagement that includes philanthropy, no bureaucracy.

We Think You Should Know

Nonprofit Jobs Rebound in May

The rate of nonprofit job recovery rebounded in May after slowing significantly in April. In May, the sector saw an increase of more than 63,000 jobs on a month-over-month basis, an increase of 7.9% of the nearly 796,000 jobs that were still lost as of April, compared with the 2.2% gain seen the previous month. According to the analysis, in May the field of social assistance recovered 3.7% of total job losses, while healthcare organizations and religious, grantmaking, civic, professional, and similar organizations saw relatively weak recoveries of 1.8% and 0.7%, respectively.

As of May, the nonprofit workforce remained down by more than 732,000 jobs, or 5.9%, from February 2020 levels. Based on average rates of job recovery from July 2020 through May 2021, the center estimates that it will take the sector another 15.8 months to reach pre-pandemic levels of employment — down from the April estimate of 17.7 months. The field of religious, grantmaking, civic, and professional organizations (14.9 months) is now expected to take the longest to recover, followed by health care (14 months); social assistance (7.4 months); and other fields (6.6 months). *NPD, 6-17*

Are DAFs Bad for Philanthropy? Some Researchers Say Yes

According to a new data analysis from Boston College law professor Ray Madoff and James Andreoni, an economist at the University of California at San Diego, **charities lost out on $300 billion from 2014 through 2018 as charitable donations went into donor-advised-fund accounts and private foundations** and didn't come out. The amount lost is substantial: For context, "Giving USA" estimated individuals donated $295 billion to all charities, including DAFs, in 2018 alone.

The findings from the research directly counter the narrative put forth by major donor-advised-fund sponsors, who argue the increasingly popular giving vehicles boost giving by providing a useful silo for charitable funds that can be opened when need is greatest.

"There's basically no evidence that the rise of DAFs has increased the total amount of giving," said Madoff, noting that individual charitable giving has hovered around 2 percent of income for at least four decades, according to "Giving USA," the annual study of American philanthropy.

Madoff, along with the philanthropist John Arnold, has been building a coalition of donors, scholars, charities, and foundation executives to press Congress to add new incentives to insure that more money flows to charities that put the money to work right away. Among their proposals are new incentives to encourage donor-advised-fund holders to distribute their money within 15 years and the creation of a new class of donor-advised funds that withhold tax deductions on contributions until the money is given to a working charity. They are also seeking to limit the ability of private foundations to meet their requirements to distribute at least 5 percent of assets every year by contributing to donor-advised funds.

As a result of the growing diversion of charitable contributions to donor-advised funds and private foundations, Madoff and Andreoni estimate that from 2014 to 2018, working charities received gifts equivalent to around 73 percent of the value of individual giving in that time.

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3520 Piedmont Road | Suite 450 | Atlanta, GA 30305
404.525.7575