Foundation Growth and Giving Estimates

By Steven Lawrence, Director of Research

OVERVIEW OF FOUNDATION GIVING THROUGH 2011

Growth in Foundation Giving Fails to Keep Pace With Inflation

U.S. foundations posted a modest increase in giving in 2011, and overall funding surpassed the previous peak recorded in 2008. Estimated giving by the nation’s more than 76,600 foundations totaled $46.9 billion last year, up 2.2 percent. This followed a nearly unchanged level of giving in 2010 and a more than 2 percent decline in 2009. Nonetheless, after accounting for inflation, foundation giving was down slightly from the prior year. If the Bill & Melinda Gates Foundation—the country’s largest grantmaker by far—were excluded from the totals, 2011 giving would have been flat before taking inflation into account and down by roughly 3 percent after inflation.

Reflecting continued volatility in the economic environment in 2011, more than one-third of respondents to the Foundation Center’s “Foundation Giving Forecast Survey” indicated that they had reduced their giving last year. While U.S. foundations regained more than 9 percent of their asset value in 2010, wild swings in the market in 2011 left foundations with a marginal 0.3 percent asset increase to an estimated $646.1 billion.

Throughout the year, the market was battered by factors such as the ongoing European debt crisis, the economic fallout from the Japan earthquake and tsunami, rising oil prices resulting from unrest in the Middle East, brinksmanship in the U.S. Congress over raising the debt ceiling, continuing weakness in the country’s housing market, and fears of a double-dip recession. As a result, foundation assets remained well below the record $682.2 billion recorded in 2007.

After inflation, 2008 remains peak year for foundation giving

Corporate foundation giving grew fastest in 2011

Some foundations also continued to recalibrate their giving after increasing their payout rate (i.e., the amount they distribute for charitable purposes as a share of their assets) during the depths of the economic crisis. This helped them to maintain funding levels or limit reductions in giving in the face of dramatically reduced assets. While the assets of these foundations may have recovered to some degree from their 2008 losses, returning to more typical payout levels means that overall grant dollars awarded by these foundations may remain fairly flat.

OUTLOOK FOR FOUNDATION GIVING IN 2012 AND BEYOND

Foundation Center Predicts Weak Growth in Giving for Near Future

The poor overall market performance in 2011 and the slow and unsteady nature of the economic recovery mean that foundation giving is unlikely to gain much momentum this year. According to the Foundation Center’s latest “Foundation Giving Forecast Survey,” giving by U.S. foundations should grow between 1 and 3 percent in 2012. With inflation averaging just under 3 percent, this suggests that foundation giving will likely remain unchanged at best based on real purchasing power.

Despite this less than ideal outlook, a majority of respondents expect to either increase (44 percent) or maintain (18 percent) their giving in 2012. The largest U.S. foundations—those giving $10 million

About the “Foundation Giving Forecast Survey”

In January 2012, the Foundation Center mailed its annual giving forecast survey to approximately 5,000 large and mid-size U.S. independent, corporate, and community foundations. The survey included questions on foundations’ giving and assets in 2011 and directions for giving in 2012 and 2013. A total of 1,077 foundations provided estimates of their giving and/or assets. This represented nearly 22 percent of surveyed foundations overall and close to two-fifths (38 percent) of surveyed foundations with giving of $25 million or more. Giving and asset estimates were based on these figures combined with prior year-end fiscals for the universe of grantmaking foundations and estimates of the resources provided by newly established foundations.
Anticipated Changes in 2012 Foundation Giving

or more (which account for close to 60 percent of total foundation giving)—are most likely to anticipate increased giving, with just over half (54 percent) predicting growth in their funding this year. By foundation type, corporate foundations are most likely to predict a higher level of giving. Nonetheless, close to two out of five respondents expect to reduce their giving in 2012. By comparison, in more prosperous periods, roughly a quarter to a third of funders might anticipate a reduction in their giving.

For 2013, it appears likely that foundation giving will continue to show consistent, albeit very modest growth. Most respondents (54 percent) expect to keep their giving steady next year, and 19 percent anticipate raising their support. However, 9 percent of respondents anticipate reducing their funding. (The remaining 14 percent do not know at this point.)

The uncertain nature of the current economic and political environment both in the United States and globally suggests taking a cautious approach to forecasting foundation growth over the next couple of years. Continuing conflict among European leaders over how to address their debt crisis, a U.S. economy that may be stalling, uneven employment growth, and unforeseen crises may once again lead to sluggish market performance. However, should the economy maintain a more consistent performance this year, foundations may be in a position to raise their 2012 and 2013 giving beyond what they expected at the start of this year.
Grants Paid vs. Grants Awarded

Giving figures presented in this report are based on grants paid by foundations in their latest fiscal year. This provides a comprehensive measure of U.S. foundation dollars “reaching the ground” in a given year. The limitation of this measure is that it does not capture the full value at one point in time of multi-year commitments made by foundations. Conversely, a foundation may be paying out on a substantial multi-year commitment made at an earlier point in time, while its new grant awards total much less. Thus, depending on the time period being examined, a foundation’s grant payments may appear to over- or under-count its current commitments.

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Foundation Growth and Giving Estimates is available at foundationcenter.org/gainknowledge/research/nationaltrends.html.

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