

2007 Outlook Report

Introduction

The Minnesota Council on Foundations surveyed member foundations and corporate grantmakers in December 2006, in order to assess the outlook for 2007 grantmaking activity in Minnesota. This report summarizes the results of the survey, reflecting the responses of 91 foundations and corporate giving programs (41 private foundations, 27 corporate foundations and giving programs, and 23 community/public foundations).

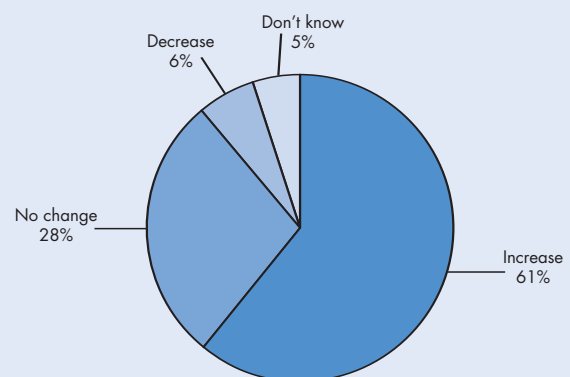
Survey respondents represent 68 percent of all foundation and corporate grantmaking in the state and comprise grantmakers of all types and sizes, from small, trustee-managed family foundations to nine of the state's 10 largest grantmaking organizations. The 2007 Outlook Report provides a snapshot of the direction of growth in giving, as well as factors that grantmakers predict will affect their grantmaking activities during the year.

Key Findings

- The 2007 outlook survey suggests that grantmaking will see a healthy growth rate of about 5 to 9 percent.
- More than 89 percent of grantmakers responding to the survey expect to increase grantmaking in 2007 (61 percent) or to maintain their level of grantmaking from 2006 (28 percent).
- Of funders expecting increased giving, 42 percent anticipate growth in giving of 5 to 20 percent or more, compared to 35 percent of survey respondents in the 2006 report.
- Almost a quarter (23 percent) of respondents expect robust increases in giving of 10 to 20 percent or more.
- Just 6 percent of grantmakers expect declines in their levels of giving in 2007, comparing favorably to the 14 percent expecting decreases at the start of 2006.

- Growth in assets is the number-one factor listed (by 51 percent of respondents) in strengthening the anticipated levels of giving in 2007.
- About one-quarter (23 percent) of respondents, mostly community grantmakers, noted gifts from individual donors as a factor in the expected increases in grantmaking.
- About 15 percent of respondents, mostly corporations, cited improved company profits contributing to an anticipated increase in giving in 2007.
- A sizeable majority (85 percent) of private foundations (family and independent) anticipate their grantmaking will either rise in 2007 or stay at the same level as 2006.
- Fewer than 4 percent of corporate grantmakers expect a decrease in giving in 2007, compared to 14 percent a year ago.
- Community/public foundations as a group have the most positive outlook among the three types of grantmakers.
- The largest funders as a group anticipate the most improved giving in 2007.

Overall Projected Changes in Grantmaking, 2006-2007



Grantmaking Forecast

For the fourth year in a row, Minnesota’s grantmaking outlook shows healthy, stable signs of improvement. More than 89 percent of grantmakers responding will either increase grantmaking in 2007 or see no changes in their levels of giving. Grantmakers responding to the outlook survey project a solid average increase in grantmaking of 5 to 9 percent.¹

A strong 61 percent of Minnesota grantmakers are optimistic about 2007 and expect to increase grantmaking over 2006, and another 28 percent anticipate no change in their level of giving. While the 61 percent expecting increases is below the 84 percent and 80 percent predictions for 2006 and 2005, respectively, the picture is much more balanced than previous years because zero percent change was included in the prior years’ totals.²

Anticipated growth in grants. The grantmaking outlook is fairly evenly balanced: 16 percent expect increases in grants up to 4 percent, 19 percent expect increases from 5 to 9 percent, 16 percent expect increases from 10 to 19 percent, and 7 percent expect increases of 20 percent or more. About 3 percent of respondents anticipate increased giving but the percentage is unknown, and 28 percent expect no change in the level of grantmaking from 2006 to 2007.

Of funders expecting increased giving, 42 percent anticipate growth in giving of 5 to 20 percent or more, compared to 35 percent of survey respondents in the 2006 report. Almost a quarter (23 percent) expect robust increases in giving of 10 to 20 percent or more, a higher percentage than the 18 percent of grantmaker respondents predicting this level of increased giving a year ago. Some 7 percent of grantmakers responding anticipate increased giving of 20 percent or more, compared to just 3 percent of grantmakers a year ago.

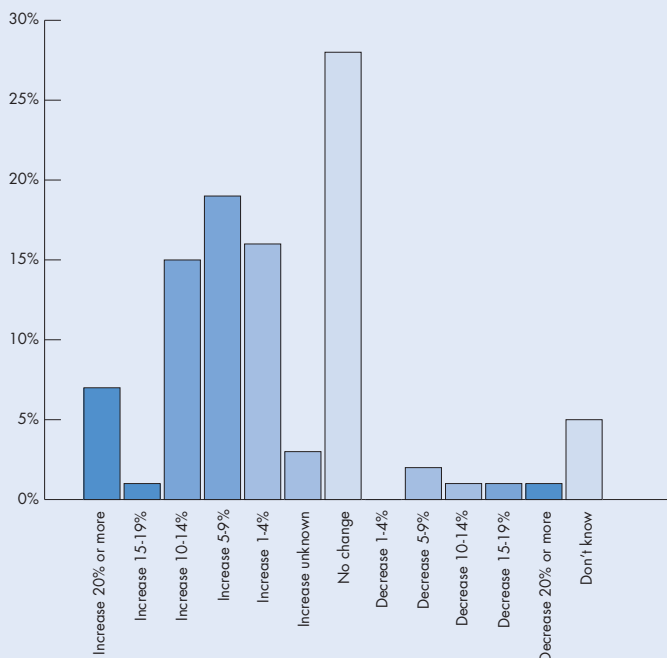
Fewer expect decreases. In another positive sign for Minnesota grantmaking, just 6 percent of grantmakers expect declines in their giving in 2007. This percentage is smaller than the 14 percent expecting declines in 2006 and much lower than the 19 percent in 2005 and 28 percent in 2004. Another 5 percent of grantmakers responded “don’t know” to how their grantmaking would change in 2007.

Factors Affecting Giving

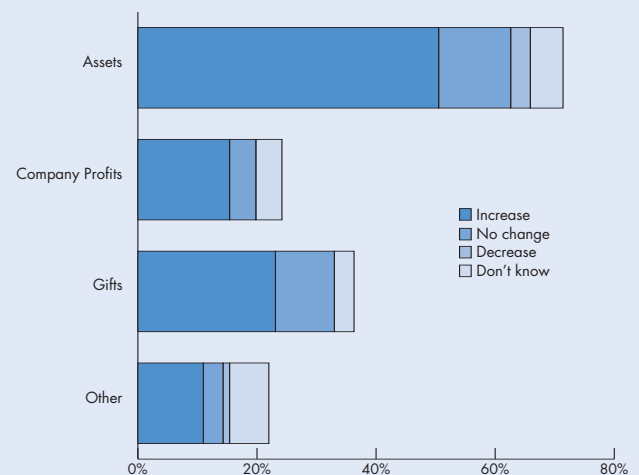
Funders surveyed identified change in assets, donor gifts, company profits and other factors affecting their levels of grantmaking from 2006 to 2007.

Assets. Growth in assets is the principal factor in the anticipated improvement in philanthropy, as 51 percent of respondents said increased foundation assets would account for improved giving in 2007. In the 2006 Outlook Report, 42 percent of funders cited an increase in the total value of their foundation’s assets as the top reason for more giving from 2005 to 2006.

Projected Percentage Changes in Grantmaking, 2006-2007



Factors Affecting Projected Changes in Giving, 2006-2007*



* Respondents were allowed to list more than one factor.

¹ The range of increase is based on the median average and the weighted average by grantmaker size; both show a 5-9 percent range of increase.

² The 2007 outlook survey offered respondents additional categories to refine responses, including “increase, unknown %” and “no change.” These categories would have, in previous years, been counted in the “0-4% increase” range. The Council also added a “don’t know” response option.

Donor gifts. The improved grantmaking outlook for 2007 can also be attributed to an anticipated increase in donor gifts, primarily to community/public foundations. Nearly a quarter of respondents (23 percent) listed gifts from individual donors as a factor in the expected increases in grantmaking. About 65 percent of community/public foundations said donor gifts would be a factor, and 15 percent of private foundations, essentially family foundations, said gifts to endowments would increase their grantmaking capacity.

Company profits. More than 15 percent of respondents, primarily corporate grantmakers, cited improved company profits as contributing to an anticipated increase in 2007 giving. About 4 percent of respondents reported that company profits will not change giving, and another 4 percent said they do not know how company profits will affect giving in 2007.

Other factors in change. A few grantmakers also appear to be intentional about increasing their grant dollars, citing board direction, strategic planning goals, new initiatives and mission-related programs as other reasons for increasing philanthropic support in 2007. Many grantmakers base their decisions about giving levels on factors other than the state of macroeconomic conditions. These factors can include internal grantmaking policies, foundation bylaws, established formulas for determining payout and prior grant commitments, to name a few.

Outlook by Grantmaker Type

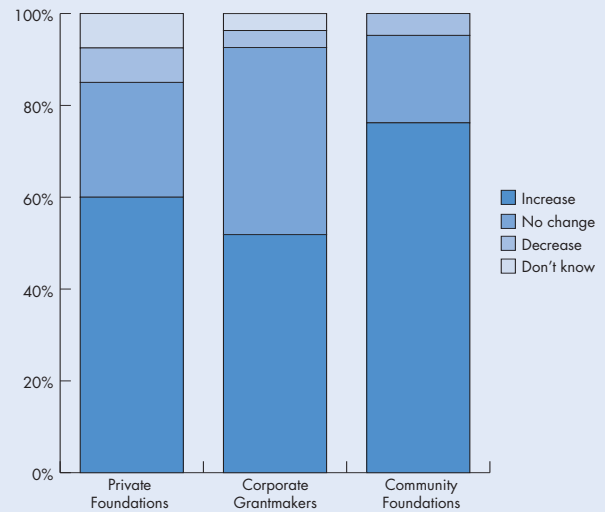
All three types of grantmakers – private foundations (both family and independent), corporate foundations and giving programs, and community/public foundations – expect increased grantmaking in 2007. Community/public foundations are the most optimistic about projected giving.

Private foundations (family and independent). 85 percent of private foundations anticipate their grantmaking will either increase in 2007 or stay at the same level as 2006. Some 60 percent expect increases of 1 to 20 percent or more, and 25 percent expect no change.

The 2007 grantmaking outlook for private foundations is fairly balanced: 12.5 percent of private grantmakers expect grantmaking to increase by 1 to 4 percent, 22.5 percent expect a 5- to 9-percent increase, 12.5 percent a 10- to 14-percent increase, and 12.5 percent an increase of 15 percent or more.

At least 15 percent of private grantmakers are less optimistic for 2007, with 7.5 percent expecting a decrease in giving by 5 to 14 percent, and another 7.5 percent of

Projected Percentage Changes in Grantmaking by Grantmaker Type, 2006-2007



private foundations unable to predict their level of grantmaking in 2007.

Increased assets held by private foundations are the reason for optimism among this group. Over half (54 percent) of responding private foundations cite increases in endowment. Also, 20 percent of private foundations said increased company profits and donor gifts, presumably increases in personal wealth from family-owned businesses added to foundation endowments, would improve their grantmaking in 2007.

Corporate foundations and giving programs.

Nearly 52 percent of corporate grantmakers anticipate increased grantmaking in 2007, and 41 percent expect no change in giving from 2006. Taken together, 93 percent of corporate grantmakers expect to either improve grantmaking in 2007 or lose no ground. The 2006 Outlook Report noted that 86 percent of corporations responding anticipated zero change up to a 20-percent or more increase in giving for the year.

A breakdown of the 2007 corporate grantmaker outlook shows 22 percent anticipate a 1- to 4-percent increase in grantmaking, 7 percent anticipate a 5- to 9-percent increase, 11 percent a 10- to 14-percent increase and 11 percent an unknown level of increase. Fewer than 4 percent of corporate grantmakers expect a decrease in giving in 2007, compared to 14 percent a year ago. Another 4 percent of corporate grantmakers don't know what to anticipate in 2007.

Because corporate funders tend to experience the effects of the economy, both positive and negative, more quickly than other grantmakers, their outlook for 2007 bodes well for an overall continuing upward trend in giving. More than 40 percent of corporations

responding saw improved profits as the largest contributor to increased giving. About 22 percent with endowments noted that increased assets are improving their outlook for 2007.

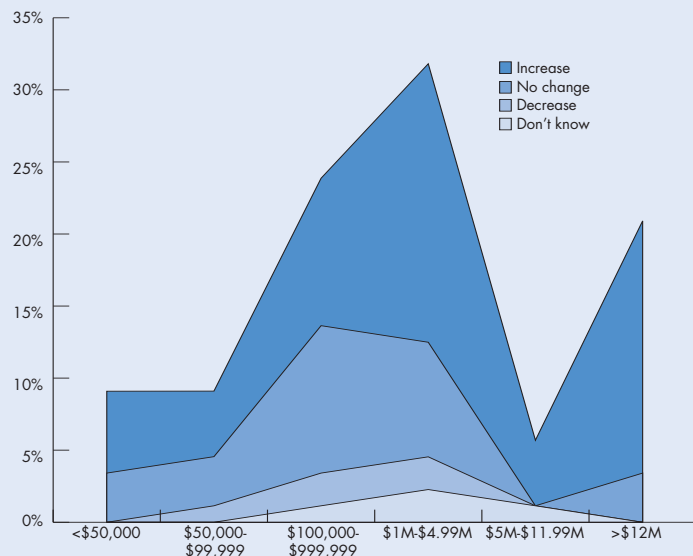
Community/public foundations. Community grantmaking has the most positive outlook among the three types of grantmakers. Fully 95 percent of community/public foundations anticipate increases in grantmaking at some level or expect no change from a year ago; 76 percent predict increases in giving, and 19 percent expect no changes in grantmaking from 2006 to 2007. Five percent of responding community grantmakers expect decreased giving in 2007, and all of those anticipate a decline of 20 percent or more.

The factors for improved 2007 grantmaking for community/public foundations relate to improved assets and increased gifts from individual donors. Some 78 percent of responding community grantmakers anticipate some level of improvement in endowed assets from 2006, and 65 percent anticipate increased gifts from individual donors.

Outlook by Grantmaker Size

The largest funders are the most optimistic about improved giving in 2007. Of the 61 percent of responding grantmakers who expect increased giving this year, 41 percent are grantmakers that make total grants over \$1 million. The sample included a preponderance of these large grantmakers, as 54 of the 91 respondents represent 62 percent of total grantmaking

Projected Percentage Change in Grantmaking by Grantmaker Size, 2006-2007



in the state, which underscores the weight of the positive outlook for grantmaking in 2007.

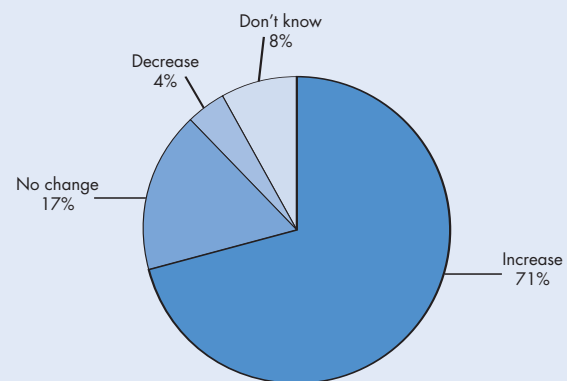
Grantmakers in the \$100,000-\$1 million in grantmaking range were the most likely to expect no change in giving. More than 10 percent of respondents of this size anticipate maintaining 2006 giving levels in 2007.

Of the less than 6 percent of respondents who expect a decrease in giving, most were in the \$100,000-\$5 million range, with approximately 4.5 percent of respondents reporting anticipated decreases in 2007.

Change in Assets

The asset strength of Minnesota foundations continues. A strong 71 percent of responding grantmakers expect an expanded asset base from 2006. Another 17 percent see no change in asset levels. Taken together, 88 percent anticipate growth in assets or holding asset value into 2007. Fewer than 5 percent of foundations anticipate a decrease in assets and almost all of those see less than a 4-percent decline. Fewer than 8 percent of respondents do not know how their endowments will fare from 2006 to 2007.

Projected Change in Foundation Assets, 2006-2007



Conclusion

The year 2007 portends to be a positive one for grantmaking in Minnesota. If current economic indicators hold, a large majority expect strong increases in grants overall. The survey suggests that grantmakers will see a healthy growth rate of about 5 to 9 percent. These increases will be supported by a growing asset base. What's more, the level of those reporting expected declines in giving or assets is at the lowest level since the recessionary times following 9/11.

