

# 2006 Outlook Report

## Introduction

To assess the outlook for grantmaking activity in Minnesota in 2006, the Minnesota Council on Foundations surveyed member Minnesota foundations and corporate grantmakers in November 2005. This report summarizes the results of the survey. The results reflect the responses of 89 foundations and corporate giving programs in Minnesota, which represent about 65 percent of all private grant dollars in the state. Survey respondents represented grantmakers of all types and sizes, from small, trustee-managed family foundations to nine of the state's 10 largest grantmaking organizations. Respondents included family/independent private foundations, corporate foundations and giving programs and community/public foundations.

## Summary

Minnesota grantmakers are optimistic about the 2006 grantmaking outlook. Minnesota grantmaking is expected to experience a robust growth rate of 4 to 7 percent in 2006, if current economic conditions hold.

- Eighty-four (84) percent of Minnesota grantmakers expect to increase their grant dollars in 2006. Nearly half (49 percent) expect up to 4 percent increases from 2005 levels, and 35 percent anticipate 5 to 20 percent or more growth in 2006 grants.

### *Minnesota grantmakers are optimistic about 2006 grantmaking, anticipating growth of 4 to 7 percent*

- Private foundations and corporations are slightly more optimistic than community/public foundations, but more than 80 percent of grantmakers in all three major categories expect grant increases in 2006.
- Among the 25 largest Minnesota grantmakers responding to the survey, 84 percent expect increases in their grantmaking in 2006. Within this top group, 47 percent expect to see increases up to 4 percent, and 37 percent anticipate increases of 5 percent or more.

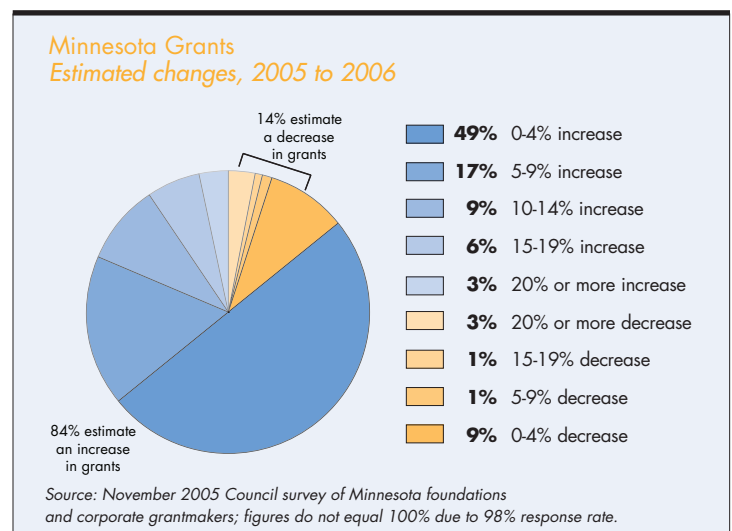
### *During 2005, 85 percent of foundations with endowments saw growth in assets*

- During 2005, 85 percent of Minnesota grantmakers with endowments saw growth in assets. Forty-two (42) percent of private foundations cited growth in assets as the reason for expected grant increases in 2006. Most corporations also expect improved profits, and community/public foundations see more gifts from individual donors.

### *Minnesota grantmakers do not anticipate negative impact because of natural disaster giving*

Minnesota grantmakers do not anticipate negative impact due to natural disaster giving. A 61-percent majority continued to fund traditionally supported nonprofits in addition to disaster-related funding in 2005, while 73 percent project no impact from disaster giving on their normal level of grantmaking in 2006.

Just 13 percent of those surveyed voiced concerns that energy prices and rebuilding efforts from natural disasters, which could potentially depress the nation's economy, will impact their grantmaking in 2006.





## Detailed Analysis

**2006 Grants.** For the third year in a row, Minnesota's grantmaking outlook shows healthy, stable signs of improvement. A significant 84-percent majority of grantmakers surveyed expect to increase their 2006 grant dollars from 2005 levels, compared with an already strong 80 percent that expected grant increases a year ago. While the largest percentage of these grantmakers expects grant increases of no more than 4 percent, 17 percent of funders expect increases of 5 to 9 percent and another 18 percent expect to increase grantmaking by 10 percent or more.

Of funders expecting increased giving, almost half (49 percent) expect a modest increase of less than 5 percent, a slightly higher percentage than in last year's survey. More than one-third of grantmakers that responded to the survey (35 percent) expect grant increases of 5 percent or more in 2006, the same percentage that expected the same level of increase last year. Just 3 percent of grantmakers anticipate increases of 20 percent or more, down from 8 percent a year ago. The decrease is a sign that while the economy has regained traction, the rebound has leveled off and grantmakers are more conservative about the level of expansion for their giving.

### *Solid grant growth – fueled by increases in assets and corporate profits – projected for 2006*

In another sign of a bright grantmaking outlook, just 14 percent of those surveyed said they expect declines in their giving in the coming year. This is an even smaller percentage than the 19 percent that expected declines a year ago, and a significant improvement from the 28 percent that expected declines in their giving in 2004.

One major reason for the state's optimistic grantmaking outlook is growth in the value of the state's foundation assets. When asked to name a reason for the estimated change in total grant giving between 2005 and 2006, 42 percent of endowed foundations surveyed cited an increase in the total value of their foundation's assets as the top reason for giving more in 2006. This percentage is almost identical to the percentage of grantmakers that saw asset increases a year ago.

The improved grantmaking outlook for 2006 can also be attributed to a reported increase in gifts to community/public foundations from individual donors, as well as an increase in corporate profits, which is the main source for most corporate grants. A few grantmakers also appear to be intentional about increasing their grant dollars, citing board decisions as their main reasons for increasing philanthropic support in 2006.

It is also important to note that many grantmakers base their decisions about giving levels on factors other than the state of macroeconomic conditions. These factors include internal grantmaking policies, foundation by-laws, established formulas for determining payout and prior grant commitments, to name a few.

### *All three types of Minnesota grantmakers expect increased grantmaking in 2006*

**Private foundations.** Eighty-seven (87) percent of private foundations responding to the survey expect to increase their grant dollars from 2005 to 2006, compared with 76 percent that said they would do so a year ago. Increased assets for private foundations most likely explain why their outlook for 2006 grantmaking is the most optimistic. Asset strength also is a key indicator that the full impact of improved market conditions, which can sometimes take a few years to be reflected in private foundation grantmaking, has finally reached this group of grantmakers. With the improved picture, a majority of private grantmakers expect increased 2006 grantmaking of up to 5 percent.

### **Corporate foundations and giving programs.**

Compared with a year ago, corporate grantmakers reported a much stronger outlook of their grantmaking for the coming year. A full 86 percent of those surveyed this year expect to increase their giving in 2006, and only 14 percent expect decreases. In last year's survey, 81 percent of corporate grantmakers expected to increase their grant dollars in the coming year, while 19 percent expected decreases. This indicates a continuing upward trend in the giving outlook for corporate funders that tend to experience the effects of the economy, both positive and negative, more quickly than other types of grantmakers.

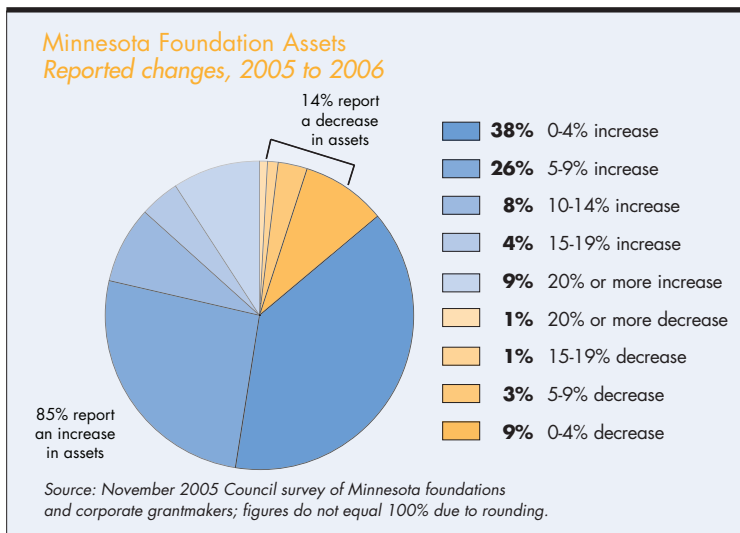
**Community/public foundations** reported a less rosy outlook than a year ago, with 80 percent having plans for increased grantmaking in 2006 and 90 percent expecting to do so at the start of 2005. Contrary to a year ago, these grantmakers are somewhat less likely to see increased grantmaking in 2006; even so, fully 80 percent expect higher levels of giving in 2006. Forty-two (42) percent of responding community/public foundations anticipate increased total gifts from individual donors from 2005 levels.

## Natural Disaster Funding

**Foundation Assets.** A large 85-percent majority of Minnesota's foundations holding assets experienced an increase in the value of those assets in 2005. Forty-seven (47) percent reported asset gains of 5 percent or more, close to the 50 percent that experienced the same growth in 2004. More than one-third (38 percent) reported small asset growth of up to 4 percent, also similar to the previous year. Overall, these figures represent a continuing trend from last year's Outlook survey results, when 84 percent of foundation respondents reported increases in assets.

### *Asset strength bodes well for Minnesota endowed foundation grantmaking in 2006*

Among the three types of grantmakers, more private foundations reported increased assets in 2005 than either community/public or corporate grantmakers. Thirty (30) private grantmakers saw their assets increase in the past year, compared with 15 corporate and 18 community/public grantmakers that experienced such growth in their assets. The Outlook survey found only 14 percent of foundations reporting asset declines over the past year, and a mere 2 percent reporting asset reductions of 15 percent or more, compared with 15 percent that reported asset declines last year and 5 percent with decreases of 15 percent or more in 2004. Only 1 percent of foundations experienced significant, 20-percent or more decreases, compared with 4 percent last year.



The year 2005 saw major national and international disasters both in the United States and South Asia making headline news and spurring an unprecedented wave of support from the Minnesota philanthropic community. In an effort to learn what the grantmaking outlook will be in 2006, especially given the generous response of foundations and corporations to 2005 disaster relief, the Council asked grantmakers what impact, if any, donations related to natural disasters have generated in their grantmaking both in the past year and in 2006.

Two-thirds of the grantmakers surveyed (66 percent) have granted funds to nonprofits as a direct response to major national and international disasters in 2005.

- A 61 percent majority reported that such donations were given with funds above their budgeted levels; therefore, these grantmakers have continued to grant the same amount of dollars to nonprofits they support traditionally.
- Some 18 percent of grantmakers surveyed said they had fewer dollars to support the "usual" nonprofits because their giving budgets were negatively affected by natural disaster funding.
- A small 5 percent of respondents reported that they don't yet know how their natural disaster-related donations have impacted their overall grantmaking in the past year.

### *Large majority of Minnesota grantmakers do not expect disaster relief to affect 2006 grantmaking*

When asked whether their grantmaking program will have fewer dollars to grant in 2006 to the nonprofits they traditionally support due to natural disaster-related donations, a significant 73-percent majority said they will not be affected. Only 6 percent reported that they would either fund the same number of organizations but with reduced grant amounts, or would sustain grant sizes but give to a fewer number of organizations. There also is a fair level of uncertainty, with 14 percent saying that they don't yet know how their reduced grants budget will impact their grantmaking programs.

Among the different grantmaker types, corporate funders are clearly in the majority in giving to natural disaster relief in 2005 with dollars above their normally budgeted levels. Of the 61 percent of grantmakers that have continued to grant the same amount of dollars to

traditionally funded nonprofits, corporate grantmakers comprise 54 percent, private grantmakers 24 percent and community/public foundations 22 percent.

In anticipation of 2006, corporate grantmakers have the most positive outlook, despite the additional demands on their grantmaking dollars due to natural disaster-related funding. Among those that responded to the survey, corporate grantmakers again comprise more than half of those that said their grantmaking program will not be affected due to natural disaster donations. Only a handful of funders will either reduce the number of organizations funded or the sizes of grants, and a total of five respondents said they don't yet know how their grantmaking programs will be impacted in the coming year.

Looking to 2006, Minnesota grantmakers are optimistic about their grantmaking outlook despite potential negative economic influences, such as rising oil prices and the financial strain caused by continuing relief and rebuilding efforts after the major national and international disasters last year. Of those surveyed, a full 77 percent do not anticipate these economic issues will impact their grantmaking negatively in 2006. Only 13 percent expressed concerns over such forces.

## Conclusion

The year 2006 portends to be a positive one for grantmaking in Minnesota. If current economic indicators hold, a large majority of grantmakers predict continued moderate increases in grants overall. Grantmakers anticipate a healthy growth rate of 4 to 7 percent in 2006. These increases will be supported by a sustained asset base. What's more, disaster relief and rebuilding did not have an adverse impact on traditional 2005 giving in Minnesota and does not appear to offer a potential negative impact on Minnesota nonprofits in 2006.

### IMPACT OF DISASTER RELIEF IN 2005

#### Which statement best describes the impact of disaster-related donations on your 2005 grantmaking?

	<u>% of Respondents</u>
Our natural disaster donations have been above our budgeted levels, therefore our grantmaking <b>has continued with the same amount of dollars</b> to the nonprofits we traditionally support . . . . .	61%
Disaster funds were taken from our existing giving budget, and we <b>had fewer dollars to grant</b> to the nonprofits we traditionally support . . . . .	18%
We <b>don't yet know</b> how disaster-related donations have impacted 2005 grantmaking . . . . .	5%
Other. . . . .	16%

### IMPACT OF DISASTER RELIEF IN 2006

#### Due to disaster grantmaking, will you have fewer 2006 dollars for nonprofits you traditionally support?

	<u>% of Respondents</u>
Our grantmaking program <b>will not be affected</b> . . . . .	73%
Our grantmaking program <b>will fund the same number of organizations but reduce grant amounts</b> . . . . .	3%
Our grantmaking program <b>will sustain grant sizes but reduce the number of organizations funded</b> . . . . .	3%
We <b>don't yet know</b> how grantmaking will be impacted by the reduced grants budget . . . . .	14%
Other. . . . .	8%

*Source: November 2005 Council survey of Minnesota foundations and corporate grantmakers.*

### About the Minnesota Council on Foundations

Founded in 1969, the Minnesota Council on Foundations, a regional membership association of grantmakers, works to strengthen and expand philanthropy. The Council's broad and diverse membership includes private foundations, community and other public foundations, and corporate foundations and giving programs.

### Additional Copies

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