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THE KANSAS CITY STAR

PHILANTHROPY GROWS IN 2013, BUT SO DOES NEED

December 23, 2013

By Diane Stafford

Nonprofit fundraisers, like retailers, hold their breath in late December, waiting for the important end-of-year receipts.

This year, many charities are optimistic — more than they've been since 2008, when the stock market crashed, withered the portfolios of foundations and individuals, and crimped corporate giving.

Fund developers and nonprofit leaders throughout the Kansas City area say the quest for contributions remains challenging and competitive. But finally, good hearts and good financial planning are combining to create what appears to be an improved year for philanthropy.

Nationally, giving is likely to be up 12.5 percent over last year, according to Atlas of Giving, a company that mines data to measure and forecast the numbers. That's nearly double the increase from 2011 to 2012 and translates to about \$415 billion in contributions.

"There is a lot less anxiety about the economy," Kathryn Harvel, director of philanthropic giving at Children's Mercy Hospitals, said about donors this year.

"It feels like people are more comfortable with their giving levels," agreed Patrick Sallee, chief development officer at the American Red Cross of Greater Kansas City. "It feels more active than previous years."

Give credit to stock market strength. The S&P 500 is up 28 percent, year to date, and the Dow Jones industrial average has risen 24 percent. Investment portfolios, starved after the crash, have plumped up like Thanksgiving turkeys.

That means more people have more taxable income and a bigger incentive to give stock or money to nonprofits, rather than face higher tax rates on long-term capital gains and other investment income.

The federal government says charitable deductions are claimed on more than one-third of tax returns, and nearly 2 million registered nonprofits are potential recipients of those deductible gifts.

In the Kansas City area, 2,515 nonprofits, registered with the Internal Revenue Service as 501(c)3 organizations, are vying for nearly \$16 billion in annual revenues, according to the Midwest Center for Nonprofit Leadership at the University of Missouri-Kansas City.

Small wonder that, even in an improved economy, the nonprofit fundraiser's work remains hard.

"We are working harder for less," said Mark Litzler, who leads the Saint Luke's Foundation. "The number of givers is growing, but the dollar amount is smaller, and major gifts are a smaller proportion of the total."

Litzler, like others charged with keeping the lights on and providing services in the area's nonprofits, said they've learned the fundraising lesson well: "You have to have a strong case for your need and well-articulated gift opportunities," he said.

At the Jewish Federation of Greater Kansas City, chief financial officer Mark Shuster itemized trends that predominate this year.

“Engagement is really the key,” Shuster said. “Donors need to be connected to your mission. They need a hands-on approach. Basic (solicitation) mailers don’t work.”

At Nonprofit Connect, an educational and networking organization for Kansas City area nonprofits, executive director Luann Feehan added two more items to the trends list.

“People want to give to a cause, not so much to providing funding for operations and staffing,” Feehan said. “And there’s a stronger connection between volunteering and giving, especially in corporations.”

Several fundraisers said that volunteers, who see first-hand the work being done by the nonprofit, become financial donors, too. Many of them are being introduced to voluntarism through planned corporate activities.

Earlier this month, for example, employees at Kiewit Corp. spent a company-sponsored day doing charitable work for Children’s Mercy, one of many such examples of corporate-directed philanthropy in the metro area.

Accounting for results

For companies or individuals making their giving decisions, nothing is more important than believing their dollars produce good results.

“Donors want proof of where their money is going,” said Tracey Mershon, a public relations professional at Mershon & McDonald who works with nonprofit fundraisers. “Development people have to be able to track and measure results.”

At the Greater Kansas City Community Foundation, which houses more than 3,300 charitable funds, executive director Debbie Wilkerson sees that demand for accountability as a hallmark of this year’s charitable giving.

“Some of our donors are very intimately involved with the organizations they give to,” Wilkerson said. “We also have donors who come to us, asking questions, wanting our help to find out about the organization, to do site visits. A lot are saying they have to be ‘more strategic’ with their giving.”

“Some people are open to spontaneous giving for a portion of their giving, but most want to be organized, to have their arms around their giving. And most follow their passions.”

Mershon said the most effective fundraising organizations in the metro area appear to be those that have active board members who are passionate about their missions and who help professional fundraising staffs.

Aside from cutting through the multiple philanthropic requests that hit mailboxes each December, nonprofit fundraisers are dealing with ever-stronger competition from web-based appeals that make it easier for donors to send contributions far away from the metro area.

Online fundraising platforms such as Network for Good and crowdfunding sites including Kickstarter, Indiegogo, GoFundMe and Catapult are filling inboxes with appeals.

“The explosion of mobile devices has changed the way we communicate and now puts the ability to give back in the palm of everyone’s hand,” said Bill Strathmann, chief executive at Network for Good, which helps nonprofits use technology to raise funds from “new supporters they otherwise would not reach.”

Network for Good, like many nonprofits, expects to see nearly one-third of total annual donations pledged in the month of December alone. And, Strathmann said, about one-tenth of all giving is expected to happen on the last three days of the year – when donors jump to take advantage of tax-saving laws.

This year also marked the second year of a new online fundraising wrinkle, Giving Tuesday, which was observed on Dec. 3. Started last year in New York and spread nationally, the day was a charitable response

to the retail sales pushes on Black Friday, Small Business Saturday, and Cyber Monday. This year, Network for Good processed \$1.7 million in donations on Giving Tuesday.

The giving flurry was a plus for recipients, but it provided one more example of the crowded market.

“Kansas City is a very generous city,” said Terri Mueller, deputy director at Greater Kansas City LISC, a nonprofit that focuses on specific neighborhood improvements. “But it’s a challenge to go to foundations, to government, to businesses in that they want to make gifts where they see impact.

“Now more than ever, you have to have quantifiable proofs of outcomes. They want you to show cooperation with other nonprofits. They don’t want to duplicate services. They want to leverage their funding with other organizations.”

Starting initiatives

At United Way of Greater Kansas City, a strengthened focus on filling the gaps in community philanthropy has driven the agency to launch initiatives rather than just raise money and redistribute dollars to other nonprofits.

“We’re doing a better job on our due diligence to connect donors with the work we’re doing, in addition to scrutinizing programs,” said Teri Retzlaff, senior vice president of resource development.

The annual United Way campaign had \$37.5 million pledged this year, about \$200,000 more than a year ago. It will be February before donor details and giving trends are analyzed, Retzlaff said, but this is apparent now:

“There’s been what companies call ‘rightsizing’ since 2008, and employee numbers haven’t returned to their pre-2008 levels, but companies really made a tremendous effort to continue support,” Retzlaff said about the combination of corporate and employee giving.

Thankfully, restored stock market health has energized many fundraisers, sometimes because of what they hope will occur in 2014.

“We have not yet seen a great increase in gifts comparable to the increase in the stock market,” said Mueller, at LISC. “But we hope the second year, with increased economic confidence, we’ll see increased giving and more multi-year commitments.”

At Metropolitan Lutheran Ministry, which provides food, emergency assistance and other social service programs, executive director Jim Glynn said he, too, is waiting to see a commensurate increase in corporation or foundation giving. But, he said, there have been happy “outliers” that helped strengthen donations this year.

A church in Wyandotte County closed and gave MLM with its assets, and a host of new volunteers quickly became donors, Glynn said.

“We haven’t seen wealthy people giving us more large donations because of their huge appreciations in their portfolios,” Glynn said. “Rather, we’ve tended to see increases from the humble folks, from families, from retired people ... a lot of people sharing a little.”

Fundraisers said they valued every gift, no matter the size. Every amount helps keep a nonprofit open and staffed so that its mission can be met. But as much as they celebrate increased giving levels in 2013, there is an overriding reality:

Philanthropy is not keeping up with demand.

“Our country has more people in poverty and working for poverty-level wages all the time,” Glynn said. “Even as philanthropy grew this year, need grew, too. Many of us charities can’t charge fees. We simply

have to keep our costs to a minimum and pass through whatever we get. What we can do expands and contracts according to our giving.”

Wise giving

Tax experts offer these tips for charitable donations:

- Donate stock that’s worth more than you paid for it and that you’ve held at least a year. You won’t owe capital gains taxes, and you can deduct the fair market value of the gift.
- Get a receipt from the charity that states the value of your gift, such as property. Or, get a written expert appraisal of the value.
- Transfer gifts to qualified charities by the end of the year from your Individual Retirement Account if you’re 70 and a half or older and have to make annual distributions.
- Research your options for a donor-advised fund, such as at a community foundation.

Area nonprofits at a glance

According to the 2013 Nonprofit Sector Report by the Midwest Center for Nonprofit Leadership at the University of Missouri-Kansas City, the metro area has:

- 7,524 charitable nonprofits registered with the Internal Revenue Service.
- 2,515 of those nonprofits reporting annual revenues of more than \$25,000.
- \$15.8 million in revenues going to those 2,515 nonprofits.
- Just 13 percent of those nonprofits being health-related but receiving 44% of total revenues.
- “Public social benefit” organizations, such as the United Way, representing 24% of the nonprofits and got 33 percent of the total revenues, most of which are redistributed to other nonprofits.

2013 to build on 2012 giving

The Giving USA Foundation and Indiana University Lilly School of Philanthropy reported \$316 billion in charitable giving last year.

- \$228.93 billion, 72 percent, from individuals.
- \$45.74 billion, 15 percent, from foundations.
- \$23.41 billion, 7 percent, from bequests.
- \$18.15 billion, 6 percent, from corporations.

<http://www.kansascity.com/2013/12/23/4711103/2013-philanthropy-grows-but-so.html>



TAMPERING WITH THE CHARITABLE DEDUCTION HURTS COMMUNITIES, NEEDY THE MOST

July 2013

By John Ashmen

The region of St. Louis and Southwestern Illinois has a long, proud tradition of charitable giving by corporations and individuals supporting a wide range of vital community services, activities and venues. But nonprofit organizations that rely on generous donors are facing an urgent threat as Congress moves full-steam ahead in its consideration of proposals that could unravel the charitable tax deduction.

A new report issued by Giving USA says those who itemized their charitable contributions comprised more than 80 percent of the total estimate (nearly \$229 billion) for giving by individuals in 2012. Other research shows that if lawmakers reduce the value of the deduction, billions in donations would be lost each year, meaning vital services and jobs could be cut or eliminated.

That could be devastating for millions who depend on a network of highly effective, compassionate organizations across the country that provide jobs, economic development, food, shelter and more. For instance, each year, crisis shelters and rehabilitation centers run by members of the Association of Gospel Rescue Missions use private donations to provide approximately:

- 50 million meals.
- 25 million nights of lodging.
- 30 million articles of clothing.
- 20,000 graduates from addiction recovery programs.

Home Sweet Home Ministries in Bloomington served nearly 114,000 meals, gave away more than 4,700, and housed well over 500 men, women and children through shelter services in 2012. More than 1,300 volunteers and 8,200 donors made it possible.

This represents just one example. There are thousands more like them.

Catholic Charities USA's network of local agencies raises nearly \$680 million of contributed income annually. Many rely on individual donors for more than half of their contributed income to provide funding to:

- Meet the needs of the more than 10 million people seeking help and hope, regardless of race or religious background.
- Employ nearly 66,000 and engage more than 311,000 volunteers annually.

The Salvation Army also relies on generous donors to provide food, disaster relief, assistance for the disabled and support for disadvantaged children, the elderly and the homeless. The organization delivers assistance to:

- 30 million Americans in 5,000 communities with its 70,000 officers and employees and 3.3 million volunteers.

Nearly 60 percent of the \$2.8 billion in donations received by The Salvation Army in the United States in 2011 came from individual donors. Some Salvation Army units receive more than 75 percent of their funding from individual donors.

Some 1,200 United Ways throughout America:

- Provide critical services for up to 52 million people.

- Employ more than 9,300 people and help mobilize 2.87 million volunteers each year.

Conservative estimates indicate that limiting the charitable tax deduction could reduce giving by a minimum of 2.5 percent for United Way. That amounts to more than \$100 million, or 1.3 million fewer times that United Way could provide job training for an unemployed worker, home care for an elderly citizen, supportive housing for a single mother or a mentor/tutor for an at-risk youth.

These vital organizations are sources of jobs, services and support. They depend on donations that the charitable tax deduction helps make possible. If lawmakers upend it, nonprofits in this region and throughout America lose their ability to provide food and shelter for the most vulnerable, support education and better health, support job creation, innovate and more.

That's why the Charitable Giving Coalition, a diverse group of more than 60 diverse nonprofits, foundations and other charitable organizations serving communities across the nation, is working to ensure there is a clear understanding of how tampering with the charitable deduction could impact giving and hurt those who need help the most.

It's important for lawmakers to remember that the nonprofit sector's role in our communities is not a loophole for the rich. It is a lifeline for those who need it most. With the demand for crucial services on the rise, we must work to find ways to encourage more giving, not less.

John Ashmen is president of the Association of Gospel Rescue Missions, a member of the Charitable Giving Coalition. The Coalition is dedicated to preserving the charitable giving incentive that ensures that our nation's charities receive the funds necessary to fulfill their essential philanthropic missions. AGRM is comprised of approximately 275 missions located across North America; Sunshine Ministries Inc .in St. Louis is one of them.

<http://www.ibjonline.com/charitable-deductions/161-tampering-with-the-charitable-deduction-hurts-communities-needy-the-most>