

# Informed Leadership



## *Crisis Giving: Reflections & Observations for Fundraisers*

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*April 2020*



# *Introduction*

As Australian non-profit organisations navigate the COVID-19 crisis, many are concerned about the extent to which the combined economic and health crisis will be detrimental to their organisation's future income. Over the last two decades, we have been fortunate to have had established and reputable research groups like Queensland University of Technology's 'Australian Centre for Philanthropy and Nonprofit Studies' (QUT ACPNS), researching and publishing data on our philanthropic and non-profit sectors. As a result, we have access to a bank of resources that cover giving in times of disaster and economic unrest. These resources can be leveraged by non-profit organisations and philanthropists to help them consider what the future might look like and to draw on lessons from the past, where those lessons remain relevant.

Conscious that the fundraising community needs immediate support, information and guidance, we are publishing this paper in the early stages of the COVID-19 crisis. It is not a comprehensive literature review; it is a snapshot of available resources and it reflects our preliminary thinking. We have written the paper to help fundraisers quickly find and evaluate available information and we have focused the content on three main topics:

## **Australian & international resources**

We have compiled a list of domestic and international resources focused on giving and income generation for the non-profit sector in times of crisis and highlighted notable quotes from each of the sources listed.

This is by no means an exhaustive list of resources, however, we hope that they help to narrow the search for information and insights as non-profits and philanthropists alike plan for their short, medium and long-term futures in these challenging times.

## **Considerations when applying past research findings in the current context**

Whilst these resources are extremely valuable and there are certainly lessons to learn from them, it is important to place these findings within the context of this current crisis. To assist with this, we have included some of the issues you might consider when applying past research findings in the current context.

## **Koda's insights in the current environment**

At the end of this paper, we have considered the insights gleaned from these resources in the current environment and presented some of our initial thoughts for giving in Australia moving forward.

We hope that this material is useful to you, your organisation and fundraising team.

# *Australian resources*

## **1) GFC Hit Tax Deductible Giving to Australian NFPs (Pro-Bono News, 2011)**

Since 2000, the team at QUT ACPNS have been leading the industry, evaluating Australian Taxation Office (ATO) taxation statistics and informing the community sector about the trends in giving and philanthropy.

This Pro-Bono News article summarises a podcast delivered by Professor Myles McGregor-Lowndes, the then Director of QUT's ACPNS.

<https://probonoaustralia.com.au/news/2011/06/gfc-hit-tax-deductible-giving-to-australian-nfps/>

### **Quotes of interest include:**

- **Impact on total giving:** “2008-09 saw the amount given as tax-deductible donations to Not for Profit organisations in Australia down 10.79%”
- **Impact on high net-worth giving:** “The Global Financial Crisis (GFC) had the greatest influence on the donations of the nation’s wealthy donors, with taxpayers with an annual taxable income of over \$1 million claiming an average of \$48,706.38 – down 53% on the previous year’s high of \$102,543.08.”
- **Economic downturn combined with a natural disaster:** “The Black Saturday Bushfires which occurred in Victoria in early February of 2009 impacted on philanthropic giving, with the Victorian Bushfire Appeal raising \$379 million. McGregor-Lowndes says, compared with the previous year, Victoria accounted for 7% more of all deductible gifts in Australia, and the state’s gross deductible gifts rose by 27.30% to \$601 million. He says the average gift in Victoria also rose from \$433.49 to \$470.08, an 8.44% increase compared to a drop of nearly 11% nationally. McGregor-Lowndes says this probably points to giving expanding to meet the challenge of the needs created by the bushfires.”

## **2) Australian Foundations and the Downturn (2010)**

This paper by QUT ACPNS provides insights into Australian trusts and foundations during the GFC. The survey results look at investments, income, grant making and more.

[https://eprints.qut.edu.au/32112/1/Leat\\_10\\_Australian\\_Foundations\\_and\\_Downturn\\_FINAL.pdf](https://eprints.qut.edu.au/32112/1/Leat_10_Australian_Foundations_and_Downturn_FINAL.pdf)

**Quotes of interest include:**

- **Impact on community foundations:** “Community foundations were, in some respects, potentially in the most difficult position insofar as their income for administration was based on capital values, and so if no new donations had been made they had lost around a quarter to a third of their operating income.”
- **Grant-making levels:** “The majority of foundations (69%) had made no changes to grant-making expenditure in the 2008–09 period.” Interestingly, only 2 out of the 23 foundations interviewed reported increasing their grant-making through the downturn.
- **Demand for grants:** “With three exceptions, foundations did not report noticeable increases in demand for grants.”
- **Honouring commitments:** “Foundations in the habit of giving multi-year grants did not in general intend to renege on those commitments.”
- **Risk taking and innovation:** “Having a discretionary pot of money is often regarded by foundations as a key tool in their capacity to be responsive and to take risks. Where a foundation had a ‘discretionary’ pot of money or grants programme – in some cases built from capital gains – this was likely to have been closed.”

Additionally, QUT ACPNS’s back catalogue of academic papers and research can be found here:

<https://research.qut.edu.au/australian-centre-for-philanthropy-and-nonprofit-studies/resources/giving-statistics/>

### **3) Impact of the Economic Downturn on Not-for-Profit Organisation Management (2009)**

This report by the Centre for Corporate Public Affairs was conducted for the then Department of Families, Housing, Community Services and Indigenous Affairs and is now found on the Department for Social Services website.

<https://www.dss.gov.au/our-responsibilities/communities-and-vulnerable-people/publications-articles/impact-of-the-economic-downturn-on-not-for-profit-organisation-management?HTML>

**Quotes of interest include:**

- **Income falls:** “Our survey results indicate that the biggest falls in funding have been from investment income, corporate funding and funding from major donors, philanthropic trusts and foundations.”
- **Economic downturn combined with a disaster:** “Some NFP organisations also report that funding for disaster relief efforts, such as the Summer 2009 Victorian bushfires, has diverted funding away from their activities.”
- **Volunteering:** “There has been an increase in the numbers of volunteers wanting to assist NFP organisations as a result of the economic downturn.”

#### 4) Managing in a Downturn (2009)

PricewaterhouseCoopers, the Fundraising Institute Australia and the Centre for Social Impact collaborated to conduct a survey investigating the impact of the GFC on non-profit organisations.

[https://www.csi.edu.au/media/uploads/Managing\\_in\\_a\\_downturn -  
Impact\\_of\\_economic\\_downturn\\_on\\_NfP\\_organisations\\_-\\_July\\_2009.pdf](https://www.csi.edu.au/media/uploads/Managing_in_a_downturn_-_Impact_of_economic_downturn_on_NfP_organisations_-_July_2009.pdf)

##### Quotes of interest include:

- **Corporate funding:** “Corporate funding has been hardest hit, with three-fifths of respondents experiencing a decrease in income from this source in the past six months, and a further one-third experiencing no growth in income.”
- **Who benefits from natural disasters:** “Large organisations were more likely to have benefited from one-off donations related to Australia’s natural disasters (19% of large organisations compared to 7% of small organisations.)”

#### 5) Giving Australia 2016

‘Giving Australia 2016’ was commissioned by the Department of Social Services with the research undertaken by QUT’s ACPNS in partnership with Swinburne University’s Centre for Social Impact and the Centre for Corporate Public Affairs.

The study follows on from the ‘Giving Australia 2005’ report and looks at the giving and volunteering behaviours of individuals, charitable organisations, philanthropists and businesses in Australia.

<https://www.communitybusinesspartnership.gov.au/about/research-projects/giving-australia-2016/>

##### Quotes of interest include:

- **Impact on giving growth:** “Since 1992 there has been an increase of over 200% in tax-deductible gifts in real terms. The available data on individual giving reveals that the levels of individual giving in Australia rose quite sharply from 2000 until the Global Financial Crisis (GFC) in 2008, when there was a steep decline and levels of giving had not yet recovered in 2011–12. In real terms, according to the ABS Non-Profit Institutions Satellite Accounts, total giving to NPOs (including bequests) decreased some 20% from the high point in 2007 to A\$3.993 billion in 2011–12 (Australian Bureau of Statistics 2014a)”
- **Giving participation rates since the GFC:** “The substantial growth in individual giving in Australia that was evident during the last 30 years slowed in the wake of the GFC and, after a longer than expected recovery, the total amount donated has now returned to pre-GFC levels. Participation rates, however, have remained similar since the GFC, indicating that those who have continued to give have been giving more.”

# *International resources*

## **1) Charities Aid Foundation and National Council for Voluntary Organisations - *The impact of the recession on charitable giving in the UK (2009)***

This report written in the immediate aftermath of the GFC, looks at the impact the recession had on giving in the United Kingdom (UK).

<https://www.cafonline.org/docs/default-source/about-us-publications/ukgivingreport2009.pdf>

### **Quotes of interest include:**

- **Impact of the GFC on UK giving:** “The total amount of charitable giving has declined during the recession, down by 11% from 2007/08. A combination of fewer people giving and smaller average donations has led to the decline.”
- **Length and depth of a recession:** “Historic evidence suggests that the length and severity of a recession will impact on the levels of charitable donations, but that not all causes will be affected equally.”

## **2) The Russell Sage Foundation and The Stanford Center on Poverty and Inequality - *Charitable Giving and the Great Recession (2012)***

This paper explores the impact the GFC had on people’s generosity in the United States (US). The insights focus in on individuals, rather than foundations or corporations.

[https://inequality.stanford.edu/sites/default/files/CharitableGiving\\_fact\\_sheet.pdf](https://inequality.stanford.edu/sites/default/files/CharitableGiving_fact_sheet.pdf)

### **Quotes of interest include:**

- **Impact of the GFC on US giving:** “The Great Recession (GFC) reduced total giving by 7.0% in 2008 and by another 6.2% in 2009.”
- **Impact on proportion of income given:** “Americans are giving nearly the same proportion of their income as before.”
- **Cause areas:** “There is some evidence that the decrease in total giving comes with a more diligent targeting of poverty-relevant causes.”
- **Giving to food banks:** “In a research project supported by the Stanford Center on Poverty and Inequality, it was found that the funding of food banks in 40 cities rose 2.2 percent on average from 2007 to 2008, with approximately two-thirds of food banks showing increases over this period. Funding then further surged from 2008 to 2009, as the recession deepened, increasing as much as 31.9 percent despite deepening problems in the labor market (with increases found across all but 1 of the 40 food banks).”

### 3) The Indiana University Lilly Family School of Philanthropy & Vanguard Charitable - *Changes to the Giving Landscape (2019)*

This report provides a technical analysis of the changes in US household giving from 2000 through to 2016. It analyses the link between economic trends and giving, particularly focusing in on the impact of the GFC.

<https://scholarworks.iupui.edu/bitstream/handle/1805/21217/vanguard-charitable191022.pdf?sequence=1&isAllowed=y>

#### Quotes of interest include:

- **US giving rates:** “Following the Great Recession, there has been a downward trend in charitable giving participation rates, with fewer Americans making donations than in the past”
- **Impact of the GFC on giving:** “The Great Recession exposed the philanthropic sector’s vulnerability to economic shocks, as evidenced by the 13 percent decline in the percent of households who gave from the year 2000 to 2016 and the significant declines in the percent of income given within a few socio-demographic cohorts detailed throughout this report.”
- **Demographics & the percentage of income given:** “When demographic groups were analyzed separately, the Great Recession did not significantly impact the percent of income Americans gave to charity, with a few notable exceptions. Only households at the lowest levels of educational attainment (less than a high school degree), annual income (<\$50,000), and/or wealth (<\$50,000) gave a smaller percent of their income after the Recession compared to before, mirroring the slow recovery of this group post-Recession.”

# *Considerations when applying past research findings in the current context*

When evaluating what the above insights mean for non-profit and philanthropic organisations, it is important to place these findings in the context of the current climate and remember the limitations of the data.

Issues to consider include:

- There is a global health crisis and economic downturn occurring simultaneously
- Over the last decade, philanthropists have been more willing to make big and public donations, thereby leading by example
- Mega foundations have emerged and they appear to be nimbler than some of the more traditional philanthropic foundations
- The role of social media has drastically changed the giving landscape, evidenced by the magnitude of the crowd funding and celebrity funding that occurred during Australia's recent bushfires
- Corporate Social Responsibility has changed dramatically over the last ten years and become a core component of strategy, customer engagement and staff engagement. Therefore, corporates are likely to behave differently during this crisis than they have historically
- The ATO's taxation statistics only include donations claimed by taxpayers and don't give a clear picture of overall giving (e.g. gifts not claimed or gifts to non-Deductible Gift Recipient organisations)
- The Australian Charities and Not-for-profits Commission was only established after the GFC and we now have access to its valuable data on charitable organisations and the charity sector as a whole
- Sample sizes and academic approaches to research differ which makes it difficult to compare 'apples with apples' or to build a complete picture when it comes to giving
- Many of the insights included in this paper are from a point in time, meaning they don't necessarily consider longer-term impacts and scenarios
- Past statistics on the impacts of volunteering and philanthropy won't take into consideration social distancing measures, and other negative impacts of the current crisis, including the cancellation of philanthropic events, face-to-face fundraising and the many forms of volunteering.

# *Koda's insights in the current environment*

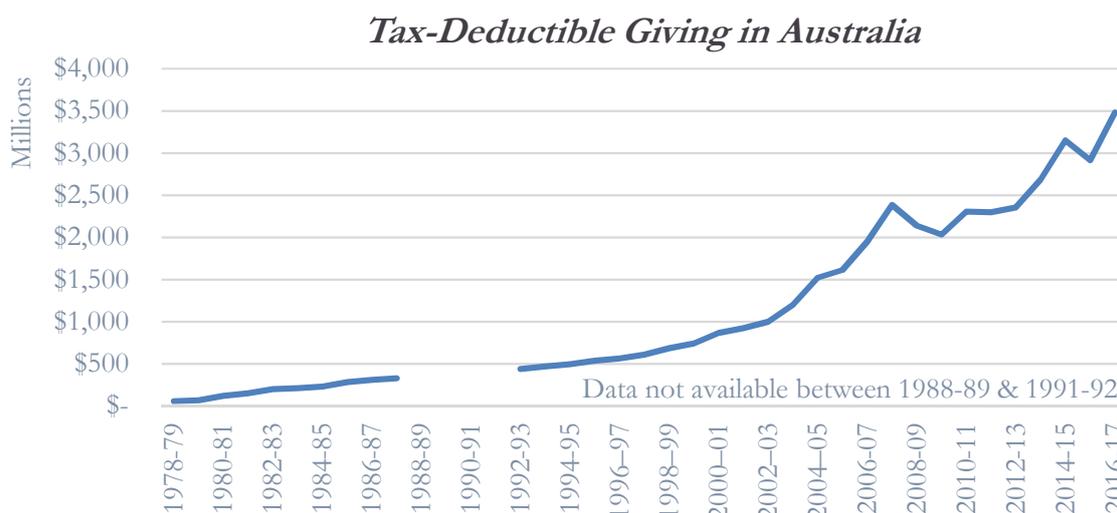
We have provided some preliminary views and insights on the future of giving in Australia and we hope they help guide you as you navigate through this unprecedented time.

- Giving will be impacted, however, for the 2019-20 tax-year, the impact of the bushfire donations may support giving levels. The 2020-21 tax-year is likely to be tougher
- In the 2020-21 tax-year Private Ancillary Funds (PAFs) will likely be required to give less in dollar terms. Each year, PAFs are required to distribute 5% of the value of their asset base as at the previous 30 June. It is quite possible financial markets may not fully recover by 30 June 2020, meaning asset values and consequently mandatory distributions could be reduced. However, we expect some PAFs to voluntarily give more in support of their chosen causes
- For the 2019-20 year, the 5% distribution will be based on the 30 June 2019 valuation, which for most will be greatly elevated in comparison to today's portfolio valuations. This will result in strong PAF distributions for the remaining 2019-20 tax-year, unless PAFs are given relief in relation to their 2019-20 distribution obligations. While unlikely to eventuate, this relief could be made available as a measure designed to protect corpus values
- The '*Managing in a Downturn (July 2009)*' report draws the link between concentrated marketing efforts by non-profits through the GFC and increased revenues from direct mail campaigns. In the COVID-19 crisis, we will see more investment into digital fundraising and hopefully this will result in increased income for charities
- The length and depth of the economic and financial market downturn will drastically impact giving. If financial markets don't bounce back quickly, then high-net-worth donors could drastically pull back their giving, as they did during the GFC. This will have a larger impact on overall giving than it did during the GFC, because in recent years the growth in giving by Australians has largely come from high-net-worth individuals
- We believe that there are already signs that in the current crisis, trusts, foundations and governments are more willing to support overheads to help charities keep the lights on. Sophisticated funders understand the perilous situation charities find themselves in and how critical they are to society during and in the recovery from a crisis like this
- This time around, we hope prominent philanthropists continue to speak out for their causes and the non-profit sector more broadly; encouraging others to step up and give
- During the GFC, the Australian economy held up better than many other countries, yet the impact on giving was similar. COVID-19 will impact countries differently depending on a range of factors, including the nature and timing of intervention measures. Despite this, the GFC experience suggests that we can take some guidance from international giving data, which is often more up to date than our lagging Australian data
- Corporate Australia stood up during the recent bushfires, however, many will have expended their giving budgets or simply not be in a financial position to give again in a meaningful manner. We will see some wonderful corporate giving stories coming out of this crisis, but this story will be equally matched by the reduction, postponement and loss of some existing corporate giving programs.

# Conclusion

In this paper, we have drawn attention to valuable resources and offered some of our preliminary insights. Our aim is to get information and ideas to fundraisers as quickly as possible.

Giving in Australia will be negatively impacted through this economic and health crisis, though we expect it will bounce back, as it did post the GFC. It may just take some time, particularly if the impact of the virus on the economy proves long-lasting.



Source: ATO, Koda Capital

Since the GFC, we have seen the rise of PAFs, the flourishing of collective giving initiatives, the emergence of impact investment and concepts like shared value gaining traction in corporate Australia. Post the COVID-19 crisis, the giving landscape will alter once again and in the long-run it is likely to be for the positive. We will discover new and exciting ways of giving and existing concepts in their infancy today will gather momentum.

Please share this paper with anyone who might benefit from it and reach out if the Koda Capital Philanthropy & Social Capital team can be of assistance.

Click the following link to access Koda's latest paper, '**Leadership Insights - Navigating Non-Profit Organisations Through the COVID-19 Crisis**':

<https://www.kodacapital.com/docs/koda-capital--leadership-insights--navigating-non-profit-organisations-through-the-covid-19-crisis--april-2020.pdf>

Additional insights and research papers from Koda Capital can be found here:

<https://www.kodacapital.com/insights>

On behalf of Koda Capital, please take care during these challenging times and remember as much as you look after your organisation, your staff and your beneficiaries, take the time to look after your own health and wellbeing.

## *About the Author*



Chris is a Koda Partner and founding member of the Philanthropy and Social Capital team. His responsibilities include bringing philanthropic opportunities and solutions to clients. He also provides strategic advice to charitable and non-profit organisations in relation to their governance, endowment practices, capacity building, sustainability, and donor relations activity. Over the last decade in financial services, Chris has worked predominantly with high-net-worth individuals, corporations, and charitable institutions.

Chris is a co-founder and Director of Plus One, an initiative that opens up corporate leadership training to non-profit executives. Chris has previously been Chairman of the Reach Foundation and was a Founding Committee Member of Impact100Melbourne. Chris holds a Masters of Commercial Law, Bachelor of Business (Economics and Finance) and a Diploma in Financial Planning. More recently he completed the AICD's Governance Foundations for Non-Profit Directors course.

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At Koda Capital we are taking an innovative approach to wealth management – an approach that puts your needs first. Our sole focus is giving our clients tailored financial solutions that are well-informed, independent, and transparent. We act as an investment adviser to philanthropic, charitable and non-profit organisations and we also advise our clients how to make impact investments. We go beyond the provision of tailored investment services, to provide expert advice on best practice, governance, regulation, investment strategy and relevant trends in the non-profit sector.

## *Koda's Commitment to Clients*

1. We will always be independent, and free from conflicts of interest that could affect our advice.
2. We will always put our clients' best interests ahead of any other considerations, particularly in respect of any investment or product we recommend.
3. We will agree, in writing, the services we will provide and deliver those services to the standards we promise. Our clients will have access to the best solutions available not just a list of solutions restricted by commercial relationships.
4. We will only earn fees which are paid directly and transparently by our clients, and if we were to receive any commissions they will be fully rebated to our clients for their benefit. We will detail the basis on which the fees are charged and will discuss them with clients at any time. Clients have – and will always have – full discretion to choose the type of fee structure that works best for them: be that on a fee-for service basis, transaction basis, or asset basis. We believe that as advisers we should be rewarded according to the strength of our client relationships and the success of our financial strategies, not by our ability to promote specific products.

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