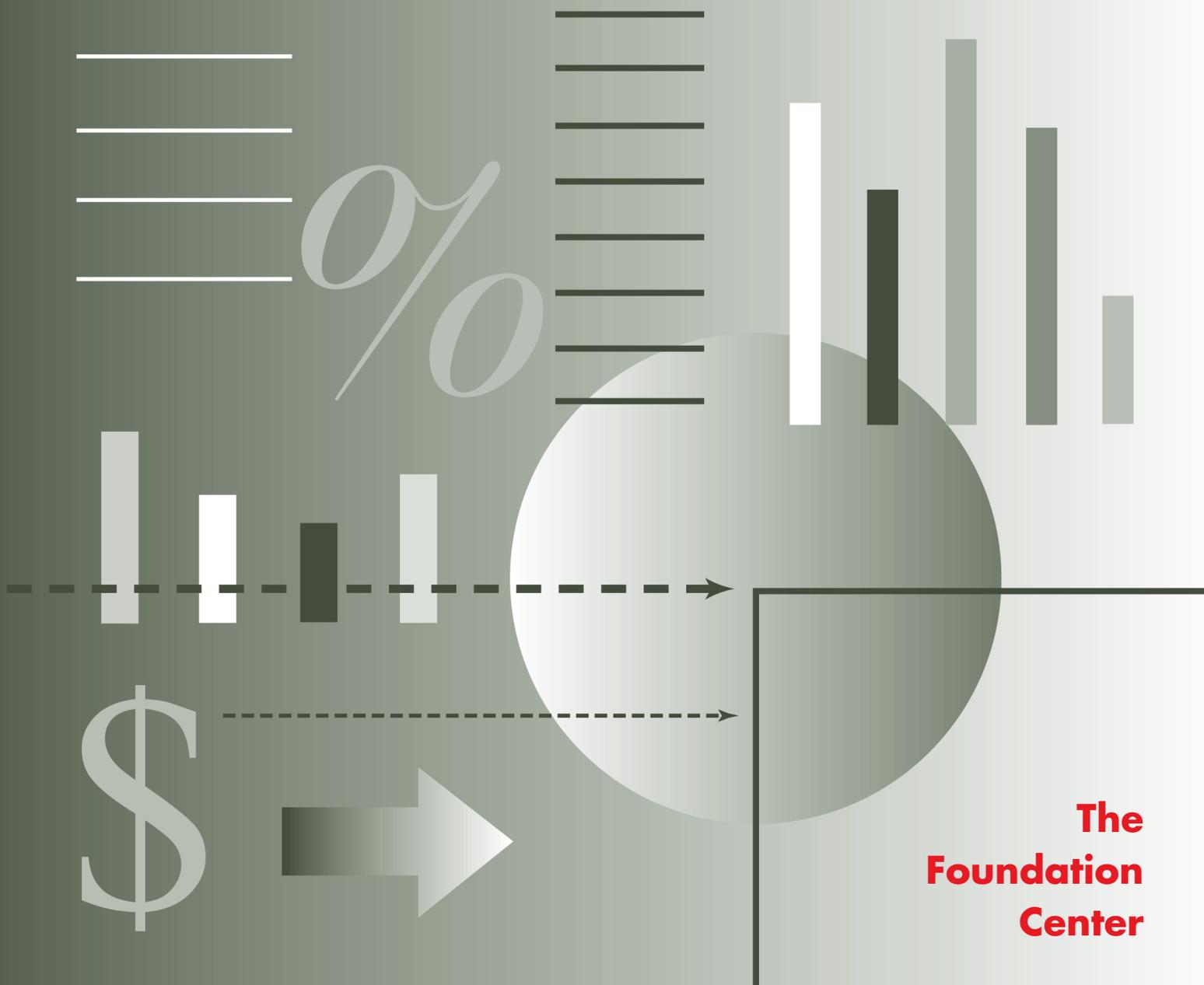


FOUNDATION GROWTH AND GIVING ESTIMATES

2003 Preview



**The
Foundation
Center**

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ABOUT FOUNDATION GROWTH AND GIVING ESTIMATES

Foundation Growth and Giving Estimates is part of the annual *Foundations Today Series* of reports on foundation growth and trends in foundation giving. It provides a “first look” at 2003 giving and directions for 2004 giving, together with aggregated actual 2002 giving and asset figures for the nearly 65,000 grantmaking U.S. foundations. Other reports in the series include *Foundation Giving Trends* (February) and *Foundation Yearbook* (June). Reports are available separately or through subscription to the complete series (\$95) and may be purchased at the Foundation Center’s online Marketplace (www.fdncenter.org/marketplace/). To order by phone, call toll-free (800) 424-9836.

ABOUT THE FOUNDATION CENTER

*The Foundation Center’s mission is to strengthen the nonprofit sector
by advancing knowledge about U.S. philanthropy.*

To achieve our mission, we:

- Collect, organize, and communicate information on U.S. philanthropy
- Conduct and facilitate research on trends in the field
- Provide education and training on the grantseeking process
- Ensure public access to information and services through our Web site, print and electronic publications, five library/learning centers, and a national network of Cooperating Collections.

Founded in 1956, the Center is the nation’s leading authority on philanthropy and is dedicated to serving grantseekers, grantmakers, researchers, policymakers, the media, and the general public.

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Overview of Foundation Giving Through 2003

Following a More Than 10 Percent Loss in Assets Over Two Years, Foundation Giving Declined in 2003

Estimated 2003 Foundation Giving. The nearly 65,000 U.S. grantmaking foundations decreased their giving overall by 2.5 percent in 2003, from \$30.4 billion in 2002 to an estimated \$29.7 billion. This followed a slight—0.2 percent—decline in giving in the prior year. (The median change in 2003 giving reported by the 902 large and mid-size foundations responding to the Foundation Center’s latest “Foundation Giving Forecast Survey” was a 3.2 percent decrease.)

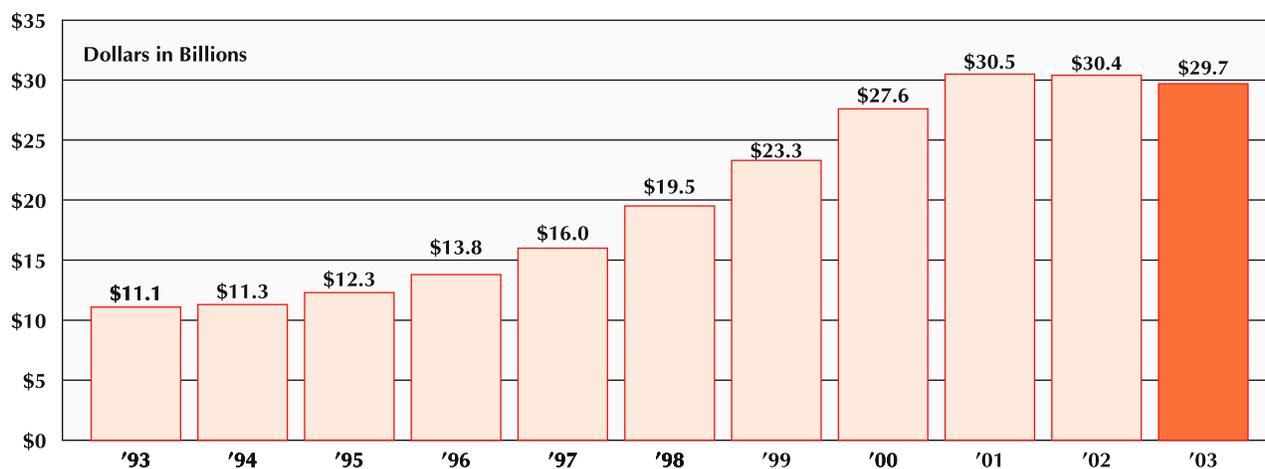
The percentage decline in overall foundation giving in 2003 was far less than might be expected, given the more than 10 percent loss in foundation assets between 2000 and 2002, the persistence of the stock market slump into early 2003, and the completion in 2002 of exceptional giving in response to the 9/11 attacks. Newly established foundations, a continuing high (albeit decreased) level of new gifts into

foundations, and improved portfolio performance for some funders helped to mitigate the overall decline in giving. Of perhaps equal or greater importance, however, was the continued commitment by many foundations to maintain stable levels of giving—or at least to limit reductions—especially in light of cutbacks in government funding programs.

Grant dollars decreased by an estimated \$775.1 million in 2003, following a \$70.6 million dip in 2002. Nevertheless, the \$29.7 billion given by foundations in 2003 represented an increase of almost 8 percent over 2000 and double the giving in 1996. It also ranked third in the amount paid out by foundations in a single year.

Impact of Inflation on 2003 Foundation Giving. Modest levels of inflation helped make the decline in the real value of foundation giving less painful than it might have been. Inflation-adjusted giving by foundations decreased 4.7 percent in 2003, compared to 1.8 percent in 2002. Still, this represented only the second loss in the real value of foundation giving since 1994.

Foundation giving declined by an estimated \$775 million, or 2.5 percent, in 2003*



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.
 *Figures estimated for 2003. All figures based on unadjusted dollars.

Foundation Assets Through 2002. A third consecutive year of stock market losses, a lower level of new gifts into foundations, and a commitment by many foundations to maintain higher levels of giving together cut into overall foundation assets in 2002. Assets totaled \$435.2 billion, down 6.9 percent from 2001. Since 2000, foundation assets have dropped 10.5 percent. The change in foundation assets usually is an important indicator of the change in the following year's giving, and this was true for 2003. Still, the estimated 2.5 percent drop in 2003 foundation giving overall was less steep than the decline in the prior year's assets. (For estimates of changes in foundation assets in 2003, see "Outlook for Foundation Giving in 2004.")

Top 50 Foundations by Assets in 2002. Ten of the top 50 foundations by assets realized gains in 2002. (Although small, this figure was up from six foundations in 2001.) Three of these—the Robert R. McCormick Tribune, Donald W. Reynolds, and Marin Community foundations—posted double-digit asset increases. By comparison, 30 of the top 50 foundations

experienced double-digit losses in their assets, and six reported losses of at least \$1 billion: the Lilly Endowment and the Ford, Starr, David and Lucile Packard, William and Flora Hewlett, and Robert Wood Johnson foundations. Losses were generally more pronounced among the largest endowed foundations, possibly because their assets are more likely to be concentrated in the equities markets, which continued to be hit hard in 2002.

Gifts Received by Foundations in 2002. A decreased level of gifts and bequests from donors to their foundations largely reflected diminished levels of personal wealth. Overall, new gifts into foundations dropped nearly 23 percent in 2002—from \$28.7 billion to \$22.2 billion—reaching the lowest level recorded since 1997. Nonetheless, new gifts into foundations in the latest year totaled almost four times the annual amounts tracked in the early 1990s. These gifts, which overwhelmingly benefited existing foundations, fueled increased giving by these foundations and helped to offset reductions in 2003 giving by other foundations.

Outlook for Foundation Giving in 2004

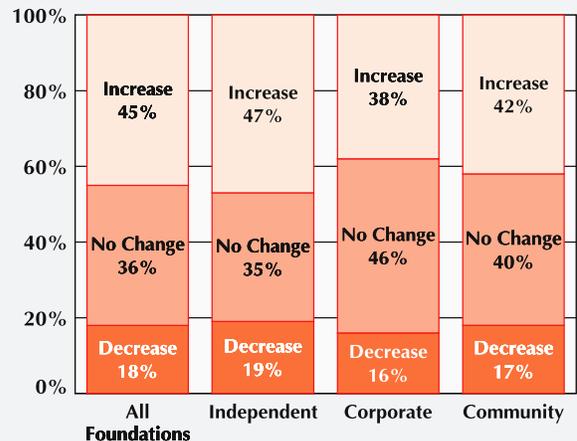
Giving Will Begin to Recover in 2004, Although Gains Will Be Modest

The end of a three-year downturn in the stock market and stronger than expected economic growth helped to boost foundation assets in 2003, which will encourage increased giving in 2004. However, many foundations—especially the largest ones—have yet to fully recover from the drop in their assets during 2001 and 2002. As a result, an estimated 9 to 11 percent rise in 2003 foundation assets¹ will likely translate into modest overall growth in giving in 2004.

The Foundation Center's latest "Foundation Giving Forecast Survey" asked respondents to assess the outlook for their giving in 2004. (For details on the survey, see "Methodology.") Specifically, respondents were asked to indicate whether they expect their giving to increase, remain about the same, or decrease. Reflecting the improved economic climate, close to half of foundations (45.4 percent) indicated that their giving would increase in 2004, while more than one-third (36.4 percent) expected no change in their level of giving. Among those anticipating higher levels of giving, most (61 percent) predicted increases in the range of 1 to 10 percent. Only 18 percent of respondents expected their giving to decline in 2004, and the majority (54.8 percent) expect the decrease to be in the range of 1 to 10 percent.

Independent foundation respondents were more likely to expect to increase their giving in 2004 than were community and corporate foundations. In fact, close to half (46.2 percent) of corporate foundations responding to the survey anticipate no change in their giving. By size of giving, mid-size foundations (those giving \$1 million to \$10 million) were

Anticipated Changes in 2004 Giving by Foundation Type*



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004. A total of 884 foundations responded to this question.

*Due to rounding, percentages may not total 100.

Independent Foundations

Independent Foundations Showed Biggest Decrease in 2003 Giving

Estimated 2003 Independent Foundation Giving. Independent foundations, including family foundations and most of the “new health foundations” (formed from health care conversions), comprise the vast majority of foundations and account for most of the giving. In 2003, their total giving declined by an estimated 3.3 percent, the largest decrease by foundation type. (The median change in 2003 giving reported by the 697 large and mid-size independent foundations responding to the Foundation Center’s latest “Foundation Giving Forecast Survey” was a 3.6 percent decrease.) Yet this reduction appears modest when compared with the 7.6 percent drop in independent foundation assets in 2002. Consistent with patterns of asset losses, the biggest independent foundations were more likely to report greater declines in giving than were mid-size or smaller ones.

Independent foundations gave an estimated \$22.5 billion in grants in 2003, down \$757.5 million from 2002. This decline followed a \$451.6 million decrease in giving in 2002. Despite this second consecutive year of reduced giving, independent foundations continued to account for more than three-quarters of foundation giving overall.

Independent Foundation Assets Through 2002. Assets of independent foundations fell 7.6 percent in 2002, from \$394.1 billion to \$364.1 billion. This was the second consecutive decline reported for independent foundations, whose assets have decreased nearly 11 percent since 2000. Nevertheless, their assets are still almost double what they were in 1995.

Ratio of 2003 Independent Foundation Giving to 2002 Assets. Each year independent foundations must pay out at least 5 percent of the value of their assets in the preceding year. (They may carry forward payout in excess of 5 percent over several years.) In 2003, estimated giving represented 6.2 percent of independent foundation assets at the close of 2002—the highest

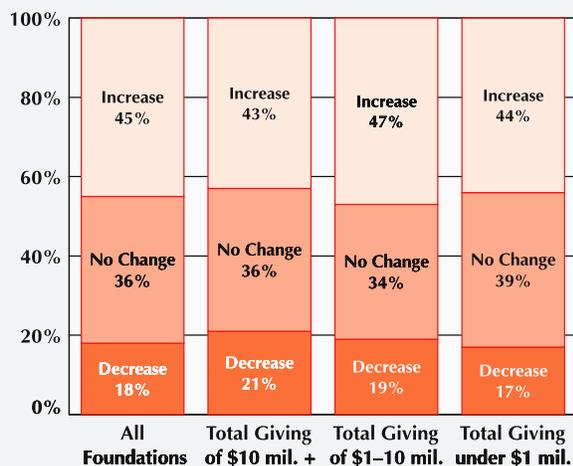
slightly more likely to predict increased giving in 2004, while the largest funders (those giving \$10 million or more) were slightly more likely to anticipate a reduction in their giving.

It is too early to estimate actual 2004 giving by the nation’s foundations. War, terrorist attacks, election-year politics, a hike in oil prices, or other unanticipated events could derail an economic recovery. Consequently, foundations can be expected to

proceed cautiously in increasing their grants budgets. As one large southwestern funder noted in the 2004 survey, “We expect our grantmaking to be very similar in 2004 to our 2003 activity, as available funds will only be up about 5 percent.”

After three years of maintaining giving levels and fulfilling large grant commitments in the face of reduced resources, foundations will need to see their assets recover before they will make notable increases in their giving. The lag between changes in foundation assets and giving—with giving rising more slowly than assets in good times but decreasing more slowly than assets in bad—provided some cushion for the nonprofit sector during the recent downturn.² Now that assets are again growing, we can expect to see a lag in solid giving increases.

Anticipated Changes in 2004 Giving by Level of Giving*



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004. A total of 884 foundations responded to this question.

*Due to rounding, percentages may not total 100.

Endnotes

1. A total of 872 respondents to the Foundation Center’s 2004 “Foundation Giving Forecast Survey” provided estimates of their 2003 fiscal year-end asset values.
2. This “lag” results in part from the practice, primarily among the largest endowed foundations, of basing grant appropriations budgets on the value of their assets averaged over two or more years. The Foundation Center’s 2003 “Foundation Giving Forecast Survey” found that, among respondents that base their grant appropriations budgets on the value of their assets, over one-third averaged the value over two or more years. Among the largest respondents (those reporting giving of \$10 million or more in 2002), more than two-fifths averaged asset values over two or more years.

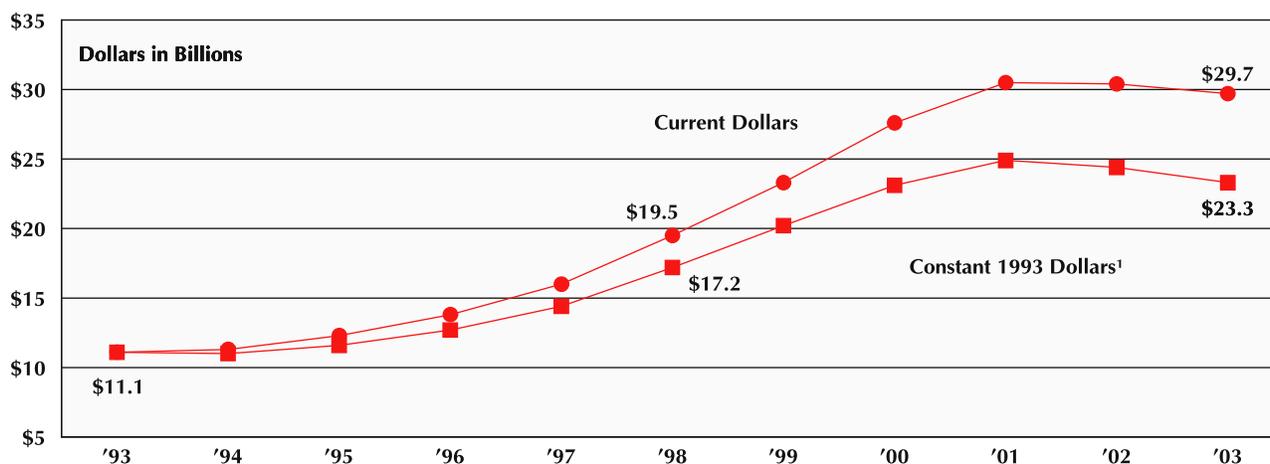
ratio recorded since the Foundation Center began separate tracking of independent foundations in 1987. This ratio was up from 5.9 percent in the prior year. A higher payout rate in 2003 partially reflects the efforts of many independent foundations to keep up giving levels despite two years of declining asset values.

Large Independent Foundations with Increased Assets in 2002. The stock market continued its decline through 2002, marking three consecutive years of overall losses. During this period, only a handful of the largest independent foundations realized growth in the value of their assets, and these increases were modest compared to recent years. The Bill & Melinda Gates Foundation—the nation’s largest funder—reported the biggest gain in asset value

between 2001 and 2002 (\$782.6 million). This increase resulted from growth in the value of the foundation’s diversified holdings. Only four of the other top 50 independent foundations reported asset increases of at least \$100 million, including the Robert R. McCormick Tribune, W.K. Kellogg, Donald W. Reynolds, and Annie E. Casey foundations.

Large Independent Foundations with Decreased Assets in 2002. Losses in asset values continued to be far more common than gains in 2002, especially among the largest independent foundations. The Lilly Endowment showed the biggest dollar decline (although not the largest percentage loss) in 2002, when its assets dropped by close to \$2.8 billion. This decrease reflected a decline in the value of Eli Lilly and

After inflation, grant dollars have more than doubled since 1993*

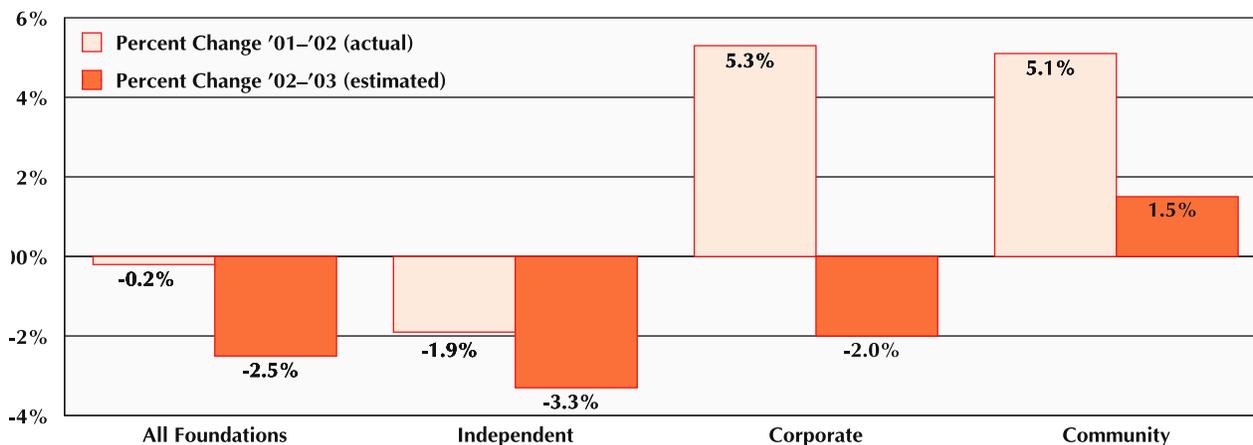


Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

*Figures estimated for 2003.

¹Percent change in constant 1993 dollars based on annual average Consumer Price Index, all urban consumers (Source: U.S. Department of Labor, Bureau of Labor Statistics, as of February 2004).

Only community foundations showed an increase in 2003 giving*



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

*All figures based on unadjusted dollars.

Company stock, the foundation's principal holding. Other independent foundations invested primarily in a single stock that lost more than \$1 billion in assets in 2002 included the Starr, David and Lucile Packard, and Robert Wood Johnson foundations. Other grantmakers to lose more than \$1 billion in assets in 2002 were the Ford and William and Flora Hewlett foundations, which maintain diversified portfolios.

Corporate Foundations

Corporate Foundation Giving Declined 2 Percent in 2003

Estimated 2003 Corporate Foundation Giving. Estimated giving by the nation's corporate foundations decreased 2 percent in 2003. This was the first decline in giving recorded since the Foundation Center began tracking data on all corporate foundations in 1987. It followed a 5.3 percent rise in giving in 2002. (The median change in 2003 giving reported by the 95 large and mid-size corporate foundations responding to the Foundation Center's latest "Foundation Giving Forecast Survey" was a decrease of 0.7 percent.) Part of this reduction in 2003 support reflected the completion in 2002 of exceptional giving in response to the 9/11 attacks. A continued high level of new gifts into corporate foundations helped to counterbalance reductions in giving.

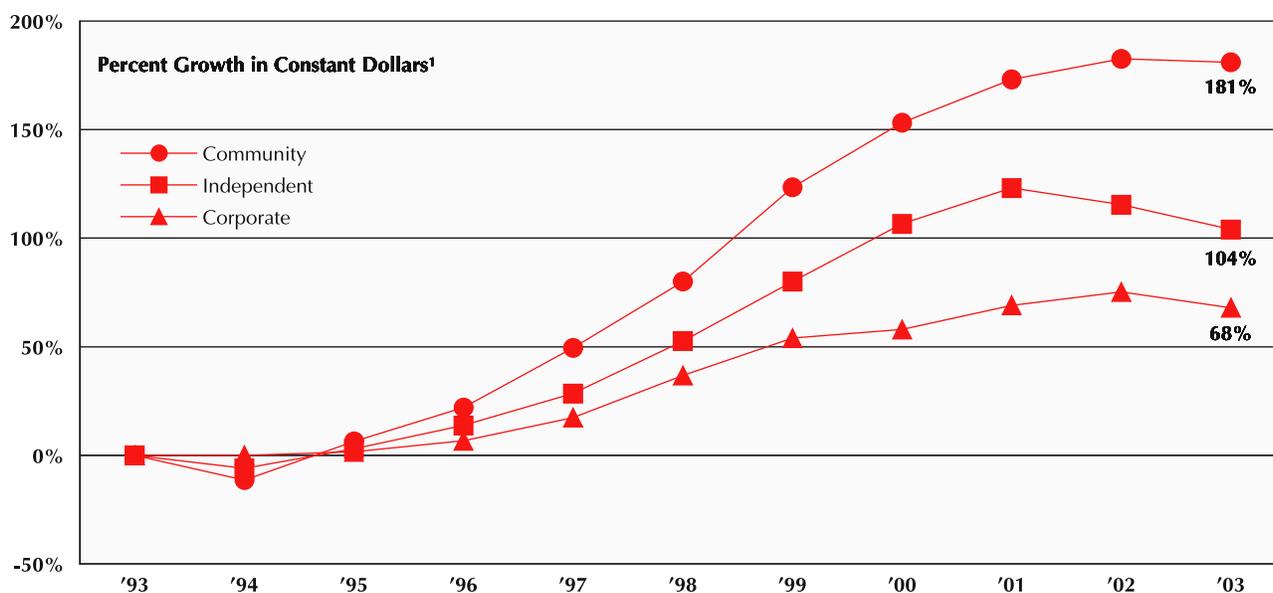
Change in Foundation Statistics, 2001 to 2002*

	2001	2002	% Change
All Foundations			
No. of Foundations	61,810	64,843	4.9
Total Giving	\$ 30,502	\$ 30,432	-0.2
Total Assets	\$467,336	\$435,190	-6.9
Gifts Received	\$ 28,714	\$ 22,163	-22.8
Independent			
No. of Foundations	55,120	57,834	4.9
Total Giving	\$ 23,705	\$ 23,254	-1.9
Total Assets	\$394,074	\$364,143	-7.6
Gifts Received	\$ 20,539	\$ 13,952	-32.1
Corporate			
No. of Foundations	2,170	2,362	8.8
Total Giving	\$ 3,284	\$ 3,457	5.3
Total Assets	\$ 15,578	\$ 14,428	-7.4
Gifts Received	\$ 3,040	\$ 3,002	-1.3
Community			
No. of Foundations	602	661	9.8
Total Giving	\$ 2,403	\$ 2,526	5.1
Total Assets	\$ 30,301	\$ 29,772	-1.7
Gifts Received	\$ 3,185	\$ 3,175	-0.3
Operating			
No. of Foundations	3,918	3,986	1.7
Total Giving	\$ 1,110	\$ 1,177	6.0
Total Assets	\$ 27,384	\$ 26,847	-2.0
Gifts Received	\$ 1,950	\$ 2,035	4.4

Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

*Dollars in millions. Percent change represents current dollars.

After inflation, community foundations reported strongest cumulative growth in giving since 1993*



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

*Figures estimated for 2003.

¹Percent change in constant 1993 dollars based on annual average Consumer Price Index, all urban consumers (Source: U.S. Department of Labor, Bureau of Labor Statistics, as of February 2004).

Corporate foundations gave an estimated \$3.4 billion in 2003, down \$68.3 million from 2002. Nonetheless, corporate foundation giving in 2003 surpassed that reported in 2001 and was nearly double the giving reported in 1995.

Corporate Foundation Giving as a Share of Corporate Giving Overall in 2002. According to the AAFRC Trust for Philanthropy, overall corporate contributions totaled an estimated \$12.2 billion in 2002. Corporate foundation giving of \$3.4 billion accounted for roughly 28 percent of all corporate contributions, down slightly from nearly 30 percent in 2001. (Based on cash gifts only, corporate foundations would account for a larger share.) This finding suggests that, with corporate income beginning to rebound, corporations did not draw quite as heavily on their foundations to stabilize giving.

Corporate Foundation Assets Through 2002. Assets of corporate foundations declined 7.4 percent in 2002, from \$15.6 billion to \$14.4 billion. After inflation, corporate foundation assets decreased 8.8 percent. This

loss followed a 2 percent decrease in assets in 2001. Nonetheless, corporate foundation assets in 2002 were roughly double the total in 1994.

Ratio of 2003 Corporate Foundation Giving to 2002 Assets. Like independent foundations, corporate foundations must pay out each year at least 5 percent of the value of their assets in the preceding year. However, because corporate foundations generally make grants based on annual contributions from their companies and retain relatively few assets, their ratio of giving to assets tends to be much higher. Estimated giving in 2003 represented 23.5 percent of corporate foundation assets at the close of 2002, up from 22.2 percent in the previous year.

Corporate Foundation Pay-in vs. Payout in 2002. Company gifts into their foundations (pay-in) decreased a modest 1.3 percent in 2002, while the actual amount of gifts remained nearly unchanged at \$3 billion. However, giving (payout) surpassed pay-in by about \$455 million or over 15 percent. This contributed to a more than \$1.1 billion drop in the value of corporate

Giving decreased by 3 percent among top 25 foundations by giving in 2002; the median change in giving was +1 percent*

Foundation	Total Giving '01 ¹	Total Giving '02 ¹	% Change	Rank '01
1. Bill & Melinda Gates Foundation	\$1,146,958	\$1,158,292	1.0	1
2. Lilly Endowment	598,002	557,098	-6.8	3
3. Ford Foundation	829,190	509,700	-38.5	2
4. Robert Wood Johnson Foundation	270,985	360,347	33.0	6
5. David and Lucile Packard Foundation	428,897	350,048	-18.4	4
6. Bristol-Myers Squibb Patient Assistance Foundation	176,438	297,135	68.4	12
7. Pew Charitable Trusts	192,292	238,535	24.0	10
8. Andrew W. Mellon Foundation	182,322	222,662	22.1	11
9. Starr Foundation	245,469	209,301	-14.7	7
10. John D. and Catherine T. MacArthur Foundation	167,945	195,573	16.5	13
11. Annenberg Foundation	355,021	192,071	-45.9	5
12. W. K. Kellogg Foundation	200,746	176,303	-12.2	8
13. William and Flora Hewlett Foundation	119,956	168,214	40.2	21
14. Annie E. Casey Foundation	153,208	159,310	4.0	14
15. Janssen Ortho Patient Assistance Foundation	96,086	155,304	61.6	30
16. California Endowment	147,898	153,441	3.7	15
17. Rockefeller Foundation	126,565	149,160	17.9	19
18. Open Society Institute	131,931	130,683	-0.9	17
19. New York Community Trust	126,622	126,485	-0.1	18
20. Robert W. Woodruff Foundation	142,362	122,731	-13.8	16
21. Duke Endowment	105,193	120,522	14.6	25
22. Charles Stewart Mott Foundation	110,829	108,659	-2.0	24
23. Wal-Mart Foundation	82,416	103,000	25.0	29
24. Harry and Jeanette Weinberg Foundation	102,535	100,951	-1.5	27
25. Kresge Foundation	123,592	98,974	-19.9	20
Total¹	\$6,393,457	\$6,164,501	-3.1	

Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

*Dollars in thousands. Aggregate foundation fiscal information in tables and figures is based on data provided to the Center as of January 2004. Fiscal data on individual foundations included in this table may be more current.

¹Total giving includes grants, scholarships, and employee matching gifts; excludes set-asides, loans, PRIs and program expenses. For some operating foundations, program expenses are included.

foundation assets. Nonetheless, the \$3 billion in gifts into corporate foundations in 2002 represented the third highest level of new gifts on record and helped to mitigate the drop in corporate foundation assets.

Six companies made gifts of \$50 million or more into their foundations in 2002, down from eight in 2001. The leaders in 2002 were Freddie Mac (\$229.9 million), Wal-Mart (approximately \$100 million), Bank of America (\$72.3 million), and WellPoint Health Networks (\$60.6 million), which established its foundation in 2001.

Top Corporate Foundations by Giving in 2002. Based on complete reporting of *actual* giving by all corporate foundations, the Wal-Mart Foundation became the largest corporate foundation donor in 2002, surpassing the Ford Motor Company Fund. The foundation paid grants totaling \$103 million, up from \$82.4 million in 2001. Top-ranked corporate foundations that raised grant payments by at least one-third in 2002 included the Wachovia, State Farm Companies, DaimlerChrysler Corporation, U.S. Bancorp, MetLife, General Motors, and Coca-Cola foundations.

Community Foundations

Unlike Independent and Corporate Foundations, Community Foundation Giving Continued to Increase in 2003

Estimated 2003 Community Foundation Giving. Community foundations increased their giving by an estimated 1.5 percent in 2003, following a 5.1 percent rise in 2002. Adjusted for inflation, community foundation giving was down only slightly (0.7 percent) from the prior year. The change in community foundation support represented the slowest growth in giving reported since 1994. (The median change in 2003 giving reported by the 110 large and mid-size community foundations responding to the Foundation Center's latest "Foundation Giving Forecast Survey" was an increase of 2 percent.) Nonetheless, community foundation giving in 2003 was more than three times the level of giving in 1995. By comparison, independent foundation giving in the latest year was well over two times higher than in 1995, while corporate foundation giving was nearly twice as high.

Assets declined by 10 percent among top 25 foundations by assets in 2002; the median decrease in assets was -11.4 percent*

Foundation	Assets '01	Assets '02	% Change	Rank '01
1. Bill & Melinda Gates Foundation	\$23,298,745	\$24,081,369	3.4	1
2. Lilly Endowment	12,814,398	10,054,032	-21.5	2
3. Ford Foundation	10,814,696	9,345,030	-13.6	3
4. J. Paul Getty Trust	8,793,486	8,623,796	-1.9	5
5. Robert Wood Johnson Foundation	9,044,511	8,012,367	-11.4	4
6. W. K. Kellogg Foundation	5,530,494	5,729,303	3.6	8
7. William and Flora Hewlett Foundation	6,080,721	5,010,197	-17.6	7
8. David and Lucile Packard Foundation	6,196,521	4,793,893	-22.6	6
9. John D. and Catherine T. MacArthur Foundation	4,215,931	3,836,622	-9.0	11
10. Pew Charitable Trusts	4,338,581	3,753,638	-13.5	10
11. Andrew W. Mellon Foundation	4,135,567	3,600,620	-12.9	12
12. Starr Foundation	4,781,057	3,322,103	-30.5	9
13. California Endowment	3,366,256	2,762,621	-17.9	13
14. Annie E. Casey Foundation	2,592,378	2,709,413	4.5	15
15. Rockefeller Foundation	3,211,126	2,679,064	-16.6	14
16. Annenberg Foundation	2,354,837	2,331,680	-1.0	20
17. Robert W. Woodruff Foundation	2,422,623	2,210,194	-8.8	18
18. Kresge Foundation	2,415,972	2,164,478	-10.4	19
19. Duke Endowment	2,489,159	2,084,822	-16.2	16
20. Charles Stewart Mott Foundation	2,460,170	2,011,396	-18.2	17
21. Robert R. McCormick Tribune Foundation	1,599,797	1,855,000	16.0	30
22. Harry and Jeanette Weinberg Foundation	1,936,264	1,792,786	-7.4	22
23. Casey Family Programs	2,349,849	1,771,383	-24.6	21
24. John S. and James L. Knight Foundation	1,900,830	1,718,236	-9.6	23
25. Carnegie Corporation of New York	1,711,511	1,627,734	-4.9	26
Total	\$130,855,477	\$117,881,776	-9.9	

Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

*Dollars in thousands. Aggregate foundation fiscal information in tables and figures is based on data provided to the Center as of January 2004. Fiscal data on individual foundations included in this table may be more current.

Community foundation giving reached an estimated \$2.57 billion in 2003, up from \$2.53 billion in 2002. Among top community foundations ranked by actual giving in 2002, those reporting at least a \$10 million increase in grant dollars included the Community Foundation for the National Capital Region, Greater Kansas City Community Foundation, and Dayton Foundation.

Community Foundation Assets Through 2002. Increased giving combined with a nearly unchanged level of new gifts into community foundations resulted in a modest decrease in their assets. Overall, community foundation assets dipped 1.7 percent in 2002, following a marginal 0.5 percent decrease in 2001. Prior to 2001, community foundations had experienced six straight years of double-digit growth in assets. In 2002, assets totaled \$29.8 billion, down by

about \$529 million from 2001. Yet this was still close to double the 1996 total (\$15.9 billion).

Gifts Received by Community Foundations in 2002. Despite the difficult economic climate, gifts into community foundations in 2002 remained basically steady at 2001 levels, which represented a decline of almost 17 percent from 2000 levels. Gifts totaled \$3.18 billion, down by only about \$10 million (-0.3 percent) from the prior year. Interestingly, 68 community foundations reported aggregate gifts totaling \$10 million or more in 2002, up from 56 in 2001. Community foundations receiving at least \$100 million in new gifts in 2002 included the Tulsa Community Foundation, Community Foundation of Middle Tennessee, and Greater Kansas City Community Foundation.

Grantmaking Strategies

Vast Majority of Foundations Reported No Change in 2003

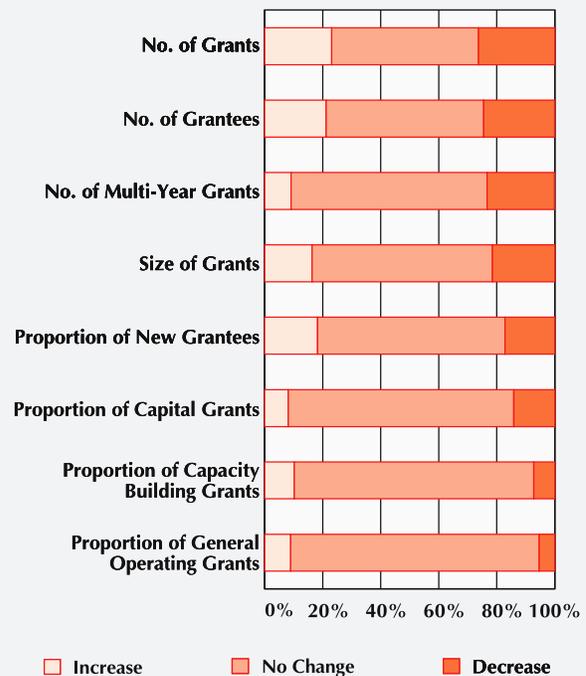
Foundations employed a variety of strategies during the recent economic downturn to maintain support for the purposes central to their missions and programs. For example, in 2002 a substantial proportion of funders reduced the number and size of grants they awarded, cut back on the number of grantees, and emphasized operating support over funding for capital projects.

According to the Foundation Center's latest "Foundation Giving Forecast Survey," much of the belt tightening in response to the economic downturn took place in 2002. By 2003, over half of respondents anticipated no reductions in the number and size of grants awarded, number of grantees supported, or share of capital grants, among other strategies. About one-fifth even expected to increase the number of grants and grantees. Looking ahead, one midwestern foundation that anticipated increased giving in 2004 noted, "We will be returning to our traditional grantmaking practices, including some capital grants and [being] open to new programs and start ups."

At the same time, substantial numbers of respondents still reported implementing cost-cutting measures. For example, roughly one-quarter of respondents reported that they had decreased the number of grants, number of grantees, number of multi-year grants, and size of grants in 2003. Slightly smaller shares stated that they had reduced the proportions of new grantees and capital grants.

These measures will continue into 2004 for some funders. One southern foundation manager who was expecting to reduce giving this year noted, "We will continue to limit multi-year grants, capital projects, and the number of new grantees."

2003 Changes in Foundation Grantmaking Strategies



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004. A total of 878 foundations responded to this question.

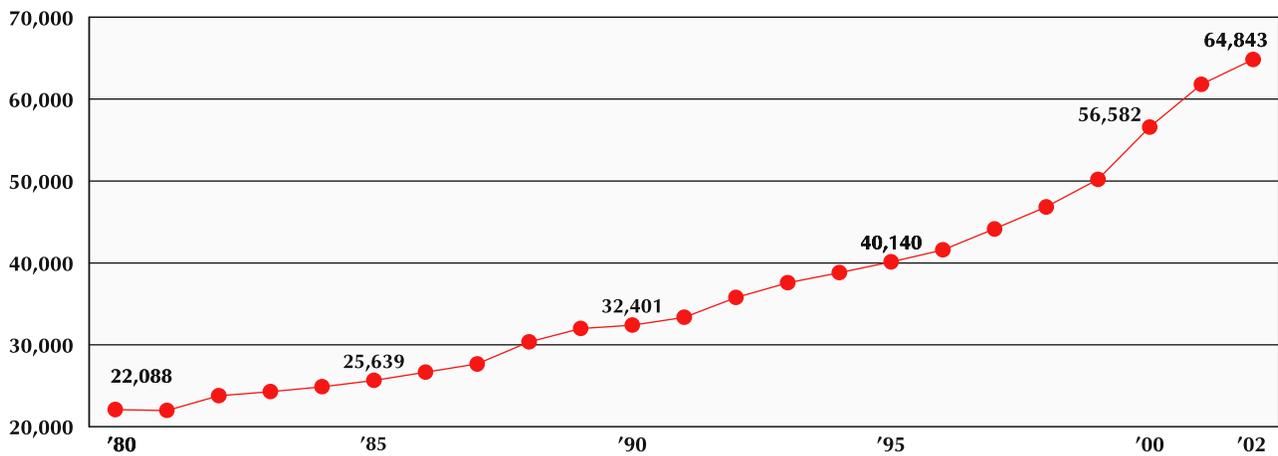
Foundation Development

Despite the Economic Downturn, the Number of Grantmaking Foundations Grew Nearly 5 Percent in 2002

Number of U.S. Foundations. New and recently established foundations continued to represent an important force in philanthropy. From 1990 to 2002, the number of active grantmaking foundations doubled, from approximately 32,400 to over 64,800. (Larger foundations that became active in 2002 were included in the latest “Foundation Giving Forecast Survey.”)

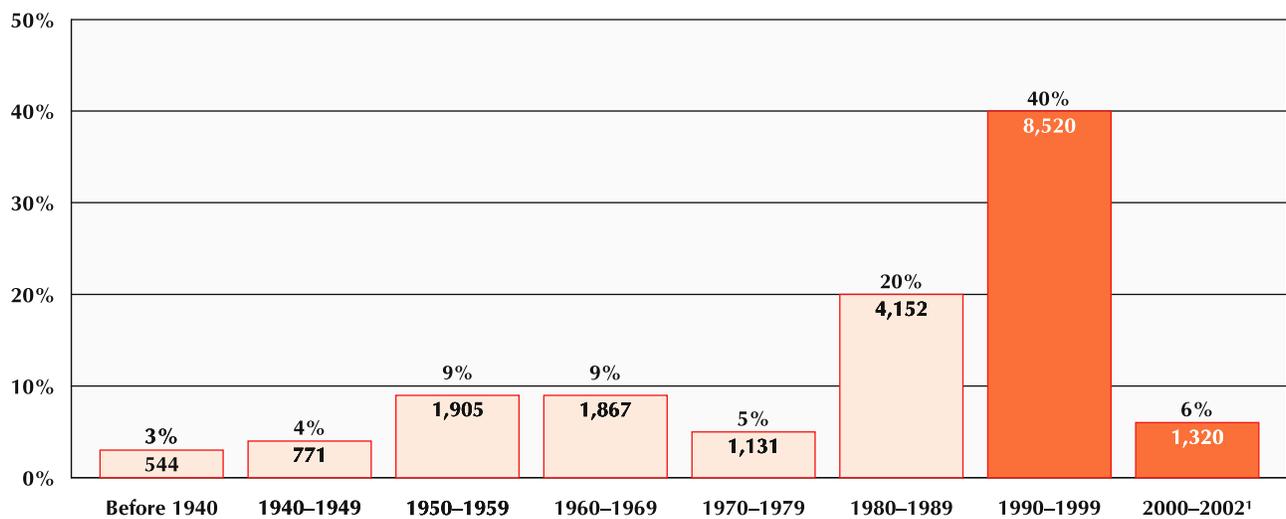
Number of Newly Active Foundations. Following record increases in 2000 and 2001, the number of foundations making grants grew by a more modest 3,033, or 4.9 percent, in 2002. Nonetheless, this represented the fourth largest annual increase in actual number of foundations reported since the Foundation Center began tracking all U.S. foundations in 1975. Moreover, this one-year gain surpassed the growth in number of foundations recorded in 1995 and 1996 combined. The vast majority of these new foundations were formed at the tail end of the economic boom—from 2000 to 2001—and started grantmaking in 2002.

Number of active private and community foundations increased by over 3,000 in 2002



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

Close to half of larger foundations were established after 1989



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

Note: Based on Foundation Center survey of 21,305 grantmaking foundations with assets of at least \$1 million or making grants of \$100,000 or more in 2001–2002. Establishment data was not available for 1,095 foundations. The number inside each bar indicates the number of foundations formed in that period and still active in 2001–2002.

¹Data incomplete for period 2000–2002.

Number of Larger Foundations by Decade. Among the more than 21,000 foundations that held assets of at least \$1 million or gave \$100,000 or more in 2002, two-fifths (40 percent) were formed in the 1990s, far exceeding any prior decade. New formation has begun to slow in the sluggish economic climate of the early 2000s. Yet, an additional 6 percent of larger foundations have been formed since 1999, and these 1,320 recently established foundations already surpass the number of active larger foundations formed throughout the *decade* of the 1970s (1,131).

Methodology

The original research upon which this preview report is based was conducted by the Foundation Center. Giving estimates for 2003 are based on figures reported by large and mid-size independent, corporate, and community foundations that responded to the Foundation Center's latest "Foundation Giving Forecast Survey," combined with year-end fiscal indicators. Actual 2002 giving and asset figures were taken from the Foundation Center's annual surveys of

Outlook for Foundation Perpetuity

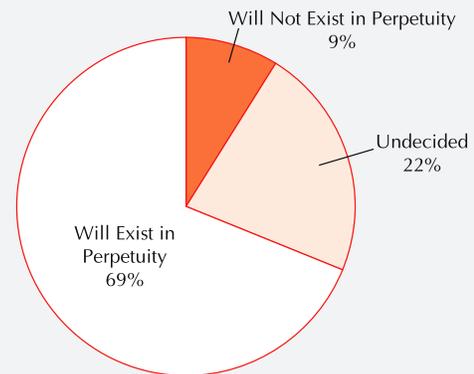
Majority of Foundations Expect to Exist in Perpetuity, Regardless of Type, Size, or Period of Establishment

The concept of "giving while living" has captured a great deal of attention among both funders and foundation watchers. In recent years, several prominent donors have stated their intention to spend out their foundations either during their lifetimes or within a set period of time following their deaths. There has also been speculation that many of the individuals and families who established foundations in the 1990s were a new breed of donor. These donors—who appear to be establishing foundations earlier in their lives than was seen in prior generations—expect to be much more involved in their giving and far less likely to want to maintain their foundations in perpetuity.

In order to learn about grantmakers' perspectives on perpetuity, the Foundation Center's 2004 "Foundation Giving Forecast Survey" asked respondents to indicate whether they expected their foundations to exist in perpetuity. (For details on the survey, see "Methodology.") Among the 879 respondents to this question, a large majority (69.3 percent) expected their foundations to carry on grantmaking activities in perpetuity, while 9 percent did not. A substantial 22 percent of respondents reported being undecided on this issue.

Community foundations were most likely to expect to exist in perpetuity (77.8 percent), which is

Foundations' Perspectives on Perpetuity



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004. A total of 879 foundations responded to this question.

not surprising given the ongoing nature of community needs. A similar share of corporate foundations (75 percent) expected to exist in perpetuity. Among the 6.5 percent of corporate foundations that anticipated spending out, impending corporate mergers or shifts in the giving vehicles used by parent companies provide possible rationales for their demise. The majority of independent foundations (67.2 percent) expected to exist in perpetuity, but the shares of respondents that were undecided (23.5 percent) or expecting to spend out at some time in the future (9.3 percent) were higher than among community and corporate foundations.

larger private and community foundations, foundation Web sites, annual reports and other publications, and the IRS Form 990-PF information return. A more extensive analysis of the 2002 data will be presented in *Foundation Yearbook*, to be published in June.

2004 Foundation Giving Forecast Survey

In early January 2004, the Foundation Center mailed its annual “Foundation Giving Forecast Survey” to approximately 2,800 large and mid-size U.S. independent, corporate, and community foundations. The survey included questions on foundations’ giving and assets in 2003, directions for giving in 2004, recent changes in funding strategies, and—for the first time this year—perspectives on foundation perpetuity and spending down of their assets.

A total of 902 foundations (32.1 percent of surveyed foundations) provided estimates of their 2003 giving. The largest shares of these respondents were based in the Midwest (27.4 percent) and Northeast (27.2 percent), followed by the South (24.4 percent) and West (21.1 percent).

The 902 survey respondents accounted for 32.4 percent of total estimated giving by independent, corporate, and community foundations in 2003. By foundation type, the share of estimated 2003 giving was higher for the 110 community foundation respondents in the set (42.3 percent), roughly equal for the 697 independent foundation respondents (33 percent), and lower for the 95 corporate foundation respondents (21 percent). The assessment of prospects for 2004 foundation giving was based on information reported in the survey by 884 foundations, including 682 independent, 93 corporate, and 109 community foundations.

Interestingly, a breakdown of responses by foundation size showed that the largest foundations (those with giving of \$10 million or more) were both more likely to report an intention to exist in perpetuity (73.4 percent) and more likely to expect to spend out (11.4 percent) than were smaller foundations. This finding suggests that larger foundations—which include a higher proportion of older foundations with independent boards—are far more likely to have considered the issue of perpetuity in a formal manner. By comparison, smaller foundations—many of which are controlled by living donors and donor-families—are more likely to be undecided, suggesting that they have not yet resolved this issue.

An analysis of responses by establishment date reveals that the concept of “giving while living” has a relatively small but committed following among donors who established their foundations in the 1990s. While the overwhelming majority of foundations established in the last decade expected to exist in perpetuity (72.8 percent), these newer funders were also more likely to indicate that they would not exist in perpetuity (10.7 percent) than were foundations established between 1970 and 1989 (8 percent) and before 1970 (8.1 percent). Similar to the finding by foundation size, this suggests that more recently established foundations are more likely to have formally considered the question of perpetuity.

Impact of Perpetuity on Foundations’ Willingness to Spend Down

The main way that foundations can ensure stable levels of giving during periods of diminished investment returns is to draw on their assets. Foundations were asked to indicate whether they would be willing to spend down their assets. Just over 18 percent of the 874 respondents to this question indicated that they would be willing to do so. More than 70 percent of foundations that did not expect to exist in perpetuity noted that they were willing to spend down, compared to roughly 20 percent of foundations that were undecided about perpetuity and 10 percent of foundations that expected to exist in perpetuity. Among the factors that would influence these foundations’ willingness to spend down, donor/board strategy was cited by the majority (56.4 percent), followed by a desire to sustain giving levels despite poor investment returns (39.7 percent), a desire to have a greater impact on a field(s) of giving (26.3 percent), and a unique funding opportunity (19.2 percent).

Over the next several years, the Foundation Center will endeavor to examine in greater detail issues behind foundations’ attitudes on perpetuity and on spending down of their assets.

Top 50 Foundations by Total Giving, 2002*

Foundation	State	Foundation Type ¹	Total Giving ²	Assets	Fiscal Date
1. Bill & Melinda Gates Foundation	WA	IN	\$1,158,292,441	\$24,081,369,193	12/31/2002
2. Lilly Endowment	IN	IN	557,097,523	10,054,031,550	12/31/2002
3. Ford Foundation	NY	IN	509,700,353	9,345,030,447	9/30/2002
4. Robert Wood Johnson Foundation	NJ	IN	360,347,466	8,012,367,000	12/31/2002
5. David and Lucile Packard Foundation	CA	IN	350,048,020	4,793,893,254	12/31/2002
6. Bristol-Myers Squibb Patient Assistance Foundation ³	NJ	OP	297,134,526	2,666,398	12/31/2002
7. Pew Charitable Trusts ⁴	PA	IN	238,534,822	3,753,638,080	12/31/2002
8. Andrew W. Mellon Foundation	NY	IN	222,662,386	3,600,620,000	12/31/2002
9. Starr Foundation	NY	IN	209,301,410	3,322,102,520	12/31/2002
10. John D. and Catherine T. MacArthur Foundation	IL	IN	195,573,328	3,836,621,632	12/31/2002
11. Annenberg Foundation	PA	IN	192,070,571	2,331,679,772	6/30/2003
12. W. K. Kellogg Foundation	MI	IN	176,303,269	5,729,303,302	8/31/2003
13. William and Flora Hewlett Foundation	CA	IN	168,214,000	5,010,197,000	12/31/2002
14. Annie E. Casey Foundation	MD	IN	159,309,655	2,709,413,178	12/31/2002
15. Janssen Ortho Patient Assistance Foundation ³	NJ	OP	155,304,420	2,162,775	12/31/2002
16. California Endowment	CA	IN	153,440,691	2,762,621,100	2/28/2003
17. Rockefeller Foundation	NY	IN	149,159,867	2,679,064,000	12/31/2002
18. Open Society Institute ³	NY	OP	130,683,149	428,014,274	12/31/2002
19. New York Community Trust	NY	CM	126,484,987	1,550,847,559	12/31/2002
20. Robert W. Woodruff Foundation	GA	IN	122,731,185	2,210,193,890	12/31/2002
21. Duke Endowment	NC	IN	120,522,142	2,084,821,548	12/31/2002
22. Charles Stewart Mott Foundation	MI	IN	108,659,450	2,011,395,991	12/31/2002
23. Wal-Mart Foundation	AR	CS	103,000,000	9,000,000	1/31/2003
24. Harry and Jeanette Weinberg Foundation	MD	IN	100,951,353	1,936,263,883	2/28/2003
25. Kresge Foundation	MI	IN	98,974,162	2,164,478,054	12/31/2002
26. Robert R. McCormick Tribune Foundation	IL	IN	98,635,246	1,855,000,000	12/31/2002
27. Greater Kansas City Community Foundation and Affiliated Trusts	MO	CM	98,455,000	686,126,000	12/31/2002
28. Donald W. Reynolds Foundation	NV	IN	98,223,382	1,311,709,405	12/31/2002
29. Gordon and Betty Moore Foundation	CA	IN	89,543,980	93,322,923	12/31/2002
30. McKnight Foundation	MN	IN	87,000,000	1,549,715,000	12/31/2002
31. John S. and James L. Knight Foundation	FL	IN	85,617,981	1,718,236,238	12/31/2002
32. Ford Motor Company Fund	MI	CS	84,001,124	103,911,785	12/31/2002
33. Doris Duke Charitable Foundation	NY	IN	82,039,936	1,274,858,594	12/31/2002
34. Freeman Foundation	NY	IN	81,920,471	1,112,676,408	12/31/2002
35. Walton Family Foundation	AR	IN	80,453,213	791,918,529	12/31/2002
36. Carnegie Corporation of New York	NY	IN	76,301,020	1,627,733,524	9/30/2002
37. James Irvine Foundation	CA	IN	73,455,310	1,132,589,948	12/31/2002
38. Bank of America Foundation	NC	CS	72,663,964	2,022,151	12/31/2002
39. Whitaker Foundation	VA	IN	68,698,503	246,013,072	12/31/2002
40. Houston Endowment	TX	IN	68,413,852	1,183,628,090	12/31/2002
41. Community Foundation Silicon Valley	CA	CM	68,000,000	515,000,000	6/30/2003
42. Mississippi Common Fund Trust	MS	IN	66,529,143	11,094,252	6/30/2002
43. San Francisco Foundation	CA	CM	65,295,022	664,449,772	6/30/2003
44. William Penn Foundation	PA	IN	64,676,176	904,488,083	12/31/2002
45. Cleveland Foundation	OH	CM	63,144,990	1,312,166,868	12/31/2002
46. J. P. Morgan Chase Foundation	NY	CS	62,844,738	57,509,497	12/31/2002
47. SBC Foundation	TX	CS	62,658,855	243,554,481	12/31/2002
48. Peninsula Community Foundation	CA	CM	62,039,974	443,700,000	12/31/2002
49. Richard King Mellon Foundation	PA	IN	61,843,303	1,393,565,202	12/31/2002
50. Verizon Foundation	NY	CS	61,294,961	124,675,114	12/31/2002

Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

*Aggregate foundation fiscal information in tables and figures is based on data provided to the Center as of January 2004. Fiscal data on individual foundations included in this table may be more current.

¹IN = Independent; CS = Corporate; CM = Community; OP = Operating.

²Includes grants, scholarships, and employee matching gifts; excludes set-asides, loans, PRIs, and program expenses.

³For some operating foundations, total giving amount includes grants and program expenses; for others, total giving amount includes only grants. Most operating foundations' qualifying distributions are paid out for administration of operating programs and not for grants.

⁴As of January 1, 2004, the Pew Charitable Trusts changed its status to a public charity.

Top 50 Foundations by Assets, 2002*

Foundation	State	Foundation Type ¹	Assets	Total Giving ²	Fiscal Date
1. Bill & Melinda Gates Foundation	WA	IN	\$24,081,369,193	\$1,158,292,441	12/31/2002
2. Lilly Endowment	IN	IN	10,054,031,550	557,097,523	12/31/2002
3. Ford Foundation	NY	IN	9,345,030,447	509,700,353	9/30/2002
4. J. Paul Getty Trust ³	CA	OP	8,623,795,970	21,047,815	6/30/2002
5. Robert Wood Johnson Foundation	NJ	IN	8,012,367,000	360,347,466	12/31/2002
6. W. K. Kellogg Foundation	MI	IN	5,729,303,302	176,303,269	8/31/2003
7. William and Flora Hewlett Foundation	CA	IN	5,010,197,000	168,214,000	12/31/2002
8. David and Lucile Packard Foundation	CA	IN	4,793,893,254	350,048,020	12/31/2002
9. John D. and Catherine T. MacArthur Foundation	IL	IN	3,836,621,632	195,573,328	12/31/2002
10. Pew Charitable Trusts ⁴	PA	IN	3,753,638,080	238,534,822	12/31/2002
11. Andrew W. Mellon Foundation	NY	IN	3,600,620,000	222,662,386	12/31/2002
12. Starr Foundation	NY	IN	3,322,102,520	209,301,410	12/31/2002
13. California Endowment	CA	IN	2,762,621,100	153,440,691	2/28/2003
14. Annie E. Casey Foundation	MD	IN	2,709,413,178	159,309,655	12/31/2002
15. Rockefeller Foundation	NY	IN	2,679,064,000	149,159,867	12/31/2002
16. Annenberg Foundation	PA	IN	2,331,679,772	192,070,571	6/30/2003
17. Robert W. Woodruff Foundation	GA	IN	2,210,193,890	122,731,185	12/31/2002
18. Kresge Foundation	MI	IN	2,164,478,054	98,974,162	12/31/2002
19. Duke Endowment	NC	IN	2,084,821,548	120,522,142	12/31/2002
20. Charles Stewart Mott Foundation	MI	IN	2,011,395,991	108,659,450	12/31/2002
21. Robert R. McCormick Tribune Foundation	IL	IN	1,855,000,000	98,635,246	12/31/2002
22. Harry and Jeanette Weinberg Foundation	MD	IN	1,792,785,633	102,534,819	2/28/2003
23. Casey Family Programs ³	WA	OP	1,771,383,072	94,900	12/31/2002
24. John S. and James L. Knight Foundation	FL	IN	1,718,236,238	85,617,981	12/31/2002
25. Carnegie Corporation of New York	NY	IN	1,627,733,524	76,301,020	9/30/2002
26. Ewing Marion Kauffman Foundation	MO	IN	1,563,607,289	58,476,276	6/30/2003
27. New York Community Trust	NY	CM	1,550,847,559	126,484,987	12/31/2002
28. McKnight Foundation	MN	IN	1,549,715,000	87,000,000	12/31/2002
29. Richard King Mellon Foundation	PA	IN	1,393,565,202	61,843,303	12/31/2002
30. Cleveland Foundation	OH	CM	1,312,166,868	63,144,990	12/31/2002
31. Donald W. Reynolds Foundation	NV	IN	1,311,709,405	98,223,382	12/31/2002
32. Doris Duke Charitable Foundation	NY	IN	1,274,858,594	82,039,936	12/31/2002
33. Houston Endowment	TX	IN	1,183,628,090	68,413,852	12/31/2002
34. Alfred P. Sloan Foundation	NY	IN	1,171,003,043	58,650,021	12/31/2002
35. Brown Foundation	TX	IN	1,155,287,602	36,177,239	6/30/2003
36. Marin Community Foundation	CA	CM	1,150,556,205	58,500,000	6/30/2003
37. Wallace Foundation	NY	IN	1,147,996,214	25,611,137	12/31/2002
38. James Irvine Foundation	CA	IN	1,132,589,948	73,455,310	12/31/2002
39. Freeman Foundation	NY	IN	1,112,676,408	81,920,471	12/31/2002
40. Chicago Community Trust and Affiliates	IL	CM	1,018,291,992	41,543,000	9/30/2002
41. W. M. Keck Foundation	CA	IN	1,012,747,000	49,513,360	12/31/2002
42. Kimbell Art Foundation ³	TX	OP	971,765,166	1,232,500	12/31/2002
43. Moody Foundation	TX	IN	967,301,681	9,329,196	12/31/2002
44. Samuel Roberts Noble Foundation	OK	IN	908,040,161	10,774,968	12/31/2002
45. William Penn Foundation	PA	IN	904,488,083	64,676,176	12/31/2002
46. Lumina Foundation for Education	IN	IN	876,206,421	17,244,848	12/31/2002
47. California Wellness Foundation	CA	IN	852,613,722	46,900,681	12/31/2002
48. Freedom Forum ³	VA	OP	852,237,313	32,174,985	12/31/2002
49. Daniels Fund	CO	IN	806,687,481	20,277,184	12/31/2002
50. Walton Family Foundation	AR	IN	791,918,529	80,453,213	12/31/2002

Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2004.

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