

Philanthropy Update

Sweeping changes in philanthropy—and the culture at large—are affecting the who, what, when, and why of contributions to orchestras. How are motivations for philanthropy shifting, what does the rising reliance on donations from individual donors portend, and do recently enacted tax laws help or hinder giving?

By Heidi Waleson

Released last June, “Giving USA 2019: The Annual Report on Philanthropy for the Year 2018,” which looks at the philanthropic behavior of Americans, revealed some sobering data. Although total giving had increased, from \$410.02 billion in 2017 to \$427 billion in 2018, giving by individuals had dropped an inflation-adjusted 3.4 percent. This was disturbing news for orchestras, since individual giving is key to their financial survival.

Orchestras rely on contributed income for nearly half of their budgets: the 2017 Orchestra Statistical Report from the League of American Orchestras showed contributed income from private support comprising 43 percent of the total and revenue from performances comprising 36 percent. Endowment draws and transfers made up 10 percent of budgets, government funding 3 percent, and other earned revenue 8 percent. Most of the contributed income comes from individuals, in gifts of all sizes, ranging from substantial contributions from trustees and major donors to numerous contributions of \$250 or less. The base of donors giving to support the work of orchestras in their communities is broad, suggesting that orchestras must concern themselves with giving trends among those who give in smaller amounts

and who may later increase their giving. As the League reported in its Orchestra Facts study of 2014 data, each year from 2010 through 2014, roughly 75 percent of the gifts made by non-trustee individuals were under \$250, including 45 percent



League of American Orchestras Vice President for Advocacy Heather Noonan (at center in white coat) is joined at the Capitol in Washington, D.C. by nonprofit advocates. From left: Wes Coulam, Washington Counsel Ernst and Young; Ben Kerhsaw, Independent Sector; Laura Walling, Goodwill Industries; Robert Holste, The Pew Charitable Trusts; Neal Denton, YMCA of the USA; and, Steve Taylor, United Way Worldwide.

under \$100, and another 30 percent in the \$100–\$249 range. In Fiscal Year 2017, the League reported that for orchestras in budget Groups 1 to 6, 72 percent of non-trustee individual gifts fell within the zero-to-\$249 bracket.

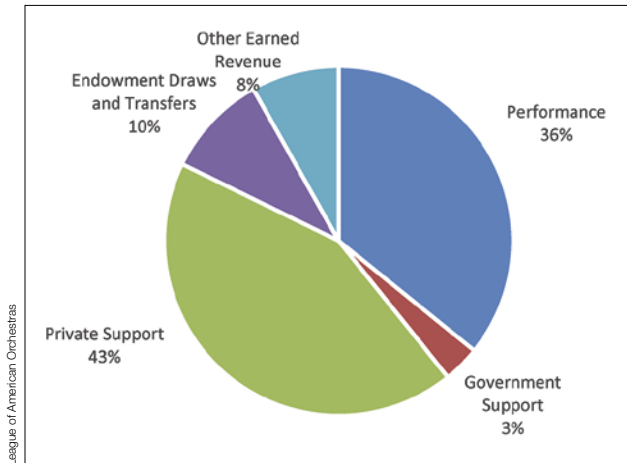
Furthermore, national studies indicate that the percentage of households that give to charity has been steadily decreasing, from 66 percent in 2000 to 55 percent in 2017, and that the percentage of total itemized donations that come from households with incomes of \$200,000 or higher is increasing. Indications that individual giving is declining, both in total amount and in numbers of givers, could be significant for the future of orchestras: the percentage of the average orchestra budget that comes from contributions has been rising steadily, as expenses increase and ticket prices cannot keep pace. While

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orchestras have long explored trends in audience motivation in an effort to increase participation and ticket revenue, the time has come to more deeply explore motivation and trends in the individual giving that is a cornerstone of orchestra sustainability.

The Giving USA findings also seemed to bear out concerns that the 2017 Tax Cuts and Jobs Act, which doubled the standard deduction for taxpayers, increasing the threshold for itemizing deductions, would decrease giving. An increasing number of non-itemizers would no longer have the benefit of the charitable deduction, and if the number of itemizers dropped from roughly 30 percent of taxpayers to 11 percent, as projected, charities might bear the brunt of the change. Americans filed their taxes under the new law for the first time in 2018, making this Giving USA report the first under the new tax code.

The downward trend continued in



Orchestras rely on contributed income for nearly half of their budgets. This graph from the League of American Orchestras' 2017 Orchestra Statistical Report (OSR) documents adult orchestras' total revenue by source. That year, 135 U.S. orchestras completed the OSR survey.

2019. In September, the Fundraising Effectiveness Project (FEP), a joint project of the Associated Fundraising Professionals and the Urban Institute, reported that fundraising and the number of donors dropped in the first six months of 2019, as compared to 2018. Overall revenue from charitable gifts was down 7.3 percent, while the overall number of donors was down 5.8 percent. Revenue from gifts of \$1,000 or more was down 8.2 percent, while mid-range gifts, from \$250 to \$999, had fallen 3.5 percent.

Elizabeth Boris, an Urban Institute Fellow and chair of the Fundraising Effectiveness Project's Growth in Giving steering committee, says, "It's very concerning. And it's not just the US—this is happening worldwide. There are hypotheses about it: tax law changes, uncertainty in the economy, the hollowing out of the middle class. But there are no full answers." From a larger cultural perspective, Boris also notes, "I'm concerned that we as a society are not reinforcing a culture of giving and volunteerism; it is not something that leadership talks about. There used to be visible signs of giving in the community, like the donation thermometer in the town square or the workplace."

One hypothesis is that the Baby Boomer cohort (born 1946-1964), which is now in what should be its peak philanthropic

years, is behaving differently from its predecessor generations: the Greatest Generation (born before 1925) and the Silent Generation (born 1925-1945). Fundraising consultant Robert J. Sharpe points out that traditionally, people tended to start giving when they were in their fifties, once their children were launched and they had more free time and disposable income. "That's when my parents had their golden years," says Sharpe, who is 66. However, many baby boomers had their children later. "The baby

boomers didn't have golden years. In their twenties, they had BMWs instead of babies," he says. With the rising price of college, their children also cost more to educate, and many of those adult children remain dependent to some degree on their parents.

Developments at Orchestras

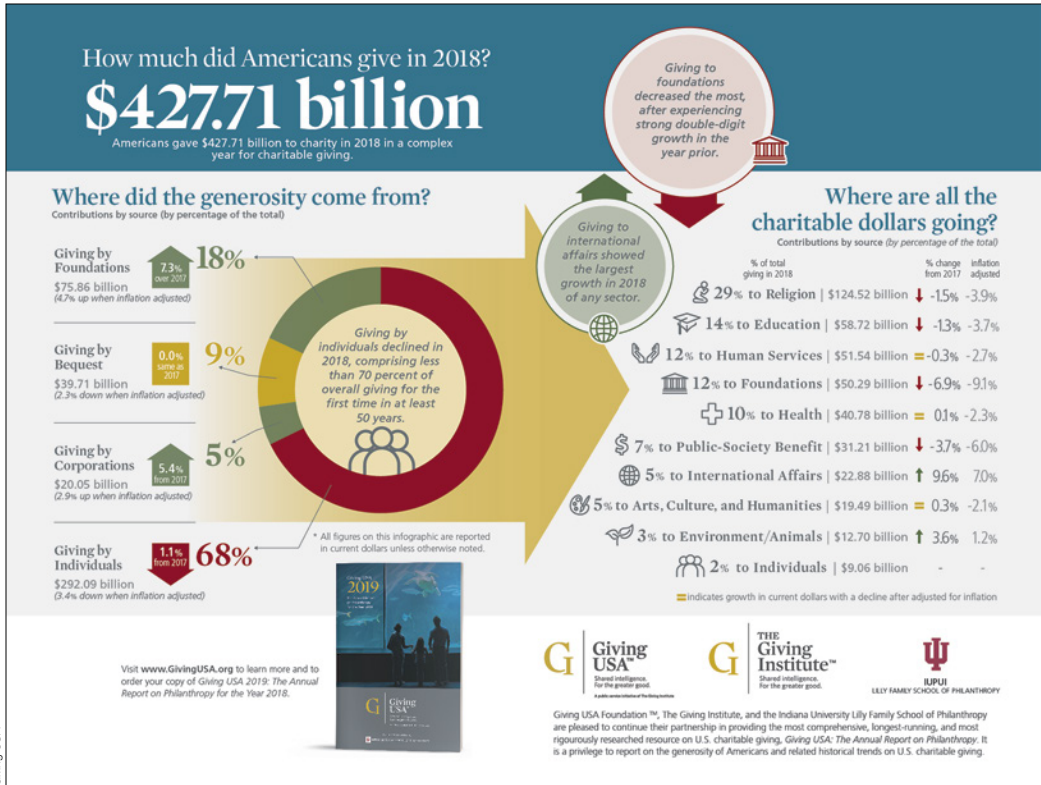
So far, orchestra professionals and consultants say they are closely watching future trends, noting an increased reliance on individual giving. Jane Hargraft, who recently joined the Cleveland Orchestra as chief development officer after eight years with the Seattle Symphony, reports that at both orchestras, donations from individuals—in numbers and total amount—increased in recent years. Alan Silow, president and CEO of California's Santa Rosa Symphony since 2002, reports a similar trend: annual donations have risen 30 percent since the orchestra's new performance space, the Green Center, opened in 2012. Santa Rosa's box office earnings have declined, with a falloff in ticket sales for the orchestra's core classical series, but the increased donations have enabled it to balance its budget for the last 16 years.

This trend makes sense to Bob Swaney, a fundraising consultant who works with several orchestras. In his view, although external factors like tax policy or the

economy influence the climate for giving, orchestras should focus on what they can control. And while some people worry that orchestras may seem less compelling to donors than curing cancer or ending hunger, he stresses that orchestras actually have an advantage: they are local. "Orchestras have a fairly local base of support, and they are 'on' so much of the time that they have a unique opportunity to engage at all kinds of levels, in ways that national and worldwide charities can't," Swaney says. "We need to engage our patrons and donors more as volunteers and advocates, so that they feel, even if they are giving at lower level, that they have a personal relationship with the orchestra, and if they want to get closer, they can."

Regarding the pool of future donors, an October 2018 report from the Do Good Institute, which studies philanthropy, policy, and societal issues as part of the University of Maryland's School of Public Policy, charted declines in charitable behavior among young people. What's behind the decline? "Young adults frequently need to gain experience and build strong community ties," said Nathan Dietz, senior researcher at the Do Good Institute, "before they become actively engaged contributors to civic activities." How to address the concern? According to Dietz, young adults "also need awareness of opportunities and encouragement to participate in philanthropic activities—this is where the business community, nonprofit organizations, higher education institutions, and even the government must play an active role to help turn around these downward trends."

Real engagement helps with donor retention, Swaney points out. "Nonprofits are good at getting donors, but not as good at keeping them," he says. "The trend started about a decade ago in higher education and health and human services; orchestras caught up about five years ago. What seven or eight years ago might have been a 25-30 percent attrition of donors of gifts under \$1,000, in many places is now 50 percent or 60 percent. These are brand-new donors, which you invest a lot of time and money to get, and half



A graphic from Giving USA's *Annual Report on Philanthropy* documents how much Americans gave to charities—including arts groups such as orchestras—in 2018.

of them don't come back the next year. What we are working on now, even in really solid orchestras, is the focus on true stewardship."

Swaney says that the three basic motivators for giving haven't changed in 30 years. They are: "I like the orchestra;" "What the orchestra does for the community is valuable;" and "What the donation does for me personally—a tax deduction, a name in the program." What has changed is the most effective message: a focus on the orchestra's public value as opposed to need. "If orchestras are their doing jobs well, they've aligned themselves with the goals and priorities of their particular city and community, and can add value to those goals," Swaney says. "Since most giving is local for symphony orchestras, that creates a wonderful environment of investment, engagement, and priority."

Think Local

The Santa Rosa Symphony has done just that. "We are constantly looking at how we become more relevant to different segments of the community," Silow says. "It's not just about artistic excellence any more.

That's the floor, not the ceiling." Santa Rosa has added pops and family concerts, and free community concerts with a focus on the region's Latinx population. The orchestra has also greatly increased the size of its education program so that it is

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one of the largest in California, with four youth orchestras serving 30,000 young people. "People will support education even without being classical music lovers," Silow says.

One statistic that has resonated with

orchestras is the fact that large gifts, particularly from trustees, are becoming an increasingly important factor in orchestra finances. As the League's Orchestra Facts report of 2016 pointed out, the growth in individual giving from 2010 to 2014 was substantially due to trustee donations, and many in the field report that the trend continues. Some orchestras have noted that rise and adapted accordingly. When Silow arrived in Santa Rosa in 2002, he says that the 30-member board was giving a total of \$70,000 annually. That changed once he established clear expectations for board participation, and last year, the same-sized board contributed \$583,000.

"Nonprofit boards have always been responsible not just for governance, but for financially supporting and guiding the organization, and I think that part of the role is increasing in importance," says Pat Richards, former board chair of the League of American Orchestras and continuing board member. At the Utah Symphony | Utah Opera, where Richards is interim president and CEO and past board chair, the board is starting a new task force to help its members become more comfortable with personally soliciting donations from friends and community members. "A lot of boards are made up of very high-powered people—executives and community leaders—but they don't like to be put in situations where they might not succeed," she says. Getting board members to become accustomed to requesting donations will, it is hoped, help them to help their orchestras.

One expanding focus in board development emphasizes the skills and networks that board members bring to their orchestra's governance and civic mission, beyond the capacity to "give or get" that was traditionally expected of board members. To better represent and serve their



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workers moving every few years—making it more challenging for orchestras to build long-term relationships with them.

communities, orchestra boards are inviting individuals from diverse backgrounds to join. Their presence and active participation demonstrates the organization’s authentic commitment to equity, diversity, and inclusion—and those individuals’ personal networks expand the orchestra’s connections and relevance to multiple communities.

Board participation is a big factor in another concerning issue for national fundraising: demographic, economic, and generational change. Richards sees challenges for board recruitment today: “Our boards are aging, and it’s more difficult to recruit younger members. It’s partly generational, with different attitudes towards giving and community involvement, but it’s also economic, since corporate headquarters have been absorbed into larger corporations. Many of the executives are regional; they travel a lot, and don’t have time to invest in the community.”

Jane Hargraft, of the Cleveland Orchestra, notes that tech, now a dominant sector in the economy, is more global than local, and that tech company employees tend to move on after a few years, without putting down roots. In cities with transient populations, orchestras that were once able to rely on a pipeline of casual attendee single ticket buyers who became subscribers who became donors who became trustees may no longer have the luxury of that long game. Another persistent, and as yet unanswered, question concerns the giving propensities of millennials: are they really less generous, as some studies have indicated? And if, as has also been suggested, they want to see the impact of their donations, what may be the consequences for cultural institutions, as opposed to health and

service groups, that may offer more of that satisfaction?

The supposed tension between support for culture and health or human-services is not new, but it is a concern about some younger donors. “Support for the arts is not mutually exclusive with support for education and health care,” says tech entrepreneur and philanthropist David Bohnett, who was the chairman of the

Recent studies bear out concerns that the 2017 tax reforms have decreased charitable giving.

Los Angeles Philharmonic Association from 2008 to 2013, vice chairman of the LA Phil from 2013 to 2015, and is currently on the orchestra’s board of directors. Bohnett’s charitable activities include leadership roles at several nonprofits; his own foundation provides resources for organizations pursuing societal change and social justice. “As has been proven and what we know intuitively, music enhances the benefits of education, health care, and myriad other parts of our soul,” he says. “Symphony halls as well as school gymnasiums and band practice rooms have been integral parts of American life and experience since the early days of our republic. I follow and practice the philosophy espoused by Gustavo Dudamel, that ‘music is a fundamental human right.’”

Taking Action

While national trends may not play out exactly according to the script in orchestras, experts agree that it makes sense to be prepared. Fundraising consultant

Sharpe describes orchestras as “age-onset charities,” meaning that you can predict their donors’ age at first donation (at the American Heart Organization, for example, the average is 76). Sharpe says that performing arts organizations, for the most part, start getting donations when the donor is about 55. Hargraft concurs, saying that most donors aren’t “philanthropically mature” until they hit their fifties. Development initiatives that cultivate younger people, she says, are “a long game”—having them associate the organization with a great social experience, so that later, when they are older, they will return as donors.

Silow, Swaney, and Hargraft stress the importance of donor stewardship—thanking people for their gifts, not taking them for granted, giving them recognition, and keeping them close by giving them first-hand experiences of what their money is supporting. The “touch” possibilities of orchestras can appeal to more than just millennials who want to see impact. It takes work. Silow says, “There’s less and less ‘I love what you do, here’s a check.’” The Santa Rosa Symphony invites donors to sponsor artist appearances, a strategy that recognizes the contribution and appeals to the donor’s particular interests. The orchestra has a new program that personally links donors with the orchestra’s new music director, Francesco Lecce-Chong, and his commissioning program; there are lunches with the conductor and composers and ongoing video reports of their progress. Potential donors are also invited to attend rehearsals and to better understand the impact of instrumental instruction for children at the orchestra’s El Sistema

League Resources

The League of American Orchestras is a leading partner with other national charitable organizations urging Congress to support giving incentives for all taxpayers. Find an overview of tax law changes, the latest news on policy developments, and information about how to weigh in with elected officials on the Advocacy portion of the League’s website, www.americanorchestras.org. Further information about how nonprofit tax policy connects to trends in giving is also available from the Charitable Giving Coalition, www.protectgiving.org.



Alan Silow, president and CEO of California's Santa Rosa Symphony, speaks to the audience at one of the orchestra's free community concerts.

project, at an elementary school with a student population that is 95 percent Hispanic.

With an older donor population, savvy fundraisers also urge charities to focus on planned giving. Sharpe says that four out of five major bequests to nonprofits come as a surprise to the recipients. He suggests that nonprofits work with their donors to make sure that their wills are updated to include the charities they actually care about now, as opposed to the ones they chose fifteen years ago. With ongoing stewardship, orchestras can be well positioned to rise to the status of "family member" of childless baby boomers. Hargraft says that if millennials do, in fact, turn out to be less generous than previous generations, it would be wise for orchestras to have planned giving conversations with their current donors, who are the parents and grandparents of the millennials. "The wealth transfer is coming," she points out, "so those bequests are going to be important for the sustaining of a lot of arts organizations."

New Tax Laws

While the total effects of the new tax law are not yet clear, some changes in giving habits are already being observed. At the Cleveland Orchestra, for example, some donors, particularly people at the \$5,000-\$10,000 level, "bunched" their donations: giving double in 2018 with the expectation that they would not itemize—and therefore not donate—in 2019. "We counted half the gift for this year and half for next year," Hargraft says. There are other techniques that donors can discuss with their tax advisors as well. Sharpe suggests that charities urge their donors to consider gifts of appreciated stock, which don't have impact on their tax liability, since the donor doesn't have

to pay capital gains tax and the nonprofit is exempt. Much public attention has also been focused on the rise of donor-advised funds (a donor-advised fund is a giving vehicle administered by a public charity that permits donors to make a charitable contribution, receive an immediate tax deduction, and recommend grants from the fund over time). And a giving incentive that was made permanent in 2015 but is still generally less well-known among donors is the IRA charitable rollover, which allows donors aged 70½ and older to make up to \$100,000 in tax-free distributions from individual retirement accounts to charities regardless of whether a donor is itemizing their tax returns.

Many nonprofit advocacy groups, including the League of American

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Orchestras, are advocating for a universal charitable deduction, which would enable non-itemizers to benefit from giving to charity; two bills now in Congress include that provision. As League's Vice President for Advocacy Heather Noonan puts it, "We know that the original impulse to give comes from the heart, but tax incentives do influence when and how much donors contribute. The charitable tax deduction essentially reduces the cost of giving, encouraging donors to give more to charities in support of community needs. The issue is tax fairness. Shouldn't everyone have the opportunity to be incentivized to give more?"

Orchestras, alongside their counterparts in the broader nonprofit sector, remain concerned about giving habits for non-itemizers now and in the future. Pat Richards says, "Small giving—anything under \$2,500—is where we think there will be a decline, because it's not tax-efficient. We could approach those people to increase their gifts." She suggests that this might be the kind of work that a board could do: calling donors, expressing appreciation for their ticket-buying, and asking them



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to consider increasing their gift. "It's the future of the revenue stream," she says, adding that these may also be the kind of people who give at a modest level for twenty years, and then leave the orchestra a large bequest.

Regarding the new tax laws, Swaney says, "It's too early to tell about the standard deduction, with the economy doing as well as it has. When the economy turns, that's when we will know. When things are going well, people find ways to do what they want. When it changes, you have to make choices. In the meantime, we have to engage people at all levels—attracting, stewarding, building relationships."

Such relationships with an orchestra can be deep, and even essential in today's society. Silow says, "We are not just selling great music. When people come to our concerts, they start to know other people—not only in the audience, but they get connected to Francesco, they know musicians in our orchestra. It becomes one of the few live experiences of a community, because more and more, we're sequestered in our homes, streaming on a computer or TV. We're becoming one of the last sources of what used to be called the town square, where people come together. When our concertmaster isn't playing in a concert, I get emails saying, 'What happened to Joe? Is he not well?' Artistic excellence isn't the only reason that people come to us."

HEIDI WALESON is the opera critic of the *Wall Street Journal*. Her book, *Mad Scenes and Exit Arias: The Death of New York City Opera and the Future of Opera in America*, was published in October 2018 and won the 2019 ASCAP Foundation Deems Taylor/Virgil Thomson Award for Outstanding Music Criticism in the concert music field. **S**

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The League of American Orchestras is pleased to honor these member orchestras on the noteworthy anniversaries of their foundings:

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| 100 years | Plainfield Symphony Orchestra (NJ)
Rochester Symphony Orchestra & Chorale (NY) |
| 75 years | Oak Ridge Civic Music Association (TN)
Pittsburgh Youth Symphony Orchestra (PA)
Rhode Island Philharmonic Orchestra & Music School (RI) |
| 50 years | Ashland Symphony Orchestra (OH)
Johnson City Symphony Orchestra (TN)
Missouri Symphony Orchestra (MO)
National Arts Centre Orchestra (OTTAWA, CAN)
Orchestra Seattle & Seattle Chamber Singers (WA)
St. Louis Symphony Youth Orchestra (MO) |
| 25 years | Contemporary Youth Orchestra (OH)
Lexington Symphony (MA) |
| 20 years | Foothills Philharmonic (SC)
IRIS Orchestra (TN) |
| 15 years | Gateway Classical Music Society (CT)
River Oaks Chamber Orchestra (TX) |
| 10 years | Heartland Festival Orchestra (IL)
South Bay Philharmonic (CA) |