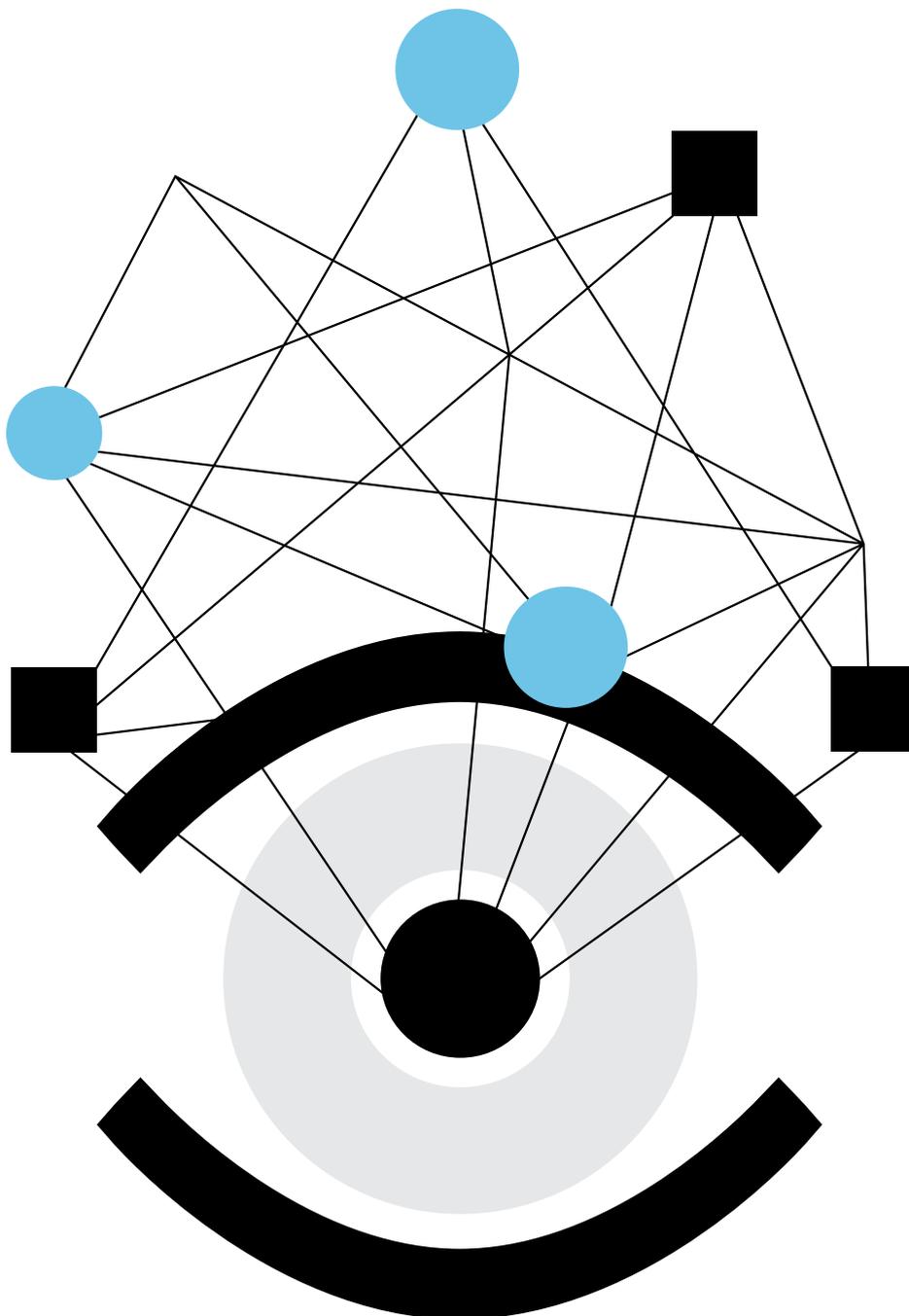


Australian Giving Trends Signs of Life

By John McLeod

December 2015



We are pleased to again provide our annual update of giving trends in Australia, almost 10 years after our first publication in June 2006. Relying on a variety of sources, we have compiled a picture of the current direction for giving. We are pleased to report that after a significant flat period following the GFC, there are good signs of new life for giving in Australia. Encouragingly, this is coming from a range of sources. The extraordinary growth in large multimillion dollar gifts combined with the continued increase in Private Ancillary Funds (PAFs) and the evolution and growth in corporate support have added to a very welcome increase in broad individual giving subsequent to the most recent 2013 ATO statistics.

We hope you will enjoy reading this report, whether from a recipient or donor perspective and would encourage further discussion on any aspects with the JBWere Philanthropic Services team.

Highlights

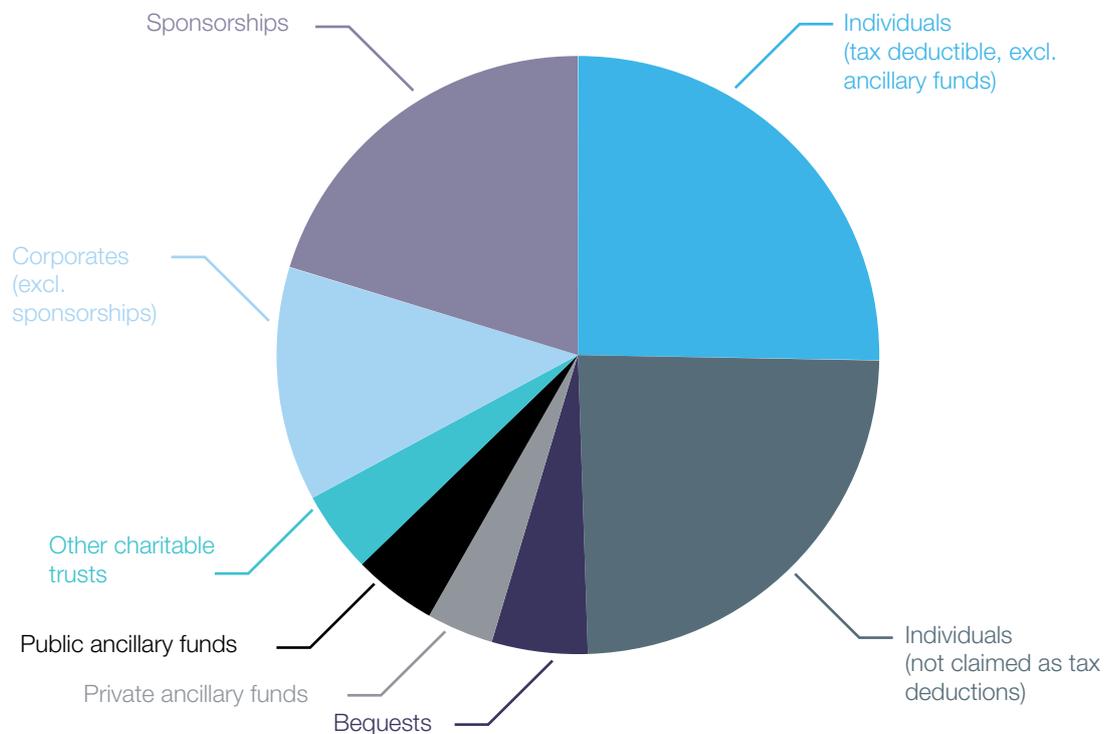
- There is a need for not-for-profits sourcing philanthropy to understand who gives and in what proportion. Then for their particular cause, examine the shape of that giving pie and the costs of fundraising in each segment to better target and resource their efforts.
- The data collected through the NAB Charitable Giving Index (CGI) suggests we are finally seeing a recovery in broad giving following the GFC with Western Australia and Victoria doing particularly well, although the former has more recently come back to eastern State growth rates with the resources slow down.
- After the success of PAFs, the reformed Prime Minister's Community Business Partnership (PMCBP) is examining other potential new giving vehicles which could further encourage sector support. In addition, a new Giving Australia survey will be completed in 2016 providing an update on the 2005 philanthropy landscape.
- The number of PAFs established accelerated in 2014 and 2015 to now total almost 1,400. When the extraordinary Paul Ramsay bequest joins that pool of philanthropic capital it will be nearing an estimated \$8Billion.
- Both the scale and scope of corporate support for the not-for-profit sector is growing from already good levels. The challenge for potential partners/recipients is to understand this evolving area and to be a proactive generator of opportunities that fit each corporate business and delivers the social returns they desire.
- While overall participation in giving has remained flat, some States have recorded good growth in both those giving and dollars given as others have fallen. This is highlighted even more recently in the NAB CGI data and provides some guides for national fundraisers in resource allocation.
- Bracket creep is generally seen as a bad thing but it has been one of the major positive influences on charitable giving in Australia pushing up both participation and dollars given since 2000.
- For the first time we have seen a significant fall in the number of charities in Australia, coinciding with the introduction of the ACNC. Although likely to be a one off adjustment, it is raising the conversation about a more sensible and efficient use of charity assets in the sector.

There is significant breadth to the community and corporate support for the not-for-profit sector

When we examine the various forms of financial support given in Australia, including corporate sponsorships, we see a wide range of sources (chart 1). Each of these segments requires a different approach, skill set and resourcing from the potential recipient organisations. It is evident that not all causes or even organisations within each cause will share the pie in the same proportions. For example, sponsorships are predominantly directed to culture and recreation, while individual giving benefits religion, followed by welfare causes. Even within the same cause, some organisations may see much stronger support from trusts and foundations or HNWLs while others focus on a larger number of smaller donors.

Not only is the breakup of the pie different for most recipients, the cost of funds raised varies widely across each of the categories. A recent study from askright.com highlighted this significant variation. While the sector average of funds raised is around 4 times the expenditure, some forms such as bequests and major gifts are a factor of 10 times the average, however “charity gambling” and events are well under the average. With such a variation of returns possible from investment in fundraising and such a variety of potential supporters, it is important for not-for-profits to understand where they, and their cause, sit. They should all ask the question, “What does my pie look like now and what should it look like given my cause and my position within that cause?” This is especially critical as the left side of the pie has been growing and evolving faster than the right side in recent years.

Chart 1: Break up of charitable donations in Australia



Source: ATO, ABS, JBWere Philanthropic Services

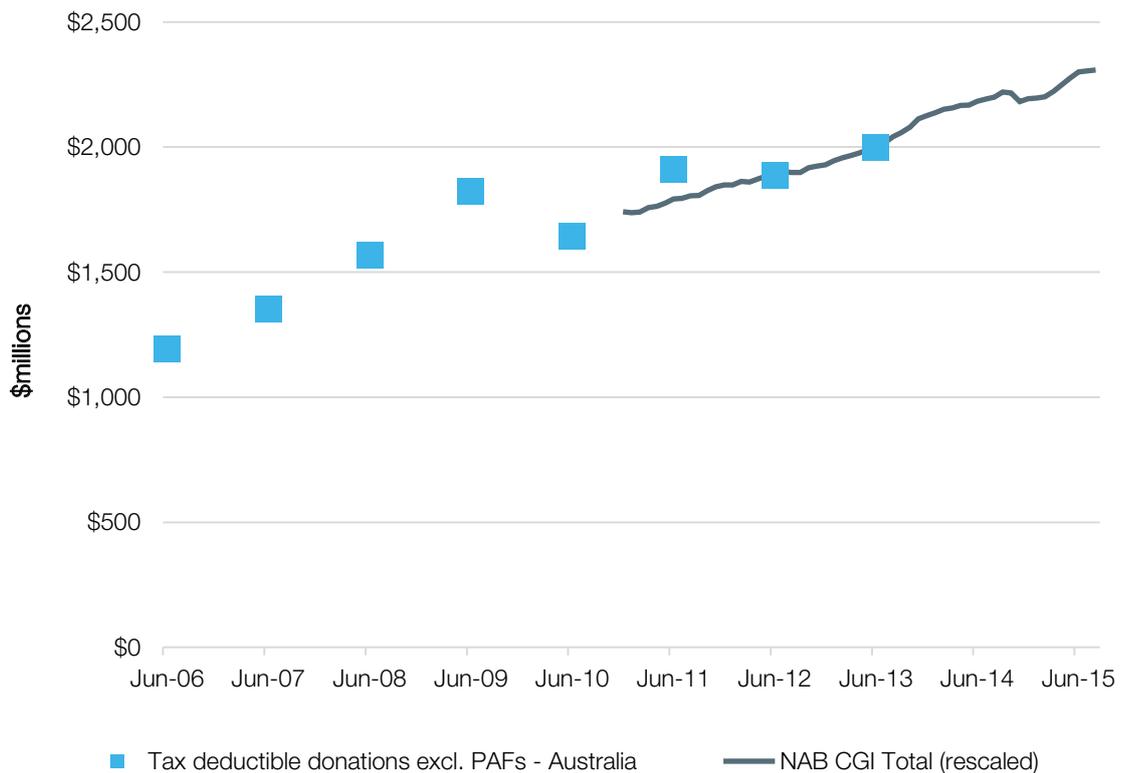
Finally, after the GFC induced plateau in giving, there are signs of growth emerging again

A very welcome addition to the analysis of giving in Australia has been the NAB Charitable Giving Index (NAB CGI). While annual ATO data is comprehensive and allows in depth study in many categories and over time, it has not been useful in either providing comparisons between causes or for timely analysis. The NAB CGI is published biannually and is based on the electronic spending (e.g. credit card, debit, eftpos, BPAY, direct debit) behaviour of 2.5million Australians, scaled to represent the Australian economy. Their seventh and latest survey to August 2015 has allowed us to compare giving trends to the broader ATO statistics and importantly, project what has happened since 2013 (chart 2). In a welcome confirmation that we have left the GFC behind, the monthly NAB CGI has shown continued gains through 2014 and 2015. Even more pleasingly, in the majority of cases, this won't include the strong and growing PAF and million dollar plus gifts also adding to an overall improving giving environment.

Interestingly, data from the USA showed a quicker pickup in giving after the GFC led by confidence in their economic outlook. Finally, as we see a more competitive Australian dollar, increased business confidence and rising spending in retail, construction, transport and services, we are seeing a positive influence on donation levels.

In addition there have been a number of economic forecasting groups from the USA looking to predictive analysis for giving levels based on the past relationship between levels of giving and a range of economic measures. Early in 2015, The Philanthropy Outlook from Marts & Lundy and the Indiana University Lilly Family School of Philanthropy predicted 4.8% growth for 2015 and 4.9% in 2016. These estimates follow giving growth in the USA of 3.5%, 4.4% and 7.1% in 2012, 2013 and 2014 respectively. It may be that the slower recovery we've seen in Australian giving after the GFC is finally catching up to the impressive growth rates experienced in the USA.

Chart 2: Tax deductible donations and NAB Charitable Giving Index



Source: ATO, NAB Charitable Giving Index (NCGI) created in association with Quantum, JBWere Philanthropic Services

Potential new initiatives to expand the giving toolbox and a new study to map it

The reformed Prime Ministers Community Business Partnership (originally responsible for the introduction of PAFs and workplace giving) are currently looking at potential new philanthropy initiatives. While it is not yet certain which, if any, will make it through for further analysis and recommended implementation, alternative models which have worked successfully in other countries including the USA may well be added to the growing philanthropic offerings available in Australia. Possible structures could include charitable remainder trusts and charitable gift annuities where a donor makes an irrevocable gift to a trust or charity but receives an income stream or use of the asset until death and receives a tax deduction for the present value of the gift less the income stream. Other options may include different ways of making philanthropic donations such as program related investments (PRIs) which potentially could be returned to the donor, only to be given again to a different charitable recipient. When we consider how the emergence of PAFs has changed the giving landscape and potentially the impact investing landscape since 2001, any further additions to the sectors support offerings in the next year or two, can only enhance and encourage further depth and breadth in the way the charitable sector operates and funds its impact.

In addition to these potential new initiatives, the original Giving Australia survey is being repeated in 2016 to provide an update of the overall giving landscape in Australia. The first comprehensive report on giving, released in 2005, surveyed over 6,000 individuals and 2,750 businesses and included volunteering and also input from the recipient charitable sector. It was a very useful addition to a sparsely analysed but important sector. In the subsequent decade, we have seen many changes in the philanthropic environment. In 2005, there were very few major, public donations being made and we certainly didn't know about crowd funding, impact investing or mobile phone applications for fundraising (the iPhone was still 2 years away!). Given the improvement in data availability and collection methods in the last decade, this new survey should provide important information to help inform and improve the sectors knowledge of both what is happening and where further opportunities may lie.

Structured giving continues to gain favour

We have seen an acceleration in the number of PAFs established in 2014 and 2015, only beaten by the pre GFC years of 2007 and 2008 (chart 3). New South Wales reinforced itself as the home of this favoured giving vehicle with record numbers of new PAFs set up in each of the last two years, and now hosts 43% of the almost 1,400 currently operating PAFs.

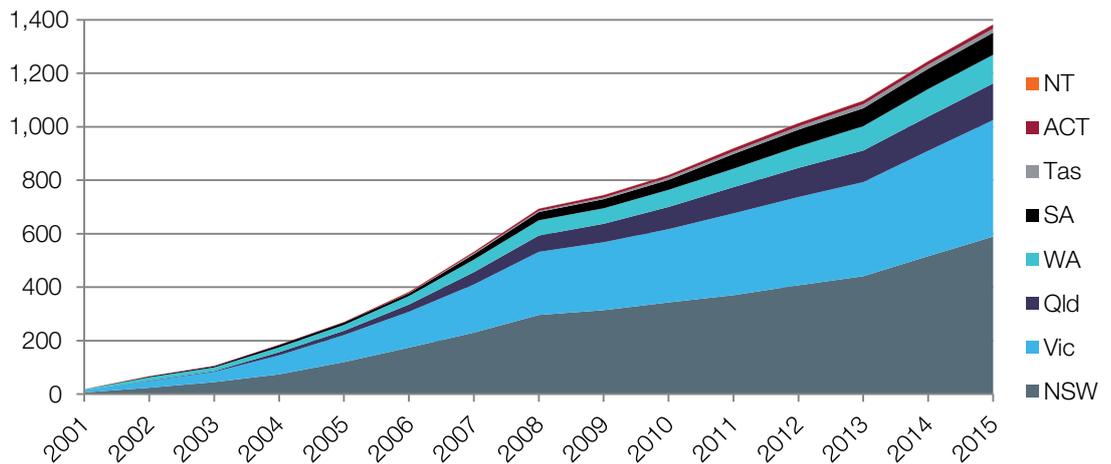
When we add the Paul Ramsay bequest of \$3Billion to the over \$4Billion current estimated value of PAFs plus, funds in public ancillary funds and other charitable trusts, the growth in structured philanthropy in Australia continues to impress.

The next revolution is potentially the use of the “95%” of available capital for social cause through impact investments, in addition to the “5%” in donations. This refers to the fact that while annual donations to charitable organisations from structured philanthropy are generally a little above legislated levels, currently around 7% of assets for PAFs, there is a considerable body of assets remaining in foundations with the potential to work harder in also achieving social returns rather than just earning the annual income to be paid out in distributions.

While the growth in the number of PAFs and their combined corpus is impressive, the growth in annual distributions is even more so (chart 4). Welfare continues to lead the cause break up with a 30% share in 2013 and a 29% cumulative total. Culture, education and health in order, follow.

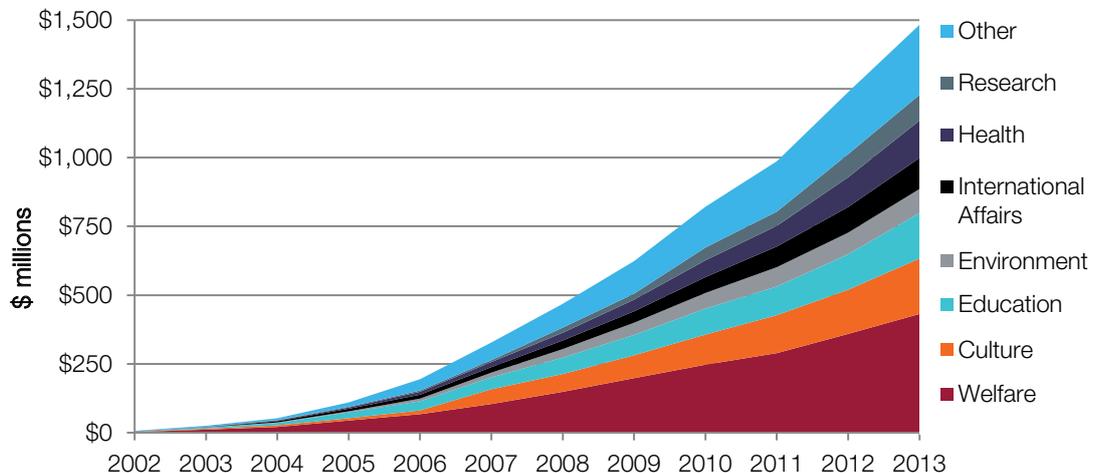
Our regular commentary of the structured giving sector in Australia, *The PAF Report*, deals in more detail on this important and growing body of philanthropic capital and its potential for helping in the transformation of the charitable sector.

Chart 3: Cumulative total of current PAFs at 2015 by state and year (to June) of establishment



Source: ATO, JBWere Philanthropic Services

Chart 4: Cumulative PAF Distributions

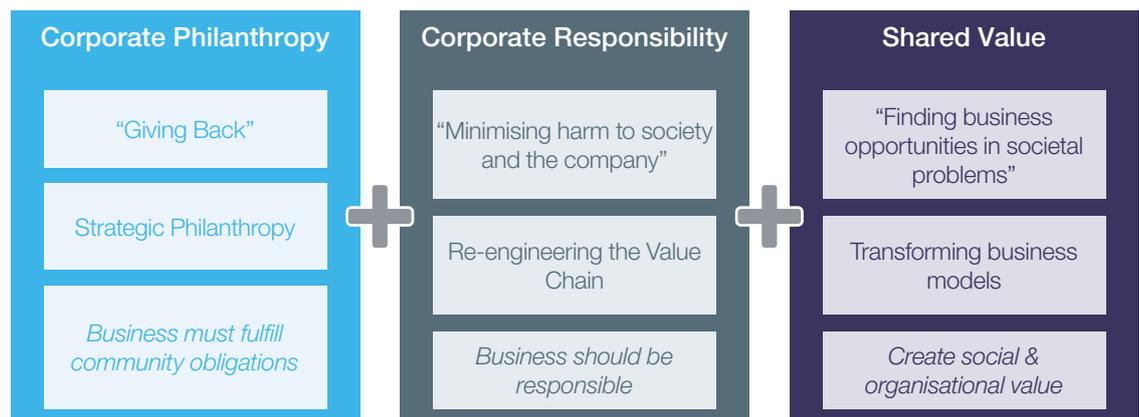


Source: ATO, JBWere Philanthropic Services

The tough but potentially worthwhile conversation with corporates

Many not-for-profits struggle with how to engage corporate support and yet it represents over a quarter and a growing share of the broader philanthropic pie when combining both donations and sponsorship funding. Estimates from the ABS suggest corporate donations rose from \$635m in 2007 to \$863m in 2013 while corporate sponsorships grew more slowly from \$1,106m in 2007 to \$1,381m in 2013. At the same time, there has been an evolution in how corporates are approaching who they choose as partners and how they measure the financial and social returns achieved. The work emanating from Harvard Business School from Michael Porter and Mark Kramer's *The competitive advantage of corporate philanthropy* in 2002 to Kash Rangan's *The truth about CSR* in 2015, highlight the growth in thinking around the topic as does the growing interest and membership in the Shared Value project locally (chart 5).

Chart 5: The evolution of CSR



Source: Professor Kash Rangan, Harvard Business School, JBWere Philanthropic Services

For not-for-profit organisations, it requires both a broad understanding of their own impact and theory of change and how that interacts with a potential corporate partner's operations, stakeholders and approach to community engagement. This understanding not only allows cost and time savings from chasing the wrong relationships, it actually writes your business case when you find the right match. Those organisations who best understand and engage with this fast changing relationship between corporates and the not-for-profit sector, can expect to see increasing support and a significant competitive advantage over others not as well equipped for the conversation. In addition, the potential for engaging corporate staff in skilled volunteering is another important plank of these new relationships. When we add the growing interest in impact investment from both potential investors and the not-for-profit sector, the line between for-profit and not-for-profit continues to both move and blur.

The relationship of JBWere Philanthropic Services' team with each of these areas has been strong with our co-authorship of the Impact Australia report in 2013, our Social Leadership Program with Harvard Business School and NABs membership of the Shared Value Project and establishment of the Impact Investment Readiness fund.

At the other end of the corporate opportunity spectrum has been the workplace giving initiative. Although started around the same time as PAFs, to date, donations have not risen to the same heights as shown in table 1. Just putting in place a giving vehicle (although it simplifies the donation process) is not enough to encourage employee donations. It also needs continued championing by those within the company and potentially financial support (matching) from the corporate itself to encourage participation. The fact that only around 5% of employees currently use the facility when it is available, suggests much more upside is possible to those who promote and embed the opportunity among their workforce.

Table 1: Workplace Giving

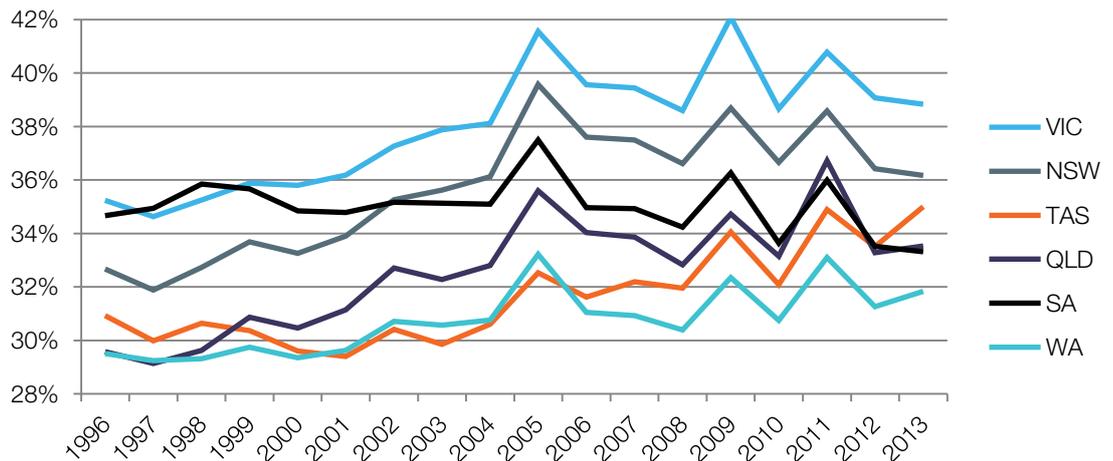
Year ending June	2010	2011	2012	2013
Employees using workplace giving programs	101,204	157,385	130,754	141,910
Employees of workplaces with workplace giving programs	2,504,598	3,158,980	2,813,915	2,928,725
Donations (\$m)	\$23	\$30	\$27	\$28
Employees using workplace giving when available	4.0%	5.0%	4.6%	4.8%
Average donation per donor through workplace giving	\$227	\$191	\$206	\$197

State trends show flat participation but continued gains in average donations

Australia saw no change in the proportion of taxpayers claiming deductions for charitable donations in 2013 over the 35.6% in the previous year, however, slight falls in the two largest States were offset by good gains in the smaller States, in particular Tasmania which enjoyed its highest level on record (chart 6). It is also notable (and thankful) that these overall levels were maintained in the absence of major natural disasters which had boosted giving participation in 2005 (Asian tsunami), 2009 (Victorian bushfires) and 2011 (Queensland floods), although Tasmania did see significant fires in 2013 around Dunalley. While slightly down during the year, it was pleasing that New South Wales and Victoria continued to hold onto the gains made by both between 1996 and 2004. The fall from top position to second lowest for South Australia over the past 16 years highlights the relationship between the economic fortunes and related confidence for giving, even for a State with a strong philanthropic culture. Western Australia, although still lowest in terms of participation, saw the strongest gain in the actual number of donors in 2013. Some caution may be needed with the fall in mining activity in 2014/15 as reflected in the fall in the NAB CGI for that State which went from 15%pa growth until mid-2014 to currently around 5%, in line with most other States.

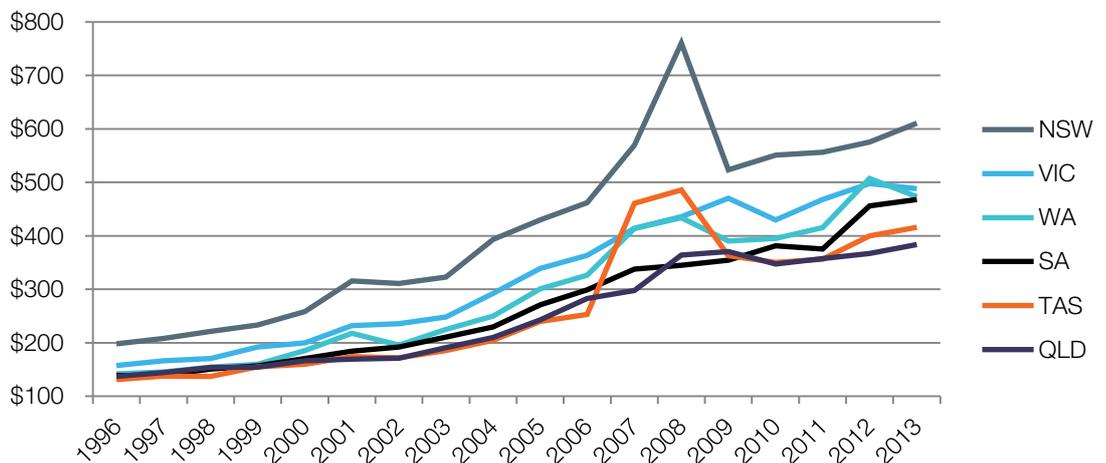
In terms of amounts given by donors, the long term trend of gains continued in 2013 with all States showing an increase except Victoria and Western Australia, although they were both coming off a strong jump in 2012 (chart 7). While the large jumps in average amounts given in 2007 and 2008, due to some large PAFs being established, are still a feature, the very pleasing long term strong growth trend continues with average donations at \$504 across Australia, exceeding \$500 for only the second time. Our most populous State, New South Wales, also saw the biggest percentage jump in average annual giving at 6.2% in 2013. With record numbers of PAFs established in that State in 2014 and 2015, their average donation levels are set to remain strong.

Chart 6: Proportion of taxpayers making donations in Australia by state



Source: ATO, JBWere Philanthropic Services

Chart 7: Average donation in Australia by state

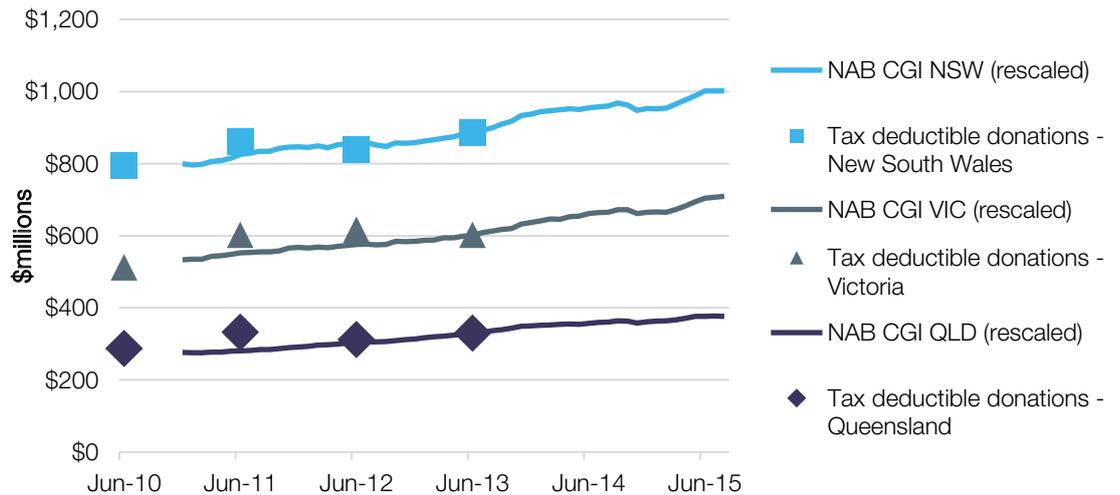


Source: ATO, JBWere Philanthropic Services

The analysis available from the NAB CGI (mentioned earlier for Australia) is also available for causes and individual States to allow projections beyond the 2013 tax statistics. Given the nature of donations, we have removed donations into PAFs from the Australian totals but as individual PAF donations aren't available by State they are included below. Charts 8 and 9 show how each State has fared since the June 2013 ATO data release. We saw total Australian giving grow by 15% in the subsequent 26 months to August 2015 with only Victoria at 18% and Western Australia at a spectacular 26% above the national average. New South Wales and Queensland at 13% and 14% growth respectively were close to the average while South Australia at 11% and the combined Tasmania, ACT and NT at 8% trailed.

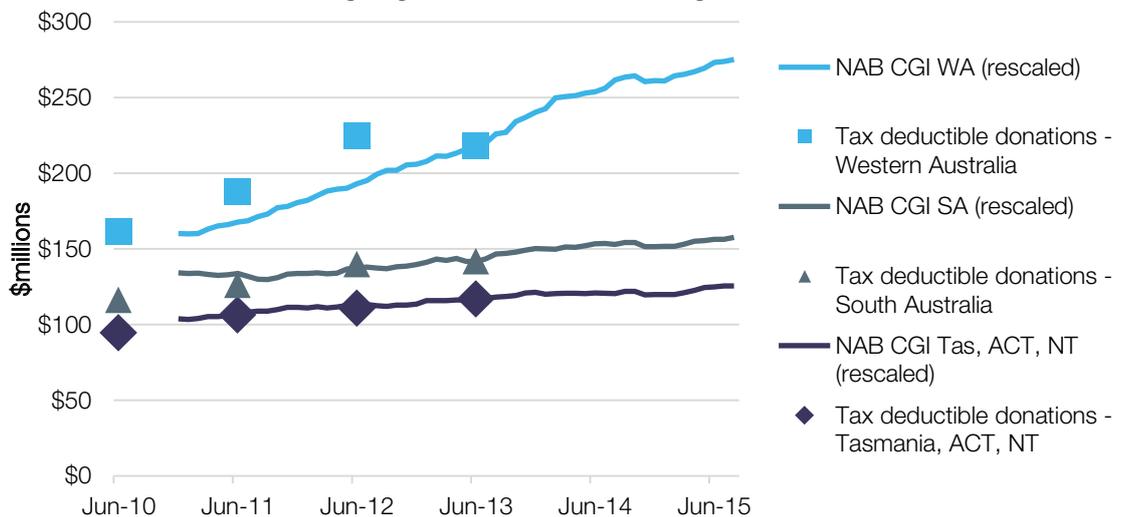
This analysis also highlights the relative size of the States in terms of total giving and trends providing some insight for national organisations looking to allocate their fundraising efforts and explore emerging opportunities.

Chart 8: Annual tax deductible giving and NAB Charitable Giving Index – NSW, Vic, Qld



Source: ATO, NAB Charitable Giving Index (NCGI) created in association with Quantum, JBWere Philanthropic Services

Chart 9: Annual tax deductible giving and NAB Charitable Giving Index – WA, SA, Tas, ACT, NT



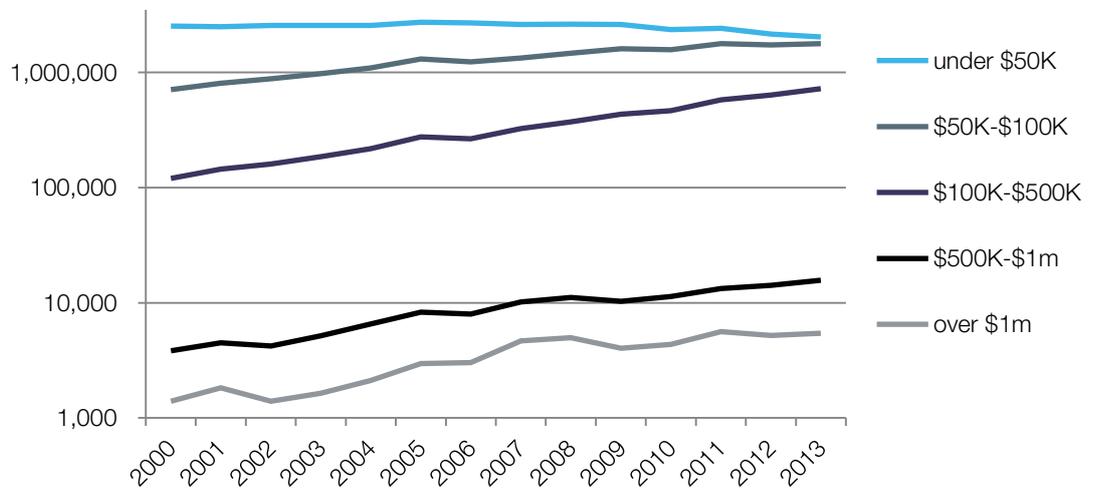
Source: ATO, NAB Charitable Giving Index (NCGI) created in association with Quantum, JBWere Philanthropic Services

Are we getting more philanthropic or is it still just bracket creep pushing up donations?

There have been broad discussions about tax reform and bracket creep in Australia recently. Philanthropic donations are a prime example of this effect when we examine the number of taxpayers in selected tax brackets who make donations. Rising wage levels since 2000 have dramatically altered the mix of people in each tax bracket (chart 10). The proportion with taxable incomes under \$50,000pa has fallen since 2000 from 75% to 45% while those above \$100,000 has risen from 3.7% to 16% in the same period.

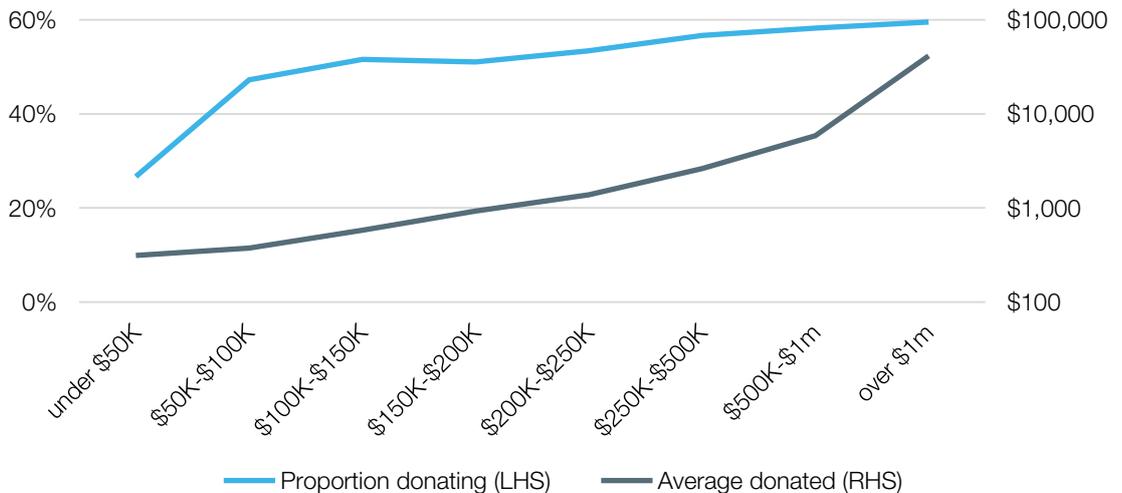
The proportion of taxpayers who claim donations and the level of those donations rise as income levels rise (chart 11), so it is not surprising that this effect of bracket creep has aided overall donor levels and values over time. Whether we have been successful in improving overall philanthropic culture is less certain as the population of those who donate within each tax bracket has remained flat over this period. Hopefully the emergence of PAFs and the number of multi-million dollar gifts signals an improvement in that culture and one that might trickle down to all income brackets. When we consider that there were over 36,000 people earning over \$500,000 in 2013 and only around 1,400 PAFs currently, even this hugely successful giving vehicle has considerable upside.

Chart 10: Number of taxpayers making donations in Australia by income level



Source: ATO, JBWere Philanthropic Services

Chart 11: Proportion who donate and amount donated at varying income levels – 2013

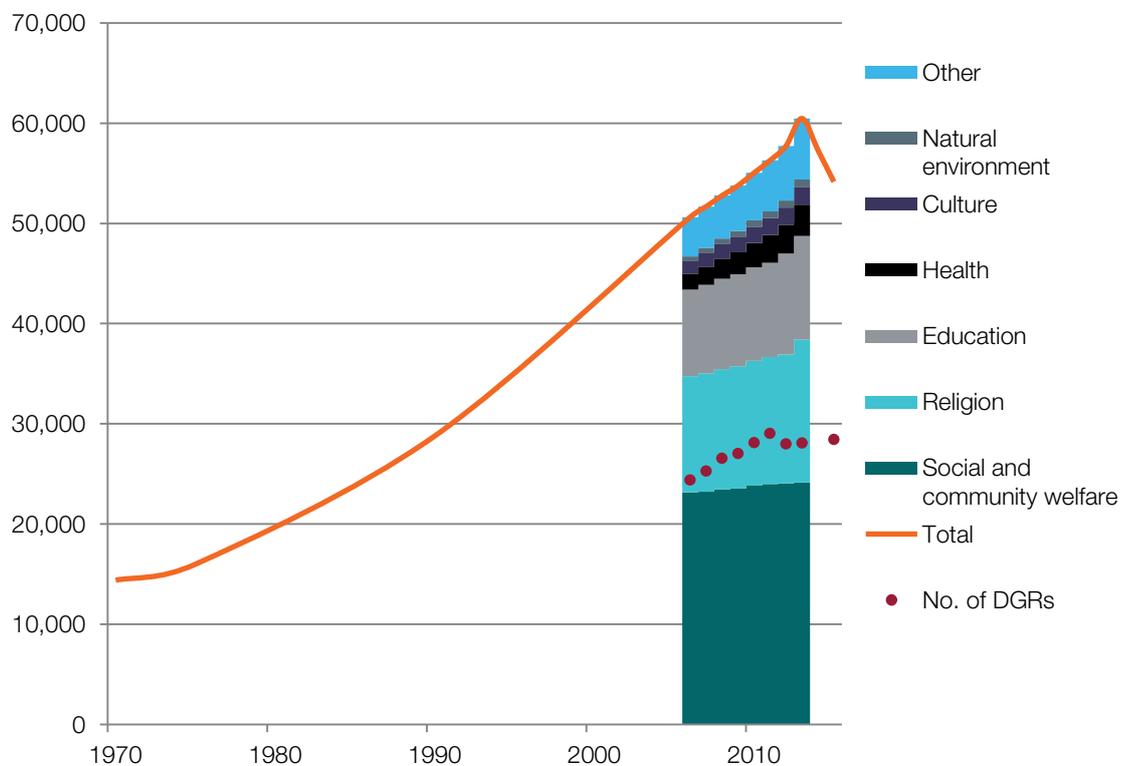


Source: ATO, JBWere Philanthropic Services

Finally, who are we giving to?

After rising inexorably for many decades and doubling every 20 years, the number of registered charities seems to have fallen since the introduction of the ACNC (chart 12). Around 10% of charities have seen their registration cancelled or suspended over the past 2 years, some voluntarily, some not. Whether this is a once off adjustment to the new regulator or the start of a trend will be clearer over the next few years, although we are still seeing around 10 new charities registered each working day. Interestingly, when we look at the more difficult to obtain deductible gift recipient (DGR) status, numbers have remained reasonably flat in recent years. As it's difficult to make a case that the number of causes has increased in line with the number of charities, the long called and wished for slowdown in duplication may finally be commencing. In addition, the trickle of mergers and acquisitions could accelerate as more examples of success are seen and in particular, the opportunities and possibly threats posed by the introduction of the NDIS is felt. More could be done to encourage sensible mergers or at least the joint use of valuable assets such as property. When we consider that two thirds of charity assets are held as property, we often wonder what proportion of time is devoted to that asset furthering the organisations mission. While costs are involved in organisations merging or sharing and rewards can take time to emerge, it would seem a good use of Government or philanthropic funding to encourage more activity in this area.

Chart 12: Number of tax concession charities by main charitable purpose



Source: ATO, ACNC, JBWere Philanthropic Services

In conclusion

Philanthropy and the not-for-profit sector it supports are evolving. For philanthropy, it seems we are just starting another golden period. The introduction of PAFs in 2001 was the catalyst of the previous one and while that is still a growing force, we are seeing it joined by an explosion of major gifts and an evolution in corporate support plus a catch up in broad giving from some of the underrepresented States and as confidence finally returns after the GFC. The not-for-profit sector is also more closely examining its own needs and opportunities with interest in impact investment, measuring and maximising social return and more efficient use of both assets and income high on the agenda. The line between for-profit and not-for-profit continues to blur, even to some degree on the issue of social returns. In addition, the information and support services available has expanded dramatically since we commenced our JBWere Philanthropic Services offering in 2001. Making sense of these changes and understanding your organisations position within this landscape is more important than ever. If you would like to discuss any of these issues, a member of our team would be pleased to further the conversation.

The JBWere Philanthropic Services Team



Shamal Dass

Shamal joined the Philanthropic Services team in November 2012. His responsibilities include the provision of specialist strategic advice to both non-profit organisations and private clients in areas ranging from the structuring of philanthropic giving, governance, capacity building, sustainability, donor relations and organisational strategy. Shamal also works in partnership with JBWere advisers to develop tailored investment management solutions that allow clients and non-profit organisations to fulfil their mission. Prior to joining JBWere, Shamal worked within the financial services and trustee industries where he has significant experience in advising high net worth individuals on their philanthropic structures, managing trusts and foundations (including PAFs), and constructing charitable foundation investment portfolios. Shamal is a Director of the Arts Health Institute, member of the Cure Cancer Australia Foundation Advisory Committee and a member of the Centre for Social Impact Advisory Council.

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John McLeod

John joined Goldman Sachs JBWere's Philanthropic Services team on its establishment in 2001 after 16 years in resource equity markets. His primary responsibilities were researching and analysing trends in the philanthropic sector; interpreting the findings to provide valuable insights for clients; and forging relationships between clients with a philanthropic interest and the not-for-profit sector. After retiring as a Principal and Executive Director of Goldman Sachs JBWere, John has been able to devote more time to both his family's interests in private philanthropy through a Private Ancillary Fund (PAF) established in 2004 and broader education through independent consultancy in the sector while still undertaking research and client advisory work for the Philanthropic Services team at JBWere. John is also the co-author of IMPACT – Australia: Investment for social and economic benefit.

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Josephine Paino

Josephine joined JBWere in 2008, managing a number of teams within the Client Services department before moving into Private Wealth Management. In 2012, she joined the Philanthropic Services team to provide specialist advice including strategic reviews for non-profit organisations, philanthropic and private clients. Josephine works closely with JBWere advisers to develop investment management solutions, enabling clients and non-profit organisations to achieve their mission. In addition, Josephine co-ordinates all of the wider Philanthropic Services teams insights and activities giving her a broad coverage and understanding of the sector. Josephine is the Secretary of the Investment Committee of the JBWere Charitable Endowment Fund and also a member of the JBWere Diversity Council.

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Luke Branagan

Luke joined the JBWere Philanthropic Services team in March 2015. His responsibilities in partnership with JBWere advisers include the provision of strategic advice to not-for-profit institutions and individuals and their families with an interest in philanthropy. Prior to joining JBWere, Luke was the Executive Manager of the MLC Community Foundation, where he led the evolution of the strategic direction of the Foundation to focus on mental health outcomes. During Luke's tenure, the Foundation has been awarded as a philanthropic leader in measuring social outcomes, driven by innovative approaches to measurement and impact investment. Luke was also a member of NAB's Corporate Responsibility Leadership team. Prior to this role Luke led the community program at the Australian Securities and Investments Commission.

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