

MARTS & LUNDY SPECIAL REPORT

# **Trends and Issues in Philanthropy: 2012 – 2014 Survey of APGA Members**

The American Public Gardens Association (APGA), along with a number of major gardens and arboreta, invited Marts & Lundy to conduct a third study of its member organizations with the goal of understanding the state of philanthropy at gardens and arboreta across the United States. APGA's vision — a world where public gardens are indispensable — points to the absolute significance of these institutions in our society. Using research to measure giving by loyal donors and the strategic investments that gardens make to attract that generous support, APGA seeks to provide all who share in this vision the data and analysis necessary to achieve it.

Our analysis, the third trends survey conducted by Marts & Lundy as a pro bono service in support of the field, revealed two high-level findings, around which strategies can be constructed and best practices applied to stimulate growth in overall fundraising.

When compared to the first two studies Marts & Lundy conducted, with data spanning 2003 to 2005 and 2006 to 2008, this study from 2012 to 2014 indicates:

Overall dollars raised from individuals remained relatively flat. Given the historic wealth transfer underway, the tremendous concentration of wealth, and the return of significant individual giving at the major and principal gift levels, there is reason to believe that individual giving should be increasing at a much accelerated rate. The trends seen in Study 3 suggest that there is opportunity to significantly increase individual philanthropy by better resourcing programs, and also aligning existing fundraising investments to strengthen planned giving and major/principal gifts programs.

The number of gardens and arboreta reporting they are in a campaign has held steady, with campaign goals that are slightly more ambitious. Data from other sectors demonstrate that campaigns have the potential to increase philanthropic giving across the continuum of fundraising programs, resulting in sustained increases in overall giving. Moving from narrowly focused campaigns to an investment in comprehensive campaigns will expand the donor base and deepen engagement.

This Special Report summarizes data across a range of gardens by size and business models. We respect the variety of organizations in this data pool and understand that any individual garden or arboreta faces unique challenges — and opportunities — in its local market. To provide context from a larger landscape of institutions, we add comments drawn from best advancement practices and positive trends from other sectors — universities, museums and the performing arts.

In our findings and analysis, we examine in depth the topics of budget, staffing, income and campaigns. In this report we extract the topline data that supports recommendations on how to leverage resources to attract larger gifts and increase philanthropic giving overall. For a complete set of data charts and tables, please visit us at [www.martsandlundy.com](http://www.martsandlundy.com) or write us at [comments@martsandlundy.com](mailto:comments@martsandlundy.com).

## BACKGROUND

Institutions were divided into four cohorts based on size of operating budget as reported by APGA. In order to compare to the previous two studies, participants in this study were categorized as follows:

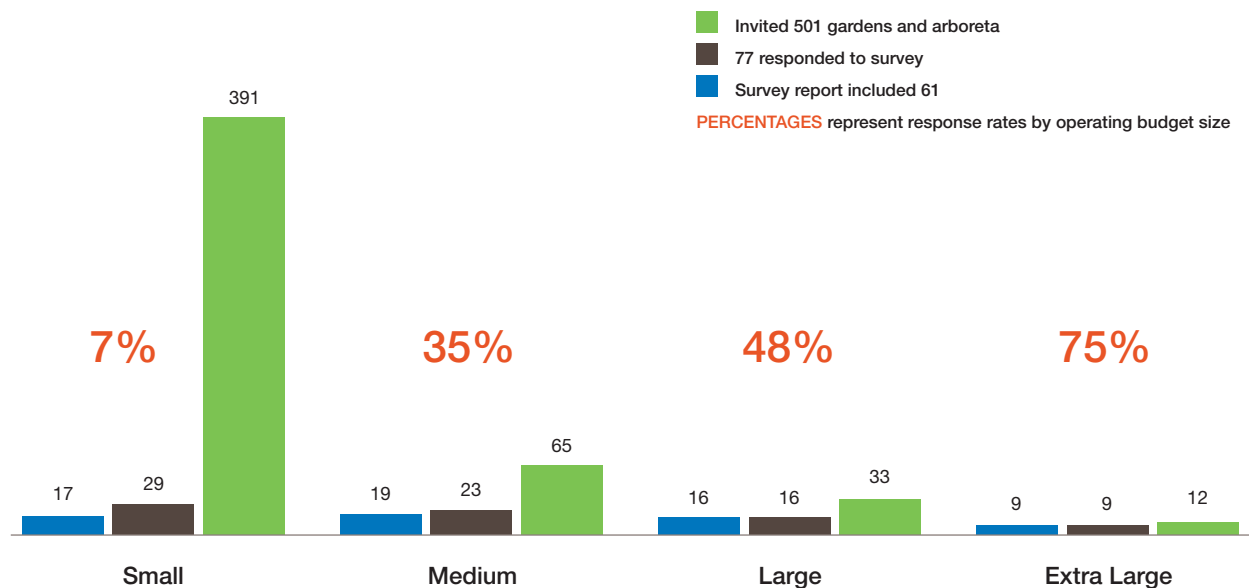
- **Small:** Total operating budget below \$1M
- **Medium:** Total operating budget between \$1M to \$2.499M
- **Large:** Total operating budget \$2.5M to \$9.99M
- **Extra Large:** Total operating budget \$10M+

While our first study and this most recent study included institutions of all sizes, our second study excluded those with an operating budget of less than \$1M, causing some of the trend charts to be missing data for small institutions from 2005 to 2008.

### About Our Participants

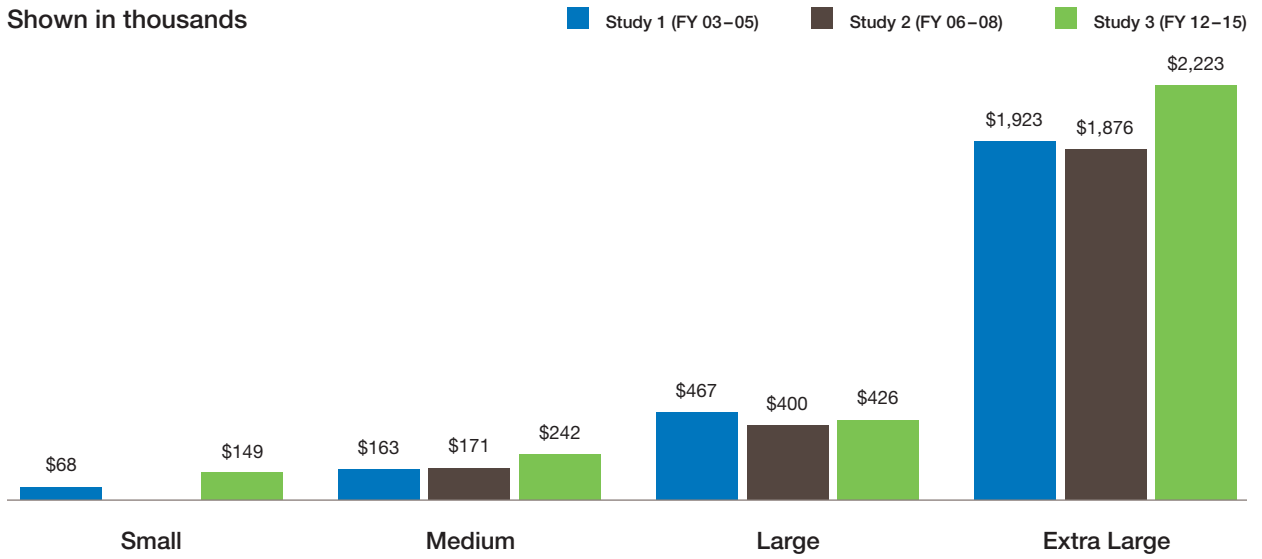
Marts & Lundy sent an online survey to 501 gardens and arboreta with an invitation to participate in the survey (Figure 1). We received 77 responses. Repeat participants totaled 33 institutions (54 percent from Study 1 and/or Study 2).

**Figure 1: Participation by Garden/Arboreta Operating Budget Size**



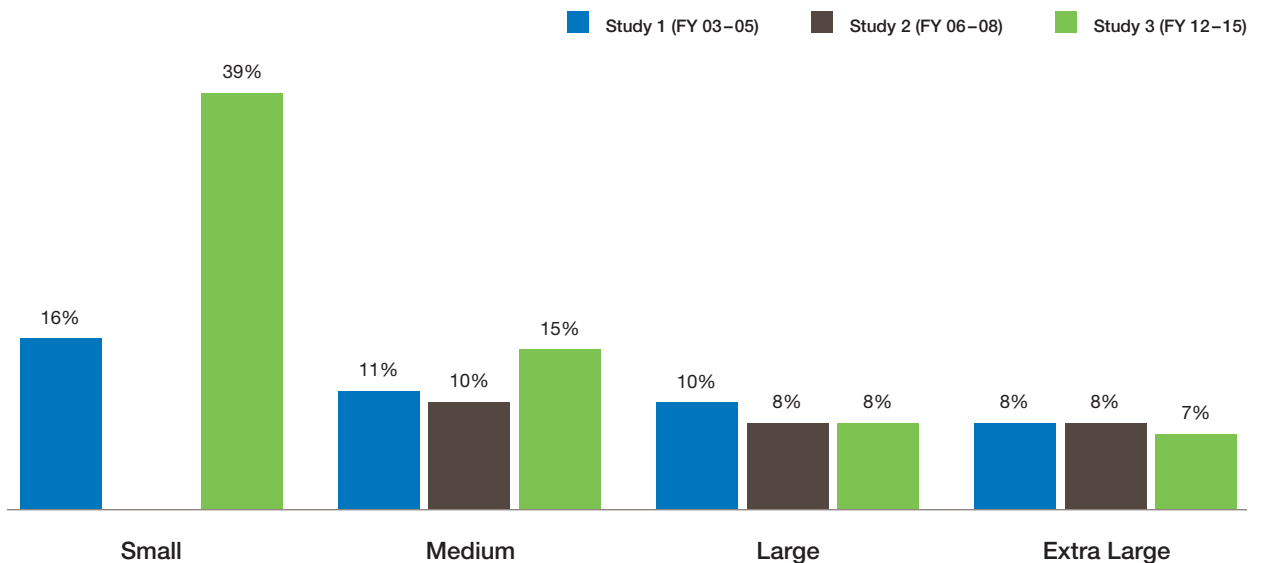
Participating gardens and arboreta reported development budgets greater than the second study (Figure 2).

**Figure 2: Total Operating Budget for Development**



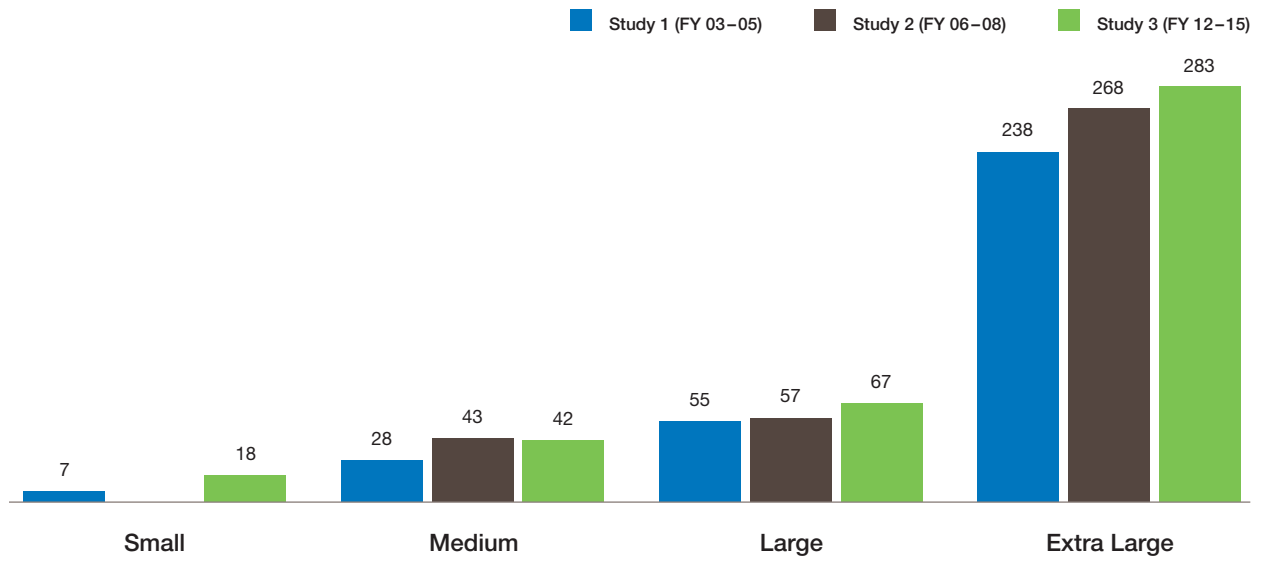
Growth as a percentage of the total operating budget is most marked within Small organizations with clear increases among Medium. As a percentage of total budgets at Large and Extra Large gardens, development budgets are holding steady (Figure 3).

**Figure 3: Development Budget as a Percentage of Total Operating Budget**

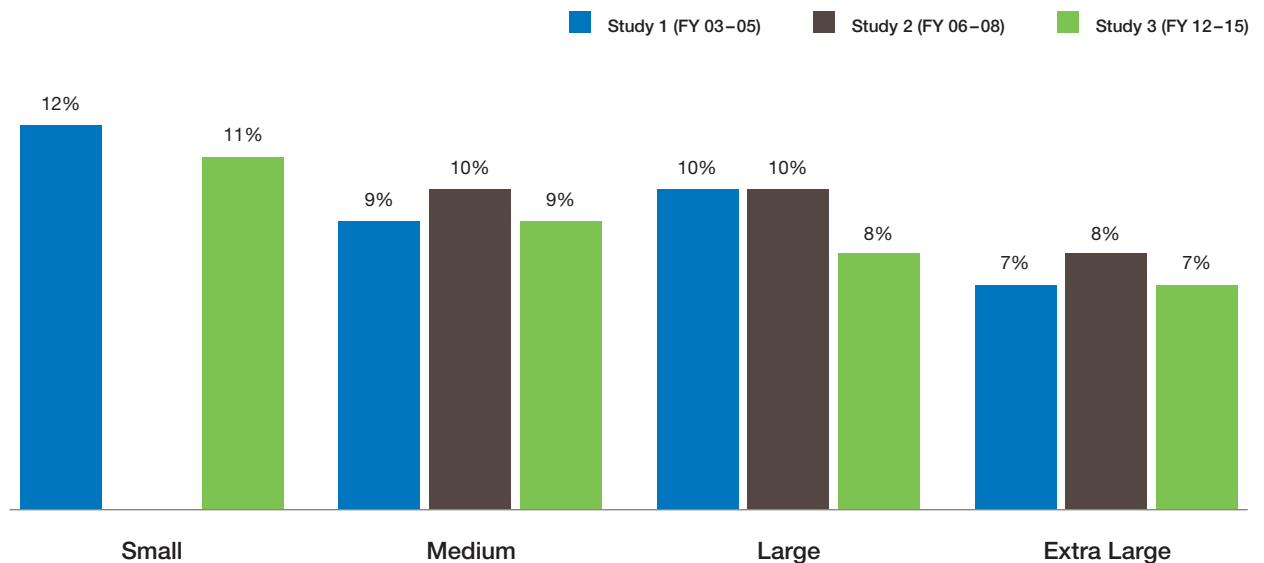


While total organization FTEs rose (Figure 4), development and membership FTEs did not keep pace (Figure 5).

**Figure 4: Total Garden and Arboreta FTEs (Professional and Support)**



**Figure 5: Development FTEs as a Percentage of Total FTEs**



## INCOME SOURCES: INVESTING RESOURCES IN ORDER TO GROW PHILANTHROPY

Figure 6: Total Organizational Income by Source

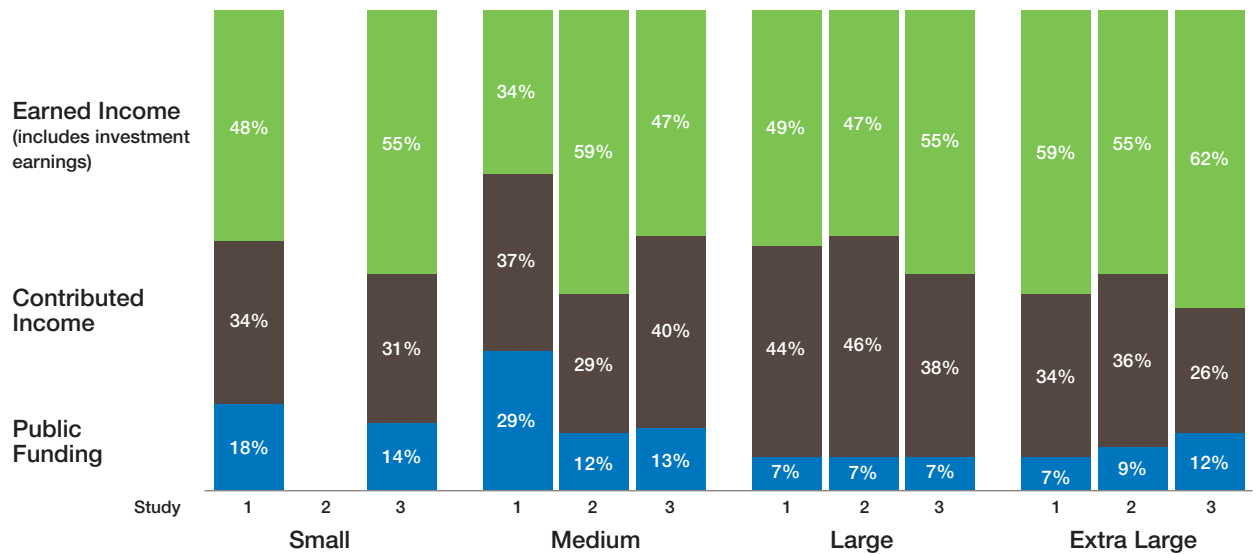
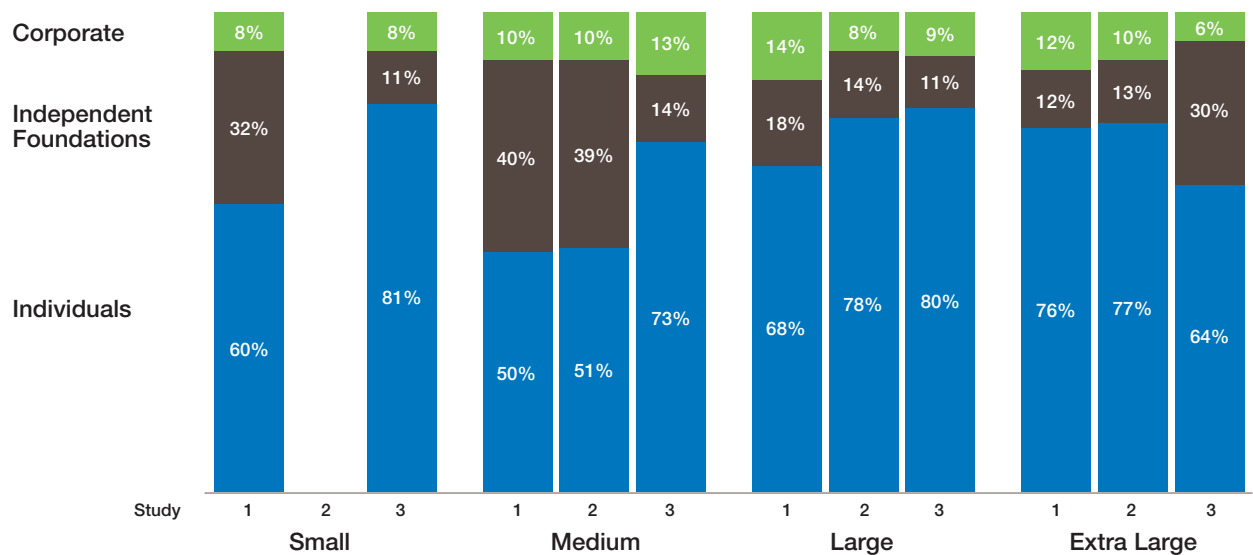


Figure 7: Contributed Income by Source



Earned income remains a key source of funding for all gardens and arboreta; in fact, it has increased in the overall revenue mix. By contrast, private philanthropy — inclusive of membership and contributions — is decreasing overall in all but Medium sized organizations. As private philanthropy continues to return to pre-recession totals on a strong trajectory, it is surprising that contributed income totals are not increasing more consistently (Figure 6).

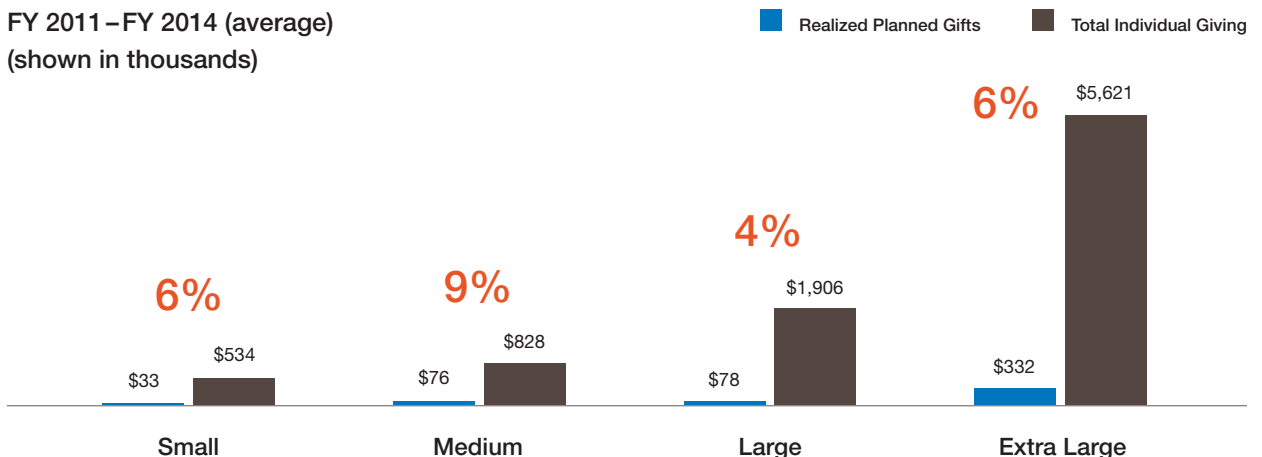
A closer examination of the sources of contributed income shows that corporate philanthropy (including corporate sponsorships) barely holds steady as a revenue source (Figure 7). At Extra Large organizations, corporate philanthropy is decreasing as a percentage of overall contributed income, however these organizations are realizing a higher percentage of giving from independent foundations. This may be due to foundations’ interest in funding programs in research and education offered by these Extra Large gardens and arboreta.

“The success of some Extra Large gardens and arboreta with independent foundations stands as a model for all institutions putting forth programs that impact visitors and the communities they represent. With programs of research and education in place, opportunities increase for both corporate and foundation giving,” said Willard White, Leader of the Arts & Culture Practice Group for Marts & Lundy.

Among individuals and family foundations where significant wealth resides, predictions of major increases in giving are not being realized, at least not at the pace anticipated. In Extra Large organizations, the category judged most likely to benefit from mega gifts, we see decreases.

Planned giving continues to be an insignificant percentage of overall individual giving revenue, averaging between four and nine percent (Figure 8). “When compared to other cultural organizations such as museums, and other nonprofit sectors such as higher education, health sciences and environment and conservation, opportunities to cultivate planned gifts for gardens and arboreta appear to be underleveraged,” said Lynne LaMarca Heinrich, Senior Consultant & Principal with Marts & Lundy. “This seems especially true in light of membership and docent/volunteer programs with long-tenured members and participation rates, and the older demographics of members.”

**Figure 8: Realized Planned Gifts**



“For gardens and arboreta, the use of predictive modeling is one of the most promising tools for determining the most likely prospects for major gift and planned giving programs. Identifying these potential donors and investing resources to cultivate and steward them will yield higher giving overall and allows for more efficient use of the development budget,” added Lynne.

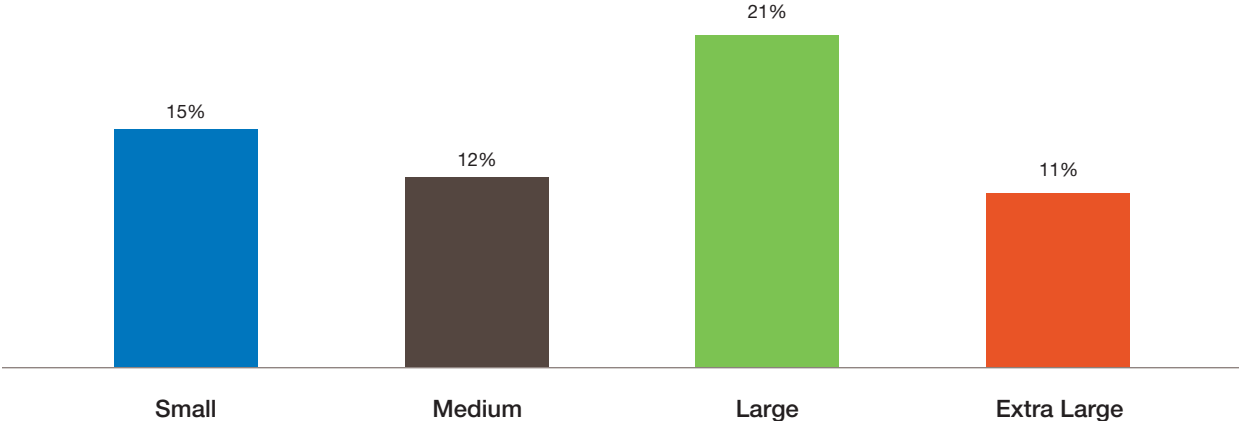
When revising the survey tool for this recent three-year study, our Advisory Board of eight gardens and arboreta stressed the importance of gifts for operations in the current era. Sustained operations requires revenues for basic mission, always the top priority of Museum managers. For the recent study, we added a new question about Board giving for operations.

Giving by board members to annual operations remains a small portion of individual giving across all gardens and arboreta (Figure 9). It is important to cultivate higher levels of giving from boards, particularly as we look to board member gifts to inspire others to give generously.

**Figure 9: Board Giving to Annual Operations as a Percentage of Individual Giving**

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FY 2011 – FY 2014 (average)



The factors at play in board giving are complex and worthy of study. Marts & Lundy is in the third year of research into board giving at top nonprofits in New York City. We are discovering relationships between certain board characteristics and higher board giving, as well as higher giving overall. Among the key findings from our 2014 study were four actions that emerged as a multidimensional approach to working with boards:

- Set Giving Expectations
- Manage Board Size, Desired Profile and Composition
- Plan Board Recruitment, Review and Renewal
- Engage Board Members from the Beginning

You can find the most recent report **2014 New York Board Giving: Adding Facts to Anecdotes** at [www.martsandlundy.com](http://www.martsandlundy.com).

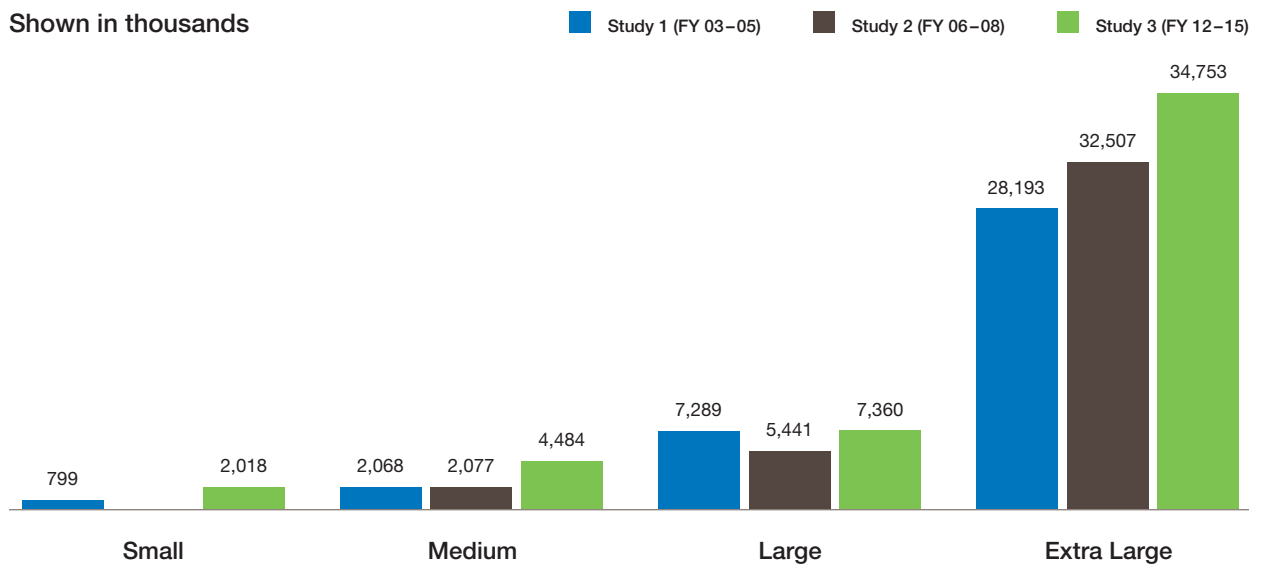


## ABOUT MEMBERSHIP

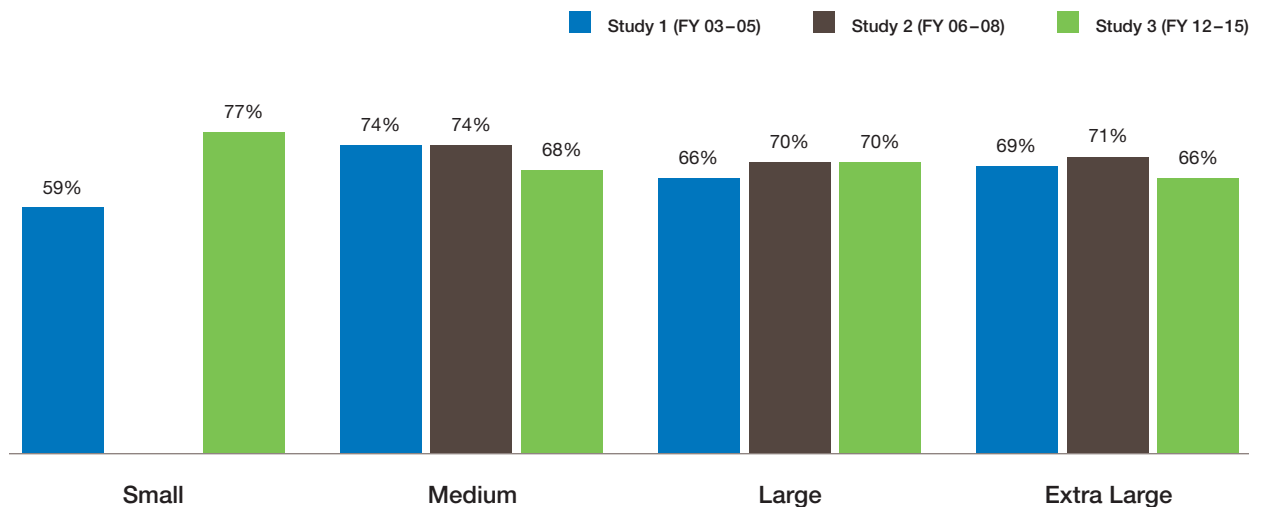
Membership clearly serves the important role of bringing new visitors and first-time donors into garden and arboreta communities, and provides essential structure for building relationships.

The number of member households (Figure 10) has increased by approximately 27 percent since our first study (which included data from 2003 to 2005). Annual retention rates, however, are mixed with Medium and Extra Large gardens and arboreta experiencing a slight decline (Figure 11). Stronger stewardship and loyalty programs are employed to boost rates at key gardens and arboreta.

**Figure 10: Number of Member Households**



**Figure 11: Annual Retention Rates**



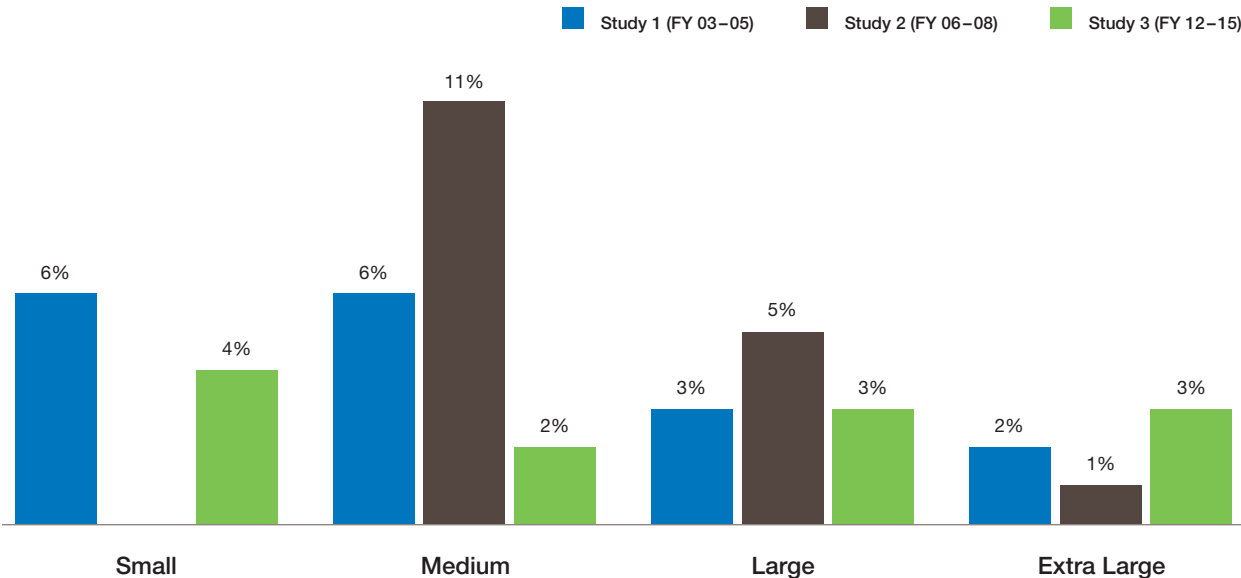
While retention rates are fairly stable across all participating gardens and arboreta, we expected higher retention rates for higher membership levels. This assumption follows the success of leadership annual giving societies where the philanthropic case for support (and not the transactional benefits of affiliation) attracts loyal donors at levels of \$500, \$1,000 a year and higher. Renewal rates for top annual donors are higher than retention rates for members. In the current study, retention rates drop at higher price points. One possible finding: a need to invest more to fulfill the household or partner relationships. This is the place to convert loyal members to higher level donors (Figure 12).

**Figure 12: Individual Membership Rates and Retention**

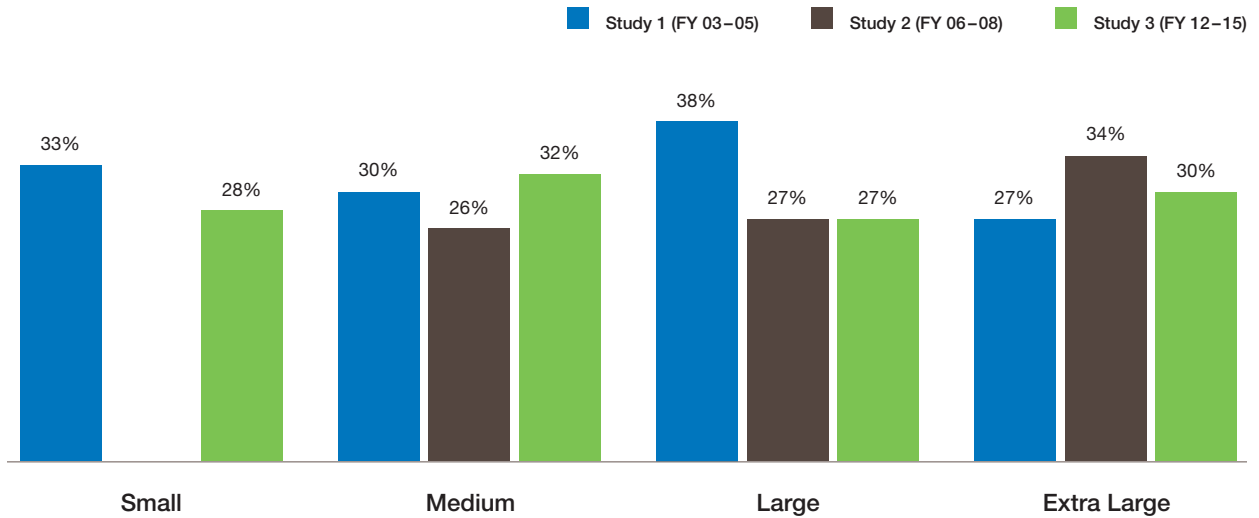
Individual Membership Price	3 Year Avg Retention Rate	% of Members at Entry Price
Below \$45	77%	72%
\$45-\$55	69%	57%
\$56+	65%	74%
<b>Overall Average</b>	<b>70%</b>	<b>65%</b>

As we look at resource allocation, it is telling that a higher percentage of FTEs are allocated to Membership than to Planned Giving. This is understandable, given the high number of transactions to acquire, fulfill and renew memberships, functions that are labor-intensive (Figures 13 and 14).

**Figure 13: Planned Gift FTEs as Percentage of Total Development FTEs**



**Figure 14: Membership FTEs as Percentage of Total Development FTEs**



While Membership is an important component of donor engagement, it should be managed carefully to build retention and to advance the larger gift opportunities available to individuals through either major or planned gifts. Development and membership resources should be allocated in the manner that most effectively and efficiently moves members to higher levels of giving in support of program mission.

“More and more institutions integrate planned giving with individual giving and major giving. It’s a seamless process of motivating a stretch gift and asking the prospect to consider a deferred component for that gift,” said Willard.

## CAMPAIGNS: ENGINES FOR ADVANCEMENT

Over time, Marts & Lundy has studied the short- and long-term effect of comprehensive campaigns. What we observe is that comprehensive campaigns, properly planned and implemented, yield higher overall giving well beyond the official end to the campaign itself. This is literally the “post-campaign bump” with a new baseline for annual giving at all levels.

The percentage of gardens and arboreta reporting they are in active campaigns averages 51 percent, which is consistent with prior studies’ data. This current study does shows some step-up in ambition in the size of public campaigns, perhaps reflecting increased confidence in the economy and more thorough planning and testing for campaign success (Figure 15).

When we looked at campaigns in this study, capital projects received the highest percentage of campaign dollars raised (Figure 16). “This suggests two factors are at play in these campaigns,” offered Lynne. “There is a demographic for which capital projects are quite appealing, and gardens and arboreta tend to have a high number of members who fall into this category. At the same time, it points to campaigns that likely are not comprehensive and lack cases for support that appeal to a diverse base of potential donors.”

Figure 15: Current Campaigns overview of Reporting Gardens and Arboreta

	First Study (FY03–05)			Second Study (FY06–08)			Third Study (FY11–14)		
	Years of Camp.	Camp. Goal	Anticipated Dev. Camp. Exp. Budget as % of Total Goal	Years of Camp.	Camp. Goal	Anticipated Dev. Camp. Exp. Budget as % of Total Goal	Years of Camp.	Camp. Goal	Anticipated Dev. Camp. Exp. Budget as % of Total Goal
Small	1.5–6 yrs	\$25K–\$10M	0.3%–8%				1–7.7 yrs 3.8 years (average)	\$15K–\$7M	0.1%–1.5% 0.4% (average)
Medium	1–6 yrs	\$200K–\$10M	0.6%–3%	5–9 yrs	\$4.5M–\$8.5M	0.2%–5%	1.3–10 yrs 4.5 years (average)	\$10K–\$22M	1%–6.5% 1.5% (average)
Large	1.5–7 yrs	\$750K–\$55M	1.3%–8%	1–9 yrs	\$1.7M–\$60M	1%–36%	2–5 yrs 3.5 years (average)	\$5M–\$60M	0.2%–7.2% 3.1% (average)
Extra Large	6–7 yrs	\$18M–\$100M	2.2%–18.2%	4 yrs (1 org.)	\$50.9M (1 org.)	N/A (1 org.)	3–9 yrs 5.7 years (average)	\$18M–\$480M	2.8%–9.3% 6.5% (average)

Figure 16: Most Recent Campaign Percentage of Goal Raised by Purpose

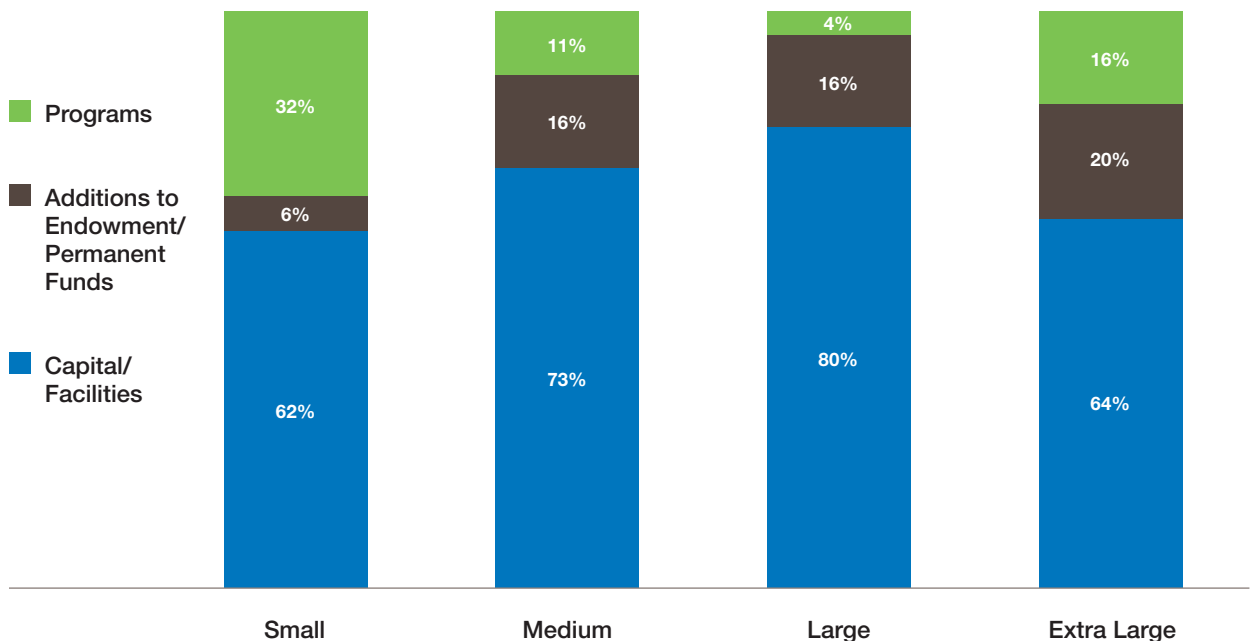
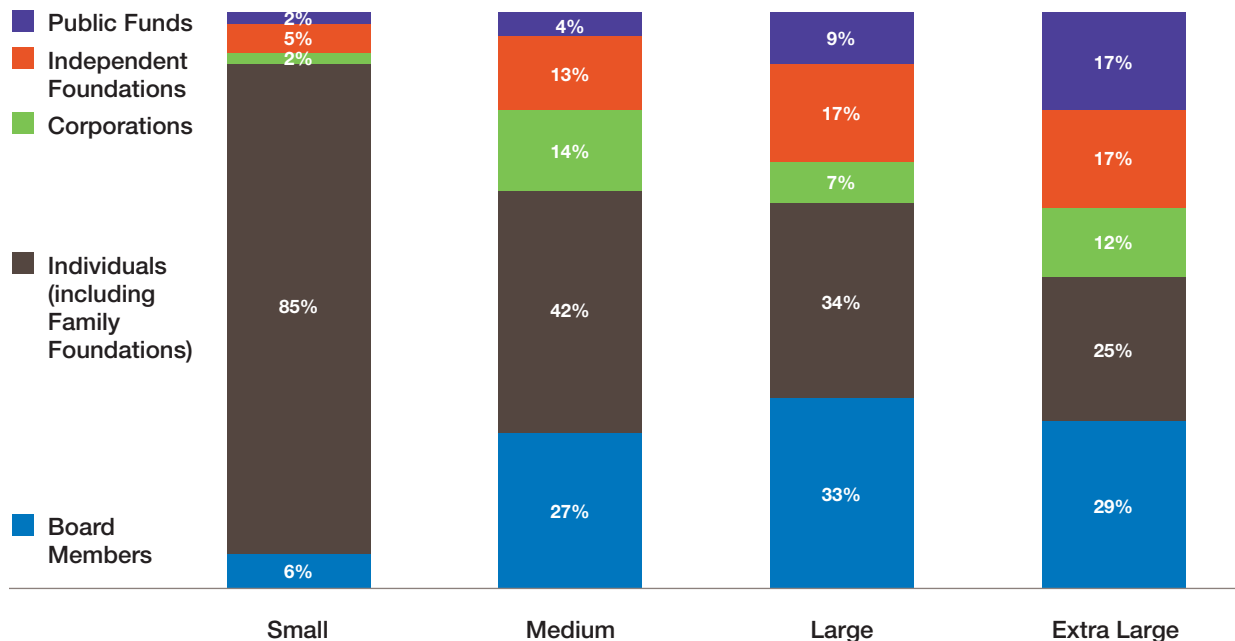


Figure 17: Most Recent Campaign Percentage of Goal Raised by Source



Board members gave a significant percentage to campaigns across all sizes of gardens and arboreta as did individuals and family foundations. Campaign support from independent foundations was significant for the Large and Extra Large institutions, a finding in keeping with their expanded education and research programs.

Of note also is the high variability in public funds for campaigns, which appear to be more accessible to gardens and arboreta already receiving direct support through taxing districts. This would also benefit the Large and Extra Large organizations (Figure 17).

According to Willard, “The bottom line is that whether in an active campaign or not, gardens and arboreta need to follow a campaign model: they must craft a strong case, understand their diverse base of constituents and continually work to strengthen staff and volunteers’ skills and understanding of donor cultivation and stewardship.” Campaigns are engines for fundraising success at all times.

While we recommend using the tools of campaigning between campaigns, it is best to bracket periods of strategic growth under the heading of a formal, public campaign.

**About The Case for Support**

According to Ron Arena, Leader of Strategic Communications for Marts & Lundy, an effective case for support is grounded in three questions: Why us? Why you? Why now?

The first question addresses what it is about the organization that merits consideration of a person’s philanthropic support. The second is about the donor and the impact a philanthropic gift would make. The final question addresses the urgency of the campaign and the priorities that have been outlined.

Willard considers the written case to be a guiding document that touches all programs: “Craft your institutional case to support all communications at all levels and programs, starting with membership events and renewals. Ultimately your fundraising success depends on a consistent statement of current value and future impact to the region you serve. Having clear talking points and staying ‘on message’ makes all the difference in today’s competitive market.”

**Key Issues Across all Participants**

At the conclusion of our research survey, we asked what key issues were being encountered today and would likely be present in the future. Consistent across gardens and arboreta of all operating budget size were these four challenges:

- Strategies for converting members to philanthropic donors
- Engaging and motivating the Next Generation
- Board/volunteer engagement in fundraising
- Case for support/setting clear priorities for funding

This year’s survey of APGA members – and our now nine years of data within a 12-year span – help build a longitudinal understanding of the quantitative factors at play in the sector’s performance in philanthropy. However, for professional fundraisers and volunteers alike, we quickly move to the question: How do I use this data to make good decisions?

**Recommended Action Steps**

We offer these recommendations, which can be used to bring strategic focus to conversations among your staff and with your board as well as affirm what you may already have been discussing.

- Invest for success. Leadership annual giving is the engine for current gifts and the pipeline for future major gifts. Ensure the appropriate focus on upgrading of members.
- Balance investments between membership and individual giving; major and principal gifts are the most cost effective of all fundraising programs.
- Review stewardship and cultivation practices and commit to innovative strategies. Facilitate philanthropic relationships rather than transactional exchanges.

- Review donor and prospect lists regularly, to ensure that adequate attention is paid to all qualified prospects.
- Integrate planned giving and individual giving to build pipelines. Ensure resources are aligned for growth in planned giving.
- Set expectations for board giving, so that their gifts will inspire others.

**ABOUT THIS STUDY**

The full report *National Trends in Gardens & Arboreta Philanthropy: Benchmarking Study (2002–2014)* can be found at: [www.martsandlundy.com](http://www.martsandlundy.com). The report includes an in-depth analysis of gardens and arboreta segmented by operating budget size.

Marts & Lundy greatly appreciates the efforts of participating institutions in providing the data needed for this study. A special thanks to the American Public Gardens Association (APGA) for their assistance with this project as well as the group of volunteer gardens and arboreta who assisted in reviewing the survey instrument.

**Marts & Lundy conducted this study pro bono under the leadership of our Arts & Culture Practice Group and with significant support from our Analytical Solutions Group.** Our firm was founded in the belief that philanthropy has the power to transform not only institutions but, more importantly, the world in which we live. We remain steadfastly committed to contributing innovative thinking and thought leadership to the profession of fundraising. The donation of our time and expertise to this project is a direct extension of our mission, and we are pleased to contribute to the advancement of gardens and arboreta throughout the country.

**PHILANTHROPY OUTLOOK**

In February 2015, Marts & Lundy in partnership with the Indiana University Lilly Family School of Philanthropy released **The Philanthropy Outlook 2015 & 2016**. It is the first scientifically constructed model that predicts giving in the near future. According to the report, contributions from all sources of giving are expected to grow into 2015 and 2016. Total giving is predicted to grow 4.8 percent in 2015 and 4.9 percent in 2016. The Outlook offers further reason to believe that now is the time to invest in growth. The future of philanthropy is bright. You can find The Philanthropy Outlook 2015 & 2016 at [www.martsandlundy.com](http://www.martsandlundy.com).

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