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Acknowledgments

Each *State of the Nonprofit Sector Report* requires the help and contributions of many. This year’s *Report* is no different. First and foremost, we thank the nonprofit leaders who participated in our series of focus groups, sharing their challenges and successes. We also thank those who agreed to be interviewed for this report and provided important feedback to the authors.

We also thank the bright students who provided research assistance for various portions of this report, including Rocio Bonsall, Batul Joffrey, Mindy Chen, and Karna Wong.

The Center for Civil Society enjoys wonderful support from the UCLA Luskin School of Public Affairs, in particular Dean Frank Gilliam and the Luskin staff whose work supports our research and outreach. Thank you to Jocelyn Guihama for managing this project and for her work on the Nonprofit Update.

Finally, we thank our Presenting Sponsor The Annenberg Foundation for support of our study and the 2014 State of the Nonprofit Sector Conference.
The UCLA Luskin Center for Civil Society has researched and published annual reports on the State of the Los Angeles nonprofit sector since 2002. Our goal is to conduct research to help nonprofit executive directors, staffs, and boards as well as government policy makers, foundations, and donors to better understand the shifts in demands and resources affecting the sector.

In recent years we have focused the report on the lingering effects of the 2007 recession, specifically human services organizations working in high poverty neighborhoods. We documented sharp declines in government revenues and, in many cases, donations, as demand for services grew in the wake of high unemployment and underemployment in Los Angeles County.

As revenues and expenditures in the sector have begun to return to their pre-recession levels, however unevenly, and the number of nonprofit organizations is again growing in the county, we have turned our attention back to the sector as a whole and the challenges organizations face to sustain and grow.

This particular study has two points of origin. The first came out of listening at meetings of foundation and nonprofit leaders convened by the Annenberg Foundation’s Alchemy Gold program. Through Alchemy, nonprofit executive directors and board members engage in intensive capacity building work aimed largely at strengthening boards and diversifying funding sources, which in most cases, involves strategies to strengthen individual giving. It was striking, however, how little is known about the universe of individual giving in Los Angeles, the supply side. Who gives? Where do they give? Why? Who doesn’t give? What, if anything, is changing? Most of the answers to these questions have been anecdotal. Reliable data is limited. There has been very little local research on the topic.

The second origin point grew from research begun by UCLA Luskin Professor Paul Ong, an economist and demographer who recently established the Center for the Study of Inequality at UCLA. Professor Ong had been doing work on Asian American nonprofits and philanthropy and had devised an interesting formula for identifying high-performing and low performing neighborhoods by their propensity to give and the amount given relative to income by zip code.

We proposed to build the 2014 State of the Sector report on mapping of generosity in Los Angeles, add other available, relevant sources of data, review the literature on the topic, and conduct focus groups for nonprofit leaders to discuss the data and our findings. We are grateful to the Annenberg Foundation for their generous support.
This is what we found and what the data suggests:

- Giving in Los Angeles still lags behind the region’s recovery from the recession. Los Angeles County residents reported deducting $6.09 billion for charitable contributions from their federal taxes in 2012, the most recent year for which there is data available. Back in 2006, Angelenos reported total deductions of $6.94 billion. It dropped to $5.6 billion in 2008, the height of the recession. Still, between 2006 and 2012, there has been a 12.2 percent drop in reported charitable giving in Los Angeles County. This weak rebound in giving is consistent with the experiences of individual nonprofit and philanthropic leaders convened in focus groups and interviewed for this report.

- From IRS 990 data, in terms of total revenue and contributions, gifts and grants, health organizations (excluding hospitals), human services organizations, education, and higher education have seen increases in funding between 2008 and 2012. Only Arts, Culture and Humanities has seen a decrease, with small and community-based arts organizations reporting the most difficulty raising funds.

- There is little that is particularly remarkable or unusual about Los Angeles in the aggregate compared to major cities across the U.S. in terms of public generosity and lack thereof, favored charities and causes, and percentage of income and amounts given.

- Forty percent of Los Angeles residents report that they donate to charity, including donations to and through religious organizations that are not tax deductible.

- In Los Angeles County, giving strongly correlates with age, educational attainment, and income and, to some degree, race and ethnicity.

- Diversity matters, but it is complicated. Of the major racial and ethnic groups, Whites and Asians in Los Angeles are more likely to give than African Americans and Hispanics/Latinos. There is, however considerable variation within those groups. Research at the national level has shown that Jewish, African American, Mormon, and Christian Evangelicals donate higher percentages of their incomes to charity and churches than other White, Asian and Hispanic/Latino givers, and considerable Asian and Hispanic/Latino wealth informally supports extended families at home and abroad.

- The more immigrants are incorporated into an area, the more likely they are to give.

- The recession really hurt. Between 2006 and 2012, Los Angeles County residents who itemized contributed on average almost $1,500 to charitable causes, but that giving diminished significantly after 2007. Before the start of the recession in 2006, the average contribution was more than $1,700. By 2008, however,
average contributions had declined by 21 percent. Between 2006 and 2008, total tax-deductible contributions declined by $1.28 billion for the county as a whole, which translates to a decline of roughly $350 per tax filer.

- The highest levels of generosity in terms of the percent of the population that donates to charity and the share of income donated to charity can be found in Los Angeles’s most and least wealthy neighborhoods. High performing neighborhoods include Westwood, Holmby Hills, South Pasadena, the Miracle Mile, parts of Santa Monica and Glendale, as well as Inglewood, South Vermont, Watts, and Carson. In fact, South Los Angeles neighborhoods outperform affluent coastal communities such as Malibu, Pacific Palisades, and Manhattan Beach. Research suggests that this divide correlates to active religious participation in churches, synagogues, and mosques, social capital, and neighborhood stability.

- In terms of major gifts, Los Angeles Nonprofits are vying for the high generosity of a very small percentage of high net worth households, which are estimated to provide half of all individual giving to nonprofits. Nationally, it is estimated that the top 1 percent is responsible for 25 percent of all individual giving. The California Community Foundation has calculated the top 0.6 percent of households (19,528) controls almost one third of the county’s wealth and the top 3.2 percent (105,548) controls almost two thirds of the county’s wealth.

- Individual giving patterns reflect growing inequality. The dramatic increase in average annual household income at the highest levels, estimated to be between 30 and 50 percent since the recession, stands in sharp contrast to the incremental increase in charitable giving. Many of the wealthy appear to be making more and giving less. This is also supported by available evidence on a decline in the number and amount of major gifts in recent years across the region.

- In terms of major gifts over $1 million, higher education has the most recipients as well as donors. The number of major gifts saw a steady increase through the recessionary years of 2001-2002, but went into a significant decline during the recession of 2007-2009 and has not rebounded.

- Los Angeles is a key player in major giving, with more dollars flowing out of the area than are coming in.
Los Angeles County residents donate about $6 billion annually to charities and other nonprofit institutions. While this is an impressive figure, it represents only a fraction of total spending on human services, education, health, and arts and culture in the County. It is roughly equal to not only what Los Angeles County pays in public assistance alone ($6.5 billion) but also the entire Los Angeles Unified School District Budget ($6.6 billion). This 2014 State of the Nonprofit Sector Report has two goals: first, to provide nonprofit executive directors, board members, and fund-raisers a useful guide to what is known and what matters when it comes to individual giving and, second, to inform and assist donors in the region to better understand the patterns, effects, and challenges of charitable giving in Los Angeles County. More specifically, this report was conceptualized as a primer and guide to individual giving in Los Angeles, a tour of the territory, and a contribution to the local literature in capacity building for newer board members, executive directors, and fund-raisers. We have set out to paint as comprehensive a picture of individual giving as possible from available local data and extrapolations from national and regional data and research, as well as from the experiences and assumptions of people who have been successful in developing individual giving strategies in the region.

The impetus for this report came from UCLA Luskin Professor Paul Ong. Following his research on Asian American nonprofit organizations, Professor Ong, who recently established the UCLA Luskin School Center for The Study of Inequality (CSI), devised a methodology to identify high- and low-performing neighborhoods in terms of charitable donations at the zip code level and identified related sources of data to develop a more complete portrait of the region’s giving. Silvia Jiménez, assistant director of the Center, compiled, analyzed and mapped the data. Elena Ong compiled and illustrated data on major gifts and flows in the county. Bill Parent, director of the UCLA Luskin Center for Civil Society (CCS), oversaw the literature review, conducted the focus groups, and synthesized and authored the final report.

Throughout the report, we employ a broad definition of individual giving, reflecting the informal view of the nonprofit sector. This includes individual private givers as well as family foundations, corporate giving, trusts, donor advised funds, giving circles, etc. It does not include large operating foundations such as Weingart, Ralph M. Parsons, or Annenberg. It does not include the community foundations, like the California Community Foundation, although it does include its donors.

Individual giving is critical to the nonprofit sector. Nationally, it is estimated that individuals make 72 percent of all donations to nonprofit organizations. (Fifteen percent comes from foundations, eight percent from bequests and five percent comes from corporations). Most basic needs, education, health, human services, advocacy, and arts and culture nonprofits have robust individual giving strategies and practices. Because nonprofit organizations have been under constant pressure from their government and foundation funders to
diversify, an entire cottage industry in capacity building has grown, paralleling the growth of the nonprofit sector itself, largely dedicated to increasing individual giving through board development and devising more effective strategies and technologies to increase private support. Academic research on individual giving is limited. There is little information available to nonprofit organizations to be able to ask: Are there enough individuals, family foundations, and other donors in the Los Angeles region to help our organization? What are the motivations of people who might contribute? How might they contribute? What trends are leading people toward or away from contributing to our organization?

To begin to answer these questions, this report uses a mixed-methods research design. On the quantitative side, the report relies on several sources for primary data: the Bureau of Labor Statistics Current Population Survey (CPS), a national survey of 60,000 households nationally, which includes a representative sample of approximately 2,000 households in the Los Angeles region, as well as data compiled through the National Center for Charitable Statistics (NCCS), a national repository of Internal Revenue Service (IRS), government agencies, and banking and financial sector reports. This report also includes a spatial analysis of giving in Los Angeles using U.S. IRS Statistics of Income data. We also cite academic and independent research—including a database of major gifts tracked by the Indiana University Lilly Family School of Philanthropy and compiled by *The Chronicle of Philanthropy*.

Getting an accurate picture of individual giving solely through available quantitative data, however, is difficult. It is like working a jigsaw puzzle without all the pieces. Data on tax deductions, for instance, show only donations that filers declare, only a portion of which are itemized, and those donations are classified in broad, overlapping categories that do not reflect the complexity of the nonprofit sector. Comparisons are also tricky. There is considerable variation, depending on the sources and methodologies, to the most basic questions. For instance, if one looks at the latest data as the percentage of income given, Los Angeles has an overall rate of 2.93 percent, but the variation across income groups ranges from 6.9 percent among the poorest county residents and 3 percent among the most wealthy to 2.3 percent among the upper middle class (incomes between $100,000 - $200,000). Survey data are also limited in that surveys require people to be truthful about the sensitive issues of money and generosity. Regional survey data are limited, and national surveys have been inconsistently administered over time.

For this reason, on the qualitative side, the report relies on the opinions of experienced, senior nonprofit executive directors (EDs) in kindergarten through 12th-grade (K–12) education, advocacy, human services, and arts and culture organizations who have been successful in attracting and cultivating individual donors. Throughout the report unattributed quotations from these leaders appear in italics. They were drawn from two-hour anonymous focus groups with leaders of peer organizations, and follow-up interviews were also conducted with other leaders across the sector. Mega-Institutions, such as universities and hospitals were excluded because their combined budget size and the complexity of their operations are not representative of the challenges facing the bulk of the region’s active nonprofit organizations, although their impact on giving and the distribution of charitable resources is reflected throughout the report.
Before getting to the data, it is important to stress the diversity, complexity, and varied motivations of people who donate to nonprofit organizations. As a starting point, in the focus groups nonprofit leaders were asked, “Suppose you have a new, young development staffer in your organization. What does that individual need to know about giving in Los Angeles? What experiences and observations would you share with this person? What distinguishes people who give to your organization? Why do they give?”

Different people give to different charities and causes for different reasons. Nonprofit leaders from the human services sector identified their donors as people “who come from families that encourage and talk about giving; who participate in a faith tradition that encourages service and generosity,” who “donate consistently to charities they are familiar with, who give smaller gifts to a range of charities,” and “who regularly participate and support special events walks, road races, and clean-ups.” For social, racial, and ethnic advocacy organizations and environmental groups, donors are “are those who see nonprofit organizations as a way to amplify their voices.”

“It’s not so much about advocacy, it’s about voice” and “quality of life,” one director said. For community-based nonprofits in particular, “a lot of times, the advocacy component doesn’t get on people’s radar, what gets on their radar is that you give citizens, kids, seniors, and poor people a collective opportunity to speak and be heard about things they care about.”

For schools and education nonprofits, the answers vary according to the type of organization. For traditional public schools, giving is most often “associated with making sure my child is treated well.” For private schools, giving is associated with “status, both the donor’s and the school’s.” For new charter and theme schools, many donors see themselves as school reformers who seek greater autonomy for individual schools; concentration in science, technology, and math; and a drive to prove that public schools can work for low-income children. Many charter schools, particularly those in which principals have the power to hire and fire, have aligned themselves with values and practices attractive to business leaders. “Charter schools are nimble,” one participant noted. “Charters are easy to communicate with.”

The most distinctive answers came from leaders of arts and culture nonprofit organizations. They identified their donors as, first, people who have had “positive to transformative experiences in arts in their childhood,” who have a mix of strong benevolent and consumptive motivations—“They like to do good things for people and their personal sense of status and prestige flows through their association with art, music, writing, dance, and theater”—people “who were raised in families engaged in arts and culture philanthropy,” and those “with a particular passion for particular art forms, genres, and artists.”

Overall, however, the focus group participants all said that most donors are, quite simply, generous people. “A good prospect,” said one focus group member, “is someone who has
given in all aspects of their life, not just money to charity, but a swath of giving that includes volunteering and mentoring.”

Who Gives?
But who are these generous people? And are there enough of them? To answer these questions, we turned first to the CPS September Volunteer Supplement for 2008–2012 for Los Angeles. The supplement asks whether people donated money, assets, or property worth more than $25 to charitable or religious organizations.

Key Findings:
• Forty percent of Los Angeles County residents reported donating to charity in 2012.

• Relative to San Francisco and New York, Los Angeles is the middle of the road in the proportion of individuals who give to charitable causes.

• The frequency of giving in Los Angeles tends to fluctuate less compared with that in San Francisco and New York.

• The propensity to give increases with age, educational attainment, and income.

• Of the major racial and ethnic groups, Whites and Asians are more likely to give than African Americans and Hispanics/Latinos. (There is, however, considerable variation within these groups. Research at a national level has shown that African American, Mormon, Christian Evangelical, and Jewish givers, for instance, donate higher percentages of their incomes than other White, Asian, and Hispanic/Latino givers, whereas considerable Asian and Hispanic/Latino wealth informally supports extended family at home and abroad).\(^4\)

• The more immigrants are incorporated into the area, the more likely they are to give. Los Angeles County falls below the national average in terms of the percentage of the population that gives. In 2012, one in every two Americans reported donating assets, money, or property with a value of more than $25 to charities or churches, a figure that has remained relatively stable since the U.S. Census Bureau began collecting this information in 2008. California falls near the middle of the United States in terms of the percentage of the population that donates to charity. The states with the highest percentage of their population who donate are Utah, Mississippi, and Southern states, and those with the lowest percentage are the New England states, a difference often correlated with religious participation in churches that practice strong tithing. Research has also shown that people with strong religious ties tend to be more generous, both to religious and to secular causes.\(^5\)

A more telling portrait can be drawn by comparing Los Angeles with familiar regions with which it is often compared, San Francisco and New York City. Among Californians, residents of the San Francisco Bay Area are more likely to donate to charitable causes than residents of Los Angeles (See Figure 1). Although New Yorkers consistently give in lower numbers than both San Francisco and Los Angeles, the share of New Yorkers donating has increased more than 18 percent since 2008, whereas giving in the Bay Area and Los Angeles has remained
Figure 1. Percentage of the Population that Donated More Than $25


Figure 2. Percentage of the Population that Donated by Age Group

relatively level, which may also reflect variations in post-recession economic recovery.

In Los Angeles County, giving strongly correlates with age, educational attainment, income, and, to some degree, race and ethnicity. First, in terms of age, giving remains relatively stable after age 30 (See Figure 2). It is worth noting, however, that the CPS Survey asks information of adults aged 15 and above. The lack of distinction between those 15-22 years old and 22-30 years old seems significant, especially given the importance of educational attainment described below. This finding also reflects national research showing Americans over 70 years old are the most generous and give to the most causes. Baby boomers give less, but are largest in number, giving over 40 percent of all donations.  

Level of education also matters. Both the CPS and academic research literature point to a strong correlation between educational attainment and charitable giving; the higher the level of educational achievement, the higher the rate of giving (See Figure 3). For within Los Angeles County, this points to wide disparities and inequality geographically when it comes to supporting universities and colleges, public and private schools, and ancillary organizations that provide enrichment, books and technology, and other support. According to the 2010 Census, 29 percent of Los Angeles County residents have a bachelor’s degree or higher, but 24 percent hold less than a high school diploma. The 2011 California Human Development Report pointed out that in Bel Air, Brentwood, and Pacific Palisades, the beach cities, two out of three adults have a bachelor’s degree or higher, whereas in the Vernon central neighborhood, as one example, almost two out of every three adults never completed high school.
## Percentage of the Population that Donated by Age Group

<table>
<thead>
<tr>
<th>Age Group</th>
<th>LA County</th>
<th>Bay Area</th>
<th>Rest of US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>Percentage of the Population that Donated More than $25</td>
<td></td>
<td></td>
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</tbody>
</table>

## Percentage of the Population that Donated by Educational Attainment

<table>
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<th>Educational Attainment</th>
<th>LA County</th>
<th>Bay Area</th>
<th>Rest of US</th>
</tr>
</thead>
<tbody>
<tr>
<td>No HS</td>
<td>Some College Graduate</td>
<td>Percentage of the Population that Donated</td>
<td></td>
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</table>

## Percentage of the Population that Donated by Race and Ethnicity

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<thead>
<tr>
<th>Race and Ethnicity</th>
<th>LA County</th>
<th>Bay Area</th>
<th>Rest of US</th>
</tr>
</thead>
<tbody>
<tr>
<td>NH White</td>
<td>Percentage of the Population that Donated</td>
<td></td>
<td></td>
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</table>

## Percentage of the Population that Donated by Citizenship Status

<table>
<thead>
<tr>
<th>Citizenship Status</th>
<th>LA County</th>
<th>Bay Area</th>
<th>Rest of US</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Born</td>
<td>Percentage of the Population that Donated</td>
<td></td>
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## Percentage of the Population that Donated by Immigrant Cohort

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<th>Immigrant Cohort</th>
<th>LA County</th>
<th>Bay Area</th>
<th>Rest of US</th>
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</thead>
<tbody>
<tr>
<td>0 – 10 yr</td>
<td>10 – 20 yr</td>
<td>20+ yr</td>
<td>Percentage of the Population that Donated</td>
</tr>
</tbody>
</table>

## Percentage of the Population that Donated by Income Level

<table>
<thead>
<tr>
<th>Income Level</th>
<th>LA County</th>
<th>Bay Area</th>
<th>Rest of US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30k</td>
<td>30 – 59k</td>
<td>60 – 99k</td>
<td>Over 100k</td>
</tr>
</tbody>
</table>

## Contributions as a Percentage of Adjusted Gross Income

<table>
<thead>
<tr>
<th>Adjusted Gross Income</th>
<th>Under $10,000</th>
<th>$10,000 to $25,000</th>
<th>$25,000 to $50,000</th>
<th>$50,000 to $75,000</th>
<th>$75,000 to $100,000</th>
<th>$100,000 to $200,000</th>
<th>$200,000 or More</th>
</tr>
</thead>
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## Los Angeles County Charitable Deductions, 2012

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Zip Data</th>
<th>County Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10,000</td>
<td>$10,000 to $14,999</td>
<td>$15,000 to $24,999</td>
</tr>
<tr>
<td>$25,000 to $34,999</td>
<td>$35,000 to $49,999</td>
<td>$50,000 to $74,999</td>
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<tr>
<td>$75,000 to $99,000</td>
<td>$100,000 to $149,000</td>
<td>$150,000 to $199,000</td>
</tr>
<tr>
<td>$200,000 or More</td>
<td></td>
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## Los Angeles County Charitable Deductions, 2012

<table>
<thead>
<tr>
<th>Number of Major Gifts</th>
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<table>
<thead>
<tr>
<th>Number of Gifts</th>
<th>Other US</th>
<th>Rest of US</th>
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## Number of Major Gifts in Los Angeles County

<table>
<thead>
<tr>
<th>Sector</th>
<th>Other US</th>
<th>Rest of US</th>
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<table>
<thead>
<tr>
<th>Sector</th>
<th>Other US</th>
<th>Rest of US</th>
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## Total Flow of Major Gifts, 2000–2013 (Billions)

<table>
<thead>
<tr>
<th>Los Angeles County</th>
<th>Other US</th>
<th>Rest of US</th>
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<table>
<thead>
<tr>
<th>Los Angeles County</th>
<th>Other US</th>
<th>Rest of US</th>
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</table>

## Median Expenditure by Subsectors, Los Angeles County, 2005, 2008, and 2011, Adjusted to 2011 Dollars

<table>
<thead>
<tr>
<th>Subsectors</th>
<th>Los Angeles County</th>
<th>California</th>
<th>Other US</th>
<th>Rest of US</th>
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</table>

<table>
<thead>
<tr>
<th>Subsectors</th>
<th>Los Angeles County</th>
<th>California</th>
<th>Other US</th>
<th>Rest of US</th>
</tr>
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</table>

## Total Expenditure by Subsectors, Los Angeles County, 2005, 2008, and 2011, Adjusted to 2011 Dollars

<table>
<thead>
<tr>
<th>Subsectors</th>
<th>Los Angeles County</th>
<th>California</th>
<th>Other US</th>
<th>Rest of US</th>
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<table>
<thead>
<tr>
<th>Subsectors</th>
<th>Los Angeles County</th>
<th>California</th>
<th>Other US</th>
<th>Rest of US</th>
</tr>
</thead>
</table>
Not only is educational attainment the best predictor of whether someone is likely to give, but well-educated donors also tend to make education giving their highest priority, particularly to colleges and universities, private schools with which they are directly associated, and, more recently, for start-up funds for charter schools associated with public school reform movements. Giving to traditional local public schools has also been significant, especially in wealthier neighborhoods in response to decades of budget cuts post Proposition 13.

Universities and colleges, especially those that engage in medical research, are the highest recipients of individual donors’ dollars, nationally and locally. A glance at the goals of recent and current capital campaigns at the four largest schools in Los Angeles—the University of Southern California (USC; $6 billion), Loyola Marymount ($400 million), Pepperdine ($450 million), and the University of California, Los Angeles (UCLA; $4.2 billion)—indicates the significance of local higher education in charitable giving. UCLA, as a public university, has only developed its fund-raising capacity in recent decades, largely in response to the state’s declining contribution to public colleges and universities. In its first campaign in the 1980s, UCLA averaged $58 million per year in donations from individuals, foundations, and corporations; the 1990s campaign average was $282 million per year; and, to meet the current campaign goal, UCLA aims for $525 million per year.

Looking at education giving beyond higher education, that is, in K-12 schools, the story, of course, is different for public schools, charter schools, private and parochial schools, and enrichment and tutoring programs. As one focus group member noted, “In private school, giving is expected and a form of tuition. You got into this school and you better give,” captures the sentiment. “Private school giving is seen as transactional, where donors can ask ‘What am I going to get in return?’“ The expectations are high.

For Catholic schools, in particular, in which there has been a long tradition of serving established post immigration neighborhoods, there is new demographic challenge. Catholic schools have depended on graduates who have achieved some measure of financial success and attribute that success to their education: “wealthy Irish Catholic, native Angelenos who went to Catholic elementary and high schools, and colleges.” Now they have to broaden their base to create new grassroots support to appeal to “those who care about underserved children and Catholic education,” across ethnic, racial, and financial lines. At the same time, many parochial schools
now find themselves in steep competition with local charter schools for students and the community resources that accompany them.

The most significant change in terms of donor support for K–12 education has been the flow of individual (as well as corporate and foundation) major gift contributions to start-up public charter and theme schools, often associated with school reformers who seek greater autonomy for individual schools and have a concentration in science, technology, and math and a drive to prove that public schools can work for low-income children. Support for these schools is especially attractive to business leaders and the business community. “Lots of people want to help kids, but people don’t know where they can intersect, where they can make a difference.” Many charter schools, particularly those in which principals have the power to hire and fire, have aligned themselves with values and practices attractive to business leaders. “Most funders don’t want to give money to a huge whale like [the Los Angeles Unified School District].”

And the trend toward philanthropy for charter school support is not limited to individual donations. Sarah Reckhow of Michigan State University has found that nationally, in 2000 major foundations awarded about 16 percent of their funds to traditional public school systems and about 3 percent to charter schools. By 2010, those foundations awarded only about 8 percent to public schools, and 16 percent of their funds went to charter schools. In Los Angeles in particular, Reckhow found a high degree of alignment across charter schools, charter management organizations, foundations, advocates, and the public sector, using sophisticated fund-raising market segmentation and networking strategies.

At the opposite end of the spectrum from select charter schools receiving significant private and foundation giving are ancillary services that operate as supplementary programs in larger nonprofits (e.g., after-school tutoring at Boys and Girls Clubs) or stand-alone nonprofits that provide specialized services such as self-esteem and leadership education or supply resources such as refurbished computers or books to schools. These organizations often have the hardest time attracting a sustainable group of private donors. “The challenge is how to create that ownership, getting them to touch the organization. What is the message we can give them?” These organizations are often the most innovative and cutting edge in terms of new strategies—“We are trying them all—crowd funding, giving circles, social media”—but have been unable to report any consistent success with any one method.
Giving by Race, Ethnicity, and Immigration Cohorts

For Los Angeles, it is also important to look at giving in terms of race and immigration. There has not been a great deal of comparable quantitative research because it is difficult, and irresponsible, to examine race and immigration independent of income, educational attainment, employment, years in the United States, and unreported donations (i.e., religious giving, remittances back to countries of origin, and domestic extended family support). However, this report seeks to be consistent with the use of data from the CPS. As show in Figure 4, Non-Hispanic White and Asian Angelenos (54 percent and 44 percent, respectively) were more likely to make a charitable contribution than Hispanic (30 percent) or Black Angelenos (37 percent). In terms of immigration, with nearly 3.5 million immigrants residing in Los Angeles County, interesting patterns are emerging. Immigrant groups are less likely to give in ways that are captured by most mainstream data. For example, there is a long tradition of supporting homeland communities through remittances. These are not tax deductible, and often not asked. Two points are worth noting. First, it is probably safe to assume that noncitizens are less likely to report charitable giving on tax forms and in government surveys; second, there is no measure available of giving to extended families abroad, including donations to hometown associations in Mexico and
Central America. These patterns are visible in Los Angeles when one considers citizenship and years lived in the United States, both of which can be considered as proxies for assimilation.

Although noncitizens are the least likely in Los Angeles to give, Figure 5 shows that, contrary to the broad literature on the topic, in Los Angeles naturalized citizens are more likely to make a charitable contribution than the US born population. Data have also shown that the likelihood of giving increases as assimilation into U.S. society increases. Moreover, by the 20-year mark of U.S. residence, immigrants are just as likely to give as the U.S.-born population (See Figure 6).

**Giving by Income**

More important than age, educational attainment, race/ethnicity, and immigration cohort is income. As seen in Figure 7, on average, Los Angeles residents in the higher income brackets are twice as likely to report that they donate to charity than those in the lowest income brackets. (We return to this later in the report in the discussion of high net worth giving, p. 29).
Figure 6. Percentage of the Population that Donated by Immigrant Cohort


Figure 7. Percentage of the Population that Donated by Income Level

A Case in Point: Who Gives—Arts and Culture

These statistics summarizing giving across income, race, educational attainment, and immigration patterns represent Los Angeles in the aggregate and mask considerable variation within and across groups. Fundraisers and executive directors understand that every nonprofit organization operates in a different culture of supporters and potential supporters. The Los Angeles arts and culture community is a good example. Arts organizations in Los Angeles are closely networked. At the highest resource levels, museums and performing arts centers share many board members and subscribers in common. At the community level, strong bonds exist across nonprofit organizations, arts in schools programs, and artists, largely through overlapping interests, as well as through the organizing work of such organizations as the Los Angeles County and the City of Los Angeles Arts Commissions, as well as ArtsforLA, an advocacy nonprofit. Executive directors and fund-raisers in the sector tend to be high consumers of the arts, which also contributes to a high network effect. It also means strong competition for donors.

Because consumers of and donors to the arts overlap considerably, much is known about who they are. A 2008 study commissioned by the Los Angeles County Arts Commission—in which 99 organizations submitted patron data for 1,149 unique households—showed that 280,000 Los Angeles residents are “consumers” of two or more arts organizations and that arts consumers are significantly older, more wealthy, and more often white and married with children at home than the overall Los Angeles population. Unlike much of the country, however, Los Angeles arts organizations are not as dependent on young single people and empty nesters. Los Angeles has a much higher rate of cultural consumers in the prime of life and in households with stay-at-home mothers.10

The largest cluster, those in the prime of life, make up 29 percent of the cultural consumers. With an average age of 55, an average annual income of $70,000–$80,000, and no children living in the household, these patrons are at a stage in their lives when they can invest time and money in their interests. More than half are married empty nesters, and the vast majority own their own homes.11
Since 2008, however, arts and culture organizations have experienced a decline in donated revenues beyond the dip of the recession. According to arts nonprofit leaders, demographic and cultural shifts across the region are resulting in permanent patterns of decline from affluent donors, family foundations, and corporations. Indeed, as much of the nonprofit sector has seen some recovery from the recession, there has been, between 2008 and 2012, a 15 percent decrease in overall revenue to Los Angeles arts and culture organizations, with a 16 percent decline in revenues from “contributions, gifts, and grants, where individual giving is reported (NCCS IRS Core Files, 2008 & 2012).” A recent forecast of a $114 billion transfer of wealth in the region remains a forecast across much of the sector. “The transfer of wealth is staying within the families. It’s stuck. People are afraid after they took such a hit in 2008.” Government subsidies for the arts, both direct and indirect, have been in a steady decline for decades and show little hope of improvement.

As a result, many arts organizations are becoming more professionalized in terms of fundraising, focused on individual donors, and looking for sources of earned revenue. “When we first started, we relied on 95 percent foundation support, a dangerous model. One of the mandates from the board was to diversify. We aim to get close to 70 percent coming from individuals and family foundations.”
Data on the percentage of the population that donates by income level, however, masks an interesting variation in how much people donate relative to their income. Researchers in the field have identified variations of a U-shaped curve that indicate that very low-income and very high-income earners exhibit the highest levels of generosity among givers in terms of the percentage of their income donated to charity. For Los Angeles, however, calculations of total contributions as a percentage of adjusted gross income show that here, reported contributions relative to income start low and rise as income levels increase (See Figure 8). However the amount contributed by low income households is higher when religious contributions are taken into account.

**Average Contributions**

To shed more light on this question with local data, IRS Statement of Income (SOI) county-level zip code data for 2006–2008 and 2011–2012 were used to assess giving in the region by including average contributions, contributions as a percentage of gross income, and giving performance relative to the capacity to give in a neighborhood.
### Percentage of the Population that Donated by Age Group

<table>
<thead>
<tr>
<th>Age Group</th>
<th>LA County</th>
<th>Bay Area</th>
<th>Rest of US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30k</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>30k – 59k</td>
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<td></td>
<td></td>
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<td>60k – 99k</td>
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<td></td>
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<tr>
<td>Over 100k</td>
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How Much Do Donors Give?

Information in Table 1 shows that between 2006 and 2012, Los Angeles County residents who itemized contributed on average almost $1,500 to charitable causes, but that giving diminished significantly after 2007. Before the start of the recession in 2006, the average contribution was more than $1,700. By 2008, however, average contributions had declined by 21 percent. Between 2006 and 2008, total tax-deductible contributions declined by $1.28 billion for the county as a whole, which translates to a decline of roughly $350 per tax filer.

In the focus groups, a number of organizations reported that their individual donations increased during the recession, but with variations across income groups. “Higher end and lower end givers were still giving, but it was the steady middle that collapsed. $25,000 gifts went down to $1,000 . . . coming in in increments, not at one time.” Another reported, “Smaller individual donators [sic] were challenged, but the large donors stepped up more.”
Table 1. Average Contributions, LA County

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Contributions Reported in Tax Returns</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Total ($ Billions)</td>
</tr>
<tr>
<td>2006</td>
<td>6.94</td>
</tr>
<tr>
<td>2007</td>
<td>6.83</td>
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<tr>
<td>2008</td>
<td>5.66</td>
</tr>
<tr>
<td>2011</td>
<td>5.72</td>
</tr>
<tr>
<td>2012</td>
<td>6.09</td>
</tr>
<tr>
<td>5-Year Average</td>
<td>6.25</td>
</tr>
</tbody>
</table>

Source: IRS Zip Code Statement of income based on zip codes within Los Angeles County as reported by NCCS; tabulated by authors 8.14.2014

“People called and said, ‘I’m assuming you’re having a bad time, here’s some extra money.’”

At the same time, some larger organizations took over the functions of smaller organizations that went under during the downturn. “People would call and say, how much would it cost to take over this function, because a group I really care about is gone.”

Contributions from 2011–2012 show that reported charitable deductions have almost returned to pre-recession levels (See Figure 9). However, very few focus group participants or interviewees reported that their organizations or the organizations they support have experienced the rebound, reinforcing the general understanding that the nonprofit economy lags behind the overall economy.
Map 1. Tax-deductible Contributions
LA County Average: $1,463

- Over $1,400
- $700 – $1,400
- $1 – $700
- $0
- No data

Tabulated by authors, 8.2014.
Shapefiles: LA County GIS Portal, v2010
When focus group participants were asked about the geographical challenges of fund-raising in Los Angeles County, two related points stood out. First, participants talked about the high degree to which individual philanthropy is driven by networks of high-net-worth individuals, particularly women, who live and socialize mainly on the west side, where peer-to-peer asks are common and effective. These donors are mainly concentrated in Holmby Hills, Westwood, Century City, Beverly Hills, the Miracle Mile, and Pasadena, which is confirmed by Map 3. “The more distant from that concentration of wealth, the more difficult it is to connect, attract people to events, and make a case,” one participant noted. The second point participants discussed had to do with the isolation of nonprofits. From the San Fernando Valley to the east side of Los Angeles and from Central Los Angeles down to Long Beach, there is a feeling of separateness. Not only are nonprofits often disconnected from wealthy philanthropic west-side networks, but the sprawling geography also affects other fund-raising tactics, such as direct mail campaigns. The size of the San Fernando Valley, for example, presents a special challenge. “Direct mail campaigns in the Valley tend to mainly yield donations close to the area where the nonprofit is located,” one participant said. A human services organization in Pacoima gets small donations returned from the neighborhoods it serves: “Three thousand pieces of mail result in 200–300 people who give donations.”

This spatial challenge is acute for human services nonprofits. UCLA Center for Civil Society research has shown that neighborhoods with a high concentration of poor residents with high needs have a much lower density of nonprofits than more affluent neighborhoods in which service demand is lighter.14

A number of focus group participants, however, noted that subtle shifts in the geography of giving have been signaled by the arts-led revitalization of downtown Los Angeles. The arts scene, nonprofits agree, appears to be moving from west to east. “We’re about identifying the wealth and where it is going. We do a lot of zip code analyzing.” A number of annual galas have moved downtown, and participants talked about the revitalization that has followed the opening of Disney Hall, LA Live, and gentrification.

Generosity is not consistent throughout the region. Map 1 shows the distribution of tax-deductible contributions, highlighting areas with the lowest absolute contributions of dollars. On average, tax filers in neighborhoods of the San Fernando Valley, East Los Angeles, and South Los Angeles have contributed less, whereas contributions by those in the San Gabriel and coastal areas were above average. Century City (zip code 90067) had the greatest average contribution in all years except 2007. In absolute dollars, Beverly Hills (90210) had the greatest total contribution in all years but 2007. This spatial distribution is expected because neighborhoods with the lowest contributions are also likely to be areas in which impoverished households are concentrated.
Map 2. Contributions as a Percent of Adjusted Gross Income, by Neighborhood
LA County Average: 2.1%

- 2.1% and over
- 1% – 2%
- 0.1% – 1.0%
- 0%
- No data

Tabulated by authors, 8.2014.
Shapefiles: LA County GIS Portal, v2010
Contributions Relative to Income
Another way to assess giving is to do so in relation to income and income class. Between 2006 and 2012, the top 25 percent of earners contributed the most to charitable causes in absolute dollars—more than 9 times as much as the bottom 25 percent (Table 1). However, the differences in contribution between the top and the bottom are not as marked when the comparison is made in relation to income (the capacity to give). While the wealthiest Angelenos contributed 2.7 percent of their income to charitable causes—well above the average contribution of 2.2 percent—the contributions are only twice that of the poorest Angelenos relative to income.

Giving Performance
Finally, we also present the capacity of giving across Los Angeles County. Using zip codes as a proxy for neighborhood characteristics indicated whether a neighborhood is low performing (giving less than expected) or high performing (giving more than expected) after accounting for observable characteristics in the area. This measure reveals a deeper analysis of giving and presents some interesting comparisons with the previous two measures.

Map 3 highlights the extremes for 2012. We assume the bottom 10 percent of zip codes represent neighborhoods with households giving the least relative to their adjusted gross income are under-performing neighborhoods and those in the top 10 percent represent over-performing neighborhoods. In contrast to the impoverished downtown Los Angeles area, South Los Angeles neighborhoods—which are characterized as having a rate of poverty as high as that of the city center—donate a much greater share of their income to charitable causes. In fact, South Los Angeles neighborhoods also outperform affluent coastal neighborhoods such as Malibu, Pacific Palisades, and Manhattan Beach.

<table>
<thead>
<tr>
<th>Zip Code by Income Quartile</th>
<th>Contributions Reported in Tax Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As a Share of the Adjusted Gross Income (%)</td>
</tr>
<tr>
<td>Top 25%</td>
<td>2.7</td>
</tr>
<tr>
<td>High medium (50% – 74%)</td>
<td>2.0</td>
</tr>
<tr>
<td>Low medium (25% – 49%)</td>
<td>1.7</td>
</tr>
<tr>
<td>Top 25%</td>
<td>1.3</td>
</tr>
<tr>
<td>5-Year Average</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Map 3. Giving Performance Los Angeles Neighborhoods

High-Net-Worth Giving and Major Gifts

Nonprofit fund-raising from individuals, family foundations, and donor-advised funds is largely a quest for major gifts, which are best defined as significant donations relative to the size of the organization, whether it is $5,000 to a small organization or $50 million to a university or medical center. According to Giving USA, the most authoritative source of data on individual giving nationally, high-net-worth individuals contribute 50 percent of annual charitable dollars annually.15

Even annual fund strategies, which imply broad-based giving of small and medium donations, are, in most cases, designed to be dependent on larger gifts for their success. A rule of thumb developed by the Fundraising School at the Center on Philanthropy at Indiana University holds that “the top 10 percent of the gifts received during the annual fund have the potential to produce 60 percent of the money required to meet the goal; the next 20 percent of gifts will account for 15 to 25 percent of the money required, and the remaining 70 percent of gifts will cover the remaining 15 to 25 percent of funds required.”16

For a local example of this dependence on larger gifts, in its last capital campaign, UCLA reported that gifts of $50,000 or more made up...
In our focus groups, interviews, and assessments, we found that 6.5 percent of Los Angeles households have annual incomes greater than $200,000 (19,528 households) have almost one third of the county’s wealth.”19 If 70 percent of giving to nonprofits comes from individuals, with roughly half of that from high net-worth individuals (including family foundations and trusts), Los Angeles nonprofit organizations are vying for the generosity of a very small percentage of the Los Angeles population.

According to the U.S. Census Bureau’s Estimates, 6.5 percent of Los Angeles households have annual incomes greater than $200,000 (Figure 10).18 In our focus groups, interviews, and research, however, high net worth was more commonly defined as households with an annual income of more than $350,000–$500,000, in which discretionary income is less affected by housing, school tuitions, and luxury spending. The California Community Foundation has calculated that, in Los Angeles County, “the top 0.6 percent of households (19,528) have almost one third of the county’s wealth—an average of $21 million per household,” and “the top 3.2 percent (105,548 households) has almost two thirds of the county’s wealth.”19 If 70 percent of giving to nonprofits comes from individuals, with roughly half of that from high net-worth individuals (including family foundations and trusts), Los Angeles nonprofit organizations are vying for the generosity of a very small percentage of the Los Angeles population.

According to the Philanthropy Panel Study conducted in 2001–2009 by the Lilly Family School of Philanthropy at Indiana University, the vast majority of high-net-worth individuals, (defined as having annual household income above $200,000, and net worth over $1 million excluding their primary residence) (95.4 percent) give to charity, compared with 65 percent of the general population. High-net-worth individuals are generous with their money and their time—88 percent volunteered their time to a charity…
in 2011. Of those who volunteer, the majority (60 percent) volunteer on boards, with more than 40 percent doing so because they are passionate about the cause.20

A Bank of America study found that in 2011 giving was strategic and intentional: Of high net worth individuals, 70 percent had a giving strategy in place and 60 percent had a budget. Donors reported that their main motivation to give was because they felt their gift could make a difference. Only 40 percent gave spontaneously, down from 47 percent in 2009. In addition, a larger proportion of donors funded general operating support for nonprofits, 60 percent in 2011 versus 55 percent in 2009.21

Of high-net-worth individuals, 80 percent reported donating to education and to basic needs, such as food and shelter for homeless people and aid to developing countries and victims of disaster.22 Education is also the most important policy issue for high-net-worth individuals, followed by health care and the economy. In Los Angeles, higher education received more major gifts than any other sector.23

Of the 50 Most Generous Donors of 2013 as reported by The Chronicle of Philanthropy, five reside in Los Angeles County (15 of the 50 reside in California). Of their major gifts in 2013, ranging from $2 million to $110 million, most went to universities and hospitals, followed by art museums and music, followed by public and private secondary education and then by human services and research.24
Another way of understanding patterns of high-net-worth philanthropy is to look at patterns of major gift giving in Los Angeles County using 2000–2013 data from the Million Dollar List published by the Indiana University Lilly Family School of Philanthropy. This list is a record of publicly announced charitable gifts of at least $1 million since 2000 by U.S. residents, corporations, private foundations, and other grant-making nonprofits to domestic or international entities across a range of charitable subsectors. These data have a few limitations. The list includes only publicly-announced gifts and excludes gifts of less than $1 million, amounts are not adjusted for inflation, and a time lag may exist between the time a gift is announced and when it is given. It does, however, offer a consistent snapshot of major gift-giving patterns in the region.

From the national Million Dollar List, we identified 125 donations to Los Angeles charities originating from donors residing in Los Angeles or made by foundations headquartered in the area. We also conducted our own research to identify additional gifts that may not have been identified by the Million Dollar List survey. One additional recipient of a $1 million gift was found to operate in the area.

Key Findings from the Million Dollar List about Los Angeles:

- Higher education had the most recipients as well as donors ($6 billion and $5 billion, respectively), and human services received the least.
- The number of major gifts and recipients peaked in 2007, with 2,800 donors and 2,703 recipients.
- The number of major gifts saw a steady increase during the first recession, between 2001 and 2002, but saw a decline during the Great Recession of 2007-2009.
- Five years after the peak of the Great Recession, major giving has yet to recover.
- Los Angeles is a key player in major giving, with more dollars flowing out of the area than are coming in.

It is interesting to note that while giving has rebounded from the recession overall (Fig 9), when it comes to major gifts over $1 million there has been a steady decline and no sign of recovery. Since 2000, major gift giving has followed similar patterns for both donors and recipients in the Los Angeles area: a steady increase in number of gifts beginning in 2000, falling for a short period from 2005 to 2006, and then spiking to more than 400 gifts from donors and more than 300 to recipients in 2007 (See Figure 11). Major gifts experienced the sharpest decline after the peak of the Great Recession in 2007, plummeting by more than $1 billion from $2.8 billion in 2007 to $1.7 billion in 2008 (See Figure 12).
More than 33% of all major gifts in Los Angeles County are made to higher education, with the lion’s share going to USC and UCLA. Since 2000, donors from local sources to higher education have totaled roughly $5.1 billion and recipients totaled $6.1 billion (See Figure 13). All other gifts—which include environment, public or society, foundation, and others—had the second highest major gifts in Los Angeles. Donors for all others totaled roughly $4.8 billion and recipients totaled $3.2 billion. Human services had the least amount of donor and recipient gifts, totaling roughly $400 million and $350 million, respectively.

Although exactly how much of the contribution to local colleges and universities comes from local donors is not available, the amount is significant, and the effects of the growth in their fund-raising enterprises have been felt across the Los Angeles nonprofit sector. Los Angeles human services organizations also view regional universities and colleges as well as private secondary schools as the first line of direct competition for individual donations. Indeed, an unforeseen consequence of California’s cuts in state support for public higher education, especially when added to more aggressive fund-raising by USC and other colleges and universities, may be a squeezing out of other charitable donations, particularly in human services, in which government and private contributions have declined as demands for services have risen. Human services nonprofit leaders in particular pointed to the effects of this competition. “We feel as though our sector is losing,” one ED said. “Higher education is eroding opportunities for donations. And a lot of the people who give to higher education also give to private K-12 schools their children attend. After that, they gave to their churches and faith-based causes, and after that comes the community.”

Human services nonprofit organizations in Los Angeles County, make up about 20 percent of all local nonprofits. Almost 70 percent of the clients served by the Los Angeles human services sector live in poverty. The client population is 40 percent Latino, 28 percent White, 19 percent Black, and 5 percent Asian. They have median expenditures of just more than $100,000 a year, indicating that most of them are small and serve a limited number of clients. Human services nonprofits grew slightly in number and expenditure during
the 2007 recession, but demand for their services grew faster than increases in government spending to meet that demand, resulting in a sector that has been severely stressed and stretched. Overall, Los Angeles human services nonprofits receive about 50 percent of their funding from government sources and only about 15 percent from donations, including both individual and foundation gifts. There is, however, wide variation in funding sources. The organizations most heavily dependent on private donations are those that provide basic needs such as shelter, food, and housing, which receive 52 percent of their income from private donations, followed by youth development (48 percent), advocacy (38 percent), and individual assistance (35 percent).
Flows In and Out of Los Angeles

Not all major gifts come from or stay in Los Angeles County. Since 2000, the Los Angeles area has received almost $14 billion in major gifts from outside and local donors (see Figure 14). However, the majority of significant gifts (60%) are made by Angelenos. The county is also a key philanthropic player in other parts of the United States and abroad. More than $7 billion in major gifts are donated to recipients outside of Los Angeles; this is almost $1.5 billion more in gifts flowing out of Los Angeles than are flowing in.

These same patterns hold true when we consider the inward and outward flow of major gifts to sectors other than higher education. Figure 15 shows that of the more than $7.6 billion in major gifts that were made to organization in the Los Angeles area, the majority also came from local donors (68%). One difference we see when we consider non–higher education gifts is that more than twice as many dollars are donated to recipients outside of Los Angeles than are flowing into the area ($4.9 billion compared with $2.4 billion, respectively).
Why Do Donors Give Major Gifts?

There is a saying in philanthropy: “People don’t give to causes, they give to people with causes.” In our focus groups, we found that why people give major gifts to one cause or institution over another is most often dependent on commitment to the organization’s overall mission, its reputation for effectiveness and stability, and direct connection and trust in its leadership.

As one former successful ED put it, “Think of the organization as a grocery store. Make sure everything in your store is high quality, because when someone walks into your grocery store, you never know what they are going for. So everything has to be really good.”

The most common denominator for organizations that attract significant and steady donations from individuals is leadership, particularly “rock-star” EDs. People not only want to be associated with and assist outstanding leaders, they also, frequently, introduce their friends. “For individuals, it’s all about linkages through the executive director; as the linkages build out, you grow your individual donor base.”

We interviewed a number of the Los Angeles nonprofit rock stars and people who work closely with them about individual giving. What stood out first is the difficulty in generalizing about who gives to organizations. “It comes down to a person-to-person relationship…People in our community give money to people, not organizations.”

One of the rock-star directors was quite candid in discussing why many nonprofit organizations have difficulty attracting individual donors. “I don’t think a lot of EDs know how to get individual donors,” he said. “For example, if you ask EDs how many of you have approached nonprofit leaders who have been successful. It is surprising how little people are learning from people who have done it better. There are still a lot of misconceptions that people are just going to jump on a cause. People have to study who potential donors could be and listen well. Take the time to really invest in those relationships.” “The moral of the story: You have to connect with individuals, and a lot of EDs don’t spend the time. If they don’t spend the time, they will never get the big gifts.”

“Nonprofit executives spend too much time looking at the data. They forget the story, forget about the relationships that make it all happen.”

“One ED told the story of a couple who had been giving large unrestricted donations steadily to his organization for a number of years, and not until a casual conversation did they reveal their main motivation was advocacy for children, which is only one of a range of functions the organization has.

“It’s a person-to-person relationship, and then they explore what they are most interested in and what gives them the most satisfaction.”

More often than not, that satisfaction is tapped through stories of the organization directly affecting people’s lives. “Take Promise Neighborhoods, for example, people glaze over when they hear about it. People tie into the homeless shelter at the church, after-school programs, they want something they can hang on to.”

“Relationship building is important, because there is no short cut to figuring out what people are responding to.”
As of June 2014, Los Angeles County was home to 31,446 active registered nonprofit organizations, a very slight decrease in the number reported in 2013 (31,650). Of these, 3,017 (9.5 percent) are arts, culture, and humanities organizations; 4,229 (13.4 percent) are educational organizations; 2,133 (6.7 percent) are health organizations; and 5,951 (18.8 percent) are human services organizations. Figure 16 reflects financial data from 10,965 organizations that report revenue of at least $50,000. In 2011, the latest year for which this information is available from the NCCS, the nonprofit sector in Los Angeles County spent just less than $38.1 billion to operate its programs. On the basis of these numbers, expenditures for education nonprofits are returning to prerecession levels. Human services nonprofit expenditures are also showing growth. However, trends for both health nonprofit organizations and arts, culture, and humanities nonprofit organizations showed a decrease in spending from 2008 to 2011.

The nonprofit sector generally lags the general economy. With economic growth predicted for the state and the region in the near future, how the overall nonprofit sector will benefit or develop is not yet known. In addition, implementation of recent public policy (e.g., the Patient Protection and Affordable Care Act and California’s Proposition 30) will likely have an impact on health care and education nonprofits in particular.
Since 2007, the Center has tracked median expenditures as a measurement of the financial capacity of nonprofits. Figure 17 shows that the median expenditures of the county’s nonprofits have decreased by 29 percent from 2008 to 2011, revealing that the sector is made up of very small organizations. Of the four major subsectors in Los Angeles County, only education nonprofits experienced an increase during the 3-year period. Although Los Angeles is well known as an arts capital and is home to famous large museums and performing arts groups, it is interesting to note that median expenditures in the arts, culture, and humanities groups have fallen below $100,000.

Table 3. Number of Nonprofit Organizations by Subfield, Los Angeles County, 2014*

<table>
<thead>
<tr>
<th>Subfield</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts, Culture, and Humanities</td>
<td>3,017</td>
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</tr>
<tr>
<td>Education</td>
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<td>Health</td>
<td>2,133</td>
<td>6.70</td>
</tr>
<tr>
<td>Human Services</td>
<td>5,951</td>
<td>18.80</td>
</tr>
<tr>
<td>Other</td>
<td>16,116</td>
<td>50.90</td>
</tr>
<tr>
<td>All Nonprofits</td>
<td>31,446</td>
<td></td>
</tr>
</tbody>
</table>

*Because of rounding, percentage numbers may not total 100. Source: National Center for Charitable Statistics Business Master Files, June 2014 501c3.
In tracking individual giving across the Los Angeles County nonprofit sector, a number of trends, issues, and questions emerge. It is our hope that by exploring and discussing these topics, the nonprofit and philanthropic sectors can act to inspire and encourage both more giving and more thoughtful giving across the County.

The first trend concerns the extent to which charitable giving is subject to economic expansions and contractions, as well as to shifting trends of public support. In this light, overall support for Los Angeles nonprofit organizations, including individual giving, has returned to a steady state of incremental growth after a significant dip following the 2007 recession. This recovery, however, has been uneven. There is considerable volatility in major gifts and general giving patterns and the effects of the recovery are not being evenly distributed, which can be seen in the differential short-term changes across sectors. Support for the arts has demonstrably declined. Interviews and focus groups revealed a wide range of variation across individual organizations, particularly among human services and education-focused organizations. Also, while high net worth households are experiencing significant increases in earnings and a significant generational transfer of wealth is underway, there has not been a concurrent increase in charitable giving by these households. Middle- and upper-middle class giving appears suppressed by the high cost of living, housing, and education. And while data suggest that certain groups of lower-income households give generous portions of their income, it is not consistent across all groups, and in aggregate dollars it is just a small amount compared to both giving and capacity for giving among wealthier households.

A second trend concerns the effects of shifting demographics across Los Angeles. As individual giving is largely a factor of income, educational attainment, age, and, to some degree, race and religious participation, patterns of individual giving are changing with the generational transfer of wealth, how generations view philanthropy, the squeeze of the middle class, the growth in Latino and Asian populations, variations in local social capital, and uneven economic growth across the County. Some trends are discouraging, as we depict in mapping large swaths of the county that underperform in terms of charitable giving. But some trends are encouraging, as we show that naturalized citizens are more likely than the U.S. born population, and by the 20-year mark of residence, immigrants are just as likely to give as the U.S. born population.

A third trend involves increased giving to public education, particularly public higher education. A consequence of the state’s eroding general...
fund support for public colleges and universities over the past 30 years has been the shift in the burden to voluntary support by the philanthropic community, businesses, alumni, and increased fees and costs by students and their families. Since the average percentage of charitable giving to income has remained more or less constant, it is fair to assume that there is some “crowding out” of donations to other organizations. Anecdotally, human services organizations note this as an issue, particularly in their attempts to attract board members.

Finally, the most prominent issue raised by this report is that of inequality. As wealth is increasingly concentrated at the top of the economic pyramid, nonprofit organizations are increasingly dependent on a very small portion of the population for support. Across the region, widening disparities in income, employment, educational attainment, and geographical isolation do not bode well for a robust, broadly supported nonprofit sector that is able to provide the vital charitable and cultural support needed across the region. We welcome a public discussion about basic questions of social responsibility: How can the nonprofit and philanthropic sector, guided by empirical evidence, better work to assure that current patterns of charitable giving do not end up merely reinforcing patterns of inequality?
Appendix: Data and Methodology

Current Population Survey
This report uses information collected through the September Volunteer Supplement from the CPS for 2008–2012, which is used to measure the number of individuals who participate in unpaid volunteer activities and their frequency. For the purposes of this study, we examined data collected from Los Angeles County, New York City (Bronx, Kings, New York, Queens, and Richmond Counties); the San Francisco Bay Area (Alameda, Contra Costa, Marin, San Francisco, and San Mateo Counties [the San Francisco–Oakland–Fremont core-based statistical area]), and the rest of the nation.

We used microdata from the annual supplement files to examine the proportion of individuals who donated money, assets, or property with a combined value of more than $25 to charitable or religious organizations. The universe we considered are those age 15 and older who provided a valid response (no answer, refused, don’t know, yes, no). Finally, demographic and socioeconomic characteristics considered were race/ethnicity, annual household income, year of entry into the United States and nativity, citizenship, and educational background and attainment. To assess the sample size for our study areas and demographic groups, we created two time period averages: 5-year average spanning 2008–2012 and 3-year average spanning 2010–2012.

Current Population Survey Data Limitations:
• The data provide no indication of the actual amount given.
• The data do not tell us where donations are going to (sector or geography).
• We find smaller sample sizes when disaggregating data by demographic and socioeconomic characteristics and therefore must use the 5-year averages when disaggregating data.

Million Dollar List
The Major Gifts Section of this report examines 2000–2013 data from the Million Dollar List (http://www.milliondollarlist.org) published by the Indiana University Lilly Family School of Philanthropy. The list is a record of publicly announced charitable gifts of at least $1 million since 2000 by U.S. residents, corporations, private foundations, and other grant-making nonprofits to domestic or international entities across a range of charitable subsectors. Data were first downloaded on August 20, 2013, and again on November 20, 2013, to verify preliminary tabulations.

Using the donor and recipient “_City” and “_State” variables, we created two datasets to trace the inflow and outflow of donations. Using the “Donor Type” variable, we classified donors into five categories:
• Corporate: corporate foundations and corporations
• Individuals: individual females, individual males, and other individuals
• Family: couples and family as defined in the “Donor_Type” variable, as well as all those foundations with the word *family* in the “Donor_Name” variable
• Foundations
• All other.

In addition, donors were classified into three categories using the “Donor_Group” variable:
• Corporations
• Foundations
• Individuals.

To reflect consistency in categories covered by this series of reports, we computed the amount of recipient gifts and donor gifts for six sectors using the “Recipient_Sector” variable:
• Arts, culture, and humanities
• Human services
• Health (including independent hospitals, nursing homes, medical research centers)
• Education, excluding higher education
• Higher education
• All other.

**Million Dollar List Data Limitations:**
• The list includes only publicly announced gifts and therefore is not updated continuously and may be incomplete.
• The list excludes gifts of less than $1 million.
• Gift amounts are not adjusted for inflation.
• Cities in Los Angeles County were identified manually and by using the census definition of Census Designated Places.
• The recipient geographic data included in the dataset are where the receiving organization is headquartered, not the geographic location of where the funds will be directed.
• There were 53 recipients in California with no city information with gifts totaling roughly $200 million.

**Internal Revenue Service Business Master Files and Core Files from the National Center for Charitable Statistics**
We used the 1989–2011 Core Fiscal Year Trend datasets (Public Charity [PC] and Private Foundation [PF]) from the National Center for Charitable Statistics. The datasets contain the single best return available per employer-identified number for estimated fiscal periods ending in a specific calendar year. Only records with fiscal years between 2000 and 2011 were used for this report. All dollar values were adjusted to 2012 by fiscal year using the Consumer Price Index for All Urban Consumers annual average for all items, U.S. City Average.
We compared the variables total revenue, expenditures, and contributions aggregated to the fiscal year from the Trend dataset to the individual Annual files, after controlling for duplicates in the Annual files. The results are similar for records as a whole in Los Angeles County and diverge primarily in earlier years (pre-2005) when breaking down the variables by the six major National Taxonomy of Exempt Entities groups: (1) arts, culture, and humanities; (2) higher education, (3) education, (4) health, (5) hospitals, (6) human services; and (7) aggregating for all others for those not falling into Categories 1–6.

We also used the IRS Business Master File (BMF) 501(c)(3) and Core PC files, available through the Urban Institute’s NCCS, to compile information on the number of 501(c)(3) public charities and private foundations and the financial size of public charities in Los Angeles County. The Business Master File 501(c)(3) is cumulative and contains descriptive information on all active tax-exempt 501(c)(3) public charities and private foundations derived mostly from IRS Forms 1023. The Core PC files, produced annually, combine descriptive information from public charities’ initial registration with annually updated financial variables from Forms 990 or 990-EZ. Only organizations required to file these forms are included in the files. The Core PC files used for this report include only 501(c)(3) public charities filing Forms 990 or 990-EZ and reporting gross receipts of at least $50,000.

Internal Revenue Service Statement of Income
The SOI collects and aggregates income data from individual, corporate, estate, and nonprofit tax returns, among others. The data are based on administrative records from the IRS’s Individual Master File system and include variables on income, deductions such as charitable contributions, tax payments, and credits reported on Forms 1040, 1040A, and 1040EZ and associated schedules filed with the IRS for 2006–2008 and 2011–2012. By examining the amount of charitable deductions reported in the SOI data, the zip code–level information allowed us to explore the spatial patterns of giving in Los Angeles County.

In our maps, the 10th and 90th percentiles of the residuals for 2012 with the bottom 10% represented underperforming neighborhoods (by zip code) that are giving less than expected relative to their adjusted gross income; vice versa, those in the top 10% represented over-performing neighborhoods.

An alternative methodology to measure the level of giving as a percentage of income is to adjust for the cost of living. In a 2012 report titled “How America Gives,” The Chronicle of Philanthropy examined the spatial patterns of giving using 2008 SOI data. Compared with our methodology, The Chronicle’s methodology is much more complex in that it attempts to adjust for the cost of living by determining discretionary income by zip code. Overall, our spatial patterns
are similar to those shown in The Chronicle’s Interactive Tool at http://philanthropy.com/article/Interactive-How-America-Gives/133709#. 

**Statement of Income Data Limitations:**
- Includes only taxpayers who itemize on their tax forms
- Reliability of the underlying information reported by taxpayers
- Not adjusted for cost of living.
Endnotes

1 IRS Statement of Income county-level data for 2012. These data do not include religious or political donation, donations from filers who did not report deductions, or cash or property donations to individuals and organizations that are not designated as eligible 501(c)3 nonprofits.

2 Giving USA 2014. The Giving USA Foundation, Lilly Family School of Philanthropy, Indiana University, 2013. This report includes gifts from private individuals, bequests, foundations, and corporations. It does not include fees for service or government funding. It is estimated that individual giving accounts for about 12 percent of all contributions to nonprofit organizations. See Nonprofits in Brief: Public Charities, Giving, and Volunteering 2013. The Urban Institute, Washington D.C. http://www.urban.org/UploadedPDF/412923-The-Nonprofit-Sector-in-Brief.pdf


9 See http://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT.


11 Ibid, p. 9


13 The 2012 data published by the IRS, and used in this report, differ from that published by the Chronicle of Philanthropy’s latest charitable contributions by AGI category for lower income tax filers. For instance, the Chronicle reports about $2.06 billion for filers reporting up to $25,000 in AGI while the IRS data show $12.2 billion for the same group of filers.


18 Many lower and moderate income households may donate as much or more than those reporting itemized gifts, because with the standard deduction, they may not have enough other itemized deductions to come out ahead. Put another way, using itemized returns is a much more accurate indicator for upper income filers.

19 California Community Foundation.

20 Lilly Family School of Philanthropy, Overview of Overall Giving (Indianapolis, IN: Indiana University, 2009).

21 Bank of America and Center on Philanthropy at Indiana University. 2012 Bank of America Study of High Net Worth Philanthropy (Indianapolis, IN: Center on Philanthropy at Indiana University, 2012).

22 Ibid.

23 Ibid


25 The data on California are available online through an interactive site: http://www.milliondollarlist.org/locations .

26 Hasenfeld, et. Al


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