

Outlook for Foundation Giving In New Mexico 2018



New Mexico
Association of
Grantmakers

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June 2018

Dear Colleagues,

The New Mexico Association of Grantmakers (NMAG) is pleased to present this fourth report on **Philanthropy in New Mexico** – our **2018 Edition** and this companion report, **Outlook for Foundation Giving**.

We are often asked about the state of giving in New Mexico. Funders, nonprofits, businesses, government, media and other stakeholders seek information on what are the sources of philanthropy? What are the priorities? What are the trends? How much and how are giving dollars distributed? This report strives to answer these questions to increase our understanding of the important role for the nonprofit and philanthropic sector in our society.

Our goal was to produce useful information that would be current and relevant. We used the most recently available 2015 data from the Foundation Center as the basis for the report, supplementing the findings with a 2017 survey of New Mexico funders on future giving trends.

Here are highlights of the **reported trends**:

- New Mexico philanthropy has recovered from the 2008 economic recession, but has grown slower than U.S. philanthropy trends overall.
- Philanthropy addresses a wide range of a range of issue areas, populations and support strategies that address community needs and populations across New Mexico, including our rural communities.
- The report findings are consistent with national trends that the future outlook for philanthropy is both strong and stable in New Mexico.

However, we also note **major challenges**:

- We know that our demographic landscape is changing. New Mexico's population is aging faster than the rest of the United States, and is 2 percent more Hispanic since the last Census, with almost half of the population identifying themselves as Hispanic. The population is also more densely clustered in predominantly urban counties, although the needs of rural communities continue to be under resourced. These changes should drive philanthropic funding priorities and grantmaking strategies going forward.
- Philanthropy is also challenged to meet increased program and service demands with limited resources. Adequately addressing equity in education, health, and economic security remain critical and need to be engrained within New Mexico's philanthropic and nonprofit sector.
- Because philanthropy can't solve problems alone, funders are looking to collaboration as one strategy for achieving greater impact. Philanthropy will need to continue and increase partnerships across the nonprofit sector with government, business and civil society to ensure they are supporting New Mexico communities to thrive in today's environment.

These trends and challenges provide many opportunities for philanthropy and the broader nonprofit sector to adapt to changing conditions. The New Mexico Association of Grantmakers and its members look forward to continuing its work to inform efforts for improving the lives of the people and communities across New Mexico.

Dolores E. Roybal
Executive Director
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About New Mexico Association of Grantmakers

The New Mexico Association of Grantmakers (NMAG) is a membership network composed of philanthropic organizations and individuals with giving programs in New Mexico. Established in 1991, NMAG's mission is to increase the effectiveness and impact of organized philanthropy in New Mexico. The organization supports and strengthens effective philanthropy, working to improve the lives of people and their communities across New Mexico.

The New Mexico Association of Grantmakers is the largest network of funders in New Mexico with over \$50 million in annual giving and collective expertise on community needs. Our members include family, community and independent foundations, public charities, corporations, and other types of funders (donor-advised funds, charitable trusts, and individual philanthropists). www.nmag.org

About Con Alma Health Foundation

This Outlook for Foundation Giving study was made possible with the generous support from Con Alma Health Foundation. We thank Dolores E. Roybal, Executive Director and the Con Alma Health Foundation Team for their invaluable financial support and guidance in developing this report. Con Alma Health Foundation is organized to be aware of and respond to the health rights and needs of culturally and demographically diverse peoples and communities of New Mexico. www.conalma.org

Other Contributors

We are also grateful to the following Advisory Committee members for their thoughtful guidance in developing the framework for the Philanthropy in New Mexico 2018 Edition and the Outlook for Foundation Giving study.

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Executive Summary

The New Mexico Association of Grantmakers is pleased to share this new report, ***Outlook for Foundation Giving in New Mexico 2018***. It is a companion report to ***Philanthropy in New Mexico 2018***, the fourth report in a series that takes a closer look at the scope of New Mexico's grantmaking foundations, their giving practices and priorities in 2015 .

Through a survey of New Mexico grantmakers, the ***Outlook for Foundation Giving*** report describes how funders are working to strengthen the region's nonprofit sector in their giving practices and support strategies. The data from this survey projects giving for the years 2018 - 2019 in relationship to the year 2017. The findings in this report provide valuable information to both funders and nonprofit practitioners—specifically, projected support and contributions for building greater capacity in New Mexico's philanthropic and nonprofit sector.

Within this report, we explain future giving projections, types of grant and in-kind support strategies by a sample of New Mexico grantmakers. We also highlight important challenges and trends in grantmaker funding practices that will leverage grantmaking dollars and help nonprofits achieve better results. This information can be used to guide decision-making in nonprofit development and to inform the public about the important role of New Mexico's philanthropic sector.

Key Findings

Overall, New Mexico funders desire to be more intentional and strategic in their grantmaking and are focusing more on outcomes that result in leveraged partnerships and multi-sector collaborations.

Future Giving Projections: Due to the improving but uncertain economy, giving by New Mexico grantmakers is predicted to stay the same or increase slightly in the next two years.

Future Giving Strategies: While longer term, reliable funding strategies help nonprofits address some of our most challenging social issues, New Mexico grantmakers are largely maintaining their current giving strategies in the next two years.

Geographic Focus: Most New Mexico grantmakers are making few changes in their investments in specific geographic service areas in the next two years despite the growing needs for rural and native communities.

Types of Support Strategies: New Mexico grantmakers offer high levels of general operating, capacity building, and in-kind giving for goods and services that may be underutilized by nonprofit organizations for building their internal capacity.

Funder and Nonprofit Challenges: The capacity of the sector to meet program and service demands and ongoing financial needs are challenges for funders and nonprofits alike in terms of developing collaborative programs and strengthening overall resources for the sector.

Strategies that widen impact: The majority of New Mexico grantmakers value and show a strong interest in support of strategies and principles that demonstrate promise of leveraging their impact, including equity work, but how to put those values into practice may be challenging.

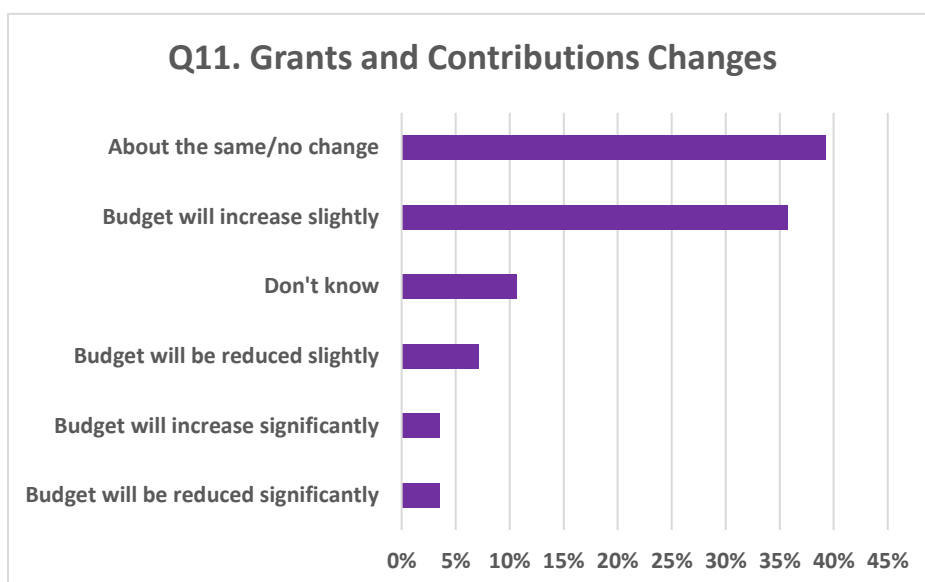
Results

Future Giving Projections

Giving by New Mexico grantmakers is predicted to stay the same or increase slightly in the next two years.

The first section of the *Outlook for Foundation Giving Survey* focused on future giving projections over the next two years. We defined giving as “grants and contributions”, which is the terminology reported to the IRS on forms 990PF, line 25 and 990 line 13, as expenses paid for grants for which the organization exercised expenditure responsibility.

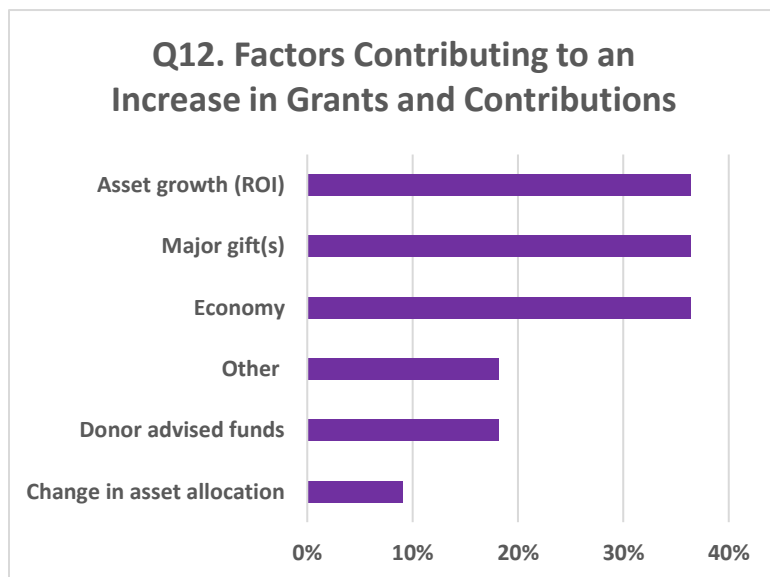
We asked survey respondents (Q 11.) whether they expect any changes in their grants and contributions budget over the next two years. The majority of respondents, 75 percent stated that their grants budget will stay about the same or increase slightly. Approximately 11 percent stated that they did not yet know how their grants budget will change. Expected increases in grants budgets were reported across all types of funders in the survey sample.



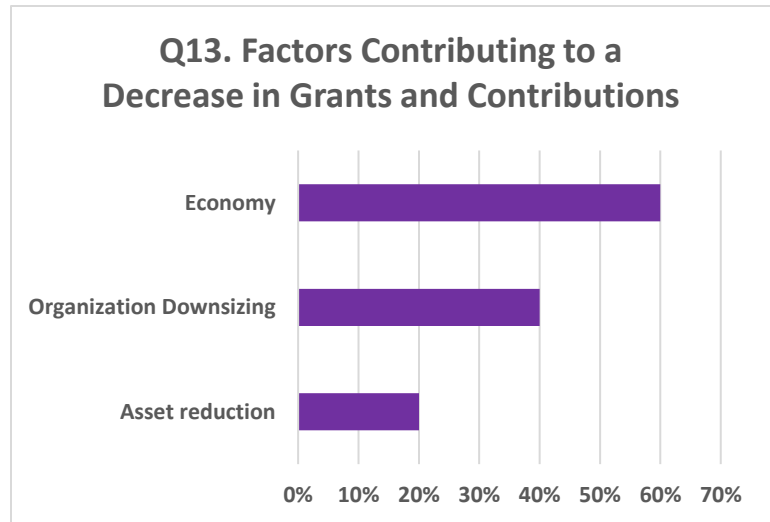
In response, survey respondents were asked what factors will contribute to an increase their grants budget (Q12.). Specific factors that will increase and positively influence grantmaker giving include:

- Improving economy
- Major gifts
- Growth in Assets

The above three factors account for most of the predicted growth in giving by New Mexico grantmakers. Foundations, in particular, typically budget their giving based on asset growth and trends in the prior year.



For the small number of funders (6) that expect to decrease their grants budget (Q13.) respondents cited the economy, intentional asset reduction and organization downsizing with a strategic decision to redistribute resources. This result may also be due to funders restraining giving in positive economic periods to save grant funding for an economic downturn.



Future Giving Strategies

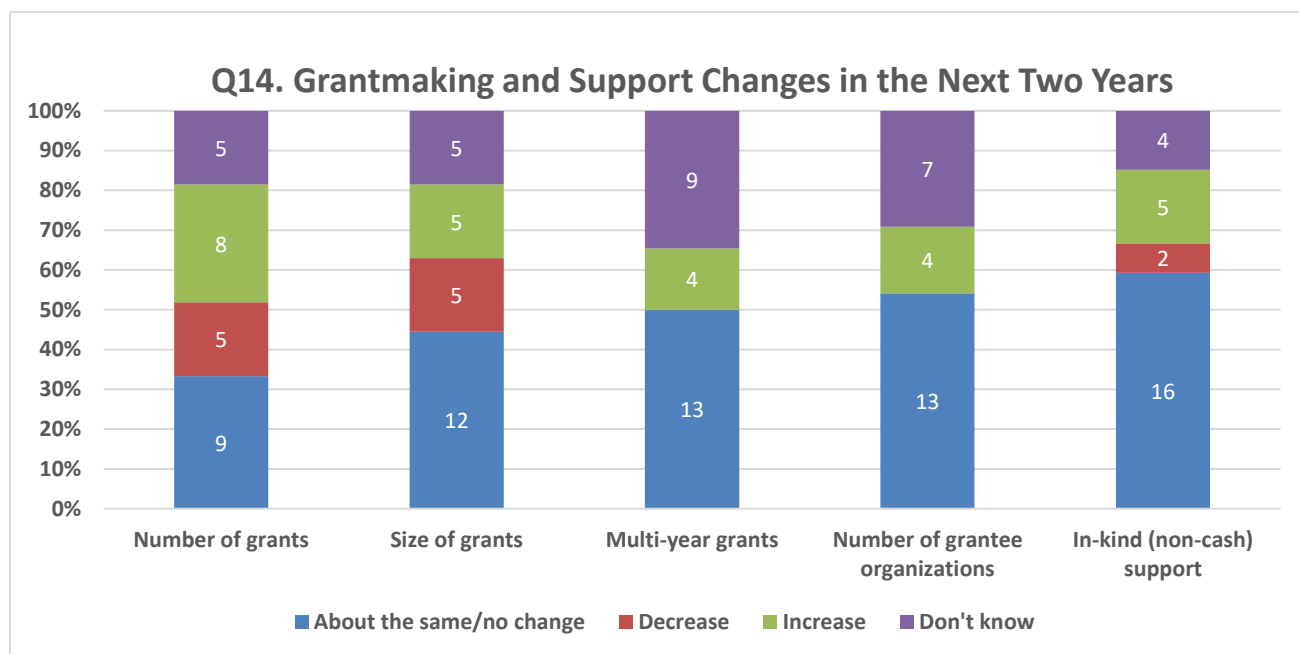
Grantmakers are largely maintaining their giving strategies leaving long-term, reliable financial support in question for some nonprofits.

Nonprofit organizations that take on systemic and deep-rooted social issues benefit from targeted, long-term, reliable and flexible funding for strengthening and growing their capacity. A 2015 Nonprofit Finance Fund national survey of nonprofits¹ showed that since the 2008 recession, there has been little progress in long-term financial support by funders.

We asked respondents if they anticipated making changes in their giving practices and strategies in five specific areas over the next two years (Q14). Over half of respondents anticipate no change in the size or length of their grantmaking. One in five respondents expect to see an increase in the number of grants made. Approximately one in three respondents anticipate increasing the number of organizations they support. Our survey respondents also reported that they anticipate little or no change in their nonfinancial in-kind contributions to grantees in support areas as detailed below.

- **Number of Grants:** The majority of respondents (44 percent) indicate that they expect no change in the number of grants awarded and an equal percentage report an increase, decrease or do not yet know, (19 percent respectively).
- **Size of Grants:** The majority of respondents (59 percent) indicate that they expect no change in the size of their grant awards, with 19 percent reporting an increase, 7 percent a decrease, and 15 percent do not yet know.
- **Multi-Year Grants:** Fifty percent of respondents report no change in multi-year grantmaking, while 15 percent report an increase and 35 percent do not yet know.
- **Number of Grantee Organizations:** The results were mixed for survey responses to the number of grantee organizations with 33 percent reporting no change, 30 percent an increase, and 19 percent equally reporting a decrease or they do not yet know.

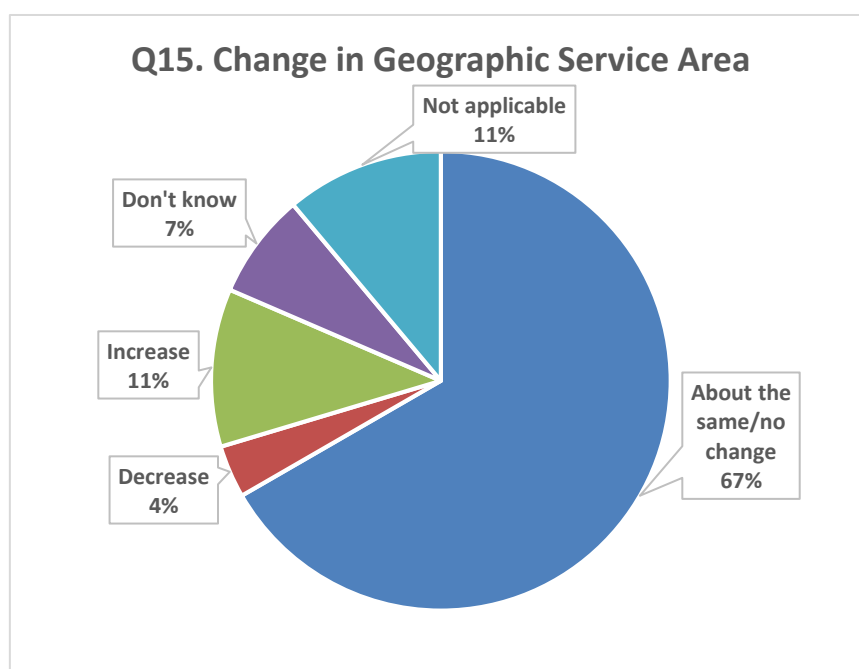
- **In-Kind or Non-cash support:** The majority (54 percent) of respondents stated that they expect no change in in-kind or non-cash grantee support, while 17 percent report an increase and 29 percent do not yet know.



Geography

New Mexico grantmakers expect few changes in their geographic areas served.

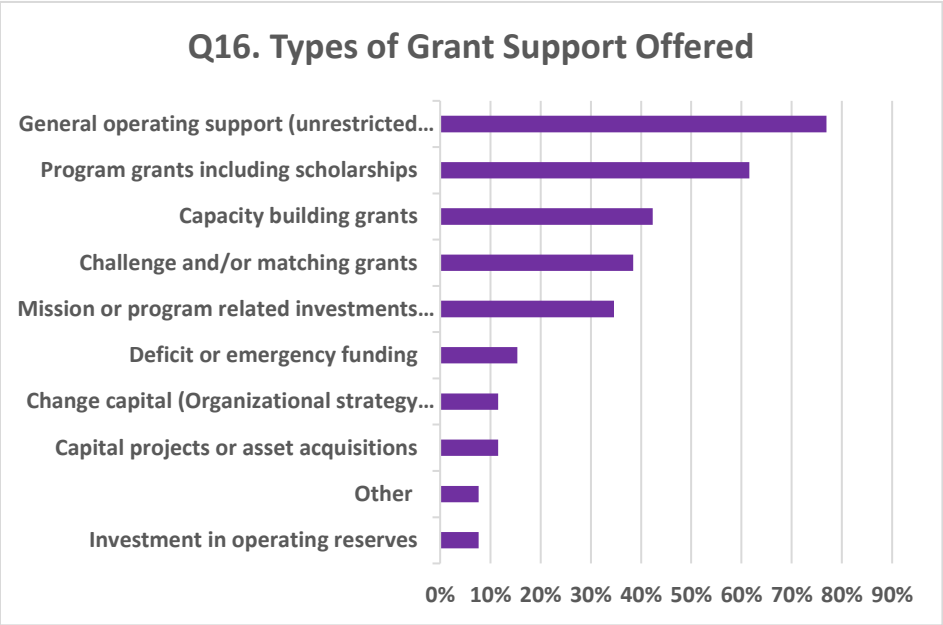
We asked respondents if they expect any changes in geographic areas served over the next two years (Q15.). The majority of respondents expect no change, do not yet know or that changes were not applicable to their organization. Only 11 percent expect to increase their geographic service area over the next two years. Our Philanthropy in New Mexico 2018 report indicates that urban philanthropy is growing but rural is still lagging behind. The number and percent of mostly rural New Mexico counties receiving little or no foundation grants has increased considerably since 2010.



Giving Support Strategies

New Mexico grantmakers expect to offer higher levels of unrestricted general operating support.

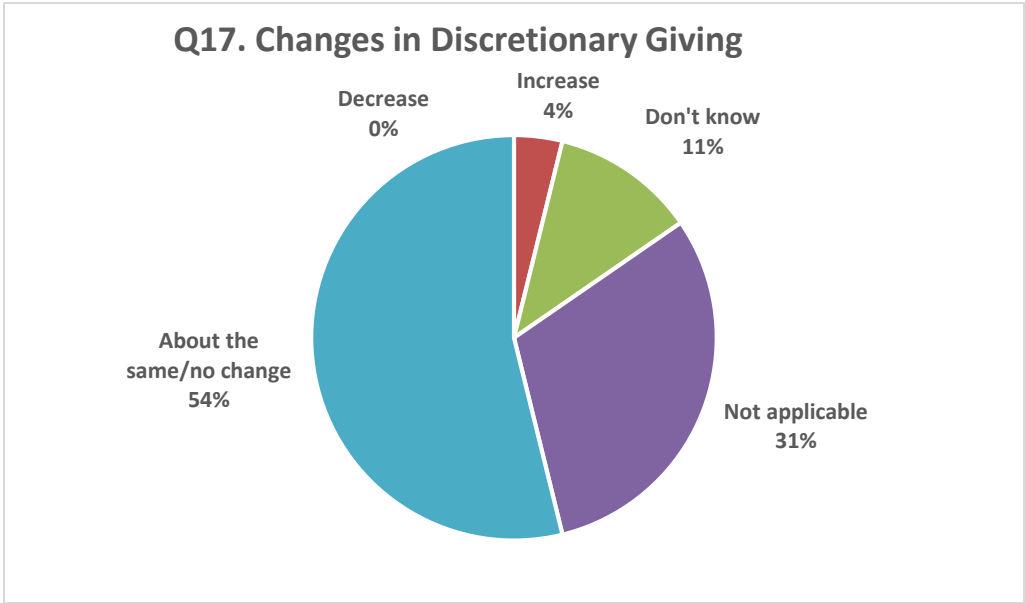
We asked respondents to identify the types of grant support they expect to offer over the next two years (Q16.). The majority of funders, 77 percent, anticipate making grants for unrestricted general operating support. By comparison, in 2012, only 23 percent of all U.S. grantmaking dollars consisted of general operating support (Foundation Center-Key Facts).² Our Philanthropy in New Mexico 2018 report shows similar levels at 22 percent for 2015 grants to New Mexico. This may indicate a general trend towards increasing unrestricted operating support as an investment in organizational capacity and sustainability. General operating, program support including scholarships, and capacity building grants were identified as the top three types of support by respondents. Grant support that leverage philanthropy dollars, including matching grants, impact investing and public private partnerships were also identified by 88 percent of funders.



Discretionary Giving

Discretionary spending is an important tool for flexible grantmaking support, but limited in use by New Mexico grantmakers.

Discretionary grants offer foundation boards and leadership flexibility in responding to emergent opportunities, urgent community needs or innovative

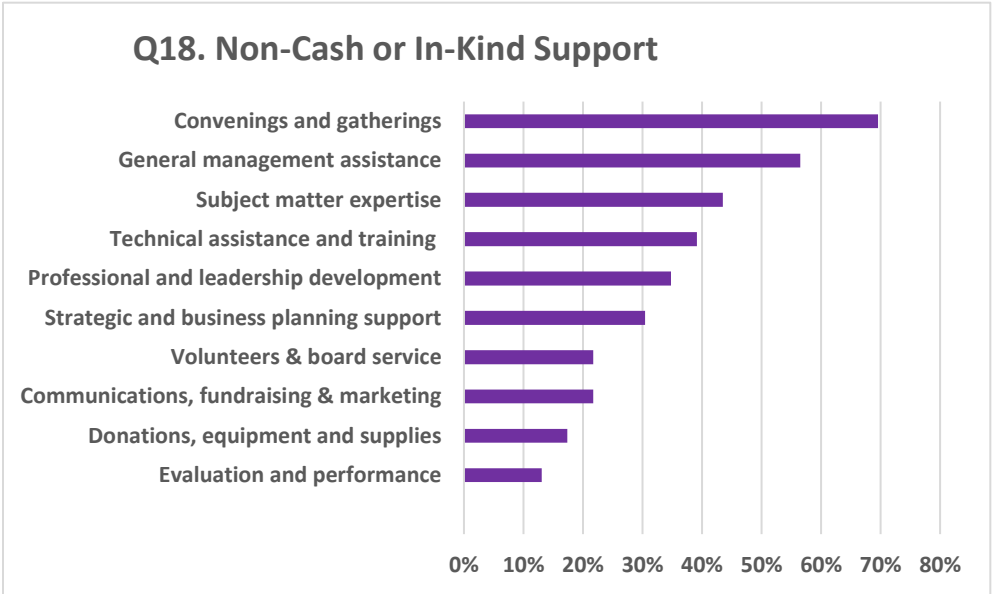


programs. About half of the funders responding to this survey offer discretionary grants. We asked respondents if they anticipate any increases in the amount of discretionary grantmaking by senior staff or trustees (Q17). Over half or 54 percent, anticipate no change, 31 percent do not have discretionary funding options and of those that do, only 4 percent anticipate an increase.

Non-Cash Support Strategies

Most New Mexico grantmakers offer a variety of in-kind giving in addition to their grantmaking.

Non-cash or in-kind giving are also ways that funders can contribute to grantee capacity and expand support for the nonprofit sector. In-kind gifts are contributions of goods or services other than cash grants. Examples of in-kind gifts include donated goods, services such as meeting space and convening; expertise in legal, tax, or business advice, marketing, technology and strategic planning.



We asked respondents to identify the type of non-cash in-kind support they expect to offer over the next two years (Q18.). Over 50 percent of the respondents offer space for grantee meetings and provide general management technical assistance. Over 30 percent of respondents indicate they offer subject matter expertise, specific trainings, and professional or leadership development. A smaller number offer volunteer and board service in addition to donation of goods. We did not ask how often such in-kind gifts are being used by grantees or nonprofit organizations, but is likely an underutilized nonprofit capacity building opportunity.

Challenges in Giving

New Mexico funders and nonprofits face similar complex social, economic and financial challenges.

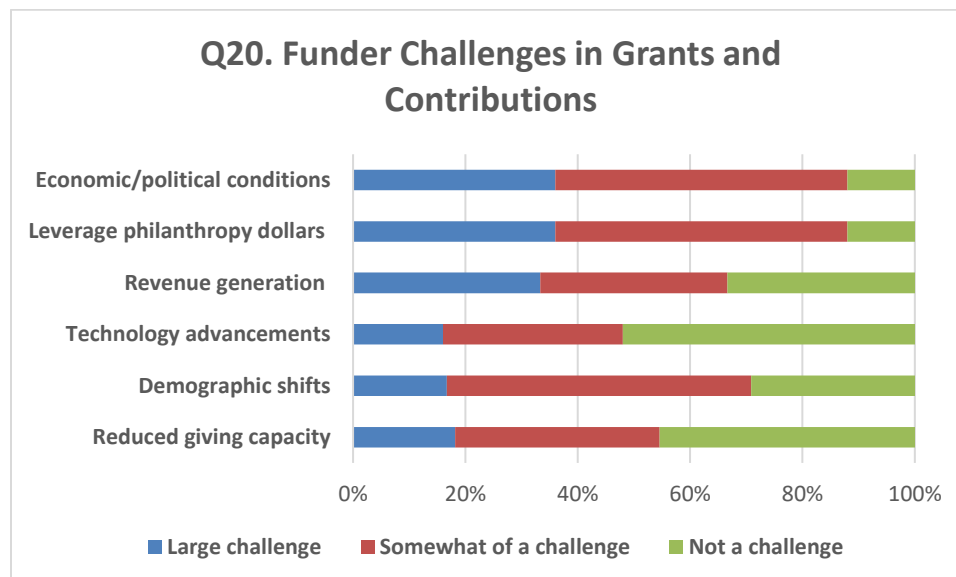
According to the Dorothy A. Johnson Center for Philanthropy³, the national trends for philanthropy in 2018 include philanthropy’s response to changes in demographics, data, government, diversity and geography. In a 2016 survey, NMAG asked funders to identify the top trends that would have an impact on giving over the next three to five year period. Funders identified six major challenges including leveraging dollars, revenue

generation, demographic and technology changes, and the economic and political climate. These topics are very similar to the national trends for 2018.

Based on these top trends, we asked respondents to tell us which ones presented challenges to their giving practices over the next two years. The top three New Mexico funder challenges include:

- Need to leverage philanthropy dollars
- Need for greater revenue generation
- Economic and political conditions

Demographic shifts are a large or somewhat of a challenge for over two thirds of the respondents. Reduced giving capacity and technology are not significant challenges for half of the respondents.



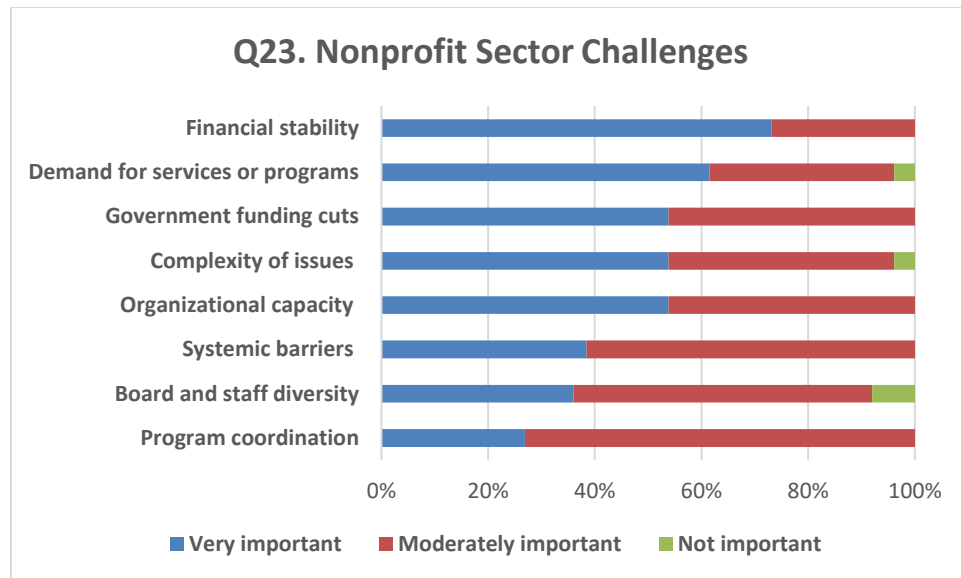
Nonprofit Sector Challenges

According to the National Council of Nonprofits⁴, the top two trends facing charitable nonprofits in 2018 will continue to be limited resources along with increasing program and service demands stemming from growing community needs.

We asked respondents to indicate what are the most important challenges facing their grantees and nonprofit organizations. For New Mexico grantmakers, the top three challenges, similar to the national trends and include:

- Long-term financial stability (73 percent)
- Meeting community demands for programs and services (62 percent)
- Cuts in government funding and displaced giving by the public sector (54 percent)

This is followed by limited nonprofit organization capacity and the complexity of issues nonprofits seek to address including systemic barriers.

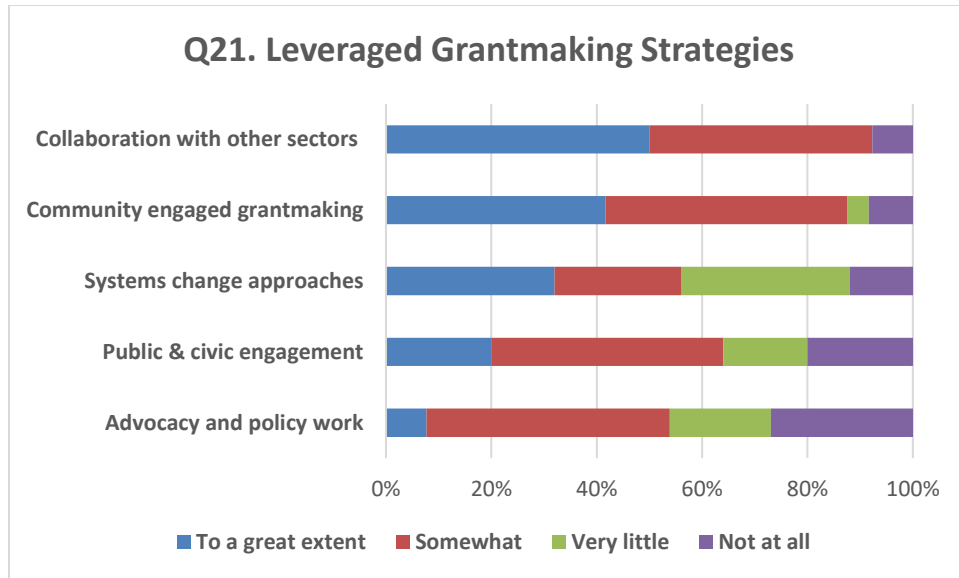


Leveraging Strategies

The vast majority of New Mexico Grantmakers value leveraging strategies such as collaboration, community and civic engagement.

Funders across the U.S. are looking for leverage points to achieve greater results with their limited grant dollars by supporting strategies that can demonstrate a return on their investments. In 2012, the National Committee for Responsive Philanthropy's, Grantmaking for Community Impact Project published a study "*Leveraging Limited Dollars*"⁵, which demonstrated that foundation funding for advocacy and civic engagement results in substantial, tangible benefits for families and communities. The report documents New Mexico as an example, where every dollar invested in policy and civic engagement by funders provided a return of \$157 in community benefit.

We asked respondents how involved their organization will be in support of leveraged grantmaking strategies. Over 92 percent of respondents indicated their work will involve collaboration with other sectors, including nonprofit, government and business, and 88 percent indicated a high level of involvement with community engaged grantmaking. Approximately 60 percent indicated involvement with civic engagement or community organizing strategies, followed by 56 percent involvement with systems change approaches, and 54 percent in advocacy and policy work.

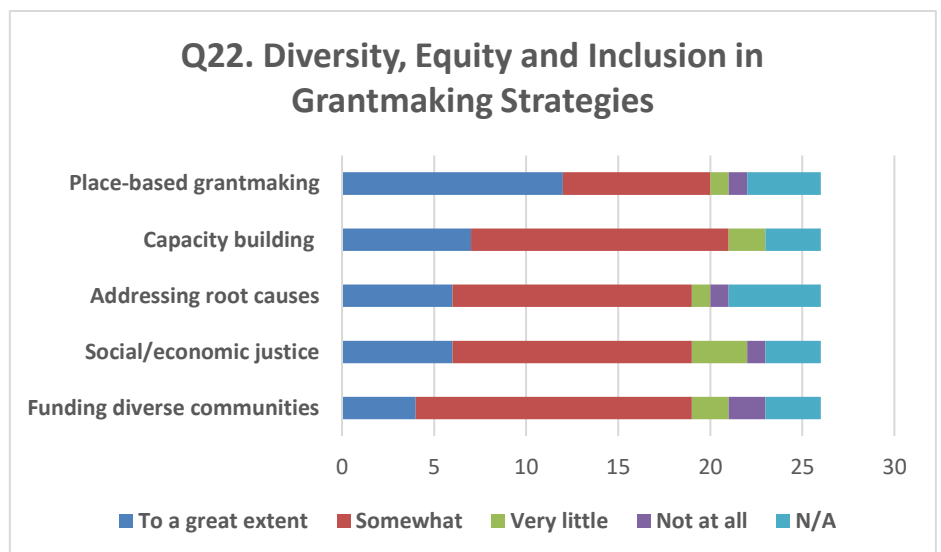


Diversity, Equity and Inclusion

The vast majority of New Mexico grantmakers value diversity, equity and inclusion in their work.

There is growing appreciation that incorporating diversity, equity and inclusion (DEI) principles into strategic grantmaking can help funder's widen their impact by being more inclusive in serving diverse communities. We asked respondents how involved their organization will be in supporting specific funding strategies aimed at improving DEI in their work (Q22). The vast majority, between 73 and 81 percent of respondents stated that they expect to support DEI funding strategies in five areas: social justice, place-based grantmaking, funding support, building organizational capacity and diverse leadership, and addressing root causes within diverse communities. Less than 10 percent of respondents report very little or not at all, while approximately 11 to 19 percent reported that it was not applicable to their organization.

While our limited survey respondents indicate they value DEI in their work, for many funders, it may be a challenge to put equity values into practice. As an example, the Philanthropy in New Mexico report (2018), from Foundation Center grant data, reports Indicates that less than five percent of New Mexico foundation grant dollars were directed towards ethnic/racial minorities in 2015, even though as majority non-white state—60 percent of adults and 74 percent of our children are racial/ethnic minorities.



About the Survey

Process, Methods and Respondents

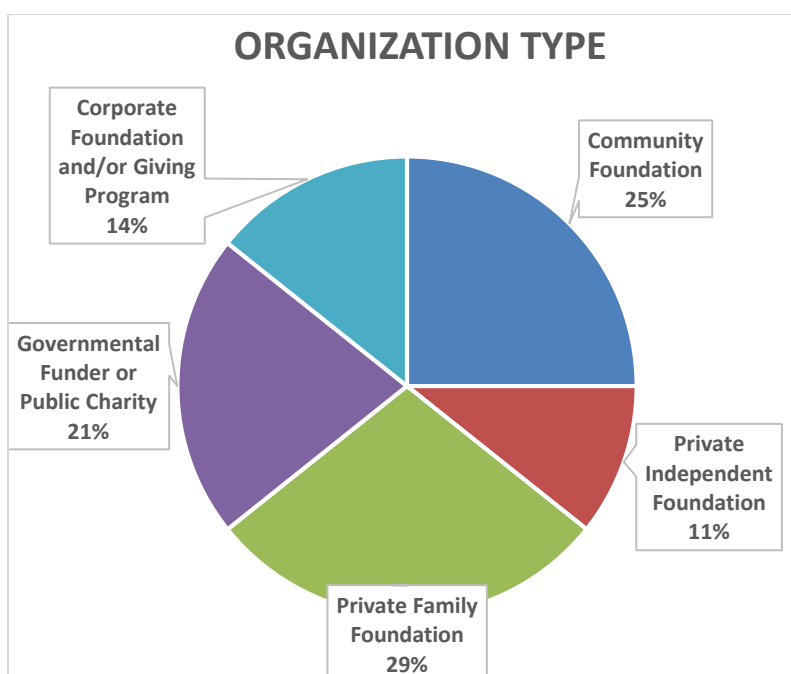
The Future Outlook for Giving Survey was developed in partnership with the New Mexico Association of Grantmakers' staff and Advisory Committee. Since this is a new survey, no baseline or trend data are available. However, we have made comparisons with other national trends where possible.

We targeted the survey to senior staff including CEOs, Executive Directors, or CFOs of independent, family, community, public charity, government, and corporations that have giving programs in New Mexico. Only one response per organization was accepted. Therefore, the survey findings are confidential, but not anonymous, and reported only at the aggregate level.

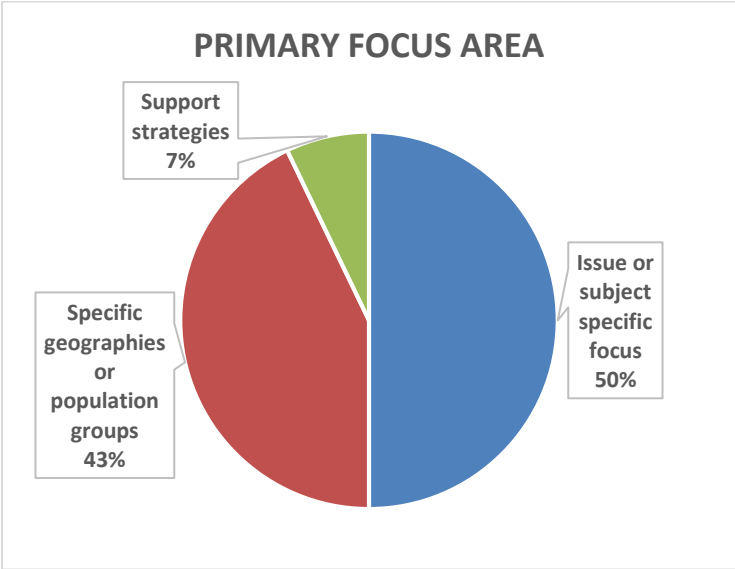
We distributed the survey to 102 individuals representing grantmakers from the NMAG membership and active funders who are engaged with NMAG but not necessarily current members. We used Survey Monkey software and distributed the survey via email through an online survey link. We sent multiple email reminders. In addition, we made individual reminder phone calls. Below is an overview of the survey respondents.

Respondents: Overall, 28 grantmakers responded to the survey for 47 percent response rate. Of the respondents, 19 were NMAG members and 9 were not NMAG members.

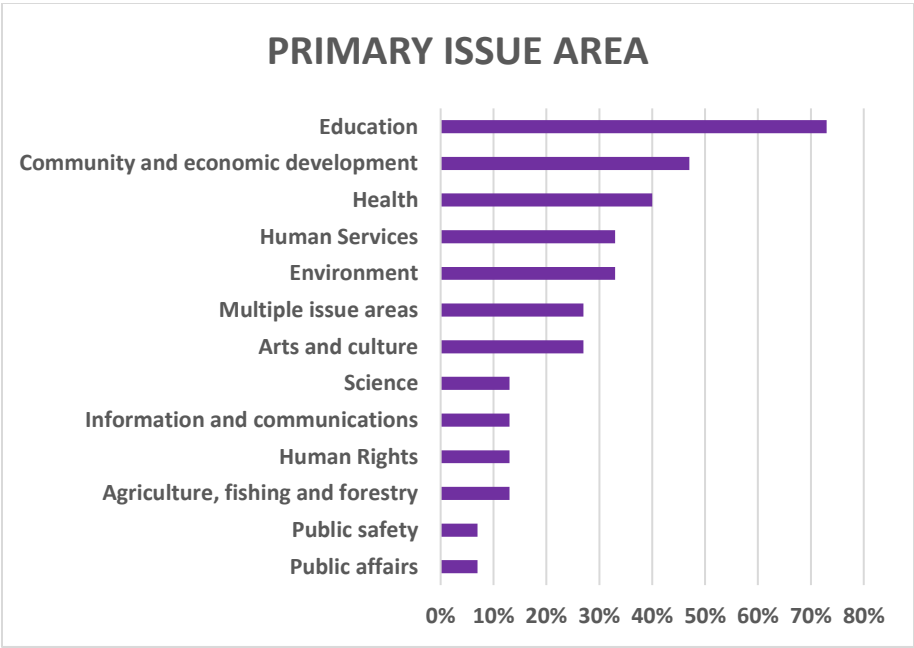
Organization Type: The survey respondents included a range of grantmakers by organizational type. Overall, most of the organizations were community foundations (29 percent), followed by private family foundations (25 percent), and corporate foundation giving programs (14 percent).



Organization Primary Focus Area: We asked respondents to select one of three major organizational focus areas. The majority of survey respondents indicated their organization was primarily focused on an issue or subject area (50 percent), followed by specific geography or population groups (43 percent). Only 7 percent or 2 respondents indicated they primarily focused on specific support strategies for improving the way philanthropy or nonprofits work.

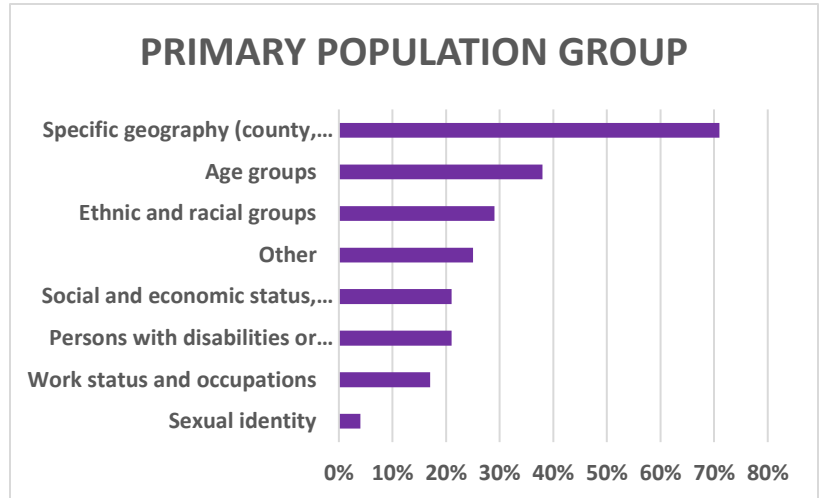


Primary Issue or Subject Areas: If respondents selected issue or subject area, we asked for all the primary issue or subject areas they support. Education, community and economic development and health were the top three issue areas. (Respondents could select more than one issue area.)

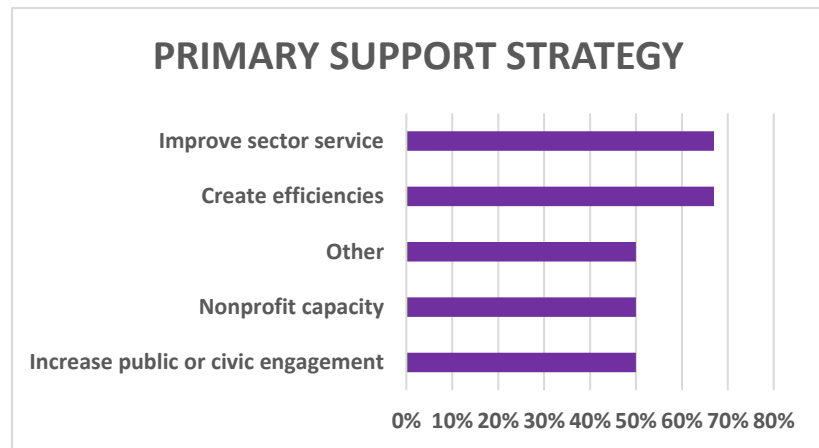


Primary Geography or Population Groups:

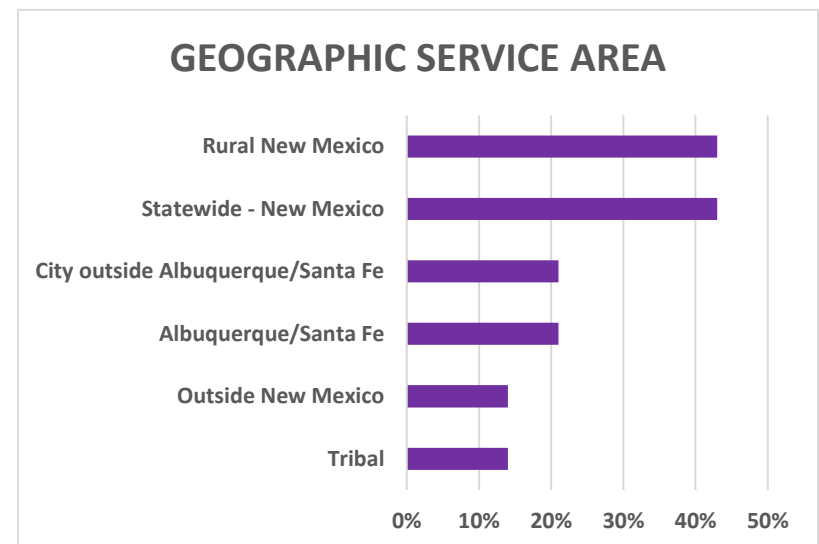
If respondents selected geography or population group as a primary focus, we asked which specific groups they support. County, region or state, age groups, and ethnic and racial groups were the top three population group areas identified. (Respondents could select more than one group.)



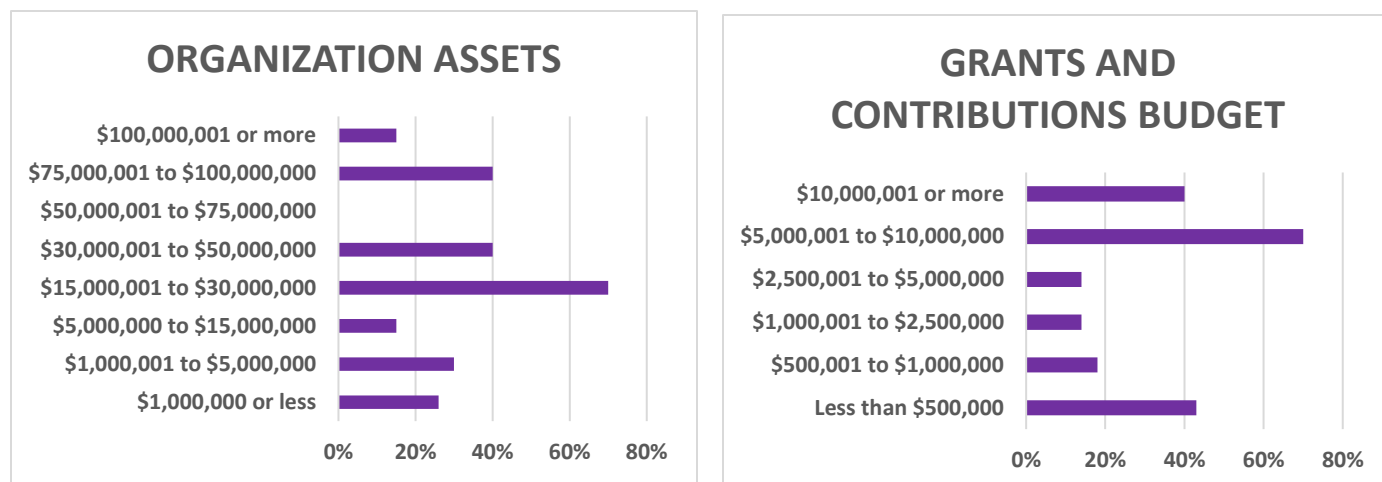
Primary Support Strategy: If respondents selected a support strategy as a primary focus area, we asked survey respondents to indicate which types of support strategy. Creating efficiencies, improving the service sector, public or civic engagement, and nonprofit capacity were the top four support strategies identified.



Geographic Service Area: We asked respondents to identify their primary geographic service areas. There was a fairly good distribution of respondents serving statewide, rural, urban and tribal areas of the state. Over 14 percent indicated a service area of outside New Mexico.



Size of Organization: Overall most respondents were small to midsize New Mexico grantmakers with less than \$5M or more in assets (71 percent) and less than \$500,000 in annual grants budget (64 percent). There were four funders that were in the \$100M or more in assets, but respondents were more evenly distributed among the annual grants budget categories



LIMITATIONS: Overall the survey represents only a small proportion of the foundations with giving programs in New Mexico. It can only serve as a sample, which may not be representative of the grantmaker organizations serving the state.

REFERENCES:

¹ Nonprofit Finance Fund, “2015 State of the Nonprofit Sector Survey”, <https://www.nonprofitfinancefund.org/learn/survey#key-findings>

² Foundation Center, Key Facts on U.S. Foundations, 2014 Edition, <http://foundationcenter.org/gainknowledge/research/keyfacts2014/>

³ Dorothy A. Johnson Center for Philanthropy at Grand Valley State University, 11 Trends for Philanthropy in 2018, <http://www.atlascorps.org/blog/top-trends-philanthropy-2018-identified-johnson-center-experts/>

⁴ National Council of Nonprofits, Nonprofit Sector Trends 2018, <https://www.councilofnonprofits.org/nonprofit-sector-trends>

⁵ National Committee for Responsive Philanthropy, Leveraging Limited Dollars: How Grantmakers Achieve Tangible Results By Funding Policy And Community Engagement, Lisa Ranghelli, January 2012