

Navigating the High Seas of Fund Development in a Crisis

Presented To:

IAAPA Museum Economics Panel

November 18, 2008

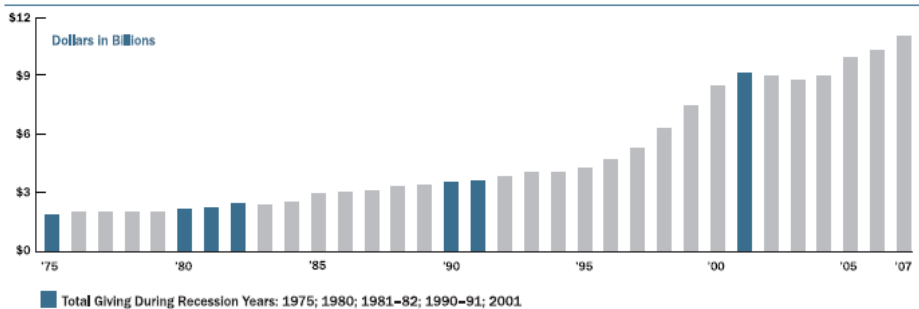
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Finding our Place on the Map

Total Giving by Foundations, 1975 to 2007

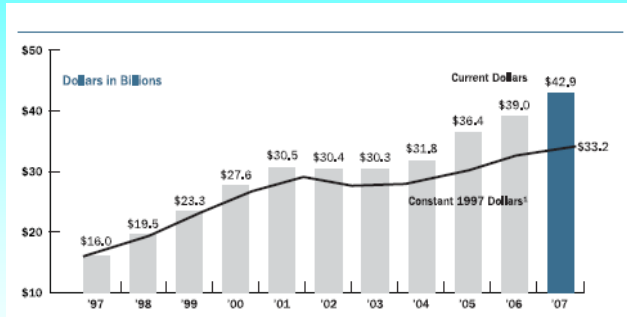


Source: The Foundation Center, *Foundation Yearbook*, 2008. Figure estimated for 2007. Constant 1975 dollars based on annual average Consumer Price Index, all urban consumers, as reported by the U.S. Department of Labor, Bureau of Labor Statistics, as of April 2008.



Finding our Place on the Map

Foundation Giving, 1997 to 2007

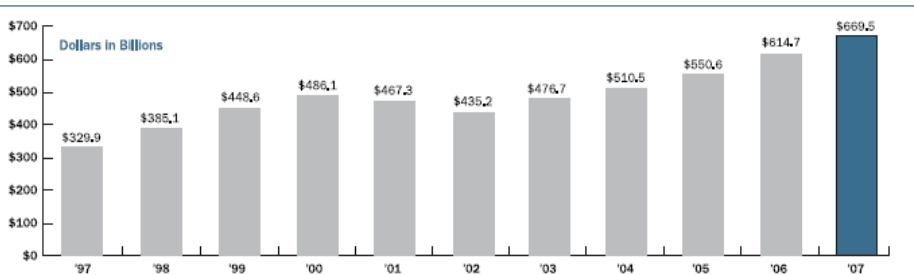


Source: The Foundation Center, *Foundation Yearbook*, 2008. Figures estimated for 2007.
 *Constant 1997 dollars based on annual average Consumer Price Index, all urban consumers, as reported by the U.S. Department of Labor, Bureau of Labor Statistics, as of April 2008.



Finding our Place on the Map

Foundation Assets, 1997 to 2007

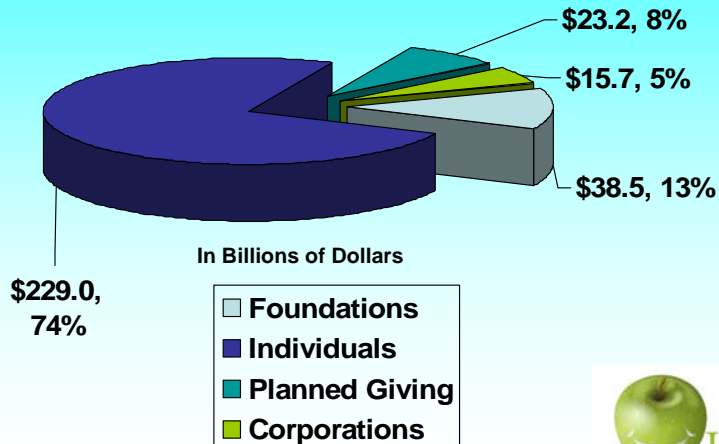


Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2008. All figures based on unadjusted dollars. Figure estimated for 2007.



Finding our Place on the Map

Charitable Giving in 2007



Source: The Chronicle of Philanthropy, June 26, 2008



Finding our Place on the Map

First, the good news....

- Total foundation giving increased during and after each recession except one
- Even during the early 2000's, new foundations were being created at a rapid pace (more than 3,000 in 2002, over 1500 in 2003)
- The decline in giving was very modest when it occurred at all

Now, the bad news....

- Profound loss of market value in equities (Fidelity Magellan has lost more than half (!) its value)
- Credit crisis still working its way through the system – experts say 18 to 24 months at best
- Immediate impact and a different, difficult-to-predict longer term impact



Finding our Place on the Map



We found our place on the map.



How do we Navigate from Here?

What do we know for sure?

- Most foundations and donors give from earnings and appreciated value of equities and other assets
- Some higher income individuals give from earned incentives
- Corporate support is based on either a share of earnings allocated to community benefit or as part of the marketing budget if warranted
- Most donors will do almost anything in their power to avoid imposing a hardship on their favorite causes
- Some donors will not be adversely affected by this economic climate



How do we Navigate from Here?

Some observations to inform strategy:

- Major donors have in past adversity concentrated their efforts on the institutions closest to their core values
- Multiyear pledges are more likely to be at risk
- Excessive aggression on the part of institutions to try to close funding gaps may backfire, as donors are sensitive to the issues also
- The most significant risk to capital campaigns is the timeline – be prepared to extend it
- Get and stay close to your donors – be prepared to renegotiate gifts, and keep an eye on the long-term



How do we Navigate from Here?

Why are we listening to a new guy talk about this?

- These issues break down to a period of increased competition for funding
- It will be all too easy to adopt a mindset of 'circling the wagons', and this will put your message at risk in the funding marketplace
- The institutions best positioned to weather this period are those who have been focused on relevance all along, and whose fund development efforts have been focused on quality of the relationship with funders
- Assuming we know this, the one issue to tune into is how this crisis might change the rules in the business of philanthropy



What Does this Mean for the Industry?

Museums succeed because of the strength of their relationships:

- Vendors should anticipate a slowdown in capital expenditures
- Museum partners should look for creative ways to support the Museum through in-kind partnerships, etc.
- Museums will be focusing on bringing their friends even closer during this period of limits to giving capacity



What Can Museum Partners Do?

What are the trends to watch in fund development that will affect museums?

- Venture Philanthropy – the application of venture capital strategies to the support of not-for-profit projects and organizations
- Collaboration – increasing emphasis on collaborative efforts between and among NFPs intended to maximize the impact of a donors dollars
- Outcomes Measurement – rising interest in results-oriented giving. Success stories and physical results are no longer sufficient for a growing segment of the donor community

How many vendors in the room have helped their museum partners raise capital?



What is The Health Museum Doing?

Diversification to offset business risk:

- Fund Development
- Earned Revenue
- Business Development
- Endowment Growth

Our goals:

- Spread our capability to attract resources and fund operations more evenly among these elements
- Leverage our niche in a national marketplace for creative properties; reduce dependence on unearned revenues
- Be absolutely great at managing our donors interests in us



Discussion

