

Capacity Ratings for Corporations and Foundations

Prioritizing Your Top Prospects

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Introduction

- Why rate the giving capacity of organizations?
 - If an entity is important enough to be a prospect for major giving (whether an individual or an organization), we should find a way to rate its capacity
 - Capacity ratings help us prioritize and strategize among top prospects for major giving
 - Centers/institutes, programs, research, and other needs that benefit from reliable org funding sources
 - Plan your approach for meeting these ongoing funding needs

Introduction

- Develop capacity rating standards that meet the fundraising needs of your organization
 - Advancement Research capacity ratings for corporate and foundation prospects at the University of Washington
 - 5-year estimate for all charitable giving to UW from the organization

Rating Corporations

- Rating based on 5-year major giving
 - Giving is substantial enough to estimate based on the 5-year giving record to your institution

Rating Corporations

- Rating based on recent charitable giving record
 - Find representative giving examples (such as giving to public higher ed, hospital giving, etc.) based on your type of institution
 - Source examples:
 - *NOZA*
 - *Google Advanced* using *.edu* and *.org*
 - *LexisNexis*
 - Simple rating if necessary:
 - A recent example of major charitable giving multiplied by 5

Rating Corporations

- Revenue-based rating
 - Revenue is readily available for public companies
 - Private company revenue source examples:
 - Local business journals – articles and industry lists
 - *LexisNexis*
 - *Dun & Bradstreet / Hoover's*

Rating Corporations

- Calculating revenue-based ratings
 - Obtain a recent annual revenue figure (or find a good estimate)
 - Estimate 1-year capacity for charitable giving as a percentage of revenue based on corporate giving data from *Giving in Numbers*
 - Multiply this result by 5 to obtain a 5-year rating

Rating Corporations

- *Giving in Numbers* 2009 edition:
 - www.corporatephilanthropy.org/index.php?option=com_content&view=article&id=504&Itemid=328
 - *Giving in Numbers* is an analysis of corporate giving data published annually by Committee Encouraging Corporate Philanthropy
 - Includes data such as median total giving as a percentage of revenue broken down by different categories such as industry, revenue, and number of employees

Rating Corporations

- Calculating revenue-based ratings
 - 2009 edition of *Giving in Numbers* lists median total giving as a percentage of revenue as 0.16% for companies that have revenue lower than \$5 billion
 - This figure is 0.24% in 2008 edition
 - Sample capacity rating for a company (UW prospect) with \$13.37 million annual revenue:
 - “\$160K rated amount is estimated 5-year capacity for all charitable giving based on .24% of \$13.37 million annual 2007 revenue. Actual giving to UW would likely be less.”

Rating Corporations

- Screen shots from *Giving in Numbers* 2009 edition
 - *2008 Benchmarking Tables*

Rating Corporations

GivinginNumbers2009.pdf - Adobe Reader

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28 (30 of 60) 150% Find

	Median Total Giving (in millions)	Median Total Giving as a % of Revenue	Median Total Giving as a % of Pre-Tax Profit	Median Total Cash Giving as a % of Pre-Tax Profit	Median Matching Gifts as a % of Total Giving	Median Total Giving per Employee
All Companies N=137	\$25.95	0.13%	1.23%	0.81%	9.04%	\$752
Fortune 100 Companies N=55	\$50.60	0.10%	1.34%	0.83%	8.97%	\$642
Revenue > \$100 bn N=11	\$69.74	0.04%	0.69%	0.49%	9.98%	\$559
\$50 bn < Revenue < \$100 bn N=18	\$51.11	0.07%	1.13%	0.86%	9.20%	\$485
\$25 bn < Revenue < \$50 bn N=28	\$49.68	0.19%	1.65%	0.85%	7.03%	\$732
\$15 bn < Revenue < \$25 bn N=24	\$26.25	0.12%	0.98%	0.66%	12.82%	\$766
\$10 bn < Revenue < \$15 bn N=18	\$18.73	0.15%	1.16%	0.93%	8.48%	\$846
\$5 bn < Revenue < \$10 bn N=17	\$11.40	0.16%	1.13%	0.88%	13.90%	\$702
Revenue < \$5 bn N=18	\$3.43	0.16%	1.71%	0.89%	6.11%	\$1,017

8.50 x 11.00 in

Rating Corporations

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Fortune 100 Companies	N=55	\$50.60	0.10%	1.34%	0.83%	8.97%	\$642
Employees > 100,000	N=27	\$50.10	0.10%	1.61%	0.81%	9.46%	\$202
50,001 ≤ Employees ≤ 100,000	N=32	\$62.91	0.19%	1.49%	0.66%	7.00%	\$812
30,001 ≤ Employees ≤ 50,000	N=25	\$27.20	0.09%	1.06%	0.90%	11.06%	\$699
20,001 ≤ Employees ≤ 30,000	N=14	\$25.97	0.26%	1.83%	1.19%	8.48%	\$1,041
10,000 ≤ Employees ≤ 20,000	N=19	\$11.40	0.12%	0.88%	0.85%	11.64%	\$779
Employees < 10,000	N=19	\$3.47	0.10%	0.91%	0.87%	6.97%	\$1,183

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Rating Corporations

- Additional notes on corporate ratings
 - Revenue-based ratings are estimates for *all* charitable giving from a corporation
 - Rated amount is usually higher than the portion that your organization might realistically expect to receive

Rating Foundations

- Rating based on 5-year major giving
 - Giving is substantial enough to estimate based on the 5-year giving record to your institution

Rating Foundations

- Rating based on recent grant making record
 - Search for representative grant making (such as giving to public higher ed, hospital giving, etc.) based on your type of institution
 - Source examples:
 - *The Chronicle of Philanthropy*
 - *Google Advanced* using *.edu* and *.org*
 - *LexisNexis*
 - Simple rating if necessary:
 - A recent example of a major grant multiplied by 5

Rating Foundations

- Rating based on data from IRS 990 forms
 - Take the average grant amount and multiply by 5
 - *FoundationSearch* provides average grant amount from multi-year 990 data
 - You could also calculate the average grant manually from the foundation's most recent 990
 - 990 data by recipient category
 - Foundation's average grant might be \$25K, but the 990 record shows consistent \$50K grants to higher ed. So for a higher ed institution, you could make a \$250K five-year rating based on the higher ed giving record.

Rating Foundations

- Examples of 990 data sources
 - *FoundationSearch*
 - *Foundation Directory*
 - *NOZA's 990-PF Database (GrantSmart)*
 - *GuideStar*
- Screen shot from *FoundationSearch*
 - *Granting Analysis of the Ford Foundation*

Rating Foundations

Foundation Summary - Windows Internet Explorer

http://www.foundationsearch.com/fs-html/search/ganalyzer/displaySummary_grant.asp?EIN=131684331

GRANTING ANALYSIS

Metasoft continuously classifies and analyzes the multi-year granting activity of this foundation. The results are presented in the following table.

In the most recent reporting year 2007, the foundation's total giving was \$570,953,000. (Only grants above \$4000 are included)

Categories	Total Grants		Grant Size			Proportion of Total Giving	
	Grants	Value	Largest	Smallest	Average	Grants Awarded	Grants Value
All Categories	23585	\$4,306,478,928	\$275,526,718	\$4,000	\$182,594	100%	100%
Education	3377	\$1,184,794,079	\$275,526,718	\$4,158	\$350,842	14.32%	27.51%
Health	365	\$56,276,053	\$1,550,000	\$5,307	\$154,181	1.55%	1.31%
Social & Human Services	1517	\$417,145,369	\$44,800,000	\$4,500	\$274,980	6.43%	9.69%
International Giving	12989	\$1,454,058,148	\$20,000,000	\$4,000	\$111,945	55.07%	33.76%
Environment	424	\$74,126,875	\$2,500,000	\$4,541	\$174,828	1.80%	1.72%
Arts & Culture	995	\$223,283,107	\$15,000,000	\$4,717	\$224,405	4.22%	5.18%
Religion	190	\$33,379,705	\$2,000,000	\$5,000	\$175,683	0.81%	0.78%
Community Development	2721	\$682,521,774	\$8,000,000	\$4,000	\$250,835	11.54%	15.85%
Sports & Recreation	4	\$72,058	\$42,058	\$10,000	\$18,015	0.02%	0.00%
Miscellaneous Philanthropy	1003	\$180,821,760	\$6,000,000	\$5,000	\$180,281	4.25%	4.20%

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Rating Foundations

- Screen shot from *FoundationSearch*
 - *Granting Analysis* of the Harold & Arlene Schnitzer CARE Foundation

Rating Foundations

Foundation Summary - Windows Internet Explorer

http://www.foundationsearch.com/fs-html/search/ganalyzer/displaySummary_grant.asp?EIN=931159884

GRANTING ANALYSIS

Metasoft continuously classifies and analyzes the multi-year granting activity of this foundation. The results are presented in the following table.

In the most recent reporting year 2007, the foundation's total giving was \$5,926,000. (Only grants above \$4000 are included)

Categories	Total Grants		Grant Size			Proportion of Total Giving	
	Grants	Value	Largest	Smallest	Average	Grants Awarded	Grants Value
All Categories	404	\$23,193,269	\$3,000,000	\$4,000	\$57,409	100%	100%
Education	89	\$10,101,973	\$3,000,000	\$4,500	\$113,505	22.03%	43.56%
Health	24	\$857,405	\$500,000	\$5,000	\$35,725	5.94%	3.70%
Social & Human Services	67	\$1,661,345	\$200,000	\$5,000	\$24,796	16.58%	7.16%
Environment	3	\$55,000	\$25,000	\$5,000	\$18,333	0.74%	0.24%
Arts & Culture	121	\$6,870,010	\$1,000,000	\$5,000	\$56,777	29.95%	29.62%
Religion	52	\$2,394,260	\$400,000	\$4,000	\$46,043	12.87%	10.32%
Community Development	15	\$211,418	\$50,000	\$5,000	\$14,095	3.71%	0.91%
Miscellaneous Philanthropy	33	\$1,041,858	\$130,000	\$4,500	\$31,571	8.17%	4.49%

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Rating Foundations

- Screen shot from *Foundation Directory*
 - *Selected Grants* from *Foundation Profile* of the Harold & Arlene Schnitzer CARE Foundation

Rating Foundations

Foundation Directory Online - Grantmaker Profile - Windows Internet Explorer

http://fconline.foundationcenter.org/companion/new_page.php?row1data=schnitzer&row2data=

Selected Grants Top of Page ▲

The following grants were reported in 2007:

- \$5,500,000 to Oregon Health and Science University Foundation, Portland, OR. For Diabetes Center, payable over 1 year.
- \$400,000 to Mittleman Jewish Community Center, Portland, OR. For operating support, payable over 1 year.
- \$48,000 to Oregon Health and Science University Foundation, Portland, OR. For diabetes center start-up support, payable over 1 year.
- \$25,000 to Give Them Wings, Hood River, OR. For Wyeth Work Camp renovation, payable over 1 year.
- \$10,000 to Robison Jewish Home, Portland, OR. For Cedar Sinai Park general operating support, payable over 1 year.

[Want to see more grants for this grantmaker? Try our Search Grants database.](#)

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Rating Foundations

- Rating based on family foundation donor
 - For pass-through family foundations, you can use an individual rating on the foundation donor. You could also rate based on 5-year foundation giving to your institution.

Other Considerations

- Different situations (such as limited data or different rating methods) might lead to different rating levels and possibly skew results
 - Document rating methods
 - At UW, we include a text note in our database in addition to the numerical rating and range – this explains the methods behind the numbers
 - Remember that ratings can always be updated based on available data – they are not set in stone

The Recession

- Capacity Ratings in the Recession
 - Many donors have experienced major drops in capacity
 - Keep up with changes that affect your org prospects
 - Foundations – review periodicals such as *The Chronicle of Philanthropy* for lists of asset losses, reductions or suspensions in grantmaking, and other major changes affecting grantmakers
 - Corporations – review the business press, especially local business journals, for the latest on your companies of interest

The Recession

- Capacity Ratings in the Recession
 - More ways to keep up with changes
 - Web feeds based on specific corporations or foundations
 - Web feeds based on categories of interest, such as news/blogs about your local philanthropic scene, or business topics such as technology and entrepreneurship, etc.
 - Go straight to the source – don't forget corporate and foundation websites

The Recession

- Press coverage of the economic crisis and its impact on philanthropy provides insight for making changes to capacity ratings
 - Financial data
 - Changes in grant making priorities

The Recession

- “Tightening Their Belts” by Noelle Barton and Ian Wilhelm, *The Chronicle of Philanthropy*, 4/9/2009
- Article discusses national survey results that show many foundations planning cuts because of a sharp drop in assets: “Of the 112 funds that reported estimates of their giving this year, 42 said they are giving less, 25 said they would keep it steady, and 14 said they would increase it.” The article provides specific data such as how much respondents plan to give in 2009.

The Recession

- “Recession squeezes even philanthropies of Gates, Allen” by Kristi Heim, The Seattle Times, 1/14/2009
- Article notes that the Paul G. Allen Family Foundation “cut total spending for 2008 by 24 percent, mostly in the last three months of the year. It doesn't expect to increase that amount in 2009. Today, the Allen Foundation is announcing a shift in strategy to focus on shorter-term needs, such as funding for emergency food banks.”

Conclusion

- Questions and discussion
- Contact: mpk@uw.edu / 206-221-5626