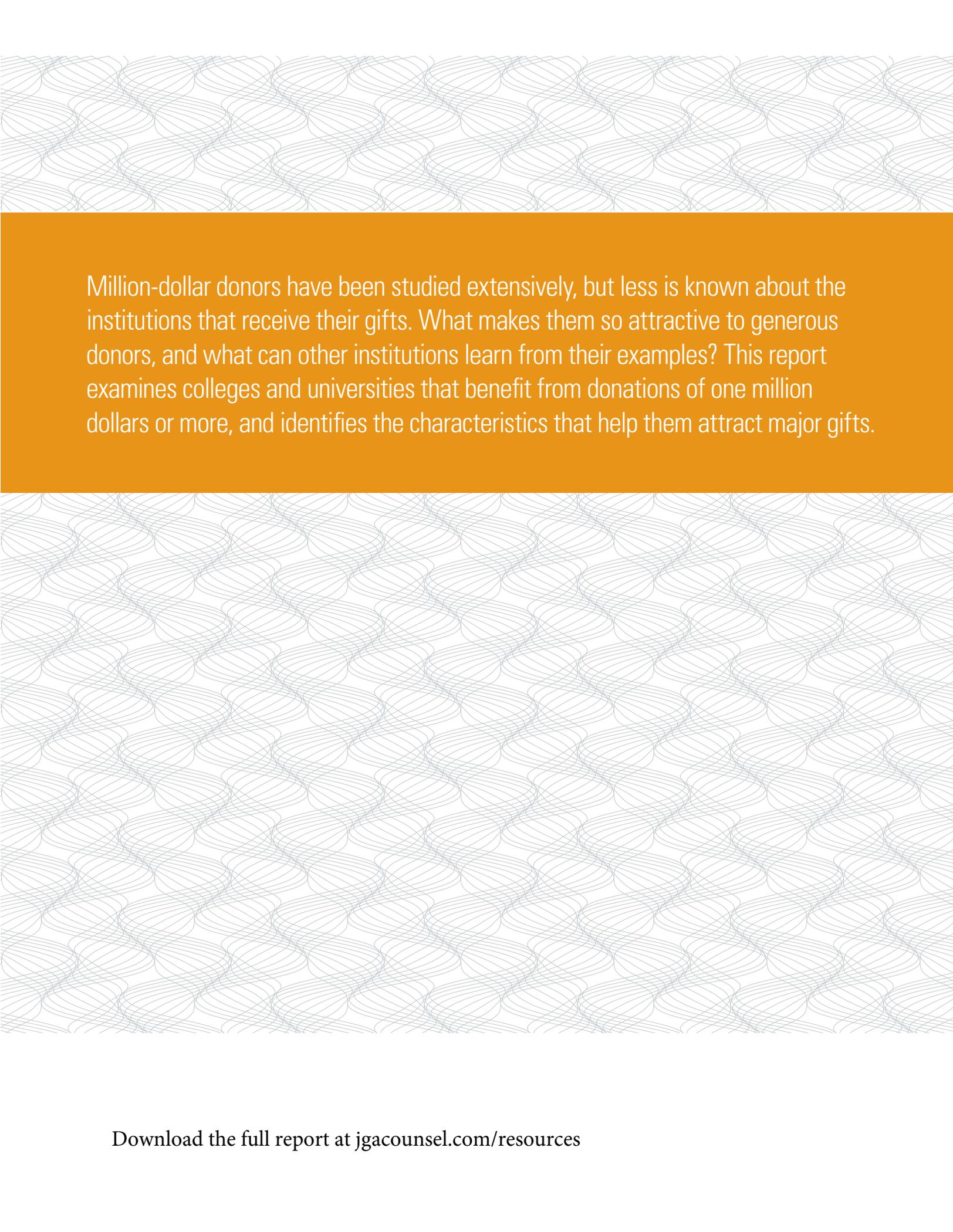


MILLION DOLLAR READY ASSESSING THE INSTITUTIONAL FACTORS
THAT LEAD TO TRANSFORMATIONAL GIFTS DECEMBER 2013



Million-dollar donors have been studied extensively, but less is known about the institutions that receive their gifts. What makes them so attractive to generous donors, and what can other institutions learn from their examples? This report examines colleges and universities that benefit from donations of one million dollars or more, and identifies the characteristics that help them attract major gifts.

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EXECUTIVE SUMMARY

Million-dollar donations have the ability to transform higher education institutions. However, less than one in three degree-granting higher education institutions in the U.S. received a publicly announced million-dollar donation from 2000 to 2012. Far fewer institutions received multiple million-dollar gifts.

In the past, efforts to understand million-dollar giving have focused on donors, hoping to understand the factors that led them to give. This report turns the tables, in effect, attempting to identify the characteristics of the higher education organizations that consistently attract million-dollar-plus gifts – in other words, striving to understand what makes them “Million Dollar Ready.”

For this study, Johnson, Grossnickle and Associates and the Indiana University Lilly Family School of Philanthropy used a unique data set that combines Million Dollar List data on gifts to higher education with data on the institutions receiving such gifts. In all cases, factors other than those specifically studied were held constant. Additionally, the researchers considered the driving forces behind such giving through case studies of three universities with a history of receiving million-dollar gifts: Arizona State University, DePauw University, and Massachusetts Institute of Technology.

While the study does not provide any quick-and-easy recipes for million-dollar-gift success, it does reveal a number of characteristics shared by institutions that receive multiple major gifts. From those characteristics, some major themes emerged that could help organizations in higher education – and, perhaps, throughout the nonprofit sector – assess their own million-dollar readiness and consider what they could do to improve their ability to attract big donations. Following are some key themes that emerged from the study.

IT STARTS AT THE TOP

- Longer presidential tenure is associated with higher numbers of million-dollar-plus donations.
- Case studies suggest that a president’s ability to articulate a powerful vision and connect it to donors’ motivations will have a profound effect on million-dollar-gift success.

RANKINGS AND AGE MATTER

- It appears that rank – as in an institution’s inclusion on “Best Colleges” listings – does influence donors. A national ranking (for the purposes of this study, the U.S. News & World Report “Best Colleges” rankings) in the year 2000 is associated with a 61 percent increase in the number of million-dollar gifts received by a college or university, and a 156 percent increase in the total value of those gifts from 2000 to 2012.
- Institutions founded prior to 1900 received a higher number and greater value of million-dollar donations over the study period compared with institutions founded since 1900. Institutions founded from 1900 to 1950 received about 13 percent fewer million-dollar gifts, and institutions founded since 1950 received 12 percent fewer million-dollar gifts relative to the oldest institutions.

ENROLLMENT AND ALUMNI GIVING PLAY A ROLE

- An increase of 1,000 enrolled students is associated with a 1 percent increase in the number of million-dollar gifts, and with a 2 percent increase in the total value of these gifts.
- The study found a correlation between alumni giving and million-dollar gifts: A 10 percent increase in average alumni giving is associated with a 0.7 percent increase in the number of million-dollar gifts.
- However, case studies show this does not mean that small schools cannot attract major gifts, or that alumni are the sole source of major gifts. Although it has only 2,300 students, DePauw University has attracted a number of million-dollar-plus gifts (seven publicly announced gifts of \$1 million or more from 2000 to 2012, according to an analysis based on the Million Dollar List). On the other hand, while Arizona State University has approximately 300,000 alumni worldwide, it reports that a good portion of its million-dollar-plus gifts (the university received 52 gifts of \$1 million or more during the study period) comes from people who did not attend the school.

INVEST IN PEOPLE AND REAP REWARDS

- Institutions that invest in more tenured faculty and that spend more on employee expenses are more likely to attract million-dollar contributions.

SOLID FINANCES ATTRACT MORE GIFTS

- Endowment value in 2001 is positively associated with the number of million-dollar gifts received and with the value of those gifts from 2000 to 2012. While the total value of an institution's assets doesn't seem to affect the number of million-dollar-plus gifts received, it is associated with the total value of those gifts.
- While some studies have suggested that government funding "crowds out" private philanthropy, the Million Dollar Ready study suggests this may not be the case. The study found that an institution's 2001 government funding positively corresponds with both the number and total value of million-dollar gifts from 2000 to 2012.

INSTITUTION TYPE HAS AN IMPACT

- Liberal arts institutions, as well as doctoral or research universities, received both more million-dollar gifts as well as higher total values of such gifts from 2000 to 2012.

- The study also noted that Historically Black Colleges and Universities received fewer million-dollar gifts than other institutions during the research period.

LOCATION, LOCATION, LOCATION

- Rural institutions received 11 percent fewer million-dollar gifts compared to non-rural colleges and universities from 2000 to 2012, and schools in the Southern and Western regions of the U.S. fared better than those in the Northeastern region.

The Million Dollar Ready study reveals a number of factors that could affect the ability of colleges and universities to attract high-level donations. Some factors are statistically significant but have a relatively small practical impact, while others could have a dramatic influence on million-dollar gifts. Many factors are difficult to affect, but others present real opportunities for tangible action.

Unfortunately, neither the data nor the case studies offered here present simple solutions that can lead to a quick influx of million-dollar gifts. Nonetheless, by highlighting characteristics associated with million-dollar gifts, the Million Dollar Ready study can provide guidance to colleges and universities willing to take a long-term approach to positioning themselves for transformative contributions, and help institutions benchmark themselves against their peers and identify areas in which they lag behind.

KEY FINDINGS

- 1.** An institution with a president in office since 2000 tended to receive a higher number of million-dollar donations during the study period.
- 2.** An increase in the average board giving is associated with an increase in the number of million-dollar gifts received over the study period.
- 3.** A national ranking (i.e., U.S. News & World Report “Best Colleges” rankings) in the year 2000 is associated with a 61 percent increase in the number of million-dollar gifts received by a college or university, and a 156 percent increase in the value of those gifts.
- 4.** Institutions founded prior to 1900 tend to receive a higher number and total value of million-dollar donations, compared with institutions founded since 1900. Institutions founded from 1900 to 1950 received about 13 percent fewer million-dollar gifts, and institutions founded since 1950 received 12 percent fewer million-dollar gifts relative to old institutions.
- 5.** An institution’s employee expenses (i.e., the amount spent on salaries, benefits, etc.) are positively related to the number of million-dollar gifts received.
- 6.** The percentage of an institution’s faculty with tenure is associated with both the number of million-dollar gifts received by an institution and the total value of those gifts.
- 7.** The value of an institution’s endowment corresponds to both the number of million-dollar gifts received by an institution and the total value of those gifts.

IMPLICATIONS

The Million Dollar Ready Report suggests a number of implications for higher education institutions to consider as they work to strengthen their ability to attract million-dollar donations.

ARTICULATE A STRONG VISION AND DONORS WILL WANT TO BE A PART OF IT.

Transformational philanthropy requires a transformational vision, and that vision must be articulated in a way that allows donors to see how students' lives will be changed. The research suggests that the president and trustees should be chief communicators of this vision, working in strong partnership with advancement-office leadership. While alumni certainly can play a role in transformational philanthropy, institutions cannot rely on alumni loyalty alone, but, instead, must invest in the visionary leadership and implementation that will improve students' lives and the world.

INVEST IN EXCELLENCE AND DONORS WILL INVEST IN YOU.

As powerful as a strong vision is, it must be partnered by institutional excellence. One way to communicate excellence is through rankings, which not only can point to institutional quality but also endorse the vision of the institution. Complement this institutional excellence and

vision with high-quality teaching and learning and you can paint the picture of a world that is improved through the institution's work and students.

EXPECT YOUR BOARD TO SET THE EXAMPLE AND THEY WILL INSPIRE GIVING.

Board members must embrace their role as philanthropic leaders by giving generously themselves. This not only provides outright philanthropic support, but it also inspires others to invest at a transformational level.

ENGAGE ALUMNI TO BUILD A PROMISING FUTURE.

The good news is that increased alumni giving leads to an increased number of million-dollar gifts. The bad news is that alumni giving has been on a steep decline. A review of the past 40 years shows that alumni giving to all colleges and universities peaked in 1990 at approximately 18 percent; since then, it has dropped to a low of 9.2 percent in 2012 (CAE, 2013). Institutions must re-engage alumni and engage them in the story of higher education's impact so that young alumni look past the "consumer debt" mentality of recent graduates and see the value of a gift of support.

ACKNOWLEDGMENTS

THIS REPORT WAS RESEARCHED
AND WRITTEN BY



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With special thanks to Xiaonan Kou,
Amir Hayat, Melanie McKitrick, and Amy
Thayer for their review and comments.

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This analysis and report was made possible through a research partnership with



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