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Research and analysis to advance public problem solving

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Foundations for Los Angeles?

The Scale, Scope and Reach of Foundation Philanthropy in Los Angeles County

Through its support of nonprofit organizations, philanthropy can play an important role in delivering public services, giving a voice to segments of society who are not always heard in the political process, and building the social fabric of our community. This analysis focuses on the role of foundations and their grantmaking in addressing the needs of the residents and the communities of Los Angeles County. It asks three critical questions: What is the scale and growth of foundations headquartered in Los Angeles?; What is the scope of foundation philanthropy to nonprofit organizations in Los Angeles?; and What is the reach of foundation philanthropy, in terms of the distribution of grants across the communities of Los Angeles?



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Scale and Growth

This analysis examines the size and growth of Los Angeles foundations, their age, and the degree of concentration in terms of assets and giving. It is based on all private and community foundations headquartered in the county and incorporated in the state that made grants in 2002.

The Los Angeles foundation community has experienced tremendous growth in the ten years between 1992 and 2002, but this growth did not keep pace with trends statewide or nationally over the period. In 2002, there were 2,077 foundations that called Los Angeles home. These foundations held assets totaling \$25.8 billion and made grants totaling \$1.2 billion. This represents an increase by two-thirds in the number of foundations, a doubling of assets, and a growth in giving of over two and a half times since 1992. Even when foundation assets and giving in 2002 are valued in 1992 dollars, the growth is significant: a 54 percent increase in assets and a 111 percent increase in giving.

The Los Angeles share of the state's foundation community is substantial, though declining. Los Angeles foundations, as of 2002, represented 35 percent of the state's 5,929 foundations, 43 percent of the \$60.2 billion in assets held by the state's foundations, and 32 percent of the \$3.6 billion in total giving by the state's foundations. However, since the growth of Los Angeles foundations has lagged statewide growth, their statewide share has declined over the period.

Growth in Foundation Numbers, Assets and Giving – Los Angeles, California, and U.S., 1992 -2002



The Los Angeles foundation community is relatively youthful. As a consequence of the dramatic growth in the number of foundations since 1992, the foundation community in Los Angeles, like elsewhere, is relatively young. Two-thirds of Los Angeles foundations are less than fifteen years old. This is a relatively short span in which to build philanthropic institutions and establish connections within a community.



The assets and giving of Los Angeles foundations are highly concentrated. A handful of foundations hold the great majority of assets and account for a substantial majority of foundation giving. In 2002, there were 11 foundations with assets of \$250 million or more. They accounted for 64 percent of the assets and 37 percent of the total giving of Los Angeles foundations. At the other end of the spectrum, there are 1,902 foundations (92 percent) in the county that have assets of \$10 million or less. These foundations account for 8 percent of all foundation assets and 24 percent of all giving. The relatively low percentage of assets compared to percentage of giving reflects that many of these smaller foundations are vehicles for personal philanthropy with contributions made into the foundation for grantmaking in the same year, rather than institutionalized philanthropy.

The top 10 foundations, in terms of giving, account for 42 percent of the giving of all Los Angeles foundations, the top 50 foundations account for 65 percent of all giving, and the top 100 account for 75 percent of all giving. This indicates that the giving patterns reported in the subsequent sections reflect not only the largest foundations, but also the large majority of giving in the county.

The Scope of Grantmaking

The assessment of the scope of foundation philanthropy in Los Angeles in 2002 is based on the grants made to nonprofit organizations in the county by a sample of the largest U.S. foundations – including 48 that are incorporated in California and headquartered in Los Angeles County. This analysis reveals the nature of grantmaking, the relative interest of local, state, and national funders, and the philanthropic flows into and out of the area.

Foundation philanthropy is highly concentrated in terms of a relatively small number of considerably large grants, and in terms of a few large organizations receiving a relatively large share of grant dollars. Much of foundation philanthropy is directed toward universities, research-oriented health organizations, and cultural institutions. These organizations, which are of considerable size, receive a number of grants, many of which are relatively large.

The types of organizations that receive a substantial share of grantmaking dollars are reflected in grantmaking patterns to local nonprofits by subject area. Health was the focus of 26 percent of grant dollars, while 22 percent of grant dollars went to education, and 21 percent went to arts and culture. These are also the top three funding areas at the state and national level. The only noticeable difference is that health receives the largest share of grant dollars in Los Angeles, as it does in California; education is the top priority at the national level. This reflects the prominence of new health care foundations in California.

Grants and Grant Dollars by Subject Area, 2002*

SUBJECT	NUMBER	%	DOLLARS	%
Arts, Culture, and Humanities	688	15.16%	\$110,535,626	21.13%
Education	1032	22.75%	\$114,282,356	21.85%
Environment and Animals	119	2.62%	\$7,540,317	1.44%
Health	842	18.56%	\$135,461,484	25.90%
Human Services	1204	26.54%	\$75,466,559	14.43%
International and Foreign Affairs	43	0.95%	\$5,280,617	1.01%
Public Affairs and Society Benefit	379	8.35%	\$35,783,753	6.84%
Science	69	1.52%	\$4,541,504	0.87%
Social Science	52	1.15%	\$8,486,207	1.62%
Religion	109	2.40%	\$25,669,008	4.91%
Total	4537	100%	\$523,047,431	100%

*Excludes a \$100 million grant to USC.

Los Angeles foundations tend to focus on community needs while foundations from outside of the state focus their grantmaking to Los Angeles nonprofits on activities that are less localized. Los Angeles foundations account for 44 percent of the grant dollars received by nonprofit organizations in Los Angeles. If the Annenberg Foundation and the Conrad Hilton Foundation are included as Los Angeles, two foundations with a strong local presence but that are incorporated in other states, then local foundations account for 62 percent of total grant dollars.

In terms of the relative share of grant dollars awarded in a subject area, Los Angeles foundations play the most prominent role in giving to religion (74 percent of all grant dollars), human services (65 percent), health (62 percent), arts and culture (51 percent), and K-12 education (55 percent). Foundations from out of state play the most prominent role in public affairs/social benefit (61 percent), social science (54 percent), science (50 percent), and the environment (41 percent). International funding is evenly split among the local, state and national foundations.

Los Angeles experiences a net outflow of philanthropic dollars. The 48 Los Angeles foundations in the grants sample made grants totaling \$667 million which represents 57 percent of the total giving of all Los Angeles foundations. Forty-one percent of these grant dollars went to local nonprofits, 31 percent went to nonprofits in other parts of California, and the remaining 27 percent went to nonprofits outside of the state. At the same time, foundations from other parts of California and from other states made grants to Los Angeles nonprofits. However, the inflow of philanthropic dollars is less than the outflow, resulting in Los Angeles being a net exporter of philanthropic dollars.

The Reach of Grantmaking

The spatial analysis of foundation philanthropy across the 123 communities of Los Angeles, based on the grant data used in developing an aggregate quantitative profile of grantmaking in the region, reveals that the reach of foundation philanthropy in Los Angeles County is highly varied. The grant dollars received by nonprofits in a community ranges from zero to \$93.8 million, with a mean of \$3.5 million and a median of \$391,219. Twenty-one of the 123 communities received no grants from the specific foundations in the sample.

A significant amount of foundation philanthropy is spatially concentrated in the communities where larger nonprofit organizations are located. This distribution reflects the fact that a majority of grants, at least in this sample, are directed to areas where universities and colleges, cultural arts institutions, and research and teaching hospitals are located. In these instances, however, the beneficiaries of this philanthropy are not restricted to the neighborhoods where the organizations are located.

The spatial concentration of community-based grants also reveals considerable variation across the communities of Los Angeles. Mapping of two alternative measures – grant dollars from smaller grants (\$50,000 and less) and human service grant dollars per capita – reveals somewhat less variation among the communities. This suggests that there is some targeting of philanthropy to the communities with greater needs. Nevertheless, the variation remains considerable.

The driving force behind the distribution of the grant dollars across the neighborhoods of Los Angeles is the nonprofit infrastructure. Regardless of the measure of foundation philanthropy, the number of nonprofits in a community is the strongest determinant of the grant dollars a community receives. Without the infrastructure of a nonprofit service delivery system, it is very difficult to have philanthropic grants reach communities and their residents.



Implications

This analysis provides a portrait of Los Angeles foundations and foundation philanthropy to nonprofit organizations in Los Angeles. It answers the questions of scale, scope and reach of foundation philanthropy. But, it raises other questions about the nature of foundation philanthropy and its impact, especially in terms of opportunities for increasing the potential of philanthropy as the venture capital for Los Angeles – its residents and the communities where they live.

While the foundation sector has grown over the ten-year period, the rate of growth lags behind the state and national growth rates. This raises three questions related to the philanthropic infrastructure of Los Angeles:

- What can be done to encourage a greater degree of generosity, at least as expressed through foundations?
- To what extent can gains from sharing information among foundations at different points in the life cycle of their organizational development be realized, given the rather large number of new foundations?
- What is the possibility of leveraging foundation resources – dollars, knowledge, and networks – to have an even greater impact in the community, in particular by linking smaller foundations with each other and with larger foundations?

The analysis of grants made to Los Angeles nonprofits, both in scope and reach, raises a series of issues related to the commitment of foundations to Los Angeles. Some of the largest foundations in Los Angeles have missions with geographic scope well beyond Los Angeles, which is reflected in the seemingly modest levels of local support for nonprofits and net outflow of philanthropic dollars. Is it possible for these foundations, without sacrificing their missions, to play a leadership role in building the local nonprofit sector along with the larger Los Angeles-focused foundations? Specifically:

- Can the larger foundations provide the resources to develop the capacity of individual local nonprofit organizations as well as the infrastructure nonprofits need?
- Can they encourage small and mid-sized foundations to contribute to this effort?
- Can they work to bring more philanthropic dollars into the community by partnering with foundations from outside of Los Angeles?

These questions highlight the opportunities that exist to shape and strengthen the future of foundation philanthropy, nonprofit capacity, and the philanthropic and nonprofit infrastructure in Los Angeles and, as a consequence, to improve the lives of Angelenos and their communities.

The Center on Philanthropy and Public Policy promotes more effective philanthropy and strengthens the nonprofit sector through research that informs philanthropic decision making and public policy to advance public problem solving. Using California and the West as a laboratory, the Center conducts research on philanthropy, volunteerism, and the role of the nonprofit sector in America's communities. The Center communicates its findings and convenes leaders from the philanthropic, nonprofit, and policy communities to help them identify strategies for action.

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Data Sources

FOUNDATION DATA

The analysis of the scale and growth of foundations in Los Angeles, and comparisons with the state and nation, is based on data in the Foundation Center's *Guide to U.S. Foundations* for 2002. This guide includes basic fiscal information on all independent, corporate, operating, and community foundations making grants of at least one dollar during the relevant fiscal reporting period. Sources of data for these foundations include IRS information returns (Form 990-PF) and information reported to the Foundation Center on annual surveys of foundations with assets of at least \$100,000 or giving of \$50,000 or more. Assets are stated at market value. Total giving includes grants, scholarships, and employee matching gifts; it does not include all qualifying distributions, e.g., loans, set-asides, and program or other administrative expenses. This analysis is based on the headquarters location of the foundation and the state in which the foundation is chartered. Foundation data for 1992 is also obtained from the Foundation Center.

It should be noted that several foundations that have a prominent role in the Los Angeles grantmaking community are not identified as Los Angeles foundations for this analysis due to their incorporation in other states, such as The Annenberg Foundation and the Conrad N. Hilton Foundation. The analysis also does not include foundations that are headquartered in another California county, such as The James Irvine Foundation and the Stuart Foundation. In addition, public charities and social welfare organizations that make grants are not included in this analysis.

DATA ON FOUNDATION GRANTS

The principal data source for the examination of the scope and reach of grantmaking is a sample of grants over \$10,000 collected for 2002 by the Foundation Center for 1,005 of the largest foundations nationally. The grants of 129 California foundations are included, and 48 of those are from Los Angeles County. The grants included account for over 50 percent of all grants by national foundations, and over 50 percent of all grants by California foundations. The grants from the 48 Los Angeles foundations included represent 57.4 percent of the total giving of all foundations incorporated in the state and headquartered in Los Angeles.