

# PERPETUAL'S 2020 AUSTRALIAN PHILANTHROPY INSIGHTS REPORT

including data from the IMPACT  
Philanthropy Application Program

Since 1886, Perpetual has been connecting NFPs and philanthropists and working closely with the broader philanthropy sector and government. The scale, breadth and longevity of that involvement gives us a wide-angle view of philanthropic movements and trends. Our hope is that these insights help strengthen the sector – and increase the positive effect on communities in Australia and around the world.

## WHERE DO THESE INSIGHTS COME FROM?

This paper contains insight from our philanthropy team and data and analysis drawn from our [IMPACT Philanthropy Application Program \(IPAP\)](#). Each year, Perpetual provides not-for-profit (NFP) organisations with the opportunity to apply for funding through IPAP. In the 2020 financial year we committed \$24.4 million in funding to be distributed via this process, with a further \$85 million distributed from other Perpetual managed trusts.



In FY20, Perpetual clients distributed more than

**\$110 million**

to the charitable sector.

## NOTES FROM A YEAR OF CRISIS

The COVID-19 crisis has been a double hammer blow for the NFP sector. Already stretched by the bushfire crisis, the pandemic has placed more demands on the sector as communities were hit by job losses and the accompanying financial stress. Limitations on ‘in-person’ human interaction have also exacerbated many social and health issues facing our communities.

NFPs trying to respond to this ongoing crisis found their efforts complicated by the challenge of contactless service delivery, unequal access to digital infrastructure and an inability to engage with Australia’s ‘Grey Army’ of volunteers due to risks associated with COVID-19.

Our philanthropy clients understand that NFPs have been caught between an increased demand for their services and lost revenue through more difficult fundraising. Many of our clients have been extremely supportive, providing ‘untied’ funds to organisations to assist with their long-term financial stability, and freeing up previously provided grants to enable NFPs to act with maximum flexibility.

We are helping many of the philanthropists we work with to examine how they can provide additional and more targeted support to NFPs to help them maintain critical services. We’ve detailed these activities in our article [How Perpetual is helping NFPs through the COVID-19 crisis](#)<sup>1</sup>, which covers:



Untying \$4 million in existing grants from our clients that were ‘tied’ to certain projects to help community organisations meet more immediate needs.



Providing \$600,000 of our clients’ philanthropic funds to help organisations that are heavily reliant on volunteers or who service communities particularly vulnerable to COVID-19 and the economic and social effects of associated lockdowns.



Making COVID-19 Response Grants to organisations supporting the overall sector during this time (such as Justice Connect and the Foundation for Rural and Regional Renewal).



Working with our data platform partner, Seer Data & Analytics, to make vulnerability maps available for NFPs, philanthropists and the broader community sector to help them respond most effectively to COVID-related demands.

<sup>1</sup> Perpetual, April 2020, How Perpetual is helping NFPs through the COVID-19 Crisis <https://www.perpetual.com.au/insights/how-perpetual-is-helping-nfps-through-the-covid-19-crisis>

## IPAP IN 2020



**\$24.4M**  
of **\$110M**

Amount Perpetual committed via IPAP versus the total funds Perpetual committed on behalf of our clients in 2020

On the following pages we share key insights drawn both from our philanthropy team and their work with philanthropic families, as well as data we collect from our IMPACT Philanthropy Application Program (IPAP).

All IPAP data was collected between October and December 2019.

We've cross correlated and compared FY20 data with IPAP datasets from previous years. We've examined this data, looked at trends and have provided some of our insights and thoughts on what we're seeing today and may see into the future.

While our team benefits greatly from being able to have conversations with our NFP and philanthropic clients, we welcome the views, perspectives and insights of all readers.

Perpetual's NFP clients can examine and drill into these datasets via the Seer Data & Analytics platform.



**175**

Foundations and endowments committed funds



**>1,000**

Organisations applied



**1,511**

Applications



**\$24.4M**

In funding committed  
**DOWN 12%**



**\$83,300**

Average grant size  
**UP 12%**

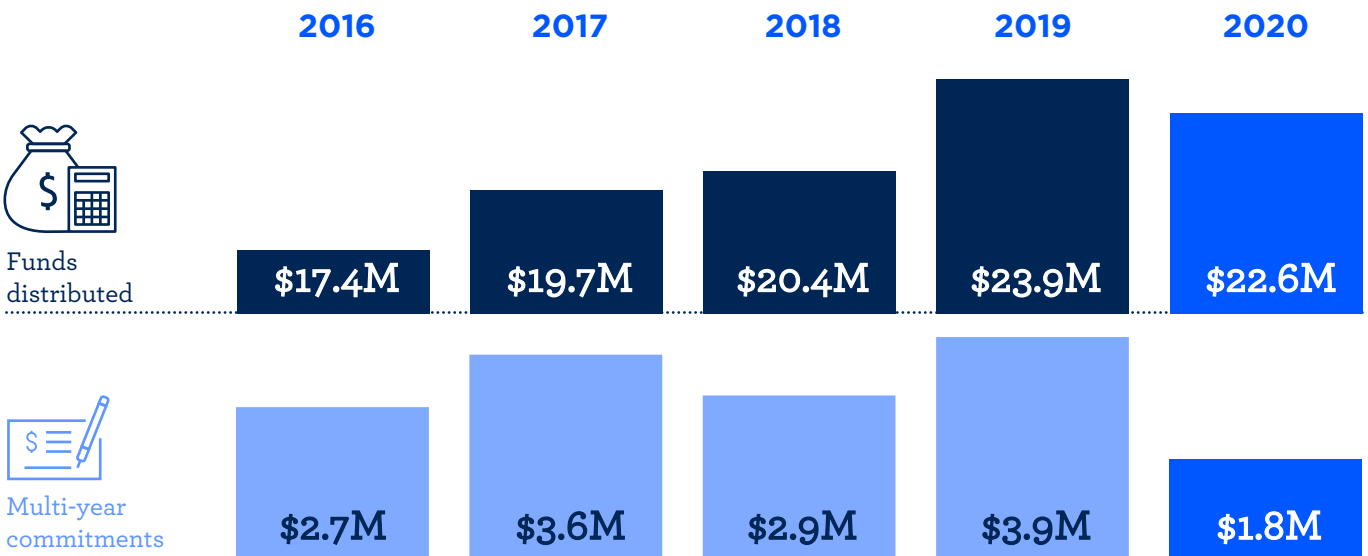


**19%**

294 applications funded  
**DOWN 1%**

## FUNDS COMMITTED

### 5-YEAR TREND



## DISTRIBUTION TRENDS

In 2020 Perpetual philanthropy clients increased their percentage of single year funding. This is not entirely surprising given the catastrophic nature of Australia's bush fire season and the global pandemic presenting a significant level of immediate need in the community sector. So, while philanthropy has been particularly responsive and agile, it has come at the expense of multi-year commitments.

Perpetual's funding philosophy is to encourage clients to find organisations that they trust, and back them over multiple years. In FY20, we saw that 'trust' from philanthropists manifest into the provision of untied funds, and a newfound level

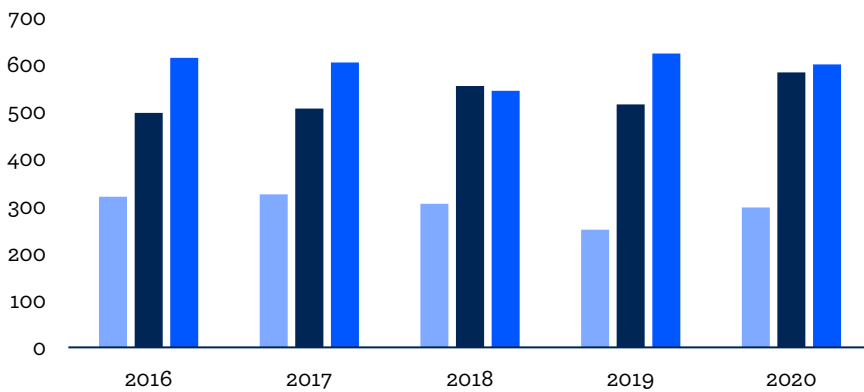
of agility and responsiveness. While it is vital that philanthropists remain committed to flexibility in their grants, it's equally important that multi-year commitments are used as a critical tool for providing confidence to community partners on where their revenue sources will be coming from.

It's clear from our conversations with philanthropists that uncertainty on market conditions and the needs of the sector beyond the immediate response to COVID-19 are weighing heavily. They will be reaching into the knowledge of sector experts, trusted advisers and peak bodies more than ever. We are hearing many questions related to what role philanthropy should or could play for the sector around investment in digital infrastructure, mergers and acquisitions and exploration of alternative revenue sources.

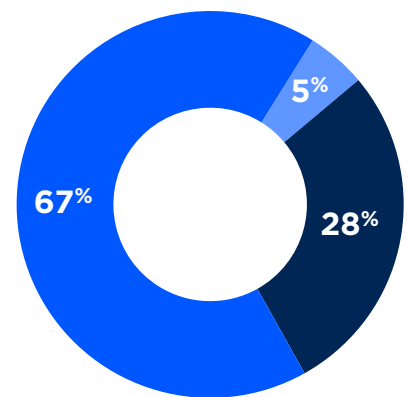
The data also shows a drop in overall funding via IPAP in the FY20 year, but this is largely due to a significant one-off payment in FY19. Overall, the medium-term tracking of distributions over the last five years shows an increase in granting, partly due to growth in the number of charitable trusts and endowments managed by Perpetual and partly due to market growth to the year ending FY20 for that five-year period. Perpetual expects Private Ancillary Fund and Public Ancillary Fund funding over FY21 to be muted but income distributions provided via Private Charitable Trusts to be impacted by between 30-50% during the same period.

## APPLICATION RANKING

### APPLICATIONS SUBMITTED



### APPLICATIONS FUNDED



■ **Funding not recommended**
■ **Fair application, funding recommended**
■ **Excellent application, funding highly recommended**

### APPLICATION RANKING TRENDS

Perpetual scores each IPAP application from 1-5 (1 and 2 = funding not recommended, 3 = fair, funding recommended and 4 and 5 = excellent, funding highly recommended).

Although we are seeing a gradual overall increase in applications recommended for funding (ranked 3-5), in 2020 we saw a slight decrease in applications ranked as excellent (ranked 4 or 5) and an increase in applications not recommended for funding (ranked 1 or 2). The average score in 2020 was 3.3, which is the same as 2019.

Ultimately, funding decisions are made by our clients. They provide the underlying capital and they generally set parameters around the sectors and causes they support and in which locations. Where Perpetual is sole trustee, our decisions are based on our clients' documented philanthropic intent and executed through support for high scoring applications that address that intent.

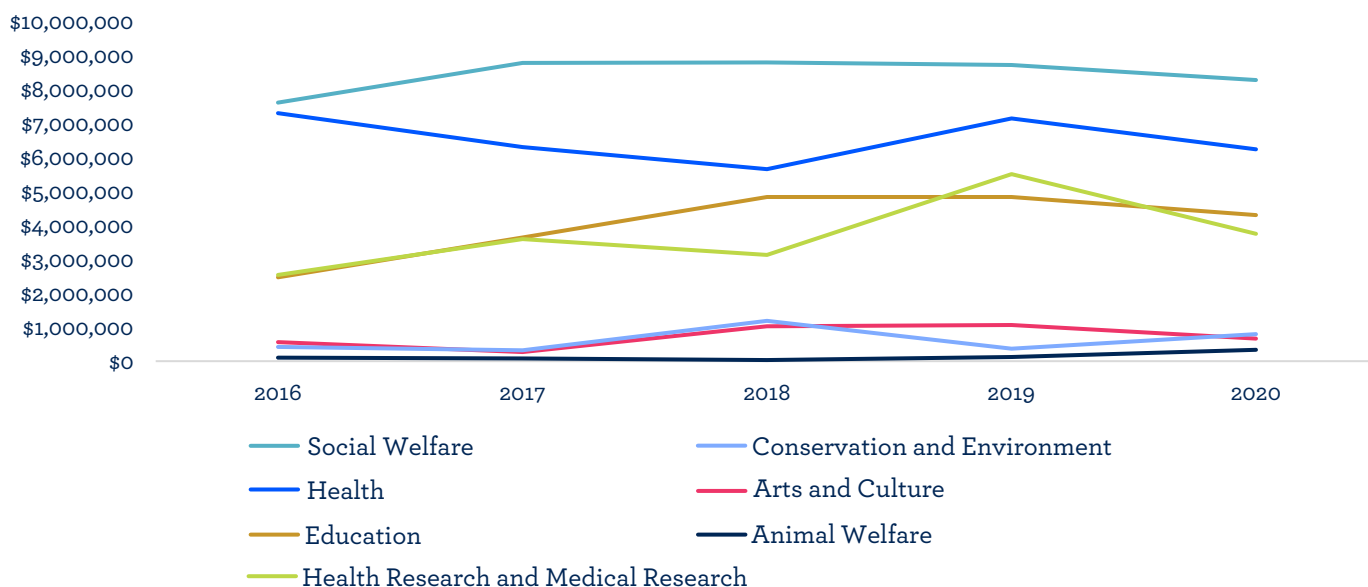
### IPAP ASSESSMENT PROCESS

We assess applications on the following criteria:

- 
**STRATEGY**  
 Organisational mission and effectiveness
- 
**LEADERSHIP**  
 External environment
- 
**OUTCOMES**  
 Long term impact
- 
**CAPABILITY**  
 We believe quality investments will yield benefits in the long run

## DISTRIBUTION BY SECTOR

### 5-YEAR TREND



### DISTRIBUTIONS BY SECTOR IN 2020



**\$8.3M**  
Social Welfare



**\$6.2M**  
Health



**\$4.3M**  
Education



**\$3.8M**  
Health Research and  
Medical Research



**\$794K**  
Conservation and  
Environment



**\$664K**  
Arts and Culture



**\$333K**  
Animal Welfare

### SECTOR DISTRIBUTION TRENDS

As discussed, funding decisions are driven by philanthropists' preferences. In the 2020 financial year, Social Welfare and Health continued to receive the largest amount of funding, which is in line with previous years. The economic consequences of the COVID-19 crisis may mean we see this trend continue in the 2021 financial year as more support is directed to provide immediate relief to those communities impacted by the financial and food security implications of an economy in recession.

In 2020, we saw a major increase in support for Conservation and Environment (up 117%) and for Animal Welfare (up 177%). Although IPAP applications were received prior to the main bushfire crisis, the events of the summer likely shone a light on the needs of NFPs dealing with Conservation and Environment (including climate change) and Animal Welfare. It may be that this

trend also continues with more support moving to environmental causes in coming years.

The Perpetual view is that fund flows often reflect the prevailing public discourse, although this will only impact charitable trusts that have flexibility in what the trustees can fund. Many philanthropic families will also choose to support some causes outside of their foundation. Additionally, our philanthropy team notices that proximity to issues matter. That means that families will be influenced by personal experience (e.g. health topics) or those with multiple generations involved in decision making are more likely to support issues that are more prevalent with younger donors.

As the intergenerational wealth transfer continues, it is our expectation that we will see shifts in both funding approaches and distribution trends.

## ALIGNMENT TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

% of applications identifying as aligning to UN Sustainable Development Goal



### SDG DISTRIBUTION TRENDS

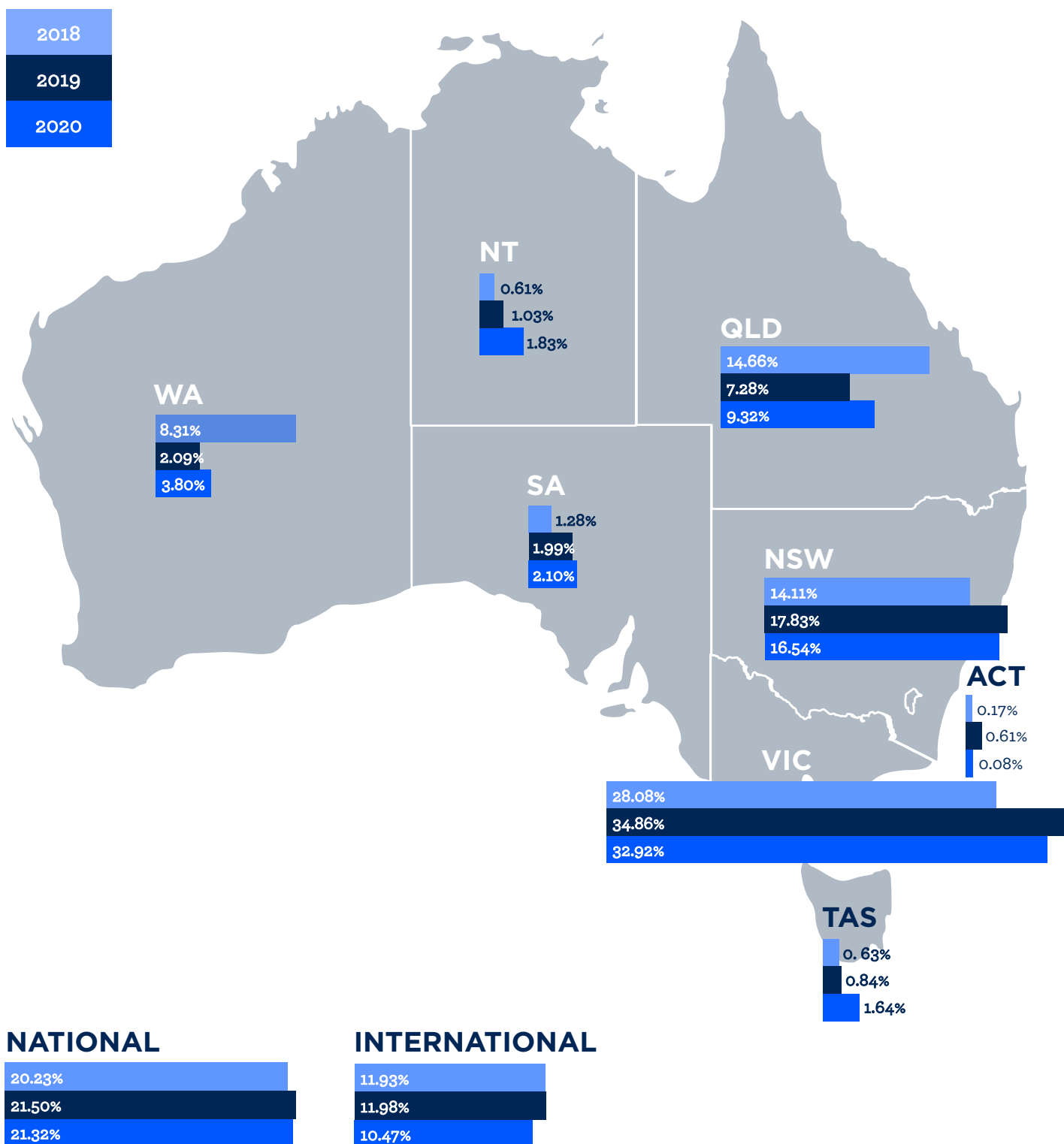
This year, Perpetual’s IPAP application asked NFPs to identify up to three Sustainable Development Goals their organisation – or the project they were seeking funding for – were aligned to. The UN’s SDGs cover 17 different goals with a target date of 2030. Underneath these goals sit a further 169 targets and 232 individual indicators.

As the chart illustrates, SDG alignment was dominated by three categories: Good Health and Wellbeing (30.8%), Reduced Inequalities (19.2%) and Quality Education (13.9%). Perhaps surprisingly, several relatively high-profile causes - like Clean Water and Climate Action were not prevalent across submitted applications.

Many in the NFP sector overseas, see the SDGs as a crucial way to generate global ‘economies of scale’ by aligning funding and embedding best practice in pursuit of crucial development goals. In this [article](#)<sup>2</sup> Perpetual looks at the importance of SDGs, especially in relation to the environment and gender issues. Future IPAP reports will continue to include how Australian NFPs align to the UN’s SDGs.

<sup>2</sup> Perpetual, October 2020, The Globalisation of Good - Australian NFPs and the Sustainable Development Goals, <https://www.perpetual.com.au/insights/Australian-NFPs-and-the-Sustainable-Development-Goals>

## DISTRIBUTION BY GEOGRAPHIC AREA



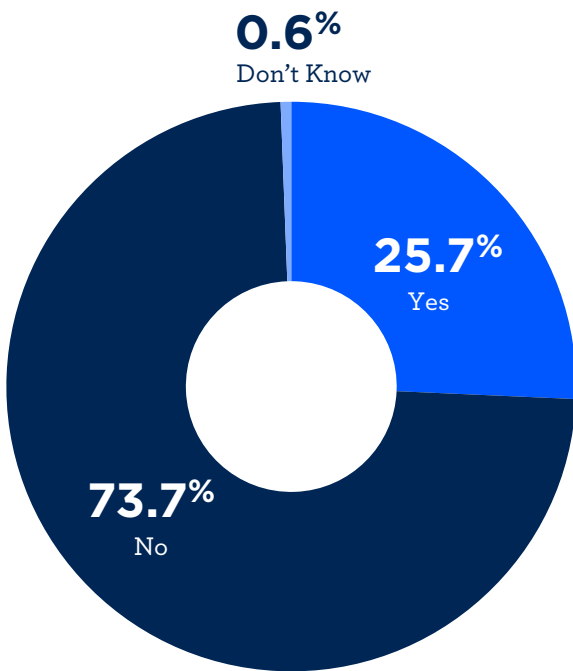
## GEOGRAPHICAL TRENDS

The above diagram shows how funding is distributed based on project location. Victorian-based organisations receive the highest level of funding, this is influenced by the weight of nearly 50% of the discretionary trusts that we manage being based in Victoria and many require distributions be used for charitable purposes in Victoria only.

In situations where Perpetual has discretion around distribution decisions, we aim to fund highly ranked organisations in a wider range of locations so funding is geographically diversified.

## GENDER INEQUITY

### DOES THE PROJECT ADDRESS GENDER INEQUITY?



### GENDER TRENDS

Perpetual reports on the proportion of applications that apply a gender lens in any given year. Applicants are specifically asked if they have undertaken a gender analysis to their project design. This year's data revealed that:

- Only a quarter of applications indicated they had done a gender analysis of the project for which they were seeking funding.
- Many organisations believed they had completed a gender analysis by reporting on the gender of project participants – whereas the goal of a gender lens application is to understand how any intervention affects boys and girls, men and women differently and then use this information to influence program design.
- Significantly, very few applications provided clear detail around how they are measuring outcomes against their gender analysis.

### MORE GENDER FOCUS REQUIRED?

Gender Equality ranked as the fourth most nominated SDG aligned to the organisation – or the project it was seeking funding for – in Perpetual's IPAP data (in 5.4% of applications – see page 6).

Julie Reilly of the Australian Women Donors Network believes gender should have a bigger focus: “The UN itself has said that gender equality plays an important key role in the achievement of the other 16 goals – it's a crucial part of the SDG strategy.”

## ABORIGINAL AND/OR TORRES STRAIT ISLANDERS FUNDING

In the 2020 financial year, \$2.1 million of IPAP funding was distributed to projects designed to support Aboriginal and/or Torres Strait Islander people and communities. That's up around 2% on last year.

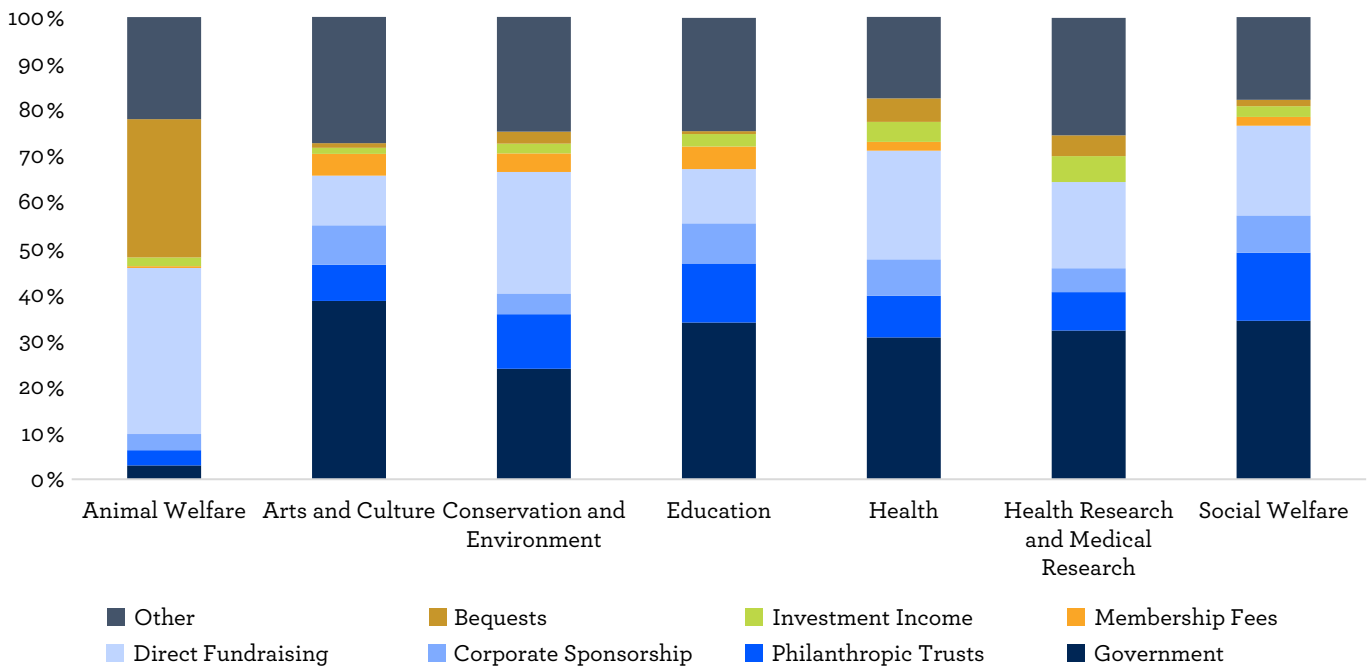
Research suggests that programs implemented by Indigenous-led or community-controlled organisations are more successful and have greater positive impact. As such, the 2020 IPAP application form included a question asking organisations seeking funds to support Aboriginal and/or Torres Strait Islander individuals, families or communities to note whether they are Indigenous led and/or community controlled so that philanthropists are easily able to support these organisations.

Perpetual is committed to raising awareness of the value in supporting Aboriginal and Torres Strait Islander organisations to implement programs, address challenges and drive change within their own communities. We will continue to capture and report on this data to assist funders, NFPs and philanthropists to support this approach.

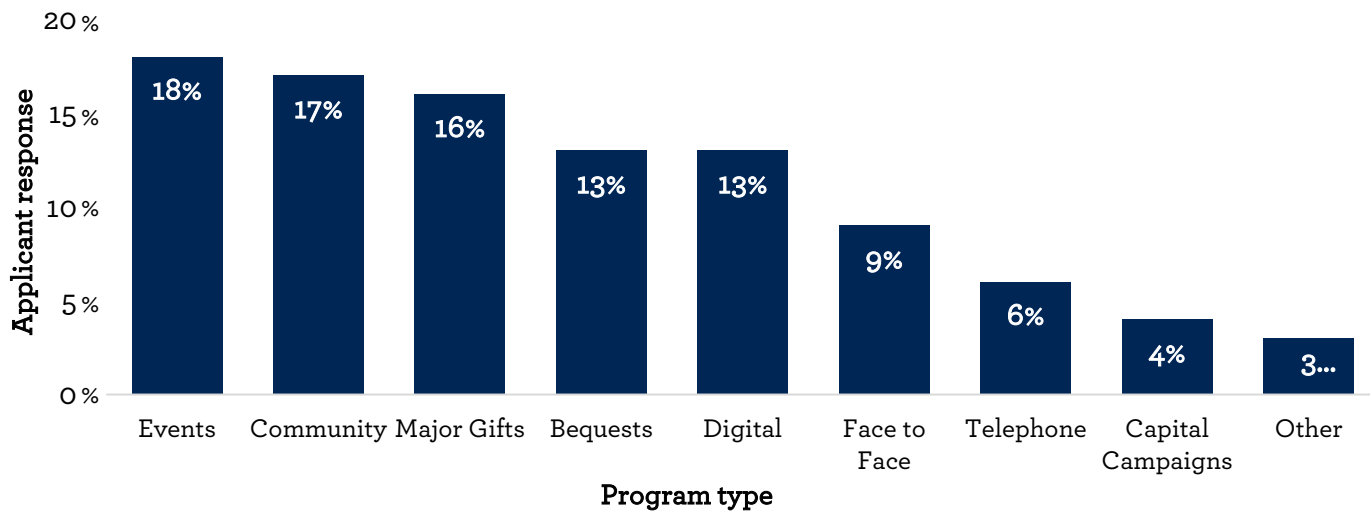


# REVENUE AND FUNDRAISING

## REVENUE BREAKDOWN BY SECTOR



## FUNDRAISING PROGRAMS



## REVENUE AND FUNDRAISING TRENDS

The revenue mix of NFPs may have a crucial effect on their ability to achieve their mission and on the way in which they operate. Those with predictable income are more likely to invest for the longer-term. NFPs with lumpy revenue sources must be more cautious in their spending (and paradoxically, hold higher levels of undeployed cash). Scale is important, too – critical mass is vital when it comes to flexibility and being able to withstand a downturn in donations and other fundraising.

The Perpetual view is that in the medium to long term, many NFPs have significant scope to increase the revenue they generate from bequests as Australia (like many other Western economies) is at the start of a major inter-generational wealth transfer. Trusts and Foundations will be under pressure in the short term but as wealth changes hands over the

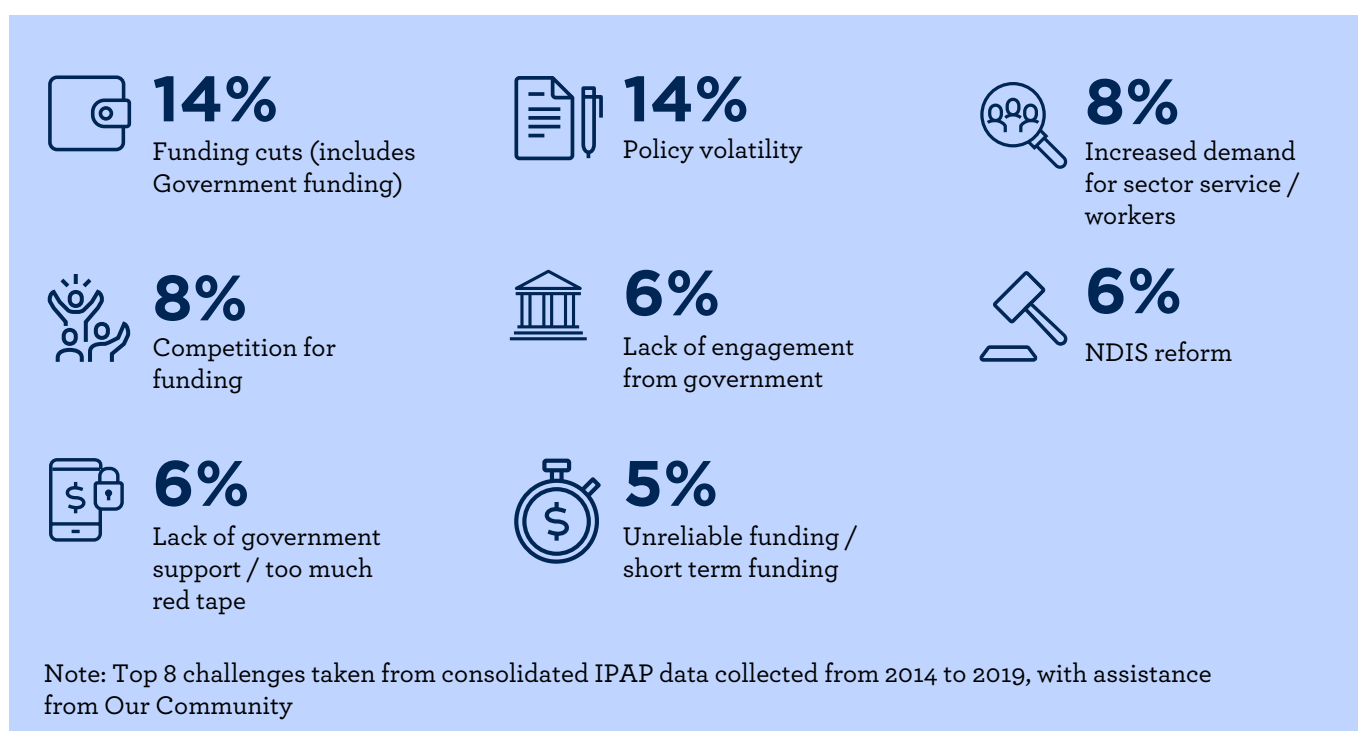
coming decade, the next generation will be incredibly focused on putting their wealth to work for social and environmental outcomes. Those relationships need patient stewardship now.

The COVID-19 recession is likely to impact fundraising in a number of ways in the short-term. For philanthropic foundations, it's critical that NFPs understand how the different charitable trust structures will be impacted. You can read more in our paper on [COVID-19 and investment returns: Implications for philanthropy and NFPs](#)<sup>3</sup>. The investment income component of revenues for foundations will likely fall in 2021 due to the financial fallout of the COVID-19 crisis. Direct fundraising and corporate sponsorship may also fall as companies and individuals protect their own balance sheets.

Similarly, NFPs may have to look at the operational aspects of fundraising. Lingering infection concerns may affect face-to-face fundraising (events and community activities). For some organisations this enforced shift may allow them to move away from high-cost, events-related activities to a more targeted strategy focused on larger sources of funds. For others it will present a major difficulty and change in strategic approach. Never has it been more critical for Boards to understand their role in navigating these challenges. You can read more via our white paper on Boards and Fundraising, [Jump on board: High-performing not-for-profits boards in fundraising](#)<sup>4</sup>.

## CHALLENGES FOR THE SECTOR

### TOP 8 CHALLENGES FACED BY ORGANISATIONS APPLYING FOR FUNDING



## SECTOR CHALLENGES

As is often the case, funding needs dominated the list of challenges faced by NFPs over recent years. Policy issues – and their accompanying compliance burden – also registered as major challenges.

In 2021, COVID-19 will become the major disrupter – particularly with many organisations forced to move many of their services online. Coupled with an unclear policy environment and a likely retraction in government funding, NFPs will need to explore efficiencies and collaboration – all of which come with their own sunk costs. There is a clear role for philanthropy to play.

One underexplored, but potentially significant area, is reputation. The bushfire season highlighted the extent of Australian generosity, but with it came demands for fast spending of funds, highlighting both unrealistic community expectations and the nature of reputational risk. In 2021, as demand for NFP services escalates in communities dealing with economic, social and political tensions, managing reputation will be crucial.

<sup>3</sup> Perpetual, October 2020, COVID-19 and investment returns: Implications for philanthropy and NFPs

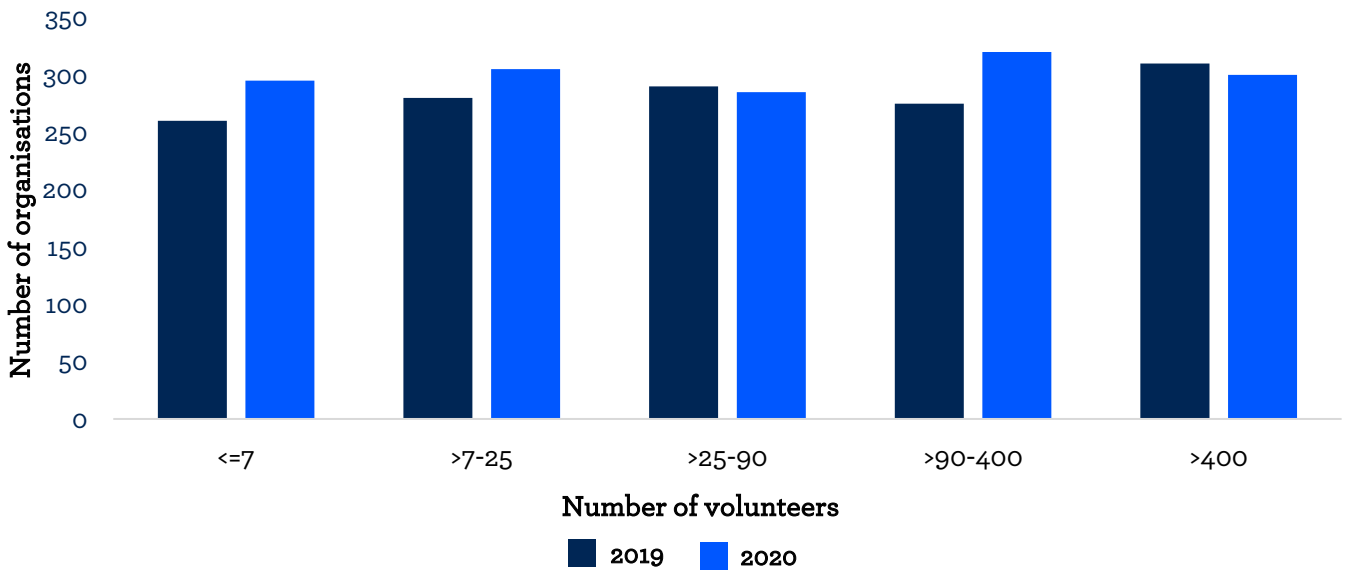
<https://www.perpetual.com.au/insights/covid-19-and-investment-returns-implications-for-philanthropy-and-nfps>

<sup>4</sup> Melissa Smith, commissioned by Perpetual, November 2019, Jump on board: High-performing not-for-profits boards in fundraising,

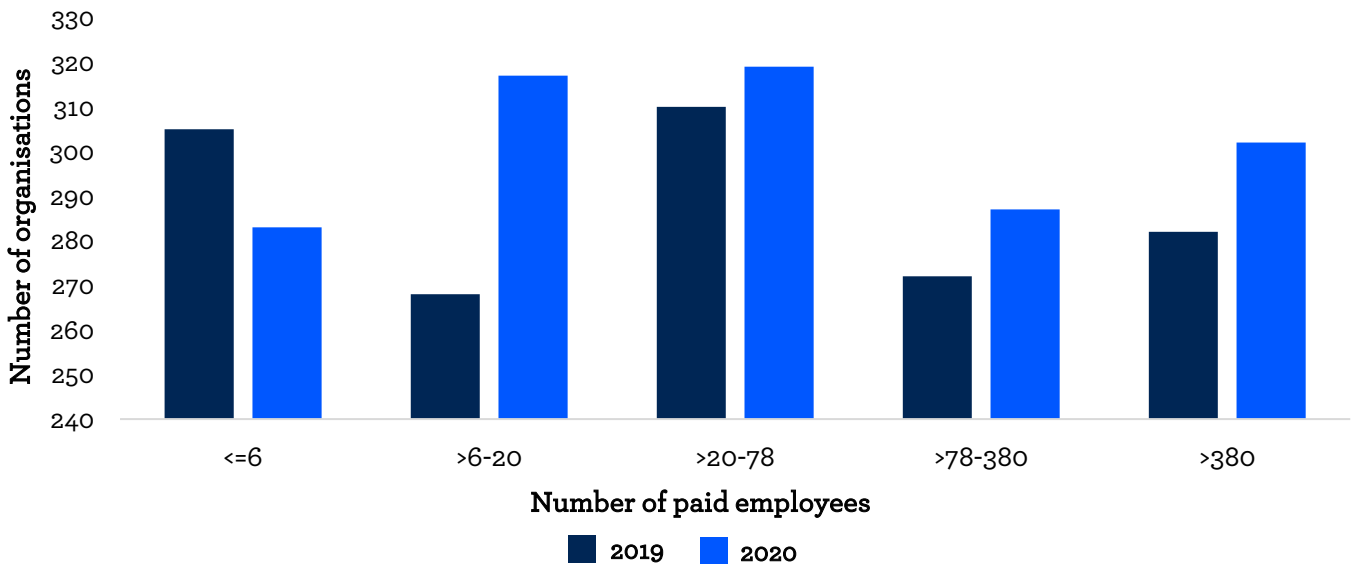
<https://www.perpetual.com.au/insights/white-paper-a-new-approach-for-australian-nfp-fundraising>

# PAID AND VOLUNTEER STAFF

## NUMBER OF VOLUNTEERS AT ORGANISATION



## NUMBER OF PAID EMPLOYEES AT ORGANISATION



## PEOPLE TRENDS

The NFP sector continues to be supported by a combination of committed volunteers and paid staff. Volunteers make up a consistently high proportion of the workforce across both small and large organisations and COVID-19 presented a particular challenge to the sector in the 2020 calendar year. Research commissioned by Volunteering Australia suggests over-65% of volunteering was cut between February and April 2020 at the peak of the pandemic<sup>5</sup>. Medical statistics highlight that older Australians are many times more susceptible to COVID-19 risks than younger volunteers. With fewer older volunteers at work, organisations have been forced to dip into their funds to pay workers – reducing money earmarked for community-oriented programs.

<sup>5</sup> Australian National University Centre for Social Research, commissioned by Volunteering Australia, May 2020, The experience of volunteers during COVID-19, <https://www.volunteeringaustralia.org/research/research-briefing-the-experience-of-volunteers-during-covid-19/#/>

# PHILANTHROPY 2021 – THE SHAPE OF THINGS TO COME

Based on trends from the IPAP data and lessons learned by our philanthropy teams around Australia, here is a brief sector outlook for 2021.

## The great tightening

Even in a best-case scenario 2021 will be marked by crimped cashflows – government, corporates and individuals will all face market volatility and income challenges whilst dealing with ever greater requests for support. NFPs will need to adjust expectations on both sides of their balance sheets, be ruthless on costs, partner where possible and focus and innovate when it comes to fundraising.

## Zoom ahead

COVID-19 has accelerated the need for digital transformation across almost all aspects of NFP activities – everything from service delivery to operations and fundraising. Those organisations able to make this change will have the best chance of success. Better use of technology offers NFPs the chance to do more with less and have impact in ways they may not previously have planned for. We understand that innovation can come at a cost and this is an area where philanthropy can provide support. Critically, as more services are delivered digitally, NFPs must adapt their governance, privacy and data collection processes to protect their stakeholders and reflect their values. You can learn more about digital data governance via the [Digitalimpact.io](https://digitalimpact.io) site, run by Stanford's Center on Philanthropy and Civil Society, which Perpetual supports.

## Seismic shifts

The health and psychological damage wrought by COVID-19, the economic hardship caused by lockdowns and technological change will reshape philanthropy in Australia in 2020 and beyond. NFPs will need to be agile and pivot programs, operations and aspirations as required. A new openness to mergers and acquisitions is required to ensure community benefits. Boards and senior leadership will need to ensure their organisation's structure and design will work for their community stakeholders in this environment. In turn, philanthropists will need to consider how they can support the organisational change required by NFPs. At Perpetual we continue to look carefully at ways we can support NFPs through this transition.

## Trust the frontline

The sector's experience during the bushfire crisis of late 2019/early 2020 highlighted the value of supporting on-the-ground organisations that can respond to community challenges quickly, effectively and with specific expertise if they are empowered by upfront and unrestricted donations from trusting donors. We expect this trend to gain further momentum in 2021, catalysed by the variety of challenges we will face and the example set by philanthropists like US-based MacKenzie Scott, whose gifting has been focused on organisations with lived-experience of the issues they are confronting.

## WANT TO KNOW MORE?

### FOR PHILANTHROPISTS:

Perpetual provides philanthropic advisory services to individuals and families looking to give most effectively. We also work with trusted advisers such as accountants and lawyers looking to support their philanthropic clients. Find out more here – [www.perpetual.com.au/philanthropy](https://www.perpetual.com.au/philanthropy)


### FOR NFPs:


You can find out more about Perpetual's IMPACT Philanthropy Application Program (IPAP) on the Perpetual website [www.perpetual.com.au/impactfunding](https://www.perpetual.com.au/impactfunding). There are a range of resources to help with the application process.

### FOR ALL IN THE SECTOR:

Perpetual's IMPACT newsletter brings together our best thought leadership across the NFP and philanthropy landscape. Subscribe here – [www.perpetual.com.au/impact-newsletter](https://www.perpetual.com.au/impact-newsletter)

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