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Trends and Data: Decisions for Fundraising Leaders

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Center for Nonprofits and Philanthropy



Our Mission: The CNP supports a vibrant nonprofit and philanthropic sector in Texas and beyond, through high quality research, professional outreach and engaged learning.

Founded in 2017, the Center operates with the belief that that nonprofits are instrumental in creating opportunities for all. This happens through capable leadership, excellent governance, and engagement of stakeholders. We also recommit to the principles of *public service and democracy* and the value of *diversity of thought and expression* that have helped The Bush School since its inception.



Educational Opportunities

- Master of Public Service & Administration
- Executive Master of Public Service & Administration
- Certificate in Nonprofit Management
- Continuing & Professional Education Courses



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Trend



“generation direction in which something is developing or changing”



What Trends Grab Our Attention?



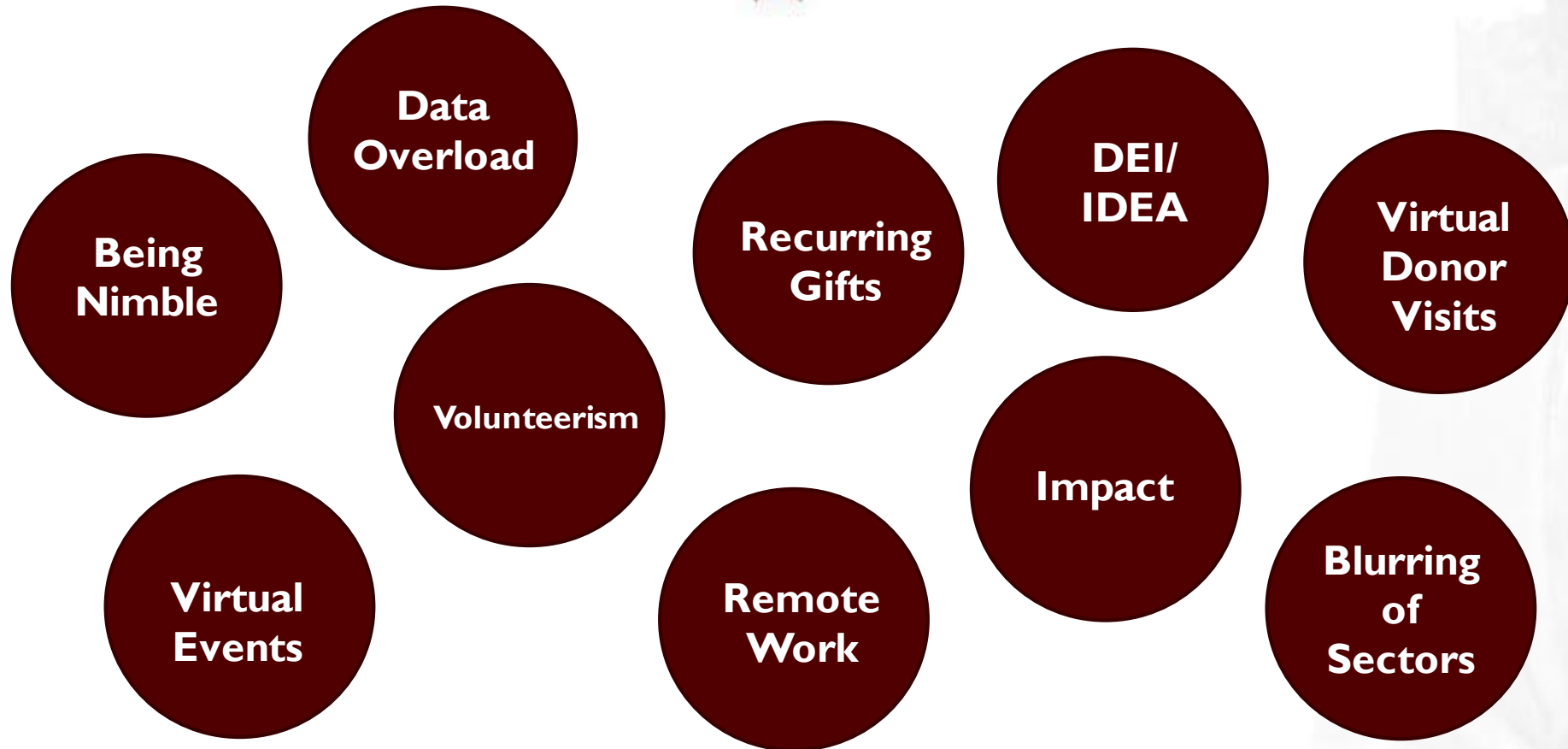
- How do we begin to identify trends?
- Can we replicate them in fundraising?
- In a field with multiple functions, how do we even know which trends to pay attention to in our work?



Since March 2020 until now... the only trend I am confident in is that fundraising is constantly evolving and changing.



Trends Today



How Do We Begin?

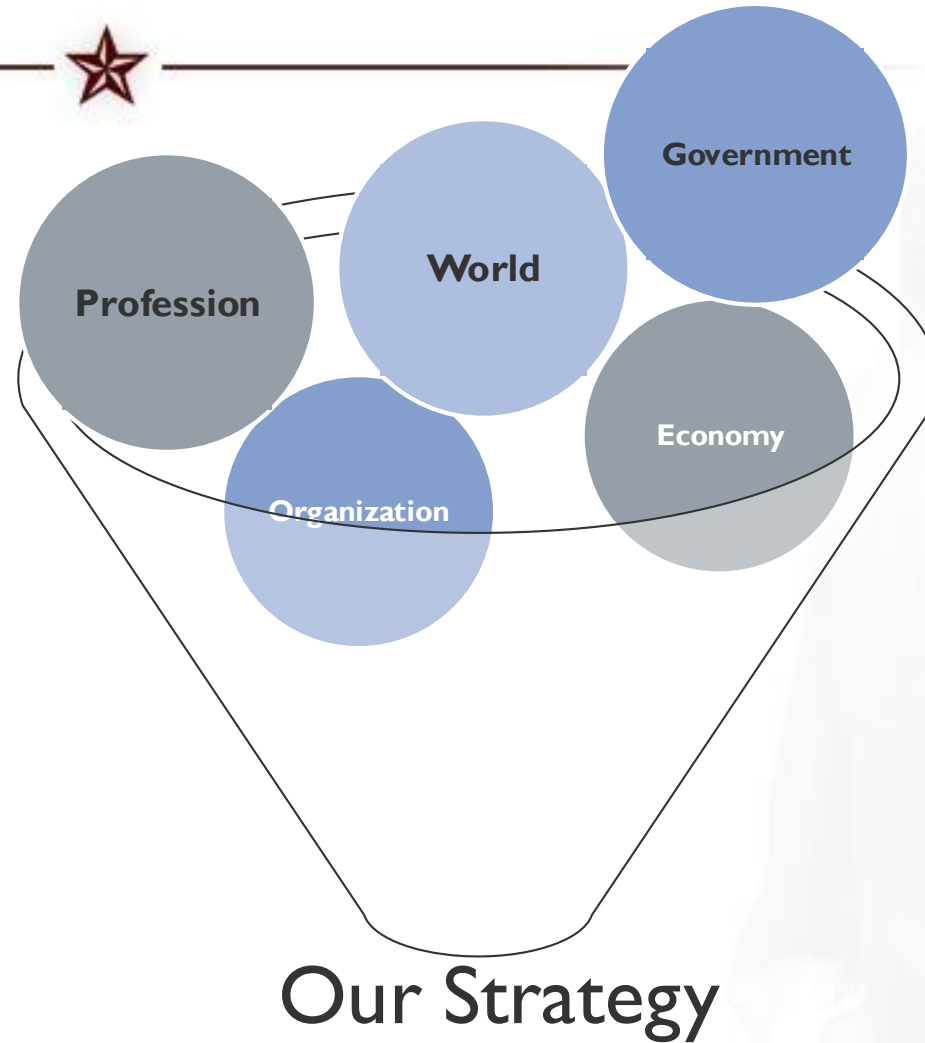


- Unknowns from operating in a pandemic
- Increased demand for funds and nonprofit services
- Information overload about fundraising techniques
- How can we be strategic rather than chasing trends?
- We have to think about this current fundraising environment differently and benefit from multiple perspectives... ones we don't think about in daily fundraising efforts and planning because we are all in new territory
- Our decisions need to be intentional and based in data



What is a Strategic Approach to Fundraising?

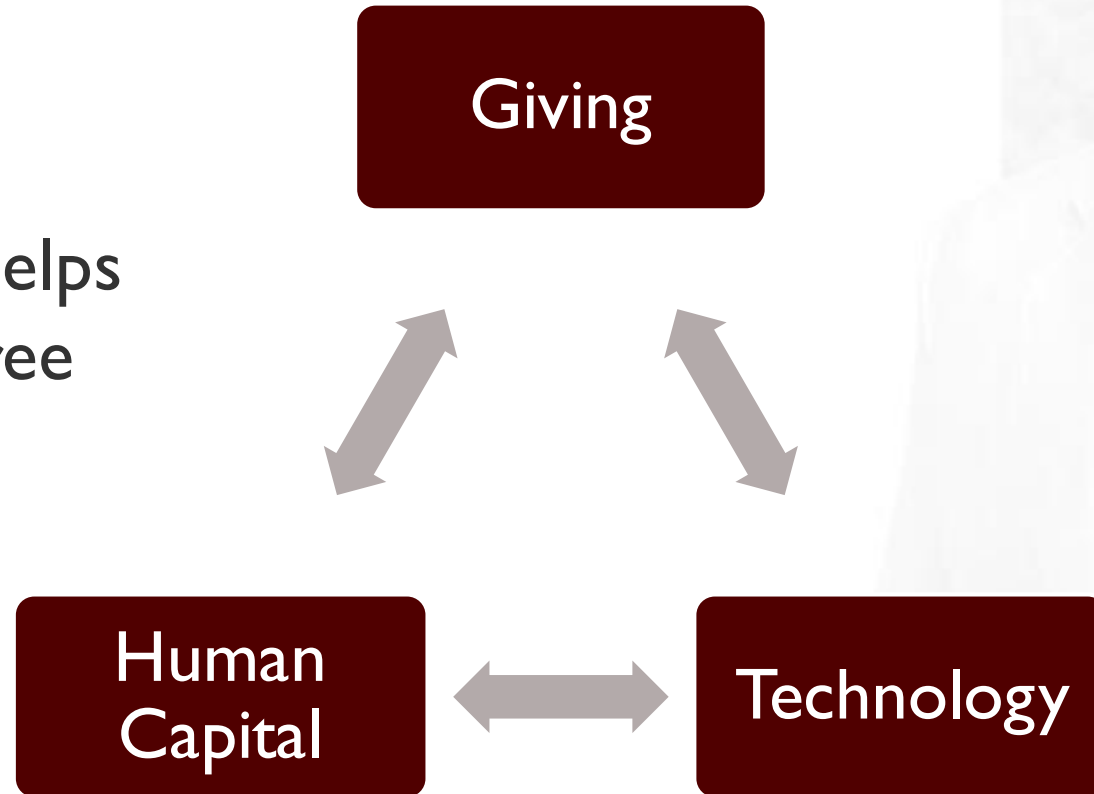
To be strategic, we have
to stop and ask
ourselves:
“what is happening?”



Sorting Through Trends



Among the many trends impacting fundraising, it helps to categorize them in three primary areas.





UNDERSTANDING GIVING



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Giving



- What data do we trust? How do we track giving?
- Nonprofit Trends and Impacts 2021 - Urban Institute
- Giving USA- The Giving Institute and Giving USA Foundation
- Fundraising Effectiveness Project - AFP Foundation
- What metrics make sense?



Nonprofit Trends and Impacts 2021



Fundraising leaders must understand the importance of individual giving and how to direct resources toward this critical resource function.

- Urban Institute released 10/2021 a nationally representative study of 501(c)(3) public charities with annual expenses over \$50,000 and can be linked to IRS Form 990 data
- Study slightly over-represented by human services organizations and under-represented educational institutions
- Only 5% of study represented organizations \$10 million and above expenses, and 73% respondents had \$999,999 or less in expenses
- In 73% of organizations, individual giving is essential or very important to their work, and organizations with expenses under \$500,000 depend on individual giving even more
- Small nonprofits make up 60% of the nonprofit sector, and nearly 30% of their revenue comes individual giving, compared to only 18% of revenue in large organizations (defined as annual budgets of \$500,000 or more)

Source: Urban Institute, Nonprofit Trends and Impacts 2021



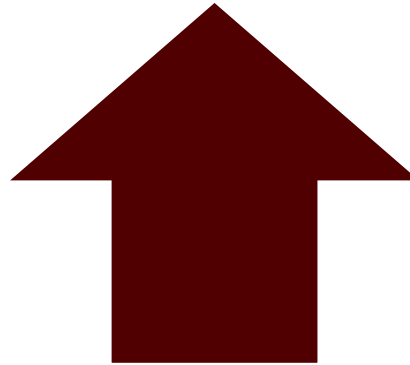
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Nonprofit Trends and Impacts 2021

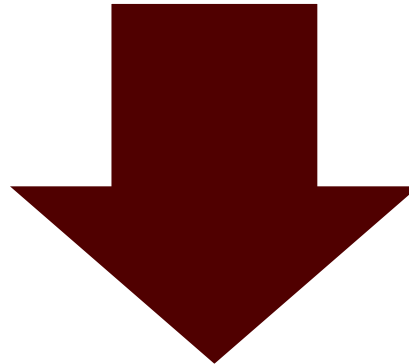


Two giving trends should encourage fundraising leaders to evaluate their giving history and portfolios.

- Is their organization at risk of raising more money from fewer donors?
- If so, what does that say about how they invest in retention and building their donor base?



Total/aggregate giving is increasing



Number of households donating to nonprofits is declining



Nonprofit Trends and Impacts 2021



**Fundraising
leaders need to
understand their
donors well and
look for external
trends that might
impact giving to
their
organizations**

- Religious giving, while still recipient of the highest percentage of philanthropy per Giving USA, has steadily declined since 2000
- Several studies indicate organizations are relying on their major donors as giving among low- and middle-income individuals is decreasing, which some suggest is a result of tax incentives being removed for these individuals.
- Tax Policy Center 2020 reported 21 million fewer households used claimed a deduction for charitable donations



Nonprofit Trends and Impacts 2021



Volunteerism is an antecedent to giving, so fundraising leaders should pay attention to volunteer management and stewardship

- Giving is not keeping up with inflation per the Fundraising Effectiveness Project's 2019 Report and Giving USA's 2019 report
- Both reports indicated donations to many subsectors is declining, fewer individuals are participating in giving
- Volunteerism has declined nationally for the past 2 decades, and our last Built for Texas Report indicates Texas is lagging the nation in volunteer rates



Nonprofit Trends and Impacts 2021



COVID impacted giving to many organizations, but more so with small, rural, and organizations with leaders of color

- 58% of organizations saw increased donations from 2015-2019
- In 2020, donation decreases for 37% of organizations, of all types and sizes
- Study found that organizations led by people of color saw slightly larger decrease in donations (14% versus 9%) and smaller share of increases (52% versus 60%)
- Small organizations saw a greater decrease in giving (42% versus a 29% decrease at large organizations)
- Urban organizations were more likely to see increases in giving, than rural areas, but in 2020 that reversed



Nonprofit Trends and Impacts 2021



Individual giving and private philanthropy are key to balancing revenue streams from earned revenue and government grants

- Earned revenue also declined in 2020, which underscores the importance of fundraising leaders being able to diversity revenue streams.
- 40% of nonprofits reported losing revenue in 2020 (arts organizations were hit the hardest with 54% reporting lost revenue)
- Respondents reported losing 31% of total revenue and 7% of paid staff by the year end
- Organizations relying on earned revenue reported 30% decline (at the median, so many of organizations reported higher losses)



In 2019, Americans gave \$449.64 billion to charity

\$449.64 billion



Giving by foundations grew 2.5 percent in 2019, and has grown in nine of the last ten years.



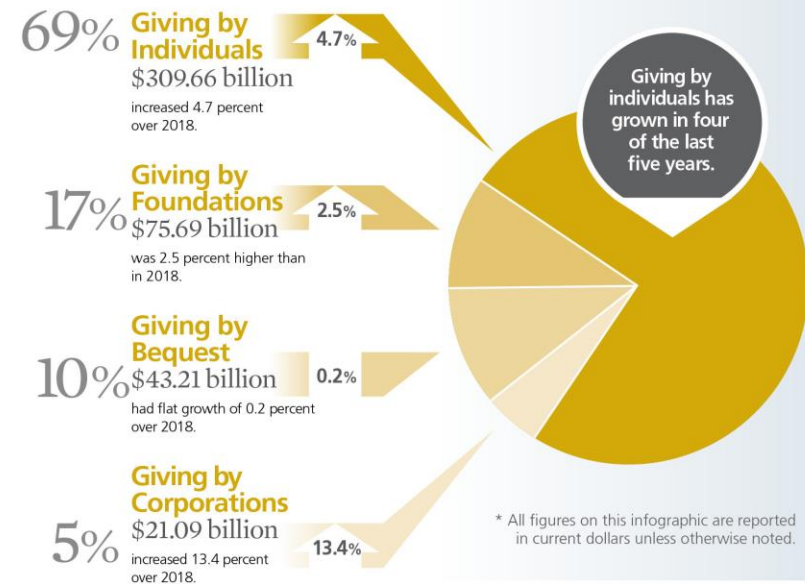
Education, public-society benefit, arts, culture, and humanities, and environment and animal organizations saw double-digit growth in 2019.



Giving to environment and animal organizations increased 11.3 percent in 2019, marking the sixth consecutive year of growth for this subsector.

Where did the generosity come from?*

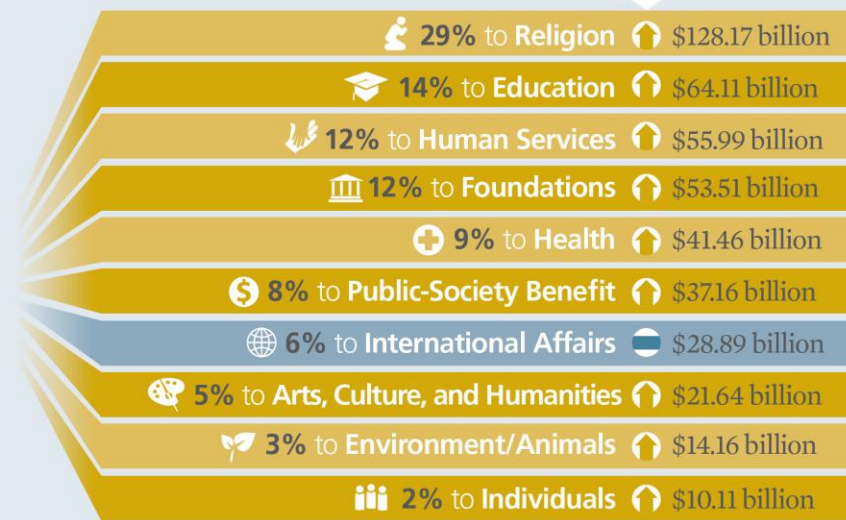
Contributions by source (by percentage of the total)



* All figures on this infographic are reported in current dollars unless otherwise noted.

Where did the charitable dollars go?

Contributions by destination (by percentage of the total)
Change in comparison to 2018 dollars



Giving USA data helps organizations understand the giving to organizations in the same subsector – for example, we see that organizations supporting environment/animals receive less money than other subsectors



Visit www.GivingUSA.org to learn more and to order your copy of *Giving USA 2020: The Annual Report on Philanthropy for the Year 2019*.

Giving USA Foundation™, The Giving Institute, and the Indiana University Lilly Family School of Philanthropy are pleased to continue their partnership in providing the most comprehensive, longest-running, and most rigorously researched resource on U.S. charitable giving, *Giving USA: The Annual Report on Philanthropy*. It is a privilege to report on Americans' generosity and related historical trends on U.S. charitable giving.



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Where did the charitable dollars go?

Contributions by destination



Giving to public-society benefit organizations increased 15.7 percent in 2020, marking the eleventh consecutive year of growth for this subsector.

In 2020, Americans gave \$471.44 billion to charity, a 5.1% increase over 2019.

Source: Giving USA 2021

Where did the generosity come from?

Contributions by source

By percentage of the total

**Giving by
Individuals**
\$324.10 billion

69% ↑ 2.2%

increased 2.2 percent over 2019.

**Giving by
Foundations**
\$88.55 billion

19% ↑ 17.0%

increased 17.0 percent over 2019.

**Giving by
Bequest**
\$41.91 billion

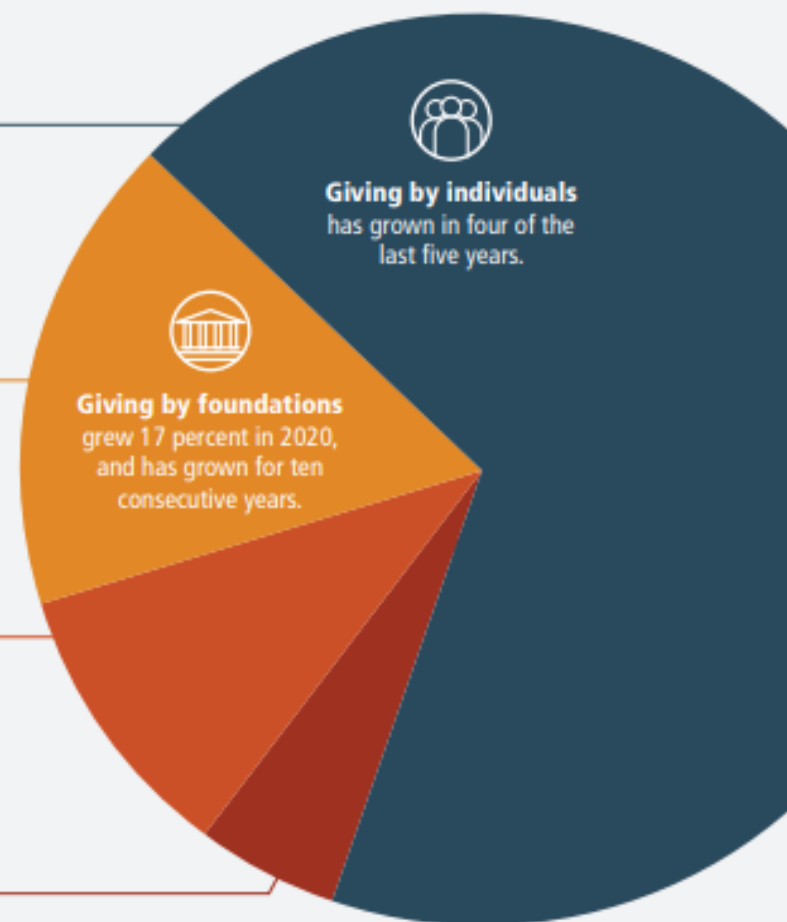
9% ↑ 10.3%

increased 10.3 percent over 2019.

**Giving by
Corporations**
\$16.88 billion

4% ↓ 6.1%

declined 6.1 percent from 2019.



Giving by individuals
has grown in four of the
last five years.

Giving by foundations
grew 17 percent in 2020,
and has grown for ten
consecutive years.

In 2020, we only saw mild movement in giving by source.

Foundations giving increased the most but remained less than 20% of all giving

Corporate giving dropped slightly

*All figures on this infographic are reported in current dollars unless otherwise noted.

Quarterly Fundraising Report™

Year-to-Date Nonprofit Sector Trends 01/01/2020–06/30/2020



Highlights

Giving from the first quarter of 2020 was 6% behind first quarter giving in 2019. Charitable giving has increased over the first half of 2020, compared to the first half of 2019. Notably, the number of gifts of less than \$250 increased by 19.2% over 2019.

- Donors showed up in the second quarter with a 12-point swing in donations.
- More donors gave to the same organization to which they had previously given.
- Donations and number of donors are the highest in 5 years.



Donors
(Year-to-date) 56%

↑ **+7.2%**
YTD Change



Donations
(Year-to-date) 47.3%

↑ **+7.5%**
YTD Change



Donor Retention¹
(Year-to-date) 27.1%

↑ **+1.8%**
YTD Change

Donation and retention metrics report on year-to-date (YTD) performance compared against the prior year total based on a panel* of organizations selected from the Growth in Giving Database of 204 million transactions from more than 20,000 organizations and \$80 billion in donations since 2005.

Donors

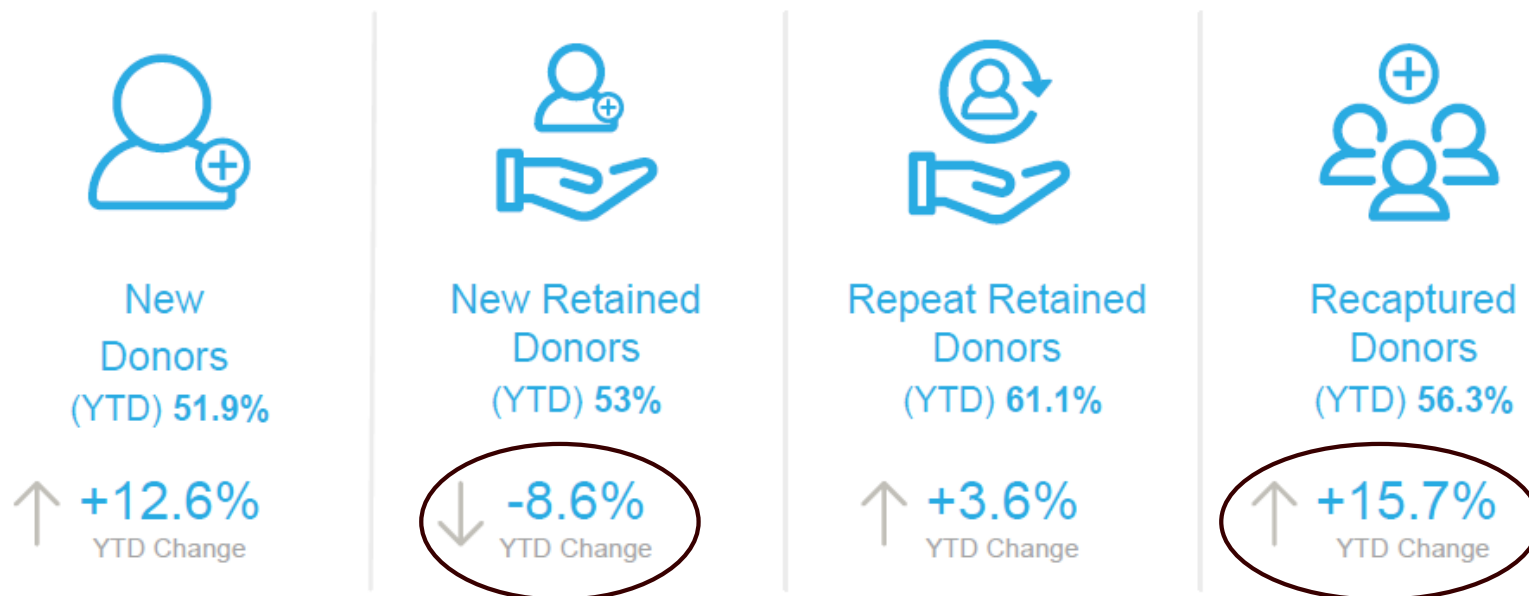
Year-to-Date Nonprofit Sector Trends 01/01/2020–06/30/2020

Highlights

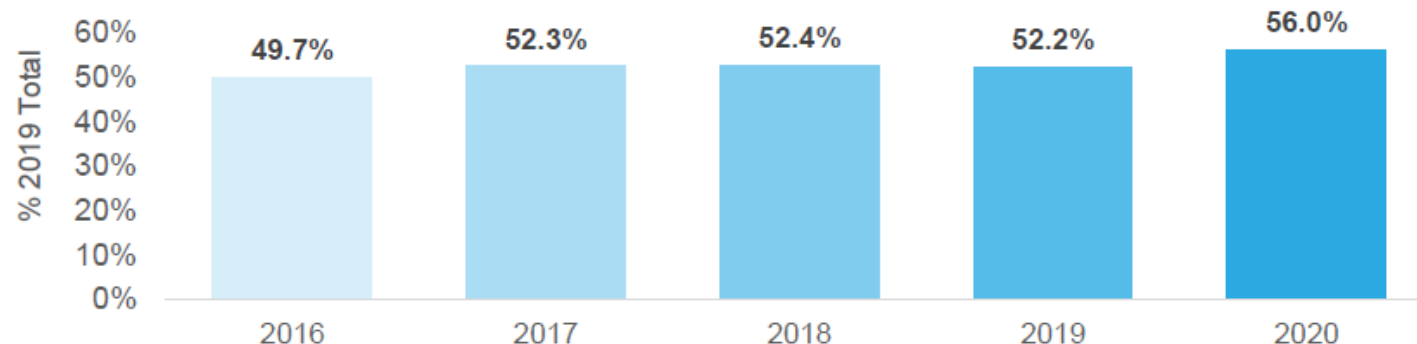
The number of new and recaptured donors increased sharply in the second quarter, adding to the pool of active supporters for 2020.

The latest data shows that despite a sharp decline in the number of new 2019 donors retained in 2020, the number of repeat donors retained or recaptured from previous years increased.

Year-to-date response and retention metrics indicate how new single gift, existing, and lapsed donors are responding.



Second Quarter Donors YTD (As % 2019 Total)



Retention

Year-to-Date Nonprofit Sector Trends 01/01/2020–06/30/2020

Highlights

The increase in the number of repeat donors retained offset the decline in new donors retained for an overall increase of 1.8% in donor retention.

With fluctuations in the numbers of donors these retention metrics are illustrative of how effective the sector is at engaging donors.



Repeat Donor
Retention Rate
(YTD) 37.5%

↑ +2.5%
YTD Change



New Donors
Retention Rate
(YTD) 11.5%

↓ -6.0%
YTD Change

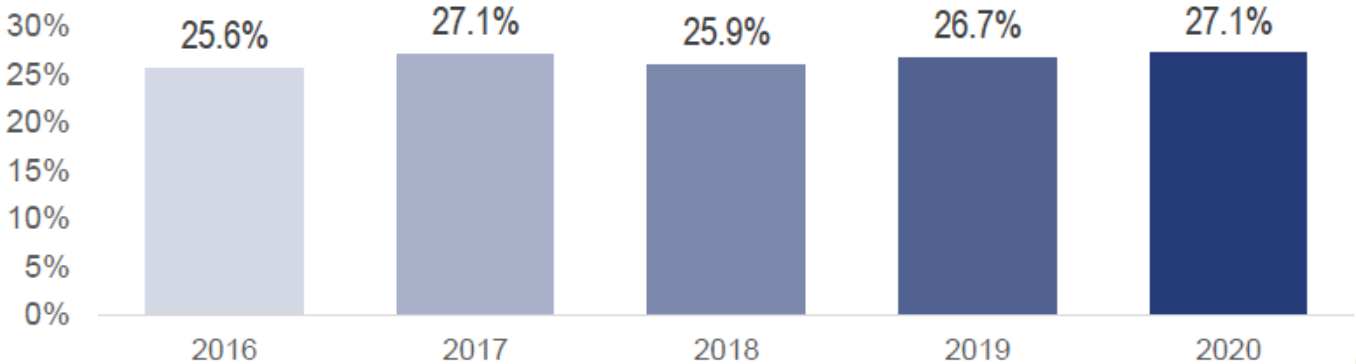


Recapture Rate
(YTD) 2.1%

↓ -2.1%
YTD Change

Year-to-date retention metrics indicate what percentage of existing and lapsed donors from previous years are giving again.

Overall Donor Retention YTD



FEP Q1 2021 Data



- The Fundraising Effectiveness Project first quarter report in 2021 indicated giving was up by 6% and donors increased by 10%, which counters the data from the past decade that shows fewer households are donating
- The Q1 report also shows that retention is increasing
- Median giving declined in Q1 2021, compared to 2020
- Growth did not impact all subsectors. Human Services benefited, while giving to Arts & Culture decreased.



Different Data



- Giving USA shows us that overtime giving sources shift very little, and that we should continue focusing on developing relationships with individual donors
- This would suggest we invest in donor relations efforts and technology that advances our ability to build better relationships with individual donors
- FEP data is more timely and represents more of our organizations because it is not skewed by mega gifts as much as Giving USA
- This data shows donors respond to giving incentives, that more people give during crisis, and that donor retention should be critical focus of our efforts

We have to think about the data and see how it helps us understand our own fundraising shops and organizations



What Metrics Matter?



Technology allows us to measure more, but we cannot get lost in the process

- Annual Overall Growth in Donations
- Annual Average Gift
- Donor Lifetime Value (*lifespan x avg donation amount x total # donations/total number of donors*)
- Total Fundraising Net
- Dependency Quotient (*sum 5 largest donors/total organization expenditures*)
- Cost of Fundraising (*total fundraising expenditures/total fundraising NET*) will tell you how much you spent to net \$1



FEP Tools



- The Fundraising Effectiveness Project is sponsored by the Association of Fundraising Professionals Foundation for Philanthropy
- Goal is to help nonprofits increase giving at a faster pace by providing critical tools for tracking and evaluating their annual growth
- Free tools that you can download and use to measure fundraising growth in your organization
 - Fundraising Fitness Test - <https://afpglobal.org/fepfitnesstest>
 - Fundraising Net Analyzer - <https://afpglobal.org/fepfna>





TECHNOLOGY



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Technology



- Making the most of databases
- Working remotely
- Donor visits via Zoom
- Video marketing
- Online events



Fundraising from a Distance



Leverage technology

- In-person meetings can be virtual meetings
- Use podcasts or videos to communicate with donors
- Virtual stewardship events

Communicate more on social media outlets

- Share good stories and let people see how your organization is adapting

Use digital fundraising

- Many platforms for peer-to-peer
- *Engage By Cell* is texting service to send messages, video links and collect donations



Donors are Responding



So far, have learned a few things...

- Donors do not always need to see us in-person
- In some cases, they are more willing to accept requests for Zoom meetings
- They respond to live videos, and some data shows they like those more than polished videos we spend a lot of money to have produced
- Frequent and direct stewardship calls may yield more goodwill and connection that results in a better response to direct giving requests than scaled back in-person events
- They are responding to virtual events and volunteer opportunities, as well as scaled back and outdoor events

We are still figuring out how remote work is going to impact how we work with donors and how it will change some of the fundamentals of our work

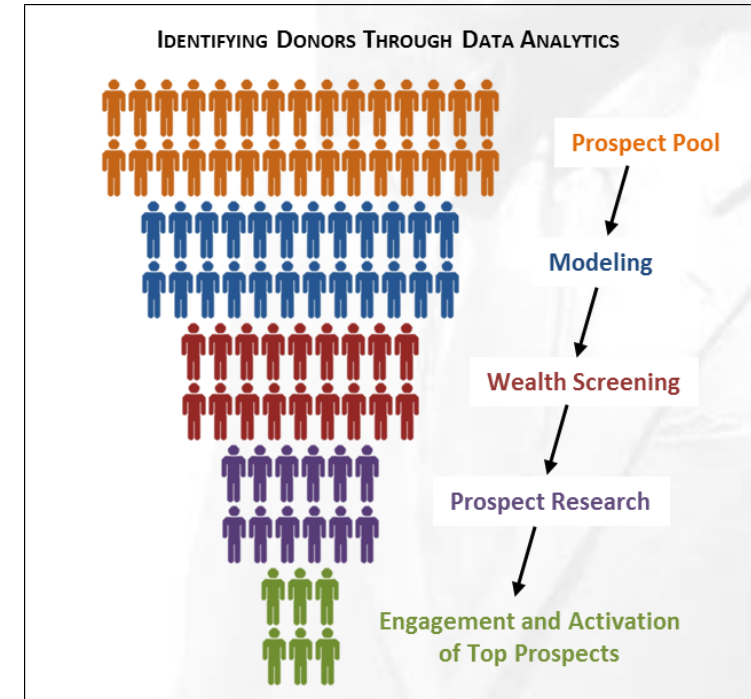


Tools to Manage Giving



CRMs can be used to manage multiple functions in development

- establish a stewardship matrix
- calendar each touchpoint
- automate personalized messages
- automated reminders
- analyze our fundraising efforts
- Identify donors and strategies
- increase efficiency
- ensure consistency
- saves time that can be used for personal visits and cultivation

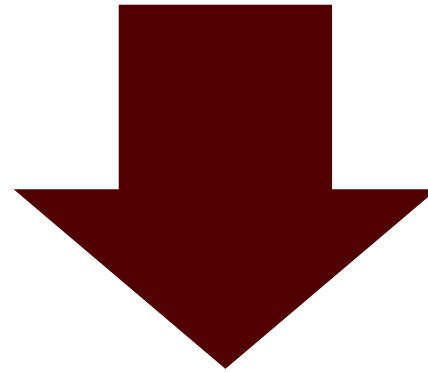


Important Distinction



Data analytics and donor relations tools are to help fundraising teams ensure all donors feel included, known, and appreciated.

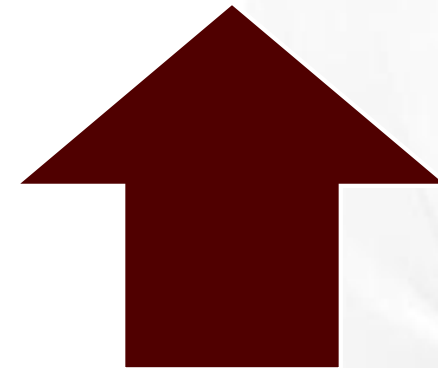
This will vary by size and type of organization, but you can make use of technology to reach more donors.



Exclusivity



Inclusivity





HUMAN CAPITAL



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Human Capital



- How we all work has changed during the pandemic
- Transitioning development teams back to face-to-face work
- Increased focus on wellness and self-care for all employees
- How will volunteers respond and want to engage with us
- How do we address DEI/IDEA in all aspects of our organization: board, staff, volunteers, and the client experience
- Hiring and retention has been challenging for fundraising for years, so how will we need to adjust when the environment made it more difficult to recruit in the nonprofit sector
- Adopt talent management mindset and invest in our people



Human Capital Statistics



- Strongest two-month hiring period since January 2021. Nonprofits added 67,200 jobs according to John Hopkins Center for Civil Society Studies
- Challenges to recruit employees - intern programs on the rise
- Salaries stayed flat in 2020, according to AFP's annual compensation report
- Median fundraiser salary \$75,000
- Women make up 69% of AFP membership, and women's compensation (average \$85,967) lags behind male counterparts (average \$103,175)
- Diversity, Equity, Inclusion in our field for our work culture (75% fundraisers are Caucasian women), our donors, and the clients our organization's serve
- More likely to stay in their jobs in 2021 (80%), and that is traditionally a much lower number, near 40%



Fundraising as Leadership



- We must acknowledge that our roles as fundraisers are leadership roles
- We have to focus on human capital as a strategic element in our fundraising success, and that means investing in our people and talent management
- We lead by taking care of our teams, our volunteers, and our donors as we invite them to join us in making the world better
- Means we have to accept that much of our fundraising success is dependent on our teams and the internal dynamics of our organizations



Tips for Fundraising Leaders



- Understand fundraising trends and data sources
- Apply them to your organization
- Develop strategic initiatives in your fund development plan
- Invest in volunteer recruitment and management
- Do not be risk averse in trying new fundraising methods
- Determine how you can best support your staff (and volunteers) so they can spend time cultivating and soliciting donors
- Insist that stewardship be a part of your development budget to increase retention
- Invest in fundraising tools that allow you to track data and use it to your advantage
- Invest in your people and adopt human capital policies that support the growth and retention of your team, includes professional development opportunities



Managing Trends



Learn from trends, analyze how or if they may be helpful to your organization, but do not allow them to distract your fundraising shop from best practices



Certificate in Fundraising Leadership



Five 3-week asynchronous courses, that allow participants to work at their own pace, and still develop relationships with their peers and instructors through weekly online discussion.

1. Understanding Fundraising
2. Leadership Roles in Fundraising
3. Making the Ask
4. Engaging Your Board and Others in Fundraising
5. Building the Culture and Systems for Fundraising Success



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