2015 State of the Sector

The amount of data, surveys, research and reports about fundraising and the nonprofit sector is now both vast and dizzying. Fundraisers barely have enough time to take a step back and see how their own fundraising is faring, much less scan the sector for key trends to get a sense of the big picture.

Putting together that data into a conversational framework and highlighting key trends and ideas is the purpose of AFP’s first *State of the Sector Review*. The review is meant to be “a lay of the land” that covers a wide variety of issues that are affecting fundraising. You’ll see not only references to numerous studies and surveys, but also quotes and commentary from fundraising practitioners and leaders in the nonprofit world that provide context.

Be aware that some of the numbers in different studies don’t always match, as different data and methodologies are being used. But taken together, they help paint a clear picture of what’s happening in fundraising and the nonprofit sector.

This review is meant to be strategic. While it will contain some tactics by the nature of some of the topics, it focuses on high-level issues—general directions and ideas to guide your fundraising into new areas. At the end of this document is a series of links to many of the studies and reports referenced so you can find the detail and tactics you need to move forward.

Many thanks to the fundraisers and colleagues who provided commentary and perspective for this report, as well as to the organizations who developed the reports and surveys that we have highlighted here. The strength and vitality of a profession lies in what it knows about itself, and the profession is lucky indeed to have such an abundance of knowledge and research now.

I hope you find this document useful. You perhaps may argue with some of the ideas, or feel we are not nuanced enough or have missed a key item. If so, I encourage you to let us know. I hope the review will be the start of many conversations about the state of fundraising and philanthropy and ways that our organizations will be successful heading into the future.

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President and CEO

Association of Fundraising Professionals
State of the Profession: The Good News

Just a couple of years ago, financial experts were still forecasting that it might take a decade for charitable giving to return to its levels achieved before the Great Recession. Yet by the end of 2014, charitable giving had already rebounded on its way to the shortest recovery on record—a feat even more amazing given that overall giving had dropped by 14 percent from 2007 to 2009.

The American economy has recovered all of the private sector jobs it lost during the recession. We’ve seen four relatively solid years of giving rebounding and getting stronger, with giving rising 5.4 percent last year to a record $358.4 billion according to Giving USA1. This impressive growth was corroborated by other sources as well, such as the Blackbaud Charitable Giving Report, which reported overall giving growing by two percent (including online giving increasing by more than eight percent.)2

“2014 may represent the new normal in giving. Unlike 2013 and 2012, there was a noted absence of the high profile episodic events that previously drove an increase in giving. An accelerating economy fueled the stock market to new highs in 2014, and fears of changes to the charitable deduction never materialized. Nonprofits must continue to focus on both donor acquisition and retention to drive sustainable growth in fundraising.” – 2015 Blackbaud Charitable Giving Report

There is more good news. In the 2014 Nonprofit Research Collaborative Year-End Survey, 63 percent of charities saw growth in funds raised, a result on par with what charities experienced before the recession. In addition, 73 percent of charities met their fundraising goals in 2014, the best result since 2010 and a marked increase over the 63 percent that met goal in 2013.3

Confidence in fundraising and giving is back to its normally high levels—70 percent of charities expect to see further gains this year, matching levels we saw—again—before the recession.4

“Coming off a record year for fundraising, we’re continuing to see that people are very engaged and involved in philanthropy. While economic circumstances are huge drivers in the philanthropic decision making process, there is another component that successful nonprofits understand: the emotional aspect of making a gift. Cultivating donors requires making sure they feel good about their charitable gifts. It also requires ensuring the organization’s mission is understood, and how it fits a donor’s priorities. Donors today aren’t just giving money, they feel they are making an investment, and it is up to charities to connect the dots.” – W. Keith Curtis, Chair, Giving USA Foundation, and President, The Curtis Group
State of the Profession: Beneath the Surface

Despite this growth, long-term issues continue to affect fundraising, and newer ones are beginning to bubble up to the surface that will present new challenges.

The Fundraising Effectiveness Project reports that just 43 percent of participating donors are giving to the same organization two years in a row. Even before the recession, that figure reached only as high as 46 percent. This is a troubling trend given it is far more expensive to find new donors than it is retain existing ones.\(^5\)

In addition, the FEP found that charities lost 103 donors for every 100 donors they gained in 2014 while at the same time seeing improved giving gains. Those figures are the latest in a series of signs that charities in general are seeing fewer donors giving more money to their causes—underlining the growing disparity in wealth across the United States. The rich are getting richer, and the poor are getting poorer, with a slowly dwindling middle class.

Fewer donors are giving more to make up the gap—for now—but this is not a good trend for philanthropy. The power of philanthropy lies in its democratization: its ability to bring people of all backgrounds together and collectively make change. That aspect is threatened if philanthropy becomes the province of just the well-off.

There are other challenges beyond just giving. Public concerns about how donors use their money remain high, and many donors continue to look at fundraising costs as a viable way of determining how effective a charity is.\(^6\) Boards and CEOs still barely understand fundraising and what the resources it takes to make programs run effectively.\(^7\) This, in turn, limits the success of many organizations with their fundraising, and prevents them from fulfilling their missions.
State of the Sector: The Upside

Fortunately, we have many resources at our disposal. Changing technology and societal trends offer us opportunities to reach out to new donors and inspire them in different ways. Plus, there is an ever increasing amount of research, studies and professional knowledge to help guide fundraisers and charities as they develop new campaigns and methods to engage the public and cultivate them to become long-term supporters.

On the following pages are some of the key trends, ideas and issues that have had an impact upon philanthropy over the past twelve months, and that will continue to do so into the future.

1. Focus Internally to Find External Success

- **Educate.** The *Underdeveloped Study* found a lack of institutional support for fundraising at many organizations—from boards, executive directors and other staff. Three out of four executive directors say their board isn’t doing enough to support fundraising, and 26 percent of directors indicated they have no competency or are a novice at fundraising. Yet, an engaged board and CEO are huge difference-makers in fundraising. It’s a long process but fundraisers must make the effort to educate these groups about their role in fundraising and stress that fundraising is a critical part of any charity’s operations.

  “The degree to which fundraising and philanthropy will be successful in your organization is directly proportional to the degree to which fundraising is viewed by your organization as a program, and with the same importance as every other program and service in your organization.” – Hank Rosso, Founder, The Fund Raising School

- **Engage:** Not every board member or CEO will be good at asking for money, but will have other skills. Take the time to find out what they are. A retreat is best—not only for the work that might be done, but also for the strong connections that can be made between board and staff. Treat your board and CEO (and other staff) like a major donor. Find out what they like, cultivate them and engage them in some aspect of the fundraising process. Taking your CEO out of the office away from the constant emails and phone calls can be a great way to have them focus solely on fundraising for a couple of hours.

- **Plan.** Stunningly, almost one-quarter of nonprofits surveyed (23 percent) in the Underdeveloped study—and 31 percent of charities with operating budgets of under $1 million—have no fundraising plan in place. Creating a fundraising plan will ensure your organization reviews its past efforts, emphasizes its strengths, and keeps its focus throughout the year.
• **Maintain.** The more established a fundraising program, and the longer a fundraiser has been at an organization, the more likely the chances of success. Turnover can create chaos within a charity’s fundraising program, and many charities are struggling with turnover rates and long vacancies in the development director post. When the development director post is open, it is vacant on average for six months, and nearly half of those organizations reported vacancies longer than that. In addition, half of development directors said they expected to leave their current jobs in two years or less, and that rate was even higher for small charities.

A growing economy is only exacerbating these trends. Charities should do everything they can to keep their fundraisers in place. While salary is always important, surveys like the **AFP Compensation and Benefits Report** show that other benefits (flexible leave, working from home, more time for professional education opportunities) are increasingly critical.

> “If you have a great development director, do anything you can to keep them. Turnover in our profession is too high and is hurting your fundraising efforts. We have evidence from a new research study that development directors with longer tenure raise more money for the organizations they serve.” – *Amy Eisenstein, ACFRE, Principal, Tri Point Resources LLC*

• **Diversify.** Focus more on diversity in your hiring and board recruitment processes. In order to grow engagement and giving from diverse populations, we need our fundraising staff and board to better represent the people living and giving in our communities.

• **Create:** a culture of philanthropy, where all aspects and groups within the organization are working together to inform, cultivate and inspire donors. Share fundraising success stories, along with stories of impact. Use emails and video, or bring in individuals and group who have been affected by your organization and have staff and others hear from them directly. You engage staff and board just as you would donors.
2. Fundraising: Finding the Right Balance

- **Major gifts are becoming more and more important.** New data from the Fundraising Effectiveness Project and Growth in Giving Initiative shows that in 2014, 88 percent of the gifts to small and mid-size organizations came from just 12 percent of donors (those who give $1,000 or more). While fundraisers are used to the 80/20 rule for capital and other major campaigns (80 percent of gifts coming from 20 percent of their donor base), that rule seems to be slowly changing to 90/10 for all gifts. While this will not apply to all organizations, the data highlights the continuing trend of more money coming from fewer donors. With major giving being a very inexpensive way of raising money, charities would do well to focus on cultivating donors and focusing on major gifts.

> “Prepare your organization and your staff to raise major gifts, including giving them the time and tools to succeed. That means creating a culture of philanthropy among board and staff members, hiring good staff members, providing them with time and support, and investing in technology and related services. Raising more major gifts is the number one way for organizations to grow their fundraising efforts.” – Amy Eisenstein, ACFRE, Principal, Tri Point Resources LLC

- **At the same time, charities must continue to identify new donors and—most importantly—retain them.** Major donors do not just magically appear (typically!). Focusing too much on major gifts may sap away resources needed to solicit new donors. Plus, inundating the same high-end donors with appeals and requests will only lead to lower response rates in the end. Donor acquisition is important for organizations, especially since it frequently helps them keep pace with donor attrition on a year-to-year basis. But acquisition is usually expensive and/or time-consuming, so the focus should be on retention. Fortunately, online communications and social media are providing charities opportunities to engage entirely new groups of supporters.

- **We are still transitioning from paper to online fundraising.** Online fundraising is the fastest growing form of fundraising, hands down. But it still accounts for a small percentage of overall giving. Of course charities need to be online, but paper check donations are still being relied primarily by 58 percent of nonprofits. Over a quarter of organizations still deliver just weekly printed newsletters. Your program should continue to be a combination of snail mail and online fundraising, as integrating often seems to provide the best results for many organizations. Although the report is from 2011, the donorCentrics™ Internet and Multichannel Giving Benchmarking Report found that donors who give through multiple channels (e.g., via mail and online) provide 100 percent more total revenue than single-channel givers.
**Corporate giving is increasing and becoming more strategic.** Both Giving USA and the Committee to Encourage Corporate Philanthropy show strong corporate giving over the past few years. It’s also becoming more strategic, with 85 percent of companies measuring and tracking the societal outcomes and/or impacts of their investments and starting to use to the data to inform their core programs. And of those companies that measured outcomes and/or impact of their work, 18 percent reported a jump in giving. \(^{11}\) The business case for giving is increasingly aligned with research on purpose-driven, long-term performance. This will mean, in general, fewer organizations supported, but likely greater and deeper involvement with those organizations. Charities will have to respond by demonstrating greater accountability, transparency and results.

**Diversify.** In most of the Nonprofit Research Collaborative studies, 80 to 95 percent of respondents use several different types of fundraising, including foundation proposals, special events, major gifts, direct response, board giving, and increasingly now, social media. Larger organizations may not have this issue, but smaller to mid-size organizations should look at expanding how they reach out beyond their traditional methods.

Many small organizations I work with depend heavily on one or two fundraising streams to fund their programs—typically grants and a golf tournament. This leaves them at considerable risk should grants be discontinued or if event participation declines. When looking ahead to 2016, I would encourage small charities to research and introduce at least one new fundraising tactic to diversify their revenue such as monthly giving or planned giving. Even offering the basics of a program is better than nothing at all if it is done right.” — Karen Mercier, CFRE, Director of Development, Regina Humane Society

**Stick to your fundraising plan, but be nimble and flexible.** Keeping to your fundraising plan is always a solid idea, but putting your head in the sand and not paying attention to current events means missing out on opportunities. With social media, your supporters are expecting you to respond to what’s happening in the world. And while not every event needs to be accompanied by a crowdfunding campaign from your organization, there are times when aligning public events and trends with your mission and fundraising make a lot of sense.

**Philanthropy is NOT just happening in North America.** With technology making it easier than ever to reach out, many organizations are finding success fundraising around the world.

"While the recovering financial markets continue to drive mega gifts in the USA, international mega gifts are also building momentum. Encouraged by the Gates/Buffet giving challenge, donors in the Middle East, India and China in particular are increasingly impacting human welfare, education and health. Contrary to some USA national trends in giving, middle income donors in Mexico are a growing force in philanthropy there." — Bob Carter, CFRE, Bob Carter Companies.
3. Retention Through Engagement and Community

- Social media and peer-to-peer fundraising is changing how we think about community, who might support our organizations, and how we engage and retain them. We’re used to thinking of our community as the group of people who support us, or the people who live where we work, or some other grouping. But it was all about US—our organization, our community. But the Ice Bucket Challenge, for example, created a community who took the challenge and supported the ALS Foundation—without any sort of strong connection to the foundation.

- The key for donor retention will be answering the “now what” question. Continuing with the Ice Bucket Challenge example, the ALS Foundation raised $115 million last year from the challenge. Now they’re asking donors, “So you took the Ice Bucket Challenge, now what,” giving supporters options on how to keep engaged and informing them how their money was used. How do we keep not just these sorts of donors, but all of our donors, engaged and inspired, will be a key question into the future.

Donor retention boils down to three donor preferences, and none of them include increasing the frequency of solicitations, according to Penelope Burke, President, Cygnus Applied Research, Inc.: Donors want 1) Prompt, meaningful gift acknowledgements; 2) opportunities to give to specific programs rather than unrestricted funds; and 3) hearing reports about what their gifts accomplished.

- Focus on impact. The Chronicle of Philanthropy’s recent survey on public trust underscores the importance of demonstrating impact. When asked about factors that influence their giving, the biggest portion, 68 percent, said it is very important the charity has evidence that its programs are effective. Charities have heard this before, but equally important is HOW that impact is conveyed. Rather than using lots of statistics, storytelling is becoming a compelling vehicle for demonstrating impact, using specific programs and people (which tend to be more memorable than a lot of numbers).

“Our fundraising results continue to be strong, particularly in online campaigns, monthly giving and planned giving. Engagement has steadily increased as we have made an effort to be more inclusive with donors. We are doing this through the power of storytelling. The more specific stories we share about individual animals in need, the more personally invested donors we find. And those who feel personally connected to our cause consistently donate more.” – Karen Mercier, CFRE, Director of Development, Regina Humane Society
• **Personalize engagement.** There are countless ways now to create impact, and giving is just one of them. Volunteerism, online activity, public policy and community building are just a few ways that our supporters can make a difference. We need to give our supporters (and potential supporters) different ways to get involved. Online, we have to give them the opportunity to post, tell their stories and invite others to get involved—while making it easy and not having them deal with a lot of administration.

“Donor-advised funds are becoming increasingly popular vehicles for charitable giving, and I expect this trend to continue. I see this from a national and local perspective. For example, Fidelity Charitable is the second-largest grant making entity in the U.S., after the Bill & Melinda Gates Foundation. In 2014, it awarded $2.6 billion in donor-recommended grants to 97,000 charities. Here in KC, The Greater Kansas City Community Foundation has provided more than $2.4 billion in grants since its inception in 1978, and processes more gift and grant transactions than any other community foundation in the country.” – Jeffrey D. Byrne, chair, The Giving Institute, and president and CEO, Jeffrey Byrne + Associates, Inc.

• **Expand what it means to be a volunteer.** Volunteers have lots of skills and no longer want to just lick envelopes or help out with a special event. And as many volunteers seek out organizations (41 percent) as get asked to volunteer (40), so many are very excited to support organizations in this fashion.15 Frequently, they can and want to employ their professional skills—only we have to have the infrastructure to let them.

• **Reach out to new groups with respect.** Charities and fundraisers need to reach out to underserved and underrepresented groups of potential donors—whether it’s different generations, or different racial, ethnic or religious groups (to name just a few factors). The issue is in the approach. Identify individuals and groups that you can talk to about how to engage them, but do so with respect and explain what you are doing and why. It’s not just about raising more funds, but expanding perspectives and viewpoints, and learning unique way in which communities can get involved.

“The coming wave of retirements for ‘Baby Boomers’ is no longer something that is on the horizon. It is here right now, and with that comes the inevitable legacy conversation with more potential donors than ever before for organizations throughout North America and beyond. There are legacies to be made today into lifesaving miracles for tomorrow.” – Patrick Feeley, CFRE, Executive Vice President & Chief Development Officer, Caron Treatment Centers
4. Online Communications and Fundraising

- **Get online—with a plan.** Yes, you know you need to be online. Yes, you probably are online. But do you have a plan? More than a quarter of nonprofits (27 percent) have no structured email schedule, while a massive 89 percent of nonprofits have no organized text messaging communication program. Nothing leads to donors being inundated by messages (and subsequently not responding to solicitations and calls-to-action) more than unstructured and unscheduled online communications.

- **Online, nonprofits are reaching more people but their average donation is smaller.** The average online one-time gift was $104 and monthly gifts were $23 for participants according to the NTEN 2015 Nonprofit Benchmarks Report. For every 1,000 web visitors, participants raised $610, down 12 percent from previous year.

- **For now, it’s still taking a lot of messages to inspire action.** For every 1,000 fundraising and advocacy message an organization sends, they’ll see—on average—29 actions taken and $40 dollars raised.

- **Content is king.** Charities no longer just provide programs. They educate. They inform. They advocate. They even entertain. All of which means they must create content: stories, articles, interviews, updates and more. And it should go beyond the written word. “Facebook engagement and social engagement stats are through the roof with video,” says Michael Hoffman, CEO of See3 Communications. We have stories to tell. So tell them!

- **Mobile is rapidly becoming the way people read emails.** Two-thirds of people now read emails on their mobile devices, and 80 percent delete emails that are not optimized for smartphones. Responsive website design is a must-have functionality that provides optimal user experience whether your website is accessed via mobile, tablet or desktop, plus it tells people that you’re current and relevant.

- **Giving days are becoming extremely popular and should be strong opportunities for many charities.** Nearly 75 percent of respondents to the 2015 Winter NRC study indicated they had participated in a local, regional or national day of giving, such as Giving Tuesday. These kinds of collaborative efforts help so many organizations because of the public awareness they help to create for the entire sector.
5. Public Trust

From *The Chronicle of Philanthropy* article, “1 in 3 Americans Lacks Faith in Charities, Chronicle Poll Finds:"²¹

- **Almost two-thirds of Americans have a great deal or a fair amount of confidence in charities.** More than 80 percent said charities do a very good or somewhat good job helping people.

- **The key numbers have barely budged since 2008,** when 64 percent said they had a great deal or a fair amount of confidence in charities, compared with 62 percent in the new poll.

- **A third of respondents said charities do a "not too good" or "not at all good" job spending money wisely;** 41 percent said their leaders are paid too much. And 35 percent said they had little or no confidence in charities.

- Half said that in deciding where they will donate, **it is very important for them to know that charities spend a low amount on salaries, administration, and fundraising;** 34 percent said that was somewhat important.

- **An important part of donor engagement is talking openly and frankly about issues such as ethics, trust and fundraising costs.** The reason donors still believe that fundraising and administrative costs are so important, or have no idea how charities really spend money, is that charities haven’t talked to them about it. In the absence of any conversation from charities, donors have come to think that fundraising and overhead costs mean something in relation to effectiveness. Charities need to be pro-active in explaining why charities have the costs they do and what resources and support it takes to keep programs running effectively.

- **In 2013, GuideStar, BBB Wise Giving Alliance, and Charity Navigator wrote an open letter to the donors of America in a campaign to end the Overhead Myth—the false conception that financial ratios are the sole indicator of nonprofit performance.** Last year, the same three organizations wrote an open letter to charities, asking them to “focus donors’ attention on what really matters: your organization’s efforts to make the world a better place.”²²

> “Donors want change in the way issues are addressed and the way organizations work together. That means an increasing focus on collaborative fundraising and meaningful outcomes—outcomes that are easy to understand and tie philanthropic giving into collective impact. The new philanthropists want systemic change and they want nonprofits to collaborate at all levels, including philanthropic fundraising if that is in the best interests of truly fulfilling the mission.” – **Andrea McManus, CFRE, President, The Development Group**
Your 2016 Checklist

- Read the *Underdeveloped* report

- Introduce yourself to, understand and use the [Fundraising Effectiveness Project](http://www.afpnet.org) and the Growth in Giving Initiative to see where to focus.

- Create your annual fundraising plan, which will include diversifying your fundraising.

- Ensure your board is representative of the communities you represent.

- Talk to your board about your fundraising plan and how they are to be involved.

- Set aside some time to train your CEO in fundraising and his or her role in the process.

- Talk to donors about how you are communicating with them and how you can better engage them.

- Create a position on your board for a youth or young adult, or develop a youth advisory group to help reach out and engage younger donors.

- Create and/or strengthen and expand your major gifts programs and/or planned giving program.

- Look at reaching out to new groups of donors and supporters.

- If you don’t already have one, create a policy as to when you will acknowledge donations.

- Invest in your own professional training and earn your certification.

> “There are standards, practices, protocols that go into effective fundraising and their board and CEO need to understand it just as they would any other essential part of running the organization. The lack of understanding or mystery surrounding our profession leads to many of our current challenges. I urge all fundraisers to embrace the Code of Ethics and stand up for the profession in everything they do.” – Sonya Campion, President, Campion Advocacy Fund, Trustee, Campion Foundation
Bibliography/List of Resources


4 *NRC 2015 Winter Survey*, Ibid.


8 *Underdeveloped*, Ibid.


14 “1 in 3 Americans Lacks Faith in Charities, Chronicle Poll Finds,” Ibid.


16 *2015 Predictions for Nonprofit Giving Survey*, Ibid.


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AFP Resource Center: http://www.afpnet.org/ResourceCenter/