

Nonprofit Fundraising Trends 2009

For Release 2/25/09

Conducted and Prepared by:

Kevin Johnson

Principal, Retriever Development Counsel, LLC

Stephanie Debner

Information Specialist/Analyst

William Vesneski

Evaluation Consultant

Background: A collaboration of groups and foundations conducted an assessment of the impact of the current economic crisis on nonprofits in our region. The purpose of the survey was to better understand how nonprofits are managing the situation within their organizations. The survey was conducted at the end of January 2009.

Survey response was strong and included many kinds and sizes of groups. **More than 181 groups responded.** There was both a breadth and depth of response in terms of sectors of work, size, and geography. There are also a number of bellwether groups that responded - groups many might think of first to call to inquire about fundraising trends. Survey respondents were in positions of fundraising accountability: 44% were executive directors and 27% were development directors.

Key Messages

What responding organizations told us is:

- ➔ The impact on nonprofits of the economic crisis does vary.
- ➔ Those nonprofits with diverse revenue streams, good management, and what could be labeled "learning cultures" appear to be coping markedly better than others.
- ➔ Organizations that are faring better appear to be putting more focus on development activities,

especially individual donor relations including major donor development.

- ➔ Respondents report that board members need to be more engaged team members by actively participating in fundraising, cultivating relationships, and being ambassadors for the organization.
- ➔ Respondents stress that nonprofit leaders need to set the tone, be calm, and communicate clearly about decisions, priorities, and organizational vision and goals. They need to be more visible and more involved with individual donor fundraising.
- ➔ There is a suggestion that, in some cases, the organizational sense of being “fine” may not match with finances, planning, activities, staff/board engagement, and other components of organizational health.
- ➔ Better internal communication among organizational team members is key to surviving in this difficult economic climate.

POSITIVE NEWS: Overall, fundraising in 2008 trended higher than in 2007. The majority of organizations across the board predict a recovery time of two years or less. For many groups, the economic downturn is an opportunity to focus on strategic priorities, reconnect with their mission, build relationships, collaborate with new partners, and get creative. Many have seen an increase in the use of their services and/or plan to expand programs/services in 2009.

Organizations that are doing well are not necessarily the ones with the biggest budgets or the ones that had the best fundraising year in 2008. Hallmarks of these organizations include:

- Diversified revenue streams and a variety of ways to give;
- Engaged leadership (executive, development/fundraising, and board) that is prepared to address the changes in the coming year;
- More effort expended into donor outreach and cultivating relationships;
- Investment in development staff, resources, and/or activities;
- Proactive planning. They are looking to do more, not less.

CHALLENGES: Many organizations that saw a decline in fundraising attributed it to the economy in some fashion; few owned contributing organizational factors. A significant number of groups started the year with only short-term solutions planned, such as cost containment, reducing staff/programs, or dipping into reserves or credit lines as a first-line strategy. For those that predict a longer recovery time, there are two common elements: (1) organizational issues, including leadership problems; and (2) insufficient effort/focus/staff for development and fundraising.

Organizations that are not doing very well are not necessarily the ones with the smallest budgets or number of staff, "worst" fundraising year in 2008, or the longest predicted economic recovery time. Hallmarks of these organizations include:

- Leadership, board, or organizational problems (lack of engagement, turnover, communication, unity of vision);
- Lack of planning or proactive strategies to address changes in the future; strategies are often reactive and focused on cost containment;
- Lack of donor stewardship;
- Reliance on fundraising sources not particularly fruitful in the past;
- Lack of effort/staff in development/fundraising

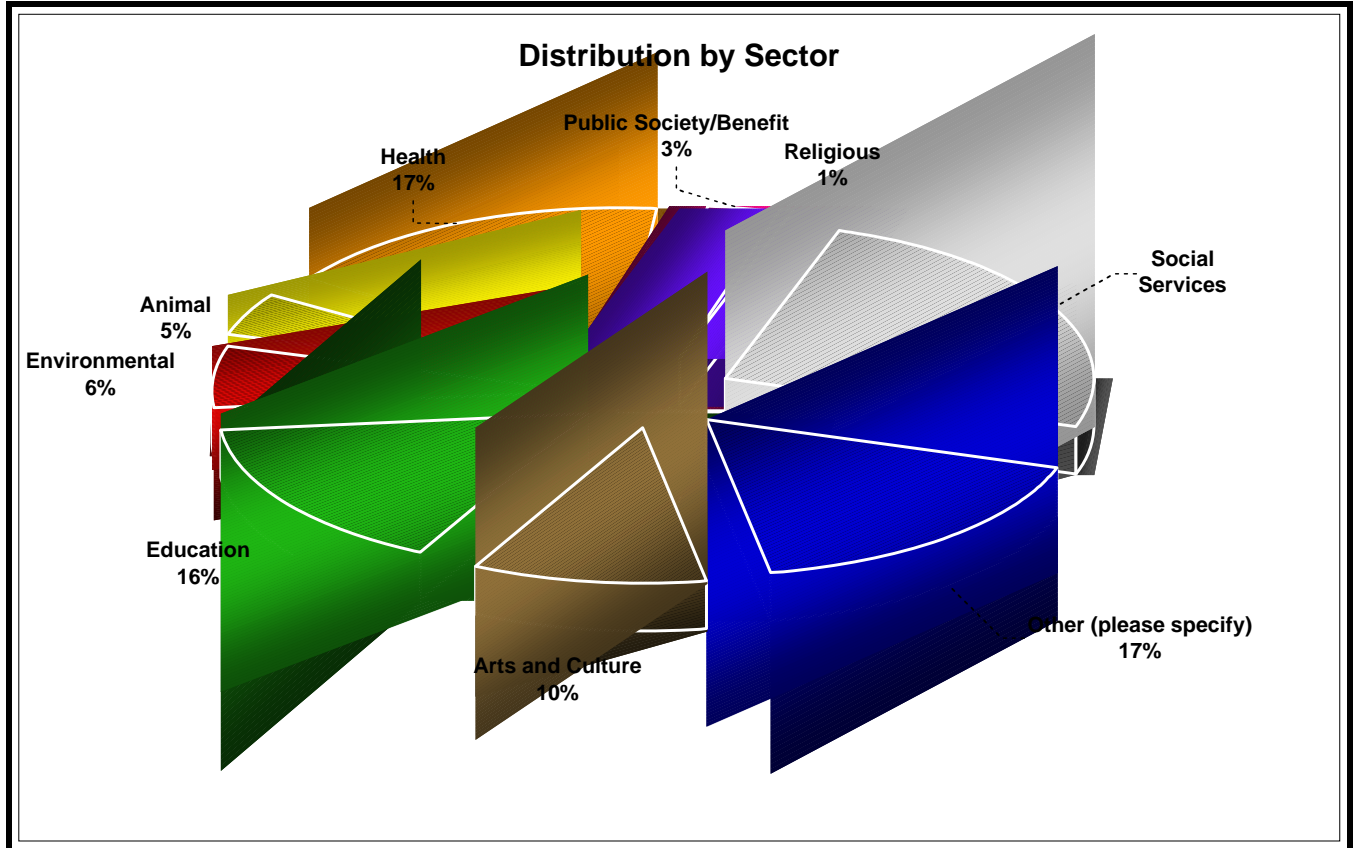
Background and Demographics

This study was initiated by Kevin Johnson, Retriever Development Counsel, LLC, in January 2009 to assess the regional impact of the economic downturn on philanthropic organizations in Oregon and Southwest Washington. Collaborative Partners included the Nonprofit Association of Oregon, Grantmakers of Oregon and Southwest Washington, Oregon and SW Washington Chapter of the Association of Fundraising Professionals, Retriever Development Counsel, LLC, and Meyer Memorial Trust.

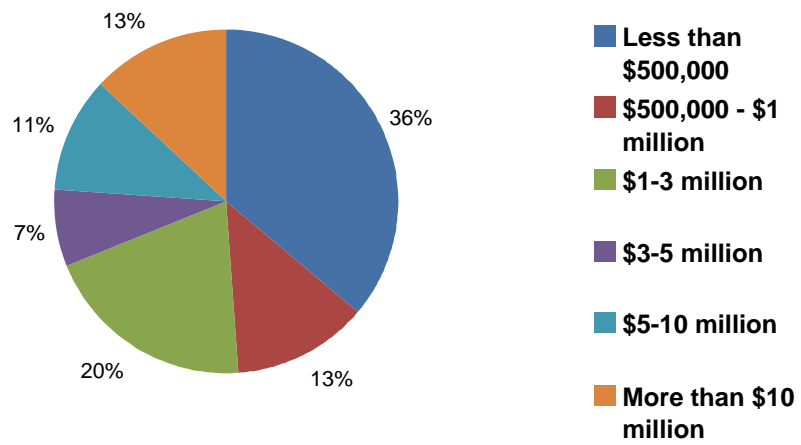
There were 181 completed surveys and 20 partially complete surveys representing a wide variety of organizations, both in size and scope, as well as geographic location.

Responding organizations were largely in Oregon, a few in Washington, one in Montana, and one with a local office in Portland and national office in San Francisco, CA. Where counties were identified, a large percentage of organizations are in Multnomah County (39%) and the Portland metro area (Multnomah, Washington, Clackamas, and Clark counties comprised 49% of respondents). However, there was also a wide representation of other Oregon counties; the top non-metro counties were Jackson (7%), Deschutes (6%), Marion, and Lane (5% each). In all, 72% of Oregon counties were represented by at least one organization. There does not seem to be a correlation between the location of the organization, their organizational well-being, and the state of their fundraising.

There was cross sector participation, with the highest numbers in social services (28%), health (19%), education (18%), and arts & culture (12%). The largest number of survey respondents were from small organizations (budgets under \$500,000: 36%), but there was across the board representation of organization sizes.



Organizational Budget



Survey respondents were primarily executive directors (44%) and development directors (27%); other categories were: other development/fundraising staff (10%); other types of executive leadership, such as president, vice president, director, manager (10%); board chair (4%); finance director (2%); and board member or volunteer (2%). There may be a correlation between the respondent's position and the sense of job security, which was high, as 70% of respondents were not very concerned about losing their job in the next year.

2008 Fundraising Results

Overall, more groups (46%) experienced higher fundraising results in 2008. Respondents attributed greater fundraising results to an increase in the **number** of foundation grants (52%), major gifts (47%), and direct mail or annual fund/membership (35% and 37% respectively). They attributed results to an increase in the **size** of major gifts (47%), foundation grants (46%), and direct mail/telemarketing/online/annual fund (35%).

Regardless of the size of the organization, the primary reason for fundraising success? **"We asked more."**

While there was an acknowledgment of one-time gifts, grants, events, or campaigns, most fundraising success is directly tied to dedicated effort, resources, and staff to development/fundraising and to actively building strong relationships with funders and donors, which requires the personal involvement of board and staff.

A significant number of respondents (39%) also saw lower fundraising results. Respondents attributed lower fundraising results to a decrease in the **number** of direct mail/ telemarketing/online/annual fund (64%), major gifts (58%), foundation grants (47%), and corporate support (39%). They attributed results to a decrease in the **size** of major gifts (67%), direct mail/ telemarketing/online/annual fund (53%), corporate support (39%), and foundation grants (32%).

Many respondents cited the economy as the reason; as a result, donors gave less, and there was more demand for fewer funds from foundations, corporations, and the government. Some respondents acknowledged that they made fewer asks or did not push for fundraising or donor stewardship. A few cited staff issues, such as a change in staff and lack of motivation, as the reason.

Actions taken by organizational leaders that are beneficial for fundraising

"We have continued to keep up the same rate of contact with our major donors, whether or not we expect them to make a significant commitment in the short term. Sometimes we've been pleasantly surprised that their philanthropic intentions continue; in any case we're positioning ourselves to be near the top of their giving priorities, which will allow us to capitalize on a future economic upswing."

39% of respondents identified relationship building, outreach to donors and the community, and donor cultivation as beneficial actions for fundraising. Other key actions identified were: focusing on communications – marketing - - messaging (21%), board development and participation (15%), strategic planning (10%), and adding or supporting development staff/consultants (8%). A number of respondents said that their leaders had not done anything. Interestingly, some respondents found it useful that leaders were cutting costs and making conservative decisions; they felt it demonstrated responsibility to current and potential donors.

2008 Communication

There are some clear trends in how organizations communicated to their constituents. 62% of respondents cited some form of *asynchronous communication*: information was disseminated through e-mail, newsletters, websites, or direct mail (the latter accounted for 14%).

The other clear winner was *personalization*, either in the form of one-on-one communication (often face to face) or personalized communication (38%). A subset of personalized contacts was devoted to thanking donors by letter or phone call, or in the context of donor appreciation events. Personal contact also shows up in giving talks or presentations (6%), attending events (8%), and a focus on telling the organization's story and using multiple tools to reach different audiences with their message (13%).

2009 Plans

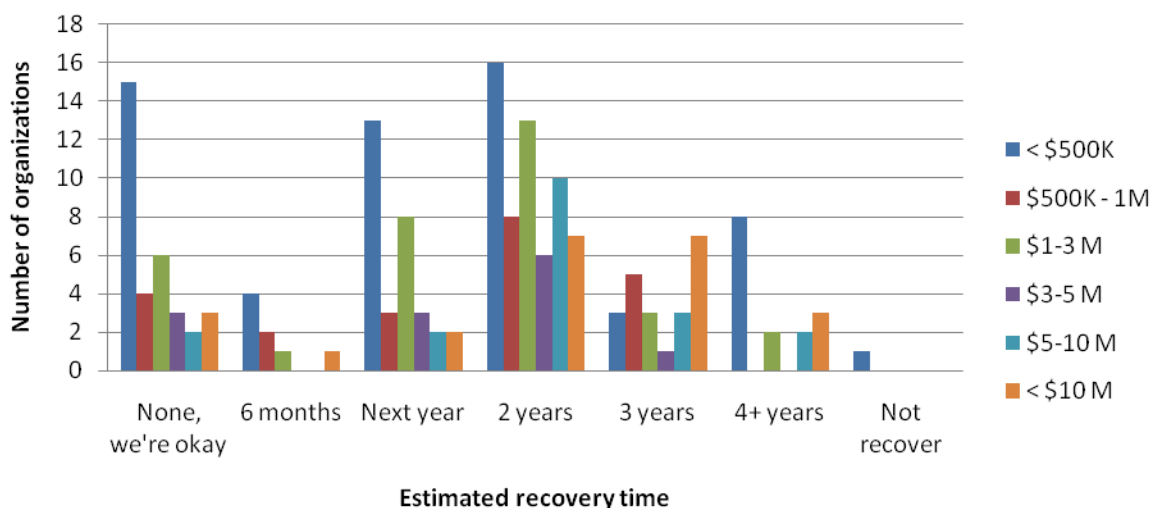
While economic concerns are increased, the outlook is not bleak. Positive indicators for this year include:

- Organizational missions will not change (75%) or will expand (17%).

- Programs and services are set to either increase (38%) or not change (36%); only a small number will decrease them (13%).
- Communication with donors will increase (81%) or not change (15%).
- Many respondents (71%) expect to partner or collaborate with other agencies.
- Morale is reported to be good. So far, current circumstances have either had no effect (37%) or increased unity (33%); however, it is important to note that 30% of respondents indicated that there is decreased morale.
- While most respondents (70%) are not worried about losing their job in the next year, it is a concern for the remainder.
- Of respondents with a capital campaign (34 respondents total), 59% said that the campaign will go ahead on schedule, 38% will be postponed, and 2% will be cancelled. Several campaign targets are new buildings/facilities and several are for endowments. Campaign goals range from \$600,000 to \$200 million; most are under \$10 million.

Positive indicators aside, most respondents said that their organization would need time to recover. The good news is that the majority (77%) of respondents anticipate recovery in two years or less; of these, 19% report that they are fine and need no recovery time. The other piece of good news is that anticipated recovery times are equally distributed over different organization sizes, e.g. it is not necessarily the larger organizations that report that they are fine or anticipate shorter recovery times.

Recovery Time by Size of Organizational Budget



A caveat about the perceived recovery time: *perceptions may not match reality*. Organizations that seem to be doing fine – they may have had a down fundraising year, but they have good leadership support/preparedness, proactive strategies/plans in place, fundraising targets higher than last year, staff retention -- still report a longer recovery time (2 or more years).

On the other hand, there are organizations that reported good results for 2008 and that foresee no recovery time, but their 2009 strategies are reactive, deficit-based, or of short-term use only: spend down reserves, use credit or endowment funds, not increase fundraising or marketing efforts, micromanage staff hours or decrease staff, and eliminating programs or services. For organizations that predict a longer recovery time, there are two common elements: (1) organizational issues, including leadership problems; and (2) insufficient effort/focus/staff for development and fundraising.

Fundraising

For 2009, most organizational fundraising goals are projected to increase (42%) or not change (35%); a relatively small group of respondents (12%) will decrease fundraising goals, and 11% don't know. Most projected increases are fairly modest (3-15%); however, a significant number are projected to be more substantial: from 20% to 50% to 100%. Projected decreases are less reported and more modest; the greatest projected decrease is -40%.

For their strategies to achieve revenue goals, respondents ranked outreach to existing donors/stewardship as a top priority¹ (62%); other top-ranked strategies are foundation grants (48%) and major gifts (44%). While these top three are clear winners, other priorities are corporate grants/sponsorship/support (31%) and outreach to new donors (30%). The lowest priority² by a large margin is telemarketing (78%). Other low priorities are online/social networking (44%), earned income (39%), bequests & planned giving (35%), and direct mail (23%). It is interesting to note that the importance of bequests and planned giving was ranked fairly evenly across the scale, but weighted more towards the least important (61% ranked it 7 or lower on scale of 1-12).

¹ Items ranked #1, 2, and 3 in a 12-point scale, where 1= most important and 12= least important.

² Items ranked #10, 11 and 12 in the 12-point scale.

For sources of income that they will focus and rely upon, the general trend is towards MORE or THE SAME. Respondents are increasing their reliance on: major gifts (59%), online (52%), email marketing (48%), foundation grants (47%), special (33%), and earned income and direct mail (tied at 30%). While not as dramatic as the figures for increased reliance, more than a quarter of respondents have no plans to rely on planned gifts (36%), government contracts/support (31%), bequests (28%), and earned income (26%). Two observations:

- Despite the reported experience of foundation grants being harder to get, they are still a significant planned source of income; only a small percentage (11%) said that they would focus/rely less or not at all on foundation grants.
- On a related note, some respondents identified a particular type of funding as the reason that their fundraising was down for 2008, and yet they identified the same type of funding as a high priority for 2009.

Communication with donors

This is a clear priority for 2009: respondents said communication with donors will increase (81%) or not change (15%). In keeping with this trend, the numbers/percentages are much higher in the MORE and SAME columns for the methods of communication.

Top responses for methods of communication

<u>MORE</u>	<u>SAME</u>	<u>NOT AT ALL</u>
Website marketing (65%)	Direct mail (56%)	Telephone solicitations (50%)
E-mail marketing (62%)	Printed communications (newsletters) (51%)	Advertising (28%)
Social networking (54%)	Advertising (42%)	Social networking (23%)
Media relations (49%)	Media relations (42%)	E-mail marketing (13%)

When asked about social networking, there were two ways that the concept was interpreted:

1. 31% see it as "old school"/conventional social networking, comprised of: face-to-face interactions, networking, and relationship building; attending events; civic and community participation; and

2. 53% see it as web-based social networking. Social networking platforms are mentioned the most: Facebook is the overall winner (46%), but other platforms are also mentioned (MySpace, LinkedIn, Blackbaud's NetCommunity). For information dissemination and sharing, respondents mentioned YouTube, Twitter, e-mail marketing (Constant Contact), blogs, and websites. It may be inferred that the 11% of respondents who said they have no plan or a plan is in progress also interpret social networking as web-based.

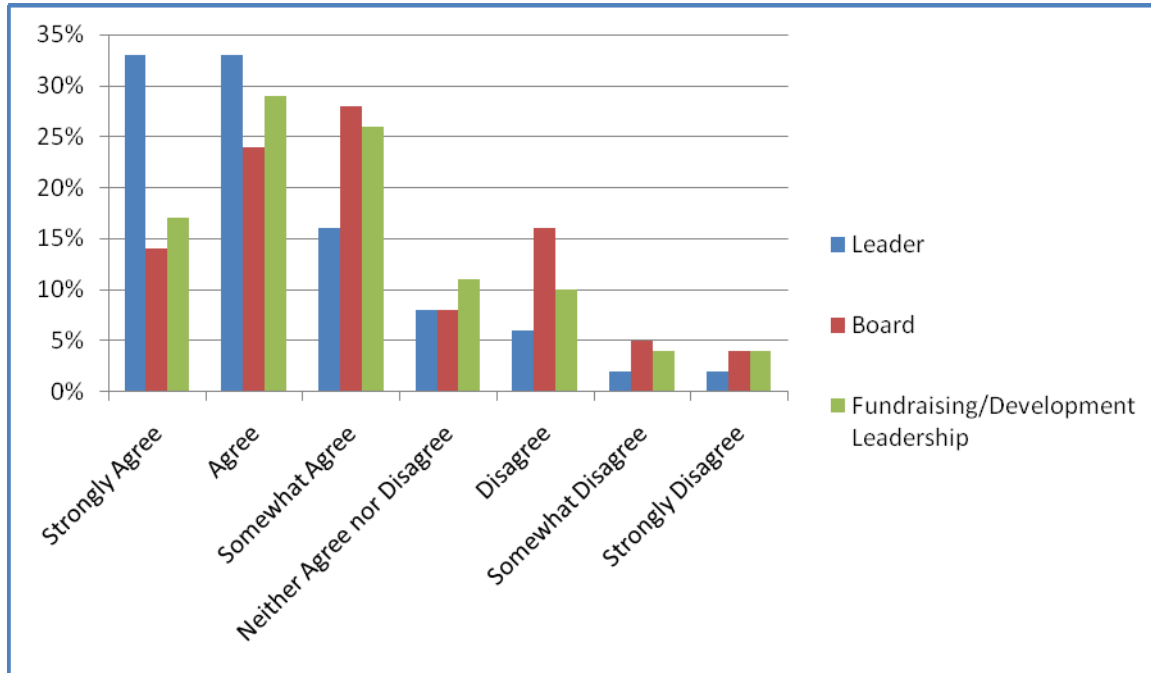
Plan for overhead expenses

Organizations predominantly reported that there would be no change to overhead expenses (number of staff, changes to employee benefits, outsourcing services, professional development, office space, and equipment). For projected decreases, professional development (33%) and number of staff (27%) are the top two expenses. However, for projected increases, professional development and number of staff are also the top two expenses, though at a lower number/volume than the decreases (at 15% and 16% respectively).

For strategies to deal with overhead expenses, the top strategy is to increase fundraising efforts: 86% rated it a 4 or above on a 7-point scale of importance, where 1 = not at all and 7 = primary reliance. More good news: respondents replied "not at all" to plans to borrow from their endowment (84%), use a line of credit (69%), or spend down reserves (44%), though the latter sees the most distribution across the scale. Other strategies that are mentioned: reducing expenses or engaging in cost cutting measures (16%), getting more people involved in the organization – board, volunteers, public (10%), and increasing earned income (7%).

Leadership preparation to deal with necessary changes in 2009

Overall, respondents seem to have more confidence in their leader, less confidence in their board, and fundraising/development leadership fall somewhere in between. Regardless of confidence, respondents had distinct ideas for what their leader, board, and fundraising/development leadership need to do more of to help the organization's fundraising efforts.



Leaders. The overall message is that they need to lead: set the tone, be calm, and communicate clearly about decisions, priorities, and organizational vision and goals. Specific suggestions include:

- Hands-on fundraising: be more visible, donor outreach and stewardship, more one-on-one time with donors, relationship building (35%);
- Community outreach, including engaging volunteers (19%);
- Facilitate board involvement and development (14%);
- Focus on transparent communications and strategic messaging to staff and public; keep focused on the mission (7%);
- Invest in and support development/fundraising staff/resources, including getting out of the way when appropriate (7%).

Boards. The overall message is that they need to be more actively involved in their organizations, primarily through participating in fundraising, cultivating relationships, and being ambassadors for the organization. Specific suggestions include:

- Be more involved and increase time commitment, especially with fundraising (62% overall). This includes cultivating contacts/relationships and leveraging their own connections for the organization (24%); participating in donor cultivation, events, and making the ask; and committing funds themselves (7%);

-
- Tell the story of the organization more; be a good ambassador (14%);
 - Facilitate new board recruitment and training (7%).

About the Authors:

Kevin Johnson, CSPG, CFRE, is principal of Retriever Development Counsel, LLC a business he founded in 1998. Retriever Development Counsel, LLC specializes in top tier philanthropic projects especially jump starting major and estate gift planning efforts and working collaboratively with clients and their key donors to help maximize charitable opportunities. Specific services for nonprofits include: scenario planning, development and planned giving audits/assessments; campaign management and coaching, teambuilding, planning studies, major gift and planned gift development and strategic planning. He is also a senior associate with Training Resources for the Environmental Community. He can be contacted at 503-736-1102.

Stephanie Debner, MA, MLIS, is an information professional who currently works for libraries in the Portland area. She can be contacted at 503-381-8930.

William Vesneski, evaluation consultant, works actively with the Paul G. Allen Foundation focusing on evaluation and with Training Resources for the Environmental Community. He can be contacted at 503-957-3785.

Appendix 1:

Organizations represented in survey (listed by permission of organization only and as a result does not include every respondent).

**Many thanks
to the following organizations
that participated in this survey!**

1000 Friends of Oregon	Coos Art Museum
Alagille Syndrome Alliance	Crater Rock Museum
Alternative Youth Activities, Inc.	Crook County Foundation
American Red Cross, Oregon Pacific Chapter	CyberLynx
Arts Central	Deschutes Children's Foundation
Arts East	DoveLewis
Boys & Girls Clubs of Central Oregon	E2 Foundation
Broadway Rose Theatre	Fishtrap, Inc
Cat Adoption Team	Friends of the Historic Columbia River Highway
Catholic Charities in Oregon	Fruit & Flower Child Care Center
Catlin Gabel School	Grandma's House of Central Oregon
CCA Regional Food Bank	Greater Jefferson Community Center
Chamber Music Northwest	Greenhill Humane Society
Chehalem Center Association	Halton Foundation
Children First for Oregon	Hands to Hearts International
Children's Relief Nursery	Historical Old West, Dimension of Yesteryear, Inc.
Christ the King Parish School (K-8)	Home Builders Foundation
Clatskanie Historical Society (and Museum), Inc.	Jackson County Sexual Assault Response Team
Columbia Memorial Hospital Foundation	Jubitz Family Foundation
Community Health Center, Inc.	KIDS Center
Community Mediation Services	

Kids on the Block	Oregon Sustainable Agriculture Land Trust
La Clinica del Valle Family Health Care Center	Oregon Symphony Association
Lewis & Clark College	Parents for Alternate Support Solutions [PASS]
Looking Glass Youth and Family Services	Portland Art Museum
Mennonite Village Foundation	Portland Center Stage
Metropolitan Family Service	Portland Impact
Mid-Columbia Health Foundation	Portland Opera
Mobility Unlimited	Portland State University
MRG Foundation	Portland Taiko
National Charrette Institute	Portland Women's Crisis Line
NeighborImpact	Project POOCH, Inc.
New Avenues for Youth	Providence Portland Medical Foundation
Nonprofit Network Southwest Washington	Quadriplegics United Against Dependency, Inc.
Oasis Shelter Home	Reed College
Open Meadow	Rogue Valley Family YMCA (Medford)
Options Counseling Services of Oregon, Inc.	Ronald McDonald House Charities of Central Oregon
Options for Southern Oregon	Sable House
Oregon Adaptive Sports	Salem Hospital Foundation
Oregon Arts Commission - Oregon Cultural Trust	Scappoose Bay Watershed Council
Oregon Children's Foundation / SMART	Sequoia Mental Health Services
Oregon Food Bank	ShelterCare
Oregon Historical Society	Southern Coos Health Foundation
Oregon Natural Desert Association	Southern Oregon Adolescent Study & Treatment Center (SOASTC)
Oregon Paleo Lands Institute	Southern Oregon Child & Family Council Head Start
Oregon Post Adoption Resource Center	

Southern Oregon Humane Society
St. Charles Foundation
Store to Door
TACS
The Arc of Jackson County
The Dental Foundation of Oregon
The Dougy Center for Grieving
Children & Families
The Greater Douglas United Way
The Next Door Inc.
The Northwest Catholic Counseling
Center
The School Garden Project of Lane
County
The Trust For Public Land

Tillamook County General Hospital
Tuality Healthcare Foundation
Umpqua Community Action
Network
Umpqua Community Health Center
United Way of Jackson County
Urban League of Portland
Vision Action Network of
Washington County
Volunteer Insights
Volunteers in Medicine Clinic of the
Cascades
Willamette Humane Society