Fundraising Trends – Data from the Fundraising Effectiveness Project

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The latest report from the Fundraising Effectiveness Project (FEP), covering the first three quarters of 2022, found that compared with the same period in 2021, total dollars raised increased *numerically* by 4.7%. However, as we then factored in the inflation numbers, that means *the purchasing power of donations actually fell* because they did not keep pace with inflation, which rose between 7.5% and 9.1% monthly throughout that 9-month period.

The report found that the number of donors fell 7.1% for the period. New and newly-retained donors have now dropped for the fifth quarter in a row.

Through the third quarter, 2022 saw large decreases in overall donor counts. These decreases were driven by weaker acquisition of new donors rates, as well as lower retention of new donors, according to the report.

The number of donors declined in every category by donor size except “Supersize” (gifts of more than $50,000), which remained even. FEP expects Supersize and Major donors ($5,000-$50,000) to increase by the end of 2022, but in other categories, representing 98.8 percent of all donors, there is no sign that the decline will end.

This decline coincided with the expiration of three temporary charitable giving incentives, one of which allowed donors who don't itemize their taxes to nevertheless claim a deduction for charitable contributions of up to $300 or $600 for joint filers.[1]

Decreases in new and newly-retained donors (defined as those who gave for the first time this year or for the first time last year and the second time this year) accounted for nearly all of the decline.

One bright spot from the report: dollars from recaptured donors (those who gave to the organization this year, did not give last year, but had given in the past) were up 7.1%.

Another key insight from the report: in each of five categories of organization by budget size, there was a significant difference between the median growth in dollars raised and the mean (or average) growth. That suggests that, in every category of nonprofits by size, there was a small subset of organizations that outperformed the others and drove any growth.

What does it mean for a particular nonprofit?

The good news about the apparent "inequality" in fundraising performance – the gap between the median and the mean – is that for underperforming organizations, there may be room to grow.

In coverage of the report from the Association of Fundraising Professionals (AFP), **Lori Gusdorf, CAE, Executive Vice President of the AFP Foundation for Philanthropy**, said, "The challenge as I see it is to understand what separates high-performing organizations from those that struggled…. What did they do that differentiated them from those that saw significant declines in giving?"

We know that large, repeat donors are keeping the total dollars raised afloat, so stewardship of major donors is a must. But focusing only on a few large donors can increase a nonprofit's vulnerability. One risk is that the larger the donor, the deeper the loss to the nonprofit if that donor decides to reallocate those funds elsewhere. Depending on a few large donors for a substantial share of income can also produce complacency and result in a weaker overall development program.

Nejeed Kassam, Founder and CEO of Keela, was quoted in AFP's coverage as saying, "Even if total dollars are rising, the continuing decline in new and retained donors creates risk for both fundraisers and organizations. A focus on recurring giving is critical for mitigating that risk. And research has shown that organizations with a loyal, broad base of support, including from smaller donors, are more resilient during economic downturn."

Engaging donors of all sizes in the mission of your nonprofit by keeping them informed and involved, and forming authentic relationships with them (on the part of both board and staff), can lead to sustained financial support. The same goes for engaging and getting to know your clients, foundation program officers, partner organizations, policymakers, journalists, volunteers, and other stakeholders. Charitable contributions are one expression of a community's commitment to support a nonprofit that's making a difference in people's lives.

As examples of how engaging the broader community in your work can benefit the nonprofit, donors of modest means often volunteer and help engage their friends and neighbors. They might know someone in the statehouse or at city hall who can help. They might have a friend who is a journalist, on a foundation's board of trustees, or a business owner. They sometimes leave a bequest to an organization they care about.

We often hear that fundraising is all about relationships. So are advocacy and media relations! As our public policy team often says, "You never want to ask a stranger for a favor."

Bottom line: nonprofits simply can't continue to do more with less forever

Despite the jobs recovery in the broader economy, research shows that nonprofits are still struggling to fill open positions (see for example, "In a tight labor market, nonprofits are losing out, *Boston Globe*, January 13, 2023, or on the west coast, Nonprofit Association of Washington's 2022 Nonprofit Economic Impact Report, released in December). Demand for services continues to increase. Further, inflation continues to eat away at nonprofits' revenue and requires them to offer higher pay so that their employees can afford to live. To continue providing essential services, nonprofits must have the resources to offer desirable, well-paying jobs to workers.

Burnout from the relentless pressure imposed on frontline nonprofits to deliver higher volumes of services – while the remaining reduced staff attempt to cover their own workloads and the unfilled positions – is causing dedicated employees to leave the sector. Tossed into this dangerous spiral are natural disasters, which are occurring with increasing frequency and intensity, pouring yet more unfunded work onto depleted nonprofits. Meanwhile, most pandemic relief resources have ended. Congress needs to restore the charitable giving incentives that it let expire at the end of 2021 to give nonprofits a fighting chance.

Fundraising resources

- The Fundraising Effectiveness Project offers resources for analyzing and improving donor retention.
- The Haas Jr. Foundation has developed excellent materials to help smaller nonprofits develop successful fundraising programs.
- See our Fundraising page for more ideas.

A note about FEP's methodology

The FEP report analyzes donations in the databases of 8,800 nonprofits. with more than 11 million donors. To make each sample as representative as possible, they remove organizations at either tail of the revenue growth curve – those that tripled in size or shrunk dramatically. They also exclude individual contributions above $10M, and then weight the data by organization size and NTEE major group to make it reflective of nonprofits in the $5K - $25M range of contributions.

FEP's exclusion of megagifts from the data to represent more accurately the experience of ordinary nonprofits is one way it differs from the Giving USA report, which includes in its data gifts of hundreds of millions of dollars each, which can skew the averages. Another way FEP's data differ is that FEP counts actual donations received by nonprofits that they can use immediately, whereas Giving USA counts all donations made – even those to foundations that are unlikely to be used by any charitable nonprofits in the same year.

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[1] In 2020, 42.2 million taxpayers – 29.4% of all individual tax returns – used the temporary universal charitable deduction and made $10.9 billion in contributions to charitable nonprofits in 2020. More than half of those taxpayers earned less than

$100,000.