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The Context of Fundraising

Nonprofit organizations play vital roles in nearly every aspect of our lives. In the areas of health and human services, advocacy, and the arts, nonprofits are numerous, and their contributions to the well-being of our nation can hardly be overstated. Although government organizations are increasingly contracting with nonprofits to deliver various services they are mandated to provide, donations from individuals, corporations, and foundations are still critical to the fiscal health of nonprofits.

The rapidly changing environment in which contemporary nonprofit organizations exist often threatens their financial stability. Individuals will contribute varying amounts to your nonprofit organization, depending on many factors, including how they view their own financial situation. Changes in federal and state budget priorities, with concomitant reductions in spending levels for many areas where nonprofits are involved, such as the arts, education, environment, health, and human services, have created a more competitive environment for philanthropic dollars. To ensure that your nonprofit survives and thrives in the years ahead, you will need to implement multifaceted fundraising strategies that will broaden your base of supporters. By concentrating on building a solid base of donor support, you can enable your nonprofit to gain an important competitive edge.

To be successful, fundraising for nonprofits must be approached in a strategic manner that involves a variety of components. Ideally, fundraising is the process that builds a strong financial foundation for your nonprofit. Fundraising is an investment in your organization's future that will result in a greater degree of permanence and stability.

A primary goal of any good, comprehensive fundraising strategy is to identify and cultivate a network of individual, foundation, and corporate funders. Although you should seek to develop a base of donors who will make annual gifts, you should have major gift fundraising strategies in place as well. Your aim each year should be to maintain most of your regular supporters while at the same time bringing in new donors. There are things to consider in assessing your nonprofit's success in fundraising, including

- ▶ the extent to which your nonprofit has reached or exceeded its specific fundraising goals
- ▶ the extent to which your nonprofit's visibility has increased
- ▶ whether your primary constituencies and potential donor populations have positive reactions to your organization as a result of your fundraising efforts

Success in fundraising requires time, persistence, and a strong ego to withstand rejections. Many valid requests for funding and many excellent proposals get turned down for a variety of reasons that have little to do with the worth of your cause or the quality of your appeal.

This chapter considers current patterns of giving to nonprofits by individuals, corporations, and foundations, as well as factors that motivate giving. Also addressed are changing donor demographics and ethical considerations in fundraising.

Current Patterns of Giving

To develop a successful fundraising program, you must first understand the sources of philanthropic dollars. Many people believe that nonprofits get most of their money from corporations and foundations. In reality, foundation and corporate giving makes up only about 23 percent of giving to nonprofits, with the remaining philanthropic gifts being provided by individuals (Giving USA, 2019). The total giving for individuals includes gifts that come to nonprofits after a donor's death in the form of bequests (9 percent) and gifts from living individuals (68 percent). In 2018, the total giving by individuals, including bequests, was \$331.8 billion (Giving USA, 2019). Giving to nonprofits by individuals in the United States is more than nine times that of corporations and foundations. It is worth noting that approximately 24 percent of American households give to charities, though high-net worth individuals give at a much higher rate (Giving USA, 2018). Yet, many nonprofits overlook individuals when they develop their fundraising plans.

Total giving to 501(c)(3) tax-exempt nonprofit organizations in the United States in 2018 was \$422.71 billion (Giving USA, 2019, p. 261). Of this total, giving by individuals amounted to \$292.09 billion, which was approximately 68 percent of total giving; giving by foundations of \$75.86 billion was about 18 percent of total giving; and giving by corporations was \$20.05 billion, or about 5 percent of total giving. (Note that giving by individuals in 2018 marks the first time since at least 1954 that the percentage of overall giving decreased below 70 percent.) However, when giving by individuals is combined with bequests and giving by family foundations, the total amounted to about 86 percent of total giving in 2018 (Giving USA, 2018, p. 31).

In recent decades, contributions from individuals, both living and through bequests, and by foundations and corporations made up 2.1 percent of the United States' gross domestic product (Giving USA, 2019, p. 58). Private or voluntary contributions from individuals, foundations, and corporations provide significant percentages of the total revenue for virtually all nonprofits. However, although many nonprofits, particularly grassroots and smaller organizations, rely more heavily on voluntary contributions, even larger nonprofits find they must increasingly rely on voluntary or private giving.

The total giving to charitable causes in the United States had been increasing for a number of years, and in 2018 the total was approximately \$20 billion higher than in 2017, which, when adjusted for inflation, was an increase of 3 percent. However, the 0.7 percent rate of increase between 2017 and 2018 actually represented a decline of 1.7 percent when adjusted for inflation. Furthermore, the share of U.S. households making contributions each year has been decreasing, with the largest decrease from donors in the middle class. In 2000, more than two-thirds of Americans donated to charity, but by 2014, the most recent year for which data are available, the percentage of givers was only 55.5 percent (Giving USA, 2018). The fact that the total dollars donated was increasing while a smaller percentage of the population was making charitable or philanthropic donations can be attributed to the fact that although fewer people are giving, those who do give are making larger donations. It is worth noting that recent changes in the U.S. income tax law (H.R. 1, 115th Cong., 2017, Tax Cuts and Jobs Act) have implications for the deduction of charitable gifts, and the impact of those changes on giving to nonprofits should be tracked over time.

Because individuals provide such a high percentage of contributions to nonprofits, you would be wise to devote significant attention to developing effective strategies to attract and retain individual donors. At the same time, you should not ignore foundations and corporations. Although foundations and corporations provide a relatively small percentage of the overall support to nonprofits, they are nonetheless extremely important sources of revenue.

Generally, foundations and corporations provide funding for specific programs and activities and less often give unrestricted funds or funds for endowments. Although this program type of funding can be limiting, foundation and corporate dollars can be important in augmenting other forms of support for your nonprofit and can, in various ways, help to promote your organizational mission.

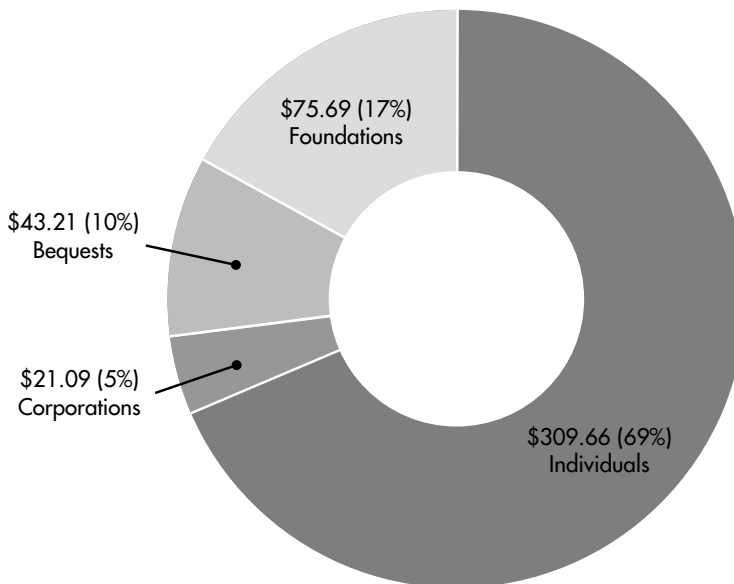
Though still not the largest part of total philanthropic gifts, giving by U.S. foundations has nevertheless increased in recent years. In 2018, giving by foundations increased by 18.0 percent from the 2017 level (Giving USA 2019, p. 35). This increase in giving is the result of many factors. Over the past several decades, the

asset bases of many foundations have increased, providing them with more dollars to allocate. In addition, more foundations have been created. This trend began during the 1980s when more than 3,000 foundations were created, each with assets of more than \$1 million or annual grant budgets that exceeded \$100,000. Since then, even more foundations have been created, with the total number of foundations having increased from 66,398 in 2003 to 86,203 by 2016 (Duffin, 2019a). Overall, the assets of foundations increased substantially during recent decades because of the combined effect of the rise in the value of assets of existing foundations and the creation of new foundations. The total assets of U.S. foundations increased from \$467.34 billion in 2001 to \$859.96 billion in 2015 (Duffin, 2019b).

In 2018, U.S. foundations made contributions totaling \$75.86 billion, whereas giving by corporations totaled approximately \$20.05 billion (Giving USA, 2019, p. 35). However, cutbacks in government funding for nonprofit organizations and the dramatic growth in the number of nonprofits being created to meet societal needs have resulted in heightened competition for corporate and foundation grants.

Figure 1-1 shows the sources of contributions to nonprofits in 2019.

► **Figure 1-1** Sources of Contributions to Nonprofits in 2018



Note: Figures are given in billions of dollars—all figures are rounded.

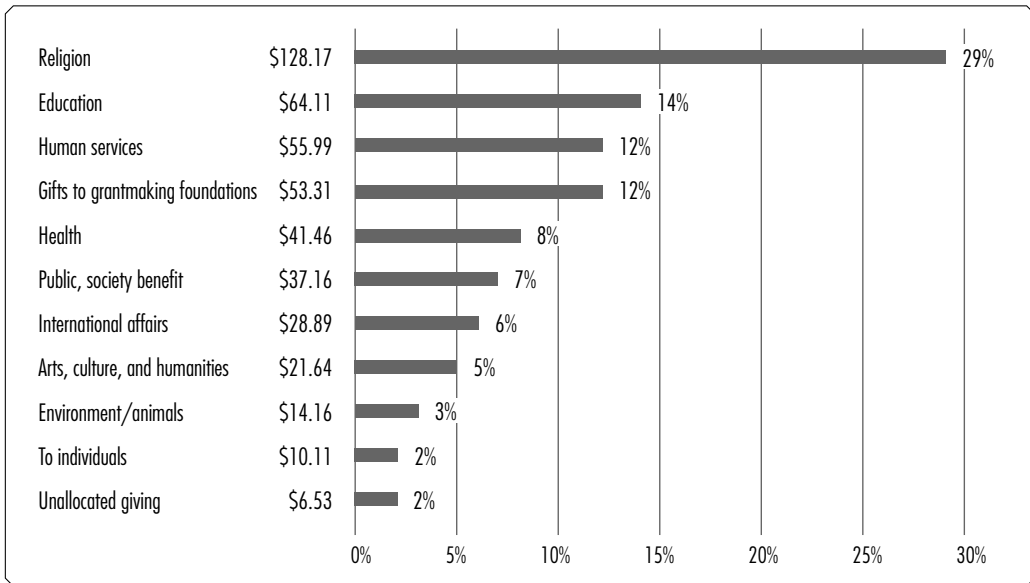
Source: Giving USA. (2019). *The annual report on philanthropy for the year 2018*. Chicago: Giving USA Foundation.

Approximately 1.29 million charitable organizations, registered by the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code, constitute the nonprofit sector in the United States (Giving USA, 2018). The major categories

of nonprofits receiving voluntary contributions include religion, education, human services, health, public-society benefit, arts/culture/society benefit, environmental/animals, organizations, foundations, and individuals.

Figure 1-2 shows where voluntary contributions went in 2019.

► **Figure 1-2** 2018 Contributions: \$427.71 Billion by Type of Recipient Organization



Note: Figures are given in billions of dollars—all figures are rounded.

Source: Giving USA. (2019). *The annual report on philanthropy for the year 2018*. Chicago: Giving USA Foundation.

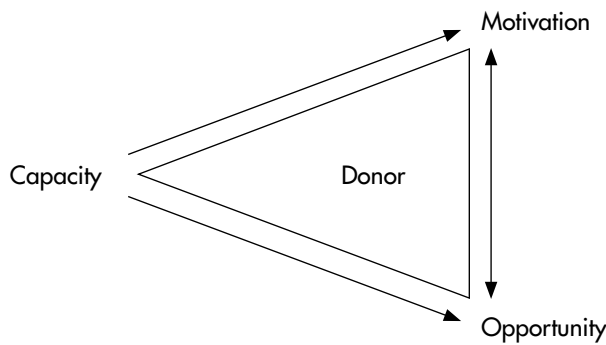
Nonprofit organizations differ in the extent to which they rely on gifts and grants for their revenue. Smaller nonprofits rely most heavily on such contributions. Larger nonprofits often rely heavily on program service revenue. However, even for the largest nonprofits, charitable contributions are critical for certain functions. Thus, whether your nonprofit is large or small, whether it is new or has been in existence for many years, you are likely to need to be concerned about and involved with fundraising.

Understanding Why People Give

At its most basic level, fundraising involves asking people to give to a particular cause. This is true whether you are dealing with individuals, foundations, or corporations, because the latter two represent collections of individuals. Your primary challenge as a fundraiser is finding sufficient numbers of individuals who have the capacity to give, who can become interested in your nonprofit’s mission and program, and who can be motivated to give to your nonprofit.

As shown in Figure 1-3, you need to consider potential donors in terms of capacity, motivation, and opportunity. First, identify those who have sufficient giving capacity. Second, motivate those individuals or philanthropic organizations, such as foundations or corporations, to give to your particular cause. Finally, give prospective donors the opportunity to contribute. In short, ask prospective donors in a tactful manner to give at an appropriate level. In succeeding chapters, we discuss how to identify prospects with the capacity to make significant gifts and how to implement appropriate strategies to secure those gifts. For now, let us turn our attention to the matter of motivation.

► **Figure 1-3** The Donor Giving Triangle



Experienced fundraisers know that donors typically have multiple, varied, and unique motivations for giving to nonprofits (Bray, 2019; Klein, 2016; Konrath & Handy, 2017; ProActive Content, 2018; Sargeant, Shang, & Associates, 2017). Lombardi (2018) identifies a number of fairly common motivators, whether the donors are individuals or families, corporations, or foundations. These include the following:

- **Mission Driven—Belief in the Mission of Your Organization:** Donors come to your organization because they believe in what your organization does, and they are likely to remain involved with your nonprofit if they feel your organization is worthy of their trust. This requires transparency and dependability—do what you say you are going to do.
- **Desire to Make a Difference:** Help your donors feel their gift makes a real difference. For example, provide donors with specifics about what their support helps your nonprofit accomplish.
- **Personal Satisfaction:** Donating to charity feels good. There is research showing that “generosity stimulates dopamine, which creates similar brain activity in the regions connected to the experience of pleasure and reward” (Lombardi, 2018).
- **Family and Upbringing:** Many donors come from families where giving to charitable causes is part of their family tradition. Because behavior learned

at a young age tends to stay into adulthood, it is good to involve families in your various donor activities whenever possible.

- ▶ **Personal Stories:** Donating is an emotional act, and people tend to connect more with personal stories than statistics or broad statements. When you put a human face on facts and statistics, you help donors connect with your nonprofit on a personal level.
- ▶ **Religious Beliefs:** All major religions teach good will and caring for others, and they place a value on charitable giving. In 2018, at 29 percent of the total, religious organizations again received the largest share of charitable dollars, though that year was the first time the total had dropped below 30 percent (Giving USA, 2019, p. 32).
- ▶ **Social Networks:** Peer-to-peer giving is becoming more popular as the power of social media and the ease of online giving have grown. Generally, the more individuals see their peers involved in a particular cause or nonprofit, the more likely they are to want to participate and donate. To be successful in fundraising, nonprofits increasingly must become sophisticated in the uses of social media, crowdfunding, and online giving platforms (Giving USA, 2018, p. 88)
- ▶ **Tax Benefits:** The 2017 Tax Cuts and Jobs Act (H.R. 1, 115th Cong., 2017) included an increase in the standard deduction and elimination of personal exemptions. It is not yet known how these changes will affect charitable giving—only time will tell. However, because altruism is a very important motivating factor for giving, nonprofits need to continue to stress their mission and engage in a range of donor acquisition and stewardship activities.

It is interesting, and perhaps not surprising, to note that volunteering is an important element in giving behavior (Foley, 2010). Though research on this topic is dated, and more recent studies are not available, experienced fundraisers generally agree with the conclusions of the earlier research, that is, that people who volunteer are more likely to give—and are more likely to give at higher levels—than those who do not volunteer. In one of the earlier studies, Kaplan (1995) reported that 90 percent of the individuals who volunteer for a nonprofit organization also contribute money to nonprofits, whereas only 59 percent of those who do not volunteer make financial contributions. Another seminal study, conducted by the Gallup organization for Independent Sector, found that households with members who both volunteered and gave money made gifts that averaged 2.5 times the average contributions from households that did not volunteer (Hodgkinson, Weitzman, Noga, Gorski, & Kirsch, 1994). These findings suggest that you should find ways to involve prospective donors in your nonprofit, so they become

invested in it. Such involvement might include recruiting them to serve on boards or committees, help with a special event, or volunteer in some other capacity.

Other factors also influence giving. Socioeconomic status clearly has an impact on giving behavior. Families who have financial worries or concerns give less than those who do not have such concerns. Historically, those who itemized their tax returns, and thus claimed tax deductions for charitable contributions, gave more than those who did not itemize taxes. Although it may be a few years before the full impact on giving to nonprofits of the Tax Cuts and Jobs Act of 2017 (H.R. 1, 115th Cong., 2017) can be fully assessed, some preliminary predictions are available: “The Tax Policy Center (TPC) released an analysis in January of 2018 estimating that the law will lead to approximately a 5 percent decline in charitable giving, and that future contributions will come from fewer and wealthier donors” (Giving USA, 2019, p. 85). A 2018 report from the American Enterprise Institute predicted that “27.3 million taxpayers will shift from itemizing their deductions to claiming the standard deduction” (Giving USA, 2019, p. 85). This shift may well have a negative impact on year-end giving by many donors and is something that should be closely monitored by nonprofit fundraising professionals. Obviously, the jury is still out on how and to what extent the 2017 changes in federal income tax policy will affect giving to nonprofits over the long haul.

In a seminal study of reasons why people make large gifts to nonprofits, Panas (1984) compared the views and attitudes of individuals who made gifts of \$1 million or more with the views of nonprofit professionals. The nonprofit fundraisers included individuals who were employed as fundraisers and executives who had substantial fundraising responsibilities; together they represented health, education, religious, and cultural organizations, as well as the YMCA and the Salvation Army. Among the top motivators for the \$1 million givers, identified by Panas (1984), were the following:

- ▶ belief in the mission of the nonprofit organization or institution
- ▶ community responsibility and civic pride
- ▶ fiscal stability of the nonprofit organization
- ▶ regard for the nonprofit’s staff leaders
- ▶ regard for the nonprofit’s volunteer leadership
- ▶ respect for the nonprofit locally, regionally, statewide, and nationally
- ▶ service on the nonprofit’s board of directors or trustees, on a major committee, or other official entity

The following were regarded by the nonprofit fundraising professionals and executives as top motivators for gifts of \$1 million or more (Panas, 1984):

- ▶ belief in the mission of the nonprofit organization or institution
- ▶ great interest in a specific program within the project
- ▶ involvement in the campaign program
- ▶ service on the board of directors or trustees, a major committee, or other official entity
- ▶ memorial opportunity
- ▶ respect for the nonprofit locally, regionally
- ▶ history of being involved in the nonprofit organization or institution
- ▶ leverage or influence of the solicitor

Both the \$1 million givers and the fundraising professionals viewed “belief in the mission” as the top motivator for giving. In addition, both groups thought it important to be involved with the recipient institution or organization, and both were concerned with the respect the organization commanded. However, there were some important differences between the two categories of participants. The \$1 million givers were highly motivated by a sense of community responsibility and civic pride. They also were concerned about the fiscal stability of the organization and the quality of the organization’s staff and volunteer leadership. The fundraising professionals, however, believed that donors were motivated by their interest in specific programs or activities, were more likely to give if they were involved in the campaign program, or had an adult history of involvement with the institution or organization. Furthermore, the professionals believed that the givers were motivated by memorial opportunities and the influence of the solicitor.

Also important are the factors the \$1 million givers and the professionals saw as less significant, and here we see much common ground. The reasons rated as least important by the \$1 million givers included the following (Panas, 1984):

- ▶ guilt
- ▶ appeal and drama of the campaign material requesting the gift
- ▶ tax considerations

The nonprofit professionals agreed that guilt and appeal and drama of the campaign material were among the least important factors. However, the professionals included fiscal stability of the organization on their list of what they believed to be the least important considerations, in contrast to the \$1 million donors, who rated tax considerations as least important (Panas, 1984).

Clearly, guilty feelings and slick campaign materials are not likely to motivate donors of either large or small gifts. In addition, tax considerations are not important

motivators for donors of very large gifts, such as those who give \$1 million or more. However, tax considerations are not irrelevant for all major gift prospects. Large gifts are rarely made without some consideration of tax advantages, even though this is not the primary motivation for the gift.

Panas (1984) found that \$1 million donors identified another important influence on their giving behavior: “Each donor spoke about the joy they experience in their giving. The magical and glowing ecstasy” (pp. 210–211). Panas suggested that nonprofit organizations too often neglect the “exhilaration and the joy” related to giving, and that is good advice for fundraisers who are seeking donors of any and all sizes of gifts.

This view is shared by others who have written about reasons people give to nonprofits. For instance, one blog suggests that a major reason people give is because they care: “Maybe it’s a pressing and ongoing need. Maybe it’s a crisis and they feel compassion for those who are suffering, such as a natural disaster. Despite the cynical prism through which some view the world, hundreds of millions of people across the world actually care, and they want to give for no other reason than that” (ProActive Content, 2018). Furthermore, another major reason people give is they want to help: “This is different than just caring. This is about wanting to make a difference, to feel like they ‘did something,’ rather than just standing around” (ProActive Content, 2018).

To understand more about large gifts to nonprofits, that is gifts of \$1 million or more, it is worth accessing the Million Dollar List, published by the Indiana University Lilly Family School of Philanthropy. This is an online resource of data collected on publicly announced million-dollar gifts from 2000 to the present. This free, public, searchable online site contains information on more than 70,000 philanthropic gifts of \$1 million or more by individuals, corporations, and foundations. Among the trends identified are that there is a strong correlation between individual giving of million-dollar gifts and the performance of the stock market. Furthermore, approximately two-thirds of individual gifts of \$1 million or more go to organizations based in the state where the donor lives.

Yet another approach to understanding motivations for giving was based on the idea of asking donors why they give. In this study, 819 Americans who reported they had previously donated to charity were recruited to complete a detailed online survey that included 54 statements about many different reasons that people give, and the participants rated how strongly they agreed with each of the statements. The researchers ultimately came up with 18 statements in six categories and from that process were able to come up with five key motivations for giving (Konrath & Handy, 2017). The five motivations, for which the researchers created the acronym TASTE, are the following:

- ▶ **Trust:** People are more likely to give to an organization they believe will use their money wisely, to make a difference.
- ▶ **Altruism:** Donors feel it is important to help others in need.
- ▶ **Social:** Donors may give because their donations matter to someone they know, respect, and care about.
- ▶ **Taxes:** The tax breaks donors get in exchange for their gifts is a motivator for some.
- ▶ **Egoism:** People give to get a personal benefit, like feeling good or looking good to others.

As you can see from the various compilations of motivating factors above, there are a lot of overlaps and some differences. The question of why people give to charitable organizations or nonprofits is an important one and is something that should command the attention of anyone who expects to be involved in fundraising. It was addressed comprehensively almost a decade ago in a literature review study of more than 500 academic articles on charitable giving. In that study, Bekkers and Wiepking (2011) identified what they termed “eight mechanisms as the most important forces that drive charitable giving: (a) awareness of need; (b) solicitation; (c) costs and benefits; (d) altruism; (e) reputation; (f) psychological benefits; (g) values; (h) efficacy” (p. 924).

A review of the literature on why people give to nonprofit organizations or charitable causes leads to the conclusion that there is no single, dominant motivating factor. Rather, decisions to donate most often are a confluence of a number of factors. A review of the giving motivations of donors shows clearly that they make contributions both because of internal motivations and external influences. The internal motivations have three dimensions: personal, social, and negative, or what some term the “I,” “we,” and “they” factors. The personal or “I” factors include such things as self-esteem, achievement, cognitive interest, personal growth, guilt reduction or avoidance, search for meaning or purpose in life, personal gain or benefit, spirituality, sense of immortality, or survival. The social or “we” factors include status, affiliation, group endeavor, interdependence, altruism, family and offspring, and power. The negative or “they” factors include frustration, unknown situations, insecurity, fear and anxiety, and complexity. Typically, people are more likely to become donors when they feel treated well during the fundraising process, when they are interested in the organization or cause, and when they get rewarded for their support in ways that are consistent with their own values and motivations. Tapping into negative motivations, such as through the use of scare tactics, is an almost certain recipe for failure in fundraising.

External influences also include three dimensions: rewards, stimulations, and situations. Rewards can be recognition and other personal or social benefits. Stimulations are human needs, personal requests, vision, private initiative, efficiency and effectiveness, and tax deductions. Situations may include personal involvement, planning and decision making, peer pressure, networks, family involvement, culture, tradition, role identity, and disposable income. To be successful, you must understand the myriad factors that motivate donors to give and then structure your fundraising approaches accordingly. Another way to think about why people give is suggested by Bray (2019):

People seem to give when they feel they will get something in return—in most cases, something that satisfies them on a deeply personal level. Although the giveaway baseball cap or coffee mug might tip the balance for a few, most are looking for something loftier, but no less tangible. These rewards might include:

- ▶ feeling good about themselves
- ▶ returning a favor, if they or their family has been helped by a particular organization
- ▶ getting a tax deduction (although far fewer will, after the 2017 Tax Code revision)
- ▶ helping solve a social, environmental, political, or medical problem they find personally important or that has affected their friends or family
- ▶ sending a message about their beliefs
- ▶ receiving quality information about a topic that interests them
- ▶ aligning themselves with friends, peers, or a community, or
- ▶ bringing about justice, or even vengeance, in an area where they or their loved ones have been hurt. (pp. 76–77)

When you understand why people give, recognizing the complexity of reasons and motivations individuals and family units may have for supporting various causes, you can do a better job of targeting your development efforts and will be more likely to have success than if you take a more scattershot approach.

Understanding Why People Do Not Give

As you devise strategies that will enhance or increase donor motivation, you also may find it useful to consider some of the reasons why people do not give. Konrath and Handy (2017) “found one reason why people balk at giving to charity: They feel they

can't afford it." A study by Sargeant, Ford, and West (2000), in a large-scale survey of nondonors, identified a number of factors that served as reasons respondents do not give. Although lack of money was a principal issue, some respondents also indicated they thought the amount of money the charity asked for was inappropriate, some felt the government should be providing funding for the work the charity was doing, and some respondents also indicated they found the charity's communications to be inappropriate. Furthermore, some respondents said they do not give because they thought the charity provided poor quality service to their donors or had not acknowledged their previous support. Some also stated they thought the charity was not deserving.

An earlier study of respondents who had stopped giving to a particular charity asked their views on why people do not give. Several thousand participants in more than 100 fundraising workshops offered a variety of reasons that cluster around four problems of donor-organization relations: (1) personal characteristics and situations; (2) communications; (3) reactions to solicitations; and (4) organizational image (Hodgkinson et al., 1994).

Personal Characteristics and Situations

The personal characteristics and situations that can be a detriment to giving include personal preferences, contrary beliefs, dislike of programs, financial considerations, and situational reasons. Personal preferences are such things as higher priorities, lack of concern, lack of interest in the organization, and lack of involvement. Contrary beliefs include disagreement with the organization's mission, disagreement on policies, and lack of belief in the cause. Dislike of programs include differences in values and work ethic. Financial considerations include people being unable to afford to give and general economic conditions and tax rates. Situations that adversely affect giving include personal life complexities, competition for limited donor dollars, changing environments, and donors' reluctance to give outside of their geographic area.

Communications

The respondents identified two types of communication problems as detrimental to giving: lack of information and ineffective communication. Lack of information is characterized by unfamiliarity with the organization and its mission, lack of support by staff and others, and an unclear record of service or demonstration of financial needs. Ineffective communication includes negative publicity and the perception by the prospective donor that the organization's needs are not clear, its publications are too slick, and its promotions are too costly.

Reactions to Solicitations

Unsuccessful requests or asks can be attributed to such problems as the manner of asking, the solicitor who is doing the asking, relations with the prospect, and timing. The manner of asking is a problem when the prospective donor is asked too often or asked the wrong way, when the donor senses that he or she is being manipulated. Donors tend not to give if they do not like the individual doing the asking, if they have no sense of obligation to the asker, when organizations use paid solicitors, or when the wrong person makes the ask. Relations with the prospect can be a problem when there is no personal contact, no recognition for past gifts or sense of appreciation, when the prospective donor is not asked to give, or when there is no tradition of giving. Timing is a problem when the donor already gave, is asked too late, or is asked at the wrong time.

Organizational Image

Finally, organizational image problems include perceptions of poor organizational behavior and issues that relate to management. Perceptions of poor organizational behavior include active mistrust, a perception that the agency is “too rich” or has high administrative costs, a bad experience with the organization, a poor public reputation, a sense that services cost too much, the perception of duplication of services, government involvement, or the perception that taxes pay for services. Management issues include perceptions that gifts are misused, the organization has poor policies and rules, the fundraising costs are high, and the prospective donors believes the organization has poor leadership. All of the foregoing concerns suggest that you must be concerned about the credibility of your nonprofit and its management staff.

A more recent survey with 1,049 respondents who had not given to charity in the previous 12 months explored why they had not given. The following are their six reasons (Nonprofit Tech for Good, 2018):

1. 49% do not give to charity because they do not have the financial resources
2. 20% volunteer in lieu of making donations
3. 17% donate goods and services in lieu of making a donation
4. 12% do not trust the organization to spend their money well
5. 6% prefer to spend their money on family and friends
6. 2% do not believe that organizations can make a positive difference

Bringing in new donors is a major responsibility of nonprofit fundraisers, but retaining donors is also a critical component of the process of fundraising. This can involve a number of activities that come under the notion of stewardship. Some experts

conclude that the number one reason why donors stop giving is they come to believe that they (or their gift) do not matter to an organization (Lombardi, 2018). As Lombardi (2019c) suggested, donors give “because they care about your issue and want to make a difference. But they also want to see the results of their gifts. Therefore, communicating your results back to donors is one of the most important aspects of a donor stewardship program.” Thus, a major component of your fundraising strategic plan needs to address stewardship and identify ways to ensure that your donors do not conclude that you do not care about them. Lombardi (2019c) identifies the following ways you can communicate your results in order keep your donors engaged:

- ▶ Send campaign updates via e-mail and direct mail (and use social media platforms as well).
- ▶ Feature stories in your newsletter.
- ▶ Post updates on social media and your blog.
- ▶ Create case studies highlighting the community you serve.

Lombardi (2019c) further suggested several things you should consider as important components of the stewardship process for motivating donors for ongoing or increased giving. Keeping your emphasis on relationship building, not solicitation, ask yourself the following questions:

- ▶ What do your donors value?
- ▶ What approach do they respond to?
- ▶ How do they want to be contacted (for example, text, phone, e-mail, direct mail)?

Lombardi (2019c) also recommended that you incorporate the following cultivation tactics into your stewardship process to encourage donors’ deeper commitment to your nonprofit:

- ▶ Share plans for the next stages of projects that donors have given to in the past.
- ▶ Suggest related programs that donors may like based on their previous interests and giving habits.
- ▶ Ask donors to spread the word via social media about a project or program they are passionate about.
- ▶ Invite donors to an on-site event or tour to see in person the results of their gifts.

Finally, Bekkers and Wiepking (2011) found that for more than 85 percent of charitable donations, people indicated they gave because they were asked to give. “A large majority of all donation acts occurs in response to a solicitation . . . actively soliciting contributions rather than passively presenting an opportunity to give

increases the likelihood that people donate” (p. 9) This underscores the importance of identifying prospects with the capacity to give, implementing a careful cultivation strategy, and providing them with appropriate and multiple opportunities to give.

Changing Donor Demographics

As a fundraiser, you must be cognizant of the fact that the population is undergoing dramatic demographic and ethnic changes. In the next few decades, a growing portion of the population of the United States will be Hispanic, African American, and Asian. While the 2010 U. S. Census identified approximately 36.3 percent of the population as belonging to a racial or ethnic minority group, with non-Hispanic whites comprising 63.7 percent of the population (U.S. Census Bureau, 2012), it is predicted that by 2060 non-Hispanic whites will comprise about 44 percent of the population (U.S. Census Bureau, 2014). Nonprofit fundraisers who ignore the major demographic changes under way in our society will likely find they are less and less successful.

Increasingly, it is being recognized that members of racial and ethnic groups, as well as lesbian, gay, bisexual, transgender, and questioning (LGBTQ) individuals, give to organizations and causes in which they are involved (Giving USA, 2019), but their involvement must be real, ensuring they have an active role in nonprofits and they believe their voice is truly heard.

The implications should be obvious. If your nonprofit is going to be successful in fundraising, you must recognize and respond to changing demographic conditions, identifying and reaching out to those who have not traditionally been involved with your nonprofit and finding ways to get them involved. In short, you must demonstrate to individuals from different genders and generations, as well as various racial and ethnic groups and LGBTQ households, that your nonprofit’s mission addresses their concerns and needs and serves their community (Ashley, 2019; Blackbaud Institute, 2018; Dale, 2018; Giving USA, 2019).

A great deal of wealth in this country has been changing hands in recent years. Of special note, much of that wealth is being controlled by women. Not only are women increasingly controlling more money, they also are deciding how it will be spent. Furthermore, increasing numbers of women are heading family foundations or taking over the helm of family businesses. As a result, increasing numbers of women are in positions of financial power that may well lead to them becoming dominant forces in philanthropic activity. Currently, more women than men are earning bachelor’s degrees, and more women than men are enrolled in U.S. colleges and universities. As a result of greater educational opportunities leading to better jobs, women are

giving more than ever before, a trend that can be expected to continue as they assume higher positions of leadership in the corporate and nonprofit sectors.

The Fidelity Charitable (2017) Gift Fund survey “Women and Giving” identified several generational differences between female donors. These include the following:

- ▶ Millennial women tend to give impulsively compared with Baby Boomer women, who are more likely to be strategic about their giving.
- ▶ Boomer women tend to be more focused in their giving than Millennial women, who tend to give to a wider range of causes and to support both domestic and international issues.
- ▶ Millennial women are more likely than Boomer women to discuss their giving and to encourage others to give to causes they support.
- ▶ Millennial women are more likely than Boomer women to use newer forms of giving, such as crowdfunding, whereas Boomer women are more likely to use traditional forms of giving, such as in-kind donations and direct financial contributions.

The Fidelity Charitable (2017) study also found that over 90 percent of the men surveyed indicated their spouses were the primary influence in their decisions about which charities to support and how much to give.

It also is worth noting that although charities “remain more trusted than other institutions, including organized religion,” a recent study indicated that “69.8% of the respondents rated the importance of trusting a charity before giving as 9 or 10 (Essential) on a 10-point scale” (Give.org, 2019, p. 4). It also must be noted that “only 19.0% of respondents say they highly trust charities” (Give.org, 2019, p. 4). Thus, the issue of generating and keeping trust among prospects and donors should be an ongoing concern for fundraisers. This issue may require thought about gender differences, because 72.4 percent of women respondents in the Give.org study rated the importance of trust before giving as 9 or 10 on a 10-point scale, as compared with 66.9 percent of men (Give.org, 2019, p. 4).

The “graying” of America also will have an impact on your fundraising efforts. The fastest growing segment of the U.S. population is individuals who are 85 years of age and older, and the number of Americans over the age of 90 has been increasingly dramatically, with women who survive into their 90s outnumbering men by a margin of almost three to one. An issue that may have an impact on their giving is that many of these older Americans are insecure about their finances because of concerns about health care needs and costs.

Members of the Baby Boomer generation are now in their 60s and 70s, and many have been benefiting from the huge wealth transfer that has been taking place

in recent years. Baby Boomers must be approached somewhat differently from their elders. Some have suggested Boomers may have less loyalty to a particular cause or specific organization than did their elders and that they may seek opportunities that provide instant gratification and want more information and accountability (Nichols, 1990). Although these generalities must be viewed with caution, it is clear that your nonprofit must be creative in developing strategies to involve this population group. For more insight on giving by individuals from different generations, it is worth consulting *The Next Generation of American Giving* (Blackbaud Institute, 2018).

Although it is clearly important to develop strategies to approach and treat members of the various generations differently, it also is important to bear in mind that nowadays every generation uses technology. Consequently, an effective fundraising program will embrace and use a variety of technologies. These might include e-mail, text messaging, cell phone, direct mail, Web site features such as banners and landing pages, and various social media platforms, such as Facebook, Twitter, and Pinterest. A three-year study with 2,000 nonprofit organizations found a strong relationship between donor retention and consistent multichannel engagement (O'Donnell, 2019). According to this study, nonprofits that used two or more digital channels to engage donors before year-end appeals doubled their yield in 2018 compared with 2016. Furthermore, the nonprofits in the study saw a nearly 12 percent increase in retention among those donors who were engaged by the multichannel touches, compared with a 31 percent drop in donor retention for those who did not get multichannel touches (O'Donnell, 2019, p. 12). Any nonprofit organization that is not fully engaged in various digital approaches in fundraising increasingly will find it much harder to be successful.

Ethics of Fundraising

Increasingly, attention is being paid to ethical issues related to fundraising for nonprofit organizations (see, for example, McQuillin, 2017). Periodic negative publicity regarding fundraising tactics, the costs of fundraising efforts, and the uses of funds raised has led to considerable discussion among those involved in legitimate fundraising activities. Issues such as confidentiality, conflict of interest, proper stewardship of funds, and compensation approaches for fundraisers have been debated extensively by nonprofit fundraisers. Out of these concerns and discussions have come statements of ethical principles that relate to individual fundraisers and donors, as well as to nonprofit organizations that are involved in fundraising.

The Association of Fundraising Professionals (AFP), formerly known as the National Society of Fund Raising Executives, promulgates a *Code of Ethical Standards* that includes both a *Code of Ethical Principles* and a *Code of Ethics* (see Figure 1-4).

A careful review of the ethical principles and standards included in the AFP codes is a useful exercise for anyone considering becoming a fundraiser, whether as a fundraising professional, nonprofit executive, nonprofit board member, or volunteer. Such a review can also be beneficial to organizations that are considering hiring a fundraising consultant or firm to assist them with their fundraising activities. Many find these principles and standards to be a helpful checklist as they have interviewed applicants for fundraising jobs or advised nonprofits on their consideration of fundraising consultants.

► **Figure 1-4** Association of Fundraising Professionals Code of Ethical Standards

AFP Code of Ethical Principles

Adopted 1964

The Association of Fundraising Professionals (AFP) exists to foster the development and growth of fundraising professionals and the profession, to promote high ethical behavior in the fundraising profession and to preserve and enhance philanthropy and volunteerism.

Members of AFP are motivated by an inner drive to improve the quality of life through the causes they serve. They serve the ideal of philanthropy; are committed to the preservation and enhancement of volunteerism; and hold stewardship of these concepts as the overriding direction of their professional life. They recognize their responsibility to ensure that needed resources are vigorously and ethically sought and that the intent of the donor is honestly fulfilled.

To these ends, AFP members, both individual and business, embrace certain values that they strive to uphold in performing their responsibilities for generating philanthropic support. AFP business members strive to promote and protect the work and mission of their client organizations.

AFP members both individual and business aspire to:

- Practice their profession with integrity, honesty, truthfulness and adherence to the absolute obligation to safeguard the public trust;
- Act according to the highest goals and visions of their organizations, professions, clients and consciences;
- Put philanthropic mission above personal gain;
- Inspire others through their own sense of dedication and high purpose;
- Improve their professional knowledge and skills, so that their performance will better serve others;
- Demonstrate concern for the interests and well-being of individuals affected by their actions;
- Value the privacy, freedom of choice and interests of all those affected by their actions;
- Foster cultural diversity and pluralistic values and treat all people with dignity and respect;
- Affirm, through personal giving, a commitment to philanthropy and its role in society;
- Adhere to the spirit as well as the letter of all applicable laws and regulations;
- Advocate within their organizations adherence to all applicable laws and regulations;
- Avoid even the appearance of any criminal offense or professional misconduct;
- Bring credit to the fundraising profession by their public demeanor;
- Encourage colleagues to embrace and practice these ethical principles and standards; and
- Be aware of the codes of ethics promulgated by other professional organizations that serve philanthropy.

(continued)

Ethical Standards

Adopted 1964; amended Oct. 2014

The Association of Fundraising Professionals believes that ethical behavior fosters the development and growth of fundraising professionals and the fundraising profession and enhances philanthropy and volunteerism. AFP Members recognize their responsibility to ethically generate or support ethical generation of philanthropic support. Violation

of the standards may subject the member to disciplinary sanctions as provided in the AFP Ethics Enforcement Procedures. AFP members, both individual and business, agree to abide (and ensure, to the best of their ability, that all members of their staff abide) by the AFP standards.

Public Trust, Transparency & Conflicts of Interest

Members shall:

1. not engage in activities that harm the members' organizations, clients or profession or knowingly bring the profession into disrepute.
2. not engage in activities that conflict with their fiduciary, ethical and legal obligations to their organizations, clients or profession.
3. effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.
4. not exploit any relationship with a donor, prospect, volunteer, client or employee for the benefit of the members or the members' organizations.
5. comply with all applicable local, state, provincial and federal civil and criminal laws.
6. recognize their individual boundaries of professional competence.
7. present and supply products and/or services honestly and without misrepresentation.
8. establish the nature and purpose of any contractual relationship at the outset and be responsive and available to parties before, during and after any sale of materials and/or services.
9. never knowingly infringe the intellectual property rights of other parties.
10. protect the confidentiality of all privileged information relating to the provider/client relationships.
11. never disparage competitors untruthfully.

Solicitation & Stewardship of Philanthropic Funds

Members shall:

12. ensure that all solicitation and communication materials are accurate and correctly reflect their organization's mission and use of solicited funds.
13. ensure that donors receive informed, accurate and ethical advice about the value and tax implications of contributions.
14. ensure that contributions are used in accordance with donors' intentions.
15. ensure proper stewardship of all revenue sources, including timely reports on the use and management of such funds.
16. obtain explicit consent by donors before altering the conditions of financial transactions.

Treatment of Confidential & Proprietary Information

Members shall:

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| <ul style="list-style-type: none"> 17. not disclose privileged or confidential information to unauthorized parties. 18. adhere to the principle that all donor and prospect information created by, or on behalf of, an organization or a client is the property of that organization or client. 19. give donors and clients the opportunity to have their names removed from lists that | <ul style="list-style-type: none"> are sold to, rented to or exchanged with other organizations. 20. when stating fundraising results, use accurate and consistent accounting methods that conform to the relevant guidelines adopted by the appropriate authority. |
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Compensation, Bonuses & Finder's Fees

Members shall:

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| <ul style="list-style-type: none"> 21. not accept compensation or enter into a contract that is based on a percentage of contributions; nor shall members accept finder's fees or contingent fees. 22. be permitted to accept performance-based compensation, such as bonuses, only if such bonuses are in accord with prevailing practices within the members' own organizations and are not based on a percentage of contributions. | <ul style="list-style-type: none"> 23. neither offer nor accept payments or special considerations for the purpose of influencing the selection of products or services. 24. not pay finder's fees, commissions or percentage compensation based on contributions. 25. meet the legal requirements for the disbursement of funds if they receive funds on behalf of a donor or client. |
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Just as attention to ethical issues related to fundraising professionals and fundraising activities has grown, there also has been growing interest in the rights of donors. This interest led the Association of Fundraising Professionals and several organizations to develop a *Donor Bill of Rights* (Figure 1-5).

► **Figure 1-5** The Donor Bill of Rights

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

- I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
- II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.

(continued)

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| <p>III. To have access to the organization's most recent financial statements.</p> <p>IV. To be assured their gifts will be used for the purposes for which they were given.</p> <p>V. To receive appropriate acknowledgment and recognition.</p> <p>VI. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.</p> <p>VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.</p> | <p>VIII. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.</p> <p>IX. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.</p> <p>X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.</p> |
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Note: The Donor Bill of Rights was created by the Association of Fundraising Professionals (AFP), the Association for Healthcare Philanthropy (AHP), the Council for Advancement and Support of Education (CASE), and the Giving Institute: Leading Consultants to Non-Profits. Reprinted with permission from the Association of Fundraising Professionals.

Anyone involved in fundraising should be aware of and adhere to the ethical standards of the profession and should pay careful attention to the rights of donors. Because fundraising is an activity that involves people, we must be concerned about how these people are treated. When donors are treated with respect, when their rights are considered and observed, they will generally feel that they have been treated well. Thus, assiduously observing their rights is not only the proper thing to do, it also will help lead to the ongoing success of an organization's fundraising efforts. In addition, as discussed previously, \$1 million donors rated a number of factors related to the institution or organization as strong or important motivators, including belief in the mission of the organization; fiscal stability of the organization; regard for staff leadership; and respect for the institution locally, regionally, and nationally. When you treat your donors well, they will be much more likely to want to continue to support your organization or cause. Conversely, when donors are not treated well, they are likely to discontinue their support, and word may get around and have a negative impact on giving.

One of the most important factors when potential donors make decisions to support nonprofit organizations is their sense of trust in the organization. "Give.org believes higher trust in charities translates to higher public engagement and confidence in giving" (Give.org, 2019, p. 3). To assist donors in making sound decisions, Give.org, which is a component of the Better Business Bureau, publishes periodic assessments of charitable organizations on the basis of the following 20 standards:

1. Board oversight
2. Board size
3. Board meetings
4. Board composition
5. Conflict of interest
6. Effectiveness policy
7. Effectiveness report
8. Program expenses
9. Fundraising expenses
10. Accumulating funds
11. Audit report
12. Detailed expense breakdown
13. Accurate expense reporting
14. Budget plan
15. Accurate materials
16. Annual report
17. Web site disclosures
18. Donor privacy
19. Cause marketing disclosures
20. Complaints

The Give.org standards can be a useful template for judging how well your organization is structured for its fundraising efforts. In addition, three times per year, Give.org publishes an informative newsletter, the *Wise Giving Guide*. To obtain a sample of the newsletter, a copy of the standards, or both, contact Give.org. Further, a nonprofit organization might do well to explore becoming accredited by Give.org because there is some research that suggests that charities meeting all 20 of the standards have experienced an increase of fundraising revenue, at least in part because donors may have more confidence in giving to such an organization (Give.org, 2019).

Skills Application Exercises

1. Philanthropic dollars come to nonprofit organizations from many sources. Identify where the largest portion of donations to nonprofits come from, and discuss the implications for fundraising.
2. People give to charitable causes for a number of reasons. Identify four major reasons people make donations and three factors that do not seem to be important motivators for giving, and discuss the implications for developing a fundraising strategy.
3. Discuss why an understanding of changing donor demographics is important for success in fundraising.
4. Discuss several ethical principles that should guide the efforts of fundraising professionals.