

## Fundraising In Tough Economic Times: *A Look to the Past Will Help You Prepare for the Future*

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Economic instability is at the forefront of the news and on the minds of every nonprofit organization and Board across the country. While we all, at one point or another, have attended a lecture on economics and have learned the definition of business cycles—traditional business cycles undergo four stages: expansion, prosperity, contraction, and recession<sup>1</sup>—this knowledge, doesn't necessarily assuage concerns we have about how current economic conditions will affect our organizations fundraising production. Where fundraising is concerned, we know that our ability to raise funds is directly related to the propensity of our prospects and donors to make gifts. Furthermore, we know our donors' ability to make gifts will be influenced by current economic trends. What the impact of this influence will be is somewhat unknown. Across the country, every nonprofit organization and their board members have one question on their minds, "How will the current economic downturn, the mortgage fiasco, bankruptcy of major financial institutions, and the general culture of fear that exists within the stock market affect our organization?"

To begin to understand the effects that business cycles have on fundraising, we can look at the data compiled by *Giving USA* that spans over four decades. This data, when reviewed in the context of the chronology of the U.S. business cycle maintained by The National Bureau's Business Cycle Dating Committee, presents a picture of fundraising results that frame the troughs and peaks of economic recession or expansion.

**Total giving, 1967-2007**  
 (\$ in billions)

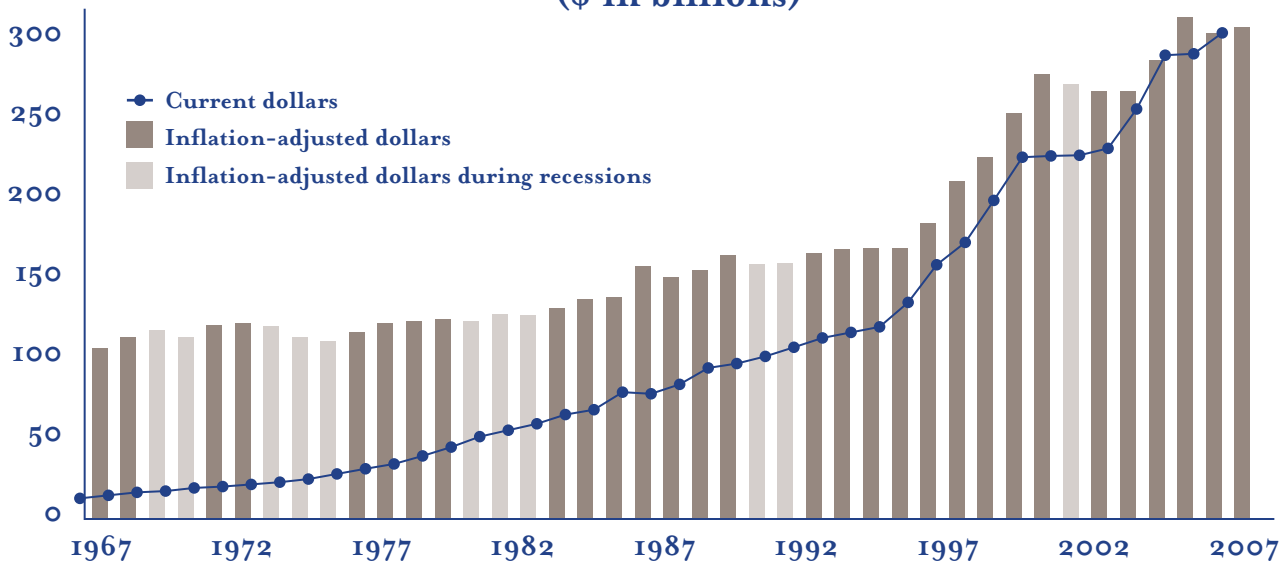


Table reprinted from *Giving USA: The Numbers, Giving USA 2008*

According to the cycle data, the most recent occurred in March 2001, ending a record-long expansion that began in 1991. The most recent trough occurred in November 2001, inaugurating an expansion.<sup>2</sup> Analyzing this information can identify trends that may be helpful in planning for today's economic environment.

Here is what we know to be true of general trends in fundraising:

- Charitable giving follows national economic trends with a lag time of six to 18 months.<sup>3</sup>
- Total giving has increased in current dollars in every year but one since recording began. The exception is 1987, when a tax law change in 1986 prompted some people to “give early” in order to maximize the deduction available.<sup>4</sup>
- Adjusted for inflation, giving typically increases in nonrecessionary years and stays level or falls slightly when the national economy is in recession. For example, the 1969–1970 recession began at the very end of 1969 (and giving that year rose slightly), but giving declined in 1970, a year which had eleven months of recession.<sup>5</sup>
- The recession of 2001 occurred in conjunction with a stock market correction after the long run up in the value of equities in the 1990s peaked and with the attacks of September 11 and subsequent economic and social stresses.<sup>6</sup>
- In 2002 the stock market continued to languish, and the bankruptcies of WorldCom, Enron, and other firms caused ripples throughout the business sector. Even though it was not a recession in 2002 or 2003, giving did not return quickly to prerecession levels.<sup>7</sup>
- Total giving for 2007 is estimated to be \$306.39 billion. This is an increase of 3.9 percent (1.0 percent adjusted for inflation) compared with the revised estimate of \$295 billion for 2006.<sup>8</sup>
- Individual giving is always the largest part of the overall fundraising total. In 2007 individuals contributed \$229 billion, which translates to 74.8 percent of overall giving. If you include gifts made through bequests the total increases to \$252.18 billion, 82.3 percent of overall giving.<sup>9</sup>
- Foundation grantmaking reached an estimated \$38.52 billion (12.6 percent of the total). This is the highest percentage ever attributed to foundations. The change reflects that a portion of personal giving is now often done through family foundations.<sup>10</sup>
- Corporate giving is estimated to be \$15.69 billion, 5.1 percent of overall giving.<sup>11</sup>
- The Bank of America high net worth survey conducted by the Center on Philanthropy at Indiana University in 2006 found that 65 percent of wealthy donors somewhat or substantially increased their charitable giving since 2001.<sup>12</sup>

While historical data and current trends can be helpful, they can only provide part of the picture. What is true for the larger philanthropic sector may or may not hold true for your organization. To find an answer to the question of how your organization will fare during the current economic downturn, you must turn to the old adage: *past performance predicts future behavior*. To better determine the potential impact of current economic trends on your organization, it's important to take an analytical look at your own performance over time. A recent article in *The Chronicle of Philanthropy* agrees that charities should look to see what has historically occurred

to their budget in both lean and flush times.<sup>13</sup> Analysis of your organization's financial performance before, during, and immediately after the last recession of record will help you understand your ability to continue to fund your mission during periods of recession and expansion.

Regardless of the outcome of an organization's self analysis, there are a variety of tactical strategies that can be employed to ensure ongoing fundraising success:

- Build relationships with donors. Develop and execute plans to cultivate individuals who are important to your success and who make entrée into your organization through board members, friends, and events.
- Make asks. The number one reason people do not make gifts is because they aren't asked. You do your organization a disservice if you delay or postpone asks because you "think" that a donor might say no. Have the conversation and make the ask.
- Provide excellent stewardship for your current donors. Ensure your donors know how valued and important their ongoing support is to you.
- Strengthen your Board for fundraising. Recruit and train Board members to assist you in cultivation, solicitation, and stewardship.
- Be clear about your mission and your needs. Know what you need for your organization to continue to provide services that make a difference.
- Communicate regularly with your constituents. Develop plans for sharing ongoing information that helps to support and substantiate the fulfillment of your mission.
- Arm your organization and its volunteers with information that strengthens the belief that you are worthy of support and can weather the cyclical nature of the economy.

The most important thing to remember about business cycles is that only after a recession phase, can a period of expansion begin.<sup>14</sup> Using your organization's past to help you understand economic impacts and adding analytics to evaluate ongoing plans will strengthen the amount of information you have about your organization. Organizations that succeed in fundraising do so because they have put strategic plans in place to engage volunteers in the development of a stronger and more inclusive fundraising effort regardless of economic trends.

## References

- <sup>1</sup> Economic Cycle. InvestorWords.com. Retrieved May 1, 2008, from InvestorWords.com website:  
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- <sup>2</sup> Business Cycle Dating Committee Memo. nber.org. Retrieved May 1, 2008, from nber.org website:  
[http://www.nber.org/cycles/jan08bcde\\_memo.html](http://www.nber.org/cycles/jan08bcde_memo.html)
- <sup>3</sup> Roug, Louise, Charities feel Wall Street Pain, Los Angeles Times, April 28, 2008.
- <sup>4</sup> The Numbers, Giving USA 2008, pg. 20.
- <sup>5</sup> ibid
- <sup>6</sup> ibid
- <sup>7</sup> ibid
- <sup>8</sup> The Numbers, Giving USA 2008, pg. 13.
- <sup>9</sup> ibid
- <sup>10</sup> ibid
- <sup>11</sup> ibid
- <sup>12</sup> The Center on Philanthropy at Indiana University, Bank of America Study of High Net Worth Philanthropy Initial Report, October 2006.
- <sup>13</sup> Hall, Holly, *Charities that Faced Deficits in Last Recession Are Still Trying to Recover, Report Finds*. The Chronicle of Philanthropy, Feb. 21, 2008.
- <sup>14</sup> Economic Cycle. InvestorWords.com. Retrieved May 1, 2008, from InvestorWords.com website:  
<http://www.investorwords.com/1641/economic+cycle.html>