SPECIAL REPORT

Caution Ahead

Most fundraisers in the *Chronicle's* exclusive survey expect their groups to raise enough money to meet their goals this year, but there's a deep sense of unease about the economy.

By RASHEEDA CHILDRESS and EMILY HAYNES

Fundraisers are in uncharted waters.

During the maelstrom of the pandemic years, individuals, foundations, and corporations dug deep to meet the needs of the public-health emergency, but fundraisers are unsure how much of that support they can still count on. With an uncertain economic outlook, they worry more donors may stop giving.

As fundraisers scan the horizon, there are both rays of light and dark clouds. Unemployment is low and gross domestic product is up — clear signs of economic health. But inflation and interest-rate hikes are holding back consumer spending, and many Americans feel the economy is in poor shape.

Put it all together and fundraisers don't know what to expect.

"Some months we get a lot of money, and some months we get nothing. I don't know what a trend is anymore," says Rita Mancera, executive director of Puente de la Costa Sur, a nonprofit that serves farmworkers in San Mateo County, Calif. "That's hard for planning."

The *Chronicle* commissioned an exclusive new survey of 1,000 fundraisers to try to make sense of what's going on. The results reveal a complicated and at times contradictory picture of fundraising in 2023. The survey uncovered striking successes and notable

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PULLING BACK
Many of Long Island Cares's supporters are making smaller gifts, says Katherine Fritz, who leads development. "What I'm hearing from my donors is the cost of living is very high."

BRYAN THOMAS FOR THE CHRONICLE

NEW GROWTH
Two volunteers who work in finance have introduced Mark McKnight, CEO of a nature center in Chattanooga, Tenn., to wealthy, philanthropic clients. "That's been really fruitful," he says.

WILLIAM DESHAZER FOR THE CHRONICLE

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apprehension as development professionals grapple with inflation, staffing issues, and donors' worries about the economy.

Three-quarters of fundraisers say their organizations have raised as much or more than they did the previous year. That breaks down to 34 percent raising more money, 42 percent holding steady, and 23 percent raising less. (The survey was conducted by Clarion Research. The margin of error is 5 percent at a 95 percent confidence level.)

However, last year was a tough one for fundraising: Contributions to nonprofits fell 10.5 percent after inflation, according to "Giving USA" estimates. Individual giving — which accounts for the bulk of all contributions to the nonprofit sector — fell 13.4 percent in 2022, erasing the gains in giving made during the pandemic.

Nonprofits continue to struggle with declines and slowdowns in individual giving. While many fundraisers in the *Chronicle's* survey are confident about the amount of money their groups will raise, they're still deeply worried about their supporters' giving patterns. Seven in 10 fundraisers say some donors are giving less, and six in 10 say some donors have stopped giving altogether. Half of fundraisers say some donors are delaying their gifts.

The *Chronicle's* database of gifts of $1 million or more shows a slowdown in the number of big contributions — and a steep decline in the dollars given. The total value of these donations declined roughly by half year-over-year, and the number of gifts dropped, too. From January 1 to October 15, wealthy donors made 408 donations of $1 million or more, totaling more than $8.3 billion. That's compared with 478 gifts totaling $16.5 billion during the same period in 2022.

"The dollars aren't necessarily flowing easily," says Daiga Galins, director of development at the Lakeside School, a Seattle private school. "It's just requiring a lot of legwork."

Fundraisers right now are a little like ducks; they look placid as they swim by, but underneath the surface, they're paddling furiously. Faced with nagging inflation, an up-and-down stock market, and an uncertain economy, fundraisers are being asked to find new donors to replace the ones who have stopped giving or decreased their contributions and raise enough money to meet rising costs of goods and increased demands for their organizations' services.

As fundraisers look toward year's end, some have figured out how to attract new donors and are recommitting to fundraising basics, like meaningful thank-you notes and personalized communication. Others are seeking new sources of revenue, such as planned gifts and contributions from donor-advised funds. Still, data from the *Chronicle's* survey and in-depth interviews with two dozen fundraisers, nonprofit leaders, and consultants make clear that after an unprecedented three years, the profession has yet to return to known patterns.

A Turn to Major Donors

For many years now, nonprofits have been relying on a smaller number of donors making larger gifts to fuel their missions. That trend continues to gain speed, according to the *Chronicle's* survey. A little more than half of the fundraisers said their organizations are spending more time seeking major gifts now than before the pandemic.

Big gifts offer the best return on investment, says CJ Orr, president of the Orr Group, a fundraising consultancy. "That's where the money is."

But there's a danger in focusing on wealthy donors at the expense of midlevel and small-dollar donors, Orr and others say. "It's hard to build out a major donor pipeline without a base of strong, steady supporters," says Becca Bennett, vice president at the Orr Group. "That's often where some of your greatest major donors come from."

More donors who make modest one-time and recurring contributions are canceling their gifts as inflation makes household budgets tighter, fundraisers say.

Ali Colbran, director of development for Feeding San Diego, a food bank, says about 20 donors called her office in December 2022 to cancel their monthly gifts. Ninety-one percent of the food bank's donors make small contributions to the annual fund, including through monthly gifts. While the charity managed to attract 4,900 new donors in its last fiscal year, its goal was 5,600 new donors. What's more, the new donors

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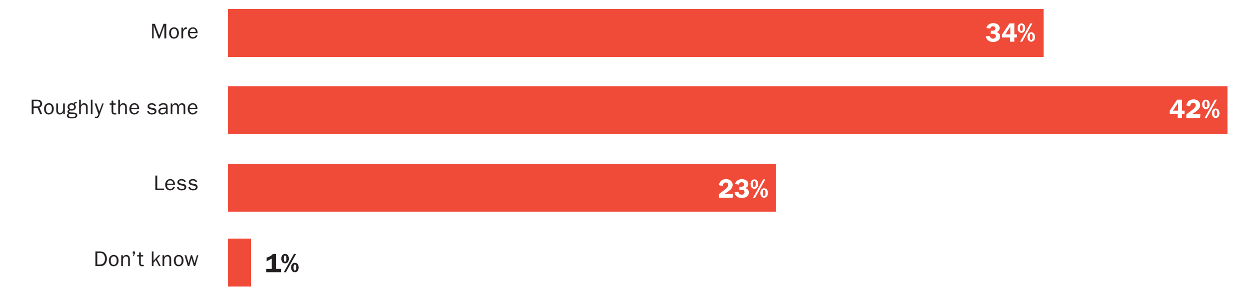
How Fundraising Is Faring in 2023

The Chronicle asked 1,000 fundraisers how much money their organizations have raised since the start of the calendar year compared with the same period last year.



Donors and the Uncertain Financial Climate

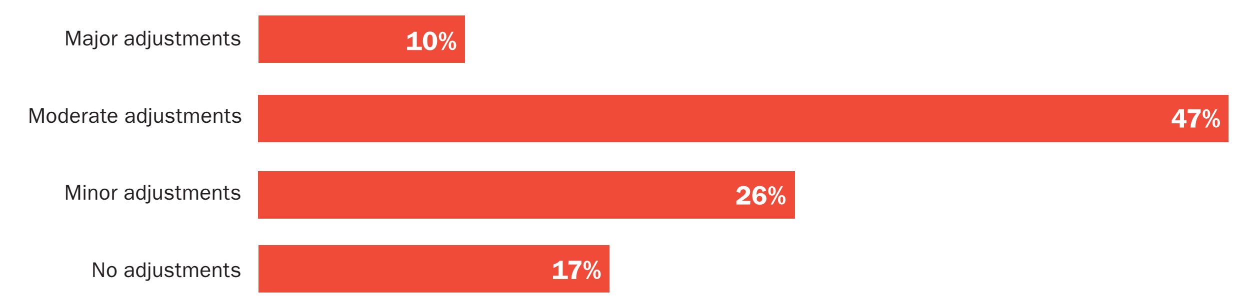
The Chronicle asked 1,000 fundraisers how economic uncertainty was affecting their supporters' giving.

Share of fundraisers who strongly or somewhat agreed with the statement

Changing Strategies

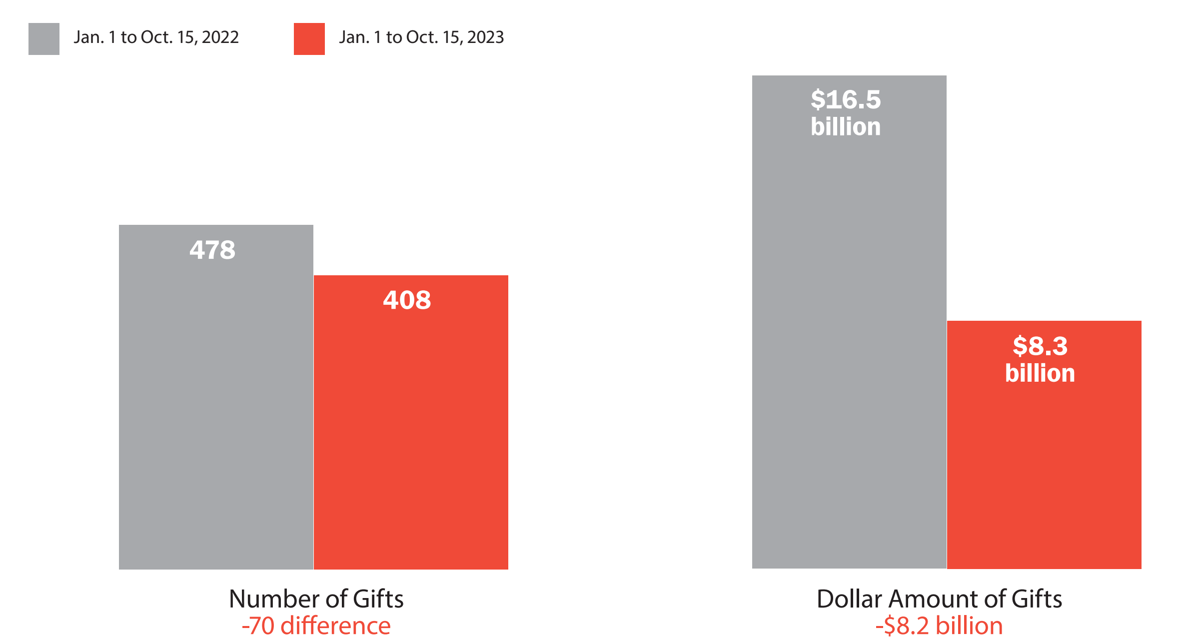
The Chronicle asked 1,000 fundraisers whether their organizations have changed fundraising strategies or tactics in response to current economic conditions.

Share of fundraisers who said their organizations made changes to their fundraising strategy



Big Gifts 2022 vs 2023

Donations of $1 million or more were down significantly in the first nine months of 2023 compared with the previous year, according to an analysis of the *Chronicle's* database of big charitable gifts.



Source: 2023 Chronicle of Philanthropy State of Fundraising Research Study and the Chronicle's database of Big Charitable Gifts

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gave less than first-time donors had given the previous year. They contributed $1.9 million in the last fiscal year, well shy of the food bank's goal of raising $3.2 million from new donors.

Some 2,800 miles away, at Long Island Cares, another food bank, fundraisers face similar headwinds. "While our donor retention is high, we're seeing our donors giving smaller gifts than they gave in the past," says Katherine Fritz, the food bank's vice president of development and communications. "What I'm hearing from my donors is the cost of living is very high."

With less money coming from existing donors, Fritz says the food bank is focused on aggressively recruiting new ones through local media coverage, a TV ad with a QR code to a donation page, and other advertising. "We're balancing some of those donors that are cutting back by bringing in new donors," she says.

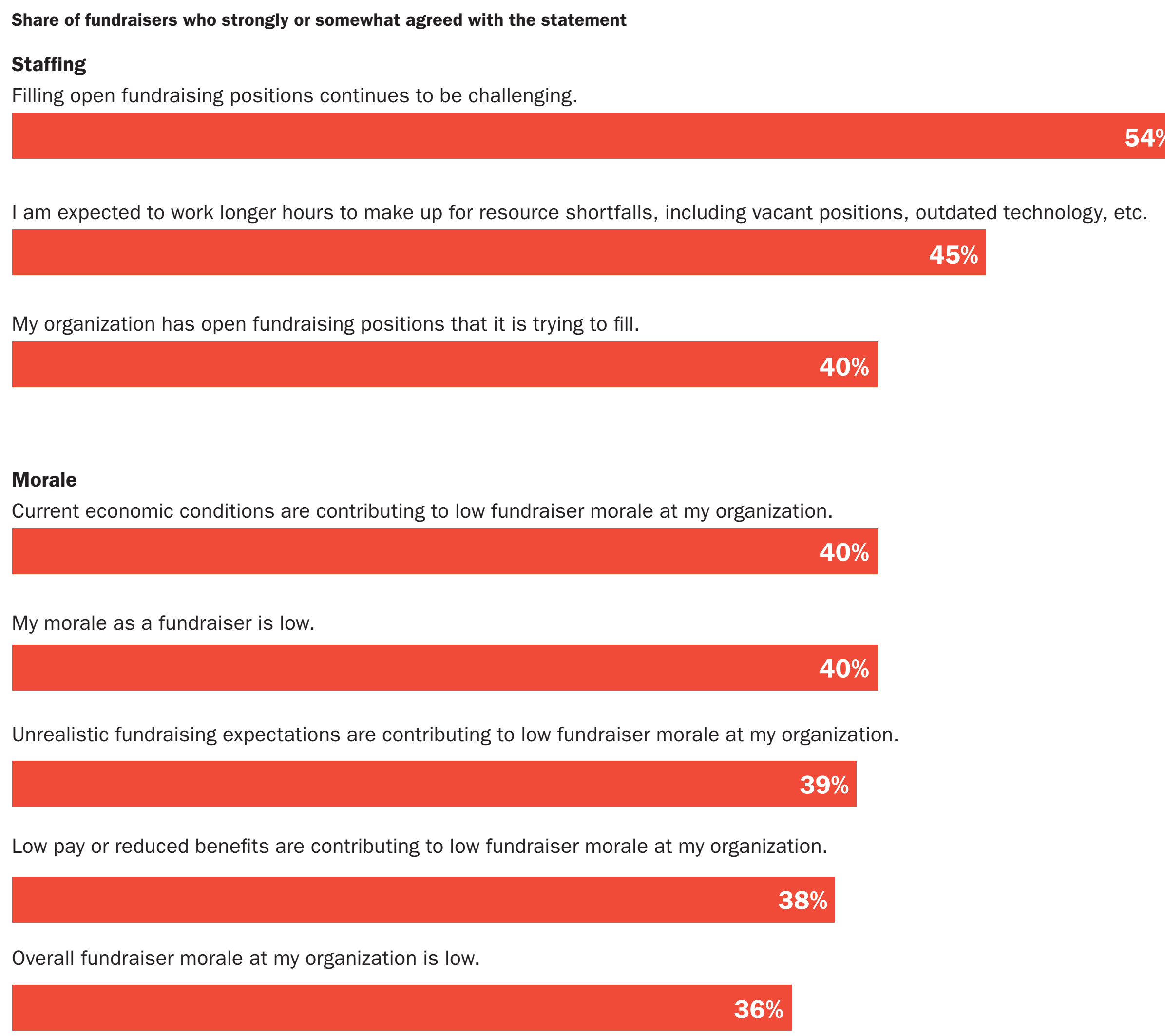
The food bank is also asking anyone who gave more than twice in the past year to become a monthly donor, and fundraisers are talking to wealthy donors about the impact of inflation. "We've explained, 'We really need you to consider a larger commitment this year, and here's why,'" Fritz says. "That messaging has really worked."

As a result, the food bank has raised more month-over-month this year than it did in 2022.

Feeding San Diego is relying on major donors to see them through. In the 2023 financial year, 368 donors contributed gifts of $5,000 or more, representing 74 percent of the food bank's fundraising revenue. A single donor upped a gift to help save the food bank from a $1.6 million budget shortfall. Despite that generosity, the food bank still fell $600,000 short of its overall goal.

How Fundraisers Feel About Their Jobs

The Chronicle asked 1,000 fundraisers about staffing and morale in their organization's development department.



Source: 2023 Chronicle of Philanthropy State of Fundraising Research Study

Wait and See

Not all wealthy donors have been able to give at the level they did during the pandemic.

"We have heard donors say that they need a longer runway as they wait for the economy to improve," says Galins, the fundraiser at the Lakeside School. To that end, her team is creating more opportunities for donors to engage with the school, such as at events with the head of school, to keep donors close as they watch their finances.

With the stock market faltering, fundraisers may be in for bad news from donors who pushed their giving decisions to the year's end. "It's just bad timing," says Orr, the fundraising consultant. He's counseling clients to expect lower fundraising revenue at year-end — news he hadn't expected to deliver this summer, when the stock market was trending up.

Fundraisers should talk with major donors about ways to give that won't cut into their cash flow, especially through donor-advised funds, Orr says. "When people have less disposable income, they'll turn to their DAF to give versus out of their discretionary income."

Unless fundraisers ask directly, there's no way to know whether supporters have opened donor-advised funds or how much money they contain. Orr advises nonprofits to make sure donors know they accept gifts from DAFs. That means mentioning them in the nonprofit's gift-acceptance policy and profile pages on major charity registers such as Candid. He also suggests fundraisers consider attending conferences for wealth advisers to build relationships with the professionals who could suggest their clients donate to your organization in the future.

"It's not your traditional fundraising strategy," Orr says. "It's weird going to talk to financial advisers, but DAFs are on the up and up, so it is what it is."

Mark McKnight, CEO of the Reflection Riding Arboretum and Nature Center in Chattanooga, Tenn., has been doing just that.

Two of the nature center's board-finance committee members work in the financial sector. One is a crypto investment fund manager. Both are volunteers and have introduced McKnight to clients with a philanthropic nature.

"If you have enough money to be writing the kind of checks that he's taking into this fund, you're somebody that I want to know," McKnight says. "And that's been really fruitful."

He has used those connections to meet an influx of people who have moved from high-cost-of-living states like New York and California to Chattanooga. A recent transplant from the Northeast who wanted a quieter life for himself and his daughters has been in talks with the nature center about its new strategic plan and vision.

"We're laying the foundation with him," McKnight says. "He's talking about making a pretty substantial gift in our capital campaign."

This new pool of donors is exciting for the nature center. "To have young people that actually have the capacity to get involved financially, as well as joining our board — we haven't had many of those people in Chattanooga [before]," McKnight says. "So the overall tone is pretty positive."

Rising Prices

While most organizations' fundraising has held steady or improved since last year, two hurdles — staffing and inflation — threaten to impede their progress.

In the *Chronicle*'s survey, 53 percent of fundraisers said that filling open positions is challenging, and 40 percent reported that their organizations have open fundraising positions they are trying to fill. In a potentially ominous

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86%

Share of fundraisers who say their nonprofits are somewhat or very likely to meet their fundraising goals for the year

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sign, 22 percent of respondents said that their organization has stopped filling open fundraising positions to cut costs.

Those empty desks have repercussions for the fundraisers who stay. Twenty-nine percent of respondents in the *Chronicle's* survey said that open fundraising positions are contributing to low morale. Another problem: Thirty-eight percent said low pay or reduced benefits are contributing to low morale among staff.

Holding on to fundraisers has been hard, says Lee Grisham, donor services manager at the Chattanooga Area Food Bank.

"We've had a lot of turnover with our frontline fundraisers for that [major gifts] level," Grisham says. "Lately it's been much more difficult, just with the way that the job market is."

He says frequent staff changes can be jarring for donors. The food bank has done its best to create continuity and maintain relationships. But whether or not the organization is successful depends on how soon it can fill an open position, Grisham says. "Building relationships and keeping them strong throughout that process is always the challenge."

Inflation also continues to weigh on nonprofits' balance sheets. It slowed to 3.7 percent in September, down from a high of 9.1 percent in June 2022. But prices are still going up, meaning many nonprofits need to raise more money than they anticipated.

"We know we will have to budget more for food," says Fritz, at Long Island Cares. "But we don't know how much more. In this economy, the way that the prices of food keep growing, it's hard to anticipate what that growth is going to look like. It hasn't been a linear growth."

The demand for services from nonprofits — especially food banks, homeless shelters, and other direct-service groups — has also increased. "We're distributing more meals than we ever have," says Colbran at Feeding San Diego. The food bank's weekly produce pantry distribution program grew from serving 50 households a week in 2022 to 700 a week this year.

Earlier this year, in a nationwide survey of 195 nonprofits, 68 percent of organizations reported an increase in demand for their services in 2022. Many groups were doing more with less, as about half reported less net income in 2022 than in 2021.

Even for groups that don't buy large amounts of food or supplies, costs are rising. More of Global Witness's budget has gone toward higher rent for office space and salary increases to keep pace with inflation, says Chelsey Gibson, head of individual giving at the international climate-change nonprofit.

Changing Things Up

The key to raising money, even in times of uncertainty and crisis, is to keep asking, says Pamala Wiepking, associate professor of philanthropic studies at the IUPUI Lilly Family School of Philanthropy. Wiepking and her colleagues studied how nonprofits worldwide navigated the Covid-19 pandemic.

"Organizations that stopped fundraising during the crisis were suffering," Wiepking says. "Eighty-five percent of the gifts that are made are made in response to a request. The role of fundraiser is instrumental here."

Barbara Coury, foundation president of the North Carolina School of Science and Mathematics, says that research jibes with her 25 years of fundraising experience. "I have fundraised through three different recessions," she says. "Some fundraisers will say, 'We're in a recession, no one's going to give,' and that is simply not true."

> "Some months we get a lot of money, and some months we get nothing. I don't know what a trend is anymore."

When other organizations pull back, Coury says, those that stick with it do better. "All of a sudden you have less competition because half of the people aren't asking."

Most fundraisers — 83 percent — in the *Chronicle* survey reported that their organizations have changed fundraising strategies and/or tactics as a result of economic conditions. Only 10 percent made major adjustments, whereas most made moderate (47 percent) or minor (26 percent) adjustments.

Some fundraisers are working to build ties with new groups of donors. Noticing that many donors to the Mohawk Hudson Humane Society were older, director of development Whitney Philippi created a successful annual fundraising event that aims to bring millennial donors into the fold.

The pun-filled event — Oktopurrfest — launches in August with a three-week contest in which participants submit photos of their pets to be featured on a local brewery's beer label and recruit friends and family to pay $1 to vote for their pet's image. The contest brought in $33,213 to the charity this year — far more than the roughly $12,000 the charity used to raise from the calendar contest it scrapped to launch this event.

Oktopurrfest concludes with a cat-themed event celebrating the winner at the brewery. Designed to appeal to younger donors, the event is casual and silly, and the ticket price is affordable — $55 for a general ticket, which includes a four-pack of beer.

"We always have an honorary chair who is younger or appeals to that demographic," Philip-

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MOHAWK HUDSON HUMANE SOCIETY

EYE ON THE FUTURE
The Mohawk Hudson Humane Society started the Oktopurrfest event to attract younger donors.

After Pandemic Windfalls, Fundraisers Are Getting Real About How Much Money They Can Raise

FUNDRAISERS nimbly adjusted to a host of changes during the pandemic, and many groups enjoyed a tidal wave of support from donors who gave in response to the crisis. This super-charged giving buoyed fundraising expectations for chief executives and boards. With the pandemic now in the rearview mirror, fundraisers are tracking giving trends closely and working to recalibrate leaders' expectations.

"The influx of support lasted longer than we thought, and then it started to feel, I think, to some people like, 'Oh, this is normal now,'" says Ali Colbran, director of development at Feeding San Diego, a food bank.

Colbran went into the final months of 2022 feeling confident. Her team's projections for gifts in the pipeline looked good, and donors seemed motivated to give. After a strong turnout on GivingTuesday, she expected the food bank would close out the year on goal or just shy of it.

"It did not go that way at all," Colbran says. "We were wrong — like really wrong."

Last year was an *annus horribilis* for many nonprofits: "Giving USA" pegged the overall decline in contributions at 10.5 percent after inflation. Over 66 years of data collection, "Giving USA" has only reported drops in charitable giving four times, one of which happened in 2022. Data from the Fundraising Effectiveness Project show that decline didn't meaningfully begin until year-end, when contributions dipped nearly 2 percent before inflation.

Talking About a Shortfall

The boom years have fizzled out — and Colbran and other fundraisers now face the challenge of how to manage their leaders' and board's expectations. Stagnant inflation and an up-and-down stock market — to say nothing of the disappearance of state and federal pandemic supports — have changed the game.

According to a new *Chronicle* survey of 1,000 fundraisers, roughly four in 10 say their leaders and boards have unrealistic expectations for how much money fundraisers can raise from donors right now. What's more, the same share say these unrealistic expectations are contributing to low morale among fundraisers.

A negative economic outlook can hamstring fundraisers' ability to meet their goals, says Laura MacDonald, principal of the Benefactor Group, a fundraising consulting firm. "In some cases, those goals are not realistic," she says. "They're not based on strategy or an understanding of the pipeline of gifts that will be coming in."

So how can fundraisers, leaders, and trustees get on the same page? Experts say they need to go back to the data.

Even as many fundraisers in the *Chronicle's* survey complained of goals being unrealistic, 85 percent said it was at least somewhat likely that they would meet their objectives. Four in 10 said it was very likely they would do so. That could be the result of fundraisers' natural optimism or a testament to the sweat and tears of frontline development folks.

At the Mohawk Hudson Humane Society, fundraising is currently 18 percent behind where it should be to meet its annual goal. This time last year, the animal shelter was on target, says Whitney Philippi, the vice president for development. As she works to move past fundraising challenges, Philippi is keeping the board informed of what's in her way.

At the September board meeting, Philippi discussed the organization's fundraising; she identified a drop in individual gifts under $250 as the reason for the shortfall. Individuals contribute nearly 60 percent of the nonprofit's $3.2 million budget.

As of September, however, the number of contributions of $1 to $49 was down 1,571 from that time the previous year. The number of gifts of $50 to $99 was also down — 158 below last year's total at that time — and contributions

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of $100 to $249 were 53 gifts behind that time last year. "Every other gift-size category is up or steady," Philippi says.

While board members were surprised to hear that these donations were down, Philippi says, they understood her predicament. Talking about the deficit helped her involve board members in a solution.

Philippi says the chair of the board's development committee started to brainstorm ways to demonstrate the impact of small gifts to donors, such as by sending an impact report or gathering volunteers to make thank-you calls to donors who give small sums. Other board members volunteered to approach acquaintances who had made large contributions in the past but not recently.

'Things Just Fell From the Sky'

When the executive team at Feeding San Diego questioned why Colbran lowered fundraising goals from the previous year, she walked them through the funding sources that helped the food bank raise more money than ever during the pandemic. "We have to have a conversation about what made up that number and how many of those things in that number I know are not renewable because they've said as much to me," Colbran told them.

For example, a business that contributed its travel budget in 2020 — $120,000 — couldn't repeat the gift once business travel started up again. Other businesses that made first-time gifts during the worst of the pandemic shifted back to the causes they'd historically supported, Colbran says. State and federal pandemic grants provided a roughly $5 million boost to the food bank in 2020, but those funds are also largely tapped out now. With lower returns on their endowments, some foundations are now making smaller grants.

What's more, she says, some wealthy donors were also able to make bigger-than-usual gifts during the pandemic, such as the donor who gave $1 million to Feeding San Diego in December 2021. "They said, 'We had a one-time windfall. This is a one-time thing for you guys.'"

Colbran pointed to these and other examples to successfully make the case to leaders that the flood of support that sustained the food bank during the pandemic has receded. Now in the second quarter of its 2024 financial year, the food bank is working toward fundraising goals based on contributions and grants it knows it can count on — and Colbran says she's cautiously optimistic.

"None of it is expecting something to fall from the sky — which is what was happening the last several years," Colbran says. "Things just fell from the sky, and then we were like, 'It'll rain next year, right?'"

—EMILY HAYNES

Rasheeda Childress contributed to this article.

LINDSAY ORLOWSKI

'A LOT OF LEGWORK'
Fundraisers are working hard for the gifts they're bringing in, says Daiga Galins, director of development at the Lakeside School, in Seattle.

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pi says. "We're not choosing, like, the president of a local bank."

The event sold out for the second year in a row and raised about $47,000 from event ticket sales, sponsorships, raffle tickets, and merchandise sales. "This isn't a huge fundraiser for us (our gala brings in about $300,000)," Philippi wrote in an email to the *Chronicle*. "But it brings in a lot of people who then give throughout the year."

Donors Want to Say Yes

In difficult economic times, when asking for money gets harder, fundraising consultant Lisa-Marie Jackson says she encourages clients to go back to basics.

"This is an opportunity to do the things that they should have been doing in the first place," Jackson says. Cleaning donor databases, analyzing giving histories, and personalizing donor communications are great places to start, she says. The tactics may be time-consuming, but they pay off over the long run, Jackson says.

When donors don't feel they can give right now, fundraisers should suggest other ways they could give in the future, says Joshua Stein, director of philanthropy at the Jewish Community Foundation of Greater Kansas City.

"People are inclined to want to say yes, and sometimes they're not able to," Stein says. "One way to alleviate that sense of frustration is to use those opportunities to talk about planned giving, to talk about what might come after they're gone."

It's critical that fundraisers stay in touch with donors — even lapsed ones — during times of economic uncertainty, experts advise. When donors stop their monthly gifts, Fritz's team at Long Island Cares asks them if they would like to continue to get the newsletter. For the next year, those lapsed donors receive only updates on the charity's work, no appeals.

"We have heard donors say that they need a longer runway as they wait for the economy to improve."

Even if some donors have to step back, fundraiser Alex Shwarzstein remains optimistic.

"They're not going away," says Shwarzstein, director of development and communications at Momentum for Health, a nonprofit mental-health service provider. "We're still focusing on those relationships because we know even though they may not have as much this year, they might have more again next year or the year after. Keeping those people deeply within our network will pay off in the long term."