

Economy Slows Charitable Giving, Fundraising in 2007

Success Rates Still High, But Gains Much Lower Than 2006



(San Diego, Calif.) While almost two-thirds of charities raised more money in 2007 than they did in 2006, the size of those gains dropped dramatically, according to figures released by the Association of Fundraising Professionals (AFP) at its 45th International Conference on Fundraising in San Diego, Calif.

For the seventh consecutive year, AFP's State of Fundraising Survey asked charities to compare their fundraising totals in one year (2007) to the previous year (2006).

Overall, 65 percent of organizations raised more funds in 2007 compared to 2006, while 24 percent of respondents raised less funds, and eleven percent raised about the same amount. The 65 percent figure represents a four-percent drop from the previous year (69 percent in 2006), but is very similar to success rates seen in 2005 and 2004.

The key difference was in the amount of money raised. In 2006, almost a quarter of respondents (23 percent) raised saw fundraising revenue increase by more than 50 percent. In stark contrast, just 9 percent of charities experienced similar increases in 2007. Fundraising increases were more modest, with 41 percent of charities reporting increases of less than 20 percent.

"2007 seemed to a typical year for fundraising until the environment changed dramatically at the end of the year with the mortgage crisis,"

said Paulette V. Maehara, CFRE, CAE, president and CEO of AFP. "The impact was very uneven, as we saw decreases in fundraising in numerous areas, while at the same time, many respondents cited many positive stories about their fundraising success. The million-dollar question is, do these decreases represent a return to normalcy from the very strong year we saw in 2006, or the beginning of a much bigger slide in fundraising and giving?"

Every different fundraising technique measured in the survey (direct mail, telemarketing, major gifts, planned giving, online fundraising and special events) saw significant decreases in success compared to 2006, except for planned giving. Direct mail success (the percentage of organizations raising more money in 2007 using direct mail compared to 2006) dropped by 14 percentage points, major gifts by 13 percentage points and special events by 17 percentage points. Success rates for planned giving grew by just 2 percentage points.

However, not every type of organization was affected in the same way. Larger organizations fared much better than smaller ones, with 70 percent of charities with budgets of \$5 million or greater raising more money in 2007 than in 2006. In contrast, just half of organizations with budgets of \$500,000 or less raised more money in 2007 than in 2006.

When asked to rank the top four fundraising challenges they faced in 2007, participants overwhelmingly

chose the economy. Fifty-five percent of respondents ranked the economy as one of the top four challenges in 2007, and 30 percent of respondents chose it as the most critical issue. No other issue came close, though participants also cited "increasing competition for the charitable dollar" and "staffing issues in the development office" as other key issues.

Looking ahead to the rest of 2008, just 58 percent of fundraisers believe their organizations will raise more money this year than in 2007. That level of optimism is nine percentage points lower than last year's confidence level and is the lowest since 2002 in the wake of the events of Sept. 11.

"It looks like 2008 could be one of the most challenging years charities have seen in some time," said Timothy R. Burcham, CFRE, vice president of advancement for the Kentucky Community and Technical College System, and chair of AFP. "However, charities have been through this sort of environment before recently—in particular, after Sept. 11—and many have prospered. Charities don't need to panic but need to retool their strategies and focus more than ever on donor cultivation and stewardship. We're also still very early in 2008, so the fundraising environment could still change significantly later in the year."