



2018 & 2019 GIVING VS. 2017 GIVING IS THIS A FORECAST OF THE FUTURE?

AFP OREGON AND SOUTHWEST WASHINGTON CHAPTER
PRESENTATION: DECEMBER 13, 2019
SPEAKER: JAMES M. GREENFIELD, ACFRE, FAHP, FAFP

2018 & 2019 GIVING VS. 2017 GIVING IS THIS A FORECAST OF THE FUTURE?

Topics for This Session: It's Donors as well as Dollars!



Preliminary results of 2017 Tax Cuts and Jobs Act on 2018 & 2019 giving
FEP's Growth in Giving Statistics, New Donor Acquisitions, Gift Revenues,
Donor Retention, Gain/Loss Analysis, Upgrading Results, and more
Fundraising Fitness Test: Compare your results to FEP benchmarks
Early 2019 Results: FEP 3rd Quarter 2019 Data
What's in your Future? FEP-ABM/FNA based on [FASB ASU 2016-14](#)

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Early Outcomes from 2017 Tax Cuts and Jobs Act

1. Doubling of the standard deduction limited the value of itemized deductions, making it more attractive/beneficial to use the standard deduction.
2. Taxpayers who typically itemized their gifts now realize any benefit from reporting/itemizing their annual contributions is less favorable – if at all.
3. An estimated ~~88%~~ of taxpayers will use 1040 EZ and take the standard deduction.
4. Early estimates of this new law on giving in America are: -> -> -> ->

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"Congress's own Joint Committee on Taxation estimated that the change in the standard deduction will reduce the number of taxpayers itemizing their deductions by about 28.5 million, from 46.5 million down to 18 million, a drop of 61 percent of taxpayers to only 12.5 percent.

The conservative American Enterprise Institute (AEI) predicted in June that "27.3 million tax filers will switch from itemizing their deductions to claiming the standard deduction in 2018." Consequently, the tax law, per AEI, "will reduce charitable giving by \$17.2 billion (4.0 percent) in 2018 according to a static model and \$16.3 billion assuming a modest boost to growth." AEI estimates that four-fifths of the decline is the result of the change in the standard deduction.

Source: Nonprofit Quarterly, "Our Burning Platform for a Universal Charitable Deduction" By THE EDITORS, September 27, 2018

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What else have we learned about this Tax Act?

AFP ICON 2019: Ten sessions focused on this issue
GIG/FEP Reports: Analysis of 2018 vs. 2017 results
Fundraising Effectiveness Report: 2018 Giving details
Early GIG/FEP 2019 results (January 1 to September 30)

2018 GIVING VS. 2017 GIVING IS THIS A FORECAST OF THE FUTURE?

Growth in Revenue 2017-2018 ([Giving USA](#) reported a -1.7% decline)

+1.63%

2017	2018
\$8.965 billion	\$9.126 billion

2018 GIVING VS. 2017 GIVING
IS THIS A FORECAST OF THE FUTURE?

Growth in Donors 2017 - 2018

- 2.8%

2017	2018
8.58 million	8.34 million

2018 GIVING VS. 2017 GIVING
IS THIS A FORECAST OF THE FUTURE?

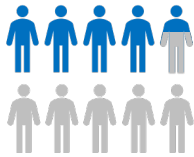
What this mean?



For every 100 donors gained, 105 were lost through attrition.

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Overall Donor Retention: 2017 to 2018



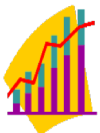
44.5%

2018 GIVING VS. 2017 GIVING
IS THIS A FORECAST OF THE FUTURE?

50% in 2008	Donor Retention	44.5% in 2018
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2018 GIVING VS. 2017 GIVING
IS THIS A FORECAST OF THE FUTURE?



How are your fundraising activities performing?

Each of your solicitation programs growing in gift revenues?

Each growing or declining in donor participation?

Want to compare your results with 10,640 other nonprofits?

Welcome to FEP's treasure trove of donor data -> -> -> ->

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- Reports from the Fundraising Fitness Test (FFT) include:
1. Your donors and dollars in five giving levels from your gift history
 2. Your donor's acquisition, renewal, and recapture statistics
 3. Your donor's upgrades, downgrades, gains/losses, and more

How do you submit your gift history to learn more?

Go to: www.afpfeop.org/Tools

FEP Fundraising Fitness Test									
12 - Year and month									
Year: 2016									
Year: 2015									
Six Year Trend Analysis									
Fundraising Performance Indicators									
All Donors Under \$100 \$100-\$500 \$500-\$1,000 \$1,000-\$5,000 \$5,000 & Up									
1. New donor acquisition rate	25%	16%	22%	89%	72%	23%			
2. Repeat donor retention rate	77%	80%	73%	62%	91%	80%			
3. Overall donor retention rate	82%	27%	83%	88%	90%	80%			
Donor Acquisition & Retention									
4. New donor acquisition rate	36%	46%	24%	7%	6%	56%			
5. Repeat donor retention rate	94%	96%	96%	9%	16%	94%			
6. Overall donor retention rate	70%	64%	80%	9%	16%	20%			
Donor Acquisition & Retention									
7. New donor acquisition rate	1,068	660	381	128	32	16			
8. Repeat donor retention rate	1,160	680	390	130	33	17			
9. Overall donor retention rate	88	5	34	4	1	1			
10. New donor acquisition rate	8%	1%	8%	3%	3%	30%			
11. Repeat donor retention rate	100%	100%	100%	100%	100%	100%			
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2018 GIVING SUMMARY

IS THIS A FORECAST OF THE FUTURE?

Fundraising Effectiveness Project: 2018 Summary FEP Results

Funds raised in 2018: \$ 9,127,176.764

Donors participating: 8,341,254

Average gift size: \$1,094

1-yr Growth in Giving:

- 3% in donors of record
- 22% donor participation
- 14% in gross revenue
- 10% in avg. gift size

The Fundraising Fitness Test reports provide benchmarking guidelines from 10,640 small to mid-size nonprofits that can be used by other nonprofits to conduct comparative results analysis and performance measurement based on their own Fundraising Fitness Test data.

2016-2018 GIVING

IS THIS A FORECAST OF THE FUTURE?

3-Yr "Growth in Giving" Analysis: 2016-2018

	2 Years Ago	Last Year	Rate of Growth	This Year	Rate of Growth	3-Year Cum
	2016	2017	2016-2017	2018	2017-2018	Growth Rate
Donors of Record	23,882,703	27,891,295	17%	31,541,513	13%	30%
Donors Participating	8,087,421	8,578,870	6%	8,341,254	-3%	3%
Percent Participating	34%	31%	-8%	26%	-14%	-22%
Gross Revenue	\$8,011,177,103	\$8,755,465,355	9%	\$9,127,176,764	5%	14%
Average Gift Size	\$991	\$1,021	3%	\$1,094	7%	10%

WHAT ARE THE PRIORITIES OF YOUR CURRENT FUNDRAISING PROGRAM?

What fundraising results are most important to your organization today?

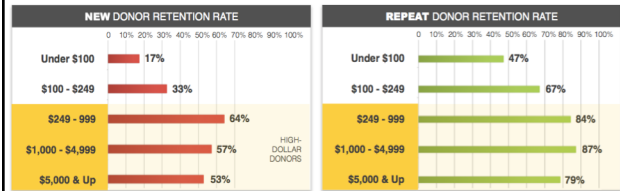
- 1) Total dollars raised?
- 2) Total numbers of donors participating?
- 3) Total net revenue for priority programs and services?
- 4) Total focus on major gifts from individuals and grants?
- 5) Total focus on fundraising costs?
- 6) Lack of focus on support from Board and CEO?
- 7) Lack of focus on recruiting and training fundraising volunteers?

WHAT NEW INFORMATION IS NEEDED TO IMPROVE FUNDRAISING RESULTS IN 2019? 2020?

How do you conduct routine evaluations of your own results:

- 1) What results or analytics does your donor software program provide?
- 2) Do you track numbers of donors participating as well as revenue received?
- 3) Do you track both gift revenue and donors for each solicitation method in use?
- 4) What details do you report as your fundraising results? How often?
- 5) Do you recognize your donors for their cumulative gift history?
- 6) Do you track donor loyalty?

ARE MORE LOYAL THAN LOW-DOLLAR SUPPORTERS



Source: Fundraising Effectiveness Project
Examination of anonymous data from 3,560 organizations thanks to their partnerships with many of the best-known software (CRM) providers. These charts represent the loyalty of donors among the top 20% fastest growing organizations in this group in 2013.

Formula: Total dollars raised in 2013 minus total dollars raised in

market smart

2018 FEP Donor Analysis of Gains and Losses by Gift Range

	<u>All Donors</u>	<u>Under \$100</u>	<u>\$100-\$349</u>
Donor gains (new & recaptured)	4,614,736	2,496,914	1,140,804
Donor losses (new & repeat)	4,852,352	2,554,200	1,221,976
Net gain in donors	(237,616)	(57,286)	(81,172)
Net gain in donors (%)	-5%	-2%	-7%
Donors lost for every 100 gained	105	102	107
	<u>\$250-\$999</u>	<u>\$1,000-\$4,999</u>	<u>\$5,000 & up</u>
Donor gains (new & recaptured)	610,468	270,359	96,191
Donor losses (new & repeat)	671,405	301,532	103,239
Net gain in donors	(60,937)	(31,173)	(7,048)
Net gain in donors (%)	-10%	-12%	-7%
Donors lost for every 100 gained	110	112	107

WHAT ABOUT GIVING IN OREGON?

*From your "2018 Year-End Charitable Giving in Oregon" Report**

Major findings:

- (a) 54% were unsure about effect of new tax law
- (b) 94% made no changes to their fundraising plans
- (c) 74% reported no effect on their organization's operations

* Source: AFP-NAO Survey (February-March 2019).

WHAT ABOUT GIVING IN OREGON?

*From your "2018 Year-End Charitable Giving in Oregon" Report**

Fundraisers Thoughts:

- (a) "2019 has potential to get a much bigger hit now that people have done their taxes."
- (b) "2019 is the year to watch. And I'm worried!"
- (c) "The current tax law has taken away important incentives for nonprofit giving."

* Source: AFP-NAO Survey (February-March 2019).

2019 GIVING VS. 2018 GIVING**WHAT HAVE WE LEARNED AT THIS POINT?**FEP 3rd Quarter 2019 Report (01/01/19 to 9/30/19)

- 2019 donors represent **66.19%** of 2018 donors as of 9/30/19
- 2019 donors declined by **-3.8%** compared to 2018 donors

Source: AFP Daily, December 2, 2019 Research & Reports: "Charitable Giving Rebounds Slightly in Third Quarter Again, But Major Gifts Still Lagging"

2019 GIVING VS. 2018 GIVING**WHAT HAVE WE LEARNED AT THIS POINT?**FEP 3rd Quarter 2019 Report (01/01/19 to 9/30/19)

- 2019 revenue represents **62.21%** of 2018 revenue as of 9/30
- 2019 revenue declined by **-4.6%** compared to 2018 revenue

Source: AFP Daily, December 2, 2019 Research & Reports: "Charitable Giving Rebounds Slightly in Third Quarter Again, But Major Gifts Still Lagging"

2019 GIVING VS. 2018 GIVING**WHAT HAVE WE LEARNED AT THIS POINT?**FEP 3rd Quarter 2019 Report (01/01/19 to 9/30/19)2019 Donor Retention compared to Q3 2018

New donor acquisition	New retained donors	Repeat Retained	Recaptured donors
62.48%	67.30%	69.91%	65.92%
-6.9%	-6.0%	+1.7%	+1.8%

Source: AFP Daily, December 2, 2019 Research & Reports: "Charitable Giving Rebounds Slightly in Third Quarter Again, But Major Gifts Still Lagging"

2019 GIVING VS. 2018 GIVING WHAT HAVE WE LEARNED AT THIS POINT?

2019 Year-to-Date Revenue = 62.21% of 2018 Revenue		
General Donor Revenue (under \$250)	Mid-Level Donor Revenue (\$250 - \$999)	Major Donor Revenue (\$1,000 & Up)
62.48%	67.30%	65.92%
+ 0.4%	- 1.7%	- 5.2%

Source: AFP Daily, December 2, 2019 Research & Reports: "Charitable Giving Rebounds Slightly in Third Quarter Again, But Major Gifts Still Lagging"

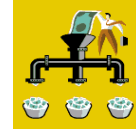
AN INTRODUCTION TO YOUR NEXT CHALLENGE

FASB ACCOUNTING STANDARDS UPDATE (ASU) 2016-14

What's coming next?

A printing machine?

No; sorry. It's FASB again!



Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14

Effective December 15, 2017, FASB ASU 2016-14 is now in effect for all nonprofits. To comply, GAAP financial statements of all charities to be audited must include a Statement of Functional Expenses (see [Table 1](#)) that provides expense information at the major program level and must disclose within the footnotes how the charity allocates all costs. Nonprofits with accounting systems in compliance with GAAP can apply their systems for tracking expenses by multiple program activities to tracking expenses by multiple fundraising activities.

The requirement also requires detailed, verifiable staff time records for multiple fundraising activities that has been an OMB requirement since 1980's or before.

Definition of a fundraising activity. A specific fundraising responsibility center for which a separate measurement of expense and/or revenue is desired. An activity is the lowest common denominator, lowest level of detail, or lowest grouping of revenues and expenses required for financial management of program activities and supporting activities, which include fundraising activities. Activity levels are determined on the basis of how minute separate measurements need to be for assessing performance against inputs of staff time and expense.

Source: "FASB ASU 2016-14 Reporting Requirements for Not-For-Profit Organizations", www.aaccfund.com

FASB ASU 2016-14

TABLE 1: GIFT INCOME, EXPENSES AND NET INCOME BY FUNDRAISING ACTIVITY

<u>Fundraising Activity</u>	<u>Gift Income</u>	<u>Expenses</u>	<u>Net Income</u>	<u>% of Total</u>
Activity A (<i>benefit events</i>)	\$499,921	\$128,835	\$371,086	12.0%
Activity B (<i>direct mail acq.</i>)	110,865	52,950	57,915	1.9%
Activity C (<i>grants</i>)	644,080	46,100	597,980	19.3%
Activity D (<i>social media</i>)	149,170	34,800	114,370	3.7%
Activity E (<i>major gifts</i>)	<u>2,177,306</u>	<u>216,500</u>	<u>1,960,806</u>	<u>63.2%</u>
Totals:	\$3,381,342	\$479,185	\$3,102,157	100.0%
Fundraising cost ratio:		<u>13.4%</u>		

TABLE 9: TEN-POINT PERFORMANCE ANALYSIS

	Number of Requests	Number of Donors	Gift Income	Percent Expenses	Average Participation	Net Gift Income	Cost per Gift	Fundraising Cost Ratio	Return on Investment
Activity A (<i>benefit events</i>)	48,631	3,343	\$499,921	\$128,835	6.9%	\$150	\$371,086	\$39	25.8%
Activity B (<i>direct mail</i>)	-0-	3	110,865	52,950	n/a	36,955	57,915	17,650	47.8%
Activity C (<i>grants</i>)	109	94	644,080	46,100	86.2%	6,852	597,980	490	7.2%
Activity D (<i>social media</i>)	707	245	149,170	34,800	34.6%	609	114,370	142	23.3%
Activity E (<i>major gifts</i>)	<u>1,630</u>	<u>891</u>	<u>2,177,306</u>	<u>216,500</u>	<u>54.0%</u>	<u>2,444</u>	<u>1,960,806</u>	<u>243</u>	<u>9.9%</u>
Grand total	51,097	4,576	\$3,381,342	\$479,185	9.0%	\$783	\$3,102,157	\$105	<u>13.4%</u>

FASB ASU 2016-14

AFP/FEP "ACTIVITY BASED MANAGEMENT" (ABM) PROGRAM

AFP/FEP's ABM Goal:

To formulate a series of recommendations and guidelines to effectively measure and enable NPOs to raise the net dollars they need to fund their program services and fulfill their missions.

"Overall total fundraising expenses and related contributions are broken into the fundraising activity structure needed for effective fundraising management: budgeting, accounting, reporting and evaluation."

(See the new "Fundraising Net Analyzer: FNA-v1.xlsx")

FASB ASU 2016-14
AN INTRODUCTION TO YOUR NEXT CHALLENGE

AFP/FEP-ABM: KEY Concepts

Development office/accounting office partnership

Developing ways that fundraisers and accountants can work together to raise the net dollars needed to fund the program services and fulfill the missions of the nonprofits that they jointly serve. Help is on the way

1. The development office designs the fundraising activity structure (what to measure?)
2. The accounting office applies these fundraising activities to the same activity-based accounting procedures required by FASB, GAAP, and IRS Form 990 reporting requirements and guidelines. *(They already do this now for all other programs/services)*

Source: www.afpfep.org/Reports

FREE DOWNLOADABLE MEASUREMENT TOOLS FROM THE
FUNDRAISING EFFECTIVENESS PROJECT

WWW.AFPEP.ORG/TOOLS

1. Fundraising Fitness Test (FFT)

In collaboration with PSI/Adventist, the FEP has developed the downloadable Excel-based Fundraising Fitness Test (FFT) that allows nonprofits to measure and evaluate their fundraising programs against a set of over 100 performance indicators by five donor giving levels. In addition, the seven GIG Reports in the downloadable Excel-based FEP Growth-in-Giving (GIG) Reports template (revised and simplified) provide concise, yet informative pictures of fundraising gains and losses growth in giving and attrition - in a simple, reader-friendly format that the executive staff and board members can understand.

2. Fundraising Net Analyzer (FNA)

AFP's Research Council created one of the greatest analytical tools for our profession through the FEP—specifically the Fundraising Fitness Test (FFT). The Fundraising and Accounting Profession Collaborative (FEP-ABM) Task Force expands on the FFT (a revenue-based analysis tool) to include fundraising expenses in as robust but simple and meaningful way—with the creation of the Excel-based “Fundraising Net Analyzer FNA-v1.xlsx”.

FASB ASU 2016-14
AN INTRODUCTION TO YOUR NEXT CHALLENGE

Six Downloadable FEP-ABM project files are now at: www.afpfep.org/Tools

- FEP-ABM Overview (PDF)
- Fundraising Net Analyzer – FNA-v1 (xlsx)
- “Applying Activity-Based Management (ABM) to Fundraising” (PDF).
- Checklist of Fundraising Activities with Definitions (PDF)
- IRS Form 990 and GAAP definitions for fundraising and functional accounting (PDF)
- FEP-ABM Glossary of Terms and Definitions (Under Construction)



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In Summary: What are today's “take-aways”?

1. Donor stewardship is a new high priority
2. Tracking your donor retention is a new high priority
3. Time to take your Fundraising Fitness Test
4. Use FEP reports as benchmarks/guidelines
5. AFP/FEP-ABM: Linking revenue & costs to net income



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Questions & Answers

Discussion

Visit us at: www.afpfep.org

Thank you

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