

Charitable Giving Rebounds in Third Quarter Again, But Major Gifts Still Lagging

For the second year in a row, several giving metrics tracked by the Fundraising Effectiveness Project (FEP) increased in the third quarter of 2019 after a dismal first six months, but most ominously, major gifts continue to falter and lag behind 2018 performance.

The FEP's *2019 Third Quarter Fundraising Report* compares fundraising year-to-date in 2019 (the first three quarters of the year) to the same time period in 2018. The report's findings are based on data from the Growth in Giving Initiative.

In the first half of the year, every metric the FEP tracks was down compared to 2018 figures. However, by the end of the quarter, three metrics were tracking better than 2018:

- Revenue from gifts of under \$250: +0.4%
- Overall donor retention: +0.7%
- Recaptured donors (donors who gave one year, then stopped giving, then gave again in a subsequent year): +1.8 percent.

"Recaptured donors have been the best performing metric all year, and it's great to see an overall positive donor retention rate as that figure has been slowly going down every year over the past decade," said **Lori Gusdorf, CAE, executive vice president of the AFP Foundation for Philanthropy**, which funds the FEP. "These figures indicate that charities may be focusing more on donor cultivation and retention, which is critical to the long-term sustainability of the sector. Charities cannot keep churning through new donors, especially as the overall number of donors continue to decrease. Plus, we also know that retaining donors is much less expensive than finding new ones. We are heartened by these numbers and encourage charities to continue their donor retention efforts."

However, despite the growth in those metrics, several other key figures are still underperforming compared to 2018. Total revenue from gifts is down -4.6%, though that metric is improved from -7.3% at the end of the second quarter. Likewise, the overall number of donors is down -3.6% (up from -5.8% at Q2), mid-level gifts (\$250 – 999) are down -1.7% (up from -3.5% in Q2) and most critically, major gifts are down -5.2% (up from -8.2% at Q2).

"Giving has definitely gotten better at the end of the third quarter compared to the mid-year point, and we have seen similar patterns in previous years," said **Ben Miller, chief analytic officer at DonorTrends and chair of the FEP Working Group**. "We know we'll see a big bump in fourth quarter of the year—but the question is how big? And that really all depends on major gifts, which can increase so significantly in the fourth quarter that it can help overall giving increase. When it comes to whether or not overall giving increases every year, the charitable sector has put all its eggs in the major gifts basket—and if that doesn't pan out, we could see flat or even significant drops in giving."

Jon Biedermann, vice president at DonorPerfect, one of the three data providers for the Growth in Giving Database, points to two key data points about major giving. "Last year, by the end of the third quarter, major gifts were already up 3.1%. For major gifts to be lagging this significantly right now in 2019 is cause for concern. But more importantly, by the end of 2018, major gifts only increased 2.6%, leading to a small increase in overall giving of 1.6%. To see significant growth in giving in 2019 will

require a large increase in major gifts, and we're very concerned that with the new tax laws that were enacted in 2017, those increases won't occur."

Major tax law changes in 2017, which took effect at the beginning of 2018, doubled the standard deduction, which in turn made it harder for some donors to tax advantage of the charitable tax deduction. More than 45 million households itemized deductions in 2016, but The Giving Institute and its *Giving USA 2019* research suggests that the number may have dropped to approximately 16 to 20 million in 2018.

"There are, of course, lots of factors that can affect giving, such as the stock market, public confidence natural disasters and other external events, so tax incentives are not the only reason that giving may go up or down," said **Jon Durnford, president of DataLake**, which supports through the FEP. "However, it often takes donors a year or so to get used to tax changes, so 2019 is the first year we'll get to see if donor behavior has changed significantly because of the new tax laws. Charities may need to get used to a 'new normal' that involves focusing on donor retention and finding new ways to inspire donor to continue giving."

About the Report

Data from the FEP's 2019 *Third Quarter Fundraising Report* is based on a panel of 4,456 charities raising more than \$4.7 billion in 2018 from the Growth in Giving Database. Organizations included in the panel for the quarterly reports have raised \$5,000 or more from 25 or more donors in each of the last six years. Revenue figures have been adjusted for inflation.

To download the FEP 2019 *Third Quarter Fundraising Report* and other quarterly reports since 2017, and to learn about other tools to help measure fundraising effectiveness, please visit www.afpfep.org.

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The Fundraising Effectiveness Project was created in 2006 through the collaboration of the Association of Fundraising Professionals and the Urban Institute. The Growth in Giving database, with more than 161 million donation transactions, is continuously updated by leading fundraising software thought leaders (in alphabetical order) Bloomerang, DonorPerfect, and NeonCRM. In addition, Softrek contributes data on an annual basis. Additional partners include the Philanthropic Services to Institutions, Seventh Day Adventist, the YMCA of the USA, DonorTrends, and DataLake.

The quarterly FEP reports are intended to provide a snapshot of giving behavior in the US in real time. Representative of most nonprofit sectors in most US states, it is meant as a companion study in addition to other research, including the long-established *Giving USA Report* issued each June which measures all philanthropy, in all sectors, across the United States.