Inside Philanthropy

Does Your Nonprofit Suck at Fundraising? Here's a Report That Will Tell You

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It's hardly a secret that many small nonprofits are far better at executing their missions than raising the money to carry them out. Why is that? One reason is that these outfits are often founded by people who are passionate about a cause—but clueless about how to hit up donors for dough.

Another reason, though, is that fundraising is a murky enterprise. While there's a lot of "how-to" information out there, it can be hard to gauge how well you're doing and measure your progress in tangible ways. Even indefatigable fundraisers who fearlessly blast through their call lists and have a knack for scoring lunch dates with hot prospects, may wonder whether they're being strategic enough or meeting their potential. And, of course, they wonder how their group stacks up against other, similar organizations when it comes to pulling in funding.

All of which helps to explain why Heather Yandow, a nonprofit consultant at Third Space Studio, launched the Individual Donor Benchmark Report with consultant Meredith Emmett and BC/DC Ideas. "I began this project because I believe that successful fundraisers set ambitious yet realistic goals, experiment with new strategies, and invest in the strategies that work. Knowing what works means doing some deep analysis."

This year, the report drew upon the experience of 87 small nonprofits (those with annual budgets of $2 million or less), up from 29 in 2013. It found some telling trends. For example:

- Less than half of board members play significant roles in individual donor fundraising.
- Organizations that offered memberships generally had more contributors who donated less money.
- The average percentage of total revenue from individual donors held constant at 36 percent. The average gift grew slightly to $435, but the average online gift more than doubled from $94 to $210.
- Organizations raised an average of 51 percent of their income from donors giving less than $1000 while they averaged 29 major donors with gifts of $3,921.

- Environmental and animal welfare organizations were the most dependent on individual donations, while arts and culture organizations were the least, probably because the latter groups get more funding from governments and grants.
- Overall, the small nonprofits in the survey had revenue increase by 47 percent between 2013 and 2014, while individual donor contributions grew by 67 percent.

The report breaks down its numbers by the size of organizations, to help you get a fix on how well your outfit is doing compared to groups at the same level. So, for instance, it shows that nonprofits with annual revenue between half a million and a million dollars raised just over $200,000 in 2014 on average, or 29 percent of their budgets. And these groups had, on average, 512 donors whose average gift was $422.

If your group pulled in a fraction of that money, or has many fewer donors, it's probably time to shake things up. If you far exceeded these benchmarks, than obviously, you're doing something right.

The report has other useful insights, too. For example, the researchers asked nonprofit fundraisers what the biggest challenge was in terms of raising money from individual donors. The number one obstacle cited was "time" and the top wish of fundraisers was more help to develop and execute individual fundraising efforts. No surprise there. As many nonprofit execs know, cultivating new donors (and keeping existing ones engaged) is a massive time suck—especially if you have donors who are high maintenance.

The report also probed the perennial question of how nonprofits can get away from dependency on foundation grants. That's a common goal, since—among other things—gifts from individual donors come with fewer restrictions and less paperwork.

But while the report found that it's a good time to be hitting up donors for money, with organizations reporting a 67 percent increase in revenue from individual donors, it also found that nonprofits remain shackled to foundations. In fact, nonprofits "have become even more dependent on this revenue source over the past five years—even with significant growth in individual donor revenue."

In other words, while many nonprofits fantasize about the freedom and resources that come from a robust stable of individual donors, most report that they don't have the time to fully cultivate this kind of donor base and, instead, remain trapped on the foundation grant treadmill. That grim picture will resonate with many nonprofit fundraisers, who've been living this reality for years.

There's a bunch of other interesting findings, including about how to communicate with donors and the staffing of development departments. But here's the most important (and hopeful) takeaway of the research: The single biggest factor that contributed to a nonprofit's fundraising success was creating and relying on a strategic fundraising plan.

There's no secret sauce to fundraising, the report states. "It's just a plan, man." And if you have that plan, everything you do to boost your fundraising will be more effective, from hiring new staff to meeting with prospects. Most notably, the report suggests that it's pretty much guaranteed that you'll recoup the salary costs of fundraisers through more revenue—assuming you have a plan. To put an even finer point on things, it found that the more you pay these fundraisers, the more money you'll bring in. "In fact, for every $1 more you pay your primary individual donor fundraiser, you are able to raise another $4.25."

Development folks: Is this music to your ears, or what? Grab this report and send it to your boss and your board.

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