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AFP State of Fundraising 2002 Report



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ASSOCIATION OF FUNDRAISING PROFESSIONALS

Study of the State of Fundraising 2002

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Introduction

Many charities spent the beginning of 2002 recovering from the extraordinary events of 2001 and sorting out how they and their donors were affected. Compounding the uncertainty around national security, terrorism and other volatile conditions in parts of the world, the economy was still faltering and the stock market was still not showing signs of recovery.

Even though predictions were dire for fundraising efforts in 2001, most AFP member organizations experienced increases in fundraising at the end of the year when compared with year-end totals for 2000, as reported in AFP's first year-end survey (*AFP State of Fundraising 2001*). Respondents to that survey also were optimistic in their predictions for funds raised in 2002, despite the challenges they noted: the flailing economy, finding and motivating new donors, and training leadership within their organizations. A majority of respondents expected to raise more funds in 2002 than they did in 2001.

Unfortunately, the expectation of raising more funds may have been too optimistic for some organizations in 2002. Fundraisers were faced not only with lingering challenges from 2001 (e.g. the economy), but also war in Afghanistan, and later in the year, the threat of war in Iraq. There were more issues on the home front with a rash of corporate scandals and fraud affecting the mindset of most consumers. Congressional investigation into the charitable response to the tragedies of Sept. 11 created additional concern about charity operation and management. Public confidence in the charitable sector, though still high when compared with the for-profit sector, had never been as low. All of these events and conditions took their toll on fundraising in North America.

How much of an impact would these events have on charitable fundraising in 2002? And would charities be able to weather these storms as smoothly as they did in 2001?

With more than 26,000 members around the world, the Association of Fundraising Professionals (AFP) conducted the *State of Fundraising 2002* survey to find the answers to these questions.

Executive Summary

In early 2003, the Association of Fundraising Professionals asked charities to compare their fundraising totals at the end of December 2002 to the amount they raised at the end of 2001.

AFP wanted to learn:

- how charities fared in 2002 against the same time period in 2001
- what challenges were identified as affecting fundraising and what challenges did fundraisers anticipate facing in 2003
- how year-end 2002 compared in dollars raised against year-end 2001.

The findings showed that in 2002, 49 percent of charities in the United States raised more money than they did in 2001, a drop from the 60 percent of charities in 2001 that raised more money than they did in 2000. Charities in Canada fared better overall. In Canada, 63 percent of charities reported raising more funds in 2002 than 2001.

Thirty-nine percent of U.S. respondents said they raised less money in 2002, and 11 percent said they raised about the same amount. In Canada, 25 percent of respondents said they raised less money in 2002 and 12 percent raised the same amount. In the previous survey covering 2001, 60 percent of all respondents raised more money, 30 percent raised less and 10 percent raised the same amount.

Respondents said the economy was a key factor in their 2002 fundraising efforts: 81 percent rated the economy as having a “great” or “significant” impact on fundraising. In contrast, the aftermath of Sept. 11 was rated as having “great” or “significant” impact by only 31 percent of respondents, with 42 percent indicating it had “little” or “minor” influence on their fundraising operations.

Despite the results, fundraisers were still somewhat optimistic about 2003. Forty-five percent said they expected their fundraising to be higher in 2003 than in 2002, while only 16 percent said they expected to see lower results.

The year-end findings in this report are based on a survey of randomly selected AFP members, from all types of charitable organizations. Throughout this report, AFP also used data from previous surveys, including *AFP's State of Fundraising 2001* and *AFP's Impact of Sept. 11 survey* (which asked members to compare fundraising totals of August and October 2001 to the same time period in 2002). The use of this data is intended give some perspective on the changing fundraising environment and the longer-

term impact of key events such as Sept. 11.

The responding organizations also provide their predictions for charitable fundraising in 2003. Some of their comments and ideas are woven throughout this report, while others are featured in a special section beginning on page 20. Their observations may prove interesting as you compare them to your organization's experiences.

About This Report

This report is based on responses to an email survey of AFP's members conducted from February to March 2003. A random sample of two pools of AFP members (3,000 each from the United States and Canada) received an email directing them to a special website through which they entered their responses. All respondent data has been kept strictly confidential. There were 343 Canadian responses and 311 U.S. responses. The respondents represent a broad range of organizations in terms of budget size and practice setting. This is the second in a series of reports to track the annual year-end state of fundraising in the charitable sector.

About AFP

The Association of Fundraising Professionals (AFP) represents more than 26,000 members in 170 chapters throughout the world, working to advance philanthropy through advocacy, research, education and certification programs. The Association fosters development and growth of fundraising professionals and promotes high ethical standards in the fundraising profession. AFP was formerly the National Society of Fund Raising Executives (NSFRE). For information about AFP or to join the world's largest association of fundraising professionals, visit www.afpnet.org.

Acknowledgement

AFP would like to acknowledge the significant effort made by many of its members in providing timely survey responses for this report.

Respondent Profile

All respondents are members of AFP. To compare the 2002 year-end fundraising efforts to 2001 on organizations of different sizes, the respondents indicated their annual operating budget and the total amount raised in contributed gifts for fiscal year 2002. The organizations also specified in which one of eight practice settings they belong. AFP also used data from the first report, *State of Fundraising 2001*, when comparing 2002 year-end trends to those of year-end 2001.

Breakdown of Respondent Pool by Size

The organization size of respondents ranges from those with contributed gifts totaling less than \$250,000 to those with more than \$50 million in total funds raised. However, most respondents fall somewhere in the middle of this span.

The U.S. group is split fairly evenly among those organizations with less than \$1 million in contributions (51 percent) and those with \$1 million or more in contributions (49 percent). Of the groups noted above, those reporting \$1 million to \$5 million in funds raised accounts for the largest single pool of respondents (34 percent).

The Canadian respondents are heavily weighted in those reporting less than \$500,000 in contributions, accounting for 53 percent of those responding, with 47 percent reporting contributions over \$500,000. The largest single group is comprised of those who raised less than \$250,000 (43 percent), while the second largest group is made up of those who raised between \$1 million and \$5 million (26 percent).

In terms of annual operating budget, the bulk of U.S. respondents (42 percent) have annual operating budgets from \$1 million to \$10 million, with 21 percent falling within the \$1 million to \$3 million range. A significant portion of U.S. respondents are small organizations, with 31 percent having budgets of less than \$1 million. Another 27 percent of U.S. respondents are large nonprofits with budgets of \$10 million or more.

The operating budgets of Canadian respondents are similar to their U.S. counterparts, with 43 percent reporting budgets from \$1 million to \$10 million, with 24 percent in the \$1 million to \$3 million range. A sizeable portion of the Canadian respondents are also small organizations, with 32 percent having budgets less than \$1 million. Organizations with large budgets of \$10 million or more represented the final 25 percent of Canadian respondents.

Breakdown of Respondent Pool by Practice Setting

There are some slight differences between the U.S. and Canadian respondents when it comes to their practice settings.

Healthcare organizations make up the largest segment of both countries' respondents, accounting for 22 percent of U.S. respondents and 23 percent of Canadian respondents. Rounding out the top three practice areas represented by U.S. respondents are **education**, which covers 22 percent of respondents; and **social service**, which represents 21 percent of the survey pool. **Arts/cultural, religious, public society/benefit and environmental groups** each account for a small percentage (less than 10 percent each) of respondents.

Rounding out the top four of Canadian respondents are **social service**, which represents 19 percent of respondents; **arts/cultural** with 15 percent of respondents; and **education**, which represents 14 percent. With the exception of arts/cultural, all the other groups listed above are represented in the Canadian pool with each group accounting for less than 10 percent of the total respondents.

Report Findings

This is one in a series of surveys developed to track the state of fundraising in the United States and Canada. The first two studies of AFP members (October 2001, *Impact of September 11*, and December 2001, *State of Fundraising 2001*) showed the immediate effects of Sept. 11 and the slowing economy on the charitable sector's fundraising efforts in the short term. Members were asked to compare funds raised from 2000 to funds raised in 2001, to list challenges and issues faced during the year and to predict their fundraising effectiveness in the following year. The results were published in the *State of Fundraising 2001* report, which can be found at www.afpnet.org.

For the *State of Fundraising 2002* report, another dimension was added. Members in the United States and Canada were separated to report trends in each country. (In the case of Canadian members, the entire membership roster was surveyed with a representative sample responding to the survey.) The intent of the survey was to answer these questions:

- 1. How do the funds raised by year's end 2002 compare with those raised in 2001?**
- 2. Is this consistent among all sizes of charitable organizations regardless of the amount of funds raised?**
- 3. Are the findings consistent throughout the various subsections or practice settings?**
- 4. How are these findings different from those in the *State of Fundraising 2001* report?**
- 5. What were the biggest challenges affecting fundraising professionals in 2002?**
- 6. What do fundraising professionals believe will be the biggest challenges in 2003?**
- 7. Do fundraisers believe funding levels will increase, decrease or stay the same in 2003?**

Based on the survey responses, the following observations can be made:

1. How do the funds raised by year's end 2002 compare with those raised in 2001?

Overall fundraising in North America was mixed — with the majority of Canadian fundraisers reporting raising more funds than in 2001, while U.S. fundraisers were more likely to raise the same or less comparing 2002 to 2001. Nearly two-thirds of Canadian respondents (63 percent) reported raising more funds in 2002, while slightly less than half of U.S. respondents (49 percent) could claim fundraising increases over 2001 totals.

That left more than one-third (39 percent) of U.S. fundraisers and one-quarter (25 percent) of Canadian fundraisers raising fewer funds than the previous year. An additional 11 percent of U.S. respondents and 12 percent of Canadian respondents raised about the same in 2002 as they did in 2001.

Chart 1: Change in Funds Raised, 2001 - 2002

Compared to 2001	United States	Canada
<2001	39%	25%
About the same	11%	12%
>2001	49%	63%

2. Is this consistent among all sizes of charitable organizations regardless of the amount of funds raised? Overall, both U.S. and Canadian respondents reported mean percentage increases in fundraising, but Canadian organizations saw a mean percentage increase of 8 percent, while U.S. nonprofits reported less than 2 percent growth in dollars raised over 2001 figures.

Chart 2: Est. Mean 2001-2002 Change in Dollars Raised from All Sources		
2002 Dollars Raised: All Private Sources	U.S Mean % Change	Canada Mean % Change
1 <\$250,000	.36	7.03
2 \$250K-\$500K	-4.26	12.40
3 \$500K-\$1M	1.22	7.94
4 \$1M-\$5M	4.86	10.60
5 \$5M-\$10M	.58	-1.93
6 \$10M-\$50M	6.02	6.64
7 \$50M+	-2.72	9.94
Total	1.63	8.28

In the U.S., two subgroups did worse year-end 2002 than they did in 2001. Organizations raising between \$250,000 and \$500,000 saw a mean percentage decrease in funds raised of roughly 4 percent, and those large nonprofits raising \$50 million or more experienced almost a 3 percent drop in funds raised over the previous year. Only one subgroup in the Canadian sampling experienced a shortfall in fundraising in 2002 — those nonprofits raising \$5 million to \$10 million reported almost a 2 percent decrease over 2001 year-end totals.

In contrast, two subgroups in the Canadian sample reported more than 10 percent growth in funds raised over 2001 totals. Small organizations raising \$250,000 to \$500,000 reported almost 13 percent increases and nonprofits raising between \$1 million to \$5 million also saw double-digit growth at nearly 11 percent.

3. Are the findings consistent throughout the various subsections or practice settings? Increases in fundraising were seen in nearly all practice settings of the charitable sector in both the United States and Canada. In the United States, the increases were smaller — education, social service, arts/cultural and healthcare all posted mean percentage increases of 3 percent to 4 percent. In Canada, several subgroups reached double-digit mean percentage increases including religious (16 percent), public society/benefit (13 percent) and education (12 percent).

The exceptions to the increases in the United States were fundraising for environmental, public society/benefit and religious organizations, although AFP did not receive enough responses from these groups to have a statistically valid sample. In Canada, there was only one group with a negative mean percentage change from funds raised in 2001 – environmental organizations – but again AFP did not receive enough responses in this subgroup for a statistically valid sample. The following charts show the wide range of responses throughout the categories.

Chart 3a: U. S. Respondents 2001-2002 Change:						
Raised from All Sources						
Compared to 2000	All Respond	Arts/Cultural	Social Svc.	Education	Healthcare	Religious
- 50% or less	5.4		1.5		5.9	
- 49-40%	2.6		4.6	3.0	1.5	
- 39-30%	3.8		1.5	6.1	5.9	5.6
- 29-20%	6.4	21.1	6.2	6.1	4.4	5.6
- 19-10%	6.7		7.7	6.1	5.9	5.6
- 9- 1%'	14.4	10.5	18.5	19.7	5.9	33.3
No Change	12.2	15.8	6.2	6.1	20.6	22.2
+ 1- 9%	18.6	21.1	21.5	18.2	16.2	16.7
+ 10-19%	13.1	21.1	10.8	16.7	14.7	
+ 20-29%	7.1		12.3	6.1	5.9	5.6
+ 30-39%	1.6	5.3		3	1.5	
+ 40-49%	2.2		3.1	1.5	2.9	
+ 50% or more	5.8	5.3	6.2	7.6	8.8	5.6
<i>Mean</i>	<i>1.63</i>	<i>3.45</i>	<i>3.75</i>	<i>4.39</i>	<i>3.08</i>	<i>-0.06</i>
<i>Respondent pool of subsections too small to be statistically valid.</i>						

Chart 3b: Canadian Respondents 2001-2002 Change:						
Raised from All Sources						
Compared to 2000	<i>All Respond</i>	<i>Arts/Cultural</i>	<i>Social Svc.</i>	<i>Education</i>	<i>Healthcare</i>	<i>Religious</i>
- 50% or less		1.6	11.1	16.7		1.8
- 49-40%				8.3		
- 39-30%	4.3	1.6		8.3		1.8
- 29-20%	2.1	3.3	2.2			3.6
- 19-10%	10.6	8.2	2.2	8.3	15.4	5.5
- 9- 1%'	10.6	8.2	4.4	8.3		12.7
No Change	17	6.6	13.3		15.4	10.9
+ 1- 9%	19.1	32.8	15.6	25	15.4	27.3
+ 10-19%	17	16.4	15.6	8.3	15.4	14.5
+ 20-29%	2.1	9.8	8.9	8.3	23.1	5.5
+ 30-39%	2.1	3.3	2.2	8.3		5.5
+ 40-49%	2.1		4.4			
+ 50% or more	12.8	8.2	20		15.4	10.9
<i>Mean</i>	<i>8.28</i>	<i>9.28</i>	<i>8.57</i>	<i>12.22</i>	<i>5.74</i>	<i>15.65</i>
<i>Respondent pool of subsections too small to be statistically valid.</i>						

4. How are these findings different from those in the *State of Fundraising 2001* report? The *State of Fundraising 2001* report surveyed a representative sample of the overall AFP membership, rather than dividing U.S. and Canadian respondents into two surveys. For use in this report, non-U.S. respondents were suppressed from the 2001 survey results to allow for comparison between U.S. respondents in the 2002 survey to the one reporting year-end 2001 data.

In the report focusing on organizational performance in 2001, more charities reported increases in funds raised at the end of 2001 than they did in 2002. Sixty percent of respondents reported increases in funds raised in 2001 over the funds raised in 2000. At the conclusion of 2002, those reporting increases in funds raised had dropped to 49 percent. The number who reported raising the same amount of funds year-to-year remained roughly the same at 10 percent to 11 percent. Respondents who reported raising less funds at the end of 2002 when compared with 2001, increased by 9 percent, from 30 percent in 2001 to 39 percent in 2002.

Chart 4a: Past Year – Present Year Change in Monies Raised – U.S. Respondents

Change Past Year- Present Year	U.S. 2001	U.S. 2002
Lower than Past Year	30%	39%
About the Same as Past Year	10%	11%
Higher than Past Year	60%	49%

When asked in the 2001 survey to predict their fundraising performance for 2002, fundraisers were very optimistic about their ability to increase their organizations' fundraising totals. In the 2002 survey a significant shift occurs – fundraisers are not as optimistic as they were in 2001, with only 45 percent predicting increases in funds raised in 2003 compared to 58 percent who predicted raising more funds in the 2001 survey.

Chart 4b: Predicted Present Year — Next Year Change in Monies Raised – U.S. Respondents

Predict Present – Next Year Change	U.S. 2001	U.S. 2002
Lower in the Next Year	13.9%	16.3%
About the Same	28.0%	38.1%
Higher in the Next Year	58.1%	45.3%

5. What were the biggest challenges affecting fundraising professionals in 2002?

The No. 1 response to “what was the biggest challenge your organization faced in 2002?” from roughly 40 percent of U.S. respondents and 13 percent of Canadian respondents was the state of the economy, including fluctuating stock markets.

Challenges Cited by U.S. Respondents

Although only 40 percent cited the economy as the No. 1 challenge, 81 percent of respondents reported that it was having a great impact upon their organizations and their fundraising in 2002. Other top challenges cited among U.S. respondents included:

- staffing issues in the development office, including attracting, retaining and hiring the right mix of staff with the needed skills (7 percent noted as No. 1 challenge).
- problems with overall leadership — board, volunteer and staff — with respondents citing lack of clear strategic vision, and leadership who didn’t understand or embrace the development function (7 percent noted as No. 1 challenge).
- decreases or lack of foundation and corporate support and the challenges in attracting and keeping support from these groups (7 percent noted as No. 1 challenge; 30 percent cited reductions in foundation support as affecting them greatly and 34 percent reported reduction of corporate support and sponsorship as an issue greatly affecting their charities).
- attracting, motivating and retaining donors was the No. 1 challenge for 5 percent of respondents.
- international and political issues, including war and terrorism, was listed as the No. 1 challenge by 5 percent of respondents (31 percent reported that other issues besides the economic impact felt in the aftermath of Sept. 11 greatly affected their fundraising efforts).
- brand awareness of the charity and its mission, as well as better overall promotion and marketing, was cited by 4 percent of respondents.
- other responses included: the competition among charitable organizations for philanthropic dollars (34 percent felt this had a great impact on their fundraising effectiveness), the need for strategic fundraising and overall

nonprofit organization planning, the lack of resources in the face of increasing need, and the recent scandals involving individual charities and the Catholic Church (12 percent cited the decrease in public confidence in charities as a major factor, though not the No. 1 challenge facing their organizations).

Challenges Cited by Canadian Respondents

More than half of all Canadian respondents (57 percent) cited the economy as having a great impact on their organization and their fundraising effectiveness; however, only 13 percent singled it out as the largest single challenge. The remaining 87 percent of respondents cited a wide array of challenges as their No. 1 challenge.

These challenges included:

- staffing issues, including recruitment, retention and finding the right people with the right skills (11 percent reported as their No. 1 problem).
- branding the charity and creating awareness for the organization within the community was a continuing challenge cited by 10 percent of Canadian respondents.
- changes in the fundraising culture, including government-funding cutbacks as well as funding from foundations and corporations, was cited by 9 percent of respondents (31 percent of overall respondents cited decreasing foundation support as having a great impact on their effectiveness; 28 percent reported cuts in federal and provincial budgets as having a great impact; and 18 percent of respondents singled out decreased foundation support as having a great impact on their organizations).
- competition from other charities for philanthropic dollars (8 percent reported competition as their No. 1 challenge; 43 percent overall reported that competition from other charities had a great impact on their organizations in 2002).
- developing fundraising strategies in light of the changing fundraising landscape, including overall strategic planning for their organization (7 percent of respondents).
- problems with overall leadership — board, volunteer and staff — with

respondents specifically citing leadership who didn't understand or embrace the development function (7 percent noted as No. 1 challenge).

- limited resources and multiple demands on the time available (cited by 7 percent of respondents).
- other responses included: waning public confidence and not enough emphasis on stewardship (17 percent cited a decrease in public confidence in charities as having a great impact on their organization), aging and fatigued donors and volunteers, decreased effectiveness in some fundraising methods (direct mail, door-to-door canvassing, telemarketing) and problems with overall organization's finances.

6. What do fundraising professionals believe will be the biggest challenges in 2003? More than one-third of U.S. respondents (36 percent) and 14 percent of Canadian respondents predict that the economy will continue to plague charities and philanthropy throughout 2003.

2003 Challenges Cited by U.S. Respondents

The following were cited as the biggest challenges for 2003:

- the largest pool of respondents, 36 percent, cited the economy as the biggest challenge.
- 17 percent of respondents reported that the war in Iraq, terrorism and other world events would have the greatest impact on their organizations in 2003.
- finding new donors as well as retaining and increasing giving from existing donors was targeted by 12.7 percent of respondents as their biggest challenge.
- 6 percent singled out the need for leadership within their organizations, especially from the board and CEO on fundraising issues.
- the loss of foundation and corporate support was noted by 4 percent of respondents as the single biggest issue facing them in 2003.
- other challenges include: finding and keeping the right staff, especially in the development office; developing new programs outside their current strategies and changing existing fundraising strategies to be more effective (methods cited include major gifts, planned giving, capital campaigns, special events, increasing the effectiveness of the annual campaign, etc.); the effect government action (or lack of action in the case of funding) may have; and getting the word out to the public about the work and mission of the organization.

This list is almost identical to the list of challenges compiled for 2002. In fact, the entries are in the same order with the exception of the No. 2 slot, which in this report took into account the situation in Iraq. Otherwise, the economy, continuing to focus on donors, and leadership issues are all still top challenges affecting U.S. fundraising professionals and their organizations.

2003 Challenges Cited by Canadian Respondents

The following were identified by Canadian respondents as having the greatest impact on their fundraising effectiveness in 2003.

- the sluggish economy and the impact of the unstable stock market on their organizations and donors was cited as the No. 1 challenge by 14 percent of respondents.
- competition from other charities for philanthropic dollars was cited by 9 percent as the greatest challenge.
- international and political issues, including the war in Iraq, the situation in the Middle East and continued threat of terrorism, was identified by 7 percent of respondents.
- recruiting and retaining donors as well as changing demographics and aging of some donors was cited by 7 percent as their greatest challenge in 2003.
- the ability to effectively solicit corporate and foundation support in light of decreasing support from both these groups was noted by 6 percent of respondents.
- the impact the government will have in 2003 with more cutbacks, pending legislation and its overall lack of understanding charities and their purpose in society was cited by 5 percent of respondents as their greatest challenge.
- continuing challenges in finding, motivating and keeping skilled professionals in the development department was cited by 5 percent of respondents.
- the need for the board and CEO to show more leadership and support of fundraising activities in the organization was cited by 5 percent of respondents.
- beginning, continuing and completing capital campaigns was cited as the greatest challenge by 5 percent of respondents.
- other responses include: developing infrastructure and resources within the organization; limited resources, especially in light of increasing constituent needs; the need for more strategic planning within the organization; increasing contributions to the major gifts program; changing the organization's focus on fundraising; volunteer recruitment, retention and increasing fatigue; the need to publicize the charity's work among the community and general public.

7. Do fundraisers believe funding levels will increase, decrease or stay the same in 2003? The majority of fundraisers surveyed believe that fundraising will increase in 2003 despite the challenges listed above. Canadian respondents were more optimistic than their U.S. counterparts with 68 percent predicting fundraising increases in 2003 compared to 45 percent of U.S. respondents.

An additional 21 percent of Canadian respondents and 38 percent of U.S. respondents predict that funding levels will remain steady with 2002 levels. But almost 11 percent of Canadian respondents and 17 percent of U.S. respondents believe that their organizations will raise less funds.

Chart 7a: Change in Fundraising Totals – Predictions for 2003

<i>In 2003, organization will raise:</i>	<i>United States</i>	<i>Canada</i>
Less funds than 2002 totals	16.6 %	10.9%
The same as 2002	38.1%	21.3%
More than 2002 totals	45.3%	67.8%

Among the practice settings in the United States, all groups predicted increases in funds raised in 2003 except those working in the education and religious subgroups. The majority in those groups predicted that funds raised in 2003 would be the same amount as those raised in 2002.

In Canada, the majority in all practice settings predicted increases in funds raised in 2003 over 2002 totals with the exception of environmental organizations. Respondents from environmental groups were more likely to predict funds raised will remain steady at 2002 levels, although the number of respondents in this subgroup is too small to be statistically valid.

Chart 7b: Predicted 2003 Changes in Fundraising by Sector—United States						
Comparing 2003 to 2002	<i>All Respond</i>	<i>Arts/Cultural*</i>	<i>Social Svc.</i>	<i>Education</i>	<i>Healthcare</i>	<i>Religious*</i>
Fewer Funds will be Raised	16.6	10.5	26.2	21.5	8.8	33.3
About the same	38.1	42.1	21.5	41.5	39.7	44.4
More Funds will be Raised	45.3	47.4	52.3	36.9	51.5	22.2

**Respondent pool of subsections too small to be statistically valid.*

Chart 7c: Predicted 2003 Changes in Fundraising by Sector—Canada						
Comparing 2003 to 2002	<i>All Respond</i>	<i>Arts/Cultural</i>	<i>Social Svc.</i>	<i>Education</i>	<i>Healthcare</i>	<i>Religious*</i>
Fewer Funds will be Raised	10.9	13.0	8.2	13.3	12.2	15.4
About the same	21.3	23.9	24.6	15.6	16.2	23.1
More Funds will be Raised	67.8	63.0	67.2	71.1	71.6	61.5

**Respondent pool of subsections too small to be statistically valid.*

Challenges and 2003 Predictions

Survey respondents were invited to share their thoughts on the biggest challenges facing their fundraising efforts in 2002 and their predictions of challenges that lie ahead in 2003. Several common themes appeared in the more than 600 comments provided by the fundraising professionals in both the United States and Canada who responded to the survey.

The Economy – No. 1 Challenge

The economy leads the list of challenges affecting survey respondents for the second year in a row. The uncertain economy, and the effect that it had on the stock market and funding from various donor and foundation pools, continues to hamper fundraising efforts. More than one-third of U.S. respondents (36 percent) and 14 percent of Canadian respondents predict that the weak economy will continue to affect charities and philanthropy throughout 2003.

“The uncertainty of the markets right now [is our biggest challenge],” explains one Canadian respondent. “Most [donors] are playing their cards close to themselves. We had more donors this year giving smaller amounts, so overall we raised more but had no gifts larger than \$5,000.”

Another Canadian respondent added, “[The biggest challenge last year] was a result of foundations’ investments decline, which resulted in major shortfalls in their ability to give, especially American foundations.”

A U.S. respondent agreed, adding, “The economic downturn of the U.S. in the aftermath of Sept. 11 [is our greatest challenge]. Stocks have fallen drastically, which means corporations have cut back on their philanthropic priorities. On the other side, many of the foundations we have been funded by in the past have changed their priorities, while our donors are feeling unstable and aren’t giving as freely as they once were.”

Several respondents (both U.S. and Canadian) noted that the sustained downturn in the economy has left donors leery of what the future may bring – and has increased their tendency to give less now until they see signs of a recovery. One respondent labeled this as “the general mindset of uncertainty – the perception of scarcity, whether it was real or not.”

Respondents also pointed to decreases in government spending at the federal and state/provincial levels and the challenge these cutbacks present to organizations that are used to receiving significant levels of government funding, in healthcare for example.

Many respondents echoed the sentiments of the fundraiser who noted the greatest challenge as “the combination of a tighter economy, which affects corporations and individuals, coupled with the number of requests for help.”

Challenges in the Development Office

Respondents reported challenges in the development offices also. From turnover in development leadership and staff to lack of qualified fundraising executives, 11 percent of Canadian respondents and 7 percent of U.S. respondents reported challenges in staffing and leadership as their No. 1 obstacle in 2002.

The majority of respondents who cited staffing issues as their No. 1 challenge in 2002 specifically cited staff turnover as especially troubling. One respondent explained his situation as “for four months an inexperienced development department was operating without a director of plan for fundraising. The corporate development manager position was vacant for another four months, and the position turned over twice in a 12-month period.” Many also mentioned that internal staff cutbacks also reduced the potential for fundraising. One respondent pointed out that staff turnover and layoffs also affected the confidence of the remaining employees.

Several respondents noted it was not just the lack of fundraisers but the challenge in finding the right people for the right positions. “Having enough human resources to do the amount of creative, detailed work that needs to be done in order to build stronger fundraising programs,” was the challenge for one respondent. Another noted the “need for increased technical and specialized knowledge in the field of fundraising.”

Perhaps this respondent summed it up best with “too much work for too few people.”

Challenges in Board and Charity Leadership

Almost the same number of survey respondents in the United States and Canada reported problems with leadership issues in the organization — roughly 7 percent reported challenges with management and board leaders.

“Changes in leadership” was cited by several respondents in comments about leadership within the organization and among board members. One respondent explained his situation with “high board turnover, new board members who were not clearly asked to raise money when they came on the board, or even told they didn’t have to.”

Several respondents reported that the leadership of the organization did not give enough time to fundraising – one respondent labeled it “all talk, no action.” “Getting board members motivated to ‘open doors’ and help raise money,” was cited as the greatest challenge by one respondent. These, coupled with comments about boards that lack enthusiasm for the overall fundraising process, made the list of setbacks of those surveyed.

The frustration of one respondent came through as he noted that in his organization “significant board membership changes [coupled with a] very limited belief in relevance and value of fundraising to the organization. Lack of strong leadership at the board and executive director level. I quit!”

One respondent noted the frustration with “senior management not being in tune with development and still wanting to micro-manage the process.”

Several respondents noted the trend toward fundraising in light of cutbacks from established and traditional funding sources. These were typically responses from fundraisers who had been hired as a result of this trend and then tasked with educating the board in how to successfully fundraise.

Also many respondents described, in the words of one, that “internal questions regarding long-range fundraising ideas and strategies created a difficulty for board and staff to shift to these new strategies.” Another noted the need for the board to “accept the idea of planned gifts and endowment building. Plan for tomorrow; do not spend everything today.”

Branding the Mission and Communicating the Vision

Several respondents in both Canada (10 percent of respondents) and the United States (4 percent of respondents) mentioned “getting the word” out about the work and mission of their organizations as their greatest challenge. Even greater numbers cited the growth in competition for philanthropic dollars as a significant challenge to their fundraising efforts.

One respondent noted the “competition to effectively brand our services and market them accordingly, amidst media clutter.” Another admits to “limited public name recognition, which makes competing for dollars difficult.”

Another respondent blamed the organization’s “low profile and lack of community awareness” to attracting the types of volunteer support the organization needs. While another noted “before June 2002, very little had been done to attract donors. The charity is virtually unknown even though it has been providing services for 16 years.”

“The biggest challenge is coming up with creative ideas that will single us out from the mainstream, being creative with special events, direct mail, annual giving programs,” explained one respondent. “Why should a donor today choose YOU?”

In Canada, several respondents noted, the number of “questionable charities that have been issued CCRA registration, with similar names to ours and are using the same colour combinations in print materials which appears to have been done to confuse the public.”

As for competition in attracting charitable dollars, one respondent noted that “our sector should also look at the increasing duplication of efforts (among charities); this is especially prevalent during the Christmas giving season.”

A respondent noted, “on your 1 to 5 scale, I would rate too much competition and too many not-for-profits as about a 100 as the biggest challenge to fundraisers, AND the No. 1 reason people say they won’t give.”

Another expressed the opinion that “with competition for philanthropic dollars in a tight economy, donors who are not already committed to your organization and your mission, are more likely to direct their support elsewhere” especially coupled with a rising lack of confidence in charities and relevance of the work that some of them do, he noted.

Several respondents noted that in this competitive marketplace “the larger ones are able to afford the resources to properly fundraise, making it difficult for the smaller guys to compete.”

Perhaps one respondent summed it up best with “there are too many straws in the water.”

Some Good News

Several respondents noted that their biggest challenge was repeating the success they've had in recent years. "Big gifts in 2001 made 2002 a challenging year," notes one respondent. "But we were able to match the previous year's record amount." While another respondent noted "the struggling economy had some impact on gifts in the \$500-\$1,000 range; however, we had more large gifts (six and seven figures) that made for a tremendously successful year."

A small number of respondents were hard-pressed to find major challenges in 2002. One respondent noted, "nothing in particular."

A Canadian respondent expressed that "the development of a philanthropic culture in my region, Quebec, had a positive impact" on the organization's fundraising efforts.

One respondent echoed the sentiments of others by noting "overall as an organization, 2002 was a fairly good year for us; it is clear that the challenges are just beginning."

2003 Predictions

The majority of fundraisers surveyed believe that fundraising will increase in 2003 despite the challenges listed above. Canadian respondents were more optimistic than their U.S. counterparts with 68 percent predicting fundraising increases in 2003 compared to 45 percent of U.S. respondents.

An additional 21 percent of Canadian respondents and 38 percent of U.S. respondents predict that funding levels will remain steady with 2002 levels. However, almost 11 percent of Canadian respondents and 17 percent of U.S. respondents believe that their organizations will raise fewer funds.

Although most of the charities surveyed predict that more funds will be raised in 2003 than 2002, fundraisers acknowledged that there would be challenges to overcome. The economy will continue to plague charities and philanthropy throughout 2003 is the prediction of more than one-third (36 percent) of U.S. respondents and 14 percent of Canadian respondents. Other challenges mentioned include the war in Iraq, terrorism and other world events; finding, motivating and retaining donors; competition from other charities for philanthropic dollars; and lack of internal leadership or strategic vision.

“Getting the prospective donor’s attention in a time of uncertainty,” is a sentiment echoed by many responding to the survey. With increasing competition among charities and the general feeling of donors taking a “wait and see” approach to giving in light of the economy, fundraising professionals are feeling the pressures in their efforts to do more in 2003.

“War, economy, general numbness due to the huge events. We have to work harder to show them that everything we do, no matter how small, does indeed have an effect on the people we serve,” said one respondent. “Not competing for dollars so much as being the community cheerleader. I think it’s important for all of us to keep the country’s morale up by showing all the positive that is accomplished in our communities.”

Perhaps one respondent summed up best the atmosphere that many fundraising professionals operate within – facing many challenges at once. “Our biggest challenge is the continuing dramatic rise in demand for our services, which need to be funded out of dollars fundraised as compared to increased grants from government. All of this is taking place in the context of increased competition for charitable dollars, heightened public concern about charities and an economy that performs well for some but does little for the most vulnerable.”

Additional Charts/Tables

Challenges/Predictions/Demographic Data

Q: Rate the following based on their impact upon your organization and its fundraising in 2002. (5 being an issue of great impact, 1 being an issue of least impact)

<i>Impact on Fundraising This Year: Economic Recession</i>		U.S. 2002	Can. 2002
	1 Least Impact	1.3%	3.9%
	2	3.5%	11.7%
	3	13.8%	27.9%
	4	27.6%	30.9%
	5 Great Impact	53.8%	25.5%

<i>Impact on Fundraising This Year: Sept. 11 Aftermath</i>		U.S. 2002	Can. 2002
	1 Least Impact	18.9%	28.5%
	2	23.4%	34.2%
	3	26.9%	21.6%
	4	19.9%	11.1%
	5 Great Impact	10.9%	4.5%

<i>Impact on Fundraising This Year: Drop in Foundation Support</i>		U.S. 2002	Can. 2002
	1 Least Impact	28.2%	40.8%
	2	18.6%	22.2%
	3	23.4%	19.2%
	4	17.9%	10.8%
	5 Great Impact	11.9%	6.9%

<i>Impact on Fundraising This Year: Drop in Corporate Support/Sponsorship</i>		U.S. 2002	Can. 2002
	1 Least Impact	20.2%	24.3%
	2	22.1%	21.9%
	3	23.4%	23.1%
	4	19.6%	18.6%
	5 Great Impact	14.7%	12.0%

<i>Impact on Fundraising This Year: Increased Competition for Charitable Dollars</i>		U.S. 2002	Can. 2002
	1 Least Impact	17.3%	12.3%
	2	21.5%	18.6%
	3	27.6%	26.7%
	4	22.4%	24.3%
	5 Great Impact	11.2%	18.0%

<i>Impact on Fundraising This Year: Government Budget Cuts</i>		U.S. 2002	Can. 2002
	1 Least Impact	42.3%	40.5%
	2	13.1%	16.8%
	3	16.0%	14.7%
	4	13.8%	16.5%
	5 Great Impact	14.7%	11.4%

<i>Impact on Fundraising This Year: Loss of Public Confidence</i>		U.S. 2002	Can. 2002
	1 Least Impact	43.3%	34.5%
	2	25.6%	29.1%
	3	18.9%	19.8%
	4	9.0%	12.3%
	5 Great Impact	3.2%	4.2%

Q: What other challenges/issues/trends affected your organization and its fundraising in 2002? (U.S. Respondents – an additional 172 responses)

- Staffing Issues – recruitment, retention and the “right” staff for development staff cited by 15 percent of respondents.
- Stock Market/Local Economy – in addition to a slowing economy, an additional 15 percent cited the stock market and local economies as a continuing challenge.
- Board and Staff Leadership – 8 percent of respondents cited challenges or lack of leadership.
- Identifying, Keeping and Building Relationships with Donors as well as the Aging Donor Population were cited by 8 percent of respondents.
- Drop in Corporate/Foundation Support – 8 percent of respondents cited.
- Developing/Maintaining/Promoting the Organization’s Brand – 6 percent of respondents noted this as a challenge.
- Threat of War, Terrorism, Middle East Conflict – 6 percent cited.
- Need for Strategic Fundraising Plan, Increasing Competition among Charities and Scandals in the Catholic Church – each were cited by 5 percent of respondents.
- Other responses included the increasing crunch for resources in nonprofits, direct mail challenges (including Anthrax worries), the need to be accountable to the public and build public trust and awareness, and anticipating and planning for changing ways to raise funds [be it focusing on annual giving, major gifts, starting or finishing a capital campaign, focusing on planned giving, increasing (or decreasing dependence on) special events.]

Q: In your own words, what was the SINGLE biggest challenge/issue/trend that affected your organization and its fundraising in 2002? (U.S. Respondents – 271)

- 40 percent cited the economy, including the stock market, and its effect on donors (corporate, foundation and individual) as the No. 1 challenge facing their organization in 2002.
- 7 percent cited staffing issues, including attracting, keeping and having the “right” staff and mix of staff.
- 7 percent cited leadership issues, including the board and CEO and their reticence to fundraise or provide leadership on strategic issues.
- 7 percent cited decreases or lack of foundation and corporate support and the challenges with attracting and keeping support from those groups.
- 5 percent cited the challenges in attracting and retaining donors.
- Another 5 percent cited the threat of war, terrorism and other political issues as the biggest challenge facing them in 2002.
- 4 percent cited the need to increase brand awareness of the charity and its mission as well as better and more promotion and marketing.
- Other responses included: Competition among charities for dollars, the need for strategic fundraising and overall nonprofit planning, the lack of resources in the face of increasing need, and recent scandals involving individual charities and the Catholic Church.

2003 Predictions

In the *AFP State of Fundraising 2001* survey, we asked respondents to predict how 2002 would compare to 2001 in total funds raised. Almost 60 percent of U.S. respondents predicted they would raise more funds in 2002 than in 2001. When asked the same question, how would funds raised in 2003 compare to 2002, U.S. respondents were less optimistic, with only 45 percent predicting they would raise more funds in 2003. Canadian respondents were very optimistic – with more than two-thirds of respondents (68 percent) predicting they would raise more funds.

<i>Gussed Present Year-Next Year Change in All Monies Raised</i>		U.S. 2001	U.S. 2002	Can. 2002
	Lower in the Next Current Year	13.9%	16.3%	10.9%
	About the Same	28.0%	38.1%	21.3%
	Higher in the Next Year	58.1%	45.3%	67.8%

Q: In your own words, what do you think will be the SINGLE biggest challenge/trend/issue to affect your organization and its fundraising in 2003?

(U.S. Respondents – 301)

- 36 percent cited the Economy as the No. 1 challenge for 2003.
- 17 percent cited the War, Terrorism, and other World Events.
- 7 percent cited the need to Attract, Retain and Increase Giving from Existing Donors.
- 6 percent cited the need for leadership, especially from the Board and CEO on fundraising issues.
- 4 percent cited the loss of Foundation and Corporate Support.
- Other responses include: Staffing issues, looking at other areas to fundraise (major gifts, planned giving, capital campaigns, special events, increasing the annual campaign, etc.), government cut-backs in spending and legislation and regulation affecting fundraising (donor privacy, tax issues, etc.), branding and public relations/marketing/communications of the work and mission of the nonprofit.

Demographic Data

What category best describes your organization?		U.S. 2001	U.S. 2002	Can. 2002
	Arts/Cultural	8.1%	6.1%	14.5%
	Social Service	18.1%	21.3%	18.8%
	Education	26.1%	21.6%	13.9%
	Environmental	0.7%	1.6%	3.7%
	Pub. Soc./Benefit	3.1%	1.6%	4.0%
	Healthcare	18.7%	22.3%	23.1%
	Religious	4.4%	5.9%	4.0%
	Other	16.8%	16.7%	17.0%
	Consultant	4.1%	2.6%	9.0%
	<i>N Valid Answer</i>	459	305	324
	No Answer	1.5%	2.2%	2.7%
	<i>N Total Sample</i>	466	312	333

What was your organization's annual operating budget in 2001?		U.S. 2001	U.S. 2002	Can. 2002
	<\$250,000	10.6%	11.2%	10.4%
	\$250,001-\$500,000	6.9%	10.9%	11.3%
	\$500,001-\$1,000,000	9.1%	8.6%	10.1%
	\$1,00,001-\$3,000,000	16.4%	21.1%	23.9%
	\$3,000,001-\$5,000,000	19.9%	9.5%	8.8%
	\$5,000,001-\$10,000,000	3.8%	11.8%	10.4%
	\$10,000,001-\$50,000,000	19.7%	17.8%	15.4%
	\$50,000,001-\$75,000,000	3.3%	2.0%	2.8%
	\$75,000,001 or more	10.4%	7.2%	6.9%
	<i>N Valid Answer</i>	452	304	318
	No Answer	3.0%	2.6%	4.5%
	<i>N Total Sample</i>	466	312	333