

NONPROFIT OVERHEAD COST PROJECT

FACTS AND PERSPECTIVES

BRIEF NO. 2

CENTER ON NONPROFITS AND PHILANTHROPY, URBAN INSTITUTE
CENTER ON PHILANTHROPY, INDIANA UNIVERSITY

WHO RAISES CONTRIBUTIONS FOR AMERICA'S NONPROFIT ORGANIZATIONS?

Many nonprofit organizations provide services that are public goods. These goods, such as child mentoring, environmental protection, and the performing arts, benefit a large number of people and improve our quality of life. However, these kinds of goods usually do not generate enough income to make them self-sustaining. Consequently, most of these organizations rely to some extent on some form of public support, including donations from individuals or businesses and grants from foundations or government. Public support represents about one in every five dollars that public charities receive. When hospitals and higher education institutions are removed from the picture, public support represents about one in every three dollars.¹ Contributions are a major source of operating income and capital improvement, and many nonprofit organizations live and die by whether they can raise these dollars each year.

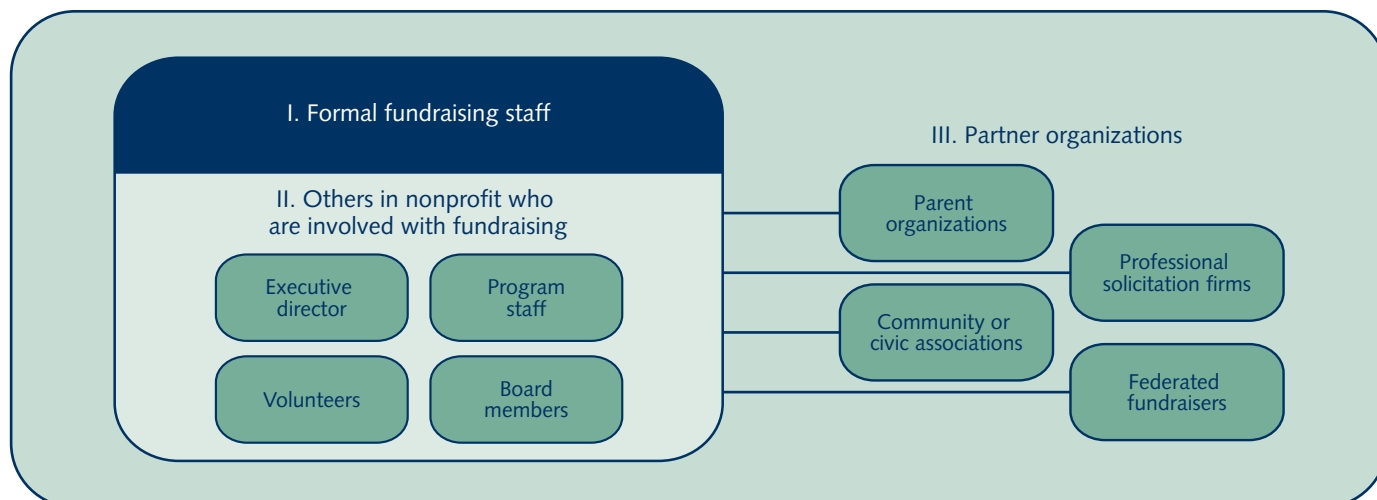
Nonprofit organizations use a variety of strategies to raise contributions, including mass mailing of solicitation letters, hosting special events, writing proposals to foundations and government, and developing planned giving and bequests programs. A

"Contributions are a major source of revenue for many nonprofits. How many charities have fundraising professionals on their staff? What roles do executive directors or volunteers play in raising contributions?"

variety of people inside a nonprofit organization, as well as people outside of it, play a role in raising contributions. However, because of the lack of research on how fundraising gets done, the field has little information on how nonprofit organizations actually bring in these dollars. The increasing number of fundraising professionals is a visible and identifiable trend, but how many charities employ such a professional? What roles do executive directors or volunteers play in raising contributions? These and related questions are the subject of this brief.

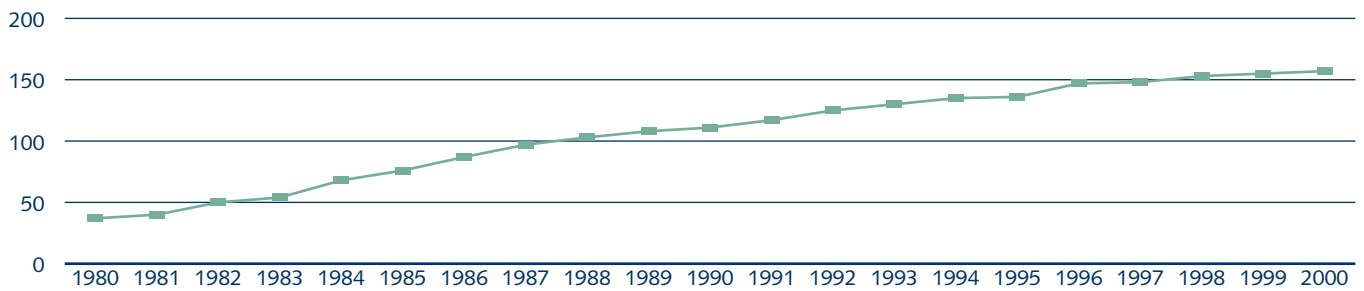
Our results come from our study of nonprofit fundraising and administrative costs. In the fall of 2001, we mailed and received surveys from a representative sample of U.S. public charities with at least \$100,000 in annual gross receipts. Roughly 1,500 charities told us about their formal fundraising

Three Ways That Fundraising Gets Done

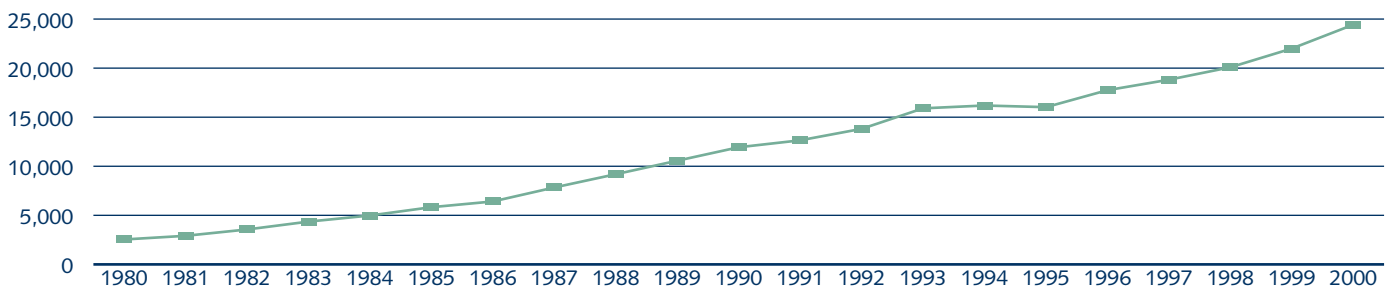


Number of Chapters and Individual Members of the Association of Fundraising Professionals, 1980–2000.

Number of chapters



Number of individual members



Source: Association of Fundraising Professionals.

operations, the roles that executive directors and program staff play in fundraising, and the relationships they have with others, such as firms they contract with to conduct a fundraising drive. We also asked how many donated dollars they raised in the past year, and we use this value to place the organizations into size categories. Since the nonprofit organizations in the study are reasonably representative of all of the organizations in the sector, our results can be used to make generalizations about how fundraising is carried out in the United States.

I. Fundraising by Fundraising Staff

As nonprofit organizations become more specialized and formalized, specialists increasingly handle different organizational tasks. Program staff members focus on delivery of programs. Financial staff members focus on tracking revenues and paying salaries and bills. In some nonprofit organizations, fundraising (or “development”) professionals focus on raising contributions. This area of specialization has seen steady growth over the past several decades. As illustrated in the charts above, the Association of Fundraising Professionals claimed approximately 2,500 members in 1980. By 2001, their membership had grown ten-fold, to over 25,000 members. The number of local chapters more than tripled during this same time period. In addition to having their own professional association, fundrais-

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ing professionals have their own national meetings, publications, codes of ethics, and salary scales. Although the professionalization of fundraising cannot be said to be at its full height, it is increasingly well-established in the United States.

To document how widespread the professionalization of fundraising has become among nonprofit organizations, we asked survey respondents how many staff members or consultants their organization employs whose primary responsibility is development or fundraising.

Despite our observations about the growing professionalization of fundraising, many charities do not have such a professional. Nearly two out of three organizations in the study have no full-time regular staff members whose primary responsibility is fundraising. However, many organizations have part-time employees in this role or hire consultants to do fundraising. About one in six nonprofits say they hire a consultant for fundraising duties, and one in twenty say they hire more than one. Use of consultants in fundraising is

Percentage of Charities with Full-Time, Part-Time, or Consultants as Fundraising Staff, by Categories of Grants/Contributions

	Categories of total grants/contributions				
	\$0 to \$50,000	\$50,000 to \$250,000	\$250,000 to \$1 million	More than \$1 million	All nonprofits
No fundraising staff	66 %	49 %	36 %	17 %	45 %
One fundraising staffer	24	34	30	24	28
More than one fundraising staffer	10	17	34	59	27
	100.0	100.0	100.0	100.0	100.0

most likely among those charities with at least \$250,000 in contributions.

The table above shows the percentage of nonprofit organizations with a full-time, part-time, or consultant employee dedicated to fundraising, by categories of total grants and contributions. It indicates that the majority of nonprofit organizations have one or more people in the fundraising role, although the likelihood differs according to the amount of contributions the organization brings in. While two-thirds of nonprofit organizations with less than \$50,000 in contributions have no fundraising staff, the majority with more than \$1 million in contributions has more than one fundraising staffer. Understandably, the employment of fundraising staff has gained its foothold among the organizations that can afford to invest in these kinds of professionals.

II. Fundraising by Non-Fundraising Staff

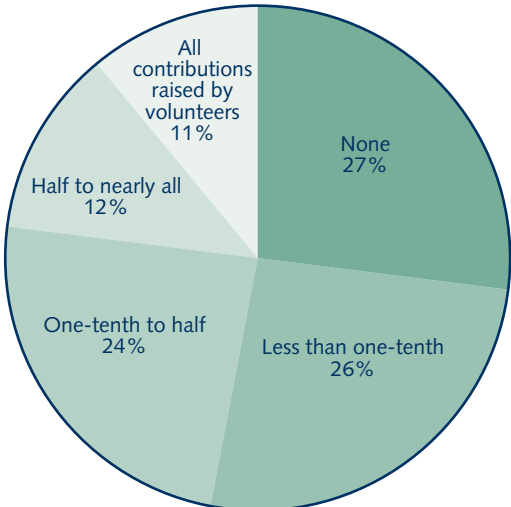
Clearly, fundraising staffers do not do all the fundraising in most nonprofit organizations. Executive directors frequently make appeals for support of their organization; board members serve as a conduit for major contributions; program officers write grant proposals; and volunteers knock on doors, run, swim, and bike for their neighbor’s pledges. How prevalent are non-fundraising staffers in raising contributions for nonprofit organizations?

We asked survey respondents how much executive directors, board members, volunteers, and other non-fundraising staff are involved with their organization’s fundraising efforts. We expected to find some charities where fundraising gets done by fundraising staff, and other charities where others do what they can to raise contributions. We were surprised to find that charities with professional fundraising staff have executive directors, board members, volunteers, and other staff who are *more involved* with fundraising than their counterparts in organizations with no professional fundraising staff. In fact, on average, organizations with professional fundraising staff char-

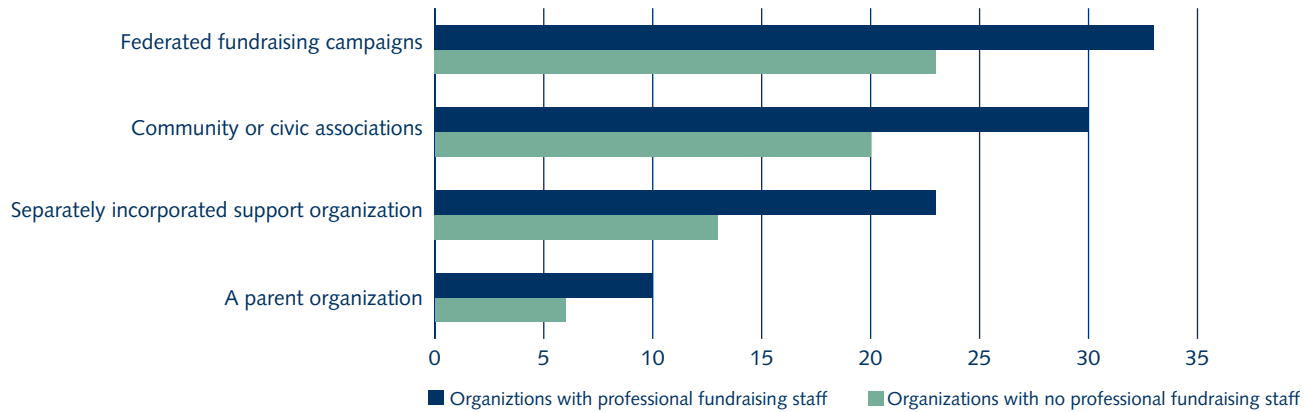
acterize their executive director as more involved with fundraising than their fundraising staff! Clearly, the professionalization of fundraising has not removed the executive director from the limelight of fundraising duties in many nonprofit organizations.

Nearly three out of four nonprofit organizations report using volunteers for fundraising. We asked survey respondents what percentage of total contributions is raised through the efforts of volunteers. We learned that volunteers are not the primary source of fundraising dollars in the nonprofit sector, but that their participation is noteworthy. The figure below illustrates their levels of involvement in the organizations in the study. While about one quarter do not use volunteers for fundraising, another quarter say that volunteers are responsible for up to a tenth of their total contributions. Yet another quarter say that volunteers are responsible for between one-tenth and half of the funds raised. The final quarter is split between organizations where volunteers are responsible for more than half or all of the

What Proportion of Contributions Are Raised by Volunteers?



Percentage of Nonprofits That Receive Money from Various Partner Organizations



fundraising responsibilities, including 11 percent in which volunteers raise all contributions. Volunteers, along with non-fundraising staff, are vital fundraisers in many nonprofits.

III. Fundraising by Partner Organizations

Some nonprofit organizations rely on other organizations to raise funds for them. The kinds of organizations that nonprofits partner with for this purpose fall into one of two camps. One type of partner is a professional fundraising firm that nonprofits contract with to raise funds on their behalf, usually through a direct mail or telephone campaign. The second type of partner is a community organization or federation that shares or takes on fundraising duties on behalf of nonprofit organizations.

First, professional fundraising firms. We asked survey respondents if their organization had contracted with a professional solicitation firm in the past year. We learned that this practice is not common, with only 8 percent of respondents answering yes to our question. Nonprofits that answered yes to this question are more concentrated in the education subsector and less concentrated in the health subsector.

Second, relationships with other organizations that fundraise on behalf of nonprofit organizations. We asked respondents if they receive money from federated campaigns (such as the United Way), community or civic associations (such as a booster club or a church), a separately incorporated support organization (such as an auxiliary), or a parent organization.

We were interested in learning if the responses were different for organizations with and without a fundraising staff. The figure below shows the results. Nonprofits that have a fundraising staff are also the kinds of organizations that have relationships with other organizations that raise funds on their behalf. This indicates that these kinds of affiliations do not simply replace the need for fundraising staff. Rather, the presence of a fundraising staffer is evidence that the nonprofit raises funds in

a variety of ways. When charities cannot commit resources to a fundraising professional, the chore falls to program personnel, executives, board members, other volunteers, and affiliated organizations. However, when charities do hire someone to bring contributions into an organization, these other constituents are still central in fundraising operations.

In sum, fundraising gets done by a combination of staff that are dedicated to fundraising, other staff who spend part of their time fundraising, and relationships that organizations form with partners who help raise contributions. Different organizations adopt different mixes of these approaches to fit their needs and budgets.

Further Details

This brief is a summary of “How Fundraising Is Carried Out in U.S. Nonprofit Organizations,” a paper published in the *International Journal of Nonprofit and Voluntary Sector Marketing*, Volume 7, Number 2, 2002, pp. 311–324. The authors of the paper, and the project’s lead researchers, are Mark A. Hager, Thomas Pollak, and Kennard Wing (Center on Nonprofits and Philanthropy, Urban Institute) and Patrick H. Rooney (Center on Philanthropy, Indiana University). For more on these and other issues, visit <http://www.coststudy.org> or call 202-261-5709 (Urban Institute) or 317-236-4912 (Indiana University).

Acknowledgments

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¹ *The New Nonprofit Almanac and Desk Reference*, 2002, p. 135. New York: Jossey-Bass.