

MICHIGAN FUNDRAISING CLIMATE SURVEY

FIFTH EDITION

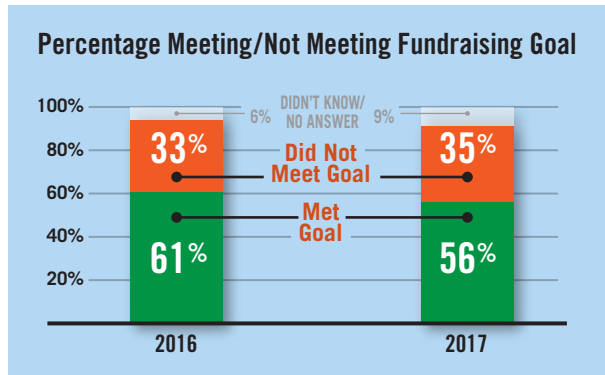
MONTGOMERY CONSULTING, INC.

Michigan's fundraising climate remains good but may no longer be improving.

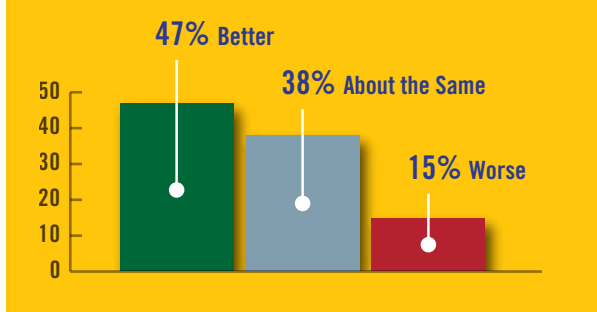
That is the key conclusion from the 2017 Michigan Fundraising Climate Survey, the results of which appear below.

FUNDRAISING GOALS AND EXPECTATIONS

When asked, 56.60% of our respondents said that their organization had met its 2016 fundraising goal, 34.78% said their group had not made goal, and the balance did not know or declined to answer. The proportion of organizations making their 2016 fundraising goal, however, was down from last year when 61% reported having met their 2015 goal. The Michigan trend we saw is generally consistent with the national trend of fewer organizations meeting their fundraising goals noted by the Nonprofit Research Collaborative.



Fundraising Conditions 2017 vs. 2016

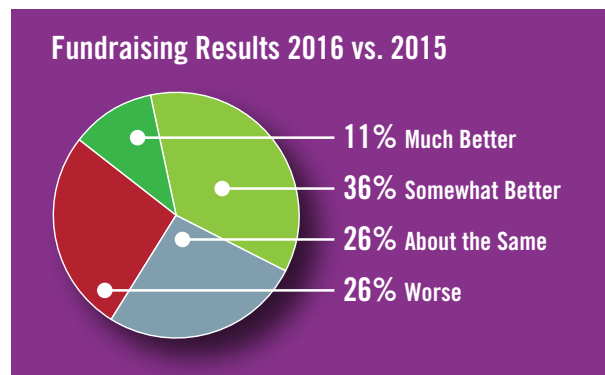


MICHIGAN FUNDRAISING CONDITIONS NOW VERSUS A YEAR AGO

When asked how the statewide climate for fundraising in 2017 compared to 2016, 5.66% said that conditions were now "Much Better," 41.51% said "Somewhat Better," while 37.74% said they were "About the Same." While no 2017 respondents thought current conditions were "Much Worse," 15.09% considered current fundraising conditions to be "Somewhat Worse" than in early 2016. NOTE: In the chart to the left, "much" and "somewhat" responses are combined for both "better" and "worse."

FUNDRAISING RESULTS

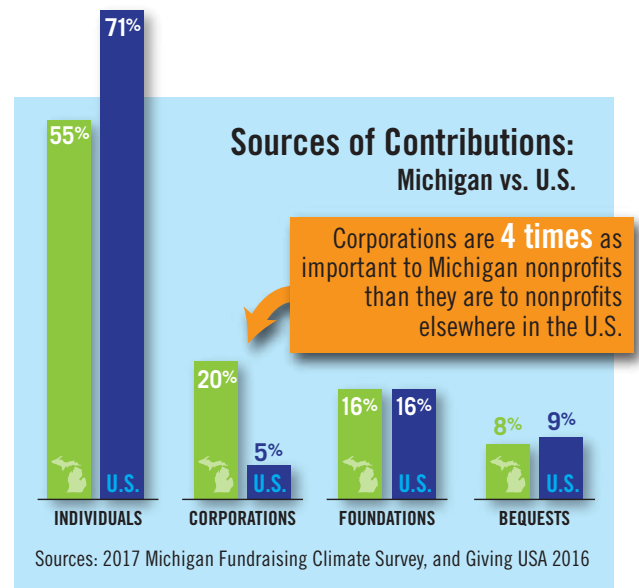
A majority (73.59%) of respondents reported raising as much if not more money in 2016 as they had in 2015. When asked, 11.32% of respondents said their organization's 2016 fundraising results were "Much Better," 35.85% said results were "Somewhat Better" and 26.42% said results were "About the Same." It should be noted, however, that when "Somewhat Worse" and "Much Worse" are combined, more than a quarter (26.41%) reported that their fundraising results had worsened between 2015 and 2016.



CHARITABLE GIFTS BY TYPE OF DONOR

Michigan: Less from Individuals, More from Corporations —

Respondents to our Michigan survey continued to report receiving a smaller proportion of their total philanthropy from Individual Donors and more from Corporations than respondents to the national Giving USA series. A significant difference between US and Michigan figures has been a consistent finding of this study and also of an earlier series we did in conjunction with another firm. This difference could be a regional effect or it could be more of a methodological effect as we exclude religious organizations from our sample. In either case, however, we think that our figures will generally be closer to what most Michigan readers are likely to see at their own organizations than the national Giving USA numbers.



LOCAL FUNDRAISING CONDITIONS

Our 2017 respondents were less upbeat than our 2016 panel about *local* fundraising conditions in their home communities. When asked to characterize early 2017 local fundraising conditions, **7.55%** chose “**Excellent**,” **54.72%** “**Good**,” and **32.00%** “**Not so Good**” with the remaining 6.7% choosing to not answer the question.

4 TRENDS

Our full report combines 2017 survey results with data from previous surveys in order to look at longer term trends for selected questions. Four key trends, however, are summarized below.

- 1 A smaller majority of organizations are meeting their fundraising goals.** The majority of respondents still met their prior year fundraising goals, but the proportion making goal fell noticeably between the 2016 (60.7%) and 2017 (56.62%) surveys.
- 2 Fewer respondents reported fundraising growth.** A smaller proportion described their organizations as having achieved “better” or “much better” fundraising results on our 2017 Survey (47.17%) than on our 2016 Survey (57.3%).
- 3 Many were less upbeat about local fundraising conditions.** A majority of respondents (62.77%) described early 2017 fundraising conditions in their localities as “excellent” or “good” but that was lower than on our 2016 (66.7%), 2014 (73.33%), or 2013 (66.3%) surveys.
- 4 The 2017 panel was much less upbeat about the statewide climate for fundraising.** Less than half of respondents (47.17%) described Michigan’s fundraising climate in 2017 as likely to be “much better” or “somewhat better.” This was down sharply from 2016 (70.4%).

The full report is available at www.MontgomeryConsultingInc.com

US TAX CODE CHANGES POTENTIALLY AFFECTING GIVING...

Each edition of the Michigan Fundraising Climate Survey takes a deeper dive into a fundraising-related topic. This year, we asked Michigan nonprofit organization leaders for their views on how some potential changes to US tax law might affect giving.

We did not ask about the most complex issues under discussion including corporate taxation, capital gains and the Alternative Minimum Tax. Instead, we asked respondents about six relatively simple potential changes using the question, “A number of potential changes to the US tax system bearing on charitable giving are currently being discussed. Consider each change listed below in terms of how it might affect fundraising by your specific organization.”

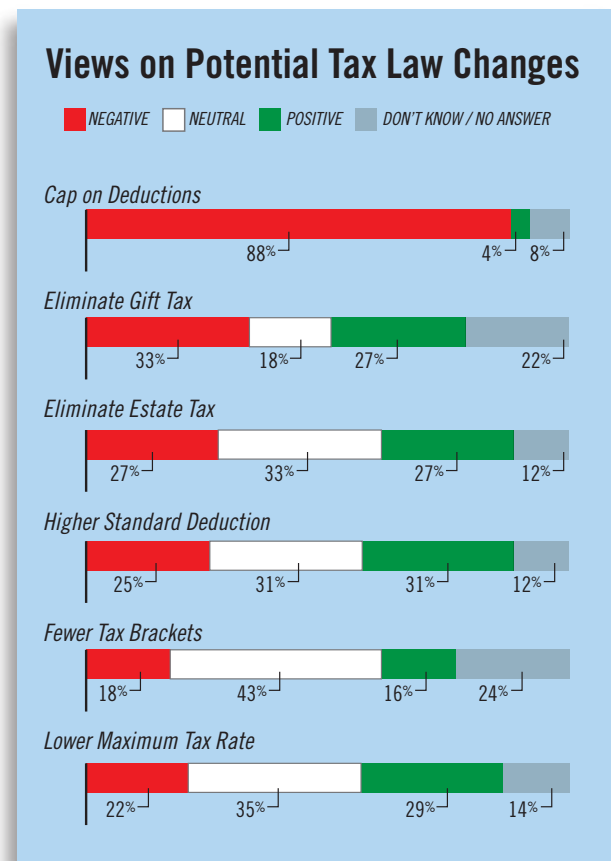
The potential changes that we tested with the panel included: 1) A cap on total itemized deductions including the Deduction for Charitable Giving; 2) Elimination of the Gift Tax, 3) Elimination of the Estate Tax, 4) Increasing the Standard Deduction, 5) Reducing the number of Tax Brackets, and 6) Lowering the Maximum Tax Rate.

None of the six potential changes were viewed as likely to be “positive” by a majority of our respondents. Four out of six, however, were viewed as likely to be neutral or positive in their impact on fundraising when those responses are combined.

Only one of the potential changes seemed to really worry our respondents, the possibility of a new cap on total itemized deductions including for charitable giving. Of our panel, 60.78% described that particular change as likely to be “strongly negative” while 27.45% described such a change as likely to be “somewhat negative” in its impact on giving to their organization.

Interestingly, only 1/3rd of our respondents thought that eliminating the federal Estate Tax would have a negative impact on fundraising. On this issue, our results go to a different place than much of the Planned Giving literature that has long argued that estate taxes help motivate estate planning and associated charitable giving.

Note: In the chart above, the “strongly” and “somewhat” responses are combined for both negative and positive.



3 TIPS FOR 2017/2018 *This year's data point to three simple but important lessons for fundraisers.*

1. Move fast. Whether you are looking at trends on this survey or in the broader economy, it seems likely that an economic downturn could begin in the next 12 to 24 months. Before that downturn arrives, use the current period of growth late in the business cycle to expand fundraising by your organization.

2. Persevere. When the going gets tough, the tough keep going. Recession, when it comes, need not devastate your fundraising if you keep at it with diligence, enthusiasm, determination and a willingness to try new things.

3. Watch that tax incentives for giving don't disappear, but don't obsess about them. A new cap on total itemized deductions and repeal of the federal Estate Tax have been in, and out, of the various tax reform proposals multiple times. If this Administration is truly committed to overall tax cuts, they'll have to find more money somewhere which could bring one or both of those things back into the final tax reform package. On the other hand, Congress might just choose to grow the deficit.

ABOUT THE SURVEY

This is a summary of the 5th in a series of annual surveys looking at the fundraising climate and challenges facing Michigan nonprofit organizations. For access to the full survey, visit www.MontgomeryConsultingInc.com.

Our 2017 study used a 396-organization cross-section of the Michigan nonprofit community centered on the types of organizations that are most likely to be actively soliciting the support of Individual, Corporate and Foundation donors. Groups funded primarily through the collection plate, membership dues, product sales or by government have generally been excluded from our sample.

In February, leaders at all 396 organizations were invited to take our online survey. Those who did not respond also received two reminder emails. By the time we closed the survey site, 53 respondents at organizations of all types and sizes had completed all or part of the Michigan Fundraising Climate Survey for a response rate of 13%. That is respectable for a survey of this type and is marginally higher than our 2016 response rate of 12.58%.

More of this year's respondents worked at large organizations and/or organizations based in metro Detroit than in previous years. Still, there was sufficient geographic, functional and size diversity among the organizations at which respondents work to make us confident that the results reported here are reliable for the particular questions we used.

NEW: DIRECT MAIL AND DIGITAL FUNDRAISING SERVICES

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Drawing on his years of teaching fundraising at Lawrence Technological University and for professional associations, Mike Montgomery has developed a simpler system for teaching staff, board members and volunteers how to fundraise using our Fundraising Playbook.

We are currently looking for organizations interested in partnering with us to hold public sessions of the School of Practical Fundraising in their communities or using SPF lessons to train their own staff.

For more on SPF, email or call

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ABOUT THE AUTHOR

Michael J. Montgomery is the author of this study and a Principal in Montgomery Consulting, Inc. He consults with a wide range of nonprofit organizations and has taught Nonprofit Management courses in both MPA and MBA programs. His comments on fundraising and related issues



have appeared in media outlets including: Chronicle of Philanthropy, NPR, FastCompany, Chicago Tribune, Detroit Free Press, Crain's Detroit Business, Money, MLive, The Independent (UK), and TheStreet.Com.

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Montgomery Consulting, Inc. was established in 1989. The firm provides fundraising and community/economic development consulting services to organizations and communities across Michigan. In recent years, Montgomery Consulting has helped plan and/or implement more than \$1 billion in fundraising activity, including some of this region's largest and most complex campaigns.