

MICHIGAN FUNDRAISING CLIMATE SURVEY

SIXTH EDITION

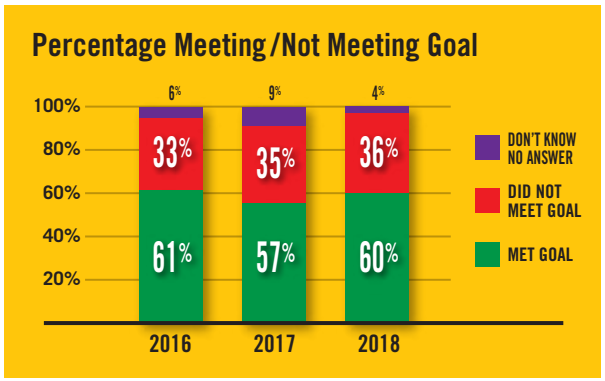
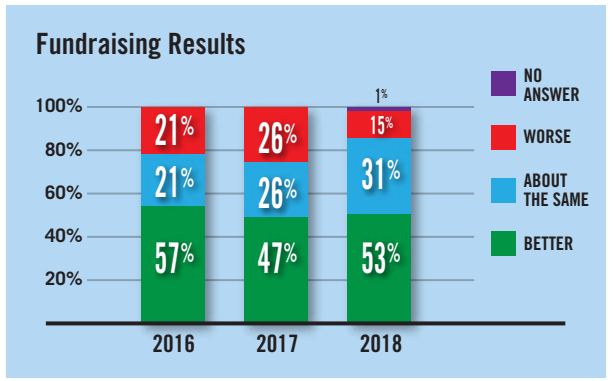
MONTGOMERY CONSULTING, INC.

Michigan's fundraising climate is stable, but fundraisers are beginning to worry.

That is the key finding of our 2018 Michigan Fundraising Climate Survey.

FUNDRAISING RESULTS: STABLE

Nearly 84% of our respondents raised at least as much money in 2017 as they had in 2016. In the chart at right, "Strongly" and "Somewhat" responses are combined. When that is done, it become clear that the proportion of respondents raising more, or less, money have been decreasing while the proportion saying fundraising was "About the Same" has been growing. Together, these factors suggest that Michigan's fundraising climate is stable rather than improving at this time.

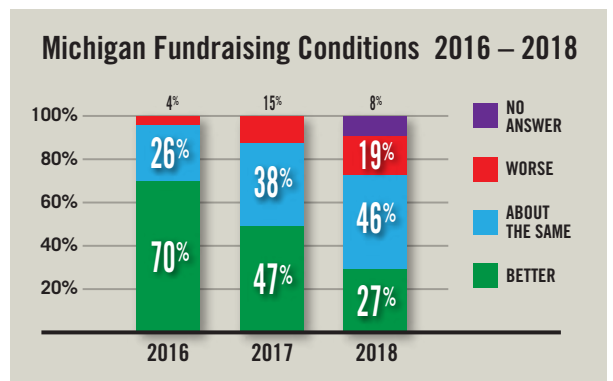


FUNDRAISING GOALS: STABLE

When asked, 60.00% of our respondents said that their organization had met last year's fundraising goal, 36.47% said they had not made goal, and the balance did not know or declined to answer. The proportion of organizations meeting their 2017 fundraising goals was up modestly from last year when 56.6% reported having met their 2016 goal but was about the same as the 2016 Survey when 60.60% reported having met their 2015 fundraising goals.

STATEWIDE CLIMATE: LESS OPTIMISM

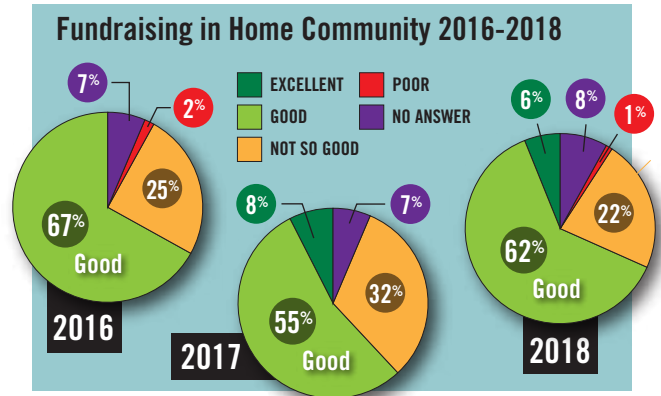
Our 2018 respondents were less optimistic than in the past. In 2018, 4.71% said Michigan fundraising conditions were "Much Better," 22.35% "Somewhat Better," 45.88% "About the Same," 15.09% "Somewhat Worse," and 2.35%." When "Much" and "Somewhat" responses are combined, and three-year trends considered, it becomes clear that the proportion expecting fundraising results to improve is shrinking while those expecting things to remain "About the Same" or get worse is growing.



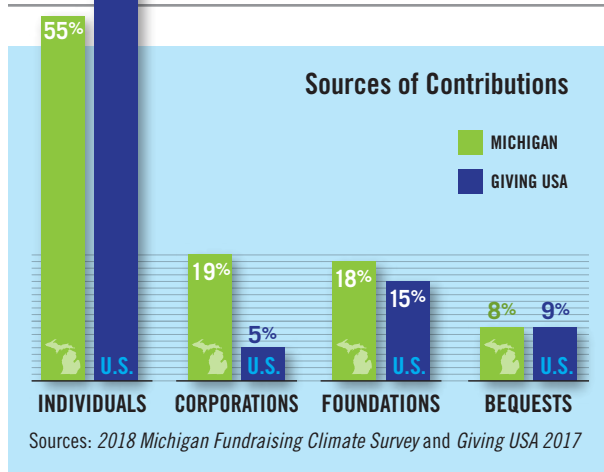
Because of rounding, totals may not equal 100 percent.

LOCAL FUNDRAISING CONDITIONS: GOOD

Our 2018 respondents were a little more upbeat than our 2017 panel about local fundraising conditions in their home communities. When asked to characterize early 2018 local fundraising conditions, 5.88% chose “Excellent,” 62.35% “Good,” 22.35% “Not so Good,” 1.18% “Poor,” with the remaining 8.24% not answering the question. While our 2018 results for this measure were noticeably more positive than our 2017 results, they were generally similar to those obtained in 2016 suggesting that this too is an area of stability rather than improvement.



FIGURES ABOVE HAVE BEEN ROUNDED AND MAY NOT TOTAL TO 100%



CHARITABLE GIFTS BY SOURCE

Michigan: Less from Individuals, More from Corporations.

Respondents continue 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. This has been a consistent finding of our six studies. This difference in Michigan giving could be a regional effect as several of the largest US corporate donors are headquartered here. Or, it could be methodological as we exclude religious congregations from this study. In either case, however, our figures should generally be closer to what readers are likely to see at their own organizations than the *Giving USA* ratio.

2018: A TIME FOR CAUTION

Six factors argue for caution when estimating what you are likely to be able to raise over the coming year or two.

1. Almost 40% of respondents to this survey report having not achieved their prior year fundraising goals.
2. The proportion of panel members reporting having raised more money than in the prior year has been decreasing.
3. The proportion of survey respondents expecting fundraising conditions to improve has been decreasing.
4. It is not yet clear how changes to US tax law will affect giving. Among our survey respondents, however, 66.66% expect that the near-doubling of the Standard Deduction is likely to have a negative impact on giving to their organizations.

Two additional factors, not visible through our survey results, also argue for caution:

5. After a long period of stable growth to record highs, significant volatility returned to the stock market in 2018 with one-day Dow gains and losses in the hundreds of points. A significant market reversal is more likely during periods of volatility and such a reversal would undermine donor confidence and most likely lead many to delay, decrease or decline to make gifts.
6. At almost nine years into what has historically been a seven-year business cycle, we are overdue for a recession. Since American philanthropy has long hovered around 2% of Gross Domestic Product, a recession would lead to decreased charitable giving.

None of the factors noted above necessarily indicate that we will see decreased giving in 2018 or 2019. They do, however, strongly suggest that the probability of reduced charitable giving has increased and also that greater budgetary caution may now be warranted. Personally, I would much rather find myself in the position of having exceeded a conservative fundraising goal than of having failed to achieve a more ambitious one.

— Michael Montgomery

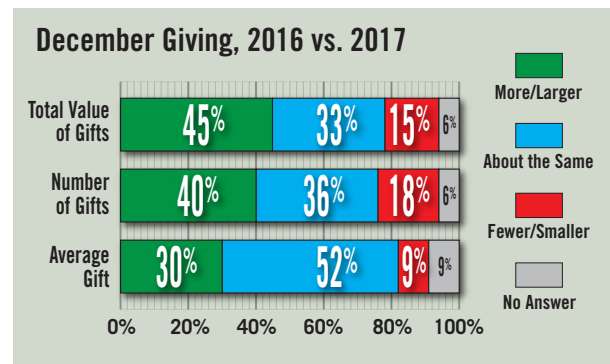
MICHIGAN NONPROFITS FEAR HIGHER STANDARD DEDUCTION

Each edition of the Michigan Fundraising Climate Survey takes a deeper dive into a fundraising-related topic. Last year, we asked Michigan nonprofit organization leaders about some potential changes to US tax law. This year, we asked our panel about actual changes contained in the Tax Cuts and Jobs Act that was enacted in late 2017. We asked our 2018 respondents about:

- A ANTICIPATORY GIVING** – Had they seen changes in December giving between 2016 and 2017 that might be attributable to donors making gifts in anticipation of changes to US tax law?
- B DONOR COMMENTS** – Had their donors commented about the likely effect of tax laws changes on the donors’ own giving?
- C IMPACT ON FUNDRAISING** – What was their own expectation as to how lower Marginal Tax Rates, the higher Standard Deduction, and a higher Estate Tax threshold would affect giving to their organizations?

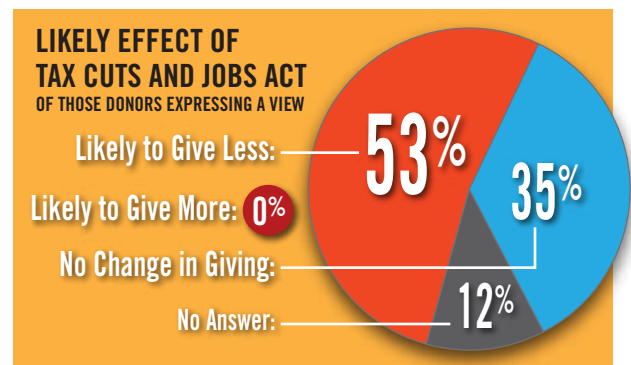
A ANTICIPATORY GIVING

A little more than a quarter of our respondents, 25.88%, said that they had seen changes in December giving between 2016 and 2017. Of those, two to three times as many said they had seen increases (rather than decreases) in the number of gifts; total dollar value of all gifts received, or average gift amounts. For all three measures, however, substantial numbers of respondents said they saw no change in giving, including a majority of the panel who reported no increase in average gift size.



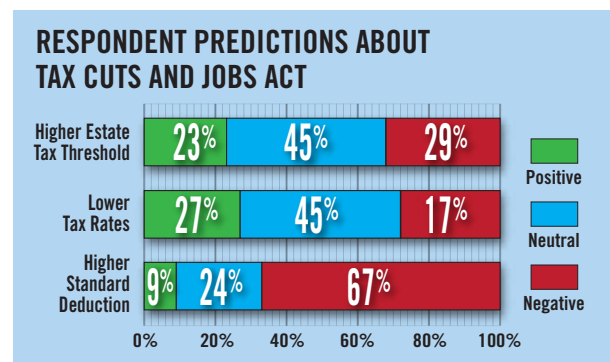
B DONOR COMMENTS

Only 14.81% of our 2018 respondents said that they had seen or heard comments from their donors on the likely effect of the Tax Cuts and Jobs Act about their donor’s own giving. Of those donors expressing a view, comments were overwhelmingly negative (52.94%) or neutral (35.20) with NONE (0%) of our respondents saying that their donors said recent tax cuts would make them likely to give more. A significant proportion of respondents (11.76%), however, declined to answer this question.



C IMPACT ON FUNDRAISING

Although few respondents viewed any of the three changes to the US tax system as likely to be “Strongly Positive,” the majority of our 2018 panel viewed a Higher Estate Tax Threshold and Lower Marginal Tax Rates as likely to be “Neutral” or “Somewhat Positive” in their impact on giving. Our 2018 survey respondents, however, had a very different opinion of the Higher Standard Deduction with 66.6% of our respondents viewing that change as likely to have a negative impact on fundraising by their organization.



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See our website for a related publication about what you might want to do now that the Tax Cuts and Jobs Act of 2017 is a reality -- Charitable Giving Just Got More Expensive for Your Donors... Are You Ready? For access go to: <https://montgomeryconsultinginc.com/resources-%26-outreach>

ABOUT THE SURVEY

This is the 6th in a series of annual surveys looking at the fundraising challenges and opportunities facing Michigan nonprofit organizations. An expanded report will be available later this spring at www.montgomeryconsultinginc.com

Our 2018 study used a 756-organization cross-section of the Michigan nonprofit community centered on the types of organizations that are most likely to be actively soliciting from Individual, Corporate and Foundation donors. Groups funded through the collection plate, membership dues, or by government have generally been excluded from this survey.

In February 2018, leaders at all 756 were invited to take this year's survey; of those, 104 respondents at organizations of various types and sizes completed all or part of the Michigan Fundraising Climate Survey. The 2018 response rate of 14% is respectable for an online survey and is higher than our 2017 and 2016 response rates of 13% and 12.58%.

MONTGOMERY CONSULTING SERVICES

Montgomery Consulting provides fundraising and nonprofit management consulting services to a wide range of nonprofit organizations. Major offerings include:

- Campaign counsel for comprehensive and capital campaigns.
- Fundraising coaching.
- Grant seeking strategy, grants research and grantwriting.
- Strategic guidance for fundraising from Individual, Corporate and Foundation donors.
- The School of Practical Fundraising™ long and short format fundraising training for nonprofit leaders, staff, board members, and volunteers.

Offered in conjunction with Bidlack Creative Group:

- Fundraising and communications assessments.
- Direct mail and digital fundraising consulting and implementation services.

**36 MILLION
POTENTIAL DONORS
LOSE THE CHARITABLE
GIFT DEDUCTION
IN 2018.**

Are you ready?

If not, consider working with us to adjust your fundraising program and supporting communications for continued success. To learn more, contact Mike Montgomery at (248) 224-7330.

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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 on fundraising and management issues with a wide range of nonprofit organizations and has taught Nonprofit Management in both MPA and MBA programs. His comments on fundraising and related issues have appeared in media outlets including:



Chronicle of Philanthropy, Forbes, NPR, FastCompany, Chicago Tribune, Consumer Reports, Detroit Free Press, Crain's Detroit Business, Money, MLive, US News and World Report, The Independent (UK), and TheStreet.Com

Montgomery Consulting

Fundraising Consulting for Michigan Organizations
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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.