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2018 Year-End Charitable Giving in Oregon

The [Association of Fundraising Professionals of Oregon and SW Washington](#) and the [Nonprofit Association of Oregon](#) partnered to conduct a survey of executive directors and development officers at charitable nonprofits across Oregon. The survey, conducted February - March 2019, focused on individual charitable-giving efforts and results for 2018. As you may know, there were many assumptions made – positive and negative – around the [2017 Tax Cuts and Jobs Act](#) and the impacts it would have on charitable-giving for the nonprofit sector. The doubling of the standard deduction means many fewer taxpayers will itemize, possibly causing a downturn in charitable giving.

Giving was up... but it was nuanced.



56%

of survey respondents saw a moderate or significant **increase**

31%

saw a moderate or significant **decrease**

12%

of respondents reported **no change**

"This was our best year for individual donations to date."

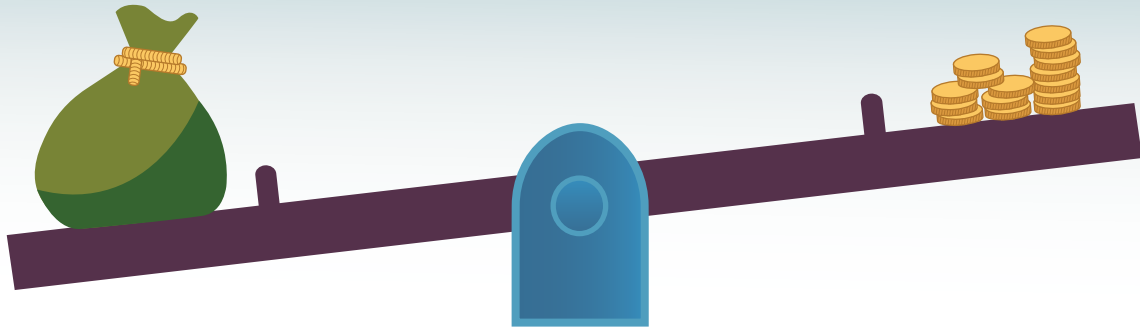
"Toughest year in my 35 years of fundraising! Even tougher than 2007-08."

"Many of our major donors moved from personal gifts toward gifts from their donor advised funds, therefore increasing our foundation income from those donors by the amount we lost in individual donors."

AFP and NAO wanted to understand the individual charitable-giving context for Oregon and collaborated on an eight-question survey.

We appreciate respondents taking time to share their feedback. The numbers, scope and details shared by participants were impressive. From small to large nonprofits in both rural and urban communities, respondents identified with nearly every subsector. A total of 104 respondents answered 100 percent of the questions and provided in-depth data and comments on individual charitable giving to their nonprofits in 2018. They also shared insights into how they are preparing for 2019 and beyond.

The information collected through the survey and contained in this report is consistent with national surveys and studies done by the [Fundraising Effectiveness Project](#) and Blackbaud Institute for Philanthropic Impact's [Charitable Giving Report: How Fundraising Performed in 2018](#). These reports indicated that giving across the U.S. increased by between 1.5 and 1.8%. What is distinct and unique about this report is the inclusion of rich feedback from practitioners on what they think happened with individual charitable giving in 2018 and how it may affect fundraising in Oregon's nonprofit sector in 2019.



Was 2018 normal?

The largest single private gifts reported by respondents ranged in size from \$250 up to \$8.2 million. As noted in the introduction, the survey invited responses from across the state and from a broad range of nonprofits that vary in size and business models. Of those that responded, if the size of the gift was out of the norm for their organization, 49.21% said that the gift was above the amount they normally receive; 47.62% reported the gift was normal for their nonprofits; and 3.17% said that they received less than the norm for their largest single gift in 2018.

"Received bequest for \$50,000; tied for largest we have received."

"A \$25,000 challenge pledge from an individual. Yes, very much out of the norm for us. Our second largest individual gift was \$2,500."

"\$2,500, same as usual."

"\$100,000 - no, it was not out of our norm."

"The donor increased the gift from their usual \$10,000 without us asking."

Unexpected Donor Advised Funds (DAFs) or Qualified Charitable Distributions (QCDs)



A significant number 41% of respondents' nonprofits received unexpected contributions from third-party payors. DAFs are the fastest growing charitable giving vehicle. While convenient for donors, they present many challenges for fundraisers – from how to match a gift to a known donor or steward "anonymous" donors to how to count the gift (as individual or foundation funds).

QCDs have been promoted as an alternative to itemizing charitable deductions. When donors directly transfer funds from an IRA to a qualified charity, those dollars count toward their required minimum distribution for the year, but are not counted as income. QCDs, therefore, allow older donors to experience a dual benefit from their charitable gifts.

Nationwide, DAFs have exploded in popularity. As the number of DAFs grow, the average size of the funds is declining.

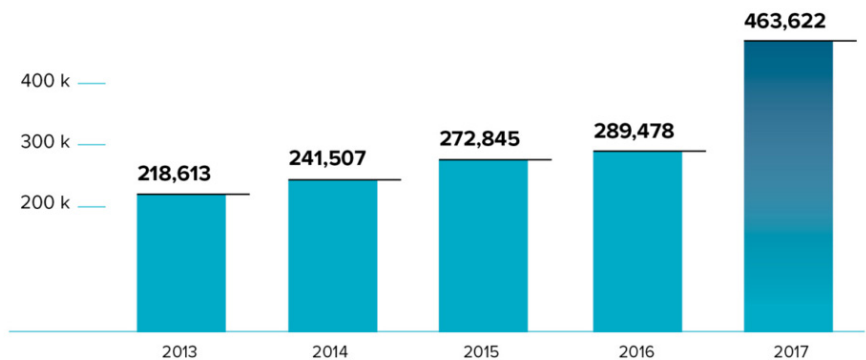
One respondent reported receiving eight IRA distributions (totaled about \$1,500 from individuals who usually wrote checks).

What impact will these giving strategies ultimately have on our concepts of annual fundraising and pipeline management? Will donors drop out of the donor pyramid just as they come into wealth or as they age? How will development professionals adjust to these shifts and stay with their donors through the lifecycle? That is yet to be seen.

The case of the disappearing donor

"About a dozen of our longtime donors shifted their giving to DAF's for the first time. In some cases, the donor information was missing, and we were never able to track it down so we couldn't always thank the donor... it seems that they may not be aware that their gifts are being made anonymously."

Total Number of Donor-Advised Funds



Source: [2018 DAF Report](#), National Philanthropic Trust.

Did the Tax Cuts and Jobs Act cause changes?

Throughout much of 2018 there was considerable concern and conjecture that the change in the standard deduction would have a significant impact on giving. We wanted to test this and asked if ***the changes in 2018 to the federal tax code impacted the ability to raise contributed funds.*** The majority of respondents (53.85%) were unsure if they could draw a direct causal effect from changes in the tax law with changes they saw in 2018 giving to their organizations. Of those who felt they could answer definitively that they saw a change, the majority (28.85%) said there was no impact.

Only a few respondents said that donors directly indicated they made giving decisions based on tax law changes and would reduce the size of their gifts. Many more respondents heard from donors who indicated they were changing the way they would give (clumping gifts, DAFs or skipping years). Most respondents believed that it was too early to draw definitive conclusions from the 2018 giving year. However, they indicated they anticipate 2019 to be the year impacted by tax changes.



When respondents were asked if they **“made changes to their organizations’ fundraising goals based on the 2018 changes in the federal tax code,”** the answer was definitive. More than 94% of respondents said they made no changes to their fundraising plans. In the narrative responses, there was a depth of nuance and conjecture of what was happening and why.

“Donors didn’t really know what was happening with the tax codes in 2018 or didn’t really focus on it. We are seeing a significant decline in donations now that donors are doing their taxes from 2018.”

“We didn’t change goals, but we did change strategy.”

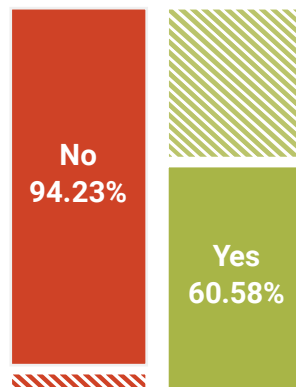
“We felt certain giving would be impacted in 2018 but feel it will be more impactful in 2019 after taxes have been filed and paid. We are already hearing of shocking tax bills. That WILL impact giving.”

“We had a few donors accelerate their giving in 2017, thereby “skipping” contributions in 2018 until they reviewed and analyzed the tax law’s impact.”

“The only donor who expressed concern stated that they would no longer be giving us a recurring credit card donation rather they would be giving one-time donations through their Roth IRA.”

A particularly interesting trend emerged regarding changes that nonprofits are or are not making in planning for the future based on their experience last year. When asked if they **“made changes to their organizations’ fundraising goals based on the 2018 changes in the federal tax code,”** respondents overwhelmingly said **no (94.23%)**.

When asked if they are changing 2019 fundraising goals or plans based on perceptions or data they gained from 2018, **60.58%** of respondents reported that they **are changing** fundraising goals or plans for 2019.



The narrative responses for these questions gave detailed insights into how CEOs and fundraisers are bracing and preparing for deeper impacts of the tax law changes and other potential changes to revenue streams.

Survey respondents provided great examples of specific strategies for mitigating downturns in fundraising for 2019.

- Reducing goals
- Building their fee-for-service and contracts
- Looking into more sources for grants
- Doing more with wills
- Expanding donor base to include more younger donors
- Providing additional information to donors regarding the changes in tax law to reverse losses in giving
- Working hard on explaining the need
- For services with more data
- Increasing online presence
- Holding a second fundraising event
- Positioning the organization to attract more DAFs

“We expect a downturn and keep adding to our endowment and reserves to prepare.”

“We will target an amount somewhere between our 2017 and 2018 goals, instead of planning on an increase, which we have experienced for the past five years.”

“We have budgeted a considerable increase in fundraising the past two years. We do NOT anticipate a similar increase this year--and will budget more conservatively.”



But did fundraising impact the ability to serve?

Fundraising should not be viewed in a vacuum. It is all for naught if not tied to the programs and operations of the organization. When asked, *“has an increase or decrease in 2018 funding affected your organization’s operations and/or those you serve,”* just over 74% of respondents said that there was no impact on operations. One respondent said that, *“We have been able to make our commitments, but I have concerns about 2019.”* Another commented that, *“the increase has supported capacity building which led to our serving the largest number of clients in our history.”*

For 25.96% who reported the organization’s operations were affected, hard choices had to be made. Some nonprofit boards were asked to make decisions to use reserves to ensure that operations could keep running. One respondent reported having *“lost the ability to impact as many of our target population.”* In another case, the decision was made to cut a pre-kindergarten program, rather than underfund it or take a loss.

And there was a lot on fundraisers’ minds for 2019...

The final question in the survey invited respondents to include additional comments. A number of respondents posited that donors had not yet felt the full effects of the tax changes and would be making more significant modifications to their giving in the future.

“2019 has potential to get a much bigger hit now that people have done taxes and see that they can’t write off their charitable giving.”

“2019 is the year to watch. And I’m worried! Throw in even the hint of a recession, and the nonprofit sector will be seriously threatened. We simply can’t navigate an environment where decreasing government funding is paired with disincentive to donate (which is exactly where we are now!).”

“...for many donors, the reality of the lack of tax-deductibility on the Federal tax return won’t sink in until they actually prepare their taxes.”

The general prediction from the majority of respondents was that 2019 would see individual charitable giving slow down either due to taxpayers further adjusting for tax reform changes or due to a softening of the economy. One fundraiser said:

“We have one regular donor tell us that she was going to only donate every other year so that she could get enough charitable deductions to be able to itemize on the Schedule A, (federal return).”



We should all remind ourselves and our donors that our missions remain critical, especially during economic downturns and that their donations can still be itemized when filing Oregon tax returns.

A number of respondents took the opportunity to share their thoughts across a range of issues related to fundraising and the future.

"I perceive it will take more labor hours across many channels to raise the same amount of dollars from multitudes of potential donor at lower levels."

"We have had several major companies leave our community which has also impacted the annual income from campaigns. One company still in area has not run a campaign this year in past has been a very good supporter."

"We have felt it has been difficult to receive grant funding in 2018. Many foundations reported overwhelming submissions and requests."

"We are increasing our fundraising efforts due in part to the financial hit we took last year due to the wildfire smoke."

"For this year, the change has not impacted our operations, however, going forward next year we will have to rethink our budget and operations. It is very disheartening to have a significant amount of funds dry up. We can point to three things - corporations allowing staff to donate time instead of money; tax impact due to new tax laws; fears of a recession in 2020."

"The current tax law has taken away important incentives for nonprofit giving--for being connected to community needs"

"This change has been a real issue for us and other non-profits. I fear the next issue will be the frustration people have with their tax returns, smaller than usual, that combined I feel is going to be a big hit on non-profits."

"We're prospecting and soliciting more businesses, corporations, and DBAs for underwriting and sponsorships."



Survey takeaways.

- Broadly, Oregon nonprofits that participated in the survey reported higher individual charitable giving in 2018 than in 2017. This did not hold true for all respondents, but many experienced the largest gifts in their history.
- We know that charitable deductions are not a primary driver of philanthropy. Oregonians give charitably out of their commitment to our communities and the nonprofits that serve them. This study demonstrates that while giving did increase for most organizations, both the way in which donors gave and the frequency of their giving appears to be shifting. Whether in direct response to the 2018 tax law changes or out of anxiety about the shifting tax landscape, donors are changing their habits by bundling, donating through DAFs and being more selective in which years they give. While some of these shifts were already occurring, the tax law changes are accelerating these trends.
- There is uncertainty for the future. There is collective concern that the changes to the tax law will compound in 2019 and beyond, especially if there is a softening of the economy. Fundraisers know they have to make further revisions to our understanding of the "new normal" adapted after the last recession.

AFP and NAO believe fundraisers and executives need to think about the following:

- We may have gained big gifts in 2018, but we will need to begin insulating our programs from what could be rougher fundraising seasons ahead. We should always be thinking about contingency planning for downturns in funding, changes in government regulations and contracts, or even for natural disasters. Our communities are dependent on our resiliency.
- How gifts are accounted and stewarded. A long-time contributor might make a “major contributed gift” as a grant through a DAF or other mechanism. In these cases, there may be no opportunity to attribute the gift to a specific donor for follow-up and stewardship. In short, major gifts goals may go unrealized, while unsolicited, anonymous grants arrive from public charity funds.
- We will need to evolve strategies on growing the “middle of the pipeline” of current and future donors as they may disappear behind the veil of anonymity of a DAF or other mechanism.
- Our planning will need to change. It will become more difficult to compare giving data across years and use existing planning models for future goal projections. To plan for the future, we will need to become more adaptable and flexible.

In conclusion...

While the data shows that for some donors a tax deduction did factor into their charitable giving approach, not *all* donors made decisions based on the tax law changes. There appeared to be many other significant factors as to how and why individual donors supported Oregon’s nonprofits so generously in 2018. AFP and NAO encourage nonprofits to continue engaging, stewarding and demonstrating to donors how critical our work is in communities across Oregon – transforming the lives of individuals and families every day.

Both the Association of Fundraising Professionals and the Nonprofit Association of Oregon are committed to monitoring these trends and reporting them to you. We are developing joint programming through this year and into the future that will help you mitigate the effects of volatility on your organization. We thank all of you who supported and contributed to this research through your membership in AFP and NAO.

This report was produced and analyzed by:



The [Association of Fundraising Professional Oregon & SW Washington Chapter](#), founded in 1984, serves fundraising professionals in Oregon and Southwest Washington and empowers individuals and organizations to practice ethical fundraising through professional education, networking, research and advocacy.



The [Nonprofit Association of Oregon](#) is the statewide nonprofit membership organization representing and supporting charitable nonprofits of all sizes, geographic locations and missions across Oregon. The mission of NAO is to serve public benefit nonprofits by strengthening the collective voice, leadership, and capacity of nonprofits to enrich the lives of all Oregonians.