

Report to Trends Advisory Board
May 7, 2020

COVID-19's Impact on Canadian Fundraising

Input and Insights from KCI's Trends
Advisory Board Consultations



What have donors' reactions been?

- There has been a range of responses, but **gifts are most definitely still being made**. In fact, many donors are increasing their giving and in some cases are reaching out unsolicited to make donations.
- **Major donors are still exhibiting great willingness to engage** in conversation, and the observed reaction is different from past economic crises (e.g. 2009 recession). The nature of this crisis is generating significant response from philanthropists who see the critical role that philanthropy must play in dealing with it.
- It is turning out to be an **excellent time to connect with major donors**. Many are finding a surprising amount of access to donors recently as most people are at home and “easier to find” than usual. Meetings with them have been longer and more personal in nature. We are in a **‘stuck in an elevator moment’** with donors, and it should not be wasted. Now is an excellent time to deepen relationships and find out where your organization sits in your donors’ priorities and why.
- We are observing some **shifting in philanthropic priorities**. Many donors are trying to understand the situation and find organizations that are responding in a way that resonates with them. However, there is an openness to engage in conversations about what this means for particular organizations even if they are not ‘on the front lines’, and a **willingness to hear the case about how this crisis is affecting your organization**.
- There is also the sense that **organizational values are even more important than organizational mission and vision** in decision making at this point in time. Donors who are making gifts are looking through a values lens and are often motivated by the values being exhibited by the organization and its leadership during this crisis.
- There is an **increased interest in revising estates / legacy plans among those who engage with philanthropists in these types of conversations, (e.g. Donor Advised Funds, Community Foundations)**, and a general trend of more people wanting to organize their legacy plans and set up endowments.

What have been organizations' experiences?

- There is no universal response. But overall, organizations are **shifting fundraising priorities as appropriate** to respond to how COVID-19 is impacting their organizations (e.g. pivoting from capital campaign fundraising to focus on programs, continuing with campaign fundraising but focused significantly on student financial aid, etc.)
- There is an **increased number of cash gifts** being made. Generally, **organizations are not experiencing greater than normal year-to-date attrition** in pledge and enrolment. For example, one organization took a page from the bank strategy to offer donors the chance to suspend pledges and gifts (including monthly donors, offering a three-month break). Very few took them up on it.
- Even among organizations not on the front lines, **some are seeing significant growth in giving to their current annual appeals**. Pandemic has tapped into a strong sense of community and desire to help and support... particularly among those who consider themselves 'fortunate' in this situation.
- Those who work with **smaller and mid-size charities** note that there are many in this category that **are struggling**, indicating that what they are experiencing now in terms of revenue loss is worse than in the 2008 / 09 financial crisis (Imagine Canada will be releasing the results of a survey shortly). They are also struggling to determine what they can do from a mission perspective, what to continue and what to abandon, and how to handle staffing, morale, and engagement.
- There is a sense that donors are receiving a massive number of appeals related to COVID-19 from charities. **Charities that aren't directly responding to COVID-19 are being cautious about asking**, feeling 'like it's not their moment'. But there is a strong sentiment that, regardless, **communication and engagement is critical**. Right now there is a need for higher profile, more regular communications, and messaging focused on values, empathy, and compassion.

What does the future hold?

- This crisis has **exposed structural deficiencies** for organizations and for the sector as a whole. Organizations have limited or no cash reserves, and insufficient access to loan instruments. As a result, many organizations are running out of cash and are being forced to reduce services. But the silver lining is that there may be no better time or way to make the case for the sector's need **for a home in government for the sector and the need for operating funds and overhead**.
- **Boards will become more activist** to ensure that their organizations are not caught unprepared if something like this happens again. Many were not ready for the swiftness necessary to make the changes required. Boards will be more worried about ensuring appropriate business continuity plans. It is likely that donors will want to see this as well, and **being able to demonstrate stability and strength will be more important in making your case**.
- The pandemic has also shone a spotlight on the **importance of boards, governance, and the need for 'shared governance'**. A strong, stable working relationship between the board and senior management is critical. Those that had this model will be more capable of weathering the storm.
- Significant '**demonstration of relevance' opportunity** here for charities and the charitable sector. After this crisis, donors will consider how they feel about how organizations have responded. Did they help them through isolation? Did they meet needs of the community during an emergency? Organizations would be foolish to miss this opportunity.
- An inability to convene will require **event fundraising to be rethought**. Those that have historically relied on events will have to move away from this reliance to survive. This inability to convene and travel will also have implications on stewardship and cultivation, as there will need to be a safe way for donors to see and feel an organization's impact.
- Individual giving has always been the primary driver of philanthropy and will prove the most resilient again in this case. Organizations will have to **switch the nature of the conversation from being transactional (events in particular) to relationship based, conversation based, personalized fundraising**.

What does the future hold?

- We are anticipating a substantial impact on corporate funding with an expectation **that corporations will undertake a review their investments**. Companies are clear that their giving is tied to their enterprise. There is always a balance point with corporations between shareholder happiness, employee/corporate well being, and community satisfaction. The equation between these three things will likely change.
- All organizations will need to devote time and energy to **rethinking mission and its delivery**: how health care is delivered, how education is undertaken, how arts organizations operate, etc. Organizations need to be prepared to 'let go' to make the changes that are necessary to adapt and, in some cases, even survive. Every organization should be undertaking these types of strategy examinations.
- Tied to this examination of strategy will be a **hangover effect for many years when it comes to fundraising priorities and case**, with the expectation of long memories about this crisis and what will mean for organizations. As an example, facilities in educational institutions that were built 40 years ago incorporated quarantine spaces, which was a legacy from the 1918 flu pandemic that informed institutional thinking for decades after.
- We are anticipating that a good number of non-profits won't survive and that there will also be **significant merging and consolidation over the coming months and years**. Discussions are already underway in a number of cases. There is also anticipation that there may be greater collaboration between organizations in general. There are many donations being made to multiple organizations, and many organizations working together to raise money.

What should organizations be doing?

When planning their recovery and reimagining their future, organizations should...

- Revisit and reimagine **organizational strategy**. Examination on an ongoing and regular basis will be needed for the next while. This should also include examining, and likely re-establishing, **fundraising priorities and case for support**. Amidst that examination, however, it is critical to remain grounded in your core mission.
- **Fortify organizational resilience**. Boards and senior management should devote time and discussion to 1/ 'shock proof' mission and revenues, and 2/ strengthen governance practices and operations.
- Examine and redevelop **fundraising strategies**. Aim to diversify revenue streams and shift to programs that generate sustaining revenue (pledges, monthly gifts). A shift in strategy may/will likely require changes in staffing and skillset.
- Increase focus on **individual giving**. Shift to **relationship, conversation based, personalized** fundraising (major gifts, mid-level giving, legacy giving), and move away from transactional, event based fundraising methods. Make the necessary adjustments and investments to shift to this type of fundraising.
- Develop capacity to **fundraise and communicate in a digital environment** – technology, people, etc. Make the necessary adjustments and investments to develop this capacity.
- Invest in **their brand and in communicating** with stakeholders. Fundraising will be more effective by way of good marketing than it ever has in the past. More charities will be in the digital space, and those who invest in brand and marketing will succeed in this context.
- Continue to develop the skill and competency, both at the individual and organizational level, of **nimbleness, adaptability and agility**. Develop ability to adapt of new ways of working, operating, managing people, etc.

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