How to use AFP's growth-in-giving reports to improve fundraising performance

A Better Measure of SUCCESS

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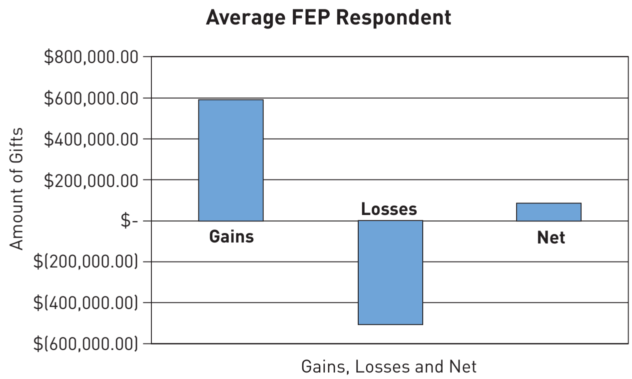
Your development office raised more money this year than last, so you were successful, right? Well, maybe.

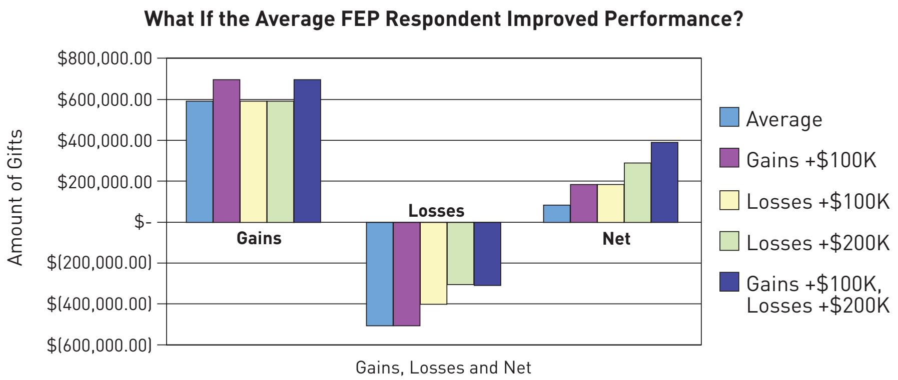
Suppose your organization realized funding gains of $594,000 last year. Sounds great! However, is this really an accurate picture of your fundraising efforts? It turns out that your organization also had losses of $503,000. Consequently, your organization actually achieved a net growth-in-giving of $91,000—not the nearly $600,000 you might have originally thought. In other words, for every $6 gained, $5 was lost—to net $1. These figures are the average results of all respondents to the 2008 Fundraising Effectiveness Survey studying growth in giving from 2006 to 2007, which was the last year the annual FEP survey produced a positive net gain (see Figure 1).

Figure 1



It's not sufficient to look only at gains in giving or the number of donors. To understand what is really happening in your organization, it is necessary to analyze both the fundraising gains and the fundraising losses from one year to the next so that you and your organization's leadership can make growth-oriented decisions about both fundraising budgets and strategies.

Figure 2



Providing Your Organization's Leadership With Meaningful Reports

Although nonprofit CEOs and boards usually watch their overall growth-in-giving results carefully, they seldom pay as close attention to the gains and losses that make up those results. Looking only at the overall net performance—the "bottom line"—does not tell management and boards what is really happening in fundraising or where to invest additional resources to improve donor stewardship and retention, enable greater donor acquisition and enhance overall fundraising effectiveness.

Growth-in-giving (GiG) reports provide a concise, yet informative, picture of fundraising gains and losses—growth in giving and attrition—in a simple, reader-friendly format that the executive staff and board members can understand.

Table 1
What If Gains Increased and/or Losses Decreased?

	Subtotal Gains (A)	Subtotal Losses (B)	Net (A-B)	"What If" Net Increase (%)
Average FEP respondent	**$594,000.00**	**$(503,000.00)**	**$91,000.00**	
What if gains increased by $100,000?	694,000	(503,000)	191,000	110%
What if losses decreased by $100,000?	594,000	(403,000)	191,000	110%
What if losses decreased by $200,000?	594,000	(303,000)	291,000	220%
What if gains increased by $100,000 and losses decreased by $200,000?	694,000	(303,000)	391,000	330%

Basic Concept for the FEP

AFP's growth-in-giving (GiG) report is a fundraising tool developed by the Fundraising Effectiveness Project (FEP) with AFP's Donor Software Workgroup.

Definitions for gain/loss categories:

- **New** – donors who never gave prior to year 2 (current year)
- **Recaptured** – previously lapsed donors who gave again in year 2
- **Upgraded** – donors who gave more in year 2 than in year 1 (previous year)
- **Same** – donors who gave the same amount in both years
- **Downgraded** – donors who gave less in year 2 than in year 1
- **Lapsed new** – new, first-time donors in year 1 who did not give in year 2
- **Lapsed repeat** – other lapsed donors who gave in year 1 and prior years but not in year 2

Table 2
Donations Made

	Before	During	During
	Year 1	**Year 1**	**Year 2**
New	no	no	yes
Recaptured	yes	no	yes
Upgraded	n/a	yes	yes
Same	n/a	yes	yes
Downgraded	n/a	yes	yes
Lapsed new	no	yes	no
Lapsed repeat	yes	yes	no

Growth in giving from one year to the next is the net of gains minus losses. Gains in giving consist of gifts by new donors and recaptured lapsed donors and increases in gift amounts by upgraded donors. Losses in giving consist of decreases in gift amounts by downgraded donors and lost gifts from lapsed new and lapsed repeat donors. The net increase (or decrease) is the net of total gains minus total losses.

Overall, bottom-line giving is increased by making growth-oriented investments in fundraising strategies that both increase *each category of gains* and, especially, reduce *each category of losses.*

Objective of fundraising strategy	Gain/loss category
Increasing gains	
• Acquiring new gifts from new donors	New
• Recapturing gifts from lapsed donors	Recapture
• Renewing gifts from last year's donors	Upgrade and same
Reducing losses	
• Avoiding losses from downgraded donors	Downgrade
• Avoiding losses from lapsed new donors	Lapsed–new
• Avoiding losses from lapsed repeat donors	Lapsed–repeat

Use of GiG reports, together with the data provided by AFP's annual fundraising effectiveness surveys, makes it possible for fundraising managers, executive staff and boards of nonprofit organizations to compare not only the gain/loss performance of their organizations from one year to the next, but also their performance with that of other organizations. With this information, they can make more informed, growth-oriented decisions about where to invest increased resources in fundraising efforts to improve their fundraising effectiveness.

Table 3
Growth-in-Giving (GiG) Report

Gains & Losses for Current Year (Year 2)

	Gain/Loss Category For Year 2 Donors	Year 1 (A)	Year 2 (B)	Gains (Losses) (C=B-A)
		Amount of Gifts		
Gains	**Gains**			
	New	n/a	236,000	236,000
	Recaptured	n/a	129,000	129,000
	Upgraded	216,000	445,000	229,000
	Subtotal gains	**216,000**	**810,000**	**594,000**
Same	**Same**	**86,000**	**86,000**	**-**
Losses	**Losses**			
	Downgraded	382,000	171,000	(211,000)
	Lapsed new	129,000	n/a	(129,000)
	Lapsed repeat	163,000	n/a	(163,000)
	Subtotal losses	**674,000**	**171,000**	**(503,000)**
Total - gifts	**Total - gifts**	**976,000**	**1,067,000**	**91,000**
				Overall growth in giving

"What If" Growth-in-Giving Scenarios

GiG reports are an effective way to show your senior staff and board "what if" scenarios that support your growth-oriented fundraising strategies—strategies designed to increase the net exponentially by increasing gains and decreasing losses.

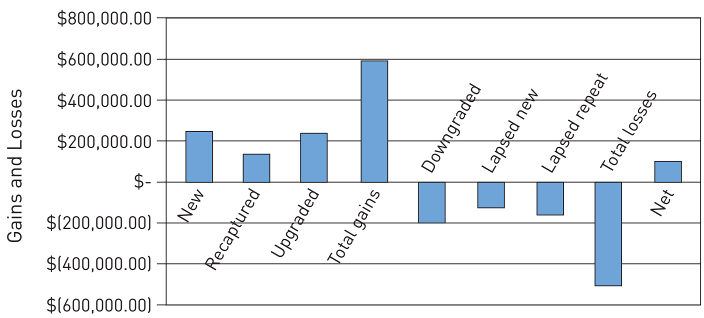
To illustrate, if your organization increased gains by $100,000 (from $594,000 to $694,000), while losses remained the same at $503,000, your organization would more than double its net growth from $91,000 to $191,000. Similarly, if losses were reduced by $100,000 (from $503,000 to $403,000) and gains remained the same at $594,000, your organization would more than double its net from $91,000 to $191,000. Furthermore, if your organization reduced losses by $200,000 (down to $303,000), this would more than triple the net increase to $291,000. Focusing on reducing losses (retention) is essential because it costs less to retain and motivate an existing donor than it does to attract a new one. For most organizations—and especially those that are sustaining losses or achieving only modest net gains in gifts and donors—taking positive steps to reduce losses is the least-expensive strategy for increasing net fundraising gains (see Table 1 and Figure 2 on page 36).

GiG reports can show performance for the fundraising program overall, as well as for each fundraising activity, such as direct mail and major gifts. Based on these reports, fundraising managers can recommend detail-level strategies by gain/loss category for each fundraising activity and help justify growth-oriented fundraising budgets.

In addition, you may find it useful to include gain/loss ratios and/or gain/loss percentage distributions in some of your GiG reports.

Figure 3

Gains and Losses in Amount of Gifts by G/L Catogory



	Gifts
New	$ 236,000.00
Recaptured	$ 129,000.00
Upgraded	$ 229,000.00
Total gains	$ 594,000.00
Downgraded	$ (211,000.00)
Lapsed new	$ (129,000.00)
Lapsed repeat	$ (163,000.00)
Total losses	$ (503,000.00)
Net	$ 91,000.00

How to Prepare a Growth-in-Giving Report

Your donor software provider may be able to provide you with either a software module or set of queries specifically for use in generating AFP's growth-in-giving report, along with instructions tailored for their software.

Following are the steps for preparing your own GiG reports. (Excel-based GiG report templates with instructions can be downloaded at **www.afpnet.org/GiGtemplate**.)

1. Review Table 3 and its definitions. For a better understanding of the gain/loss concepts, carefully study the "definitions for gain/loss categories," which provide criteria for the highlighted fields in Table 6 (see page 41).

2. Prepare a GiG report in an Excel or other spreadsheet template for "Amount of Gifts" following the formatting and formulas provided in Table 6. The 10 "Amount of Gifts" fields highlighted in yellow are data-entry fields. All the other fields are formulas.

3. Make a copy of the "Amount of Gifts" GiG report spreadsheet template and edit for a separate "Number of Donors" template.

4. Following the "definitions for gain/loss categories" in Table 3, prepare and run queries for amount of gifts and number of donors for each gain/loss category and enter the resulting figures in the GiG report templates.

5. You can prepare GiG reports for more than one activity. The procedure for extracting the relevant gain/loss data from your donor database can be set up for the fundraising program overall, as well as for each fundraising activity, such as direct mail and major gifts.

6. You can prepare GiG reports for more than one year. You will be able to easily repeat this procedure for more than one year with little effort. This will enable you to measure and compare growth in giving over time by gain/loss category.

7. You can prepare lists of donors for each gain/loss category. As needed, especially for GiG reports for groups of large donors, you may find it useful to prepare lists of the donors with amounts of their year 2, year 1 and prior-year gifts for each gain/loss category in your GiG reports.

8. Exclude one-time major gifts. Large one-time major gifts can distort year-to-year GiG reports and should be excluded from the analysis for both year 1 and year 2.

Using Ratios and Percentage Distributions

You will need the following gain/loss ratios and percentage distributions if you want to use the FEP's comparative statistics, which are published annually as gain and loss ratios, percentage distributions of gift dollars and number of donors gained and lost from one year to the next.

1. Gain/Loss Ratio Illustrations

The gain or loss ratio for each category is calculated as:

$$\text{Gain/loss ratio} = \frac{\text{survey-year gains or losses in each category}}{\text{prior year total results}}$$

Using data from the 2008 FEP survey for 2006–2007 (see Table 4 on page 40), you obtain the following results:

$$\text{Gain ratio} = \frac{\text{\$594,000 in total gains in giving in survey year}}{\text{976,000 total gifts in prior year}} = 60.9 \text{ percent}$$

$$\text{Loss ratio} = \frac{\text{\$503,000) in total losses in giving in survey year}}{\text{\$976,000 total gifts in prior year}} = -51.6 \text{ percent}$$

2. Percentage Distribution Illustrations

The percentage distribution for each gain and each loss category is calculated as follows:

$$\text{Percentage distribution} = \frac{\text{gains or losses in each category}}{\text{subtotal gains or losses in giving}}$$

Using data from the 2008 FEP survey for 2006–2007 (see Table 4), you obtain the following results:

$$\text{New donor gains} = \frac{\text{\$236,000 in new donor gains in giving}}{\text{\$594,000 in total gains in giving}} = 24.2 \text{ percent}$$

$$\text{Downgraded donor losses} = \frac{\text{(\$211,000) in downgraded donor losses in giving}}{\text{\$503,000 total losses in giving}} = -21.6 \text{ percent}$$

3. Gains and Losses for Number of Donors

It is also often useful to track gains and losses for number of donors and produce GiG reports (see Table 5 on page 40). The report shows changes in the number of donors for the average respondent to AFP's 2008 FEP survey for 2006–2007.

Thanks to FEP survey software provided by the participating donor software firms, clients who chose to respond to the annual FEP surveys are able to extract data for the survey automatically from their donor-tracking software system—taking less than five minutes per submission.

The FEP uses the responses to calculate gain and loss ratios and percentage distributions of gift dollars and number of donors gained and lost from one year to the next. The FEP generates and publishes in an annual report the comparative gain/loss growth-in-giving performance statistics by size, subsector, age, region, survey year and percentile ranking for rate of growth in gifts.

The *2010 Fundraising Effectiveness Report* can be downloaded (PDF) at **www.afpnet.org/FEP2010**.

Efficiency Versus Effectiveness

Before CEOs and boards can make growth-oriented decisions about "raising more money" effectively, they first need to distinguish between fundraising efficiency and fundraising effectiveness.

To illustrate, organization A raises $5 million at a cost of $750,000, or 15 percent of contributions received. Organization B raises $7.5 million at a cost of $1.5 million, or 20 percent of contributions received. While A is more efficient than B (15 percent compared with 20 percent), B is twice as effective as A ($7.5 million raised compared with $5 million raised, and $6 million net compared with $4.25 million net).

In order for most nonprofit organizations to better tap giving potential and raise more money at a significantly faster pace, their CEOs and boards need to make a paradigm shift from a focus primarily on fundraising efficiency (minimizing costs) to an emphasis on fundraising effectiveness (maximizing growth).

For decades there has been a major focus within and outside the sector on external, public accountability (transparency and accurate public disclosure of fundraising cost efficiency). At the same time, nonprofit organizations have ignored the internal management of fundraising cost effectiveness (growth-oriented planning, budgeting, accounting, reporting and evaluation to support increased investments in more effective fundraising). One reason is that, because of the possible negative impact of external disclosure of fundraising costs, many nonprofits are afraid to conduct reliable, effective internal budgeting and accounting for such costs.

National Center for Charitable Statistics (NCCS) analyses of IRS Forms 990 data show that 55 percent of nonprofits raising donations report no costs. Another 15 percent report fundraising costs that are questionably under 5 percent—when 15 percent or more is the estimated national average. Only 30 percent of 150,000 nonprofits report fundraising costs of 5 percent or more, and even those are thought to be understating their costs.

Table 4
Growth-in-Giving (GiG) Report
Gains & Losses for Current Year (Year 2)

Gain/Loss Category For Year 2 Donors	Year 1 (A)	Year 2 (B)	Gains (Losses) (C=B-A)	Gain/Loss Ratio (D%=C/totA)	Percentage Distribution (E%= C/tots in C)
		Amount of Gifts			
Gains					
New	n/a	236,000	236,000	24.2%	39.7%
Recaptured	n/a	129,000	129,000	13.2%	21.7%
Upgraded	216,000	445,000	229,000	23.5%	38.6%
Subtotal gains	**216,000**	**810,000**	**594,000**	**60.9%**	**100.0%**
Same	**86,000**	**86,000**	**-**	**0.0%**	
Losses					
Downgraded	382,000	171,000	(211,000)	–21.6%	41.9%
Lapsed new	129,000	n/a	(129,000)	–13.2%	25.6%
Lapsed repeat	163,000	n/a	(163,000)	–16.7%	32.4%
Subtotal losses	**674,000**	**171,000**	**(503,000)**	**–51.5%**	**100.0%**
Total - gifts	**976,000**	**1,067,000**	**91,000**	**9.3%**	
					Overall rate of growth

Raising More Money Requires Increasing the Fundraising Budget—Wisely

It is not very effective to make overall, bottom-line, lump-sum budget increases to improve overall, bottom-line, growth in giving. It is more effective to do growth-oriented fundraising budgeting for maximum ROI by gain/loss category within each fundraising program area. The overall growth in giving is improved by investing more money in fundraising efforts directed at increasing gains in new, recaptured and upgraded gifts and decreasing losses in downgraded, lapsed-new and lapsed-repeat gifts.

Putting a new spin on an old maxim, it not only costs money to raise money, it costs more money to raise more money. However, simply increasing the fundraising budget will not automatically increase results. Raising more money requires increasing the fundraising budget *wisely*.

Try using growth-in-giving reports with your CEO and board members to help them make wise, growth-oriented fundraising budget decisions.

Table 5
Growth-in-Giving (GiG) Report
Gains & Losses for Current Year (Year 2)

Gain/Loss Category For Year 2 Donors	Year 1 (A)	Year 2 (B)	Gains (Losses) (C=B-A)	Gain/Loss Ratio (D%=C/totA)	Percentage Distribution (E%= C/tots in C)
		Number of donors			
Gains					
New	n/a	460	460	46.2%	75.2%
Recaptured	n/a	152	152	15.2%	24.8%
Upgraded	177	177	-	0.0%	0.0%
Subtotal gains	**177**	**788**	**612**	**61.4%**	**100.0%**
Same	**149**	**149**	**-**	**0.0%**	
Losses					
Downgraded	139	139	(316)	0.0%	0.0%
Lapsed new	316	n/a	(215)	–31.7%	59.5%
Lapsed repeat	215	n/a	(163,000)	–21.6%	40.5%
Subtotal losses	**670**	**139**	**(531)**	**–53.3%**	**100.0%**
Total - gifts	**996**	**1,076**	**81**	**8.1%**	
					Overall rate of growth

The Fundraising Effectiveness Project

The Fundraising Effectiveness Project seeks to help nonprofit organizations measure and compare their annual growth in giving by gain/loss categories. The firms in the AFP Donor Software Workgroup have assisted with the design of the FEP survey and are ready to help their clients prepare GiG reports as well as respond to the survey. They have developed, or are developing, software modules for the FEP survey that eliminate the need for their clients to manually key the fundraising performance data into an AFP Web-based version of the survey.

AFP Donor Software Workgroup:

- Blackbaud (The Raiser's Edge®)
- DonorPerfect Fundraising Software
- eTapestry
- Mission Research (GiftWorks)
- MatchMaker FundRaising Software
- Metafile Information Systems Inc.
- PhilanthrAppeal (FundTrack Software)
- ROI Solutions
- Sage Software
- Talisma Fundraising by Campus Management
- Telosa Software (Exceed!)

Initial project sponsors (2006):

- Association of Donor Relations Professionals
- Association of Fundraising Professionals*
- Center on Nonprofits and Philanthropy at the Urban Institute*
- The Center on Philanthropy at Indiana University
- Council for Advancement and Support of Education
- Council for Resource Development
- National Committee on Planned Giving (now Partnership for Philanthropic Planning)

** Founding partners, providing resources for the project*

To learn more about the FEP, visit **www.afpnet.org/FEP**. To provide feedback or if you have questions, contact FEP coordinators Bill Levis and Cathlene Williams at **fep@afpnet.org**.

Table 6
Growth-in-Giving (GiG) Report

Gains & Losses for Current Year (Year 2)

Gain/Loss Category For Year 2 Donors	Year 1	Year 2	Gains (Losses)	Gain/Loss Ratio	Percentage Distribution
Formulas	**(A)**	**(B)**	**(C=B-A)**	**(D%=C/totA)**	**(E%= C/tots in C)**
		Amount of Gifts			
Gains					
New	n/a	236,000	236,000	24.2%	39.7%
Recaptured	n/a	129,000	129,000	13.2%	21.7%
Upgraded	216,000	445,000	229,000	23.5%	38.6%
Subtotal gains	**216,000**	**810,000**	**594,000**	**60.9%**	**100.0%**
Same	**86,000**	**86,000**	**-**	**0.0%**	
Losses					
Downgraded	382,000	171,000	(211,000)	-21.6%	41.9%
Lapsed new	129,000	n/a	(129,000)	-13.2%	25.6%
Lapsed repeat	163,000	n/a	(163,000)	-16.7%	32.4%
Subtotal losses	**674,000**	**171,000**	**(503,000)**	**-51.5%**	**100.0%**
Total - gifts	**976,000**	**1,067,000**	**91,000**	**9.3%**	
					Overall rate of growth

Bill Levis is project manager of AFP's Fundraising Effectiveness Project (FEP) and associate scholar for the Center on Nonprofits and Philanthropy at the Urban Institute in Washington, D.C. He has a long history of investigation into fundraising costs and productivity with numerous articles, papers and projects going back to the 1970s, when he organized and directed the NSFR Fundraising Cost Study *(1975–1981). Cathlene Williams, Ph.D., CAE, is a consultant specializing in curriculum development, project management and business writing. She is a former AFP staff member and is currently a consultant to AFP for ACFRE, research programs and other professional advancement projects.*