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FUNDRAISING CONSULTANTS

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## MEMORANDUM

**Date:** January 14, 2009

**From:** Christian Bolduc, CFRE

**To:** Clients & Potential Clients

**Re:** Impact of a Recession on Fund-Raising programs

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Dear friends,

Following many questions submitted by clients and potential clients, I am pleased to be submitting the present document for your reference regarding the impact of a possible recession on fund-raising programs, particularly major fund-raising campaign.

As a preface to the following information and observations, I would like to underline the fact that our firm is not specialized in the field of economics, and we are not in a position to be able to predict how the economy will evolve over the coming months, nor whether the disquieting recession will be minor, major or severe in scope. Even professional economists, for their part, do not agree on the scale of the impact the global situation may have on Canadian economy.

Nevertheless, it is clear that our principal export market, the U.S., is already feeling the effects of a recession, the financial crisis has had an impact on all of us to various degrees, and the American downturn is beginning to have a marked influence on our economy both on the national and provincial fronts.

Furthermore, economists do seem to agree that 2009 will see only minimal economic growth in Canada, or possibly a slight decline in GDP.

Consequently, the fund-raising sector, whose health is entirely dependent on the ability of individuals, foundations and businesses to contribute, will most certainly be affected by the prevailing situation.

### **What the Experts Are Saying About the Situation**

A recent report prepared by Dr. John Volpe of the American Association for Health Care Philanthropy entitled *Economic Cycles and Charitable Giving* paints a fairly pessimistic picture of the fund-raising climate in the United States over the coming year. These predictions are made in light of the current economic turmoil, the limited financial resources available, and the present uncertainty plaguing the real estate and stock markets. In Canada, the forecasts are essentially the same according to a recent article appearing in the September 23 edition of *The Globe & Mail* entitled *Charities Brace for Drop in Donors*.

Based on data provided by Giving USA, the American *Newsweek* magazine reports that, over the course of the past 40 years, the volume of donations grew slightly (0.8%) during times of recession, while increasing more significantly (4.3%) during periods of growth. The same trend holds true in Canada.

### **Impact on Different Donor Types**

Using data gathered by Giving USA as well, the Indiana University Center on Philanthropy took a close look at the state of fund-raising in 2001 — a year marked by economic uncertainty and crisis. At that time, corporate donations fell by 12.1%. However, individual gifts increased by 1.1%. This is quite significant, as individual contributions represented 75.8% of all campaign donations made in 2001. For their part, foundations also increased their giving by 5.4%, and these types of donations accounted for 12.2% of all contributions made that year.

### **Recommendations**

Whatever happens, foundations must protect themselves from the possible effects of a recession. It is in every such organization's best interest to closely monitor the situation and adapt their planning as a consequence. What specific strategies should be adopted? The *Chronicle of Philanthropy* has made the following recommendations:

- As donors tend to be more selective during times of economic slowdown, it is very important to focus on preserving and reinforcing ties with existing contributors in order to maintain and enhance the level of their gift-giving.
- Donors will be more prudent, and therefore, foundations must be transparent and open to sharing their financial statements.

- As needed, major donors should be allowed to extend their contributions to major or multi-year campaigns over a longer period of time (seven years if five years pledge pose a problem).
- Foundations must take care of their donors and clearly familiarize as to how their contributions will be put to good use.

### **BNPA's Response to the Current Situation and Recommendations**

In order to remain abreast of the latest trends and developments within the fund-raising sector, our consulting firm has formed an internal strategic watchdog committee that meets every week via telephone conference call in order to assure the most effective response to the ongoing situation and to be able to provide our clients with the best possible counsel. Members of our committee come from our staff working with clients through Quebec and the Maritimes.

Following is a brief overview of present tendencies:

- Affluent individuals and private foundations whose revenues are derived from investments are being more selective regarding the causes to which they will contribute. They are now tending towards commitments they already have and are supporting their usual causes because they have seen the stock portion of their investment portfolios decline in value substantially. Nevertheless, private foundations are obliged by Revenue Canada to contribute 3.5% of their capitalized funds in donations each year.
- Religious communities generally have more stable sources of revenue and are pursuing their giving. However, many of them are increasingly declining to make multi-year commitments and are calling for annual solicitations.
- Exporting businesses (most notably within the manufacturing sector) are experiencing very difficult times. Consequently, many have reduced their donation budgets for 2009.
- The forestry and pulp and paper sectors continue to be plagued by major problems, and the situation is not likely to improve in the short- or medium-term. Donations from this sector are at a very low level, with some exceptions, which seem to have weathered the storm better than its counterparts and are continuing to donate.
- Financial institutions should be able to withstand the pending difficulties and will likely continue their philanthropic initiatives, although they will be more selective in the causes they choose to support.

- The engineering consulting, construction, information technology and multimedia sectors are not anticipating a slowdown because of the increased demand for their services from the public sector that is compensating for the predicted decline in demand from the private domain. As such, these sectors are expected to remain generous supporters of fund-raising initiatives.
- Enabling donors to invest in a targeted manner in sectors that respond to their specific interests is proving to be an effective strategy that allows our organization to set itself apart from other causes for which they are solicited and promotes our success in obtaining the amounts being requested.
- The revenue stability of public sector personnel enables us to continue to meet or exceed the financial targets of campaigns conducted among these individuals.

## **Conclusion**

Clearly, there is never a perfect time to conduct a fund-raising campaign within the competitive Canadian context that encompasses more than 100,000 recognized charitable organizations. Every fall, Centraide and organizations dedicated to helping the poor go into solicitation mode, and last year, the *Fondation de ma vie* campaign was actively underway. Furthermore, several universities ran fund-raising campaigns during the recession of 1991-92 and succeeded in exceeding their objectives.

While we certainly observe a sense of concern and anxiety among donors and organizations, the results of fund-raising campaigns that we have led to date have succeeded in meeting expectations and established plans and timetables. Of course, we have focused our efforts primarily on donors within sectors that represent the greatest contribution potential and that could be more open to the organization's cause.

Should you require any additional information or have any questions or concerns about the economic situation and its potential impact on the campaign, please do not hesitate to let us know. We are always at your disposal and pleased to be of service !