

# COMMONWEALTH INSIGHTS



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Network  
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## Individual Donations: The Lifeblood of the Nonprofit Sector

Giving Tuesday, the Tuesday after Thanksgiving, is becoming a fixture on the calendar. Coming right after Black Friday and Cyber Monday, Giving Tuesday highlights the importance of giving and the vast needs that nonprofits seek to address.

Giving Tuesday spurs individual donations to nonprofits, as do other giving days such as Valley Gives in Western Massachusetts each May. Those individual donations are critical to the people that nonprofits serve, providing them with meals, health care, education, enrichment, and a host of other services. They are critical to the nonprofits as well.

To a degree few realize, nonprofits depend on individual contributions. Those contributions add up to much more than a small amount of income at the end of the year. For many nonprofits, they are essential to daily operations. That means that the donations made on Giving Tuesday, and throughout the year, do more than provide services to people who need them. They sustain nonprofits and keep

### Key Points:

- Individual donations are a pillar of nonprofit support. 82% of MNN members surveyed rely on individual donations.
- Individual donations are critical because nonprofits run lean. 40% of Massachusetts Giving Common nonprofits have no reserve fund, and many others have just a few months of reserves.
- The federal tax deduction for charitable contributions will be under pressure as lawmakers debate tax reform in 2017. It must be preserved.
- Donations to nonprofits do more than help people in need. They strengthen the social fabric of communities and the entire state.

the Commonwealth's social fabric strong.

The first message from the nonprofit sector is thank you—to everyone who contributes to nonprofits and helps make those contributions happen. Whether the contributions are of money, time, or other support, they have a profound impact. The nonprofit sector and the people it serves are grateful.



Photo Credit | John Keegan

GivingTuesday Somerville: Give Local 2015 Event

**NONPROFITS RELY ON INDIVIDUAL DONATIONS MORE OFTEN THAN ANY OTHER TYPE OF FUNDING**

What type of funding is most common among Massachusetts nonprofits? Some might guess government funding, since governments frequently contract with nonprofits to deliver services (often for less than it would cost government to provide the service directly). Others might guess foundation funding, given the scale and visibility of some of the largest foundations, or corporate funding. The answer is none of the above.

The most common type of funding among Massachusetts nonprofits is individual donations.



Photo Credit | The Amherst Survival Center

Amherst Survival Center volunteers

Individual Donations with Impacts Beyond Dollars

The Amherst Survival Center ([amherstsurvival.org](http://amherstsurvival.org)) connects residents of Hampshire and Franklin Counties to food, clothing, health care, wellness services, and community, primarily through volunteer efforts. The Center depends heavily on individual donations, including those that come through the United Way of Hampshire County.

United Way chapters, as well as community foundations and other philanthropic organizations, carefully review nonprofits before committing funds to them. Such reviews help nonprofits hone their skills. They also help philanthropies ensure that donors' contributions are going to high-capacity organizations. And when a nonprofit receives philanthropic funds, the nonprofit becomes better-known in its area, leading to more donations and more awareness about its work.

According to Mindy Domb, Executive Director of the Amherst Survival Center, "The United Way of Hampshire County expands our reach and connects the Center with more members of our community – recipients of our programs, supporters, people who know others who may benefit from our programs, volunteers, and donors."

They show up on more nonprofit income statements than any other type of funding, and in many cases they are critical to a nonprofit's financial viability:

- A recent survey of MNN members asked respondents to indicate which types of funding they rely on. The top choice was individual donations, selected by 82% of respondents. Table 1 provides full results.

Table 1: MA Nonprofits' Reliance on Individual Donations	
Funding Type	% Reliance
Individual Donations	82%
Foundation Support	69%
Corporate Support	65%
Government Funding	45%

Source | MNN Member Survey

- The Giving Common ([givingcommon.org](http://givingcommon.org)), an initiative of the Boston Foundation, is an online resource that provides in-depth information about nonprofits across Massachusetts. It includes detailed financial information on over 1,000 nonprofits. Of those, 95% receive individual donations. By comparison, 45% receive government funding, and 35% receive donations from foundations and corporations.

**82% OF MA NONPROFITS SURVEYED RELY UPON INDIVIDUAL DONATIONS**

- Individual donations are a major part of nonprofit budgets—especially small nonprofits. For small nonprofits in the Giving Common, with annual revenues less than \$1 million, individual donations average 44% of annual revenues. For nonprofits with annual revenues between \$1 million and \$10 million, individual donations average 33% of annual revenues. Table 2 provides more detail.

**EVERY DONATION COUNTS BECAUSE NONPROFITS RUN LEAN**

Most nonprofits strive to meet vast unmet needs, or serve people who have limited resources—or both.

They dedicate every possible dollar to their charitable missions and they run lean. Several facts tell the story:

- 40% of all Giving Common nonprofits have no reserve funds. They are operating on the edge with little or no financial breathing room. A drop in individual contributions, or any other type of revenues, means immediate cuts in the services they deliver and the work they do. Among Giving Common nonprofits with reserve funds, many of those funds are equal to just a few months of expenses. These nonprofits operate close to the edge financially. For them too, every single contribution is critical.
- This pattern isn't limited to Massachusetts. The Nonprofit Finance Fund (NFF), a community development financial institution, surveys nonprofits around the country. In its latest 2015 survey, NFF found that 52% of nonprofits responding have three months or less of cash readily available. Another 25% had three to six months on hand.
- Among NFF survey respondents, nearly 30% ended the previous fiscal year with an operating deficit. Another 30% ended it with break-even financials, which means that well over half of all nonprofits surveyed ended their last fiscal year without any year-end surplus.

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This reality heightens the importance of individual contributions to nonprofits. Every donation—and every dollar—counts.

## A LOOMING RISK – FEDERAL TAX POLICY

During the 2016 election, proposals were advanced to cap personal income tax deductions, which could severely reduce the impact of the federal deduction for charitable giving. Such a cap—which will receive attention in 2017 as lawmakers debate tax reform—would be a mistake.

The federal deduction is a powerful incentive for giving. It makes donors' dollars go farther, reducing their tax burden by an amount equal to their contribution times their marginal tax rate. The deduction also creates a year-end deadline for giving,

## Individual Giving Multiplies the Impact of Let's Get Ready

Let's Get Ready ([letsgetready.org](http://letsgetready.org)) is a college access, transition, and success program that has served more than 25,000 low-income and first generation students across the Northeast. With the support of college mentors and teachers, Let's Get Ready students have a 92% college enrollment rate, and a graduation rate five times higher than their peers.

For Let's Get Ready, the flexibility provided by individual donations is crucial. Non-restricted funds allow Let's Get Ready to serve in communities, especially in Gateway Cities like Brockton, Lynn and Lawrence, that lack strong corporate or foundation support. And through special events such as "Hit Submit: College Application Completion Day," Let's Get Ready capitalizes on the knowledge and skills of their donors to provide additional mentorship for their high school students and college alums.

The more Let's Get Ready succeeds, the more the impact of individual donations multiplies. Positive results in new communities serve as proof points, says Lisa Ulrich, Executive Director of Let's Get Ready, New England. These results give the organization a stronger platform to scale up its proven model. Ulrich knows that, notwithstanding Let's Get Ready's success to date, there are many more students who need help to achieve their aspirations. "If we can grow," says Ulrich, "we are ready to serve."



Photo Credit | Let's Get Ready

Let's Get Ready students

**Table 2: Individual Donations are a Major Part of MA Nonprofit Budgets**

Nonprofit Size – Total Revenue	% of Giving Common Nonprofits Receiving Individual Donations	% of Total Revenue From Individual Donations
\$0-\$99k	100%	48%
\$100k-\$499k	97%	48%
\$500k-\$999k	96%	35%
\$1m-\$2.5m	91%	34%
\$2.5m-\$5m	95%	31%
\$5m-\$10m	100%	34%
\$10m-\$50m	91%	19%
>\$50m	100%	10%

Source | The Giving Common

forcing action and spurring more donations than would otherwise take place. MNN will work with nonprofit and government leaders to preserve the full deductibility of charitable contributions.

### FOR DONORS - MULTIPLE WAYS TO MAXIMIZE IMPACT

To many donors, maximizing impact means finding nonprofits that are working on the issues they care about the most. Donors wishing to give to a Massachusetts nonprofit can start at MNN’s website, [massnonprofitnet.org/mnn-members/](http://massnonprofitnet.org/mnn-members/), which has a member database sortable by specialty or region. It includes links to listed nonprofits’ websites. Donors seeking in-depth information on over 1,000 Massachusetts nonprofits can visit the Giving Common at [givingcommon.org/](http://givingcommon.org/). In addition to its financial information, the Giving Common provides a detailed look at each nonprofit’s mission, initiatives, leadership team and more. And contributions can be made through the Giving Common website.

Donors can also maximize their impact by giving to philanthropic organizations such as local community foundations or their local United Way chapter. Those organizations add great value, by collecting donations and directing them to nonprofits based on evaluation

of each organization’s skills and focus. The profile of the Amherst Survival Center on page 2 illustrates the point.

Finally, donors can maximize their impact by giving in non-financial ways. They can give their time by volunteering—in service to a nonprofit’s constituents, working at a nonprofit’s office, providing support at events, or helping to advance longer-term projects. Supporters can also help by spreading the word about their favorite nonprofits, and connecting friends to them via social media.

When donors find nonprofits they want to support, in a way that works for them, the benefits go far beyond the immediate recipient. They strengthen the social fabric of their local community and the Commonwealth as a whole. MNN will continue to work with its partners to help make Massachusetts a better place to live, work and support one another. ■

#### About the Massachusetts Nonprofit Network

MNN is the only statewide organization that brings together nonprofits, funders, business leaders, and elected officials to strengthen nonprofits and raise the sector’s voice on critical issues. The network has more than 650 nonprofit member organizations and more than 100 for-profit affiliate partners. To join visit [massnonprofitnet.org/join](http://massnonprofitnet.org/join).

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89 South Street,  
Suite 603  
Boston, MA 02111  
617.330.1188