Crowdfunding Challenges for New Charity Organizations

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CROWDFUNDING CHALLENGES

FOR NEW CHARITY ORGANIZATIONS

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By Katherine Lowe

Most businesses, of any type, can attest to the difficulty of acquiring money; however, when a business also has the title of “charity organization,” the difficulty “to get that little,” is exacerbated. In today’s world, technological advances in online fundraising both allow for new fundraising streams and create new fundraising challenges. This article explores a few of the challenges new charity organizations face with crowdfunding platforms, such as GoFundMe, and the newly popular crowdfunding-centric day, Giving Tuesday.

According to the National Center for Charitable Statistics (NCCS), more than 1.5 million charities are actively registered in the U.S., all of which are vying for the same donations. Of those 1.5 million charities, 10.4 percent are considered new organizations established from 2005 to 2015. A paper published by the University of Washington, Seattle states that “the rapid growth of nonprofits is considered beneficial due to the greater provision of goods and services by the charitable organizations, supplementing the efforts of the government. However, the increasing number of nonprofits also increases the competition for limited resources among them.”

COMPETITION FOR CHARITY RESOURCES

I have experienced the intensity of resource competition firsthand. Although the challenge wasn’t within a public crowdfunding site, I believe the example is no less illustrative. In 2016, I founded a charity focused on refugee resettlement in the United States. The charity, which is called At Home Humanitarian, became one among many. However, the board and I felt confident in the unique programs we set out to offer. Unforeseen to any of us, we had launched the organization shortly before a national debate regarding immigration erupted. The newly-elected president, Donald Trump issued “Executive Order 13769” — known more commonly as the “Muslim Ban.” Immense backlash ensued. Concurrently, support for immigration-focused charities also rose. While At Home Humanitarian financially benefited from the unexpected publicity, the support received was not quite to the level of those who had quickly become our charity “competitors.”

To provide context, Google Give, a weeklong event in which Google matches its employees’ charitable donations (via an internal crowdfunding platform) fell right in line with the great immigration debate. At Home Humanitarian, whose board members include two Google employees and one former Google consultant (me), is one of the many organizations that benefit from the annual initiative. During the Google Give week of At Home Humanitarian’s first official year of operation we were grateful to raise $5,500. More established refugee support organizations, however, were said to have raked in millions of dollars in donations. At Home Humanitarian had naively become the self-anointed underdogs of the dog-eat-dog world of charity fundraising.

ONLINE FUNDRAISING and DONOR ENGAGEMENT

While a gap in fundraising capabilities between an established organization and new organization is expected, the task to fundraise for new organizations is no less daunting. Especially when considering how strapped for time, resources, and experience new organizations often are. New charities generally initiate funding by securing donations from family members and friends. Inner circles are a great place to start considering that in 2017 alone, $286.65 billion—70 percent of total giving—was provided by individuals.

However, as a charity’s financial needs increase, the need for new donors outside of family and friends also increases. Seeking new donors online is a common go-to fundraising approach. “Over the past decade, electronic-commerce applications have become indispensable communication channels (that have) opened up unparalleled opportunities for nonprofits to further their causes and enter into relationships with potential, current, and lapsed donors.” A 2017 report by the Blackbaud Institute for Philanthropic Impact reports that online donations accounted for 7.6 percent of total fundraising revenue, up from 7.2 percent in 2016, and that 21 percent of online donations were made on a mobile device, up from 17 percent in 2016.

CROWDED CROWDFUNDING

“Used strategically, crowdfunding helps nonprofits build meaningful engagement, inform their work, spread their messages, and expand their donor base to increase their overall funding and impact.” The newer capability to crowdfunding online, though convenient, has become increasingly competitive. Although legally formed charity organizations can and do deploy crowdfunding campaigns, similar campaigns created for individuals (or by individuals) run rampant across social media feeds. Individual campaigns can seek support for everything from IVF treatments and funeral costs to funding the Mexican border wall.
Table 1: Highest Grossing GoFundMe Campaigns of 2018

<table>
<thead>
<tr>
<th>RANK</th>
<th>CAMPAIGN</th>
<th>CAUSE</th>
<th>DONATIONS</th>
<th>TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Times Up Legal Defense Fund</td>
<td>Funds to aid survivors of sexual harassment and violence.</td>
<td>$22,073,200</td>
<td>Individuals</td>
</tr>
<tr>
<td>#2</td>
<td>Funds for Humboldt Broncos</td>
<td>Funds to support the families of 16 young hockey players, coaches, and staff from Canada, who died in a bus crash.</td>
<td>$15,172,200</td>
<td>Individuals</td>
</tr>
<tr>
<td>#3</td>
<td>Stoneman Douglas Victims’ Fund</td>
<td>Funds to support the families of those killed in the Parkland, Florida, school shooting.</td>
<td>$10,102,900</td>
<td>Individuals</td>
</tr>
<tr>
<td>#4</td>
<td>March For Our Lives</td>
<td>Funds for a march against gun violence — organized by students of Stoneman Douglas.</td>
<td>$3,586,650</td>
<td>Individuals</td>
</tr>
<tr>
<td>#5</td>
<td>Houses for Rohingya Refugees</td>
<td>Funds petitioned by Photographer Brandon Stanton and Jérôme Jarre’s (a social media influencer) Love Army to build homes for refugees.</td>
<td>$2,105,370</td>
<td>Individuals</td>
</tr>
<tr>
<td>#6</td>
<td>Tree of Life Synagogue Victims</td>
<td>Funds to help the families of those killed in the Pittsburgh synagogue shooting.</td>
<td>$1,230,360</td>
<td>Individuals</td>
</tr>
<tr>
<td>#7</td>
<td>The Ari Fuld Memorial Fund</td>
<td>Funds to help the family of Ari Fuld, a prominent Israeli soldier.</td>
<td>$1,091,040</td>
<td>Individuals</td>
</tr>
<tr>
<td>#8</td>
<td>Saving Carter</td>
<td>Funds to find a cure for a 6-year-old boy named Carter, who suffers from Sanfilippo Syndrome.</td>
<td>$1,017,780</td>
<td>Individuals</td>
</tr>
<tr>
<td>#9</td>
<td>Help the Family of Anthony Borges</td>
<td>Funds to support the recovery of Anthony Borgers, a Stoneman Douglas school shooting victim.</td>
<td>$910,230</td>
<td>Individuals</td>
</tr>
<tr>
<td>#10</td>
<td>Coleman Duck Boat Survivors</td>
<td>Funds to support Tra Coleman who was critically injured, and who last nine family members, in the Coleman Duck boating accident.</td>
<td>$762,555</td>
<td>Individuals</td>
</tr>
</tbody>
</table>

GoFundMe reports that through its platform, over $3 billion was raised from 2010 to 2016. However, according to Inside Philanthropy, only a small percentage of that total goes to traditional and legally established charity organizations. ‘For one thing, crowdfunding isn’t so well suited to supporting ongoing work or planned initiatives by nonprofits. Three billion dollars may sound impressive, but much of it went to private individuals in need or to campaigns created around natural disasters or tragic events like the shootings in Orlando. The majority of crowdfunded dollars overall go to help individuals, with most of that money raised from donors who know those individuals.’

Table 1 highlights the highest grossing GoFundMe campaigns of 2018, all of which were created by or for individuals rather than by or for charity organizations.

With the exception of the Times Up Legal Defense Fund — a campaign managed by the National Women’s Law Center — every one of the noted funds went directly to individuals not connected to an organization. While support of individual crowdfunding campaigns is needed, such campaigns create stiff competition for new charities. Often, these new charities are those that have put in the time and resources to organize via proper legal institutions. Charities that are in desperate need of support but whose beneficiaries are not at the forefront of the news cycle.

Another popular way to fundraise online is by participating in Giving Tuesday. Giving Tuesday is strategically scheduled on the Tuesday after Thanksgiving and close to December 31st, when individuals often make last-minute charitable contributions to receive tax benefits. The day has become an international day of giving back and is promoted by most, if not all, online donation-focused sites, including GoFundMe. Recently, however, Facebook has dominated the push for Giving Tuesday donations via its matched donation campaign. For any legally formed charity organization, creating a Facebook campaign is easy and comes at no cost as all processing fees are waived. Additionally, and more attractively, each year a matching fund for funds raised on Giving Tuesday is provided by Facebook and a selected partner.

Because Facebook’s 2018 Giving Tuesday campaign advertised a $7 million matching fund — jointly provided by Facebook and PayPal — more organizations than ever participated. For months leading up to the event, organizations strategically planned and implemented marketing efforts to gather committed Giving Tuesday supporters. By the end of Tuesday, November 27, 2018, Facebook announced that a whopping $125 million had been raised.

Larger organizations, with more resources had a much better chance at securing the matching donations. For many participating organizations and donors, however, disappointment came after learning that the set aside $7 million matching fund, was distributed on a first-come-first-serve basis. Of the $125 million in donations, only 5.6 percent were matched, and all within 5 minutes of the 8 am eastern standard time (EST) start time. At Home Humanitarian, which operates within pacific standard time (PST) territory, raised $2,000 from supporters; none of funds were matched and most donations hailed from previous, not new, donors.

Larger, more established organizations, with far more resources and capabilities to garner online engagement, had a much better chance at securing the matching donations. When Facebook posted the news at 6:05 am PST, many Twitter users shared disappointment and expressed concern over the unlikelihood that smaller charities benefited. As shown in Image 1 (see next page), the first Twitter user to respond to the announcement was none too pleased: “Wow, the smaller nonprofits barely have a chance.” Kayee’s post was followed by a slew of concurring posts; some of which offered recommendations on how the giveaway could have been better structured. Clearly, At Home Humanitarian, was not the only small organization to be disappointed.

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funds raised via Facebook’s 2018 campaign, an additional $275 million in online donations were raised that same year — a total that surpasses the billion-dollar mark in donations since the inception of Giving Tuesday just six years prior. Additionally, the use of other crowdfunding platforms, such as GoFundMe, can and have provided quick necessary funds for many organizations, including At Home Humanitarian.

A deeper concern for all charity organizations is not how to make a few quick bucks but how to sustain the organization year after year. The decision for new charity organizations to focus on crowdfunding should be carefully weighed because precious time and resources might be wasted. Scarce time and resources could otherwise be allocated towards more promising and sustainable initiatives set in far less competitive conditions. As online crowdfunding stands today, new charity organizations that are seeking more than just “that little” would be wise to consider the downfalls of crowdfunding and plan accordingly.

At Home Humanitarian is a 501(c)3 organization committed to helping refugees feel “At Home” in their new U.S. communities. At Home Humanitarian matches volunteer mentors with refugee families or individuals living within Northern California. Mentors spend 8-10 hours a month helping their mentee(s) figure out schooling, work, finances, community connections, and learning new hobbies. Along with the mentoring program, At Home Humanitarian holds “Welcome Weekend” retreats at centers throughout California. The last retreat, held over Memorial Day Weekend in Boulder Creek, California, hosted 100 refugee individuals. All participants attended at no cost and were able to hike, zip line, canoe, and participate in educational workshops such as career development, stress management, and art, for three days. U.S. citizen families and individuals attending the retreats were able to hike, zip line, canoe, and participate in educational workshops such as career development, stress management, and art, for three days.

At Home Humanitarian is working on expanding to Utah in 2019, and to other states in coming years.

Check out www.athomehumanitarian.org to learn more and to get involved.