The Era of Online Giving

Balancing the Risks and Benefits of
Nonprofit Digital Fundraising

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Online giving is rapidly growing and becoming essential for nonprofit fundraising efforts. Beyond just collecting contributions, organizations are leveraging digital platforms to engage donors and drive support for their causes. This shift has allowed nonprofits to reach more supporters, streamline the giving process and see consistent growth in online donations. Both the number of Canadian donors giving online and the total amount per online donation grew by almost double digits between 2019 and 2023,[1] and 84% of Canadian donors who gave online in the past reported they planned to keep doing so in the future.[2]

As a result of online giving trends, 67% of nonprofits globally now accept online donations.[3] That number will only grow as more nonprofits embrace the digital fundraising trend; however, organizations need to ensure they can provide donors with a safe and efficient experience.

Key Nonprofit Vulnerabilities in Digital Fundraising

Digital fundraising offers many benefits to nonprofit organizations, but it also introduces a variety of risks. These include cybersecurity threats, donor data privacy concerns and legal and financial repercussions related to copyright issues if digital fundraising content is used without proper permissions or licenses.

The impacts of any of these incidents could be devastating to a nonprofit. Aside from the financial cost — averaging nearly $7.1 million per data breach in 2024[4] — the reputational damage could severely undermine a nonprofit organization's ability to build trust with donors, attract funding and effectively carry out its mission.

Understanding Cyber Risk

One of the biggest risks to nonprofit organizations using digital fundraising methods is a **cyber or data breach**. Nonprofits have become major targets of cybercriminals due to the amount of sensitive donor data they retain and their use of digital channels for processing funds. Additionally, many nonprofits lack the resources to properly protect their technology systems, with 68% reporting they have experienced a data breach in the last three years.[5]

Nonprofits are required by data protection laws, industry regulations and third-party contractual agreements to safeguard any personal data collected, transmitted or stored during transactions. This stored data can leave nonprofits exposed. Even if a nonprofit uses a third-party contractor to process credit card payments and those vendors are responsible for storing the donor information, the nonprofit can still be held liable if personally identifiable information is accessed or stolen.

Nonprofits must carefully evaluate third-party payment vendor security and contracts to ensure they are not taking on undue liability, while also taking steps to properly protect all personally identifiable information that flows through the organization.

Case Study

A nonprofit that specializes in working with at-risk youth reached out to HUB fearing it was under a ransomware attack, exposing vulnerable patient and resident data. HUB immediately put an action plan into place to minimize access to emails and other sensitive information. After bringing in breach counsel and IT forensic investigators, it was determined there was no data stolen during the event.

The client was not only relieved that the impact was minimal and resulted in a total claim under $85,000, but the organization also took the opportunity to train its staff to be better prepared in the future.

[1]CanadaHelps.org, "The Giving Report 2024: From Disconnection to Collective Action," April 17, 2024.
[2]Pay Pal Giving Fund Canada, "Future of Giving: Online Across Generations," June 21, 2022.
[3]Nonprofitsource.com, "The Ultimate List Of Charitable Giving Statistics For 2024," accessed Jan. 21, 2025.
[4]IBM, "Escalating Data Breach Disruption Pushes Costs to New Highs," July 30, 2024.
[5]CyberPeaceInstitute.org, "Cyber-poor, target-rich: The crucial role of cybersecurity in nonprofit organizations," March 25, 2024.

Costly Copyright Mistakes

With more nonprofits adopting a digital-first approach to their operations and fundraising activities and younger donors gravitating towards online giving, 91% of nonprofits now have a website and 87% consistently incorporate social media into their digital marketing and fundraising strategies.[6]

While engaging donors through compelling website and social media content is an essential part of digital fundraising, nonprofits must also ensure they are not publishing any copyrighted material or licensed content they do not have proper permission to use. This includes and isn't limited to photographs, music, logos, artwork or any other type of content/information used by other websites or social media platforms.

Nonprofits can face copyright infringement penalties and be held liable for attorney fees and court costs related to infringement claims.[7]

A Cautious Approach to Artificial Intelligence

Nonprofit organizations are increasingly leveraging artificial intelligence (AI) to improve operations and communication with donors. AI can greatly help with fundraising efforts as well, with 67% of Canadian nonprofits reporting they are currently using AI as part of their fundraising strategy.[8] Among global nonprofits, 70% of those utilizing AI believe it will help them achieve their organization's sustainable development goals by enhancing productivity, improving access to information and increasing awareness to drive policy change.[9]

However, nonprofits need to take steps to mitigate **the risks that come with using AI**.

AI-generated materials can bring legal risk, including claims of personal injury, copyright/trademark infringement and plagiarism, which could lead to costly fines and reputational damage.

From another perspective, nonprofits need to be aware that AI is enabling cybercriminals to carry out more elaborate and sophisticated cybercrime schemes through phishing and ransomware attacks. AI-generated "deepfakes," where AI mimics the voices or faces of real people, are being used to authorize fraudulent wire transfers, spread misinformation, impersonate donors or manipulate employees into divulging sensitive information.

[6]NonprofitTechforGood.com, "2023 Nonprofit Tech for Good Report," February 1, 2023.
[7]Canada.ca, "Copyright Infringement," accessed March 7, 2025.
[8]Ontario Nonprofit Network, "AI, Income Performance, and Innovation: Key Fundraising Trends in 2024," September 10, 2024.
[9]McKinsey & Co., "AI for social good: Improving lives and protecting the planet," May 10, 2024.

A Proactive Risk Management Strategy

Given the various risks that come from digital fundraising, having the right insurance and a proven risk management plan is essential to mitigating potential financial and reputational fallout.

Nonprofits can reduce exposure and safeguard their mission and long-term viability by incorporating the following strategies:

○ **Be selective about third-party vendors.** Only choose vendors with robust data security controls who understand and are compliant with regulatory requirements regarding the protection of personally sensitive data.

○ **Contractually transfer risks that should be covered by outside vendors or relevant parties.** Nonprofits should carefully examine contracts to ensure they are not liable if client data is compromised in a service provider IT breach.

○ **Educate and train staff and volunteers.** It's important to provide training for employees to help them identify potential social engineering scams or phishing attempts that could lead to unauthorized access to networks or result in fraudulent activities.

○ **Have written policies and procedures in place for staff and donors regarding the transfer of funds.** This should include requiring staff to confirm monetary transfers over a certain amount via a phone call to the requestor.

○ **Maintain website and social media protocols.** Nonprofits need to review planned content and media assets to confirm they are properly licensed, as well as regularly monitor online activity to ensure it complies with company policies.

Case Study

An individual posing as a donor attempted to make a $14,000 donation to an organization's fundraising campaign through their website. The alleged donor made three separate transactions and then contacted the organization to say the multiple donation attempts were made in error. Because the transactions were made over the weekend, they still showed up as in process and the organization moved ahead in refunding two of the three donations totalling more than $30,000. After the refunds were processed, the original transactions were all rejected by the bank, leaving the organization out $30,000 by the scam. A robust risk management strategy can help organizations evaluate their fund transfer processes and address potential vulnerabilities, so they do not fall prey to fraudulent schemes.

# Insurance Coverage Considerations

Standard nonprofit general liability insurance policies may not cover the risks of today's digital landscape. Depending on the scope of their work, nonprofit organizations may want to consider coverages, including:

- **Cyber Insurance:** Covers data breaches, ransom events and third-party litigation arising from these types of incidents. Some policies may also include coverage for e-crimes, though certain fraud-related risks may be more effectively addressed under a traditional crime policy.

- **Commercial Crime Policies:** Covers employee and third-party fraud. It can also include social engineering. It is important that carriers know the insured is a nonprofit organization so donor language can be included.

- **Media Liability Insurance:** Protects against claims related to the use of digital content, such as copyright infringement, unauthorized reproduction or distribution of media. Media and cyber policies may be purchased together or as a standalone option.

Key Factors to Consider When Selecting a Broker

A trusted broker offers expertise in insurance products and becomes a valuable partner in navigating complex risks. Nonprofits should look for a broker who can offer customized risk management and product solutions, including crisis response, and provide ongoing advisory services, such as regularly revisiting policies and systems to align with evolving risks. By prioritizing experience, customization and ongoing support, nonprofits can build a resilient foundation to protect their mission, assets and reputation in an ever-changing digital landscape.

To learn more about protecting your nonprofit in this digital world, contact HUB International's **nonprofit insurance specialists** today.
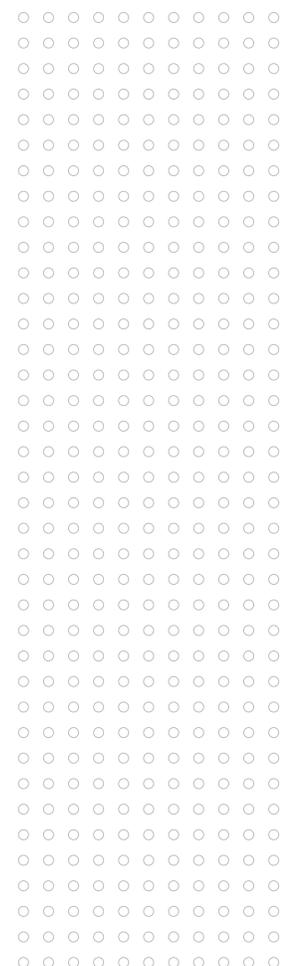
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