

WISE GIVING™

GUIDE

A PUBLICATION OF THE BBB WISE GIVING ALLIANCE : HOLIDAY 2008

Giving:

Hard Times,
Hard Choices





A Publication of the
BBB Wise Giving Alliance

The *Wise Giving Guide* is published quarterly to help donors make more informed giving decisions. This guide includes a compilation of the latest evaluation conclusions completed by the BBB Wise Giving Alliance.

If you would like to see a particular topic discussed in this guide, please email suggestions to give@council.bbb.org or write to us at the address below.

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BBB Wise Giving Alliance
4200 Wilson Blvd.
Suite 800
Arlington, VA 22203
(703) 276-0100
www.bbb.org/charity

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*Associate Director,
Charity Evaluation*

president's MESSAGE

Like many of us in this uncertain time, I've been looking to history for clues, and maybe reassurance, about the future. Naturally I've focused on how charity has weathered periods when the givers who sustain it are themselves hurting financially.

In some ways, the historical record is heartening. During economic downturns, giving has declined, but not precipitously. While we can hope that that pattern will hold, however, it doesn't leave charities jumping for joy. Few have reserves that will cover more than a few months of expenses. Most anticipate extra difficulty in raising the money they will need.

It is worrisome enough that charities must expect to struggle more than ever to match income and expense. But in a declining economy something else happens. Societal needs expand rapidly, further straining resources. Longer lines at food pantries and soup kitchens make that point starkly, but burgeoning needs of many kinds challenge other charities as well.

Yet I am struck by the resilience of both charities and givers over the years. As our cover article points out, charities are examining how they can maintain their programs and their ties with donors. And as statistics show, the public does not forget charity in stressful times, perhaps because those times in particular remind us of those less fortunate than ourselves. I am confident that donors will continue to be generous.

To you who have contributed to the Alliance this year, I send special thanks. Your support tells us that you understand how informed giving strengthens the charitable work that touches every one of us. We wish you better times in 2009, and most of all, peace.



H. Art Taylor, *President*





Giving:

Hard Times,

Hard Choices

You wouldn't be reading this magazine if giving to charity weren't part of your life. But like many in this holiday season, you may be wondering if, and how, you might have to temper your generosity, to cut it back or even out. When the needs of others are so evident, these thoughts are troubling.

A broad look at what's going on in the charitable world shows much worry and uncertainty there, too. No one is talking blue skies. But there are also signs that financial anxiety can be creative rather than constricting. Tension is stimulating program innovations, money-saving moves, and re-thinking about fund raising appeals. While some organizations will decide to stick to the tried and true, others will try fresh approaches and explore new angles.

Can donors, too, be both steadfast and flexible? We haven't a doubt. To help orient you in this shifting scene, we'll sum up the overall giving outlook, report on changes in fund raising that are likely to affect you and describe some of the options available to charities in tough times. We also offer tips for both cash giving and alternative ways to show you care.

Past giving, present hope

Will giving fall drastically in the present economic turnaround? History says no. The Giving USA Foundation™ reports in a September 19, 2008 news release that in times of financial stress, whether or not they're technically recessions, giving slows but still grows. This conclusion is based on studies going back to 1969. Apparently no one was tracking giving during the Depression.

Well before the Wall Street debacle, food banks, pantries and soup kitchens were hurting hard, with food supplies in decline and clients ever more numerous.

Recent figures suggest that any growth in the immediate future may be slight indeed. In 2007 charitable giving from individuals, private foundations, bequests and corporations totaled an estimated \$306 billion, the highest figure ever, according to *Giving USA 2008*, the yearbook on philanthropy published by the Giving USA Foundation™. Individuals provided about 75 percent of that total. But while *individual* giving in 2007 increased by an estimated 2.7 percent over the prior year, it dropped by 0.1 percent when adjusted for inflation. “It’s very striking that individual giving didn’t keep pace with inflation,” says Lester Salamon, director of the Center for Civil Society Studies at Johns Hopkins University, in an article in *NonProfit Times*. (July 1, 2008)

Giving USA’s survey of 2008 giving won’t be available until mid-2009. But studies by Target Analytics, a Blackbaud Company in Cambridge, Massachusetts, show a persistent slowdown in individuals’ giving in response to direct marketing, the category of fund raising that reaches millions of donors primarily through direct mail and to a lesser extent through the Web, telemarketing and other sources. According to Target’s latest Index of National Fundraising Performance, which goes through mid-2008, the number of donors has been decreasing and their support “gradually flattening out” for most of the past three years. The reasons may be many, including the declining economy, more resistance to direct mail in the younger generation than in older ones and more fund raising focus on higher-dollar donors. No one has a definitive explanation.

Times out of joint

Anticipating fiscal stress if not already feeling it, most charities are zeroing in on their budgets to determine where they can most productively focus their resources. Among those resources, individual givers are important indeed, but relatively few charities are totally dependent on them. If you look at an Alliance report, for example (www.bbb.org/charity), you may also find government grants, foundation grants, corporate gifts, fund raising events, bequests, sales, investment income and others among “Sources of funds.”

Few of these resources now look as promising as they once did. Government at every level is already cutting back on aid (and calling on charity to do more) and foundations, dependent on income from investments for the grants they disburse, are seeing those investments shrink. Many businesses that have long provided key support for charities in their home cities have died

or declined, and others that once fostered tie-ins with charitable promotions and fund raising activities are giving those efforts less attention. Charities fortunate to have investment reserves are seeing them lose value.

For many charities, declining capacity faces greater need. Reports of food donation programs point up a bleak reality. Well before the Wall Street debacle, food banks, pantries and soup kitchens were hurting hard, with food supplies in decline and clients ever more numerous.

Ninety-nine percent of the 180 food banks surveyed in the spring of 2008 by Feeding America (formerly America’s Second Harvest), the largest food bank network, said they had seen an increase of 15-20 percent in the number of clients served in the past year. This includes growing numbers of the working poor and the middle class. Food Bank for New York City says that between 2003 and 2007 the percentage of New York City residents with household incomes between \$25,000 and \$49,999 and with difficulty affording food went from 21 percent to 42 percent.

High food prices have shortened the menus of Meals On Wheels programs, and high gas prices have sidelined many of the volunteers that the programs depend on to deliver meals to seniors. In a survey conducted by Meals On Wheels Association of America (MOWAA), which helps fund and train local senior nutrition program organizations, 58 percent of the responding groups said that they had lost volunteers who could no longer afford to drive. Some of those drivers now need these meals themselves.

All present needs can’t be blamed on Wall Street ingenuity run amok, though the present crunch intensifies them. For example, better inventory controls have, over the years, decreased the stock of food that retailers couldn’t sell but would often donate. A strong agricultural market for some years meant less surplus food for distribution to food banks through the U.S. Department of Agriculture. Demographics also have a role: the

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number of people over 65, already a substantial segment of the population in need of nutrition services, has been growing at a far faster rate than other age groups.

Mail—more, less or just different?

With many shortages in view, are you already anticipating even more charitable solicitations than you’re getting now? Indications are that your mailbox won’t necessarily fill faster or your phone ring more often than before. Thoughtful fund raisers aren’t assuming that just sending more mail or making more calls will produce more contributions. They’re not even assuming that past approaches will have the results they once did. Here are some directions fund raising may take and how they’ll affect you:

If you’re among a charity’s long-term supporters, you may find yourself getting special attention. World Neighbors reports that it is increasing personal contact with its “leadership level” donors to help them understand the situation that the organization is facing. Trickle Up says that it is considering how it might further personalize its contacts with certain donors through phone calls or “get to know us” events like brown-bag lunch sessions at its headquarters. Many other charities with loyal and generous givers say they’re taking similar steps.

Charities that have never solicited you may be less inclined to do it now. That may sound a little weird, since “prospecting” for new donors is routine for most organizations that use direct mail, a practice necessary to offset attrition among even long-time supporters. But because chances of success in acquiring

new names are now worse than ever, some groups say, they are curtailing or postponing the search. Many professionals call that approach suicide. Even under the strains of the present, they say, charities must build for the future.

A charity that solicited you in the past may hold off for one particular drive and go to other sources. Save the Children reported that since the general public was not responding to appeals for Midwest disaster relief, it has focused its fund raising on corporations.

Solicitations probably won’t take new and novel forms. Charities say this is the time for going back for Fund Raising 101, avoiding flashy and untested appeals.

If you gave to a charity several years ago but haven’t since, you may hear from it again.

During this time when it will likely be harder to attract new donors, World Neighbors, for one, says that it will do more to re-activate former givers through the mail. Such mailings traditionally do not produce high rates of response, but the prior connection with the prospective donor gives them an advantage over a “prospecting” appeal.

Invitations to fund raising events may be scantier or different. Uncertain of donor response when frugality is a byword, organizations have reported cancelling, re-scheduling or re-planning their fund raising events. The International Rescue Committee reports that it will ask some donors to hold fund raising dinners in their own homes.

If you’re a giver already, you may get more mail without an “ask.” The “ask” is fund raiser-speak for a request to contribute, and some charities say rather than press for financial support, they’re looking to engage donors through communications like newsletters that stress the charity’s work and what it achieves. Recognizing that donors increasingly go online for information, they’re bolstering the contents of their Web sites.

More focus on “impact”?

“You have to have corporate America kick the tires of those charities they’re thinking of funding,” says Enid Borden, president and CEO of Meals On Wheels Association of America. She says that her organization is directing special efforts to corporate executives, bringing them face-to-face with its programs by inviting them on its “listening tours” to acquaint them directly with seniors, especially in rural areas, who are dependent on meal deliveries.

Even if they don’t talk about kicking tires, many current donors are also taking a “show me” stance, challenging charities to make their case. They’re calling for demonstrable soundness, asking not just what charities do but what impact they have on the problems they tackle. As the financial strings tighten, charities may try as never before to communicate how effectively they’re meeting their missions.

To do that, many aren’t counting on financial ratios alone, those percentages related to program or fund raising and administrative expense. Jennifer Ott, director of development and communications at Trickle Up, says that a strategic plan emphasizing accountability and program impact enacted in 2007 has become an important tool in conveying the organization’s efficiency and outcomes to donors. Even before the current crisis hit, she says, Trickle Up was working to enhance monitoring and evaluation systems that could show measurable improvements in participants’ lives over time, such as going from one or two meals a day to three.

“It can be a real challenge to charities to communicate their impact,” says Rich Anderson, vice president for resource development at World Neighbors. “They need to convey what a donor’s dollars do, how efficient the nonprofit’s programs are.” This can be especially hard for organizations like World Neighbors that are engaged in education programs aimed at long-term

effect, he says. One capsule figure that World Neighbors uses to help express the benefit of donor dollars: a gift of \$18 supports one person’s participation in its programs for an entire year.

Tough choices for charities

City Harvest, a New York City charity that “rescues” food from restaurants, supermarkets and other sources and delivers it to food banks and pantries, is putting bikes on the streets. The bikes, with three wheels and a small carrying compartment behind the biker, will pick up food donations of less than 50 pounds, cutting down on the trips made by gas-consuming trucks. City Harvest says it’s one way to fight fuel costs and go green at the same time; trucks with hybrid technology are also joining its regular truck fleet.

Innovations like those, unfortunately, aren’t available to every charity that’s looking for ways to trim expenses. The range of available financial resources in a rural area or a poor community, for example, is usually far more limited than in a city. Whatever their situation or location, however, responsible charities are examining their operations and adjusting their budgets. The decisions they make may have marked effects on what they accomplish.

Lay off staff or reduce staff benefits?

Staffing costs are usually a nonprofit’s biggest expense, and some agencies will take tough steps to



lower them. Reducing staff takes a personal toll and can undercut programs. Reducing pay or benefits can impair morale and effective functioning.

Eliminate or reduce programs?

This is already happening. Over 80% of the 180 food banks in the Feeding America survey said that they can't adequately meet the demands of hungry people without reducing the amount of food or their operations. Over half said that the agencies they serve, including soup kitchens or food pantries, already have reduced or are considering reducing the amount of food offered to clients. Those statistics were published in the spring of 2008. Reports of food banks closing down are increasingly frequent.

Meals On Wheels Association of America reports that many of its affiliates have shifted from hot meals to frozen ones and cut deliveries in some cases from five days a week to once every two weeks. Since meal deliveries provide not only nutrition but regular human contact with often isolated elderly persons, reducing those contacts can have dire consequences. Association President Enid Borden reports hearing of deaths discovered days after they might have been prevented by more frequent meal delivery visits.

Dip into reserves?

Few charities have enough funds on hand to keep them going for even a few months without new income. A charity's actual financial position isn't something donors commonly scrutinize, however. Being in the red is likely to hit the news only if the charity is well known. A recent example: the American Red Cross' inability to raise enough funds for this year's disastrous Midwest floods, which forced it to request (and obtain) Federal funds.

Whatever choices a charity makes, it must worry about more than meeting the payroll and keeping the lights on. Whether it's still moving towards meeting its mission, its reason for being, is critical.

Fight for legislation that will increase resources that your programs depend on?

Food donation groups worked at length for the eventual passing (after a Presidential veto) of the 2008 Farm Bill that increased Federal food supplies and simplified food stamp applications whose complexity had kept many eligible people from participating in the program. The legislation will help but not meet increased levels of demand, according to Feeding America.

Merge? Partner?

Mergers are fairly rare in the charitable world. The "perfect couple" is as hard to find among organizations as among individuals, since charities, like businesses, tend to develop their own cultures. Economic necessity may bring some happy unions (or shotgun marriages), but less permanent alliances like partnering may be more common. Given the overlap among America's roughly one million charities, cooperative effort of one kind or another may lead to heightened effectiveness.

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Choosing how to help

If ever there was a time to make sure that your gift, big or small, benefits well-managed charities, this is it. Here are points to consider:

Check out organizations before you give, in cash or otherwise. Go to www.bbb.org/charity for information on both national and local charities.

Resist snap impulses to give. This applies even, or especially, when you get appeals marked *emergency* or *crisis*. They will be many, and often they will tear the heart. How can you assess the degree of urgency? Does the content of the letter convince you that the alarming language fits the situation? Does it tell you how your donation will help? As in any real or suspected emergency, cool heads (in this case, donors') are essential.

You won't be able to check the charity's current financial situation at the moment it is calling for emergency help because no audited financial statements will be available for months. You can see the general condition at the end of a prior fiscal year in hundreds of Alliance reports online, however, in the charity's own annual report or the latest Form 990 it has filed with

the Internal Revenue Service. Basic financial information plus access to the 990 must be available online to meet Alliance standards.

And you might check the organization's compliance with Alliance standard 15, which calls for charities' solicitations to be accurate and truthful. A charity should be able to substantiate that the timing and nature of its expenditures are consistent with what its appeals state or imply.

Even if there's no emergency, look beyond the emotional appeal. Does the language reveal that the organization is making changes that will help it weather economic turbulence? Is the charity making a convincing case for the relevance and effectiveness of its work on the problem it asks you to support?

Focus on causes you care about most. You may want also to consider that larger gifts to fewer organizations may have more effect than multiple gifts to many. Keep in mind, though, that some charities depend on small donations from a large number of donors, and for many people those donations are the most practical way to give.

Don't be bound by past habits. Writing on Forbes.com, author and Columbia Business School professor Raymond Fisman points out that where someone's charity check went last year is the best predictor of where it will go today. "But this isn't a time for philanthropic inertia," he says, suggesting that donors may want to give special thought to the social service charities that provide the "safety net" for those most affected by the current downturn.

Finally, if you've been a steady supporter but have to cut back on your usual gift this year, feel free to let the charity know that the decrease doesn't mean your interest is waning, suggests Trickle Up. A quick note or call takes little effort, but your reassurance is a form of support the charity will appreciate.

continued



Giving without cash

Even in times of hardship, donors are rich in opportunity. Explore the alternatives (or supplements) to cash. You can make gifts like these:

Toys, food or other items. Many organizations can put your “in-kind” gifts to good use, but there are points to keep in mind. First, contact a charity to find out what donated items it needs. Heed its advice. Sad to say, donors sometimes think that any item they give will be useful to someone, but the truth is that soiled or broken toys are not welcomed by even the poorest children, the shirt so worn you’d never consider giving it to a friend will not sell in a thrift store, and the bottle of exotic barbecue sauce you’ve decided you’ll never use has little value for even the hungriest. Disposing of unwanted or unusable “gifts” costs charities heavily in manpower and fuel.

A small cash gift often produces big benefits. Feeding America says that \$1.00 in cash brings \$30 worth of food for Midwest flood disaster victims. That’s because the organization has economies of scale not available to you.

As personal finances shrink, more people are buying donated clothes at its stores, Goodwill Industries reports. Sales benefit its programs to provide job training. Buyers should note that not all thrift stores benefit equally the charities whose names are associated with them. For more about giving to charity thrift shops, plus information about related tax deductions, go to www.bbb.org/charity and click Resource Library and then Tips on Giving.

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Cars. Changes in tax rules beginning in 2005 have in many cases lowered the charitable deductions for such gifts. Check out the charity’s activities and find out how it will benefit from the donation of your car. In some cases, the charity may receive a flat amount or a small percentage of the car’s re-sale. See the Resource Library at www.bbb.org/charity for additional information.

Your time. Volunteer your time. The personal rewards can be great for you and as important to the charity as a cash contribution. Nevertheless, it’s wise to find out about the charity before making a commitment. Volunteering need not involve direct assistance to those in need (like ladling out soup at a homeless shelter). Assisting with office work or other needed tasks can be just as helpful. While the value of your time is not deductible, some out-of-pocket expenses directly related to volunteering, like transportation costs, may be.

Your voice! Many charity Web sites feature “advocate” as well as “donate” buttons. Those charities are telling you that your advocacy can help advance policies and practices that will contribute to their missions. Charities can’t promote political candidates but they can urge or lobby for public policies that further charitable causes. You may be asked to contact your representative in relation to certain legislation. Many charities also advise on how you can further their programs through advocacy in your local community.

Choice abounding

Whatever the financial weather, Americans have managed through the years to create and sustain charities, organizations that respond with vigor and imagination to an immense range of needs. History tells us that this charitable energy and the generosity that supports it will persist, though with ups and downs, even in uncertain times.

But it’s going to take millions of donors to show that history still has it right. For those millions, choices are abundant. Ways of giving are plentiful. Information about charitable accountability is accessible. But the readiness of hearts and minds? Before long, we’ll know. ■