

Faith, Philanthropy, and the Future:

An Original Study of Giving
and Religious Institutions



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Foreword by Brian Crimmins, CEO Changing Our World, Inc.

One of my favorite quotes regarding the importance of philanthropy comes from Benjamin Franklin:

“A man wrapped up in himself makes a very small bundle.”

We, as a nation, are fortunate to have very few small bundles. Commitment to community problem solving has deep roots in America born of a combination of faith and the frontier. More recently, frontiers have changed – from geographic to technological. So has faith, with a proliferation of the types of religions in the nation and, it is said, a decline in the practice of formal religion at all.

In turn, the conventional wisdom is that giving to religion is also in decline. Indeed, the data from Giving USA indicates that the portion of philanthropy allocated to religion has decreased over the last several decades. But, is this too simple a measure? Does “giving to religion” extend beyond giving to places of worship? And if so, how much does faith and religion inform such philanthropy?

We as a company believe the more we can understand the sector in which we work – from both nonprofit and philanthropic perspectives – the better our work will be. And the more we can make that understanding broadly available to the sector, the better off the nation will be. So five years ago, Changing Our World created a Fellow program to examine such complex issues and to publish the results for the entire sector. The Fellow program invites M.A. and Ph.D. candidates from around the United States to competitively vie for a ten week residential research program in which they critically explore an emerging issue or trend in philanthropy.

Our 2014 Fellow, Farva Kaukab, now finishing her Master’s degree at the Harvard University School of Divinity, examined the intersection between “giving to religion” and giving to other nonprofit sectors. If we widen the aperture of the analytic lens to examine giving to nonprofits whose roots remain deeply planted in faith or religious communities, even though they themselves are not religious institutions, how does the picture change? What might we say, then, about the relative health of religion and faith in the nonprofit sector?

The answer is that the religious/faith roots of American philanthropy remain strong. Certainly there is change in nonprofit form and function. Certainly there is change in donor expectations. Certainly there is change in the practice of faith in the nation. But whether in social services or relief and development or education, faith-based nonprofits remain significant recipients of philanthropy and interviews indicate that a significant portion of that philanthropy is tied to the shared faith of the nonprofit and its supporters. Indeed, what this study shows is that faith-based organizations are more dependent on philanthropy than their secular counterparts. And, if we are to count only the extremely narrow sample of organizations



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assessed and project those results only to a very conservative estimate of similar faith-based organizations around the nation, the amount of giving to “religion” would increase by at least 15 percent.

The implications for faith-based nonprofits are clear. Faith-based organizations, more than other nonprofit organizations, must attend carefully to the tasks of strategy and stewardship of philanthropy. They must respond to the increased demands for evidence and results that emanate from donors of all sizes, and they must make the effort to constantly understand and respond to their supporters, their communities, and their constituencies.

We hope you will find this 2014 Fellow Report of interest, and we wish you all best wishes in your commitment to the communities of this nation and of the world.



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Section 1

Introduction

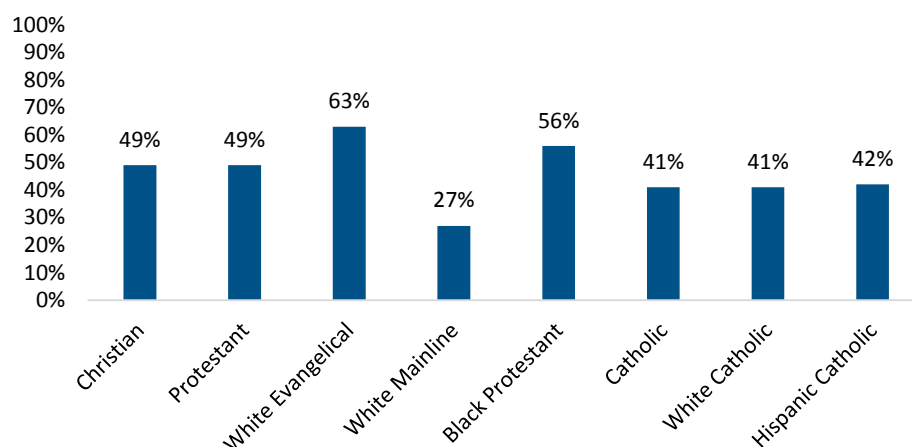


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While giving to religion remains one of the largest sectors of philanthropy, changes in worship behavior are real. The question is whether giving to “religion” as traditionally defined truly captures giving to religious organizations.

Religious giving, and religious institutions financially, have been affected by changes in U.S. demographics and in people’s attitudes towards religion. In particular, there have been documented changes in people’s self-identification as either religious or spiritual, the importance of religion in their lives, and their attendance at religious services. According to a 2012 Pew study for example, fewer Americans are now participating in religious congregations, and participation in the once dominant Mainline and Evangelical denominations has been in decline among people under the age of 30. A Gallup 2014 poll found that religious congregation membership has dropped from 70 percent of American adults in 1992 to just under 60 percent in 2014. Yet, significant percentages of Americans can still be found in houses of worship each week.

Figure 1.1: Percent of Congregants who Attend Worship Services at Least Once a Week



Source: Pew Research, 2012

Giving to Religion

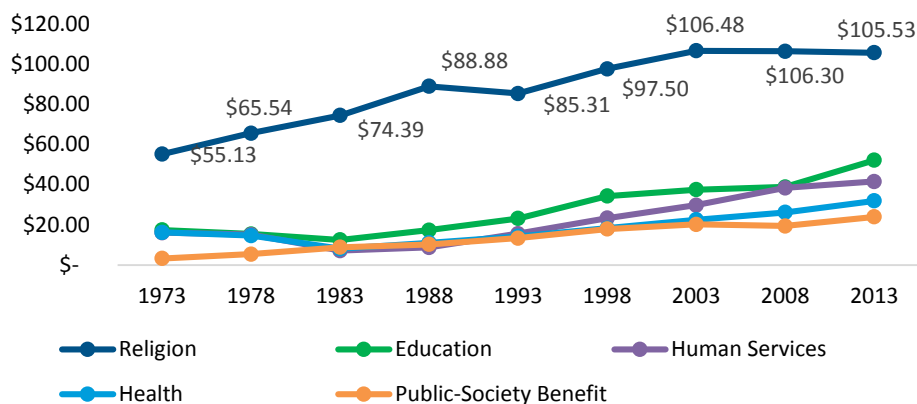
Common wisdom suggests that giving to religion is decreasing. Giving USA, the annual compilation on philanthropy in America, reported that giving to religion totaled \$105.53 billion dollars in 2013 and that, adjusted for inflation, this figure represents a 1.6 percent decline from 2012.¹ However, taking a closer look at data tables produced by Giving USA, we see that in real terms giving to religion does not demonstrate either an upward or downward trend. Figure 1.2 shows contributions to various sectors from



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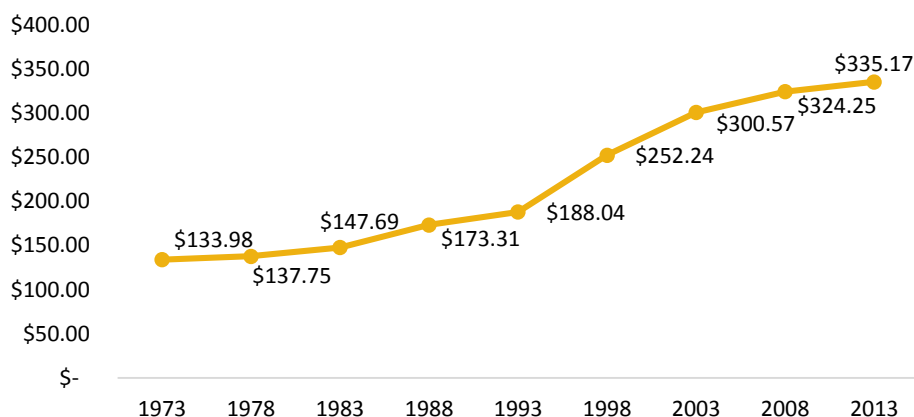
1973 to 2013 in 5-year spans, and Figure 1.3 shows total contributions to all nonprofits over this same time period. From this data, there are two trends to mention. First, overall giving has declined 14 times year-to-year since 1973, while religious giving has declined 12 times in the same period. Second, giving to religion did not fall in the same periods as overall giving.

**Figure 1.2: Contributions to Nonprofit Organizations
by Sector, 1973-2013 in 5-year spans
(in billions of inflation-adjusted dollars)**



Source: Giving USA, 2014

**Figure 1.3: Total Contributions to All Nonprofits,
1973-2013 in 5-year spans
(in billions of inflation-adjusted dollars)**



Source: Giving USA, 2014

Nevertheless, despite maintaining its position as the sector with the largest proportion of contributions, and despite an absolute increase in dollars given for religion, the relative position of religion in the cause distribution of giving has changed. Giving USA data indicates that in 1980 religious giving accounted for

45 per cent of total giving. In 2000, religious giving accounted only for a third, and for 2013, the number stands at 31 per cent. What Figures 1.2 and 1.3 also demonstrate therefore is that although there is no consistent downward or upward trend in religious giving, the former is growing at a slower rate than overall giving. Since 1973 to 2013, overall giving has increased 150 percent, while religious giving has increased 91.4 percent in inflation adjusted terms.

*“Giving to religion continues to slow; this is the result of declining religious affiliation and attendance and **increased giving to religious-oriented charitable organizations categorized within the other subsectors.**”*

— Giving USA 2014

(emphasis by author)

In this report we try to unpack and challenge the common views about philanthropy and religion and hope to add more layers to the discourse. Our approach is to first understand and define what constitutes the religious giving space. Legislatures and courts have never clarified what identifies an organization as religious and that “neither a federal income tax statute nor a Treasury regulation as ever defined or explained the term ‘religious.’”² In the available literature we see that giving to congregations is used interchangeably with giving to religion as a whole, without taking into account the fact that many people also donate their money to religiously-affiliated organizations that

provide basic necessities as well as other public-minded services, in part because the organizations *are* religiously affiliated. Yet, donations to organizations providing youth and family services, education, healthcare, international aid, as well as improving neighborhoods and communities, are not included in the category of giving to religion. Giving USA recognized this reality and points out its importance in providing a full picture of giving.



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A Methods Quandary

The problem with compiling and analyzing data on religion is that data are at once both abundant yet limited.³ Although we are looking at a charitable sector that has historically received the largest proportion of contributions, it is also one where precise amounts can never be known as religious organizations are not required to report annual revenues⁴, and, more often than not, members of congregations give anonymously and do not itemize donations on their tax reporting forms. This is common practice, despite mechanisms in many faith groups that enable donors to receive tax deduction documentation.

For example, in the Catholic Church, parishioners are offered envelopes for their weekly donations. These are coded to their parish registration and result in an end-of-year report on their donations that can be used for tax purposes. Only 30 percent to 40 percent of parishioners use the envelopes. Similarly, web-based weekly donating triggers an end-of-year report. Perhaps another 5 percent to 10 percent of parishioners use these mechanisms. Hence, although religious giving is tax exempt, most parishioners do not bother with the mechanism that would allow them to itemize such donations on their tax forms.⁵

The focus of this study is on faith-based institutions whose philanthropic receipts can be measured because of their reporting requirements, in order to explore how religiously affiliated institutions act as the interface between money and faith. By focusing on the subsectors of social services, relief and development, and education, we try to determine how big the faith-based services space is relative to the size of the specific service sector within which it rests. Through sampling and through interviews with key people from relevant organizations, we have provided context for the data that we have accumulated.

A Note on the Converse Question

The focus of the study is on the faith-based subsectors of nonprofits. There is a converse inquiry to be made, the role of faith-based institutions in giving to secular nonprofits. This is an important but very little examined area.

Changing Our World conducted a sample survey of parishes in the Diocese of Dallas to determine how these faith-based communities interacted with the societal commons of Dallas as a community. The Catholic parish efforts were clearly rooted in faith, but the giving was not to faith. That study found that in Dallas tens of millions of dollars of charitable giving and services flow to hundreds of Dallas non-Catholic nonprofits through Catholic parishes each year. This is clearly faith-based giving in that it emanates from and flows through worship communities into the secular communities in which they reside. This is a relationship between faith and community that deserves significant examination if we are to understand the dimensions of the philanthropic relationship between faith and community need.



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A comment on the health sector is in order. Based on interviews and the experience of Changing Our World, healthcare is not included in this report for two reasons. First, although nonprofits dominate the institutional healthcare landscape, and although many of these have religious roots or histories, the health sector operates more as a market than other nonprofit sectors. Fee-for-service revenue, especially under Federal payments systems, dominates. Philanthropy represents an extremely important source of financial flexibility for many institutions, especially as health reform tightens service payments and regulation increases. By and large, such donations are driven by donor gratitude for services received or by general concern over the presence of a health provider in a community, not by religious mission. Further, that mission itself is increasingly removed from the “customer” and is mediated by the physician. Patients use facilities at which their physicians have privileges. While the religious mission to serve those in need remains, the patient (and donor) are reacting to service access. Furthermore, with the advent of universal insurance coverage, the historic focus of philanthropy on uncompensated care is also in a period of change. Hence, while still present, faith-based affiliations ranks low among the motivations to give according to many interviewees, and the nature of healthcare reform may be fundamentally changing the philanthropic dynamic in healthcare overall.

“Faith-based reasons rank low among our donors’ motivations for giving to the hospital.”

— Study Interviewee

After this introduction, this report is organized in five additional sections.

- [Section 2, The Complexity of Religious Affiliation](#) provides an overview of the varying approaches to measuring religious behavior and giving as a prelude to the methods used by this study.
- [Section 3, The Human Services Sector](#) unpacks the religious dimensions of giving in the social sector, including a five-metropolitan giving sample.
- [Section 4, Relief and Development Nonprofits](#) examines giving in U.S. faith-based institutions operating in the global development space relative to total giving for these causes.
- [Section 5, Education](#) provides insight into this extremely complex nonprofit sector, where religion is often fundamental to mission and to educational approach, yet data are difficult to assess because some schools register as religious institutions and do not file as educational nonprofits, while others register as educational institutions.
- [Section 6, Adding It Up](#) provides an estimate as to the total faith-based philanthropy given annually to the nonprofit sectors discussed, as uncovered through this study.
- [Section 7, Implications for Strategy](#) discusses how the data and analysis may provide strategic guidance for nonprofits with faith-based missions or histories in developing communications messages and fundraising efforts.



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Endnotes

¹ *Giving USA: The Annual Report on Philanthropy for the year 2013 (2014)*. Chicago: Giving USA Foundation. The authors herein use Giving USA, 2014 to reflect this source.

² Daniels, Martha. "Where's the Religion? Distinguishing Faith-Based from Secular Social Service Agencies." *Journal for the Scientific Study of Religion*, pg. 412

³ Iannaccone, R. Introduction to the Economics of Religion, pg. 1467

⁴ In the United States, The First Amendment to the Constitution ensures the separation of Church and State, and protects religions from being subject to restrictions on the free exercise of beliefs and practice. Hence, the practice of religion in religious institutions is not subject to tax (although non-religious activities may be), and therefore religious institutions do not need to file the types of Federal government reporting forms that are used to track the income and expenditures of other types of nonprofits.

⁵ There are no comprehensive data envelope or web-based giving relative to total registered Catholic population. Changing Our World's experience, and that of those interviewed for this study, indicates that these estimates are accurate.



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Section 2

The Complexity of Religious Affiliation



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There are no comprehensive, reliable sources of data to examine the importance of religious organizations in non-worship nonprofit settings, nor to document the role of philanthropy therein. A totally new approach is needed.

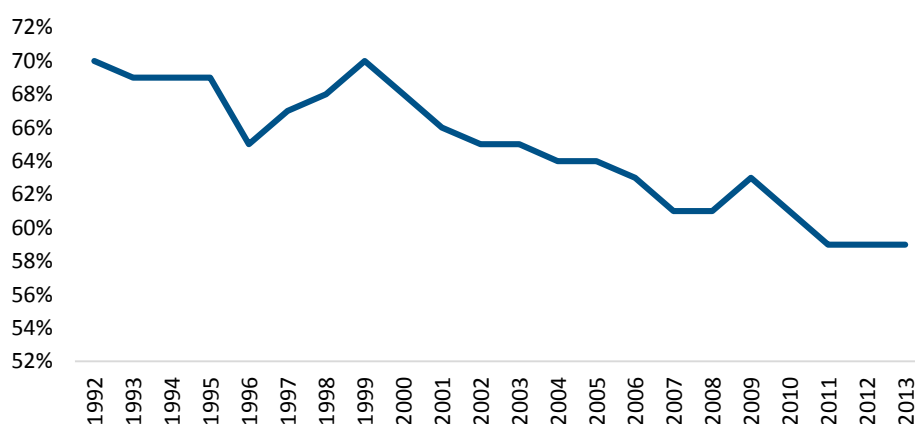
Affiliations and Attitudes

It is difficult to establish comprehensive theoretical frameworks underlying the motives and mechanisms that engender giving to religious causes by either those with deep faith, those with no faith at all, or those anywhere in between.

The past 10 years have seen major societal changes in the USA, and Pew, Gallup and General Social Survey polls all attest to the changing demographic and social norms. Religious affiliation is diversifying, but not always as we 'perceive' it to be. Major differences based on age group, race, region, and religion are observed, and, of course, as with all surveys, some differences may depend on how a question is asked.

Gallup has been conducting and summarizing polls¹ on religious affiliation and beliefs since the 1940s, and since 2001, the Pew Research Religion and Public Life Project² has also been conducting surveys of the American religious landscape.

**Figure 2.1: Respondents Who Answered "Yes" to Gallup Poll
Question: Do you happen to be a member of a church or
synagogue?**



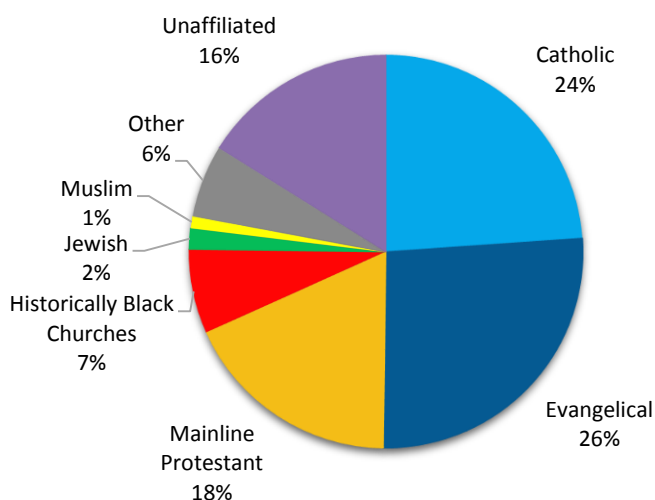
Source: Gallup, 2014



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Figure 2.1 from Gallup polling shows the clear decline in declared membership to a church or synagogue from 1992 to 2013. Several researchers have attested that the rate of church or synagogue attendance is linked to levels of giving.³ Although it almost seems well established that participation in religious services is a strong predictor of giving to worship institutions, the mechanisms that facilitate this relationship are less clear, with possible explanations emphasizing the importance of exposure to weekly requests for donations, as well as the inculcation of giving habits. By association, one would expect to see a decline in giving to houses of worship (although, as we will see, not necessarily to causes associated with faith-based institutions). Nevertheless, as the data in the Introduction indicates, that decline has not been consistent, and the portion of giving to religious institutions, while falling, does not fall at the rate of decline in religious institution membership. There is clearly more than self-declared affiliation affecting giving.

Figure 2.2: Distribution of Major Religious Traditions



Source: Pew Research, 2012

Although recent rates of immigration and the rapid diversification of the American population has been reflected in religious diversity, the overwhelming portion of the U.S. population remains in historic faith traditions, as noted in Exhibit 2.2. Given the decline in church attendance, special attention has been paid to the steady and significant rise since the late 1980s in the number of people no longer affiliating themselves to a religion, the so-called “nones.” The Pew report *“Nones” on the Rise: One-in-Five Adults Have No Religious Affiliation* says that the unaffiliated have increased from just over 15 percent to just under 20 percent of all U.S. adults from 2008 to 2012. According to researchers from Pew, this segment of the population is characterized by the fact that they do pray, (one-third say that religion is important to them at a personal level), but do not attend religious service.

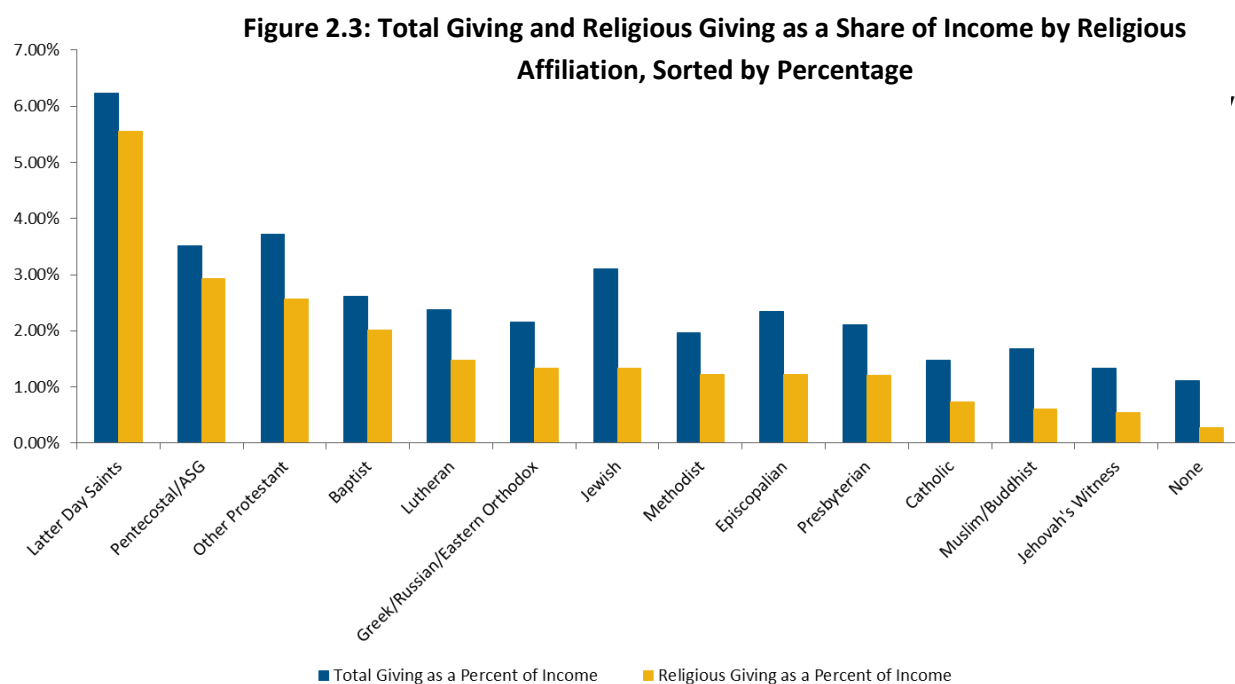
But the “nones” may be making a personal statement, not a statement about faith. Researchers from University of California, Berkeley, have argued that this may be more of a way to set oneself apart from



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what is perceived as the growing connection between religion and conservative politics.⁴ This is based on the findings that the number of “nones” varies from year to year and that when we look at church membership over a timespan of two centuries, we see that in net adherence it has increased.

Survey results are driven by the way questions are worded, and labeling might be a bigger factor in the increase in number of “nones.” It is possible that people now feel more open to telling interviewers that they don’t have a religious identity than they did in 2008. But the “nones” is also a category that has its share of detractors. According to Greg Smith, director of U.S. Religion Surveys at Pew Research, “two-thirds of everyone who is raised Catholic is still Catholic. That is higher than the percentage of people who are raised as “nones” who are still “nones.” It’s just that these changes – that these differences in religious switching – have to be considered along with the demographic factors and other things that are going on to understand how it all fits together.”⁵



Source: Connected to Give: Faith Communities, 2013

Giving also has different roles in different faith traditions. Mormon giving is much higher as a percent of income than is the case for Mainline Protestant faiths, for example, because tithing is a central requirement of the Mormon faith. Therefore it is not just a matter of how one sees membership in religion community, but also the nature of that community that can drive giving to religion.



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Other Variables

Identifying the various factors motivating giving, in particular motivations for giving to religious causes, is no easy task. As in all behavioral research, there is the problem of determining causality, as well as the problem with collecting data and the subsequent reliance on surveys, where people may under-report giving because they do not remember correctly, or over-report because giving is a socially desirable behavior. Having said that, it is possible to infer how people give based on certain demographic factors, as well as see what attitudes encourage giving.

Income is an assumed predictor of giving. The fundraising perspective – 80 percent of giving comes from 20 percent of donors – may be true, but the religious perspective changes at the household level, driven by church attendance and religious traditions that can alter that ratio. For many faith groups, 10 percent tithing is a standard irrespective of income level. Furthermore, there is a “U-shaped” structure to giving at the household income level. Households earning \$50,000 give 3.5 percent of income; those earning \$500,000 give 2.5 percent; and those earning \$5,000,000 again return to 3.7 percent.⁶

Other factors correlated with religious giving are marriage and age. Being married to someone who is religious and attends services, as well as being middle-aged (in the prime income-earning years), makes one more likely to give to religion. The elderly, just like people under 25 years of age, are less likely to give to religious or spiritual causes, but teens of certain religious engagement give whatever little they give to religious congregations. The implication for this could be far reaching as it signals that religious devotion among teens matters in building a philanthropic foundation for giving later in life. This is independent of education level, as there does not seem to be any coherent linkages between religious giving and education so far.

As wealth changes hands and a new generation begins to take the reins of philanthropic leadership, the question of faith-based giving becomes even more important. Most research shows that young wealth does not place a priority on giving to religion. Yet, the message may not be so dire. The 2013 Johnson Center study on next gen philanthropic priorities places religious and faith-based issue areas as fifth out of 11 issue areas, the same rank as these young people say religion has in their family’s philanthropic priorities.⁷ True, only 38 percent ranked religion as a priority area, but religion did better than the environment, health or international causes as a philanthropic area of concern. Of much higher ranking for young wealth were youth and family services, education, and basic needs – yet it is precisely these areas in which faith-based institutions work. This again raises the question of whether faith interests are expressed through social causes (and faith based organizations) rather than through religious giving itself, and hence the source of the motivation for this report.

Given the diversity of the American religious landscape, it seems evident that among the strongest indicators of giving would be geography. According to the 2012 Chronicle of Philanthropy study, “How America Gives,”⁸ American households gave 4.7 percent of their discretionary income to charitable causes. Utah, Alabama, and Mississippi are the most generous (giving on average 7 percent), but they give



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to religious congregations. New York, Pennsylvania, and New Hampshire give less overall in charity (3 percent of income) but they are giving primarily to secular organizations.

Sorting Through Sources

Determining the exact figures for any kind of sector within the 501(c)3 classification is difficult, therefore every estimate has its shortcomings. The U.S. government does not keep sufficient data on religion, and

Existing sources and approaches do not allow “faith” to be unpacked in non-religion (i.e., worship) nonprofits.

congregations often do not consistently keep track of their financial records or membership lists. Surveys provide a wealth of information about religious beliefs, activities and affiliation, and those conducted by Gallup go as far back as the 1940s. Again, however, this is self-reporting. Previous studies and estimates of religious giving have relied on a combination of self-reported survey data, congregational records, and available data of the U.S. Internal Revenue Service (IRS).

IRS records, where available, are the most obvious source of data on the revenue stream of an organization. As a regulatory body, the IRS classifies nonprofits according to its own code system, known as the National Taxonomy of Exempt Entities (NTEE),⁹ and practically all research will rely on the accuracy of these codes in describing the type of organizations on which one is focusing. The problems that arise from this classification system are two-fold. First, the NTEE are not grouped together in a way that is convenient for research. For example, there is no specific “social services” category, and instead, the closest approximation is “human services” which also includes recreation and sports organizations.

A 1998 article,¹⁰ published on behalf of the Association for Research on NonProfit Organizations and Voluntary Actions (ARNOVA), highlighted that in 1982 only 43 percent of 4,400 nonprofits in the Chicago metropolitan area were included on the IRS list. What’s more, organizations not listed were generally small, young, and affiliated with religious institutions. The evolution of the role of government funding in social services is also important to examine. The same study also found that small religious nonprofit organizations rarely had access to government funding then, and that compared to secular organizations, they relied more on donations.

On the other hand, one must be cautious; the accuracy of nonprofit tax filings is widely in question. The majority of nonprofits are not required to submit Form 990 tax filings, and fewer than 5 percent of tax filings are checked for accuracy. While the most recent changes to the Form 990 reporting form and process have improved the quantity and quality of data collected, there is almost certainly still inaccuracy in the reporting.

The Giving USA report is the most definitive source of trend data for philanthropy in America. Giving USA is clear that it does not consider faith-based organizations that may be operating under NTEE codes for education, social services, or international relief and development into their estimates of giving to religion.



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The religion-related code (code “X”) considers entities that are congregations, offices of denominations or faith-groups, and missionary societies, among others. In short, it considers primarily *worship-oriented* nonprofits as fitting under ‘religion.’ Furthermore, Giving USA estimates rely on two sources. First, a baseline estimate developed in a 1986 report by the Independent Sector, which used a national survey of congregations and estimated total giving to religion of \$50 billion for 1986. Second, the annual rate of change in giving to religion, derived from denominational data as reported by the members of the Evangelical Council for Financial Accountability (ECFA).¹¹

Therefore, we cannot turn to Giving USA for a full picture of faith-based giving.

The Philanthropy Panel Study (PPS)¹² looks at household giving to multiple sectors, including giving to religion based on a survey of itemized taxed returns of over 8000 households conducted every two years since 2001. But much like Giving USA, the PPS equates giving to religion with giving to congregations. The PPS 2008 findings are based on the question “Did you make donations specifically for religious purposes or spiritual development, for example to a church, synagogue, mosque, TV or radio ministry? Please do not include donations to schools, hospitals, and other charities run by religious organizations.”

Therefore, we cannot turn to the Philanthropy Panel Study for a full picture of faith-based giving.

In 2013, *Connected to Give*, a collaborative project formed by a group of independent, family and community foundations, Jewish federations, and Jumpstart (a philanthropic research & design lab), published a report which distinguished giving to religiously identified organizations (RIO) from giving to non-religiously affiliated organizations (NRIO). Their publication *Connected to Give: Faith Communities*¹³ provides broader context and data about giving from Americans of all backgrounds, religious or otherwise. The report delineates what counts as ‘giving’, and makes a distinction between giving to congregations from giving to faith-based organizations, and examines how Americans’ religious identities relate to their charitable giving behavior. The results are derived from two surveys, the National Study of American Religious Giving (NSARG) and the National Study of American Jewish Giving (NSAJG). Both surveys were conducted in winter 2013 and assessed respondents’ 2012 giving behaviors.

Among the key findings was that 73 percent of American giving goes to religion: 41 percent to congregations, and 32 percent to RIOs. For most charitable purposes, donors make contributions to both organizations that are religiously identified, and those that are not, rather than only to one type or the other. Another key finding relevant to this report is that more than half of Americans who are donating say they are motivated by their commitment to religion, and in general, most donors are motivated by moral values and because they believe they can make a greater change by giving.

We take from this work an indication that, if we can isolate religiously affiliated organizations in the non-religion NTEE codes, philanthropic donations can, at least in part, be inferred as being faith-motivated.

Another organization to conduct estimates of charitable giving in the U.S. is the Atlas of Giving,¹⁴ a fundraising forecasting website which provides monthly estimates of charitable giving by sector, source,



and state in the U.S. The Atlas estimated that religion (or giving to congregations) represents 34 percent of total giving in 2013, an 8.8 percent increase from the previous year, which is a decided contrast to the Giving USA data. Religion still has largest share of total giving. Unfortunately, the exact methodology used has not been released, but the organization says its measures changes, establishes trends, and creates forecasts based on a benchmark developed using 65 different algorithms of factors that are correlated with charitable giving.

Hence, we can infer (or at least suspect) that faith as a motivation for giving remains alive and well in the nation.

As mentioned earlier, the Chronicle of Philanthropy has also conducted a study on the state of giving in America based on comprehensive tax records from the IRS for 2008. The Chronicle examined giving data for taxpayers who earned \$50,000 or more, by ZIP code and by income level in every city and town in the United States, and is not based on extrapolations from spot surveys or statistical models as other studies mentioned here. One of their primary findings was the relationship between higher giving rates in certain states, and giving to religion, as well as people's responsiveness to tax incentives. Total giving amounted to \$135 billion, almost two-thirds of the 2008 Giving USA estimate of \$214 billion (donations by all individuals).

Study Methodology

Each section of this study bases its data on a different approach.

Social Services: We collected data on five cities from the National Center of Charitable Statistics. We extracted the list of organizations under 'human services' and, having excluded all sports organizations, screened for religiously-affiliated ones to establish the overall proportion.

International Relief and Development: We estimated the size and proportion of giving to religion by screening for faith-based organizations in USAID's Report of Voluntary Agencies Engaged in Overseas Relief and Development (VolAg Report).

Education: For the higher education space we chose to look at a sample of Catholic, Jesuit and Jewish higher education institutes. The Catholic and Jesuit institutes were identified using a database designed for college bound high school students to identify colleges based on various characteristics, like religious affiliation. Jewish schools were found using NTEE code filters on Guidestar. With regard to K-12 schools, data is particularly elusive; therefore, we decided to unpack the revenue stream of a sample of faith-based schools and determine how reliant they were on philanthropy.

Given that our conversations with clients suggest that many of them have started more actively competing for corporate or private grants, in addition to the above sectors, we also chose to look at how foundations were giving to religion. In order to focus on foundations that were motivated to give because of faith, we picked the 20 largest foundations (by asset size) who are members of Foundations and Donors Interested



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in Catholic Activities (FADICA), a nonprofit member association that works to strengthen and promote Catholic philanthropy.

We recognize that this methodological variance across sectors creates severe problems of comparability. However, our intent is to offer this report as an illustration of the type of work that should be done to fully understand the breadth of meaning of “giving to religion” from a multi-sectorial, faith-based perspective.

Endnotes

¹ <http://www.gallup.com/poll/1690/religion.aspx>

² <http://religions.pewforum.org/>

³ Religious Giving: a Literature Review, by Ryan Lincoln, Christopher A. Morrissey, Peter Munday Department of Sociology, University of Notre Dame, pg. 7.

⁴ <http://www.pewforum.org/2013/08/19/event-transcript-religion-trends-in-the-u-s/>

⁵ Ibid.

⁶ The Urban Institute, National Center for Charitable Statistics, 2012.

⁷ #nextgendonors. Johnson Center for Philanthropy, 2013, 23.

⁸ <http://philanthropy.com/section/How-America-Gives/621/>

⁹ The National Taxonomy of Exempt Entities (NTEE) coding system was developed during the 1980s by a collaboration of major nonprofit organizations. In the mid-1990s, the Internal Revenue Service began to use the NTEE system. Subsequently, the NTEE – CC (Core Codes) system was developed as a simplified mechanism to more easily align with a changed system for categorizing commercial entities, the North American Industry Classification System (NAICS).

¹⁰ Nelson, S. "Mapping Small Religious Nonprofit Organizations: An Illinois Profile." Nonprofit and Voluntary Sector Quarterly: 13-31. Print.

¹¹ *Giving USA: The Annual Report on Philanthropy for the year 2013 (2014)*. Chicago: Giving USA Foundation. Pg. 221.

¹² <http://www.philanthropy.iupui.edu/philanthropy-panel-study>

¹³ <http://connectedtogive.org/reports/>

¹⁴ <http://www.atlasofgiving.com/>



Section 3

The Human Services Sector



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“Human services” encompasses an extraordinarily broad array of nonprofit organizations. Religious commitment to the underprivileged has long been a significant part of this sector and one would expect to find religious organizations well represented. The role of philanthropy in those organizations would augment our understanding of a broader definition of giving to religion.

Scope of the Sector

The diversification of interests and causes in the philanthropic sector has created challenges for many traditional nonprofits. Giving to social services typifies the problem. Giving USA has noted that giving to human services¹ grew at about half the rate as overall giving since 2009 (6.4 percent against 12.3 percent in inflation-adjusted dollars), and lags behind giving to other charitable sectors. According to their estimates, giving to human services in 2013 was \$40.4 billion. On the other hand, the 2013 Atlas of Giving report showed that the human needs sector actually was holding its own with receipts of \$41.75 billion.

To the extent that there is a philanthropic challenge in social services, it persists even as the number of nonprofits providing such services grows. There are now some 240,000 registered human services nonprofits in the U.S. They receive over \$207 billion in revenue and hold about \$318 billion in assets.² But “human services” is a big tent, covering nonprofits that include food and nutrition, legal services, housing and shelter, recreation and sports, employment services and vocational training, family and children’s services, youth services, emergency assistance, public safety and community disaster relief, and independent living.³

Figure 3.1: Percent of Total Assets for Human Service Organizations, 2013
(in thousands of dollars)

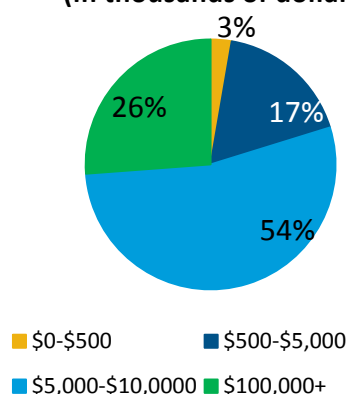
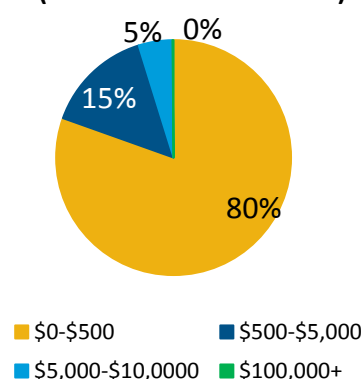


Figure 3.2: Percent of Human Service Organizations by Asset Size, 2013
(in thousands of dollars)



Source: National Center for Charitable Statistics



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While there is tremendous diversity, there is also tremendous concentration in the human services sector, as the Exhibits 3.1 and 3.2 indicate. About 20 percent of the organization represent 90 percent of the assets. The sector is characterized by many, many small and highly local organizations focusing on highly specific client populations in very narrow geographies. Examining the sector, then, requires disaggregating organizations to ensure meaningful size.

The Report Sample

While sports and recreation are indeed human services, they do not likely contain a significant cohort of religiously based organizations. Hence, in our data collection we removed all sports organizations and clubs. This still leaves tremendous diversity of organizational form, size and mission under the rubric “human services.” Because of the amount of variety that the social services sector incorporates, and because of the fact that it is made up of many small organizations serving very local needs, we decided to use locale as an organizing lens for this sector and its religious intersection.

We chose five cities around the U.S. representing different regions, all large enough to have a significant number of organizations but none being the very largest urban areas (e.g., New York City or Los Angeles) that might not provide a fair and representative picture. The five cities chosen were:

- Houston, Texas
- Raleigh, North Carolina
- San Diego, California
- Pittsburg, Pennsylvania
- Omaha, Nebraska

This is not, of course, a perfect picture, but the intent is to explore the hypothesis that faith-based organizations are important in the social services sector, and that philanthropy is important to faith-based organizations that are not worship sites.

Data was extracted from the National Center of Charitable Statistics website⁴, which has the option of conducting a geographic search by nonprofit activity sector. The site pulls up a list of organizations under that classification along with their total expenses and assets for the last given year for which they filed. Again, to keep the sample manageable, we set an expense floor of \$75,000 and looked only at those filing in 2012.

After having removed sport-related organizations, we screened the lists for the religiously-affiliated organizations. To make that judgment, we examined the websites of the organizations. If the homepages used religious imagery and references as the ‘public face’ of the organizations, we considered them to be faith-based.⁵ While not a perfect screening mechanism, it did allow us to correct for organizations whose name or roots might be religious, but whose expression of core mission was not.



Faith and Giving in the Sample

Using this method, we found that between 10 percent and 20 percent of social service organizations in the sample could be categorized as faith-based. The distribution was as follows.

Number of Organizations per City by Type, 2012

City	Faith-based	Total	Percent Sample	Percent Sample Expenditures
Houston	90	485	18.6%	22.5%
Omaha	27	195	13.8%	31.2%
Pittsburgh	57	302	18.9%	25.7%
Raleigh	27	183	14.8%	29.2%
San Diego	36	357	10.1%	22.8%

Data aggregated by Changing Our World based on National Center for Charitable Statistics data

These organizations represented a much larger portion of social services expenses than their numbers would imply. Faith-based organizations accounted for between 22 percent and 32 percent of social service expenditures in the sample, compared to between 10 percent and 20 percent of the human services nonprofits in the cities selected, implying that they tend to be larger than other organizations in the cohort. This suggests that faith is an important anchor for social services in these five cities. While one in every six organizations may be faith-based, as much as one in every three social services dollars spent comes from those organizations and the donors who support them.

Of course, social services are funded not simply by philanthropy. The resources funding these expenditures come from multiple sources. Indeed, for most organizations, government funding is a more important source of support, often transferred as payment for the delivery of program services. Therefore, because we know that these faith-based organizations represent a greater portion of revenue than their numbers would imply, that does not mean that they represent a great portion of philanthropy. Nevertheless philanthropy is important not only to support costs, but because philanthropic dollars often have flexibility to fund innovation and can be important to meet core costs through unrestricted giving.

Given the magnitude of the task of examining all tax returns for all 1,400 organizations in the five city sample, we focused the philanthropic examination on Omaha, an urban area in the heartland.

“The bulk of our funding is from individuals and family-owned corporations who have Catholic or Jewish ties. About 75 percent of the donors are Catholic and have heard of the organization through Church. If someone can touch and feel what they’ve done, they will continue to donate. People give on a human heeds basis, and faith matters a great deal.”

— Human Services Interviewee



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Using Guidestar as our data source, we accessed the IRS forms for the faith-based organizations in Omaha and logged their level of private contributions for 2011 and 2012.

For the 27 organizations that we looked at, total contributions to religiously-affiliated organizations in 2012 was \$36.7 million, which stayed level at -0.6 percent from the year before. This would be somewhat consistent with the Giving USA conclusion that human services giving is stagnant or falling. This would mean that the faith-based organizations in Omaha received about \$1 million per year each in private donations, or about a third of their total annual revenues. In comparison, the non-faith-based group of human services charities in Omaha relied on private philanthropy for about a quarter of their resources. This would indicate that faith-based human services organizations are more dependent on private philanthropy than their secular counterparts.

Faith-based organizations rely more on philanthropy than their secular counterparts, perhaps indicating a stronger tie between faith and social services giving than between philanthropy and social services overall.

This is a significant amount given that in comparison, in 2007, 51 percent of the overall total social service spending came from the government, whereas private giving from all sources accounted for about 11 percent of spending.⁶ Again, it appears that, at least in this sample, faith-based organizations are more dependent on philanthropy than their secular counterparts, and hence the link between faith and giving is strong in the social services sector.

Although we might expect faith-based social services organizations to rely more on government funding since the Faith-Based Initiatives of the Federal Government under President George W. Bush, a 2009 study analyzing the initiative's effect on congregations found that it did not broadly change congregations' behavior in this arena or their role in the U.S. social welfare system.⁷ Congregational involvement looks similar to what it did in 1998 because the initiative "overlooked congregations' longstanding role in community systems, and it was built on false assumptions about congregations' latent capacity to expand that role and the extent to which they constitute a meaningful alternative to existing organizational networks of social support."

According to interviews conducted during this study with Catholic charitable organizations working in social services, government funding used to account for 90 percent of their budgets, but in the past two to three years this has changed, with government grants now accounting for about 75 percent of their budget. Although they receive funding from all types of private sources, the bulk of private donations come from individuals and corporations, and the amount of donors increase during disaster and emergency periods.



Observations on a National Estimate

If the giving level of about \$1 million per organization in Omaha is roughly representative for the entire five-city sample in this assessment, it means that the faith-based social service organizations in these five cities alone raise a quarter of a billion dollars per year in donations. While not all of this giving is on the

Faith-based organizations in the human services sample represent about a quarter of a billion dollars in giving in these five cities studied.

basis of religion, we have biased the sample to organizations whose faith mission is, in fact, their public face. It is likely, therefore, that faith is at the heart of a significant part of that giving.

Now, of course, things get difficult. Very roughly, what does this mean nation-wide? Because our sample is so small, we take an extremely conservative approach to an estimate. The point is simply to put a general scope around what might be “giving to religion” in the faith-based human services sector, and to determine if the question of surveying for more precision would be a useful exercise by those who study the sector.

Let us say, therefore, that 20 percent of human services nonprofits have a faith base. That is a lower percentage than much of our sample. If true, that represents about \$40 billion in revenue. Let us assume that 20 percent of this revenue comes from philanthropy, again a lower portion than in our sample. This represents about \$8 billion annually.

Of course, we now must add in the largest human services faith-based organization in the nation, the Salvation Army. The Salvation Army alone raises about \$1.7 billion in philanthropy per year. Of course, not all of this giving originates in any religious loyalty or motivation. Certainly, the holiday “kettle” giving is likely not in that category. Hence, let us discount this giving by over a third, leaving us with about \$1 billion in Salvation Army giving that is attributable to the faith essence of the organization and its services.

In total then, we have about \$9 billion in giving that can be termed faith-based in the human services sector. Later in this report, we shall return to this number.

Additional Observations

Identifying the links between giving motivations and faith is perhaps more straightforward in the case of social services than in other nonprofit sectors discussed in the remaining sections of this report.

Among the charities we spoke with, the majority of their donors were Catholic (and had heard of the charity through their Church), while about a quarter were from other religions. Donors are cultivated in part through annual reports that present stories of people that have been helped, through quarterly newsletters, as well through sharing experiences of volunteers. The advantage of social services in the U.S. is that donors can see and feel where their money goes, which can make them more likely to donate.



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In the sample, faith based organizations relied on giving more than the general sample, and that giving flowed even when religious worship attendance was in decline. The lesson for nonprofits may be that neither “giving to religion” nor survey responses about religious affiliation or worship service attendance, all of which show downward trends, are reflective of what donors of faith actually do or how they actually interact with philanthropy. Giving to “faith” (or on the basis of faith) may be stronger and more important in the nonprofit sector than giving to religion reveals.

Endnotes

¹ We use the terms “social services” and “human services” interchangeably in this report.

² National Center for Charitable Statistics, 2014.

³ *Giving USA: The Annual Report on Philanthropy for the year 2013 (2014)*. Chicago: Giving USA Foundation.

⁴ <http://nccsweb.urban.org/PubApps/geoSearch.php>

⁵ Daniels, Martha. "Where's the Religion? Distinguishing Faith-Based from Secular Social Service Agencies." *Journal for the Scientific Study of Religion*, pg. 411.

⁶ Salamon, Lester M.. *America's nonprofit sector: a primer*. 3rd ed. New York: Foundation Center, 2012, pg. 171 .

⁷ Chaves and Wineberg, “Did Faith-Based Initiatives Change Congregations?” pg. 16.



Section 4

Relief and Development Nonprofits



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Faith-based organizations have long responded to the needs of global poverty and are on the front lines of any response to natural and man-made disasters. They are joined by many secular groups and by nonprofits that are largely dependent on government aid, not on private philanthropy. Questions on the position of faith-based organizations in the relief and development sector and the importance of philanthropy in their work are important in considering the utility of a broader definition of giving to religion.

Changing Organizational and Resource Patterns

Private nonprofits have long been central actors in disaster response and global poverty relief, and in implementing economic development programs in poor countries. And faith communities have long played a role in the provision of health, education and social services in areas of the world where the governments lack resources to do so themselves. Indeed, in a study released in 2007 by the World Health Organization, it was estimated that between 30 percent and 70 percent of the health infrastructure in Africa was owned by faith-based organizations. As the field has become increasingly more competitive, and more connected, many of the actors within it have become more sophisticated. The modern nonprofit landscape is now occupied by a wide range of organizations, from those focused primarily on charitable responses to poverty to those with highly technical – even world-class – skills and capacity in specific areas of health, education, and community development.

The best eye care, the best solutions for village water, the most experienced micro-finance institutions are often highly skilled nonprofits – some of which have faith-based roots. Cordaid, for example, a leading development nonprofit with deep Catholic roots in the Netherlands, is not only a major global poverty and relief organization, it is also on the cutting edge of using Performance-Based Financing to combine service quality and financial sustainability in both healthcare and education. And it is doing so with measureable results in the Democratic Republic of the Congo.

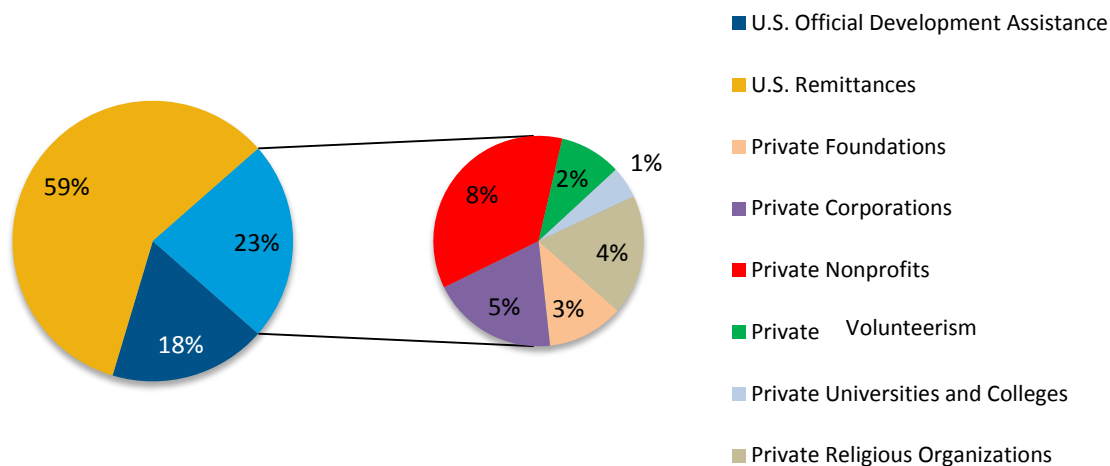
Similarly, the funding landscape for relief and development has changed, relying more heavily on philanthropy. Private resources have always been important, but they were often considered secondary to government commitments, either bilateral (i.e., government-to-government) or multilateral (i.e., through institutions such as the World Bank, funded by multiple governments). In the last 10-15 years, however, the significant, even dominant, role of private philanthropic resources has become clearer as more detailed research has carefully disaggregated the complex resources flowing to global relief and development programs and documented their sources. This has been done with greatest care in the U.S., where 2013 research out of the Hudson Institute's Center for Global Philanthropy shows that "Of the total financial flows from developed to developing countries, over 80 percent are private. Government aid, at less than 20 percent, is now a minority shareholder, the opposite of 40 years ago." According to The Hudson Institute's 2013 *Index of Global Philanthropy and Remittances 2013*, in 2011, private capital



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investment, philanthropy, and remittances from the U.S. to developing countries totaled \$247.6 billion. The chart below shows what constitutes private philanthropy in 2011, net of private capital flows.

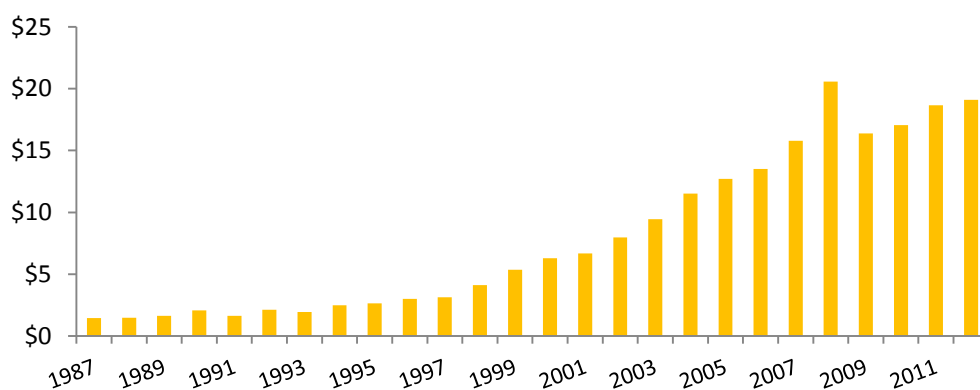
**Figure 4.1 Distribution of U.S. Foreign Transfers
(net of Private Capital Flows)**



Source: Hudson Institute, 2013 Index of Global Philanthropy and Remittances

Inflation-adjusted giving for international affairs has doubled in the last 10 years. This is not to say that government funds are not important. For many nonprofits operating in relief and development settings, government funds remain important anchors of support.

**Figure 4.2: Inflation-Adjusted Giving for International Affairs
(in billions of dollars)**



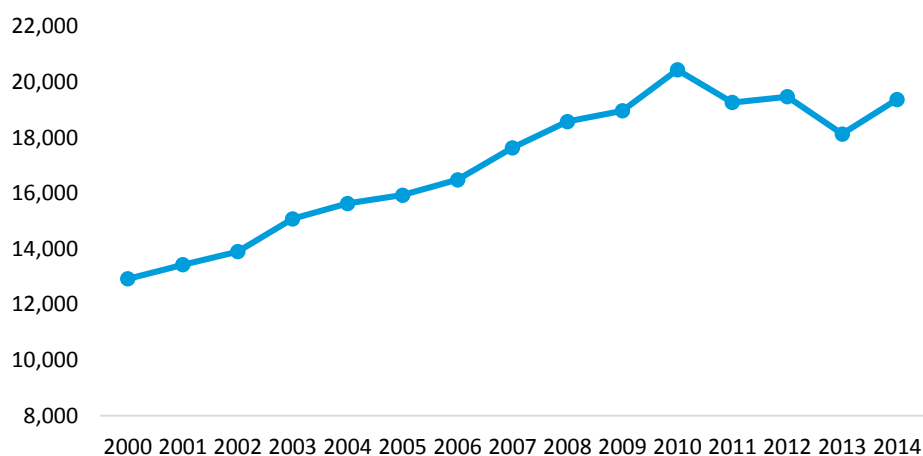
Source: Giving USA, 2013



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In 2007, 35 percent of the income of the 563 international relief and development agencies registered at that time received funding from government sources (U.S. or other); that proportion would be much higher than this average suggests for a number of the agencies with enormous operations (with incomes of over \$200 million).¹ However, the role of private giving is significant, as these same organizations received 57 percent of their income through private donations.

Figure 4.3: Number of Registered Nonprofits with International Focus, 2000-2014



Source: National Center for Charitable Statistics, 2014

An additional phenomenon driving growth has been the rise in nonprofits domiciled abroad that have opened U.S.-registered counterparts to raise U.S. funds to support their home organizations. The creation of such “friends” organizations has long been a reality in the international nonprofit sector (for example, the American Committee for the Weizmann Institute of Science was formed in the U.S. in 1944), but the fundraising strategy of such “friends” organizations has picked up pace in recent years, driven both by the reduction of public funding abroad stemming from the Great Recession and general policy change in Europe which has required many institutions (especially in the education sector) to raise a level of private funds as a condition of receiving government support.

Faith-Based Relief and Development Philanthropy

What has been the trend for faith-based organizations in this rapidly growing sector, and what role has philanthropy played in their operations?

There is no central database that will allow this question to be answered easily. One source of data is the Report of Voluntary Agencies Engaged in Overseas Relief and Development (VoAg Report) issued by the U.S. Agency for International Development (USAID), the U.S. bilateral foreign assistance agency. USAID registers private voluntary organizations (PVOs) so that they are eligible to compete for funding



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opportunities with the Agency, and the VolAg includes a brief description and a summary of financial activities of U.S. nonprofits, international nonprofits eligible to receive U.S. funding because they have registered entities in the U.S., and U.S. Cooperative Development Organizations (CDOs). For the purpose of this report, we are only looking at data for nonprofits originating in the U.S.

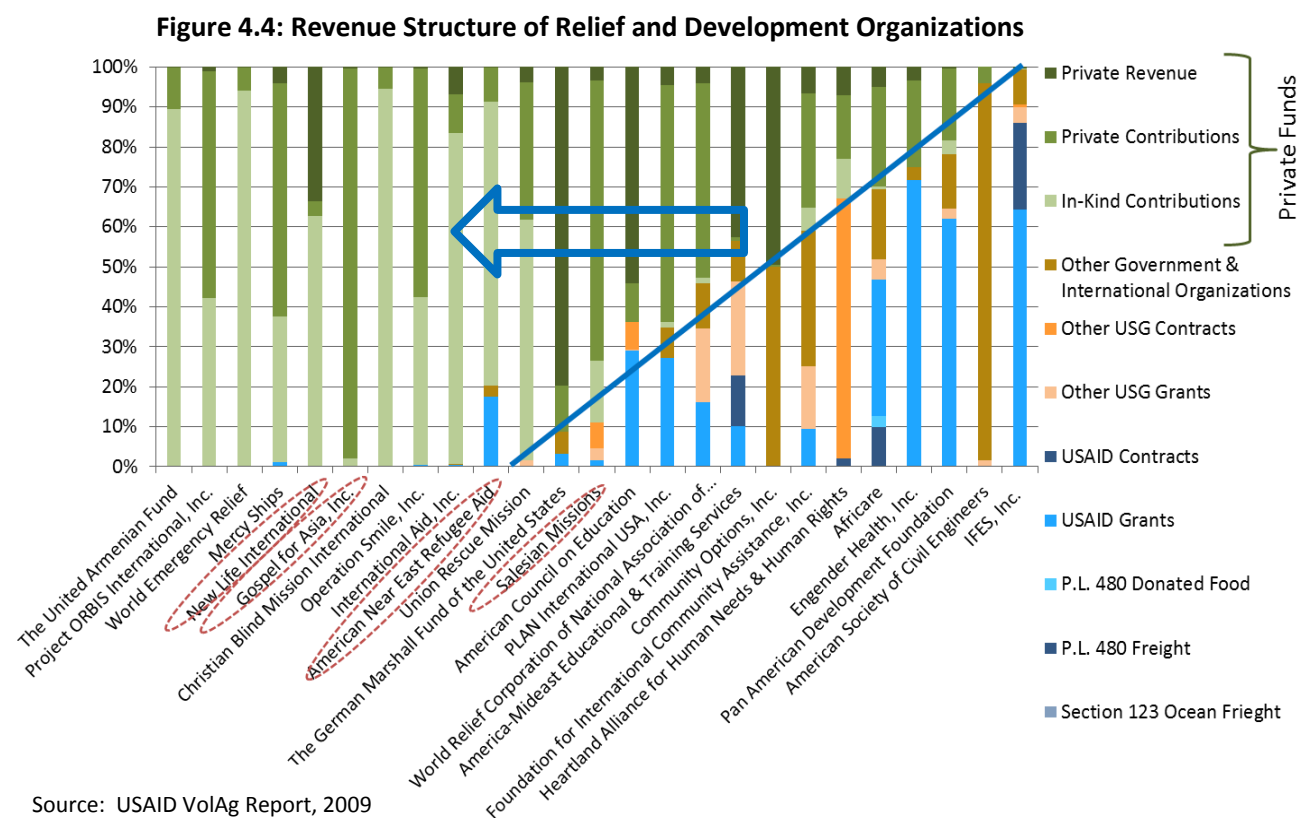
The 2013 VolAg report includes a summary of financial activities for the 595 U.S. PVOs registered with USAID as of September 1, 2013. These PVOs received \$21.1 billion in support from U.S. citizens and private sources, over six times the \$3.1 billion from USAID. In general, an overarching comparison would seem to indicate that, as in the human services sector, faith-based relief and development organizations rely more on private philanthropy than their secular counterparts. In a sample of all nonprofits in the VolAg, it would appear that the faith-based organizations are more likely to have a significant dependence on private philanthropy and secular organizations are more likely to depend more heavily on U.S. government resource transfers.

In looking at the role of philanthropy, it is important to unbundle “private support.” In the VolAg report, private resources consist of private cash contributions, private revenue, and in-kind contributions (the monetized value of donated goods and services). While there are clear Federal government standards for how to place a dollar value on these in-kind resources, the nature of the goods and services can vary widely depending on how a nonprofit wishes to view, for example, donated professional services. Comparability is an issue. Thus, we removed in-kind resources from our analysis. Similarly, private revenue is usually not “philanthropy,” as it is comprised of program fees which may or may not have their ultimate source in the private sector. Government service subsidies, for example, which flow through individual fee payment, would be counted as private resources even though they are not private in their origin. Hence, we also remove private revenue from the analysis.

As with their social services counterparts, faith-based relief and development nonprofits rely more heavily on philanthropy than their secular counterparts.

Figure 4.4 illustrates that faith-based relief and development nonprofits have a more donor-dependent revenue structure. Clearly, however, that is not an exclusive characteristic since secular organizations are also found in the philanthropy-dependent category.





Can we be more granular than this? Does the sample for this study demonstrate greater dependence on philanthropy of faith based relief and development nonprofits?

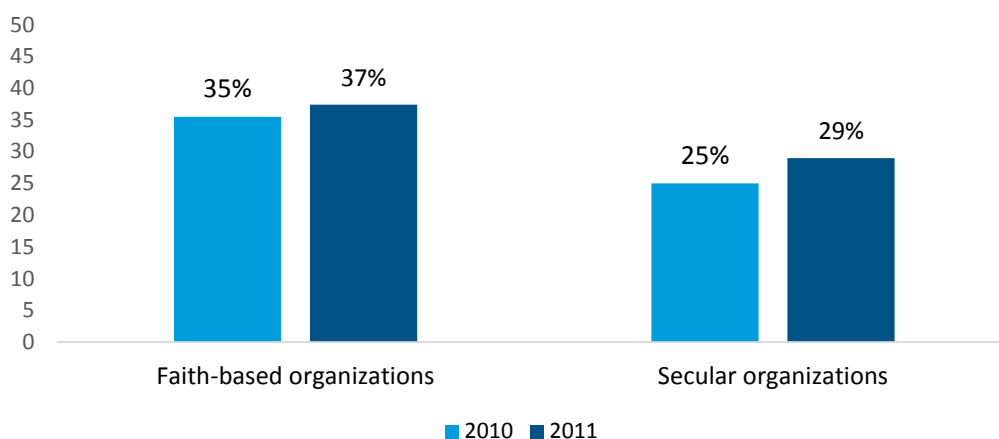
In order to further assess the revenue structures of faith-based international relief and development nonprofit organizations, we took the organizations listed in the 2011 and 2012 VolAg reports (which list financial data from 2010 and 2011, respectively) and identified those that were clearly religiously-affiliated. Again, as in social services, this reflected a judgment about the degree to which the organization's mission and "public face" emphasized its religious beliefs or roots. We included only those PVOs whose public-facing positioning was highly oriented to a particular faith group.

Is this sample more dependent on philanthropy than the non-faith based group? Indeed, they are. As displayed in Figure 4.5, and consistent with the overall picture, philanthropy appears to be more important to faith-based organizations than to their secular counterparts. By 2011, nearly 4 of every 10 dollars spent by faith-based nonprofits was privately contributed, compared to 3 of 10 for secular organizations.² In the last several years, all agencies have increased their reliance on contributions by 2.8 percent, but for faith-based agencies this increase was 5.4 percent, reinforcing the greater reliance of our sample on private philanthropy than the overall PVO community.



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Figure 4.5: Percent Revenue from Private Philanthropy (Monetary)



Source: USAID VolAg Reports, 2011 & 2012

Disasters reinforce this trend. In the first month after the Haiti earthquake, the American Red Cross raised \$276 million for Haiti relief, the most of any responding nonprofit organization.³ Of the 19 organizations that followed the Red Cross in terms of funds raised, four were in our faith-based sample. Together these four raised more than \$100 million, nearly a third of the total raised by these 19 nonprofits. Following the 2011 Japanese tsunami, again, the Red Cross raised nearly 75 percent of the contributions. But faith-based nonprofits accounted for nearly half of the remaining funds raised among the top ten fundraising nonprofit relief organizations in the U.S.⁴

But Is It Faith Really?

When looking at these statistics in the context of this report, however, the question becomes one of motivation: Are these contributions driven by faith? The disaster pattern suggests that the answer is yes.

“On our donor survey from 2010, overall people ranked ‘giving to the poorest of the poor’ as the third most important reason for giving to our organization. Overall the survey demonstrated that giving resonates with a progressive approach to international relief and development. People are giving because of the values that are closely associated with Catholicism. We are able to maintain our core Catholic donors through strong Catholic messaging. Not only has our donor base been maintained, but in fact it is growing. We have really tapped into and raised up the messaging of Pope Francis and his theology of preference for the poor.”

— Study interviewee from a
Catholic global development
organization

We pulled out the Red Cross, because it represents a giant at disasters that skews the remaining giving picture. Given that the average supporter has a wide range of organizations through which disaster funds can flow, the dominance of faith-based groups suggests that faith is in some way involved. In some cases, this is explicit involvement. For example, in the Catholic Church, Laetare Sunday (the fourth Sunday in Lent) is the national collection in parishes for Catholic Relief Services (CRS).⁵ This collection is taken up during Mass and so is clearly part of the faith experience, but the recipient organization and purpose is for relief and development. Similarly, Operation Rice Bowl, a Lenten program for hunger, is also operated through parishes for CRS; 75 percent of its contributions is for global relief and 25 percent is allocated to the community of the Parish. These two programs, conducted within the parish community, raise about \$18 million per year for relief and development.

Episcopal Relief and Development (ERD), a major international relief and development organization, derives 14 percent of its income from parishioner

contributions in Episcopal churches nationwide. Again, the link to religion can be close although, as noted below in the case of ERD, the fundraising reach is much broader than the faith community.

Changing Our World’s conversations with faith-based relief and development organizations of Anglican, Catholic, and Jewish affiliation suggest that there have been fairly consistent levels of overall giving over the past five years and that support remains strong. The general view of interviewees was that ties to the specific faith community played an important role in the motivations of major supporters.

Observations on a National Estimate

Taking a very conservative view, then, and focusing only on the 70 organizations of the 20,000 international affairs nonprofits that are VolAg-registered organizations, we estimate that the philanthropy contribution to faith-based international relief and development organizations is \$1.4 billion. We do not



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add to that any portion of the \$7.2 billion in religious congregation private funding which the Index of Global Philanthropy estimates to flow for relief and development (See Figure 4.1) because we cannot be sure what portion of this total (if any) would have been counted by the traditional sources as “giving to religion.” Therefore, we believe the \$1.4 billion is a considerable underestimate.

Through the lens of spiritual engagement, faith-based relief and development organizations are instrumental actors in providing practical support to the poor and mobilizing the popular moral energy needed to effect political change. They are, in fact, a necessary component of the globalization era, and its reliance on the multi-stakeholder platform. Furthermore, when it comes to other parts of the world, being religiously affiliated can be an advantage. According to Serge Duss from World Vision, “in some non-Christian countries, Christian identification has enhanced our ability to work with local communities and national government. Unlike Western societies which separate the spiritual from the physical, Islamic societies in particular integrate the spiritual into every aspect of their lives.”⁶

Endnotes

¹ Salamon, Lester M. *America's nonprofit sector: a primer*. 3rd ed. New York: Foundation Center, 2012, pg. 221.

² USAID VolAg Report, 2012.

³ The Chronicle of Philanthropy. “American Charities Raise \$774-Million for Haiti Relief, Chronicle Tally Finds.” February 17, 2010.

⁴ The Chronicle of Philanthropy. “Giving for Japan Disaster Now Totals More Than \$161-Million.” March 25, 2011.

⁵ This was formerly called the American Bishops Overseas Appeal.

⁶ Ferris, Elizabeth. “Faith-based And Secular Humanitarian Organizations.” *International Review of the Red Cross*, pg. 324.



Section 5

Education



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The education sector in the United States is comprised of higher education, K-12, and education association institutions. As with healthcare, the matter of loyalty and gratitude can trump that of faith in motivating giving. This section of the report takes an extremely narrow view of religion and giving in the education sector so as to provide an underestimate of the relationship between faith and education philanthropy.

Education has long been, and remains, one of the largest sectors in philanthropic giving in the United States, second only to religion. Giving USA estimated giving to education in 2012 at \$47.82 billion, representing 14.9 percent of total giving, while Atlas of Giving estimated giving to the education sector in 2012 at \$58.9 billion, representing 16 percent of total giving.¹

The Great Recession resulted in a significant decline in overall giving (15 percent in inflation-adjusted terms from 2007-2009). The education sector experienced a slowdown in giving (from a 23 percent increase 2001-2006 to a 4.9 percent increase 2006-2011). However, education giving was also the fastest to recover, growing at a rate of 37.2 percent in inflation-adjusted dollars since the recession, compared to 12.3 percent growth in overall giving.²

Public and Private Resource Distribution

In the education sector overall, government funds remain a critical resource base. Public funding accounts for 83 cents out of every dollar spent on K-12 education in the United States, 90 percent of that originating in state and municipal budgets. As in other sectors, however, government funding has not kept pace over the years, and educational institutions have come to rely more heavily on fees and tuition. The portion of income through fees for the education sector grew from 28 percent in 1995 to 34 percent in 2007.³

During the recession, reliance on private resources necessarily grew as state and municipal budgets saw significant reductions. In the depths of the recession, large cuts were needed quickly, making the largest portions of the budget the most vulnerable, since that is where significant savings could be made quickly. State funding for higher education, for example, decreased by 28 percent, or \$2,353 per student. Except for Wyoming and North Dakota, every state in the U.S. slashed per-student spending, from fiscal year 2008 through fiscal year 2013. Indeed, 11 of the 48 states with reductions cut state spending by a third or more.⁴

Given the differing structure and size of K-12 and higher education, generally and in the nonprofit sector, this inquiry into the embedded role of religion in education, and the associated influence of religion in educational giving, we will examine higher education and K-12 education separately.



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Higher Education

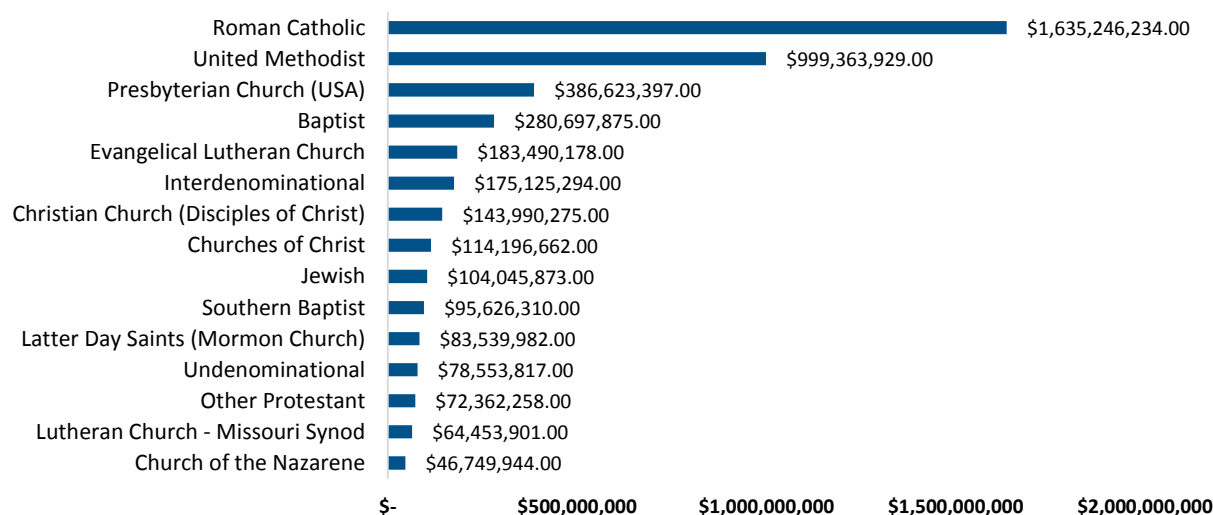
Nonprofit higher education institutions account for nearly 40 percent of all higher education spending. The overwhelming remainder is in public institutions, with a very small portion in a new category of private, for-profit higher education efforts.

In the 1996-2007 period, tuition and other commercial income made up 80 percent of the growth in revenue for nonprofit higher education institutions, while 10 percent of revenue growth came from government and 9 percent from philanthropy.⁵ Increases in revenue since the 1970s have also been driven by the expanded availability of government grant and loan guarantee programs.

National Overview

In order to look at this sector from a different angle we extracted data from the National Center of Education Statistics (NCES), using the IPEDS data center,⁶ the primary web-based source for data analysis on colleges, universities, and technical and vocational postsecondary institutions in the U.S. The NCES also classifies data per religious affiliation; for the academic year 2011-2012 there were a total of 58 denominations that had schools affiliated with them. Together they received \$5.09 billion in private gifts for that period. Figure 5.1 provides data for the top 15 of those 58 denominations. The top five denominations account for 60 percent of the giving for all 58 denominations, and the top two (Catholic and Methodist) account for nearly 40 percent.

Figure 5.1 Top 15 religiously affiliated higher education institutions by total private gift contributions, 2011-2012



Source: National Center for Education Statistics, 2011-2012



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Changing Our World Sample

The NCES data has flaws. For example, it does not count giving to Yeshiva University in its totals, yet Yeshiva is certainly a prominent Jewish institution. Furthermore, it counts all schools with religious affiliation irrespective of the role of religion in the institution. If we wish to look at the intersection of religion and giving, we need a more refined sample.

To build our sample, Catholic and Jesuit institutions were identified using Naviance/Family Connection, a comprehensive database designed for college-bound high school students to find colleges based on various characteristics such as religious affiliation. This database makes a distinction between Catholic and Jesuit institutions, which is why they are separated in our analysis, despite Jesuit institutions being equally Catholic. Jewish schools were identified using NTEE code filters on Guidestar.⁷

Of course, alumni giving and family giving is based on the totality of an educational experience, not simply on the religious nature of an institution. Still, where faith is deeply embedded in an institution, there is an intersection between faith, college selection and experience, and ultimate philanthropic support. In some cases, the relationship is clear. For example, Catholic University raises between \$4 million and \$6 million annually through a national collection in Catholic parishes each year. This is clearly education giving that is religious in its motivation as it is carried out as part of faith services and in the pews.

Catholic University raises between \$4 million and \$6 million each year at the national collection during masses in Catholic parishes.

We identified a sample of 207 schools from which were able to infer a strong connection to religion based on their names, mission statements, and histories. Of these 207, 15 percent are Jewish and 85 percent are Catholic. As shown in Figure 5.2, in 2012 the contributions to these 207 schools totaled \$3.6 billion.

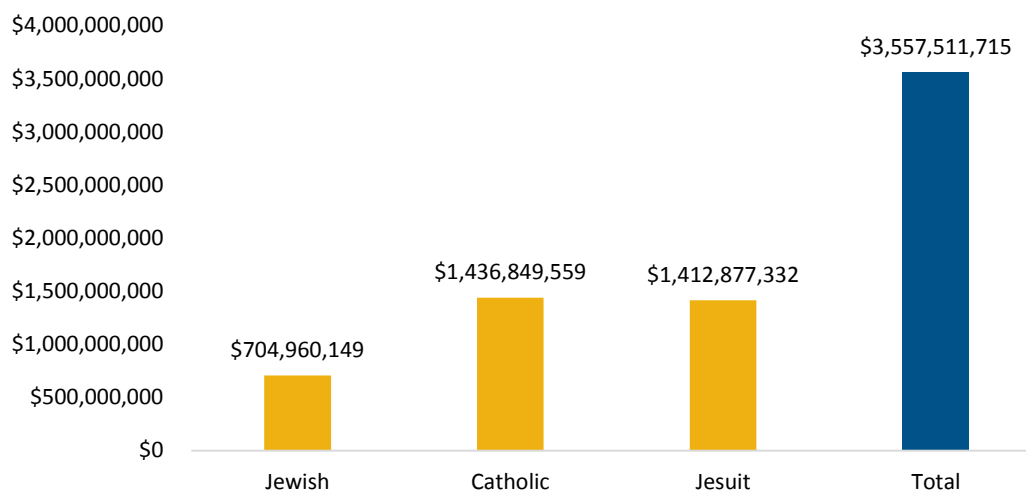
Changing Our World Sample:

Religious Affiliation	Number of Schools
Jewish	35
Catholic	145
Jesuit	27
Total	207



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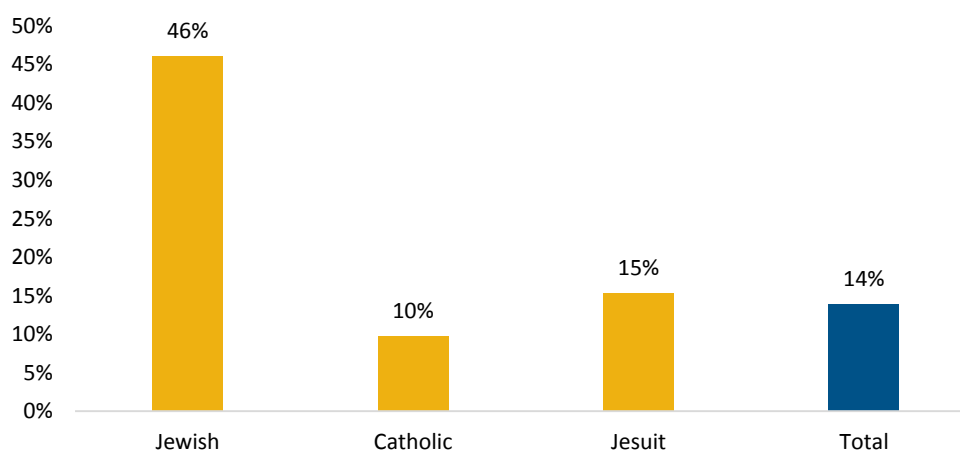
Figure 5.2: Contributions to Schools by Religious Affiliation, 2012



Source: Analysis conducted by Changing Our World, 2014

Just as with social services and relief and development nonprofits, philanthropic contributions are a much more important part of funding for religiously affiliated colleges and universities than is the case for higher education in general. The national average for revenue from philanthropic contributions across higher education is 9 percent; across our total sample, the average is 14 percent. Because they are so highly focused, Jewish schools in the sample rely on private giving for nearly half of their revenue.

Figure 5.3: Percent Revenue from Contributions for Schools by Religious Affiliation, 2012



Source: Analysis conducted by Changing Our World, 2014



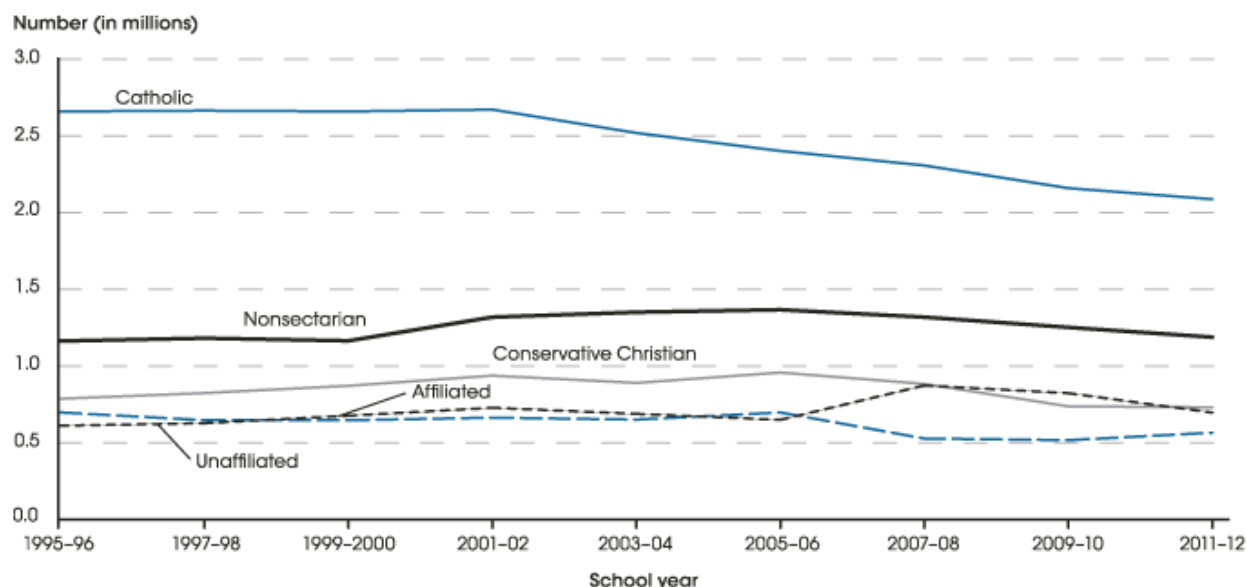
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Of course, there are other faith-based higher education institutions. The Evangelical Council for Financial Accountability (ECFA) comprises nearly 1,900 evangelical Christian organizations which qualify for tax-exempt, nonprofit status and receive tax-deductible contributions. As of 2014, the collective annual revenue of ECFA member organizations is reported to be nearly \$22 billion.⁸ Among these organizations there are six different categories for education: colleges and universities, graduate level and seminaries, home school, special, K-12, and youth. One hundred and forty nine institutions listed are listed in its colleges and universities category, none of which overlap with our 207 institutions. Hence, our estimate of faith-based giving in higher education is probably an underestimate.

K-12 Education

According to an NCES July 2013 report on the characteristics of private schools, 68 percent of private schools had a religious orientation or purpose in 2011–12. These schools served 80 percent of private school students and were employing 72 percent of private school full time employee (FTE) teachers.

Figure 5.4: Students Enrolled in Private Schools by School's Religious Affiliation, 1995-2012 (in millions)



Source: U.S. Department of Education, 2013

Types and Trends

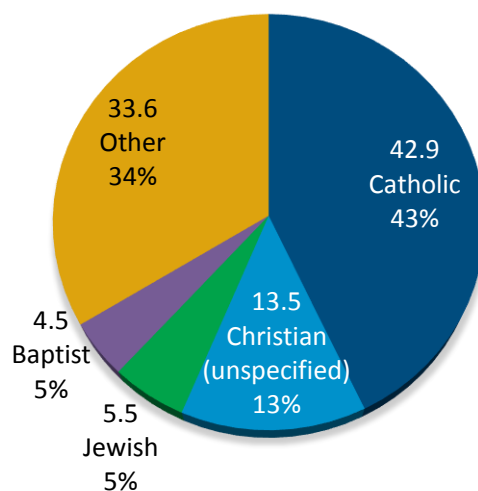
According to the NCES statistics, enrollment in schools affiliated with religious faiths has been declining over the past decade, driven in part by costs but also by the growth of charter schools, which provide private education at no cost, and the homeschooling movement, which is in ascendency.



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Again, as with higher education, religious roots of K-12 schools are highly concentrated; nearly half of all schools are accounted for by Catholic, Baptist and Amish schools. However, school size is highly diverse; the average Amish school is under 30 students, while the average Jewish school is over 200 students. A better representation, then, is student distribution. Catholic schools account for 43 percent of all students served by private, religiously affiliated schools. Catholic high schools account for nearly three quarters of all high school aged students enrolled in faith-based grade 9-12 education.

Figure 5.5: Distribution of Students in Schools of Religious Orientation, 2011-12

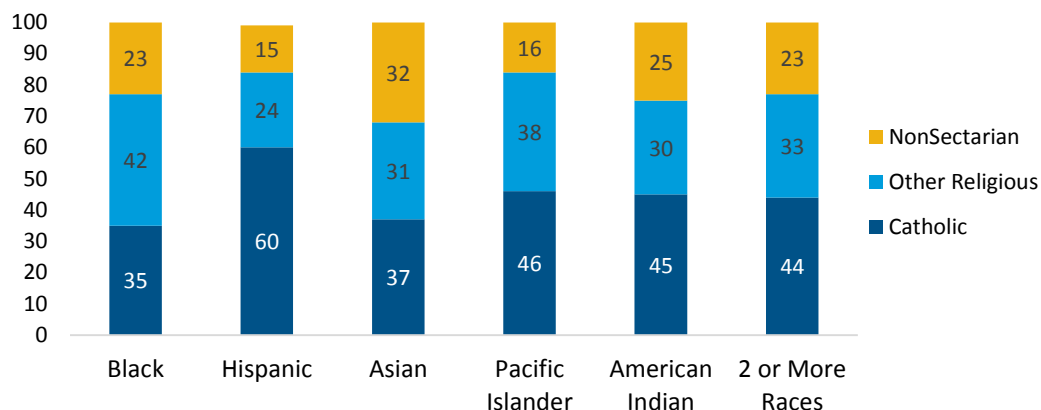


Source: National Center for Education Statistics, 2013

Catholic schools also claim a significant portion of minority students attending faith-based schools. The Hispanic numbers are particularly striking, given the rise of the Hispanic population in the U.S. But, overall, those minorities choosing private schools are choosing religious schools. Data on changing ethnic distribution of wealth would indicate that, as minority wealth increases (Asian households now have the highest median household income in the country if viewed by ethnic group), the role of philanthropy could become even more important for faith-based schools.

The Role of Philanthropy

Figure 5.6 Percent of Minority Population Attending Religious Schools by Faith Affiliation of School, 2012



Source: National Center for Education Statistics, 2013

Obtaining revenue and philanthropy data on K-12 education is particularly challenging. However, given the above, it is already clear that the faith-based education sector has both a historic role to play, and an important one as the country moves forward. At the elementary and secondary levels, private education has provided a “safety valve”⁹ through which people with different values and opinions or different concepts could make choices for what worked for them without upsetting the general public trend.

“The challenge...is connecting to donors. Giving to places of worship like synagogues is not seen as giving towards making a difference or impact.”

— Faith-based Fundraising Interviewee

As depicted in Figure 5.7 on the next page, there are three levels of relationships between faith, education and philanthropy in the faith-based education sector. These three iterations of the relationship are seen in the schools of most faith groups.

Especially for K-12 schools, philanthropy plays a range of roles. For institutions whose very being is tied tightly to religion, faith and school giving are deeply linked; they are at the core of identity and operations. This is true, for

example, in the Solomon Schechter Schools, which are Jewish in their recruitment, teaching, and traditions, and hence giving to education is nearly coterminous with giving to faith. The same is true for many parish-based elementary schools, whose students are in most cases members of the parish and therefore whose parental philanthropy to the school is bound up in faith.

The creation of educational funds or educational foundations in the Catholic Church provides a third example of the core at which faith and operations are one and the same, and philanthropy enables both. The funds are dedicated to Catholic education and are often focused on tuition support for Catholic



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families attending those schools. The end recipients of the philanthropy are educational institutions, and hence the giving is “for education,” but the fundamental purpose in the eyes of the donor is often the core of the faith. In Chicago, the combination of the Big Shoulders Fund, which is the Archdiocesan fund for Catholic education, and school fundraising account for 19 percent of the total revenues of the Catholic school system.

At the next iteration, faith is a core part of the mission, but it is only central to giving for those who have chosen the school for faith reasons. At the outer edge, perhaps for day or boarding schools with a faith history but a largely secular student body, giving is very much a function of loyalty and personal experience in the school, and only marginally, if at all, a matter of religion.

Examining the tax submissions of the 21,000 faith-based schools covered by the National Center for Education Statistics, and referenced earlier, is beyond the scope of this study, and impossible in any event because many schools register as religious, not educational, organizations and hence do not file financial data.

Therefore, we developed a sample of faith-based K-12 schools to examine how important private donations are in their revenue structure.

In all cases, there was tremendous range, and so a mean calculation was misleading. The following table provides a summary of the medians for three sets of schools, Catholic, Baptist and Lutheran, in the sample, and the median funds raised.

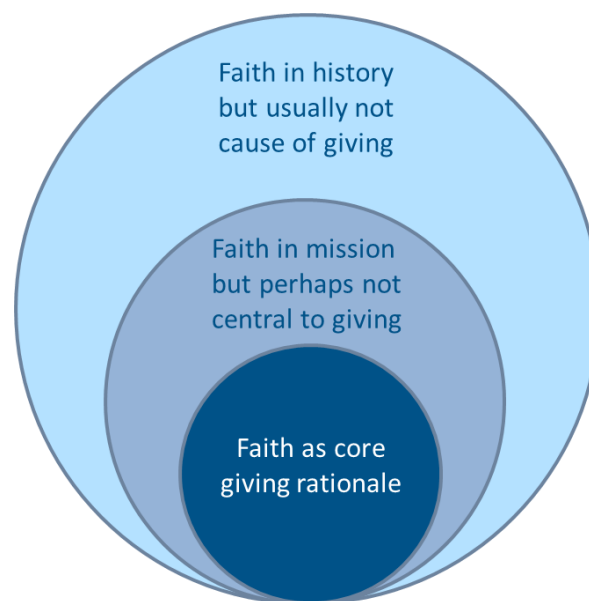
Medians for Three Sets of Schools in Sample, by Religious Affiliation

	Catholic	Baptist	Lutheran
Philanthropy as Percentage of Revenue	20%	15%	80%
Funds Raised	\$1.3 million	\$0.3 million	\$0.7 million

Changing Our World Analysis Data & Analysis

There is huge philanthropic range and a tremendous range of sizes of K-12 schools. Returning to the full data set from NCES, we focused on schools with 300 or more students, recognizing that smaller schools may have philanthropic support but that the study sample was dominated by larger schools. Schools with

Figure 5.7: The Relationships between Faith and Schools



Source: Changing Our World



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300 or more students represent 25 percent of private religious K-12 schools in the nation. If we use \$500,000 per year as the median (slightly higher than the Baptist median but lower than the Lutheran median and about a third of the Catholic median), then these faith-based schools represent about \$2 billion in philanthropy.

We believe this is a very conservative estimate. Many smaller schools, especially those with Jewish and Evangelical ties, are built on faith, and giving to these schools is part and parcel of faith. Adding these schools into the mix would almost certainly increase the total estimate of giving for education that is premised on religion.

Observations on a National Estimate

With regard to higher education, our sample of 207 schools yielded a \$3.6 billion philanthropic total. We have chosen not to extend this sample to a larger cohort because of the loyalty-based dynamic involved in higher education giving. We choose to leave the figure at \$3.6 billion as an underestimate.

Similarly, as noted above, we believe the K-12 estimate is also conservative.

The two together total \$5.6 billion of giving for education that is deeply embedded in religious beliefs and support to faith-based institutions on the basis of those beliefs.

The methods used to derive this estimate have admitted flaws, serious flaws in fact. The point here is not to hold to the exact number but to underscore once again that, as Giving USA has noted, there is significant giving that stems from and flows to religion in the form of support for institutions that are faith-based but are not congregations or places of worship. Developing an approach to documenting the trends in “giving to religion” in an environment of changing adherence to formal worship congregations is important in understanding the true nature of religion in the philanthropic sector and the national giving tradition.

Endnotes

¹ *Giving USA: The Annual Report on Philanthropy for the year 2013 (2014)*. Chicago: Giving USA Foundation. pg. 206; and 2013 Atlas of Giving, pg. 6.

² *Giving USA: The Annual Report on Philanthropy for the year 2013 (2014)*. Chicago: Giving USA Foundation. pg. 40

³ *Ibid.*, pg. 146.

⁴ Raymond, S and Song, J. *The Rise of Online Higher Education*. New York: Changing Our World, Inc., October 2013

⁵ *Ibid.*, pg. 153.

⁶ <http://nces.ed.gov/ipeds/datacenter/>

⁷ Search was conducted using the keyword ‘Jewish’ (in the name or the description of the school), and NTEE code filters B40 (Higher Education Institutions) and B50 (Graduate, Professional (Separate Entities)).

⁸ <http://www.ecfa.org/Content/About>

⁹ *Ibid.*, pg. 160



Section 6

Adding It Up



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Even with the methodological limitations of the study, the result is a level of philanthropy that is significant both absolutely and relative to traditional definitions of giving to religion.

The Funding Total

The estimates in the previous chapters amount to a total of \$16 billion in faith-based annual giving to these four sectors alone, broken out as follows:

Figure 6.1: Sum of Annual Faith-Based Giving to Nonprofit Sectors as Estimated by Changing Our World

Sector	Sample Estimate
Human Services	\$9 Billion
International Relief & Development	\$1.4 Billion
Higher Education	\$3.6 Billion
K - 12	\$2.0 Billion
TOTAL	\$16.0 Billion

Source: Based on Analysis by Changing Our World, 2014

If this sample were added to total “giving to religion,” the amount of that giving **would increase by 15 percent**. Again, we believe this is an underestimate. The reader will recall that we did not include athletics in our human services definition. In fact, one faith-based athletic organization, the Fellowship of Christian Athletes, raised more than \$60 million in 2012.

Two other non-worship, faith-based organizations not in our sectorial samples, Cru (formerly Campus Crusade for Christ) and Young Life, raised more than half a billion dollars in 2012.

How much is \$16 billion?

- *More than all giving to the environment.*
- *Only \$1 billion less than all giving to the arts.*
- *\$1 billion more than the cost of the 2014 FIFA World Cup in Brazil.*
- *Equal to the U.S. intelligence counter-terrorism budget.*
- *Equal to the annual inflation-adjusted costs for space exploration of the United States over the last 45 years.*



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The Other Side of the Table: A View from Foundations

The work in this report stood in the shoes of the nonprofit organizations with a religious base. An alternative approach would be to look at the non-worship nonprofit faith-based sector from the viewpoint and behavior of funders.

Figure 6.2: FADICA Sample Grants, 2012

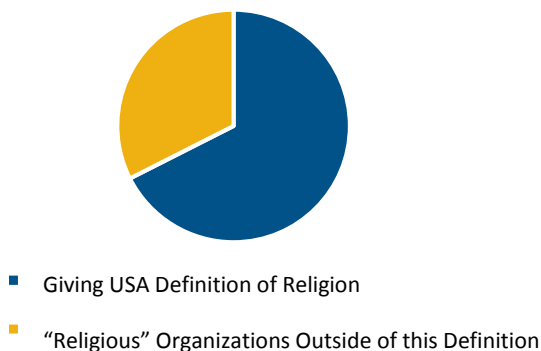


Figure 6.3: FADICA Sample Grant Value, 2012



Source: Analysis by Changing Our World, 2014

To cross-check our perspective, we examined the foundations of Foundations and Donors Interested in Catholic Activities (FADICA)¹. These are foundations that are committed to Catholic causes. We eliminated foundations explicitly created to support Catholic congregations, individual churches, Dioceses and Archdioceses since these funds are clearly for the traditional definition of giving to religion.

We then examined the grantmaking of the 20 largest foundations, coding each grant as flowing to religion in the traditional definition or flowing to Catholic organizations in other, non-worship sectors. As illustrated in Figures 6.2 and 6.3, a third of the grants and nearly half of grant dollars flowed to religious organizations with functions other than worship/congregation.

Again, the point is not that this sample of 20 foundations is definitive. The point is that, even if examined from the funder's perspective, philanthropy committed to religion flows to religious organizations that are not captured in the traditional measure of giving to religion.

Endnotes

¹ <http://www.fadica.org/main/About/MeetFADICA.aspx>



Section 7

Implications for Strategy

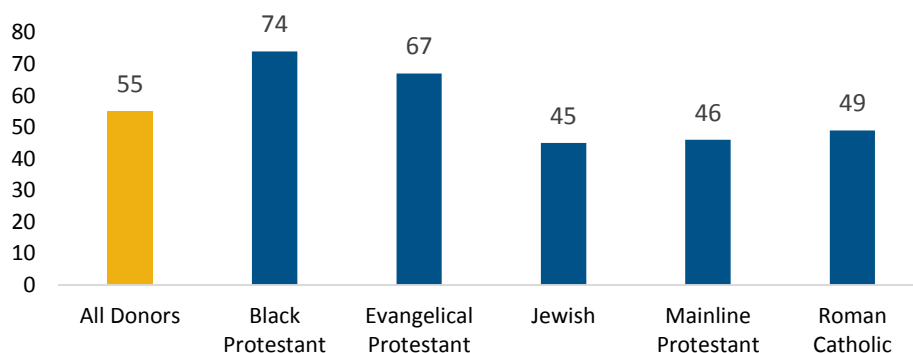


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It is one thing to have a firm grasp on data, it is quite something else to determine how that data informs strategy and tactics.

Sociological evidence suggests that the monetary amount an individual voluntarily contributes to charity varies by religious denomination.¹ Nevertheless, a 2013 survey by *Connected to Give: Faith Communities* finds that among Americans who give, more than half say their commitment to religion is an important or very important motivation for charitable giving² (see Exhibit 7.1).

Exhibit 7.1: Percent of survey participants who responded "extremely important" or "very important" when asked whether their giving reflects a commitment to their religious affiliation



Source: Connected to Give: Faith Communities, 2013

Clearly, religion is an important aspect of giving, even when the recipients of giving are not religious organizations.

Research does suggest that religion does not appear to be siphoning individual donations away from secular charities, but rather that giving based on religion augments the receipts of nonprofits with religious roots beyond worship organizations.³

The question, then, becomes why does this matter, and what should an organization do?

Why Does This Matter?

For faith-based organizations, the \$16 billion (or more) findings in this report matter to their philanthropic relationships for three key reasons.



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First, this is not the “Era of Eeyore.” Clearly, philanthropy is important to faith-based organizations, and faith-based organizations are an important part of philanthropy. There is a saying in journalism: “If it bleeds, it leads.” Falling church attendance and “giving to religion” as a declining portion of giving may make headlines, and headlines may sell newspapers. But they do not necessarily tell the whole truth. As our findings prove, giving to organizations with faith-roots and faith-drive missions is alive and well. And that philanthropy is more important to religious organizations than philanthropy is to their secular counterparts.

Second, the “philanthropic piper” pipes the tune. Because of their deeper dependence on philanthropy as compared to their secular counterparts, religious organizations must pay more, not less attention to the changing expectations of philanthropists. These expectations demand:

- Evidence-based results with an emphasis on solutions not problems;
- Total financial and management transparency;
- Engagement of funders with their professional capacities, not just their money; and,
- Accountability for performance relative to investments made.

Three reasons why this matters:

1. *The End of the “Eeyore Era”: Faith matters.*
2. *The “Philanthropic Piper” Pipes the Tune: Dependence on philanthropy means the need to meet expectations.*
3. *You Are Not Alone: There is a need for learning among religions.*

All of these dimensions can be difficult to absorb for organizations historically focused on the religious value base of their work. But dependence on philanthropy means the necessity to adjust organizations to meet expectations.

Third, no particular religion is alone. The non-worship nonprofits of all faith groups are more dependent on philanthropy than secular organizations. All faith groups are in the same philanthropic boat. But most faith groups think of their own philanthropy in a congregational silo. There is a need to learn from one another, to examine what works, to compare expectations, and to share strategy.

What Should Be Done?

If this matters, then, what should be done? What are the key elements of strategy that are implied by the data, and what is their importance?

We suggest that there are seven critical elements of fundraising strategy for faith-based nonprofits.



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1. Know Who You Are...

Markets are important. But mission cannot be lost in the need to compete and adjust. Donor motivations are nuanced, complex, and hard to unpack, particularly for nonprofits with a religious base but with services that extend far beyond religion. Be true to your mission and the people you serve, and be open with your donors and prospects.

This is particularly true for those loyal donors who have a habitual relationship with the organization.

2. ...But Know Your Market

Be in constant and consistent communication with your “market,” not just in terms of supporters, but in terms of surrounding communities and those served.

There is a need for an understanding of the relationship between faith and giving in faith-based institutions in all non-worship sectors. The role that faith plays in giving to faith-based organizations is complex. Assumptions need to be constantly tested against reality.

“We have partnerships with secular groups — corporations, minor celebrities, sports teams, etc. — who don't necessarily share our faith, and we certainly have many donors who don't share our faith. But as an organization, we've determined that our Christian identity is still very relevant for us and is something that we want to be clear about — and true to — even if that requires some occasional explanation for the audiences that we reach out to.”

— World Vision,
Connected to Give 2014

There is a tendency in the nonprofit sector to seek the opinions and perspectives of supporters, constituencies and communities only when a fundraising campaign is in the organizational cross-hairs.

“We have found that our members always out-perform Giving USA estimates. According to our donor study, people of faith, specifically Catholics (in this case), are motivated to give by faith. What's more, in a church-based group, the community provides pressure to give. Today people do not give out of guilt, a sense of obligation, or a sense of responsibility. [They] will instead find affinity with an organization if its mission is articulated correctly. Catholics are nevertheless more inclined to give to causes which emphasize Church-based values.”

— Study Interviewee with expertise in Catholic organizations

For faith-based organizations, that is not enough. It is a matter of continuous outreach to develop a consistent and constant base of evidence about who supporters are and who they are not, what matters to both groups (issues, futures, and fears), and how each group views you and your work. Constant, constant accumulation of evidence will create the accuracy upon which supporter markets can be assessed and segmented.

The point of market knowledge is not about the immediate needs of an organization. The line of sight is not inward, it must be outward. The point of market knowledge is to understand what people think, how they behave, what they value, what they fear, and what they hope. This constant knowledge will ensure that messaging of mission resonates.



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3. Know Your Competitors

Faith-based organizations are more dependent on philanthropy than their secular counterparts. Yet, those counterparts are, in fact, competitors for philanthropic resources. The dependence of faith-based organizations on giving means that every dollar counts, and every donor with affinity lost is difficult to replace. Development offices at faith-based organizations should continually monitor the way in which their counterparts message their work and mission, and support their constituents. Being outward-facing in understanding the competitive environment for philanthropy is critical and must be a constant part of the work.

4. Segment Messaging

Do not reach conclusions about affinity by counting the number of people in the pews on Friday evening or Sunday morning. Faith-based affinity extends beyond worship behavior.

Segment your market. Understanding what people believe and how they behave, how they think about faith, and the relationship between that belief and philanthropic behavior is crucial for fundraising. For example, “loyals,” or those who make significant annual gifts, respond more favorably to statements that provide them with a clear understanding of the impact of their philanthropy, in contrast to new donors who may respond more aggressively to general messages about mission and altruism. All of that judgment must be fueled by constant market research as noted above. And that research must be translated into messaging that is consistently and constantly delivered.

“Religious organizations have to develop a culture and mission of philanthropy and make decisions based on the mission, not on the budget. At the height of the financial crisis, everyone took a dip and stayed stagnant. Staff was cut and the budget was cut, but you can’t cut your staff in half and your budget in half and expect to raise money. Later you spent your time catching up.”

— Study Interviewee

5. Establish a Community Context

Faith-based organizations depend heavily on philanthropy. But philanthropy is also difficult to separate from community. The preponderance of research shows that donors large and small think first about their local communities when setting their philanthropic priorities. This is true even when donors are global citizens.⁴

Philanthropy flows in the context of community, and, beyond worship or congregational organizations, that community is defined more broadly than the church, synagogue, or mosque. Therefore, faith-based organizations need to understand and document their impact on the larger community. Faith-based organizations accomplish tremendous work in their communities. Measuring it and messaging it is key.



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Catholic Impact on Surrounding Communities

In 2013, one of the fastest growing dioceses in the United States invited Changing Our World to assess five of its parishes and their outreach programs within their respective communities.

With these findings, Changing Our World projected the impact of 50 parishes with similar outreach in the surrounding area and provided the following estimates:

- *\$1.4 million in volunteer time per year in over 1,000 community initiatives;*
- *\$1.6 million provided in cash and goods;*
- *Over 500 community partners; and,*
- *Over 160,000 people served through various outreach programs and services.*

The collection and use of this data to illustrate the extent of an organization's social impact has the ability to transform any fundraising initiative by maximizing awareness and support among both current and prospective constituents.

6. Produce Evidence

Evidence is critical to sustained philanthropy. Although faith-based organizations continue to have donors who are loyal on the basis of mission and religious affinity, increasing cohorts of donors, of all sizes and motivations, expect their giving to produce results. And they expect evidence of those results.

This can clearly introduce tension within a faith-based nonprofit, both relative to those who focus overwhelmingly on the “higher calling” of mission, and between fundraisers who need the evidence, and the program officers who must produce it. The former problem requires constant discussion to ensure that evidence is seen not as the enemy of mission but as the servant of mission.

The latter problem – between programs and fundraising – is more complex. The more donors demand data, the more fundraising must pressure programs to produce data. The more fundraisers demand, the more programs

will resent. However, development officers do have a value proposition to bring to the evidence table, based on their own work.

If development offices constantly monitor their markets, if they constantly attend to their own data about not just donors but their constituents and communities, then they have the ability to relay intelligence about the trajectory of change in the operating environment to both programs and the organization overall. Development offices do not have to serve simply as a supplicant for evidence. They should become part of the evidence-producing process.

7. Choose Your NTEE Code Wisely

Many faith-based organizations choose to register as religious organizations, even if they are providing human, health, or educational services. There is convenience in this decision because it simplifies Federal and other reporting. However, there is a price to pay for this decision in the modern world of philanthropy and in regards to donor expectations about transparency and accountability.



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Faith-based organizations may wish to consider whether purposefully choosing to code sectorally rather than religiously would double the fundraising effect. Those supporters who are core to the religious mission would remain loyal, and those who are attracted to problem solving in the relevant sector may opt to support because of the organization's religious roots. Trading off in favor of transparency may do faith-based nonprofits more good than harm. Choosing a non-religious code may, in fact, not reduce, but actually increase giving from those who value faith.

A Final Thought

Our look at the sectors of social services, international relief and development, and education systematically point out that the amount of money going into these organizations is not loose change. There are of course plenty of practical difficulties in accounting for "giving to religion" differently, and not least because of the lack of transparency of many faith-based organizations. But part of being innovative is to learn to change our paradigms, and it is time to change the way we think about religion and what it means for the next decades of philanthropy.

Adapting to change and adjusting to thinking in terms of such rubrics as messaging and markets requires effort and organizational adjustment. For most nonprofits, time is already more than filled with work. Yet, as lawyers are fond of saying, the facts are recalcitrant. The dependence of faith-based organizations on philanthropy and on community support means that the work must be undertaken. As Madame Curie noted:

"One never notices what has been done; one can only see what remains to be done."

Endnotes

¹ Vaidyanathan, B.. "Substitution or Symbiosis? Assessing the Relationship between Religious and Secular Giving." Social Forces, pg. 160.

² *Connected to Give: Faith Communities*, Jumpstart Labs publication, 2013, pg. 21

³ Vaidyanathan, B.. "Substitution or Symbiosis? Assessing the Relationship between Religious and Secular Giving." Social Forces, pg. 173.

⁴ Giving Through the Generations, BNP Paribas, Campden Research, Changing Our World, 2009.



About the Authors

Susan Raymond, Ph.D. – Executive Vice President, Changing Our World, Inc.

Susan Raymond, Ph.D. is Executive Vice President for Research and Analytics for Changing Our World. In February of 2011, Women United in Philanthropy honored Susan with the Women in Excellence and Achievement Award. In September 2014, she was honored in Washington, D.C. with Patty and John Noel Humanitarian Award for her work in global poverty reduction and health improvement.

At Changing Our World, Dr. Raymond is responsible for designing and conducting business operating environment research for both nonprofits and foundations, as well as developing business plans and program evaluations for new and existing institutions. Some of Susan's clients include The National 4-H Council, The Alliance for Global Good, The US Fund for UNICEF, and St. John's University.

Susan has extensive experience in research, analysis and planning. At the New York Academy of Sciences, she created the first technology and public policy program, and then became Director of Strategic Planning and Special Projects. Prior to that, Susan was a project officer at the World Bank and a senior consultant to the U.S. Agency for International Development and to various private organizations including the Carnegie Corporation, specializing in healthcare and international economic research. She has led the formation of private foundations in Poland, Croatia, and Hungary and written business plans for foundations in India and Thailand. Under leadership and during the political transition, Friends of Litewska Hospital became one of the first and most successful private philanthropies in Warsaw, Poland.

During 2005 through 2007, Susan was the Foreign Policy and Research Advisor to the bipartisan Congressional Commission studying the effectiveness of public and private foreign assistance, the Helping to Enhance the Livelihood of People Commission. Susan is a member of the Advisory Board of the Center for Global Prosperity in Washington, D.C., a Faculty Lecturer at the Institute of Human Nutrition at Columbia University, and a member of the Advisory Boards of The Global Index of Philanthropic Freedom and America's Unofficial Ambassadors. In 2012 the Director of the National Science Foundation appointed her to the Board of the U.S. Civilian Research and Development Foundation. In 2014 she was appointed by the National Academy of Sciences to an organizing committee for a national survey of research and development in the nonprofit sector.

Susan is an established author. Her fourth book, *Recession Recovery and Renewal: Nonprofit Strategy During Rapid Economic Change*, was published in April 2013. She has written scores of whitepapers on subjects ranging from public finance and the future of the nonprofit sector to Catholic philanthropy and private education fundraising. Her original research papers and a variety of other original studies are available at www.changingourworld.com/resource.



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She is also the author of *Nonprofit Finance For Hard Times: Leadership Strategies When Economies Falter*, which was published in the fall of 2009 by Wiley and Sons as well as *Mapping the New World of American Philanthropy* and *The Future of Philanthropy: Economics, Ethics, and Management*, published by Wiley and Sons in 2007 and 2004 respectively. She has published extensively in the areas of philanthropy, economics, health care and corporate responsibility in such journals as *Foreign Affairs*, *Development Economic Reform Today*, *Annals of the New York Academy of Sciences*, *Journal of Healthcare Administration Education*, and *Technological Forecasting and Social Change*. Susan is also a Project Team member of the Macroeconomics of Cardiovascular Disease project of the Center for Macroeconomics and Health of the Earth Institute at Columbia University under Jeffrey Sachs. She is co-author of the recently released *A Race Against Time: The Challenge of Cardiovascular Disease in Developing Economies*. The report was covered in, among others, the *Wall Street Journal*, *Time Magazine Asia*, *New England Journal of Medicine*, and *British Medical Journal*.

She is a regular international conference speaker on the future role of philanthropy in economic growth and civil society. Susan earned her BA Phi Beta Kappa from Macalester College and her MA and Ph.D. from The Johns Hopkins University School of Advanced International Studies in a joint program with the School of Hygiene and Public Health. She is an elected member of Pi Sigma Alpha and the Cosmos Club. She has worked on philanthropy and economic development projects throughout Africa, the Middle East, and Eastern Europe, as well as in Russia and Asia.

Farva Kaukab – 2014 Research and Policy Fellow, Changing Our World, Inc.

Farva joined Changing Our World as summer fellow from the Harvard Divinity School where she is undertaking an interdisciplinary course of study investigating economic and political aspects of religion in modern society. She has an undergraduate degree in international relations and has previously worked as a journalist for Pakistan's leading English language newspaper, as well as in marketing and data analysis for The Economist Group and World Economic Forum.



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About Changing Our World

Founded in 1999, Changing Our World is an international consulting firm providing personalized solutions in all areas of fundraising and philanthropy. In 2002, Changing Our World became part of the Diversified Agency Services group of Omnicom [NYSE: OMC]. At Changing Our World, we are comprised of a unique group of professionals who believes that everything we do should be grounded in a true understanding of our clients' distinctive challenges and opportunities.

While each of our four primary service areas provides specific expertise, our ability to collaborate effectively to deliver innovative solutions, share best practices, and understand the nuanced strategies that drive clients across the sector forward is what differentiates us from our competitors.

Fundraising: Changing Our World works closely with nonprofit institutions to help them develop and execute strategies that significantly enhance their abilities to secure revenue from both charitable and non-traditional sources. Our work in this regard ranges from multi-million dollar capital campaigns to comprehensive direct response initiatives to integrated annual fundraising programs.

Corporate Social Engagement: We help our corporate clients plan and implement authentic and robust social engagement strategies – around contributions, volunteerism, and cause marketing – that provide positive return on investment to both the community and the business.

Digital: Our Digital team analyzes clients' digital fundraising, communications and marketing, and program efforts, helping them to devise and implement innovative engagement strategies that increase their revenue and impact in a networked world.

Research and Analytics: Changing Our World uses data to create a value chain of analysis and decision metrics that provide the core and constant evidence upon which strategy and action are built.

We have more than 100 professionals and operate nationally with five main offices: our headquarters in New York City and our regional offices in Boston, Dallas, and Washington, DC.



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