

WISE GIVING™

GUIDE

BBB WISE GIVING ALLIANCE : SPRING 2014



The Millennial DONOR





A Publication of the
BBB Wise Giving Alliance

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

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

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INSIDE 2 The Millennial Donor

10 List of Nationally Soliciting Charities

How to Read the List of National Charities	8
Q&A about the Wise Giving Guide	50
National Charity Seal Program	51
Standards for Charity Accountability	52

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president's MESSAGE

It seems like yesterday when I was part of the younger generation. As my grown children often remind me, however, that time was further in the past than I care to admit. As a parent, I recognized the importance of introducing the concept of charity to my children at a young age with the hope that they will carry those lessons into adulthood.

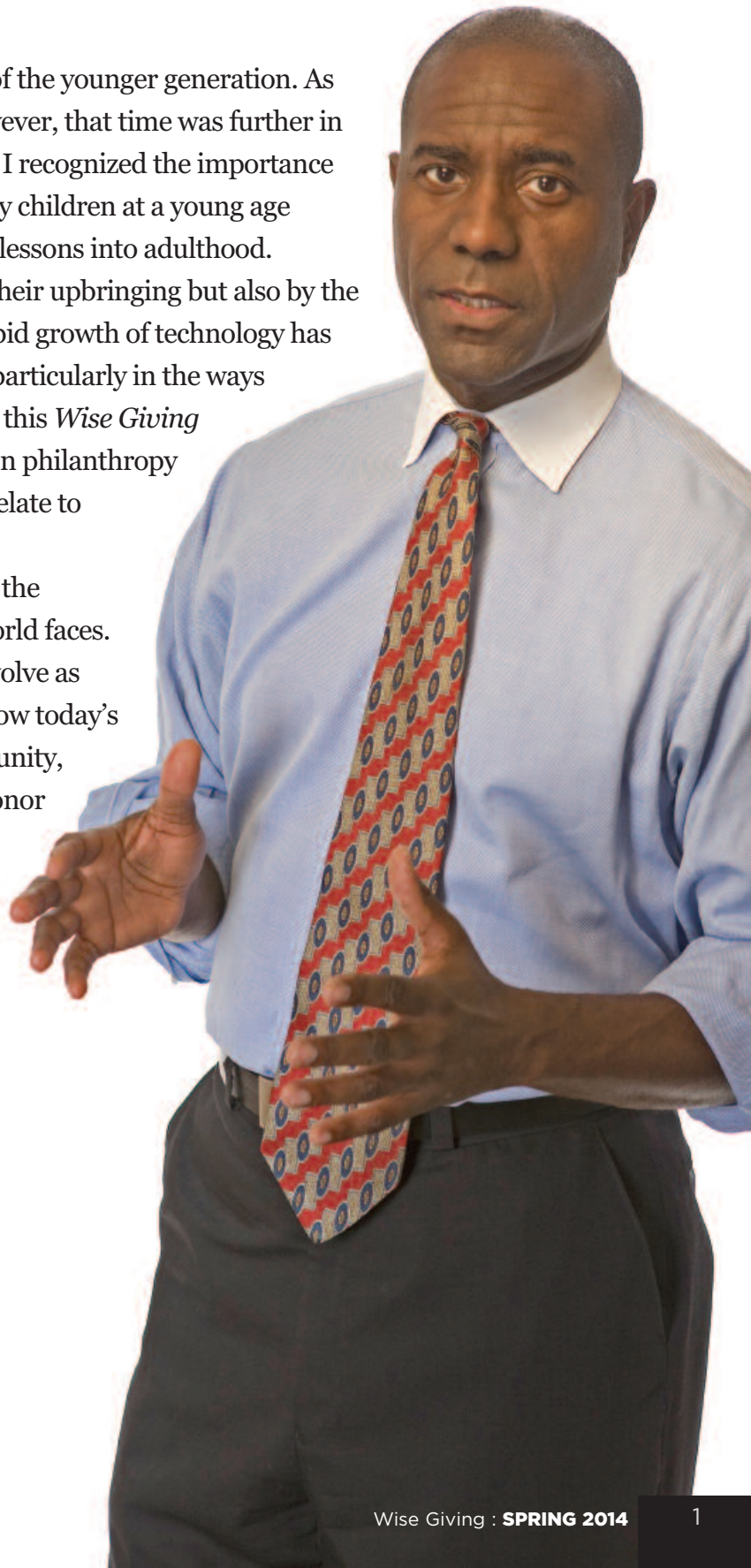
Every generation is influenced not only by their upbringing but also by the culture of the times. For the Millennials, the rapid growth of technology has had a significant impact on their perspectives, particularly in the ways they engage in philanthropy. The cover story of this *Wise Giving Guide* will explore how Millennials participate in philanthropy today and what this might mean for how they relate to charity as they age.

Philanthropy is constantly evolving to meet the changing needs and new challenges that our world faces. In turn, the concerns and interests of donors evolve as well. If we can gain a better understanding of how today's generation participates in the charitable community, we might be better prepared to address their donor education needs as well.

Most of our readers would probably agree that checking out charities before donating is one of the more valuable lessons to pass along to younger donors.



H. Art Taylor, *President*



The Millennial

Just ask your average 25-year-old to install updates on your computer, help you set up your new DVD player or send a picture with your new smartphone and you will notice the ease with which they perform these tasks and their amazement that such mundane things are difficult for other people.

You would think you had asked them how to screw in a light bulb or fill an ice tray. Americans now in their teens, twenties and early thirties are a different breed for having grown up with laptop computers, tablets, smartphones, and all the various applications and gadgets that go along with them. While the jury may be out on the positive or negative impacts of such “connectedness,” their world is different from that of those who remember televisions with rabbit ear antennae.

Millennials are usually defined as those born in 1981 and beyond. Also known as Generation Y, this group helped foster new ways to engage and participate in the philanthropic sector. Twenty years ago, the idea of sending a donation with a click of the mouse would have been rare. Donations were made via U.S. Postal Service, in-person or by telephone. While these traditional forms of fundraising still dominate, donations are now also commonly made directly on charity or third-party websites or via text message. You can even add a donation to a charity when you check out at your local grocery store. These new methods of donating are changing the landscape of how charities do business in the face of technological advancement.

While much has been written about the traits of Generation Y and how they differ from their predecessors, we thought it would be interesting to see how Millennials interact with charities and what this might mean to the future of charity accountability.

THE GENERATIONS

The Millennial Generation can be understood in relation to different demographic groups and their social structure. The older generation includes those individuals born in 1945 or before and its members are often referred to as Matures. While the group was likely born into the hard times of the Great Depression and World War II, many in this cohort also experienced the relative affluence of the 1950s. According to *The Next Generation of American Giving: The Charitable Habits*

of Generations Y, X, Baby Boomers, and Matures,” published in 2013 by Blackbaud, a firm that specializes in nonprofit software and services, more Matures give than Baby Boomers, Gen Xers or Millennials. The same study found that they also give more, per person and give to a wider variety of causes. Furthermore, this generation cites a higher rate (57%) for a religious motivation to donate than previous generations (between 41% and 47% for Boomers, Gen Xers and Millennials).

The Baby Boomers are defined as those born between 1946 and the early 1960s. This group, now in their 50s and 60s, includes one third of all givers and accounts for 43% of dollars donated. This is by far the largest generational group with 51 million donors in the U.S. This group is critical to the success of charitable organizations, and will continue to be so for decades to come. Growing up during the Korean War, the conflict in Vietnam, and during the Civil Rights Movement, this group is less motivated than the Matures to give for religious purposes. The top motivations for Boomer giving, according to a study written at the University of Indiana’s Center on Philanthropy, include helping with the basic needs of the poor and giving the poor a way to help themselves. Boomers are also giving increasingly more to health charities as they age; they also give a higher share of their gifts to education.

Generation X, those born in the mid-1960s through the 1980s, gives less than Boomers or Matures. However, this is not atypical, since older donors, by and large, give more than younger donors. It is easy to understand why people in their 30s or 40s might not be in a position to give as much as those who are older: the financial cost of raising children and repaying student loans can mean there is little left for charitable giving during these years. The career arcs of Gen Xers might also affect their ability to give as people tend to make less earlier in their professional lives. According to the Blackbaud study, 40 million donors belong to

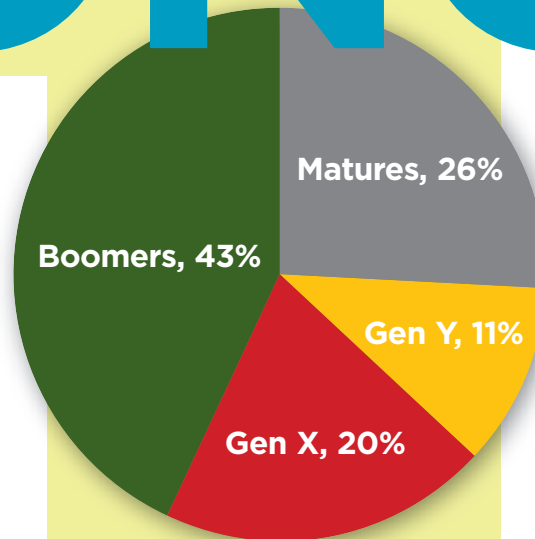
DONOR

Generation X and they represent only about 20% of charitable giving. As the second largest generation behind the Boomers, however, this group will likely become increasingly important to nonprofits.

The Millennials are the youngest generation of donors and are now in their late teens through early thirties. Over 44% of these young donors indicate that their “desire to make the world a better place to live” is a primary motivation for charitable giving, according to the Indiana University study. Millennials range from college freshman and young professionals, to graduate students and parents of young children. As a group, they represent 11% of total giving in the U.S. Though only 60% of Millennials give (a figure similar to the 59% of Gen Xers), these 32.8 million donors represent the second largest donor base behind Boomers (51 million). Hopefully these percentages will increase as this group ages as a higher percentages of both Boomers (72%) and Matures (88%) donate to charity.

TRAITS OF THE MILLENNIAL GENERATION

Confident. Self-expressive. Upbeat. Open to change. These are a few of the terms used to shed light on the attitudes and behaviors of Millennials according to The Pew Research Center. More than any other identifying factor, the one that makes up the Millennial Generation is its relationship to technology. Millennials have grown up with



Generational Giving

The percentage of total donors based on an online 2013 survey of 1,014 adults 18 and over who reported that they gave at least one donation in the past year (see study for additional details).

Source: Blackbaud, *The Next Generation of American Giving: The Charitable Habits of Generations Y, X, Baby Boomers, and Matures*, 2013.



computers, tablets and other various means of electronic communication that are changing the landscape of how people interact professionally, socially, and, in this case, with the philanthropic world.

Also of significance is that, according to *Forbes*, Millennials will make up 50% of the U.S. workforce by 2020, making knowledge of their characteristics essential for charities to stay competitive for not only their money, but also their time and connections. Additionally, according to Pew Research, the Millennial generation is more ethnically and racially diverse as well as better educated than previous generations. It makes sense that Millennials are “open to change” in an atmosphere of diverse demographic and technological shifts; their world is expanding rapidly because of both these trends. While the youngest generation grew up on email and text messages, just one generation ahead, Gen Xers are still keenly aware of a world before the Internet and may even have vague memories of rotary telephones. And gone are the days of the dial-up Internet connection. Technological change moves much more quickly now than just twenty years ago, yet young potential donors seem to adapt seamlessly and naturally. These young donors also tend to check their email, text, or social media messages many times a day, if not the instant they are received. The agile and entrepreneurial nature of this generation means that charities need to be able to access multiple

platforms to reach donors as often and quickly as possible. Email newsletters, a presence on Twitter, Facebook and other social media outlets, and professional websites are all critical to wooing these donors.

MOBILE GIVING

With the rise of new methods of fundraising, giving via text message has become increasingly popular. Cell phone usage by Millennials is seemingly as ubiquitous as socks and shoes, and texting donations is a natural extension for this increasingly wireless Generation. And in recent years, the transition for many has been from the mobile to smartphone, devices that can do anything but cook dinner. According to *The 2013 Millennial Impact Report* by the research and strategy firm, Achieve, 83% of the Millennials have smartphones. Not only do they have smartphones, but the respondents to this study are reading emails and articles from nonprofits (80%) as well as checking their Facebook accounts (70%) from these devices. According to the study, "(Millennials) like it best when organizations have a mobile-friendly website and provide news or action-oriented headlines that link to more information or next steps." While donations may be small for the younger, first-time donors, charities can demonstrate stewardship towards Millennials by investing in mobile platforms.

In response to the trend towards text message giving, in 2012 the BBB Wise Giving Alliance formed a strategic alliance with the Mobile Giving Foundation. Now known as the BBB Mobile Giving Foundation, this organization continues to uphold industry standards and accountability in the mobile giving industry. In order to participate with the BBB Mobile Giving Foundation platform, charities must meet all 20 *BBB Standards for Charity Accountability*.

IMPACT

While Millennials may be flexible in adapting to changing circumstances, they are also considered skeptical; they have low levels of "social trust," evidenced by only 19% of those surveyed by Pew Research indicating that "most people can be trusted." Convincing those in their 20s and 30s to aid your particular cause requires more than just flurries of email newsletters and a well-designed website. The Millennial is not just tech-savvy, but also well-educated. In other words, Millennials are not likely going to fall for simple emotional pleas and factoids from nonprofits. While most charities have worthy causes, Millennials demand information about how their contributions help further the cause and are, according to Achieve,

"consistent in their desire to see how dollars translate into people helped."

While annual reports typically contain valuable information about the charity's previous year's work, such as the number of people that received the organization's goods or services, a financial summary, and information on staff and leadership, charities attuned to increasing scrutiny must go a step further to fulfill their donors' expectations. While traditional charity reporting methods are a valuable step in providing donors with transparency, this age of heightened access to basic information requires the nimble charity to develop performance metrics that better demonstrate the charity's effectiveness at fulfilling its mission.

Millennials want to know what their donation has accomplished. Beyond the charity's activities for the current year, these donors may question how the charity is performing in relation to previous years, and the ways the charity is working to improve in the future. In turn, Standards 6 and 7 of the *BBB Standards for Charity Accountability* directly address this issue by calling for charities to both produce a board-approved effectiveness assessment policy (Standard 6) and submit a written effectiveness report, including recommendations for future actions, to its board of directors (Standard 7).

Charities large and small should be thinking about impact. As younger donors place increasing demands on charities for meaningful information, the organizations that are able to adapt and communicate through

GIVING ACROSS THE GENERATIONS

Generation Y

- Born 1981-1995 (age 18-32 as of 2013)
- Represent 11% of total giving
- 32.8 million donors in the U.S.
- 60% give
- \$481 average annual gift
- 3.3 charities supported



Generation X

- Born 1965-1980 (age 33-48 as of 2013)
- Represent 20% of total giving
- 39.5 million donors in the U.S.
- 59% give
- \$732 average annual gift
- 3.9 charities supported



multiple platforms with better information will be more likely to thrive.

VOLUNTEERISM

According to the aforementioned Blackbaud study, when asked about the best way to support charitable causes, 30% of Millennial respondents indicated that volunteering was the most impactful. In reality, a college student or young professional may not have much money to give to a charity, but their time and energy are valuable assets that nonprofits can utilize. While there are romantic visions of what a volunteer experience can be, Millennials can engage in more than the most obvious hands-on program activities (i.e. feeding people at a soup kitchen). A volunteer can also help with advocacy, fundraising, networking and a host of other activities that are just as critical to the mission of the organization. Creating diverse experiences for volunteers in the charitable sector benefits charities as well as young professionals.

Building a base of volunteers can also pay off in the future because fostering a relationship with Millennials now can lead to monetary donations down the road. The college student that has a positive experience as a volunteer will eventually become a professional and that professional will, hopefully, one day have more disposable income for philanthropic giving. Volunteer programs at the high school and college level and beyond can bolster and encourage the younger donor

base with institution-sponsored opportunities to help charities of any size. By partnering with nonprofits in the community, schools can help connect students with respected, established charities to help ensure a valuable experience. For further incentive, some volunteer opportunities are part of the official curriculum or offered for course credit.

The medium may vary, but in a hyper-connected world, one great volunteer experience can have a multiplier effect, enabling an organization to reach other potential volunteers, employees, and yes, even donors.

Volunteers that have a positive experience also have friends, coworkers, parents, siblings and fellow students. They will share their experiences whether through face-to-face contact, social media, or email. They will post, tweet, and text. The medium may vary, but in a hyper-connected world, one great volunteer experience can have a multiplier effect, enabling an organization to reach other potential volunteers, employees, and yes, even donors.

Boomers

- Born 1946–1964 (age 49–67 as of 2013)
- Represent 43% of total giving
- 51.0 million donors in the U.S.
- 72% give
- \$1,212 average annual gift
- 4.5 charities supported



Matures

- Born 1945 and earlier (age 68+ as of 2013)
- Represent 26% of total giving
- 27.1 million donors in the U.S.
- 88% give
- \$1,367 average annual gift
- 6.2 charities supported



CROWDFUNDING

The entrepreneurial spirit of the Millennial has influenced the rise of different methods of fundraising in the past several years. According to the *New York Times*, crowdfunding, by which individuals can choose between a variety of individual projects, raised close to \$1.6 billion in the U.S. in 2012. This approach is favored by Millennials because it can provide the donor with a more intimate knowledge of the project they are giving to, whether it is helping provide a school trip for a class of elementary school students or assisting with funds for someone with a health concern. According to Blackbaud's *Next Generation of American Giving*, 17% of Millennials have given via crowdfunding and 47% would do so in the future, though "enthusiasm for this method declines with age."

One advantage of crowdfunding is that recipients do not have to rely on traditional, established channels such as charity websites or newsletters. Through crowdfunding, the Millennial Generation can take advantage of their networking skills in social media platforms and by word of mouth. Again, the nimble charity would be wise to diversify its fundraising methods and consider giving donors the opportunity to



purchase price will benefit the charity, the consumer wins as well because they feel good about giving to charity and hopefully get a product or service of value.

While over half of Millennials (53%) have supported charitable causes through retail purchases, only 20% of Matures have done so. Cause-related marketing, however, is considered by some, according to Blackbaud, to be “inherently transactional and quite difficult to convert to a more socially-based charitable relationship.” In other words, purchasing an item on a shopping trip, even if influenced by the fact that part of the purchase price is given to a charity, does not lead to a relationship with that charity with any degree of confidence. Perhaps the reason fewer Matures give in this way is that they know the organizations they like or have done their homework on the charities to which they want to give. BBB Standard 19 specifically addresses cause-related marketing and what to look out for in these promotions. To reiterate, cause-related marketing can be beneficial for all parties. But Millennials can learn from their elders the value of building a relationship with a charity over time and researching the organization before you give can be more valuable in the long run than the impulse buy at the checkout counter.

donate to small projects while becoming active stakeholders and agents of change. While a small crowd-funding campaign may not have the resources of a large, established charity, it is certainly worthwhile for nonprofits to try to glean the benefits of crowdfunding and use them to make themselves more competitive.

One potential drawback concerning crowdfunding for traditional charities is that donations to these types of projects tend to be, by nature, restricted to a specific programmatic purpose. These funds could not be used for program activities outside the one for which the gift is restricted, fundraising or administrative activities. Millennials understandably want to get the “most bang for their buck” with their charitable donation. However, younger donors might not realize that most charities would not be able to function without donations to cover the costs of raising money and running the organization. Someone has to pay the light bill.

CAUSE-RELATED MARKETING

Cause-related marketing is a tool by which businesses and charities agree that a portion of the price of consumer goods or services will be a donation to the charity. The charity benefits by getting donations; the business gets to use the charity’s name to help sell their product. Seemingly, both parties win, and in a transparent campaign that makes it obvious what portion of the

REACHING MILLENNIALS

The landscape of charitable giving specifically, as well as the way donors interact with charities, has changed drastically in the past 20 years with the rise of rapid technological innovation and the Millennial Generation. While direct mail and telemarketing are still popular among older generations, the future is uncertain, and it seems unlikely that paper or phone solicitations will still be the dominant medium for generating charitable donations in 20 more years. While it is hard to speculate with any degree of certainty what the most popular method of fundraising will be in 2034, organizations will likely be using multiple platforms to deliver their message. While charities work to find the optimal fundraising strategy, they might consider adopting the following practices to enable Millennials to give, but give wisely.

The Millennial Generation, as evidenced by the rise of crowdfunding, often wants to help fund specific projects. Traditionally, charities raised funds for their overall activities without restricting this revenue for a particular project. However, Millennials giving to a specific project will likely want feedback about it. In a world of a 24-hour news cycle, waiting for next year’s annual report is not going to get the job done. Timely follow-up on specific projects through email, text, and social media are all steps in the right direction. Charities need to be able to communicate rapidly to

Millennials can take phone calls, post status updates on Facebook, tweet, and send a text message all within the time it takes to address an envelope, and should be able to find an organization's accountability documents with similar ease.

keep young donors involved, engaged and invested in their organization.

Similarly, the skeptical Millennial donor, who encounters a multiplatform, multimedia barrage of information every day is going to want concise, meaningful information from the charity. Tying this information to individuals and how they are being helped is critical. Annual reports, newsletters, social media posts and other communications from charities should focus much more on the quality of content rather than the quantity. Charities would be advised to reach out often with details about projects, but not with lengthy, sugarcoated messages that might end up unread.

If the expectation is that charities can reach a donor instantly with an appeal, call to action, or newsletter, the donor will expect to be able to access information on the charity just as quickly. Millennials can take phone calls, post status updates on Facebook, tweet, and send a text message all within the time it takes to address an envelope, and should be able to find an organization's accountability documents with similar ease. Providing links to IRS Form 990s, audited financial statements and annual reports directly on donation pages, in email appeals, and in other correspondence is critical to allowing tech savvy Millennials to seamlessly get details on organizations.

Money for Good II, a 2011 report by Hope Consulting, lists three steps that can help young donors make more effective giving decisions: Reflect, Research and Rebalance. Reflection involves defining what you want to accomplish with a donation, prioritizing, and being proactive. Research calls for donors to search for answers about the charity of interest and see how others evaluate this organization. Finally, rebalancing is the process by which donors examine how the organization used its donations and what impact the donation had, as well as how this might affect future donations, if any, to the specified charity. These recommendations can act as a useful roadmap for relatively inexperienced Millennial donors who can use these steps to educate themselves

about charities and actively participate in the process of accountability. As mentioned before, charities have important expenses other than those of specific projects, but younger donors might not recognize the importance of unrestricted gifts to help charities with their important operational expenses. Beyond making basic accountability documents readily available, charities need to demonstrate their needs beyond their stated program service activities.

The BBB Wise Giving Alliance needs to continue to explore new ways to engage younger donors to help them understand the role accountability plays in making giving decisions. By providing Millennials important accountability information in the spaces in which they work, socialize, and engage the nonprofit world, we hope to give the next generation of donors the assurance that charities have been thoroughly vetted before they make their giving decisions. Through research and implementation of new technologies and platforms, the Alliance can help bring trust to the digital age. ■

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