

# WISE GIVING™

GUIDE

BBB WISE GIVING ALLIANCE : SPRING/SUMMER 2018



## Future Fundraising





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 [guide@give.org](mailto:guide@give.org) or write to us at the address below.

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# president's MESSAGE

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**T**echnology and innovation are constantly changing the ways people interact and do business. The charitable sector is no different, and donors and charities must also keep abreast of the latest advancements to make the best giving choices and maximize their fundraising efforts. The cover story for this issue focuses on some of the latest trends in charitable giving and fundraising. With that in mind, we'd like to remind our readers that there are many legitimate ways to give and your donations are a critical part of the success of charitable missions.

While direct mail campaigns still play a major role in fundraising, charities must confront an increasingly diverse set of tools by which they can engage with donors, raise funds, and in some cases even accomplish their program objectives. The same can be said for donors, who also need to navigate new means and methods to interact with and support the charities they care about. This *Wise Giving Guide* takes a look at digital currencies some charities and donors are beginning to use in giving transactions as well as the virtual reality technology being used by organizations to create immersive experiences for their stakeholders. Additionally, we will examine some of the new ways charities are using social media for fundraising.

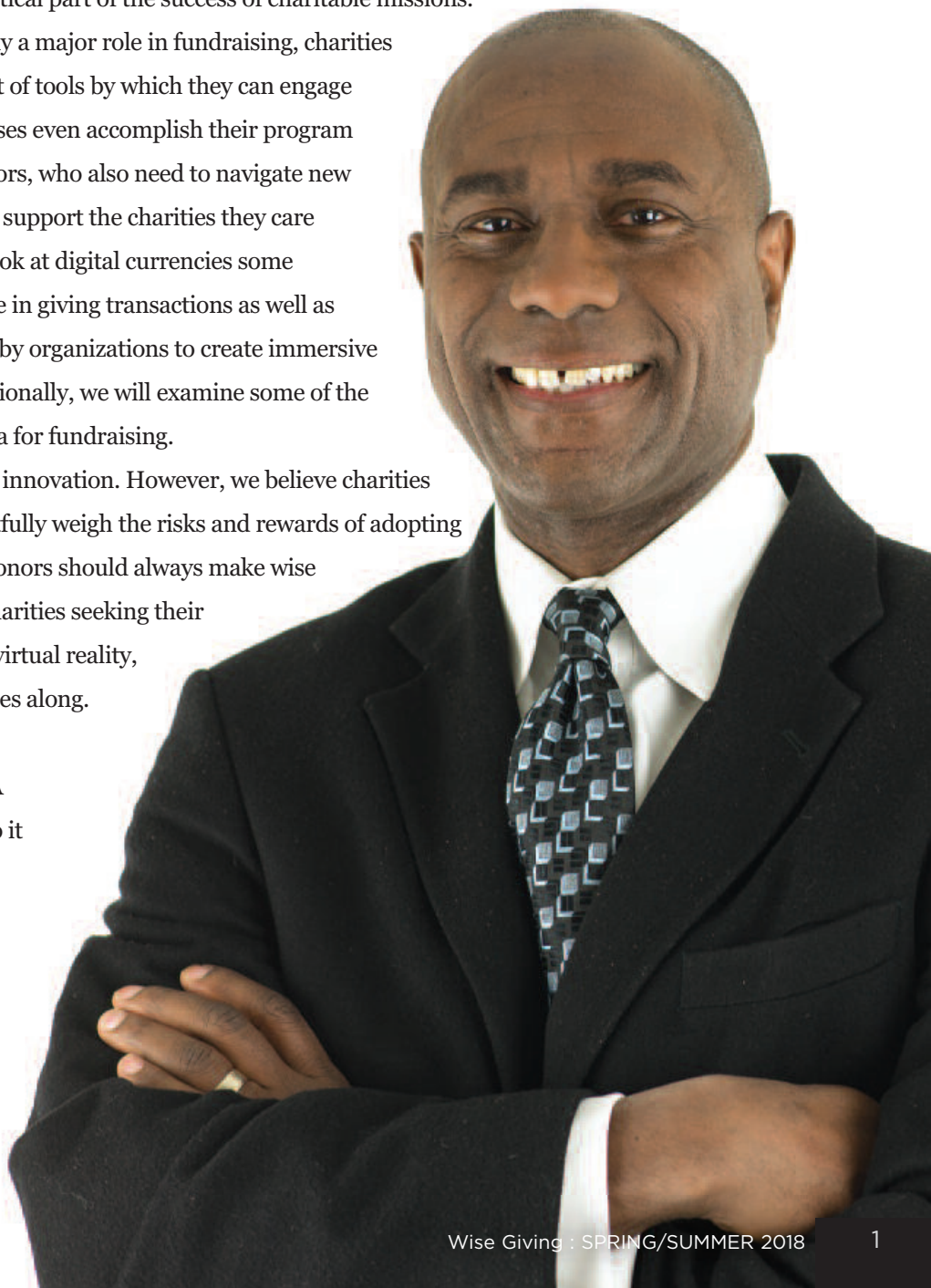
BBB WGA supports and encourages innovation. However, we believe charities should also exercise caution and thoughtfully weigh the risks and rewards of adopting new fundraising techniques. Likewise, donors should always make wise giving decisions by thoroughly vetting charities seeking their support, whether through social media, virtual reality, or the next fundraising method that comes along.

A good place to start is [give.org](http://give.org).

Thank you for supporting BBB WGA and the charitable sector. We couldn't do it without you.



H. Art Taylor, *President & CEO*



# Future Fundraising

By Edward Loftin

Advancements in both technology and communications have made it possible for both charities and donors to engage and give in more ways than ever. For this edition of the *Wise Giving Guide*, we take a look at some of the new ways charities are engaging with their donors. Not only are fundraising techniques themselves evolving, but in some cases, so too is the actual method of giving itself. We begin by taking a look at digital currencies, such as Bitcoin, that some donors and charities are beginning to accept alongside traditional currency. We will also examine virtual reality and some of the latest trends in social media, and provide some guidance for donors and charities trying to navigate this new giving landscape.



## Cryptocurrency

While it sounds like terminology from a science fiction film, **cryptocurrency** is an actual alternative, decentralized medium of exchange which uses digital recordkeeping to keep track of transactions. Bitcoin, begun by an individual or group of individuals under the name Satoshi Nakamoto in 2009, is the most recognizable actor in the cryptocurrency space. Upon its inception, a single Bitcoin was valued at less than one dollar. By December of 2017, this had increased to \$19,000 for one unit of Bitcoin, which must now be divided into fractions for use in transactions. The current value (mid-April 2018) of an individual Bitcoin is around \$7,900.

The charitable sector saw the power of cryptocurrency firsthand in March. Ripple, a cryptocurrency startup, donated \$29 million worth of its XRP currency to DonorsChoose.org, funding all of the crowdfunding platform's campaigns (35,647). DonorsChoose.org estimates that Ripple's cryptocurrency donation, the largest such donation to a single charity, would reach 28,200 teachers in more than 16,500 schools. Another prominent use of digital currency in the charitable sector came in December of 2017 when an anonymous cryptocurrency philanthropist going simply by the moniker "Pine" started a fund with the intent of donating \$86 million worth of Bitcoin (5,057 units). The mystery giver's Pineapple Fund has already dispersed \$20 million, including a \$1 million donation to the Water Fund, a charity that helps provide clean water to people in Sub-Saharan Africa.

Some cryptocurrencies are being designed *specifically for use in the charitable sector*. Donationcoin is a digital currency claiming it "leverages state-of-the-art software to transfer value instantly, with near non-existent fees, and to anywhere in the world (donationcoin.org)." The organization lists the digital addresses for participating charities, such as American Red Cross, Feeding America, and Salvation Army. While giving via cryptocurrency is in its infancy, there does seem to be a cost-saving advantage if donors are able to securely give via "altcurrency" without third-party processing fees.

An interesting example of cryptocurrency use in the charitable sector comes from UNICEF's Game Changers, which is a play on the term "blockchain," which is the list of linked records used to keep track of cryptocurrency. The game calls on users to "mine" a cryptocurrency called Ethereum with the resulting funds acting as a donation to UNICEF. Specifically, Game Changers donations were intended to support relief efforts in Syria.

While cryptocurrency has potential in the nonprofit world, charities and donors need to proceed with

caution. For starters, the value of digital currency can rise and fall dramatically, making it potentially risky for a charity to hang onto digital donations in the long run. Cryptocurrency also has a history of being used in criminal activity on the dark web, a highly encrypted portion of the Internet which provides anonymity to users seeking drugs and other unsavory and illegal activities. While some reports show that law enforcement may be getting a better handle on criminal activity using Bitcoin, other digital currencies such as Monero and Ethereum are filling the void. On December 11, 2017, the Securities and Exchange Commission

(SEC) offered their *Statement on Cryptocurrencies and Initial Coin Offerings*, advising that "investors and market participants" need to ask questions when considering cryptocurrency. Is the product legal? Is it regulated? What are the risks of theft or loss?

We recommend that charities and donors also ask similar questions. Charities need to think about how well-established a particular cryptocurrency is before deciding to accept that particular form of donation. Additionally, an organization should seek access to expertise on such alternative currencies to help sort out the details, especially given the volatility of the market. The charity needs to determine how the currency will aid the organization's fundraising and, ultimately, serve its mission.

Likewise, donors need to weigh the pros and cons of cryptocurrency. Converting dollars into an established cryptocurrency to avoid third party processing fees typically associated with online giving may be worth it. However, donors should do further research and develop an understanding of the concept before making giving decisions. If you do decide to get your feet wet with giving via digital currency, there is nothing wrong with starting small and gauging your comfort level with the new medium. If you haven't heard of the charity or the currency, take some time for further research because you may be about to make a cyber faux pas.

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## Virtual Reality

Virtual reality (VR) technology may not look just like the imagery we've seen in movies such as *The Matrix*, but it has come a long way from Morton Heili's *Sensorama*, an early mechanical, multi-sensory device patented in 1962, complete with a motion chair and odor emitters. Modern VR applications include treatment of soldiers suffering from PTSD in an immersive VR program in which therapists manipulate sights and sounds. Another involves Pinchas Gutter, a Holocaust survivor of six Nazi concentration camps, being transformed into a responsive hologram. The collaborative software project between the University of Southern California's Institute for Creative Technologies (ICT) and the Shoah Foundation designed the Gutter hologram as an educational tool for use in museums and classrooms.

Just because an organization has a **flashy** VR production does **not** mean they are **necessarily** more **trustworthy**.

Modern VR often employs headsets such as the Oculus Rift, and is used in a variety of fields, from medicine and robotics to gaming and 3D movies. It's no surprise that VR is finding its way into the charitable sector. *Shifts for 2020: Multisensory Multipliers*, a 2017 Facebook report, shows that not only are 48% of individuals who view VR content from charities likely to donate to the given cause, but they are also likely to give more. The generosity generated by VR is likely no accident. Brain imaging studies have shown that VR can "impact neural substrates in the brain associated with pain and empathy (*Fortune*, 2017)." charity:water, an organization dedicated to "bringing clean and safe drinking water to people in developing countries," was an early adopter of VR technology in fundraising. The organization hosted a black-tie fundraiser in December of 2015 at the Metropolitan Museum of Art in New York and guests were provided with Samsung Gear VR headsets and "transported" to Ethiopia via film.

Potential donors watched a 13-year-old girl collecting water "she fears is full of leeches and diseases" and "ends with a team of workers arriving by truck to drill the well before water gushes into the hot desert sky (*Adweek*, 2016)." charity:water received more donations than anticipated that night in New York, with \$2.4 million in donor commitments.

VR seems to be a good tool for fundraising given its ability to put people in others' shoes. Charities thinking about using VR, however, do need to consider the costs of producing a film versus the potential payoff. An established charity may have enough funds to take a risk on a VR project, but smaller or newer organizations may have to rely on more traditional fundraising methods. Additionally, charities need to consider the potential emotional distress VR films may have on donors or constituents.

Donors should be cautious when presented with VR materials by charities, whether in-person or online. Just because an organization has a flashy VR production does not mean they are necessarily more trustworthy. There is nothing wrong with the empathy generated through a VR film from your favorite charity, but there is no substitute for doing your homework.

## Social Media and Peer-to-Peer Fundraising

It's been hard to miss Facebook in the news in recent weeks. The social media behemoth has come under scrutiny over its privacy practices since it was reported in March that British firm Cambridge Analytica had gained access to private information on 50 million Facebook users for political purposes. Facebook's billionaire co-founder, chairman and CEO, Mark Zuckerberg, testified before Congress on April 10 and 11, but given the organization's reach, Facebook seems likely to continue to influence charities and donors for the foreseeable future.

According to Nonprofit Tech for Good's *2018 Global NGO Technology Report*, Facebook remains the most popular social media tool for nonprofits, with a 93% usage rate among the over 5,000 nonprofits surveyed from 164 countries. Twitter (77%), YouTube (57%), and LinkedIn (56%) also had significant usage among the nonprofits. The organizations surveyed used these tools not only for fundraising, but also for volunteer recruitment and brand awareness.

The ways charities use Facebook is changing, and in 2016 charities began accepting donations via Facebook Messenger. Developed by Assist, a firm specializing in providing messaging services to businesses, this feature of Messenger allows users to chat with a charity and make a donation directly in the app, which has an estimated monthly reach of 1 billion users. *charity:water* was the first organization to accept donations through the app, and each donation is processed by Stripe, a business dedicated to online and mobile app payments. Also in 2016, Facebook began allowing individuals themselves to set up fundraisers for nonprofits. According to *Fortune*, the feature was intended to streamline the giving experience, allow users to see what causes their friends support, and enable them to personalize their



experience. When you visit Facebook's Charitable Giving Tools homepage, the platform advertises the ability to, "1) Raise funds and awareness on Facebook, 2) Collect donations on Facebook, 3) Inspire others to fundraise on our behalf, and 4) Engage supporters with live video fundraisers."

While the idea of charities training advocates and fundraisers from within the ranks of their supporters is not a novel concept, social media has made the ability to connect much easier. Knocking on doors on behalf of your favorite charity is much more time consuming than reaching out via Facebook, for example. **Peer-to-Peer fundraising** (P2P) is similar to crowdfunding, but rather than each individual interacting with the charity itself they instead go through an intermediary such as a friend, family member, or coworker who has set up an individualized donation page. As individual supporters are fundraising on behalf of a particular organization, the charity is able to leverage the network of each supporter engaged on their behalf. According to Classy, a fundraising platform for social impact organizations, two other advantages of P2P include the potential for tapping into the network of brand ambassadors, celebrity supporters, or board members, as well as the option for individuals to raise funds for their charity during special occasions such as birthdays or weddings.

It goes without saying that a movie star or pop singer requesting donations for his or her favorite charity during the holidays would have a greater reach than most others.

As with traditional fundraising, BBB WGA encourages donors to use caution as well as thoughtful and thorough vetting when considering donating via social media. Before you give, check [give.org](http://give.org) to see if we have a report on the organization based on our 20 *BBB Standards for Charity Accountability*. Also, take the time to ensure that the information provided in any appeal via social media matches the information on the organization's official website. Recently, it came to light that a Facebook page entitled "Black Lives Matter" was not the official page of the organization, but had nearly 700,000 followers, more than double the number of the charity's page. According to CNN, a portion of this money ended up in Australian bank accounts. Through careful research, donors can hopefully avoid falling

victim to imposters on social media. With any luck, the recent privacy scandal and Congressional testimony by Mark Zuckerberg will serve as a wakeup call to Facebook itself.

An important point for charities to consider is that, according to the *2018 Global NGO Technology Report*, while 71% of organizations agree that social media is an effective tool for online fundraising, only 32% have a written social media strategy. BBB WGA recommends that charities develop such a written strategy, especially given how quickly trends and best practices can change in the social media space. Another consideration is that

in the *Technology Report*, a charity's website is still considered the most effective communication and fundraising tool, so organizations should always take care to keep their site up to date with their most recent information.

Charities are always going to explore the best way to maximize their fundraising efforts, and technology will continue to provide

Take the time to **ensure**  
that the information  
**provided** in any appeal  
via social media matches  
the **information**  
on the organization's  
official website.

opportunities to reach donors. Likewise, donors will seek to enhance their experience with charities and maximize their charitable gifts. BBB WGA encourages innovation in the charitable sector, whether that means a donor giving via cryptocurrency or a charity using virtual reality or peer-to-peer social media campaigns to reach their donor base. But it never hurts to be cautiously optimistic about new developments in fundraising. At the end of the day, charities and donors are in a relationship to serve the best interests of the mission, whether to support the victims of a natural disaster or protect the environment. If cutting edge technology is the best way to support those in need, then those avenues should be explored. However, charities should always carefully examine any new fundraising tools and balance these with tried and true techniques, and we advise donors to visit [give.org](http://give.org) to begin the vetting process for any charity they encounter in these new giving spaces. ■