

# WISE GIVING™

GUIDE

BBB WISE GIVING ALLIANCE : WINTER/HOLIDAY 2020

## KEEPING AN EYE ON DONOR TRUST





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.

## WINTER/HOLIDAY ISSUE 2020

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# president's MESSAGE

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**T**he cover story in this *Guide* shares the results of a survey of more than 2,100 adults conducted in December 2019, and another survey of more than 1,000 adults conducted in August 2020. Because 2020 marks our third-year tracking donor attitudes, we also offer a three-year retrospective. We focus this story specifically on donor trust because we believe the American tradition of charitable giving is built on trust and it is important to keep an eye on donor trust perceptions.

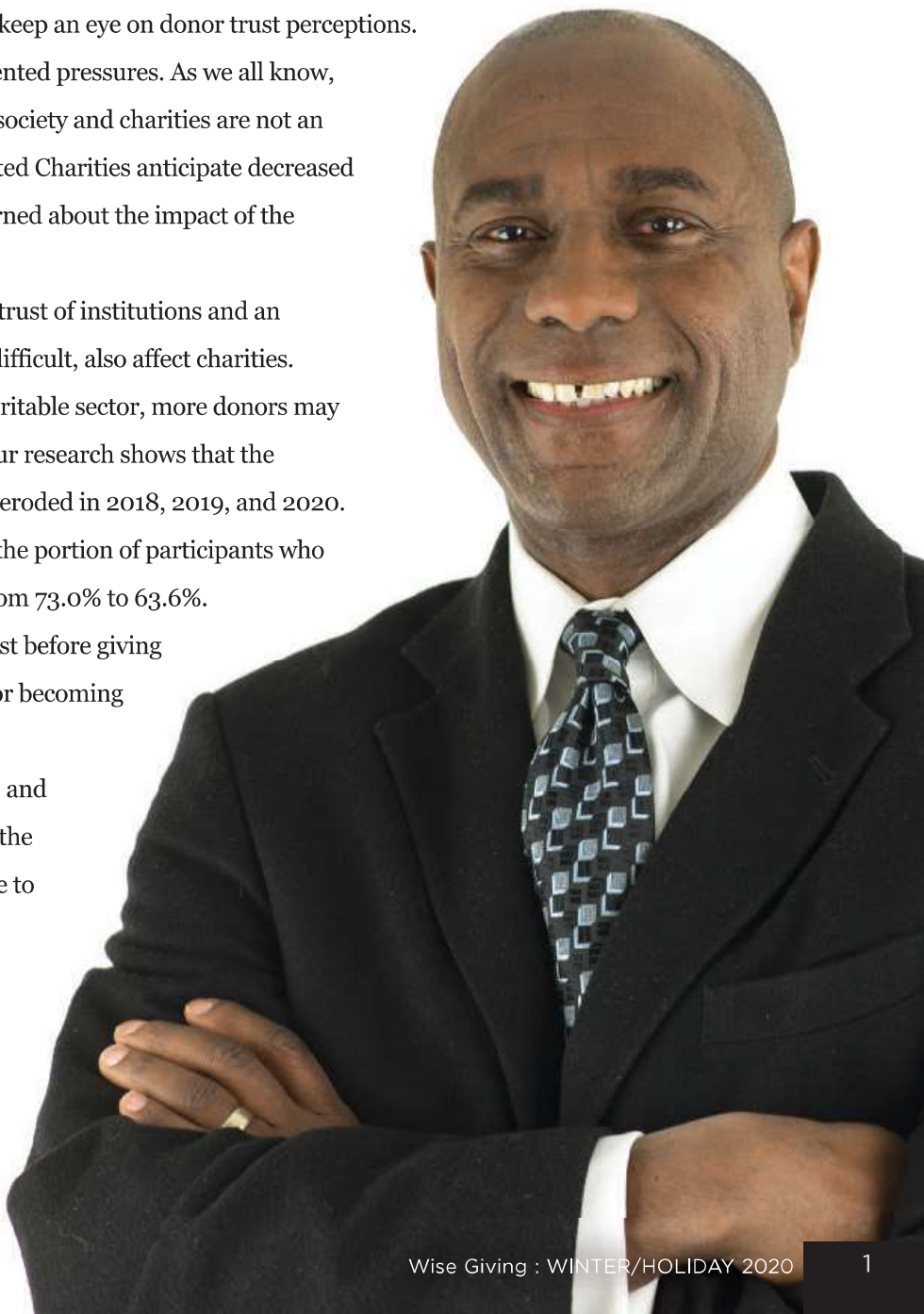
This year, charities are facing unprecedented pressures. As we all know, COVID-19 created strain on all segments of society and charities are not an exception. For instance, half of BBB Accredited Charities anticipate decreased revenue in 2020, and most (94%) are concerned about the impact of the pandemic on the sector as a whole.

We also believe that a general public distrust of institutions and an increased perception that assessing trust is difficult, also affect charities. As these public sentiments spill onto the charitable sector, more donors may dismiss trust in the giving process. In fact, our research shows that the importance placed on trusting before giving eroded in 2018, 2019, and 2020. Between December 2017 and August 2020, the portion of participants who place “high importance” on trust dropped from 73.0% to 63.6%. This drop in the perceived importance of trust before giving may result in some donors giving less, and/or becoming more susceptible to questionable appeals.

This year has been filled with challenges and opportunities for introspection. As we enter the giving season, we encourage you to stay close to the causes and charities you care about.



H. Art Taylor, *President & CEO*



# KEEPING AN EYE ON DONOR TRUST



Americans have a long and rich tradition of generosity and have built a charitable sector that enriches lives, communities, and society as a whole. The ability of the sector to build upon this collective generosity depends on public trust and on the sector's alignment with the way people want to be engaged in advancing a greater good.

While the link between trust and giving is not an exact science, we know donor trust is important because:

➤ **Trust fosters loyalty and engagement**

In the nonprofit context, trust may be viewed as a driver of loyalty<sup>1</sup>. For example, research by Adrian Sargeant from Indiana University shows that genuine passion for the future of an organization and the work it is trying to achieve may be developed by enhancing trust, enhancing two-way interactions, and developing shared values. Moreover, Sargeant's research suggests that levels of trust drive giving behavior, mediated by other factors like a donor's belief that the charity uses funds responsibly and has a positive impact on people for whom the funds were intended.

➤ **Trust is an important signal for giving**

According to our own donor trust surveys<sup>2</sup>, most people say it is essential that they trust a charity before giving to it. In December 2019, for example, 65% of respondents rated the importance of trusting a charity before giving as 9 or 10 (essential) on a 10-point scale. At the same time, only 17% of respondents reported highly trusting a charity, suggesting that there is ample space to build trust.

➤ **Trust in charities is affected by broader trust in institutions**

Charities do not exist in a vacuum, and larger societal forces can influence how donors perceive the charitable sector. For instance, The *2020 Edelman Trust Barometer* uncovered how inequality erodes trust in institutions and creates a trust gap between social groups, with wealthier, more educated people trusting institutions significantly more than the general population.<sup>3</sup> As described by the *2020 Edelman Trust Barometer*, trust in institutions is currently low, with distrust being “driven by a growing sense of inequity and unfairness in the system,” adding that “income inequality now affects trust more than economic growth.”<sup>4</sup> This came at a time when the share of individuals who give was declining.<sup>5</sup> With the effects of the pandemic hitting lower income and communities of color hardest, COVID-19 has the potential to amplify (or turn around) this trend.

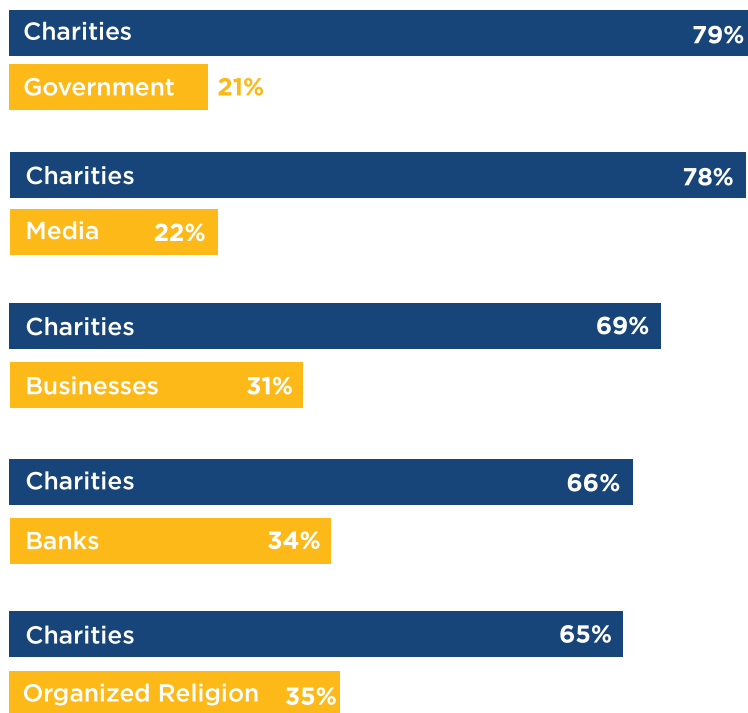
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## Donor Trust in 2019 and a Three-Year Retrospective

BBB's Give.org believes higher trust in charities translates to higher public engagement and confidence in giving. With that in mind, we have been tracking donor trust during the past three years. Here are some trends we have observed:

- **Charities remain more trusted than other institutions**, including organized religion, banks, businesses, media, and government. Still, there is ample space to build trust in the sector, with 63.6% of respondents rating the importance of trusting a charity before giving as 9 or 10 (Essential) on a 10-point scale, and only 16.8% of respondents highly trusting charities.

### Trust Comparison Across Institutions (Dec. 2019)

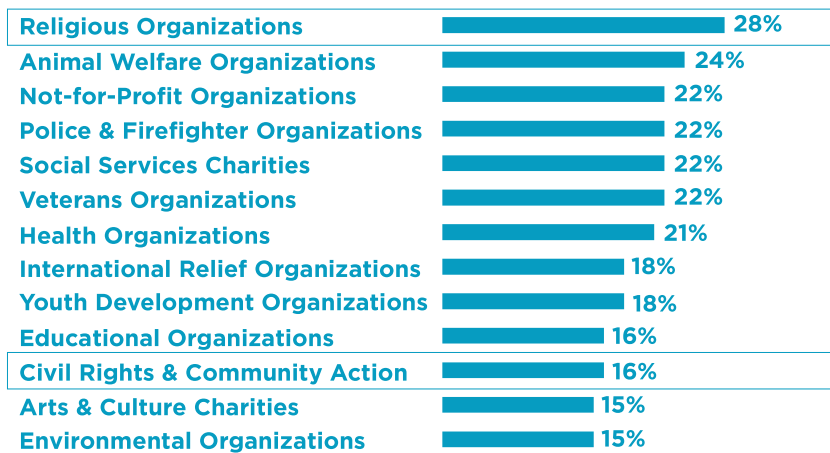


### Charity Trust Gap



- **While trust is still considered highly important in the giving process, our results suggest that reliance on trust as a giving indicator has eroded in the past 3 years**, with the portion of respondents who rate the importance of trusting a charity before giving decreasing from 73.0% in December 2017, to 69.8% in December 2018, and to 65.4% in December 2019.

## “High Trust” for Different Charity Types



■ Dec-2017   ■ Dec-2018   ■ Dec-2019

- During 2018 and 2019, the portion of respondents that highly trust charities decreased moderately (by 2.2% from 19.0% in December 2017 to 16.8% in December 2019 for charities overall). Respondents were also asked to assess their trust for 13 different charity types. While most charity types did not experience significant changes in donor trust, **the portion of respondents that highly trust religious organizations and civil rights and community action organizations decreased meaningfully** (by 5.8% and 12.3%, respectively).

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# Self-Reported Contributions

A charity or non-profit organization OTHER than your church or place of worship



Your church, synagogue, mosque, or other place of worship



Family & Friends (other than your children under age 21) living INSIDE the United States as a form of assistance or support



Family & Friends (other than your children under age 21) living OUTSIDE the United States as a form of assistance or support

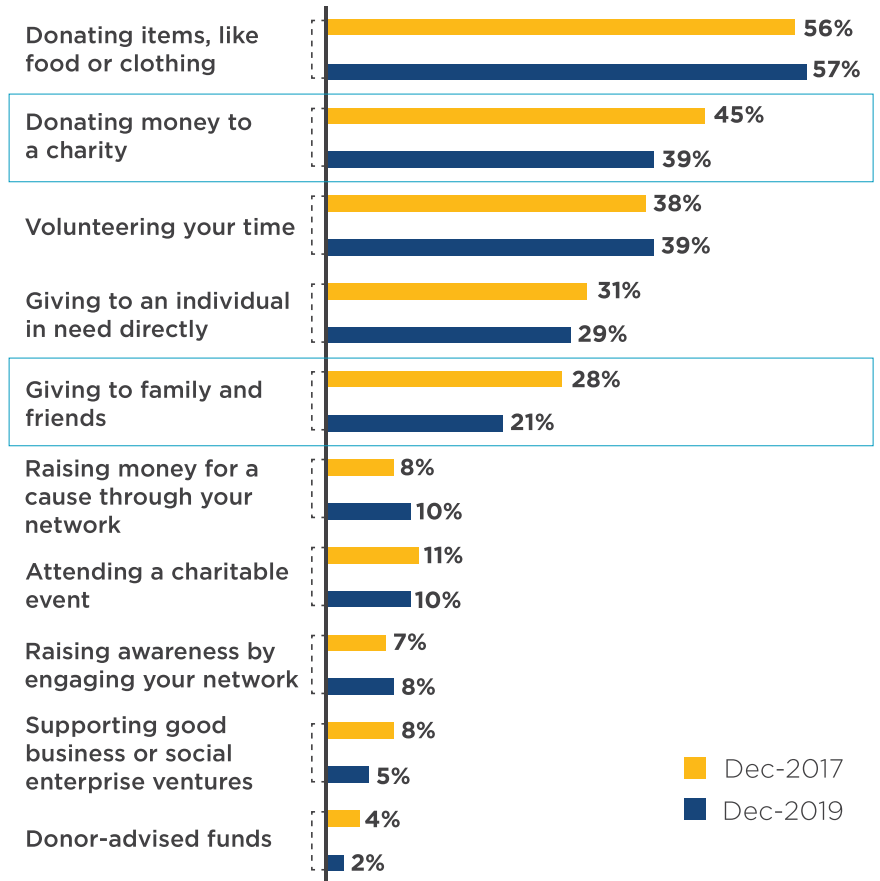


■ 2017 ■ 2019

• **Fewer people reported giving to charities and houses of worship during 2019 as compared to 2017**, with 57.7% reporting giving to a charity in 2019, as compared to 68.0% in 2017. This is consistent with a trend identified by The Indiana University Lilly Family School of Philanthropy, showing a drop of 13 percentage points in the share of households who gave in 2016 as compared to 2000. “This percentage equates to approximately 20 million Americans who are no longer giving to charitable institutions.”<sup>6</sup>

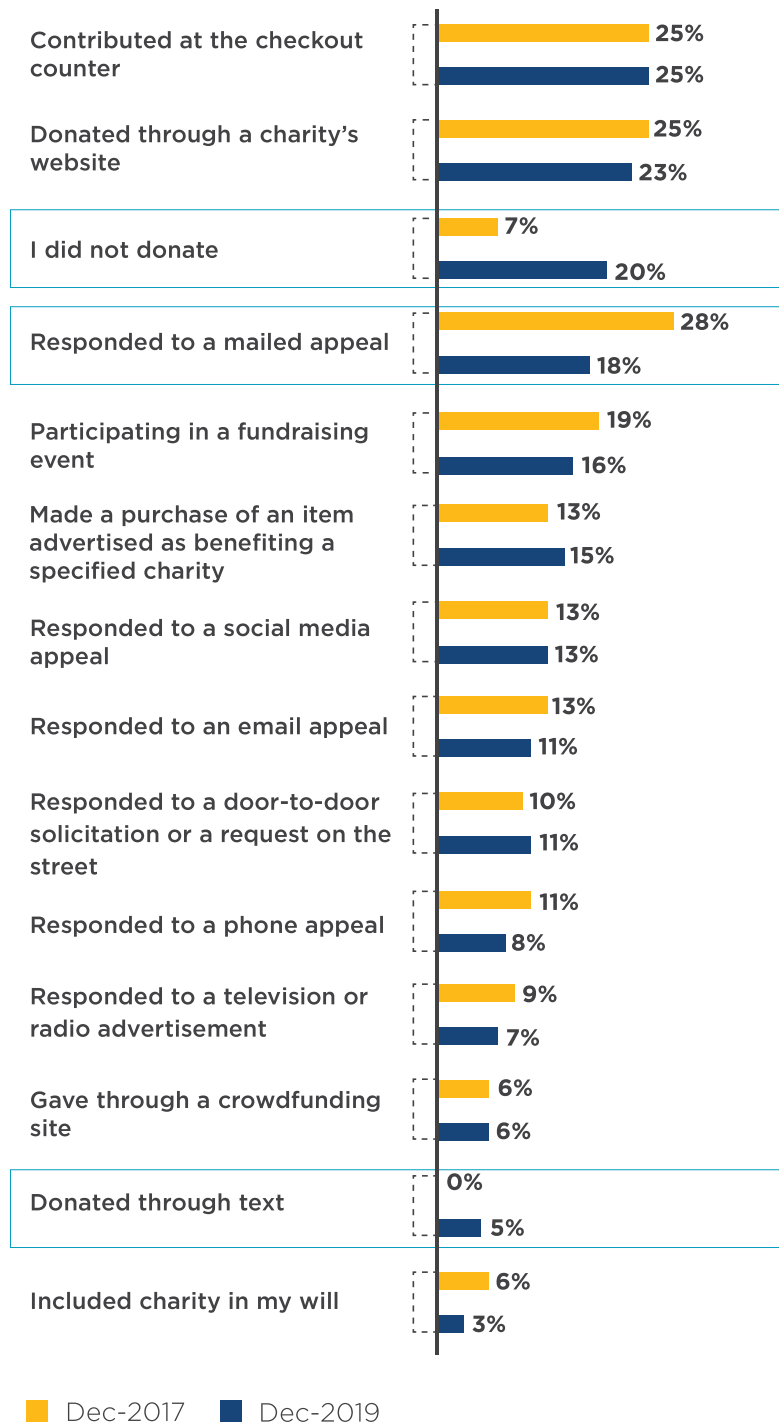
• Respondents were asked to identify their preferred ways of making a difference (with choices including donating money to a charity, donating items, volunteering time, donor advised funds, raising awareness, raising money through a network, supporting a business, and giving to family and friends). When thinking about making a difference, fewer respondents said they prefer to do so by donating money to a charity in 2019 (39.3%) as compared to 2017 (45.0%). Similarly, the portion of respondents who prefer to give to family and friends dropped to 20.6% in 2019 from 28.0% in 2017.

## Preferred Ways of Making A Difference





## Self-Reported Donating Channels

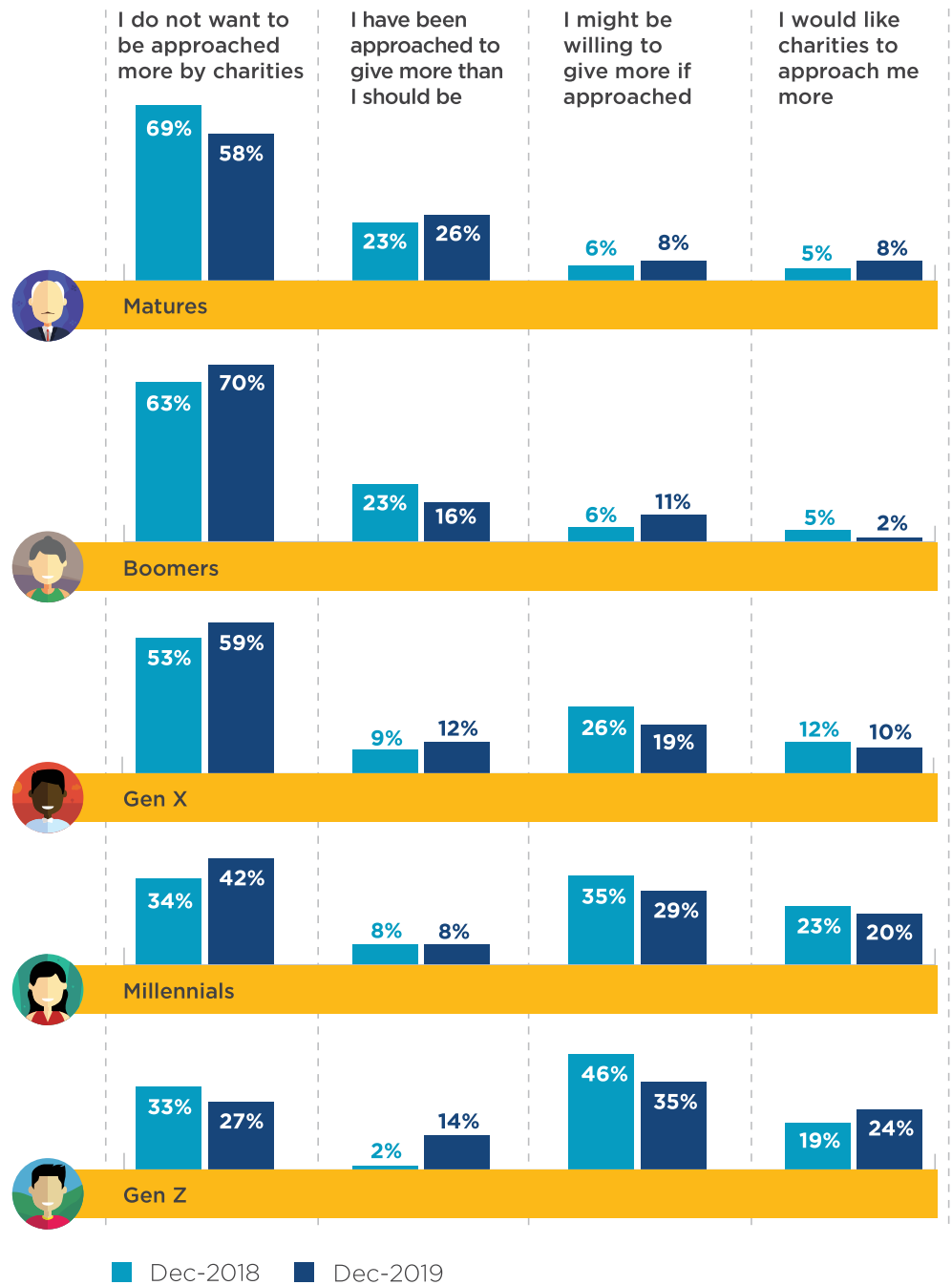


- The portion of respondents solicited through direct mail, as well those who report responding to mail appeals, decreased significantly in 2018 and 2019.** When asked to select the channels used to donate during 2019, 17.9% reported responding to a mailed appeal, as compared to 28.0% in 2017. Respondents also expressed being solicited less via mail (with 36.9% in 2019 and 49.0% in 2017), by phone (with 25.6% in 2019 and 36.0% in 2017), or through television (with 24.8% in 2019 and 35.0% in 2017).

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## Openness to Solicitation by Different Generations

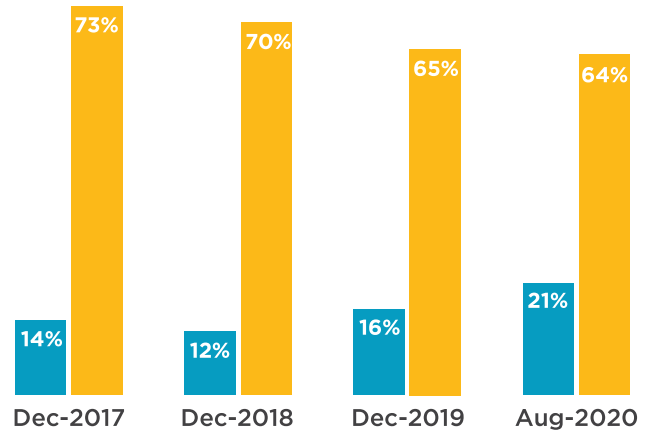
- At the end of 2017, 2018, and 2019, approximately 21% of participants expressed willingness to give more, and 12% expressed desire to be approached more by charities. **While the overall portion of respondents that are open to solicitation has not changed significantly over time, 2019 results showed that younger generations were less open to solicitation than previous years.** For instance, while 46.0% of Gen Zers said they “might be willing to give more if approached” at the end of 2018, only 35.2% said the same in December 2019. Matures and Boomers, on the other hand, were moderately more open to solicitation.



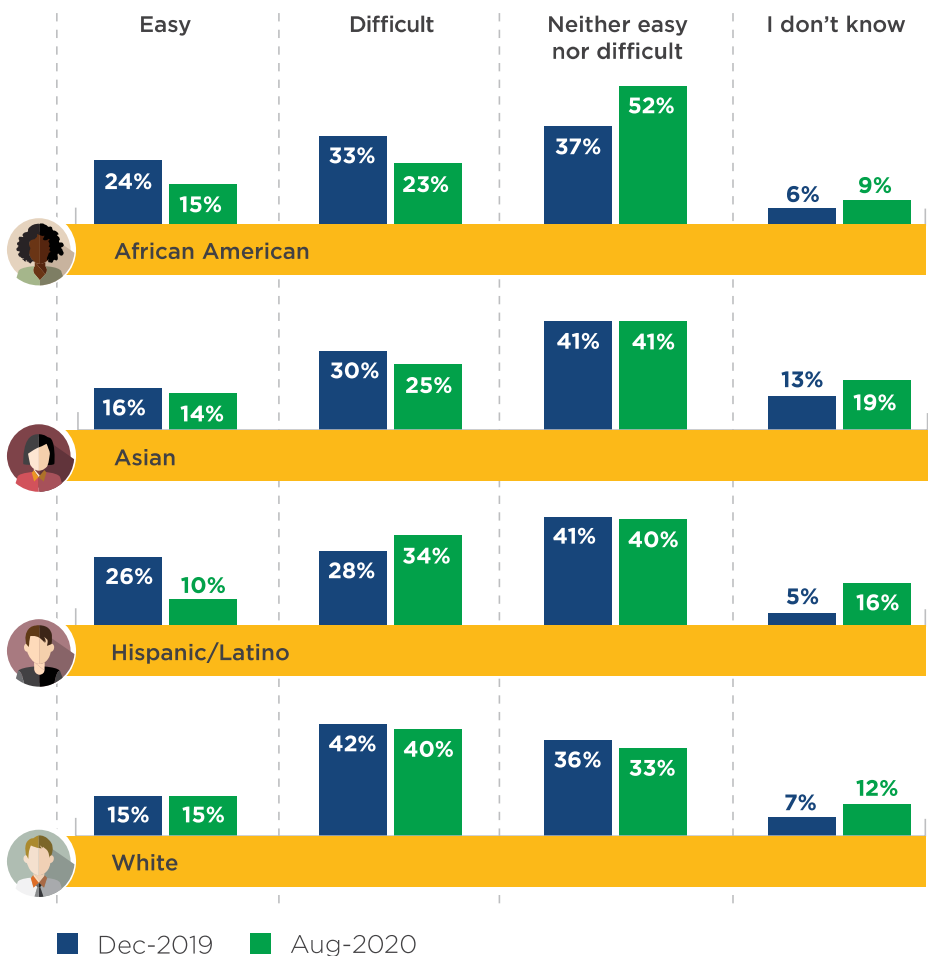
## Donor Trust during 2020

- **The importance placed on trusting before giving was eroded in 2018, 2019, and 2020.** Between December 2017 and December 2019, the overall portion of participants that placed “high importance” on trust dropped from 69.8% to 65.4%. Between December 2019 and August 2020, the overall portion of participants that consider trust to be highly important before giving decreased another couple of points, from 65.4% to 63.6%. Moreover, the portion of respondents that attribute low importance to trust before giving grew from 16.2% to 20.8%.

## Importance Placed on Trust Before Giving



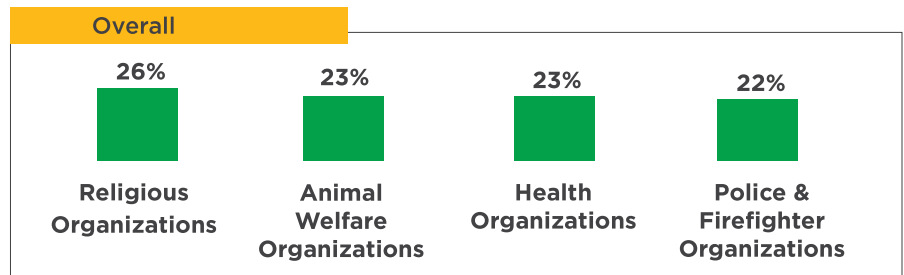
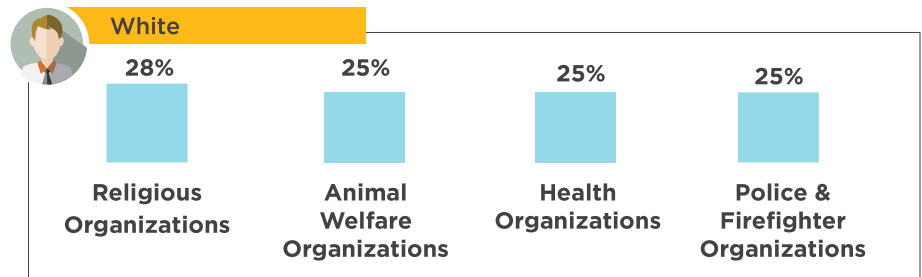
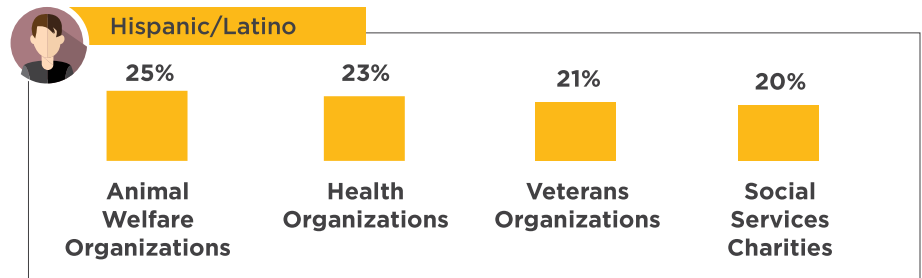
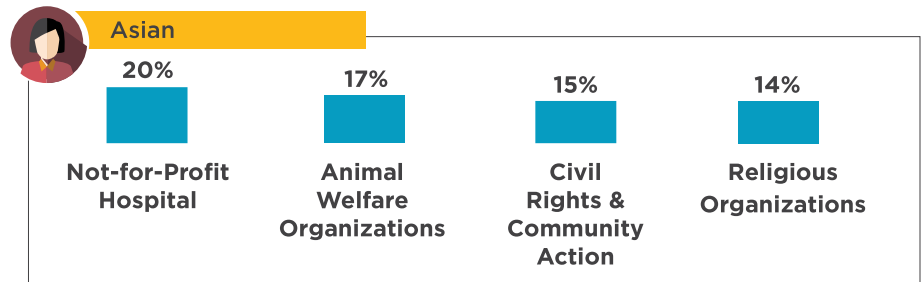
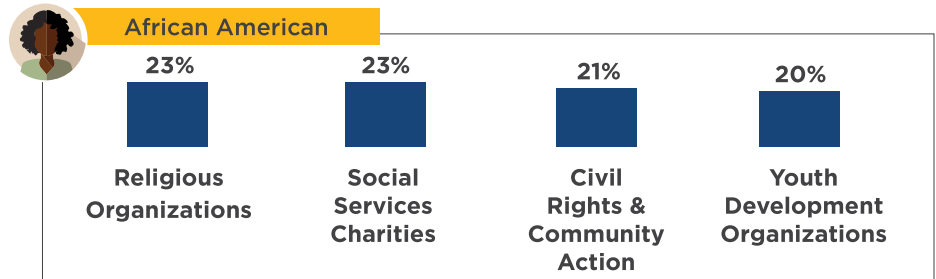
## Perceived Ease of Verifying Trust



- **The portion of African Americans that say trusting a charity before giving is highly important decreased during 2020,** going from 56.9% in December 2019 to 50.4% in August 2020. **During the same time period, African Americans and Hispanics/Latinos also became less likely to say assessing charity trust is “easy,”** going from 24.4% to 15.1% and from 25.6% to 9.9%, respectively.

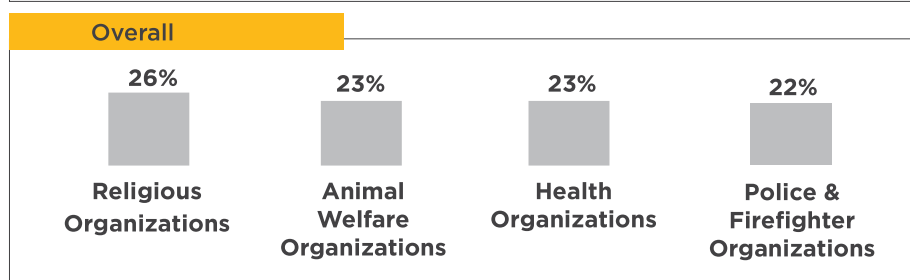
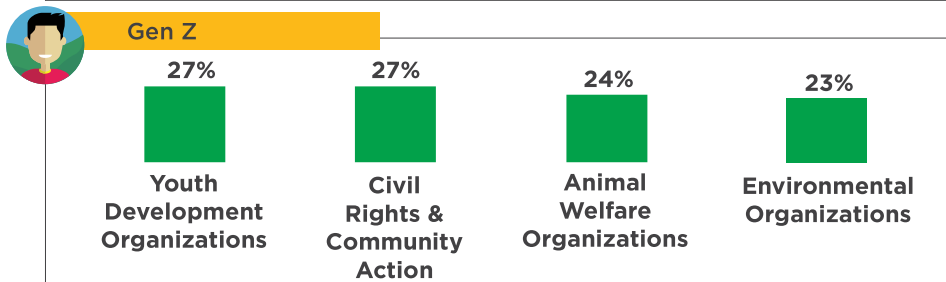
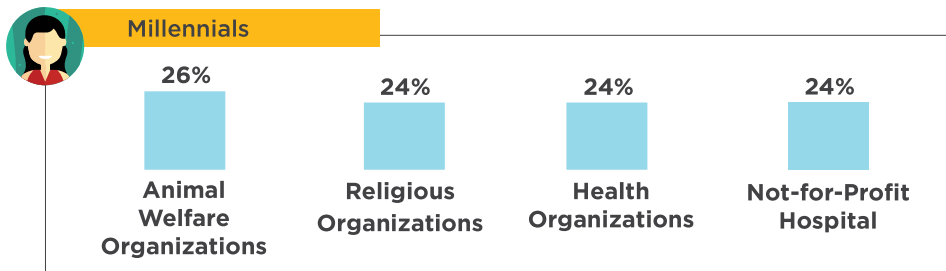
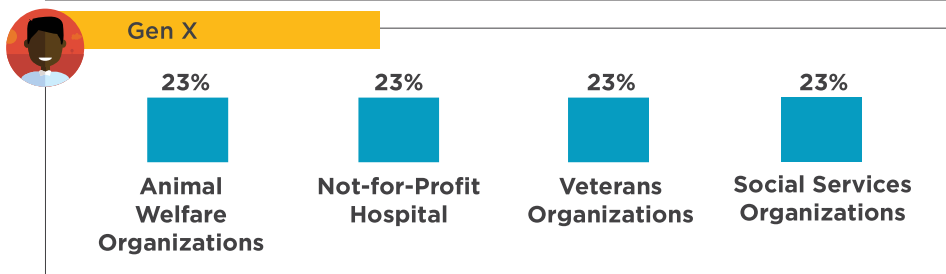
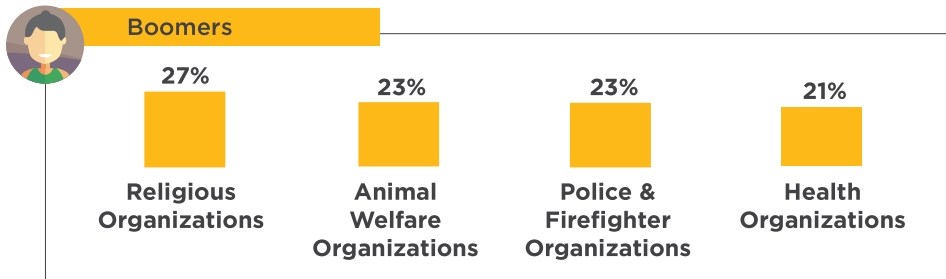
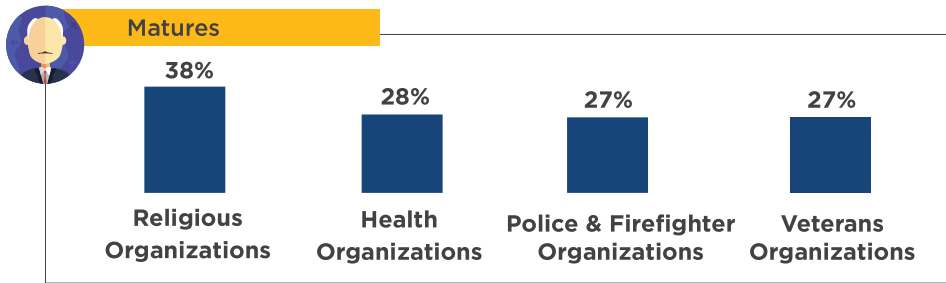
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## Trust in Different Charity Types by Racial Groups



- Different racial groups tend to place their trust in different charity types. For instance, while civil rights and community action organizations are among the least trusted charity types overall, these organizations are among the most trusted by African Americans.

# Trust in Different Charity Types by Generational Groups

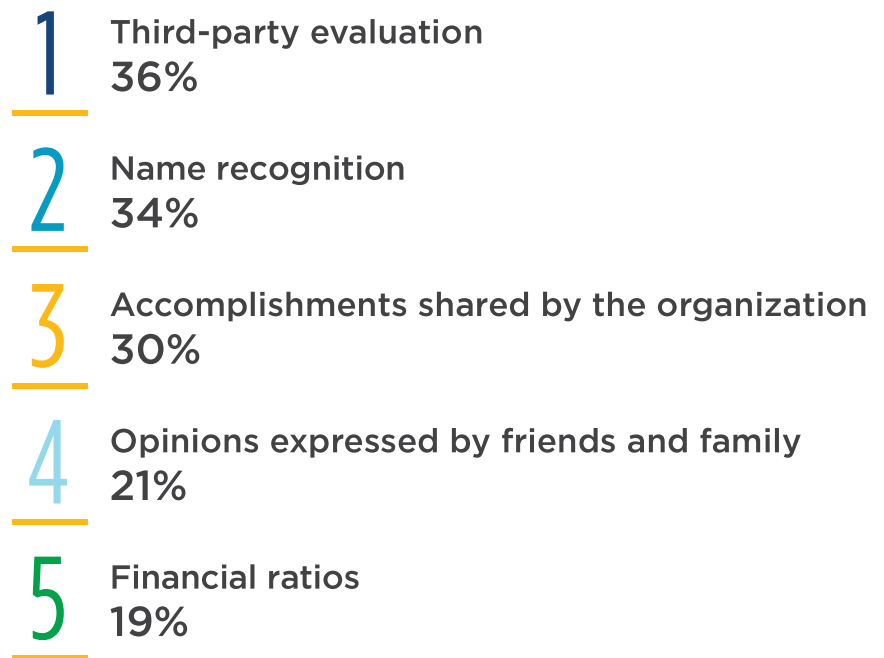


- **Different generations also tend to place their trust in different charity types.** For instance, while civil rights and community action organizations are among the least trusted charity types overall, these organizations are among the most trusted by Gen Z. The top-three most trusted categories of charities in August 2020 by Matures are (1) religious organizations, (2) health organizations, and (3) veterans organizations. For Gen Zers, the top three are (1 and 2) a tie between youth development and civil rights and community action organizations, followed by (3) animal welfare organizations.

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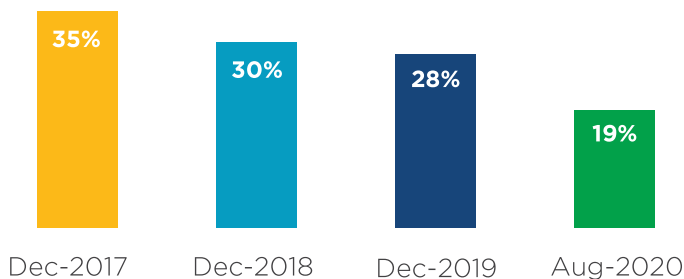
## Top Signals of Trust (Aug 2020)

- When asked what most signals that a charity is trustworthy, the top factors in August were (1) third-party evaluation by an independent organization, (2) name recognition, and (3) accomplishments shared by the organization. Notably, trust signals like third-party evaluations, name recognition, and opinions expressed by family and friends are relatively more important in 2020 than they were in previous years.



- Different generations and racial groups say they assess trust differently. For example, Matures rely most heavily on name recognition and third-party evaluations, while Gen Zers rely most heavily on accomplishments shared by the organization and passion and sincerity in the appeal.

## Financial Ratio as Top Signal of Trustworthiness



- The importance of financial ratios as a signal of trust has decreased steadily since 2017, with the portion of participants who rely on financial ratios as a trust signal decreasing by 7.3% between December 2017 and December 2019, and then by another 9.1% between December 2019 and August 2020. That is an overall fall from 35.0% to 18.6% over the past 3 years.

The three most meaningful trends we have observed since December 2017 are:

- **A significant decline in the portion of donors relying on financial ratios as a signal of trust**
- **The erosion of public reliance on trust**
- **The importance of donor segmentation in reaching a diverse set of donors.**

When it comes to donor trust, BBB's Give.org has long maintained that excessive focus on one signal of trust (such as financial ratios) can be misguided and harmful to a charity's capacity to thrive. On the other hand, we are concerned about trust becoming less important during the giving process. Americans have a long and rich tradition of generosity and have built a charitable sector that enriches lives, communities, and society as a whole. The ability of the sector to build upon this collective generosity depends on public trust.

Still, charities don't exist in a vacuum, and trust is affected by both charity-donor interactions and the external environment. Unfortunately, we suspect that broader distrust for institutions is driving donors to be more skeptical and, as public skepticism spills into the charitable sector, donor trust may be harder to attain. Charities may have to compensate by building deeper connections to protect their bond with donors. ■

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## Notes

1. Sargeant, Adrian. *What Do We Know and What Can We Do About It?* Bloomington: Indiana University, 2008; Sargeant, Adrian, and Stephen Lee. "Donor Trust and Relationship Commitment in the U.K. Charity Sector: The Impact on Behavior." *Nonprofit and Voluntary Sector Quarterly* (SAGE), 2004.
2. BBB's Give.org conducts a Donor Trust Survey annually that includes a core set of questions intended to measure the health of public trust in the charitable sector and to identify shifts across time. Key results from these surveys are released through Give.org Donor Trust Reports. The reports are available at [Give.org/donortrust](https://www.give.org/donortrust).
3. Ries, T., et al. *2020 Edelman Trust Barometer Global Report*. Chicago: Edelman. 2020.
4. Ries, T., et al. *2020 Edelman Trust Barometer Global Report*. Chicago: Edelman. 2020.
5. As reported by The Indiana University Lilly Family School of Philanthropy in *Changes to the Giving Landscape*, data from the Philanthropy Panel Study (PPS) shows a downward trend in charitable-giving participation rates following the Great Recession, "with fewer Americans making donations than in the past...The PPS shows a broad and consistent decline of over 13 percent points in the share of households who gave in 2016 compared to 2000. This percentage equates to approximately 20 million Americans who are no longer giving to charitable institutions." The Indiana University Lilly Family School of Philanthropy (2019). *Changes to the Giving Landscape*.
6. Indiana University Lilly Family School of Philanthropy (2019). *Changes to the Giving Landscape*.