The Blackbaud Index — Overall Giving

Based on data from 3,828 charities that raised more than $12 billion in the prior 12 months, The Blackbaud Index reports that overall charitable giving grew 2.3 percent for the three months ending October 2013, compared to the same period a year earlier.

The Blackbaud Index — Online Giving

Among 3,097 charities that raised nearly $1.7 billion online in the prior 12 months, online giving grew 9.9 percent in the same three-month period, compared to the same period a year earlier.

“It’s a better year than we’ve had in a number of years,” said Chuck Longfield, Blackbaud’s chief scientist and creator of the Index. “Giving is very dependent on the stock market, which is at an all-time high. With the improving economy, some of the uncertainty has been removed. People tend to give away more money when they feel wealthier, and the stock market helps with that.”
New! Specialty Index focuses on giving to faith-based organizations

The Blackbaud Index this month introduces a new faith-based index that tracks fundraising revenue for congregations and other faith-based organizations. This brings the number of specialty indices up to nine, including: Arts & Culture, Environment & Animal Welfare, Healthcare, Human Services, International Affairs, K-12 Education, Medical Research, Public & Society Benefit, and now, Faith-based. There are plans to add a specialty index on higher education in 2014.

Compared to fundraising data on other nonprofit sectors, data on giving to faith-based organizations can be tough to estimate because of the inconsistent and varying data-collection practices of congregations.

"It is very hard to come by," said Rick Dunham, president and CEO of Dunham+Company and a member of the board of the Giving Institute, which publishes Giving USA. "When you look at houses of worship and the amount given through church, reporting on that is obviously spotty."

Longfield said Blackbaud’s new faith-based index, which is based on fundraising data from more than 300 churches, synagogues and other faith-based organizations, fills a big gap in information on religious giving.

"The new faith-based specialty index marks a significant contribution to the tracking of religious giving, especially because the information will be updated monthly," he said. "The 300 organizations included represent more than $1 billion in annual contributions, representing a fairly good picture of giving in this sector."

A closer look at the new Faith-based Index: Revenue grows for overall and online giving to faith-based organizations

Overall fundraising revenue for 334 churches, synagogues, and other faith-based organizations representing nearly $1.2 billion in annual revenue grew 3.5 percent in the three months ending October 2013 compared to the same period a year earlier.
Online giving at 202 congregations and other faith-based groups that raised a total of more than $110 million over 12 months grew 16.7 percent during the same period.

**Faith-based giving grows but its share of overall giving dips**

According to Giving USA, giving to religion was relatively flat in 2011 and 2012. And while it receives the biggest share of giving of any charitable subsector, its share in 2012 fell to 32 percent from 33 percent in 2011.

*If faith-based giving doesn’t do well, that’s quite a drag on all philanthropy,* said Longfield.

Dunham said giving to his clients is up, with growth ranging from a few percentage points to 10 percent or more.

**Who’s giving to religion?**

While research consistently has shown a steady decline in attendance by younger people at religious services, especially for mainline denominations, that decline has had little impact on overall giving to religion, said Dunham.

*We’ve known for many years, and Giving USA has pointed out consistently, that there is a direct correlation of frequency in attendance at religious services and giving,* he said. Giving to religion fell during the recession mainly because, just as in any sector, people who give were hit by the economic downturn and had less to give.

And religion has struggled to rebound *“because fewer people are attending religious services frequently and there is a smaller core of givers,”* he said.

But with the rebound in the economy, that core group *“continues to drive giving to religion because the core group who attend religious services frequently are giving,”* he said. *“Those are people who give the most.”*

And the major source of giving to religion *“continues to be the ‘classic 50-to-65-year-old’ who is at a stage in life with more money to give.”*

**Failure to communicate**

Chris McLeod, a ministry strategist who advises churches on capital campaigns and planned giving for Horizons Stewardship Co., a national consulting firm in Cabot, Ark., said churches are losing market share of giving to faith-based groups overall.

*The failure of churches to effectively communicate the impact that their missions and outreach programs are having in the community has often left many of their members choosing to give directly to these community-based nonprofits,”* she said. *“So less of their charitable dollars are being channeled through the church.”*

Churches, she said, *“don’t know how to say ‘thank you,’ they don’t know how to ask, and they don’t know how to communicate the impact that a member’s gift is having.”*
Communications infrastructure

Churches in mainline denominations also tend to have "very weak communications infrastructure," as well as young communications staff "who are more like newsletter producers, as opposed to communications strategists," said McLeod, who also is president of Giving Matters, a fundraising consulting firm in Charlotte, N.C., that advises nonprofits and educational institutions.

In comparison, new "megachurches" and nondenominational independent churches "are investing more money and human resources in communications because they realize how critical it is," she said. "If you look at giving at megachurches and independent churches, it’s significant, both in terms of giving by the church in the community, and inspiring their members to make significant gifts to the church."

If a church in a mainline denomination supports a homeless shelter for an urban ministry, for example, but does not do a good job communicating that work to its members, McLeod said, their members in turn might give directly to the urban ministry rather than to the church.

Megachurches and nondenominational churches also are much more sophisticated than mainline churches in using digital communications and direct mail, she said, and at "saying thank you, communicating impact, and asking," and they are particularly good at cultivating larger donors.

Donor cultivation

Mainline churches "don’t cultivate," often because they lack the staff, and typically because "they have a lot of angst and discomfort around money," McLeod said.

Research shows that in more than half of mainline churches, for example, the senior minister or CEO does not know how much church members give because "they feel it would unfairly impact the way they minister to members if they knew what they gave," she said.

As a result, the people "who are accorded the most respect or deference in churches are the people who are wealthy," whether or not they are donors, she said.

A key issue, she said, is that "how much people give to a church, not so much the dollar amount, but the percentage of giving, is a reflection of where they are on their spiritual journey. If people call themselves Christian, or Jewish, giving is integral to their spiritual journey."

Sending the right message

Dunham said houses of worship need to provide "cogent, clear teaching on the Biblical mandate around giving and why that’s important."

While the Bible makes clear statements about debt and the handling of money, warning, for example, that "money will never provide the security you’re looking for," he said, there still is a "tension between consumerism, which is primarily the cultural norm in America and drives our economy, and stewardship."
So it is "incumbent on pastors and leaders to be speaking to the issue of how we view money and the role of money in our life as a faith-based person," he said.

"Ultimately, people give out of a heart that's moved to want to support something," he said. "It's not an insignificant issue. There has been a lack of teaching of this in the church."

Church leaders also need to help people understand "what they're investing in" when they give to the church, and that means "selling the vision and mission of that house of worship, why we exist," and then "putting numbers to why that's important."

**Shift to online giving**

Religious congregations also need to recognize a shift that is "not driven by charitable institutions" but rather by "the consumer, the donors, to want to give more and more online," Dunham said.

A study released this fall by Dunham+Company found, for example, that nearly one in two donors age 65 and older now give through charity websites, up from roughly one in three in 2010.

"As the trailing end of the Boomer generation moves to its best giving years, and also the leading edge of Generation X, more and more want to give via credit cards, and are very comfortable with online transactions," Dunham said. "It's providing a way for congregations to give effectively online and not just by the plate being passed."

So congregations need a "really good website that makes it very easy for that financial transaction that even could set up a recurring gift," he said.

**Value of direct mail**

The study also found that direct mail appeals are over six times more likely than an online communication to drive an online gift, Dunham said.

"Offline communication becomes very critical to supporting donors, engaging donors, and keeping them engaged," he said, so congregations need to make sure their offline communications are integrated with their online communications, and that their websites are in sync with those communications.

**Relationships and significant giving**

A growing number of religious organizations are investing more resources in planned giving and major giving, a trend that makes sense because the wealth that has grown the most, fueled by the booming stock market, is controlled by the wealthiest three percent of the population, Dunham said.

"Being able to tap that is critical," he said.

Making a significant decision about a big gift ultimately is "very personal" and rooted in "relationship," he said. "That is the apex of relationship fundraising, building a strong relationship with the donor so you can understand what their priorities are and so you can meet their priorities."
Focus on donors

Rather than focusing on the vision of the organization, Dunham said, congregations and other faith-based groups should be "seeing the vision of the donor and seeing how you can help the donor fulfill their vision."

McLeod agreed. Churches "need to be communicating to their members how their gifts and pledges are changing lives in the community," she said. "They need to be talking about legacy giving or planned giving because churches are letting their members make their largest gifts to colleges and universities because the church is not asking for it."

Investing in communications

A key is for churches to invest in their communications infrastructure, McLeod said.

"Most people — senior pastors, lay leaders, and church administrators — see communications as overhead, when it's really a pipeline to additional charitable revenue," she said. "If you're not communicating, you're not connecting. People want to feel their gift matters."

The "desire to make a difference is practically universal, regardless of faith tradition," she said, "and when a church doesn't communicate to a member that their gift makes a difference, they give to organizations that help them understand how their gift is making a difference."

Cultivating donors

While churches may lack the resources to hire major gift officers, they still can invest in the critical work of cultivating donors, McLeod said.

"The invitation to give, and communicating that their gift makes a difference, is really at the heart of what makes people give more," she said. "How are they invited to give, and how do they know their gift makes a difference?"

Older Baby Boomers and the even older Greatest Generation "are making legacy gifts, they're just not making them to the church," she said.

One reason churches may not be getting donations from young people is that they may not be equipped to accept gifts electronically, which is the way young people like to give, McLeod said.

"The most dangerous thing about that," she said, "is that they don't get into the habit of giving to the church."

Importance of online giving

A study on online giving and the donor experience online that Dunham+Company is scheduled release in January finds that "generally everybody's looking pretty bad," Dunham said, with "Christian ministries ranked lower in the main indicators."
The reason was a “fundamental lack of understanding of the importance of online giving,” he said.

The study finds, for example, that a donor who wants to make a gift often must make seven or eight clicks at a charity website to complete a gift transaction.

As part of the study, which looks at the actual behavior of 151 organizations, Dunham+Company made an online donation to every charity surveyed, and watched what they did.

One-third of the charities never even responded, he said.

“There’s a fundamental lack of understanding of best practices around the online giving experience,” he said. “Giving to religion, especially to houses of worship, is way behind, and Christian ministries lag as well. They don’t understand or implement best practices about how to motivate online support and how to make it easy for people to actually give online.”

About Blackbaud

Serving the nonprofit and education sectors for 30 years, Blackbaud (NASDAQ: BLKB) combines technology and expertise to help organizations achieve their missions. Blackbaud works with more than 29,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, independent K-12 education, animal welfare and other charitable causes. The company offers a full spectrum of cloud-based and on-premise software solutions and related services for organizations of all sizes including: fundraising, eMarketing, advocacy, constituent relationship management (CRM), financial management, payment services, analytics and vertical-specific solutions. Using Blackbaud technology, these organizations raise more than $100 billion each year. Recognized as a top company by Forbes, InformationWeek, and Software Magazine and honored by Best Places to Work, Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada, the Netherlands and the United Kingdom. For more information, visit www.blackbaud.com.