

Charitable Giving in 2020: Key Takeaways for Faith-Based Organizations

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Every June The Giving Institute at the Indiana University Lilly School of Philanthropy releases the most comprehensive, longest running, and most rigorously researched annual study of U.S. charitable giving.

You might not have time to look through the report, so I've combed through the research and pulled out what I think will be meaningful to you.

Here are the key takeaways for faith-based organizations from this year's report:

1. Total giving increased by \$43.73 billion (5.1%) between 2019 and 2020. Still, giving increased 3.8% when adjusted for inflation.

Good News:

- Americans gave a record \$471.44 billion to charity, and relative to the Gross Domestic Product (GDP), giving increased to 2.3% which is greater than the 40-year average of 2.0%.
- In 2020, three of four giving sources were at an all-high in inflation-adjusted terms including religion. On the recipient side of giving, all but four charitable sub sectors exceeded their previous highs in inflation-adjusted terms.
- Despite its slow rate of growth in the five-year period beginning in 2016, giving to faith based organizations received the highest total donations over the same five year period compared to any other sub sector.
- Giving increased by \$22.8 billion in current dollars from 2019.

Bad News for Total Giving:

- Giving to faith-based organizations has been declining as a share of total giving to recipient organizations since the five-year period beginning in 1981, when it reached 58% of the total. In the last five-year period, 2016–2020, faith-based giving comprised 29% of the total.
- In the five-year period beginning in 2016, giving to public-society benefit organizations, environmental/animal organizations, and human services organizations saw the highest rates of growth. Giving to faith-based organizations realized the slowest rate of growth during the same period.

Possible Causes?

- Generosity reigns when you are in a global pandemic and there is need all around. The beginning of the pandemic saw a significant drop in the stock market and economic uncertainty. Unemployment claims increased significantly as many lost income. Those that had, shared with others through their houses of worship and charities.
- Isolation, sickness, and death brings reflection and self-assessment. Many responded by being philanthropic. We were all one, unified by the threat of COVID-19.
- Racial injustice issues were at the forefront and brought inequities in communities of color center stage. With police brutality on full display, and the protests that ensued, historic investments were made in Black institutions. Many responded by investing in historically Black higher education institutions and in nonprofits that help those who are disadvantaged.
- In this volatile political climate, civic engagement propelled to new levels.
- When the stock market hit record highs, philanthropy increased. Historically there is a direct correlation between market increases and giving.

2. Giving by individuals increased in 2020 to 69% of all giving.

Good News:

- Estimated charitable giving by individuals (and households) was \$324.10 billion in 2020, an increase of 2.2 percent from 2019 (in current dollars). Adjusted for inflation, giving by individuals increased 1.0 percent in 2020.
- In 2020, disposable personal income increased 7.0 percent in current dollars from 2019.
- Very large “mega-gifts,” or gifts by individuals that require an adjustment to the econometric estimate, plus adjustments to the individual giving estimate from COVID-19 and racial justice giving, totaled \$10.1 billion in 2020.
- Bequests are up once again, now 10.3% of all giving.

Bad News:

- Charitable giving by corporations decreased by an estimated 6.1 percent in 2020 from 2019, totaling \$16.88 billion. Adjusted for inflation, giving by corporations decreased 7.3 percent in 2020.

Possible Causes?

- Many donors chose to bundle their gifts by contributing to a Donor-Advised Fund (DAF). According to a 2020 study by the National Philanthropic Trust, for the tenth consecutive year, there was growth in donor-advised funds (DAFs) in every key metric. Most notably, grantmaking from DAFs to qualified charities totaled more than \$25 billion in 2019, a 93% increase since 2015. The same rapid growth trajectory also applies to contributions to DAFs, which totaled \$38.81 billion in 2019. This represents an 80% increase in contributions since 2015.
- Very large mega gifts were given as a result of the nation witnessing racial injustice.
- Foundation giving has been unprecedented and record setting due to the pandemic and racial injustice issues.
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided government stimulus payments to corporations, small businesses and families that the economic losses and helped to stabilize the economy.
- Many industries were dramatically impacted by the pandemic and suffered loss. Still other industries thrived and even prospered greatly from the pandemic. Perhaps the uncertainty led corporate executives to tighten their philanthropic belts.

3. The number of donors increased by 7% according to the Association of Fundraising Professionals (AFP).

Good News:

- The acquisition of new donors is up almost by 19%.
- 73% of U.S. adults say they donated money to a charitable organization in the past year.

Bad News:

- New donor retention rates decreased by 12% from 2019 (AFP).

Possible Causes?

- Again, the pandemic, racial justice issues and civic turmoil led to increased investments in the institutions that offer solutions.
- Nonprofits do not value the acquisition of a new donor as they should and are ignoring them instead of celebrating them.

4. Giving to religion is flat in 2020 with 28% of total giving.

Good News:

- Contributions to the faith-based organizations sub sector comprised 28% of all donations received by charities in 2020 and leads all sub sectors.
- In 2020, contributions to faith-based organizations totaled the fourth highest inflation-adjusted amount recorded to date.

Bad News:

- Giving to faith-based organizations increased 1.0 percent in current dollars from 2019, totaling \$131.08 billion in 2020. Adjusted for inflation, giving to faith-based organizations was flat, with a decline of 0.2%.
- Just two decades ago, in 1999, giving to faith-based organizations accounted for nearly 58% of all U.S. charitable giving. So faith-based organizations have lost half their market share of all charitable giving in the last 20 years.
- Decline in faith-based organizations affiliation adversely affects giving.

Possible Causes?

- There is a strong correlation between faith-based organization affiliation and giving. People of faith not only give to religious organizations but are also more likely to give to non-religious organizations.
- Trust of the faith-based institution may also be an issue as donors expect transparency, accountability and regular reporting.

5. Online Giving rose significantly in 2020

Good News:

- According to Blackbaud Institute, online giving to its sample of faith-based organizations increased 26.9% between 2019 and 2020. Online giving comprised 17.7% of total giving for these organizations.
- Higher education institutions analyzed by Blackbaud Institute saw a 10.4% increase in online giving between 2019 and 2020. Online giving to K-12 education institutions increased 8.7% between 2019 and 2020.
- Human services organizations analyzed by Blackbaud Institute saw a 45.8% increase in online giving between 2019 and 2020.

Bad News:

- If your nonprofit was not prepared, you were disadvantaged and may have experienced a lag in giving in early 2020. Continue to pursue strengthening your digital marketing and online giving infrastructure.

Possible Causes?

- Without a doubt, the social distancing rules of the pandemic and isolation led to the spike in online giving.
- People responded tangibly to witnessing pandemic statistics and deaths and the impact on impoverished communities. In addition, racial inequalities resulting in health and economic disparities were front and center.

6. Foundation giving was up significantly at 17% and now represents 19% of all giving

Good News:

- Grantmaking by independent, community, and operating foundations increased 17% from 2019 to an estimated \$88.55 billion in 2020. Adjusted for inflation, giving by foundations increased 15.6% in 2020.
- The estimate for giving by foundations in 2020 includes an adjustment of \$2.37 billion for giving to COVID-19 relief and racial justice giving.
- Three-quarters of foundations surveyed by the Center for Effective Philanthropy increased the share of their grant dollars that provide unrestricted support in 2020.

Bad News:

- Many foundations still limit their giving to faith-based organizations.

7. Faith-based organizations sectors grew more than others especially in the education, human services, and public society benefit sub sectors.

Good News:

- Giving to the education sub sector amounted to 15% of total giving in 2020.
- Contributions to education organizations grew 9% in current dollars from 2019 to \$71.34 billion in 2020. Adjusted for inflation, giving to education organizations increased 7.7%.
- According to the Council for Advancement and Support of Education, contributions to higher education institutions remained relatively flat compared to 2019 and totaled \$49.50B in 2020.
- The education sub sector has received between 11% and 14% of total recipient contributions in the past four decades. Giving to education has been at its strongest in the last five, five-year periods.
- In 2020, contributions to education totaled the highest inflation-adjusted value recorded to date.
- Contributions to the human services sub sector comprised 14% of all donations received by charities in 2020.
- Giving to human services organizations grew 9.7% in 2020, totaling \$65.14 billion. Adjusted for inflation, giving to human services increased 8.4% between 2019 and 2020.
- Contributions to human services in 2020 totaled the highest inflation-adjusted amount recorded to date.
- Public and societal benefit nonprofits work in the areas of civil rights and civil liberties, community improvement, philanthropy and volunteerism, and voter education, and registration.
- Giving to public-society benefit organizations amounted to 10% of total giving in 2020.
- Contributions to the public-society benefit sub sector increased 15.7% in 2020, totaling \$48.00 billion. Adjusted for inflation, giving to public-society benefit organizations increased 14.3 percent.
- Total contributions to the public-society benefit sub sector reached the highest inflation-adjusted value recorded to date in 2020.

Bad News:

- Other sectors lagged behind. Most surprisingly is health which actually decreased 3% during a health crisis. Hit hardest were Arts, Culture and Humanities with a 7.5% decrease. Social Distancing and stay at home mandates negatively impacted these areas.

What should faith-based organizations do in response to these trends?

1. Be transparent and build trust.

Revealing financial information about nonprofits is an important facet of building a culture of giving and trust. BBB Wise Giving Alliance says 46% of donors base their level of trust on a nonprofit's finances. A nonprofit has an edge if your finances are posted on your website and are accessible. Recommendations are that you highlight that accessibility more by adding a link under giving. Also showcase a donor testimony or two about why nonprofits are a great investment. Surveys show that many donors care more about how money is spent than results. Make sure to link your 990 to your website.

2. Donor care is key to retention.

There was a surge in giving in 2020 that was ignited by the pandemic and racial unrest. We need to become more effective in retaining donors. Both repeat donors and new donor retention rates are falling with repeat donors at -3.9% and new donors at -9.2%. Create a new donor engagement strategy to retain those first-time givers. Donors giving less than \$250 increased significantly, up 15.3%. These donations are at their highest in the past five years. However, the donation amount growth is driven by major contributions (AFP). The total annual sum given has increased. Lastly, stewardship of donors is more essential than ever. Strengthen your recognition systems and celebrate your donors and their impact both digitally and virtually.

3. Accommodate Giving Preferences and Giving Levels.

Strengthen your major donor acquisition program, and create easy avenues for significant investments. Educate your staff, board and donors on how Donor Advised Funds (DAF) work, and prepare for an increasing level of investments using that method. In addition to stock, cryptocurrency contributions are increasing. Most give cryptocurrency through a DAF. Still, for many years to come, donors will donate appreciated stocks to fund their major gifts. Heighten your focus on digital communications for the virtual audience you have built over this past year. Planned Giving saw a significant boost this past year, and we anticipate continued growth. Make sure the legacy gift discussion is a natural progression for your most loyal mature donors.

4. Integrate Foundation Relations and grantmaking into your development plans.

The opportunity to apply for grants is up due to stock surge. Foundation endowments are bulging, and they must distribute the funds. Show impact in your case. Many individuals through their DAFs and foundations support faith-based nonprofits and educational institutions that address societal ills and inequities.

To talk more about these giving trends and how they affect your organization, contact a Generis consultant who will walk with you and your organization as you navigate this increasingly complex and competitive philanthropic landscape.