

# Giving and the Nonprofit World

*“I got it, we had to help each other. We had to work together to get the power on and for things to be made right. We had to give to our neighborhood and to people who were in worse shape than we were. Then our faith and hope returned.”*

—Veronica, New Orleans survivor of Hurricane Katrina

In August of 2005, my family members and I were returning to Houston following my mother’s funeral on the very night that more than two hundred buses arrived nearby with exhausted and traumatized people from New Orleans who had been evacuated from the devastation of Hurricane Katrina. As we watched the television news, we agreed that there could be no better recovery from our own personal grief than to extend ourselves to those arriving in need. The next morning, we signed up to help ease those first days of disbelief and fear among those survivors.

Like the people of Houston, people all over the country responded immediately. Book groups or social networks suddenly became shopping circles, forwarding diapers, underwear, can openers, backpacks for students, cell phones, and other items that local businesses in Houston had run out of. Members of churches, synagogues,

mosques—peoples of all faiths, always the backbone of relief after disaster—were again devoted, diligent, and generous beyond their traditional service or areas of giving. It was a simply remarkable outpouring of love and concern.

Four years earlier, the world had seen a similar response. Within six weeks of the terrorist attacks on New York City on September 11, 2001, more than \$1 billion had been donated to support the bereft families of the nearly three thousand victims of the attacks.<sup>1</sup> Americans throughout the country poured forth their help: donating blood, sending food and money, traveling to New York City to help sort through the wreckage of the collapsed World Trade Center buildings and counsel those who grieved and mourned. Within days, the nonprofit sector—the Red Cross; the United Way; and community, public, and private foundations—along with corporate America set up ways for their constituents, clients, and staff to express their sorrow and despair through compassionate action and gifts to nonprofit organizations serving those affected by the attacks. Giving online, a relatively new convenience that had accounted for less than 1 percent of dollars given, soared to 4 percent of dollars given in just two years.<sup>2</sup>

There are other examples of people reaching out to give. When only limited international relief came to the victims of the 2005 earthquakes in Pakistan, a group of U.S. medical students and young doctors packed up supplies and managed to push their way into the most devastated of the earthquake-ridden areas, where they spent months giving basic and essential medical care to families and victims, many from remote villages that had not seen doctors for years.

The nonprofit sector and volunteers like these are changing the world by filling—and even anticipating—needs that government and corporate services do not fully address.

In the face of global climate change, worldwide disease, and poverty, as well as natural disasters, can we find ways to learn to live sustainably and peacefully on this precious planet? Two weeks after Hurricane Katrina, former president Clinton launched his Global Initiative, attracting wealthy and highly connected participants who pledge to take a specific action—committing funds, donating needed supplies, or sharing expertise—on such issues as poverty, climate change, global health, and religious and ethnic conflicts. Clinton's advice to this elite set of corporate and foundation leaders was, "Don't wait for government and the bureaucracies to fix things. Get in there and decide what difference you can make. Figure out your greatest capacity to help or to leverage change, commit resources and yourself and your team and get working on it." By December of 2006, after the sec-

## DONOR DIVA

The \$300 billion given annually by donors in the United States does make a difference. Carefully placed and leveraged dollars and time can lead to critical and timely change making. Change happens for the world, for the recipients, for the communities that receive gifts, and—not least of all—for the givers. Giving can provide purpose. Giving can connect us to our values and our community. In giving, we define who we are. We are people who honor our traditions. We are people making an impact.

ond Global Initiative Conference, pledges from this group totaled nearly \$10 billion and benefited more than one thousand organizations.<sup>3</sup>

Although not everyone can create this kind of response, it shows that rolling up our sleeves—and working together—is not only the feel-better approach, it is the dependable way for recovery, change, and working proactively to avert future crises.

Can the nonprofit sector and each of us as more strategic donors and leaders be a new organizing force for good and for hope? Most of the groups and institutions that ask for our philanthropic dollars and donors who create the most impact are just that force.

## NONPROFITS ARE AN ESSENTIAL LINK

Nonprofit organizations are the most common vehicle for distributing philanthropic funds in the United States, directing money and other resources to areas of need. Nonprofits provide services, education, and advocacy in a multitude of areas—from arts and culture, education, health, and public safety to religion, recreation, counseling, and community organizing.

Nonprofit organizations, sometimes collectively referred to as the *independent sector*, are legally incorporated organizations exempt by law from corporate income taxes because of their mission to accomplish a defined charitable, humanitarian, or educational purpose. No owner, trustee, or stockholder shares in any profits or losses of nonprofits.

A statistical view shows the enormous contribution of the independent sector to the country's economy:

- There are more than 1.5 million nonprofit organizations in the United States—schools, hospitals, human service agencies, arts and cultural organizations, and religious institutions.
- The nonprofit sector represents more than \$700 billion in revenue,<sup>4</sup> accounting for 3 percent of gross domestic product.<sup>5</sup>
- About one-fourth of the U.S. population volunteers its time to an organization—representing 61 million people in 2006.<sup>6</sup>
- The nonprofit sector employs an astonishing 11 million people, making up 10 percent of the American workforce—more than all the employees of federal and state governments combined.<sup>7</sup>

Nonprofits of all types play a crucial role in the social, economic, religious, cultural, and community aspects of our lives.

## THAT'S A LOT OF MONEY

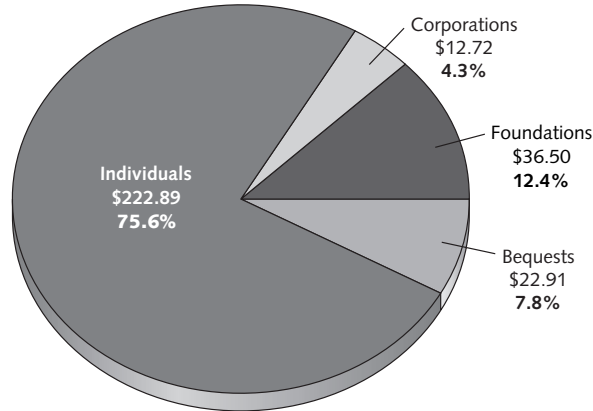
According to *Giving USA 2006*, the annual yearbook on American philanthropy, donations of nongovernmental funds to nonprofit organizations totaled an eye-opening \$295.02 billion in 2006, an increase of 5.7 percent from 2005. If you're like most people, you probably think that most of this money comes from corporations and foundations. You're in for a surprise. As you can see in Figure 1.1, more than 75 percent of the money given away in 2006 came from individual donors (and another 8 percent came from individuals in the form of bequests distributed after their death). Corporations contributed only 4.2 percent of the total and foundations only 12.4 percent. This general pattern has held true for a number of years. Individuals—like you—provide by far the greatest number of charitable dollars.

When most of us think of the philanthropy of individuals, we think of large gifts by very wealthy people. In 1997 Ted Turner's \$1 billion pledge to the United Nations, followed in 1999 by Bill Gates's \$24 billion endowment to the Bill and Melinda Gates Foundation and in 2006 by Warren Buffet's pledge of \$31 billion to the Gates Foundation, have all set an enormously generous and even surreal standard of giving by the wealthiest Americans.

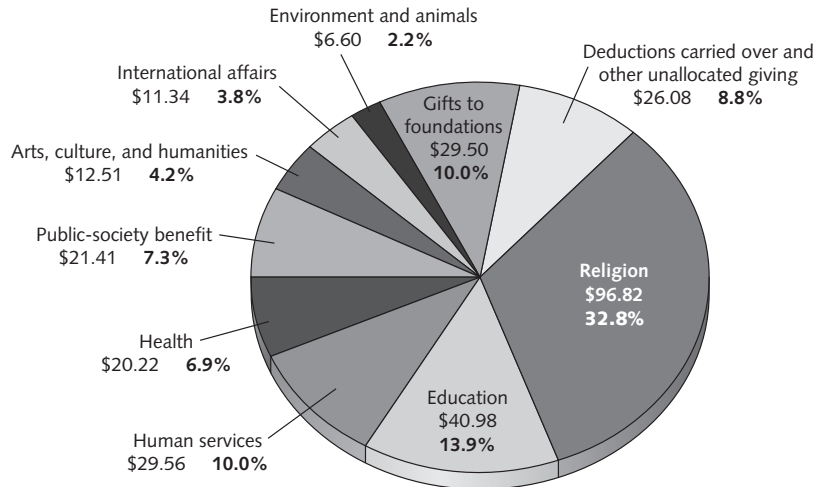
**Figure 1.1. Giving 2006: \$295.02 Billion.**

Most money given away in the United States comes not from foundations or corporations but from individuals giving during their lifetimes and through bequests from their estates. Religious organizations receive most of these philanthropic dollars, as they ask regularly and offer a variety of projects to support.

**By Source of Contributions**



**By Type of Recipient Organization**



Source: Giving USA Foundation, *Giving USA 2006*. [www.givinginstitute.org/about\\_aafrc/index.cfm?pg=chart1.cfm&ID=xgusa1](http://www.givinginstitute.org/about_aafrc/index.cfm?pg=chart1.cfm&ID=xgusa1).

Note: All dollar amounts are in billions. All figures are rounded. Total may not be 100 percent.

But the wealthy aren't alone in their giving. Through an irrepressible spirit of generosity, people who toil all their lives at low wages manage to be major donors as well. Oseola McCarty spent a lifetime washing and ironing other people's clothes. In 1995, when she was 87, she gave \$150,000 she had saved from her life's earnings to the University of Southern Mississippi for a scholarship fund to benefit African American students. Ms. McCarty became well known for her gift, but there are countless others who have given quietly from very modest means. Thomas Cannon, for example, a postal clerk whose top salary had been \$20,000, had given by the time he died in 2005 more than \$155,000 in the form of \$1,000 checks, which he sent to individuals in need whom he read about in newspapers.

In fact, in relation to income, the most generous donors are those who are the poorest. According to INDEPENDENT SECTOR's *Giving and Volunteering in the United States, 2001*, 89 percent of American households contribute to charitable organizations. In 1998, contributing households with incomes of less than \$10,000 gave an average of 5.3 percent of their household income to charity, while those with incomes of \$100,000 or more gave only 2.2 percent. Contributing households with incomes between \$40,000 and \$50,000 gave on average only 1.4 percent of their household income. The 2005 *Giving and Volunteering in the United States* reveals \$7.8 billion in giving from businesses and corporate foundations making up only a very small share of giving overall. Corporate philanthropy plays a much smaller role in the philanthropic field than the many individual donors collectively contributing in private philanthropy.

Whether you give a lot or a little, when you join the community of donors—to traditional, conservative, or progressive philanthropy—you join millions of other Americans who make charitable gifts and support nonprofit work as a way to express their caring and commitment to one another and the world.

## THE ROLE OF PRIVATE PHILANTHROPY

For many years, government partnered with nonprofit social services and arts institutions by helping to support their work. During the past few decades, however, government support of nonprofits has diminished considerably. Extensive budget cuts have made the role of the individual donor increasingly important as more and more nonprofits lose the government funding they counted on. At the same time, institutions and services that have been the responsibility of government—from public schools, public parks, and public libraries to military supplies—have

also seen such large decreases in government funding that they, too, have turned to private philanthropy to fill the gap. Of course, private individual giving can never completely offset the government's withdrawn funds, and we must continue to press for public money for the public good.

At the same time, as government funding has fallen off, the gap between rich and poor has widened. In 2004, for example, more than half of all income went to the top 20 percent of households, and the *average* CEO's paycheck was 431 times that of the *average* worker.<sup>8</sup> While the income of the top one-tenth of 1 percent of Americans more than doubled between 1980 and 2005, the earnings of America's bottom 90 percent fell.<sup>9</sup>

Inspired philanthropy poses an important question: Given the currently low and declining levels of government funding for social services and other nonprofit activity, and the increasing gap between rich and poor, what is each person's responsibility to make our society—and the world—more equitable? Most of us realize we could give more and that we are buying or wasting a great deal. Could we deliberately rethink the way we are living and giving? As citizens of the human community, we all have a responsibility to give as much of ourselves as we can. The widening gaps between the rich and poor beg us to consider whether such degrees or conditions of poverty should exist in a world with so much wealth. For those of us whose personal wealth or earnings have grown over the years, it seems only right to match our expanded financial resources or longer-term asset growth with equally strong community generosity.

## THE POWER OF PHILANTHROPY

Philanthropy plays a critical role in America. Claire Gaudiani writes in *The Greater Good: How Philanthropy Drives the American Economy and Can Save Capitalism*: "Fifty-one percent of all hospital beds are funded by citizen generosity. Forty-nine percent of all two- and four-year institutions for higher learning are privately funded. Citizen generosity funds a little more than 20 percent of all students in institutions of higher learning, 95 percent of all orchestras, and 60 percent of social service organizations."<sup>10</sup>

More than that, without philanthropy, projects such as the airplane and space travel wouldn't have gotten off the ground. Philanthropy funds innovation before the market can support that innovation. If we need new thinking and new applications of solutions to complex problems, philanthropy plays a significant

role—whether those are social or physical innovations. From civil rights to laws about drunk driving, from airplanes to medical innovations, philanthropy drives growth and change for our government and our for-profit markets. Here are some examples:

- Environmental Defense Fund—stopped the use of DDT, initiated the field of environmental law, birthed a movement that now constitutes hundreds of billions of dollars in products and services and employs millions of Americans
- MADD—changed laws across the land, created the idea of a designated driver, and surely has saved thousands of lives and billions of dollars in economic losses
- National Institute of Health—pushed by the funding and activism of Mary Lasker, now uses billions in government funding for medical and health research
- March of Dimes—funded by small donations from millions of people to fight polio, a disease now nearly extinct in the United States and fading worldwide
- Aeronautics—received significant funding from the Guggenheims for education, for technology development, and for the popularization of flying through the sponsoring of the Lindbergh flights and others; helped to catalyze a nearly \$100 billion industry

Philanthropy has such a pervasive impact on our world, it is hard to imagine what our world would be like without its catalyzing effects. Many great initiatives start small, out of the basement or around the coffee table, and grow, with support from donors like you, to have far-reaching impacts on all of us.

Beginning with our own communities, we can see myriad nonprofit organizations that contribute to our benefit:

- Churches, temples, synagogues, mosques
- Cultural centers and community theaters, symphonies, and museums
- Zoos, community gardens, and farmers' markets
- Organizations offering counseling and legal defense for victims of domestic violence or rape
- Volunteer fire departments
- Local Girl and Boy Scout chapters



- Health clinics in rural and inner-city communities
- Organizations offering services for people with AIDS, alternative health services, and cancer research
- Homeless shelters and soup kitchens
- Organizations offering services for immigrants and refugees
- Groups working to protect our environment and endangered species
- Food banks, the Salvation Army, and Goodwill

These organizations and services depend on the generosity of donors inspired and compelled to contribute to improving our world. In the act of giving time, skills, and money, we all feel the spark of our original inspiration, which propels us to continue giving.

## **SOME GIVERS' STORIES**

Here are some inspirational stories of donors with strong motivations and passions for giving and an organized, focused vision that has developed over time.

### **Beth and Amy: Social Venture Entrepreneurs**

Beth and Amy were cofounders in the largest mid-cap IPO offering in the high-tech sector in 1999. Each of them walked away with a good-sized fortune while still in their early forties. Working with their financial advisor they put aside money for their future but also earmarked significant funds for a philanthropic or civic project. They learned about the various tools and techniques of estate planning and charitable planning. First they seriously considered starting a private foundation to advance their interest in helping children grow up to lead healthy and ethical lives as productive citizens. In the end, though, Beth and Amy realized that their greatest gift was not money, it was their own entrepreneurial skills and energy. So instead of giving money to a charity or putting it in a foundation for future grants, they started a new for-profit business with a double bottom line: financial return and social good. Their firm, MindOH ([www.mindoh.com](http://www.mindoh.com)), has become a successful producer of programs on character education that are sold to schools; it also offers materials for parents, helping not only troubled children, but all children, find their way in school and in life.

## **Greg Garvan: Giving Back**

Greg tells his own story:

In the early 1990s I received an inheritance that presented my family with a number of questions: Do we give all or part away? Do we keep it for retirement? Save some for the kids? Will my wife have any special desires or needs?

First we followed the age-old advice not to make any major changes for a year. We met with a financial planner to review our options. At the end of the year, we had made our decision: we would give 25 percent away outright and with the rest set up gifts to nonprofits through a vehicle called charitable annuities that would add income for our retirement.

I decided I wanted to support small groups that others might not be funding and that would have some personal meaning to me. Since my family had roots in the South, in a town where we had owned a textile company for 120 years, we decided to give back to the people of that community.

Through my travel and research I found small organizations not funded by larger regional foundations that help local minority farmers and new businesses. One was the South Carolina Farming Association's Seeds of Hope project, which links black farmers with local churches to set up farmers' markets. We provided money to buy a refrigeration truck they needed to transport produce to other area farmer's markets. In another philanthropic area, I convinced my siblings to join me in supporting the Black Historical Society and in honoring a black woman who had helped raise us by establishing the Carrie Kilgore Scholarship at the College of Charleston. This was a modest way of saying our thanks to someone who gave so much to each of us. My family and I also helped the Institute of Southern Studies, publishers of the magazine *Southern Exposure*, with a year of startup funding to hire a marketing and fundraising specialist.

## **Ruth and Abraham: Faithful Siblings**

### **Giving Back and for the Future**

Sister and brother Ruth and Abraham learned giving from their grandfather, uncle, father, and mother, who inculcated in them the notion of *tzedakah*—a Hebrew word

meaning righteousness, justice, or fairness, which in many households is expressed through charitable giving, and is often considered by Jews to be a moral obligation. They were taught how important it was to listen and to simply be giving people.

Ruth says, “Giving to others is not only part of our lives, it is the thing we do as brother and sister to keep our bond, our joy, and our faith. We love creating plans and then surprising the next generation of leaders or family. We have set up funds for each of the younger generation in the family through the Jewish Endowment and the Jewish Fund for Justice. Beginning on their thirteenth birthdays, we give them the income from these funds to use in making *tzedakah* gifts of their own. They become responsible for healing the world (*tikkun olam*) through their actions and service for justice, just as we were. Teaching giving from the heart and soul feels more satisfying than buying or hanging on to material possessions. We say, pass it on with purpose!”

### **Harry and Melissa: Enabled to Do More**

Harry is a successful business executive in Arkansas who has done well, though he would not call himself rich. He and his wife, Melissa, have been long-time supporters of their local community, giving to their church and to the local community foundation. They love giving and being active in the community, but they also sometimes say, “Charity begins at home,” meaning that they have obligations to each other and to their children and grandchildren as well as to the causes they believe in and to their town.

Harry and Melissa have been working with a financial advisor who practices inspired legacy planning (for more on inspired legacy planning, see Chapter Eleven). The advisor, May Dickinson, spent hours talking with Harry and Melissa about their vision, values, hopes, and dreams for themselves, their heirs, their town, and even their county. Working with the couple’s attorney and CPA, May made sure that their financial plans left Harry and Melissa well taken care of and that their children and grandchildren had “enough,” by Harry and Melissa’s own reckoning. But the advisor was also able to show the couple that they most likely had more than they could ever spend and more than they would want to leave to their heirs.

Harry and Melissa were excited to see that they had a pile of legacy dollars that they could devote, after all other needs and wants had been met, to doing something grand, something noble, something that would make a big impact on the wider community. Rather than waiting for death and letting their children have all the fun giving the money away, Harry and Melissa decided to put their stash of

“extra money” and their personal time and energy into working with their church and with organizations supported through the community foundation.

Though not thinking of themselves as “philanthropists,” Harry and Melissa are now known as leaders in their community and as admirable role models. What they are passing to their heirs is more than money: their example has already inspired their children to “step up” their own civic engagement.

### **John Gage: Living and Giving Simply**

John tells his own story:

I was trained in a religious order and in that role accepted a vow of voluntary simplicity. Although I am now out in the world, I try to live by my deepest beliefs, including living a life of simplicity, faith, and charity. My income is actually just below what the government considers the poverty level, but I still manage to give away 6 percent of it. In choosing which nonprofit organizations to donate to, I create a giving plan that includes setting a budget and establishing annual mission statements, what I call “hopeful goals.” To fulfill those goals, I follow a number of practices: I sort direct mail contribution requests regularly in order to help groups eliminate duplications and to keep informed through their updates, I support investigative reporting in order to learn more about who is working for social justice, I favor low-profile groups that don’t send elaborate or multiple mailings and whose communications are environmentally sensitive, and I initiate personal contact with at least half of the groups to which I give in order to ask them what they need in terms of money or support.

As you can see, givers come from all walks of life and from across the spectrum of wealth. What they have in common is a deep desire to extend themselves to do good in the world through being thoughtful about their giving. In the next chapter, you can begin that thought process for yourself.