

## *Chapter 1*

# Giving and the nonprofit world

■ ■ ■

**W**ithin six weeks of terrorists attacking the United States on September 11, 2001, more than \$1 billion had been donated to support the bereft families of the approximately 3,000 victims of the attacks. Americans throughout the country poured forth their help: donating blood, sending food, traveling to New York City to help sort through the wreckage of the collapsed World Trade Center buildings, and counseling those who grieved and mourned. Within days, the nonprofit sector—the Red Cross, the United Way, community 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.

The nonprofit sector had never been more important as a means for expressing concern through generous giving by people from all walks of life.

### **Why give? Charity, social maintenance giving, and progressive philanthropy**

People give for all kinds of reasons, from family tradition, a sense of obligation, or an expression of faith to a desire to act on passionately held beliefs. Most giving falls into the traditional or charity model of responding to acute, immediate crisis

needs—blankets and food for flood victims, temporary housing for homeless families. The ability to respond to crises is one of traditional philanthropy's strongest assets. Traditional philanthropy is also very good at supporting the established institutions—educational, research, religious, social, and cultural—that maintain and improve mainstream society and its structures. Traditional philanthropy is based on responding to, treating, and managing the consequences of life in the social order as it has developed in our country.

Progressive philanthropy, on the other hand, analyzes and responds more to cause than effect. Progressive philanthropy supports what is called “social change”—that is, actions that seek to identify and address the root causes of disadvantage or practices that threaten values such as equity or a healthy planet. For example, once warm and dry, flood victims may want to join together to advocate for effective yet environmentally sound flood control methods, including relocating businesses and houses out of the flood zone. For homeless people, a sweat-equity program of home building and private-public partnerships for job training and education might provide more permanent solutions to their needs than shelters and food kitchens. While the need for mainstream, crisis-healing philanthropy remains, there is also a need to go beyond the Band-Aids to the wounds themselves and their source.

Progressive philanthropy strives to fund work that is pro-active rather than reactive, work that speaks to the underlying causes of people's distress. Progressive philanthropy's investment lies in challenging the assumptions that economic and social inequities are somehow unavoidable as the price of “progress” or “prosperity.”

## The public face of American giving

Since institutional philanthropy's beginnings with the wealth created by the industrial giants of the late nineteenth and early twentieth centuries, the dominant public face of philanthropy in the United States has reflected the concerns of society's powerful elite. As the scholar Lisa Durán points out in the *Grassroots Fundraising Journal*, “Definitions of philanthropy have been dominated by a view that emphasized ‘charity,’ the detachment of professionalism, the benefits of tax deduction, and giving through charitable institutions.”

At the same time, as Durán notes, philanthropic giving has never been restricted to the wealthy elite. Even though they have not been included in the traditional definition of philanthropy, immigrant communities and communities of color in the United States have a long history of giving traditions and philanthropic institutions. (*Grassroots Fundraising Journal*, Vol. 20:4, 2001.)

New views of philanthropy allow for a conception of philanthropic behavior that includes nontraditional ways of giving, as well as the giving of time, shelter, or other material resources beyond the nuclear family. For many, giving to extended family and friends is an integral part of their philanthropic values.

Social changes of the last fifty years have also brought changes to the world of philanthropy. In the United States, social and economic justice movements dating from the Civil Rights Movement of the 1960s, and including the Student Movement of the 1970s, the Women's Movement of the 1970s and 1980s, and the Lesbian and Gay Civil Rights Movement of the 1980s and 1990s have helped to spread power beyond the wealthy elite, focusing on a more democratic decision-making structure. The changes in global communications wrought by widespread use of the Internet along with the growth of the world economy have expanded our definitions of community and mobility and brought more attention to the links between the causes and effects of our actions. These sea changes have also affected philanthropy and how it is defined. We are connected as never before.

One of the goals of the movement toward a more democratic form of philanthropy has been to shift the power to decide where philanthropic dollars go. Once these decisions were the sole purview of those giving the money; now, however, many foundations involve people from communities receiving funding as decision makers.

At the same time, some of those who were slated to take over the reins of traditional philanthropy have altered its course. Many who inherited wealth in the 1960s, 1970s, and 1980s wanted to develop alternative avenues for funding that would support groups seeking the more fundamental social change represented by the social justice activities of their time. Toward that end, they started a number of public foundations across the country that are now dedicated to addressing some of the root causes of inequity, including exploitation, racism, sexism, and homophobia, and to broadening the traditional view of who gives to support fairness in America.

Among other things, these foundations fund community organizing activities and sponsor alternative cultural institutions, including street theater, neighborhood arts, and activist media. The progressive funding movement that these inheritors began now includes networks of funders, such as the Funding Exchange, the National Network of Grantmakers, and the Women's Funding Network, and many associations of givers to specific issues or populations.

More recently, the expansion of the global economy and our increased ability to communicate and learn through the World Wide Web have prompted new efforts to broaden philanthropy's scope.

## **Nonprofits: An essential link**

Nonprofit organizations are the most common vehicle in the United States for funneling 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. If you've ever checked out a library book, taught someone to read, helped an immigrant learn English, provided legal aid, made a donation to the American Cancer Society, contributed to your church or school, volunteered as a monitor for a gay pride parade, donated your used clothing to a battered women's shelter, bought Girl Scout cookies, attended the ballet or opera, taken an aerobics class at your local YWCA, donated to a scholarship fund or been a member of the Lions or Links Club, you've been a citizen of the nonprofit world.

Nonprofit organizations, sometimes collectively referred to as the independent sector, are legally incorporated organizations defined under section 501(c)(3) of the Federal Tax Code as exempt from corporate income taxes because of their mission to accomplish some 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. According to the *New Nonprofit Almanac: Facts and Figures on the Independent Sector 2001*, in 1998 there were 1.6 million nonprofit

institutions in the United States, including schools, hospitals, human service agencies, arts and cultural organizations, churches, synagogues, temples, and mosques. In the same year, the independent sector employed an estimated 10.9 million people, accounting for 6.1 percent of the national income and representing more than \$700 billion in revenue. That year, 109 million people volunteered; the value of their time is estimated to be more than \$225 billion. The nonprofit sector employs nearly 10 percent of the American workforce—more than all the federal and state governments combined.

It is clear from these facts that 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

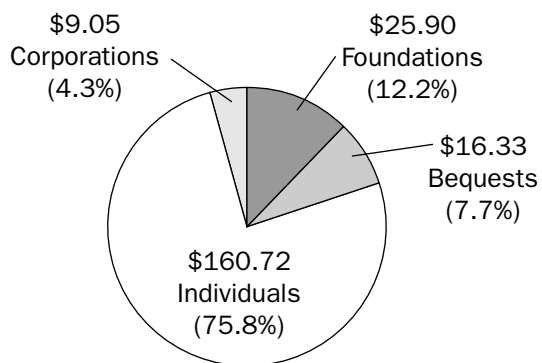
According to *Giving USA 2001*, the annual yearbook on American philanthropy, donations of non-governmental funds to nonprofits totaled \$212.00 billion in 2001 (see Figure 1.1). This amount is an increase of 0.5 percent from 2000.

If you're like most people, you probably think that most of the funds that go to charitable causes come from corporations and foundations. You're in for a surprise. *Giving USA* shows that more than 82 percent of the money given away in 2001—and for many years before that—came from individual donors (including those whose giving came in the form of bequests, that is, gifts distributed after their death). Corporations contributed 4.3 percent of the total, and foundations 12.2 percent. This general pattern has held true for a number of years.

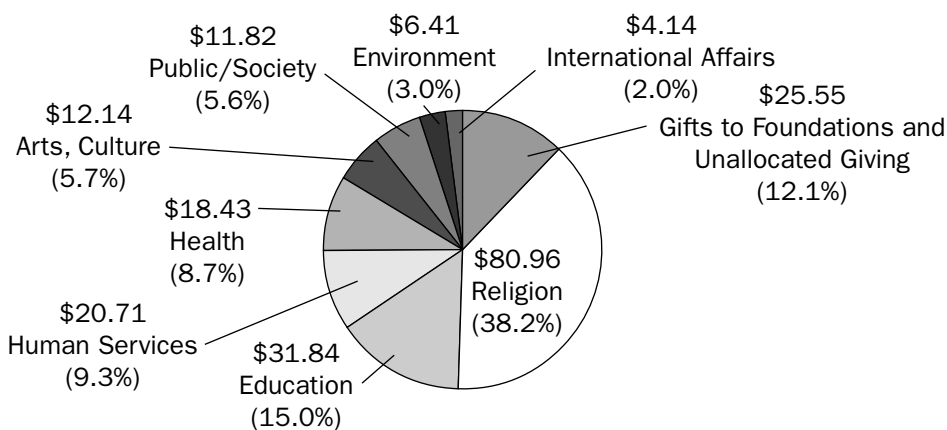
When most of us think of the philanthropy of individuals, we think of large gifts by very wealthy people to such nonprofit institutions as universities, hospitals, museums, and other traditional arts organizations such as symphony orchestras and ballet and opera companies. In 1997 Ted Turner's \$1 billion gift to the United Nations, followed soon thereafter in 1999 by Bill Gates's \$24 billion endowment to the Bill and Melinda Gates Foundation, set a very generous and even surreal standard.

The wealthy aren't alone in their giving, however. People who toil all their lives at low wages manage, through an irrepressible spirit of generosity, to be major donors

### By Source of Contributions



### By Type of Recipient Organization



**Figure 1.1 Giving 2001: \$212.00 Billion.**

American Association of Fund Raising Counsel Trust for Philanthropy/*Giving USA 2001*

as well. Oseola McCarty spent a lifetime washing and ironing other people's clothes. In 1995, when she was 87, she had saved enough money to give \$150,000 to the University of Southern Mississippi. Her donation established a scholarship fund to benefit African-American students. When honored for her donation, Ms. McCarty repeatedly expressed her wish to continue giving. Similarly, Thomas Cannon, a retired postal clerk, has given more than \$96,000 in the form of \$1,000 checks to

individuals in need, although the most he ever earned was \$32,000 a year. Many of his gifts go to strangers whose good works he reads about in the newspaper.

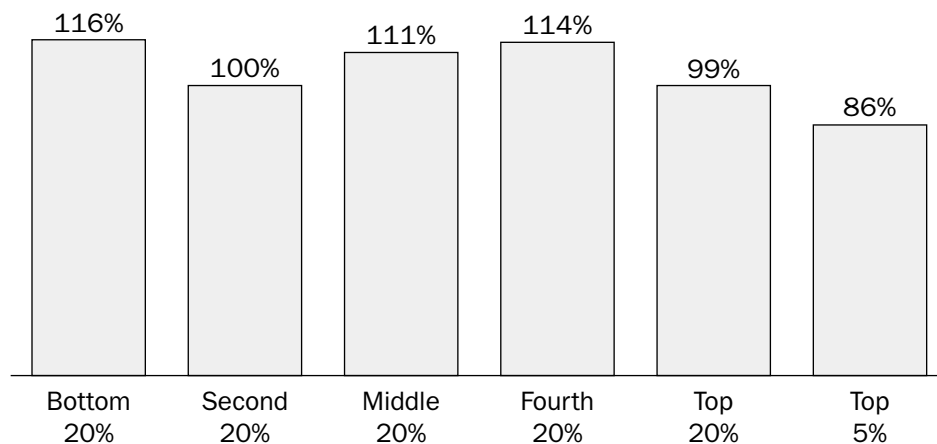
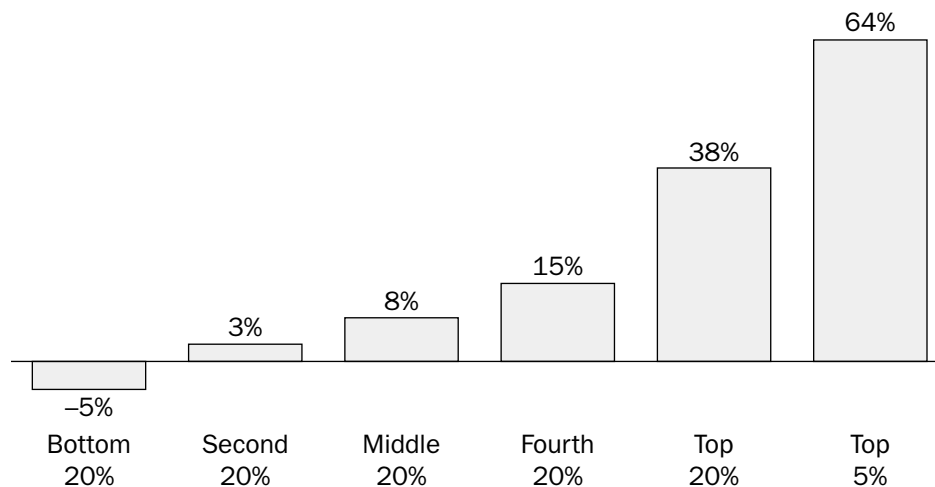
According to INDEPENDENT SECTOR's *Giving and Volunteering in the United States, 1999*, seventy percent of Americans contribute to charitable organizations. Perhaps most surprising, the bulk of money going to nonprofits actually comes from households with incomes of less than \$60,000. Looked at another way, in 1998 contributing households with incomes of less than \$10,000 give away an average of 5.3 percent of their household income to charity, while those with incomes of \$100,000 or more give less as a percentage of income—only 2.2 percent. Contributing households with incomes between \$40,000 and \$50,000 give on average only 1.4 percent of their household income. In relation to income, then, our largest and most generous donors are those who are the poorest. Nearly 40 percent of all donations in America are given through religious institutions, which distribute humanitarian aid and other community services.

This means that whether you give a lot or a little, when you join the community of donors—to traditional philanthropy or social change—you join millions of other Americans who make charitable gifts and support nonprofit work that speaks to their ideas of caring and commitment to one another and the world.

## The role of private philanthropy

While private support of nonprofits rises a little each year, over the last few decades government support of nonprofits has been diminishing. As impossible as it is for private individuals to completely offset the government's extensive budget cuts to social services and arts institutions, the role of the individual donor is nevertheless increasing in importance as more and more nonprofits lose their governmental financial underpinnings.

During the 1990s the country's economy boomed and, as Figure 1.2 shows, a small percentage of families at the top of the economic ladder became much wealthier, including through stock earnings in a long bullish market, while the income of families at the bottom did not keep pace.

**Rising Together: Change in Family Income, 1947-79, by Quintile and Top 5%****Drifting Apart: Change in Family Income, 1979-98, by Quintile and Top 5%****Figure 1.2 Income Inequality.**

Sources: 1947-79: Analysis of U.S. Census Bureau data in Economic Policy Institute, *The State of Working America 1994-95* (M.E. Sharpe: 1994) p. 37. 1979-98: U.S. Bureau Historical Income Tables, Table F-3.

(Adapted from [http://www.ufenet.org/research/income\\_charts.html](http://www.ufenet.org/research/income_charts.html))



## How nonprofits affect our lives

Nonprofit organizations express some of the most caring aspects of our humanity and our desires for equality and justice. More than we may realize, our world counts on volunteers and donors.

What if there were no nonprofit organizations? Imagine . . .

- No local churches, temples, synagogues, or mosques
- No low-cost tuition and financial aid at schools or colleges
- No cultural centers or community theaters, symphonies, or museums
- No zoos, community gardens, or farmers markets
- A victim of domestic violence or rape without counseling and legal defense
- A town without a volunteer fire department or local Girl and Boy Scout chapters
- No community organizations fighting for justice
- No social clubs, business associations, or service clubs
- A rural or inner-city community without a health clinic
- No AIDS, alternative health, or cancer research
- Lesbian, gay, and questioning youth without welcoming crisis phone lines
- Natural disasters without the Red Cross and international aid
- No homeless shelters or soup kitchens
- No services for immigrants or refugees
- No groups fighting to protect our environment and endangered species
- Injured or lost animals without humane rescue teams
- No food banks, Salvation Army, or Goodwill

## What's underfunded

Nonprofits serve some of the greatest, and most marginalized, needs in society. This list gives an idea of the kinds of groups that need more funding.

- International groups
- Bilingual programs, products, and services
- Environmental groups
- Groups serving people of color
- Groups led by people of color
- Groups serving low-income women and girls
- Programs for refugees, migrant workers, and immigrants
- Groups serving lesbians, gays, bi-sexuals, and transgendered people
- Community-based arts programs
- Rurally based programs
- Inner-city programs
- Youth organizing
- Prison reform
- Alternative health care programs, prevention, or research
- Mental health services for low-income clients
- Programs for single parents and their families
- Low-income or affordable housing
- Programs and strategies to further systemic change
- Policy research and advocacy
- Collaborations, especially statewide or international
- Alternative media and access to media and technology
- Public interest law and legal aid
- General operating support (instead of project-specific funds)

Inspired philanthropy poses two important questions: Given the currently low levels of government funding for social services and other nonprofit activity, what is each person's responsibility to help? And do those with higher incomes or more assets have a greater responsibility?

We believe that everyone has a responsibility as citizens of the human community to give as much of ourselves as they can. After all, why do we have to accept such widening gaps between the rich and poor? Why in fact, should such degrees or conditions of poverty exist at all? For those of us whose personal wealth or earnings have grown over the years, we feel we should consider matching our expanded financial resources or longer-term asset growth with equally strong community generosity.

## What motivates people to give

What is the inspiration that motivates people to give? The answer is, of course, somewhat different for everyone. Some follow the tradition and examples of giving and volunteering they were raised with. Others are moved by witnessing injustice or consider themselves moved by faith. What is almost indisputable is that in the act of giving time, skills, or money, we all feel the spark of our original inspiration, which propels us to continue giving.

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

### John Gage: Living and giving simply

A former monk, I left the Jesuit order ten years ago when I was 40, but I keep my vow of simplicity. I feel strongly that America is caught up in over-consuming, and I find it troubling that most people do not see or feel the effects of what I consider to be global greed. Although I live on less than \$8,000 a year, I give away 6 percent of my income. I still focus my giving on the goal of "restoring right relationship between peoples and the planet" that informed the giving practices of my Jesuit order.

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.

### **Greg Garvan: Giving back**

In the early 1990s I received an inheritance that gave my family many new choices. It also presented us with a number of questions: Do we give all or part away? Do we keep it for retirement? Save some for the kids?

First we followed the age-old advice not to make any major changes for a year. During the 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 (see Chapter Ten) that would add income to our retirement funds.

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 owned a textile company for 120 years in the South, the profits of which had contributed to my inheritance, my wife and I decided to give back to those people whose relatives had been underpaid by the textile business.

Through my own 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. The program had become so successful that churches far outside the local area wanted produce for their own farmers’ markets. To be able to transport fresh produce to these more

distant markets, the project needed a refrigeration truck. Learning of this need, my family and I provided the money to buy the truck.

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's start-up funding to hire a marketing and fundraising specialist.

My advice to donors is to talk to folks. Groups usually know what they need or want to try. Do you have the ability to respond to their request? Try to do some homework about the group's financial situation or vision, or check out their collaborations. Have fun doing it. If you're lucky enough, a good part of your community nonprofit investments will work and be a spiritual experience. In the meantime, you'll also grow and learn so much about your community. What could be better!

### **Peter and Jonathan: A couple's commitment**

We are both committed environmentalists and give regularly to nonprofits. When we read that the Women's Forest Sanctuary in California needed investors to help refinance mortgages on their fourteen acres of old-growth redwoods, we decided to help. We sold some of our stock and loaned the money to the Forest Sanctuary for a modest 6 percent return. Though this meant a lower return than we had been making in the stock market in those days, the decision was gratifying. It gave us the chance to feel part of saving one of the world's greatest resources. As a side benefit, we eliminated the higher capital gains taxes we had been paying on those high-earning stocks.

Given that we're only in our 30s, have good earning potential, and don't need to use income from our stocks now, this was an easy decision—but our love of the trees was the highest value.

