

Upfront

Destination Unknown: Donors' money isn't going where they think it is

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Destination Unknown

Donors' money isn't going where they think it is

Although many donors say they give to help the poor, surprisingly few of them donate to organizations that directly assist the needy, shows our Google.org-sponsored study. Surveying 10,000 households that represent the racial, ethnic, regional, and socioeconomic diversity of the United States, we examined the philanthropic intentions and actions of more than 8,000 contributors who in 2006 made more than \$16,000,000 in combined charitable donations.

Our findings show that there is a wide gulf between donors' intended and actual giving. The largest segment of respondents (47 percent) said that their primary reason for giving to charities was to assist the needy. Yet in 2006, these donors dedicated only 6 percent of their giving to organizations that aim to meet people's basic needs in the United States, and sent just 2 percent of their donations to organizations that aid people in other countries. At the same time, they gave the bulk of their charitable contributions (60 percent) to religious causes.

Respondents whose main philanthropic goals were to make their community or the world a better place (38 percent of the sample), to provide services that government doesn't (5 percent), or to achieve other ends also made most of their donations to religious organizations (see graphs at right).

To explore whether respondents' donations to religious organizations actually did serve the poor, we evaluated the organizations to which respondents donated. We found that only 2 percent of these organizations

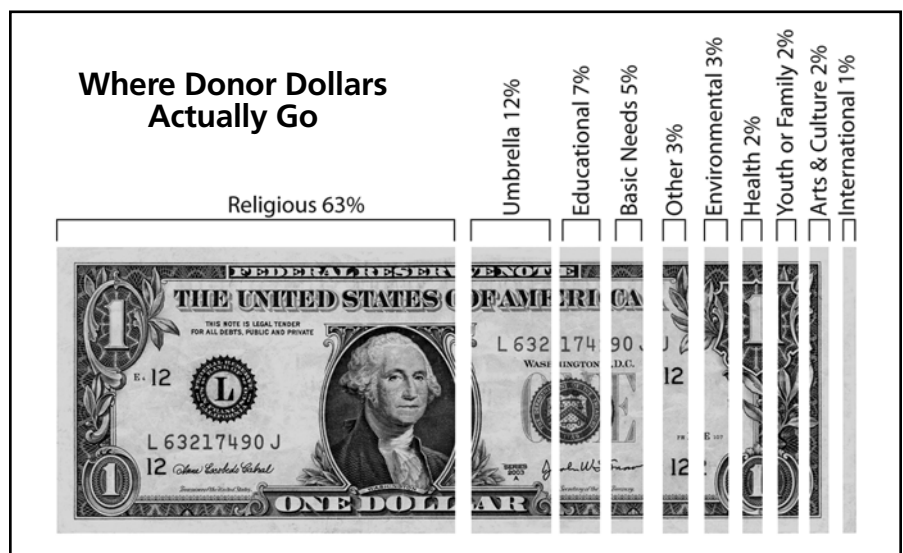
had a nonreligious mission, according to the National Taxonomy of Exempt Entities Classification System, which was developed by the National Center for Charitable Statistics.

Prior research conducted in cooperation with the Center on Philanthropy at Indiana University also found that religious organizations devote only a small share of their spending to social services, with estimates ranging from a slim 3 percent of congregational revenues to a more substantial 24 percent.

Consequently, when donors in our study gave to religious organizations, they were not likely to be providing for the poor. Despite this discrepancy, more than 67 percent of respondents felt confident that their contributions would reach their intended targets. Indeed, donors felt most confident about their gifts to religious organizations, compared to other types of organizations.

Donors to religious organizations are not the only ones whose philanthropy likely misses its mark. Most donors who contributed to nonreligious organizations likewise cast their funds in ways that do not directly target the needy. Of the donors who made their biggest gifts to education, for example, 89 percent gave to institutions of higher learning or to other types of educational organizations, such as school districts, private schools, and preschools. Yet these educational organizations do not focus on people living in poverty. (For more about how donations to educational institutions may actually increase inequality, see "A Failure of Philanthropy" in the winter 2005 issue of the *Stanford Social Innovation Review*.) Although education, like religious guidance, can benefit the poor, its mission is far broader and different from that of donors' stated objectives.

Our survey did not examine *why* donors think their money is going toward their intended targets. But our experience suggests *how* donors can better align their objectives with their actions. When donors get a call from

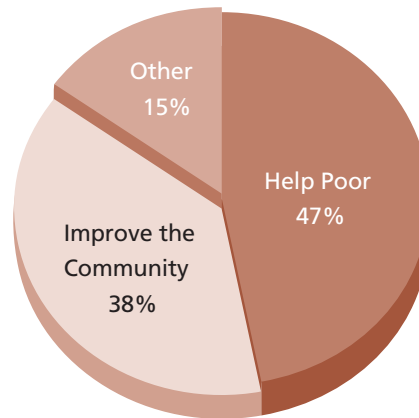


a fellow alumnus or a plea from the pulpit, they should ask how the organization allocates contributions. They should also proactively seek out those organizations that best meet their philanthropic objectives.

At the same time, charitable organizations should explicitly state what types of programs receive what levels of funding. For many nonreligious organizations, this information is available on their tax reporting documents. For donors to use the information, however, venues and formats need to make it far more straightforward and easy to access.

In contrast, religious organizations do not have to report how they distribute their contributions. These

Where Donors Want Their Dollars to Go



recipients of a vast share of American philanthropy could take the high road

and reveal how they allocate donations. They could also pledge to spend a certain amount of their donations on social services for the poor. In this more transparent climate, donors could more easily achieve their philanthropic goals. Their increased satisfaction, in turn, might inspire them to donate even more.

According to *Giving USA 2007*, Americans gave more than \$295 billion to charitable causes in 2006 – more than the profits of the top 10 companies of the Fortune 500 combined. For philanthropy to be a truly great American success story, more of that money must find its way to its intended recipients. –Ellen Konar, Sheryl Sandberg, & Melissa Brown

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