

WISE GIVING™

GUIDE

BBB WISE GIVING ALLIANCE : WINTER/HOLIDAY 2015





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BBB Wise Giving Alliance

The *Wise Giving Guide* is published three times a year to help donors make more informed giving decisions. This guide includes a compilation of the latest evaluation conclusions completed by the BBB Wise Giving Alliance.

If you would like to see a particular topic discussed in this guide, please email suggestions to give@council.bbb.org or write to us at the address below.

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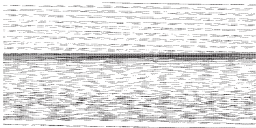
president's MESSAGE

Earlier in my career, workplace giving was a once a year campaign. Employees were encouraged to sign up for a combined charity campaign that often involved an automatic paycheck deduction on a periodic basis. Workplace giving has evolved quite a bit since then and is now more of a year-round opportunity ranging from volunteering to participation in fundraising events.

Companies are recognizing the benefit of involving employees with charity activities. More and more businesses are seeing employee “engagement” as a means to rally enthusiasm and help demonstrate that employees care about their communities. It’s also a useful way to recruit and retain employees.

We hope our cover story provides you with additional insight about these giving efforts.

Of course, the holidays remind all of us of the importance of all types of American generosity. Thank you for your interest in being informed donors. We wish you and your loved ones a happy holiday season.



H. Art Taylor, *President*

Workplace Giving: Then and Now

By Edward Loftin

Fall brings the start of workplace giving campaigns around the country, and marks the beginning of the charitable giving season that extends through the holidays. With the weather often providing opportunities for “indoor reflection,” autumn finds us looking for ways to support people and causes we care about most, and for decades, giving on the job has been a hallmark of American philanthropic efforts.

Workplace giving campaigns provide employees the opportunity to make tax-deductible contributions to charitable organizations while on the job. Traditionally, the local United Way would organize an annual campaign, employees would pledge their gift, and the donation would be deducted from their paycheck and passed onto organizations in the community. However, the relationship between workplace giving stakeholders has evolved since Community Chests were promoted on old-time radio shows.

Technological advancements, the demands of a new generation of donors, and ideological differences over participant eligibility in public workplace giving campaigns are just a few of the factors influencing modern workplace giving. Nevertheless, workplace campaigns continue to be a considerable player in charitable giving, generating over \$4 billion annually. Many workplaces now offer year-round giving opportunities, matching donations, volunteer opportunities, events and giving packages tailored to specific causes or donor bases.

Workplace giving is divided into public sector campaigns for government employees and private sector campaigns in the corporate world. In the private sector,

some corporations and businesses choose to develop their own giving campaigns, while others rely on outside expertise from one of the “big five” of workplace giving: America’s Charities, Community Health Charities, EarthShare, Global Impact or the United Way. These five charities are membership organizations that focus on connecting employees to charities. In the public sector, federal government employees rely on the Combined Federal Campaign.

This edition of the *Wise Giving Guide* will focus on describing public and private sector workplace giving, including historical context and major issues. Then we turn to some of the advantages of workplace giving, including adaptations made in workplace campaigns to remain competitive.

Combined Federal Campaign and public sector giving

Regardless of political allegiance, a discussion of “giving” and the “federal government” is going to elicit a few eye rolls. Complaining about taxes and what the

government “takes” is as American a pastime as October baseball. The truth is many government employees are dedicated public servants with the public good in mind, and each year, federal government employees make donations to charities through the Combined Federal Campaign (CFC), operated by the U.S. Office of Personnel Management (OPM). The CFC is made up of nearly 200 individual campaigns around the United States, administered by Local Federal Coordinating Committees (LFCC). Federal government offices use one of a few dozen organizations to donate to charitable organizations through workplace giving, including the “big five” charity federations mentioned above.

While the origins of the CFC date back to the late 1940s, President Eisenhower first began the formalization of workplace giving in 1956 by tasking the President’s Advisor on Personnel Management with developing a policy and program for federal employee giving. The first “combined campaigns” began as experiments in six cities in 1964, and in 1971, President Nixon announced that the CFC would be “the uniform fundraising method for the federal service,” consolidating federal employee giving and allowing these employees the opportunity to have charitable contributions deducted from their paychecks.

In the 1980s, regulations recognized the campaign management “role and responsibilities” of LFCCs, charging them with appointing Principal Combined Fund Organizations (PCFOs), the organizations tasked with administering local campaigns. Congress, the U.S. Supreme Court and the Executive Branch went back and forth over the admittance of legal defense, advocacy, or other nontraditional charities in the CFC, eventually allowing participation if a given 501(c)(3) organization “provides or conducts real services, benefits, assistance, or program activities.” In 1991, new regulations were put in place that required that funds be distributed to charities in the proportion which they were designated by workplace donors.

The CFC reached its highest giving total in 2009, with \$282.6 million donated by federal government employees. Unfortunately, this total has declined every year since, with only \$193.2 million raised during the 2014 CFC. In 2012, a report based on an audit of the CFC of the National Capital Region found \$308,820 in disallowed expenses, including travel expenses and meals. An audit of the California Gold Coast CFC in the same year found 14 instances of non-compliance and questioned \$114,161 in expenses. These particular CFC issues have been resolved, but likely contributed to distrust of the public sector giving campaign.

Stephen Delfin, President and CEO of America’s Charities, believes that, “OPM is missing the opportunity that is right in front of their nose to leverage federal employees’ inherent service orientation through a progressive CFC.” New rules to the CFC, originally set to begin in 2016, have been pushed back until 2017. While OPM argues that the new rules will help reduce inefficiencies in the CFC, some charities argue that plans to stop accepting cash donations, further consolidate the local campaigns, charge fees to charities, and centralize distribution of donations, will have a negative impact on federal workplace giving.

Private business, public good: Workplace giving in the private sector

Historically, private sector workplace giving may have evolved from Charity Organization Societies established in England in the second half of the 19th Century. Denver holds the distinction of being the first U.S. Charity Organization Society, setting up shop in 1887 to coordinate services and consolidate fundraising efforts. While Dayton natives Orville and Wilbur Wright, and perhaps Akron’s LeBron James, honed their flying skills in Ohio, of more significance to the charitable giving community is that the Community Chest was established in Cleveland in 1913, becoming a model for what we now know as United Ways.

Private sector workplace giving is either organized by employers or one of the five charity federations, ranging

in size from the church bake sale to large corporate departments. Federations determine which charities can participate in their campaigns, and Stephen Delfin of America's Charities says his organization, "Takes into consideration the CFC criteria, state and local campaign criteria, and additional reviews of financial, governance and public education and outreach efforts," along with *BBB Standards for Charity Accountability*.

A powerful example of workplace giving in the private sector comes from banking giant Wells Fargo's Community Support and United Way Campaign. Wells Fargo employees donated \$97.7 million in all of 2014, including \$70.5 million during the workplace campaign alone. These gifts supported over 30,000 nonprofits and schools, but Wells Fargo employees also contributed their gift of time, volunteering for 350,000 hours and 1.74 million for the year, "serving meals to the homeless and working in food banks; cleaning waterways and restoring parks and public land; and delivering financial education to individuals and families."

To be competitive in a marketplace with so many giving options, workplace campaigns will need to continue to adapt to the needs of employees.

The philanthropic efforts of The Bill and Melinda Gates Foundation are well-documented; but Microsoft itself engages in corporate philanthropy on a massive scale. According to the organization's 2015 Citizenship Report, annual giving for the 2015 fiscal year topped \$1 billion, which included both in-kind technology gifts (\$922 million) and cash donations (\$135 million), supporting close to 20,000 nonprofits. Cash donations are matched up to \$15,000 each year while each volunteer hour served garners an additional \$25 donation from Microsoft. In the 2013 fiscal year, 10.8% of Microsoft's U.S. workforce participated in the organization's volunteer activities; by the end of the 2015 fiscal year, this figure had risen to 14.3%, with over 486,000 contributed volunteer hours. Microsoft also leverages the expertise of its employees by providing volunteer computer science educators, and matching technical skills of individual employees with the needs of nonprofits.

Don't get hung up on the numbers: The Overhead Myth

There is a cost associated with donating to charities through workplace giving campaigns. For America's Charities, for example, the fee associated with workplace giving can be as low as 7% or up to 17%. Overall, however, the organization spends only about 5% its total expenses on fundraising and administrative costs combined. These figures are well within the thresholds set by *BBB Standards for Charity Accountability*. While there is a cost associated with doing business with charity federations, consideration should be given to the value added by the campaign organizers in their efforts to connect workplaces and charities. Additionally, many companies simply don't have the resources or expertise to run a successful campaign on their own.

As with any giving decision, employees considering contributing to a workplace giving campaign should beware of the "Overhead Myth." The concept is simple but important: Donors should not solely focus on the percent of a charity's expenses that goes to fundraising and administrative expenses. The portion of expenses directed at "overhead" is only part of the equation, and to get a fuller, more reliable picture, donors should also look at factors such as transparency, truthfulness, governance, and results reporting. It's natural for donors to want every last penny of their charitable gift to help feed the hungry and heal the sick; however, reasonable amounts of fundraising and administrative costs are also critical to mission success. The *BBB Standards for Charity Accountability* directly address charity finances to help ensure organizations aren't spending unreasonable proportions on overhead and fundraising. Remember that charities have to keep the lights on and pay their employees too.

We want results!

As with giving in general, donors in the workplace expect results. According to America's Charities' *Snapshot 2014*, which surveyed nearly 240 nonprofits, 61% of respondents indicated their corporate partners and donors sought "greater accountability regarding impact and results measurement." Beyond results, donors want proof. 68% of *Snapshot* respondents believe that "the digital culture is driving the demand to demonstrate impact," and 68% also indicated that "operating in a digital culture requires them to be more transparent with donors and stakeholders." In a marketplace in which individuals can give to charity through a cause-related purchase of a box of cereal at the grocery store, add a dollar to support a cause at

checkout, and text a donation on their way to the car, workplace giving campaigns need to ensure their charities are telling their impact stories.

BBB WGA Standards 6 and 7 address this push for evidence. Standard 6 calls for charities to have a board *policy* of assessing the performance and effectiveness of the organization at least once every two years, and Standard 7 calls for charities to submit a written report to the board which outlines the results of this assessment. The BBB WGA understands that the metrics will be different for smaller or larger organizations, and that a conservancy group will obviously use different measurement tools than a health research organization. Regardless of size or scope, we encourage all charities to think critically about and measure their effectiveness. Each organization chooses how it measures its own success at fulfilling its mission, as well as the future actions needed to reach their goals.

You reap what you sow: The rewards of workplace giving

Giving through the workplace can be a rewarding form of charitable giving as many giving federations and employers offer ways to engage with charities beyond checking a charity's social media feed or browsing through charity websites. Engaging younger donors is especially important simply because these young adults will be supporting charities for decades to come. However, Steve Delfin of America's Charities points out that engaging Millennials with the expectation of greater giving is unlikely to bear much fruit. He adds that greater giving is a function of "awareness, engagement, age and disposable income." The logic is that, generally, younger donors don't have the same financial resources as older donors, but charities *can* help raise awareness and engage younger donors.

Student United Ways, on 80 college campuses across the U.S., offer just this type of Millennial engagement by calling on young leaders to "identify and meet needs on campus and in their communities." Projects range from tutor and mentor programs to poverty simulations. Down the road, in the workplace, the young adults will remember their experience with Student United Way and hopefully participate in workplace giving.

Some United Ways offer Affinity Groups that target specific groups of donors such as young professionals, women or African American donors. Joe Haggerty, Executive Vice President and COO of United Way Worldwide says "the key is engagement," stressing the importance of the face-to-face meetings Affinity Groups offer. While any gift is valuable to a charity, the

intangible benefits of giving or volunteering as a team feel more rewarding than punching the dollar value of your charitable contribution into an iPad screen before bedtime.

Community Health Charities (CHC) has developed "Cause Platforms" that address the needs of employees, bundling "Signature Causes" into packages such as EveryKidDeserves, which focuses on children's charities, and HomeFront, which targets aid to military and veterans groups. The First5 bundle takes aim at five diseases "that drive costs for companies and their employees, including heart diseases, diabetes, cancer, arthritis and mental illness and addiction." Tom Bognanno, President and CEO of CHC, states that, "A productive workforce is one that is engaged, with healthy employees that are volunteering and using the resources a charity provides at a community level." To this end, beyond the opportunity to give to a specific cause, employees can use CHC's Health Matters at Work, a portal connecting employees to support groups, programs and services provided by a nationwide network of health charities.

To be competitive in a marketplace with so many giving options, workplace campaigns will need to continue to adapt to the needs of employees. Coordinators of workplace giving campaigns need to "play to the strengths" of their fundraising model while keeping a close eye on trends in technology, social media and the giving habits of younger employee-donors. Successful campaigns will increasingly need to include charities that have been subject to holistic vetting and can show evidence that their work is making a difference. Allowing flexibility in giving options and engagement opportunities will also be critical to ensuring workplace giving remains an important part of the public and private sector charitable giving equation now and in the future.