Informed Giving: Information Donors Seek Before Donating

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The types of information donors gravitate towards when making giving decisions span a wide variety of metrics, anecdotal data, and sources. As a leading evaluator in the nonprofit sector, Charity Navigator has a unique viewpoint of what donors ask for when researching a charity, and while donor desires vary, some patterns in donor research are evident. Charity Navigator evaluates mid-to-large size charities, so donors who visit our website are typically concerned with the financial health, transparency, and legitimacy of the organizations they are considering supporting. For a donor seeking to give to a local charity, seeing impact, such as a family receiving food from a local food bank, may be all the information he or she needs.

Based on our interactions with donors and charities, we have seen that many donors do some form of research before engaging with a charity. Approximately one in three donors conduct research before giving.[1] Ten million individuals used charitynavigator.org in 2016 to do so. Typically, donors begin their research by looking for charities that serve causes they are passionate about. Donors whose research stops there typically support a charity they are familiar with, be it a charity with a household name or one that a friend has asked them to support.

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[1] Root Cause, "Informed Giving: Information Donors Want and How Nonprofits Can Provide It," Root Cause. Accessed February 28, 2017, http://www.rootcause.org/docs/Blog/Informed_Giving_Full_Report.pdf.

Donors who wish to take their research further often are not sure what to examine. It is the responsibility of leaders in the sector to help direct donors to the information that will assist them in making wise giving decisions and encourage nonprofits to publish this type of data.

Information Donors Seek

Charity Navigator receives a plethora of correspondence from donors simply asking whether or not a charity is doing good work. This question suggests that donors want to know whether the charities they plan to invest in are having a positive impact. Most charities do not monitor, report, or share their results publicly. In fact, Feedback Labs found that just 2.5 percent of the charities rated by Charity Navigator had results-related terms[2] (*outcomes*, *impact*, *logic model*, *results*, etc) on their website at all. As a result, many donors have come to rely on program expenses as a proxy for impact: if Charity A spends 88 percent of its resources on its programs, it is assumed that it must be having a significant impact in the lives of its constituents. In 2013, BBB Wise Giving Alliance, Guidestar, and Charity Navigator published a letter, titled *The Overhead Myth,* which stated, "At the extremes the overhead ratio can offer insight: it can be a valid data point for rooting out fraud and poor financial management. In most cases, however, focusing on overhead without considering other critical dimensions of a charity's financial and organizational performance does more damage than good.[3]" Relying *solely* on expense ratios when making decisions is not an accurate way to measure charity performance and effectiveness.

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[2] Meg VanDeusen and Sarah Hennessy, "Can website data help measure our impact?," FeedbackLabs, June 22, 2016. Accessed February 28, 2017, http://feedbacklabs.org/can-website-data-help-measure-our-impact/.
[3] "The Overhead Myth," Ken Berger, Jacob Herald, and Art Taylor to The Donors of America, in The Overhead Myth, 2013. Accessed March 1, 2017, http://overheadmyth.com/.

Ideally we need to reach a state where donors can easily understand "what has my money done," as well as "where is my money being spent."

Donors also look at impact stories in place of impact data. Anecdotes, which may not give a complete picture of a charity's impact, are meaningful to many donors because they allow donors to make personal connections with the charity. According to nonprofit digital communications expert Daniel Melbye, "...telling the story through a real person's experience provides an honest, trustworthy reflection of your organization and the work that you do within the communities you serve."[4] For example, we know that emotions drive giving because we consistently see spikes in web traffic during times of crisis and disaster and large increases in donations through our Giving Basket. Between the six days before and the six days after Hurricane Matthew in the fall of 2016, the number of checkouts through the Giving Basket increased by approximately 575 percent.

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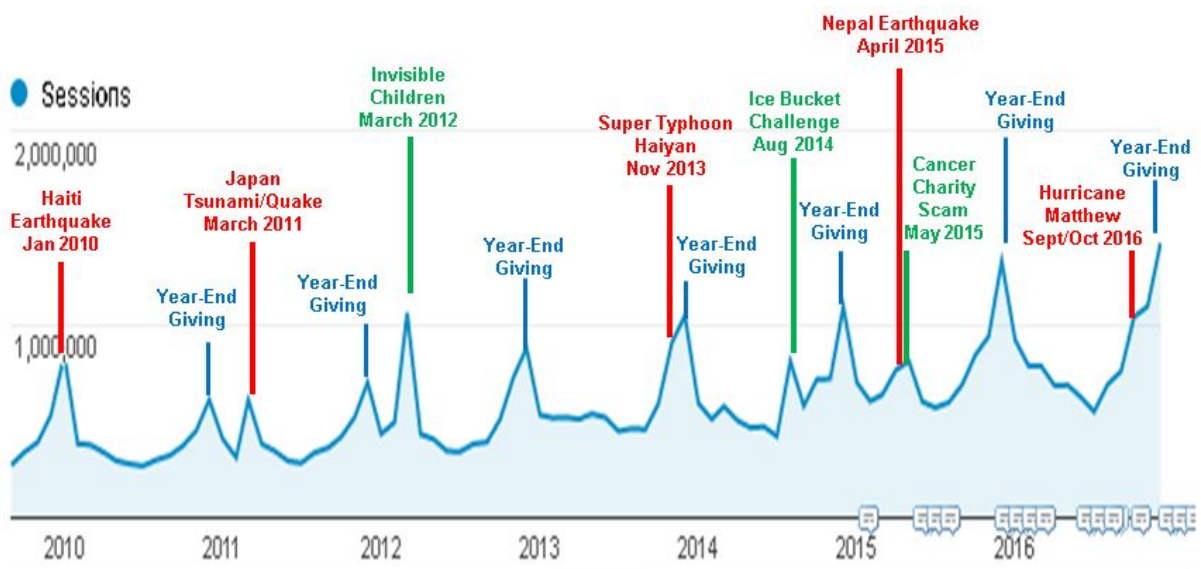
[4] Daniel Melbye, "Essential Storytelling Tips From Nonprofit Experts," Classy, March 31, 2014. Accessed February 27, 2017, https://www.classy.org/blog/essential-nonprofit-storytelling-tips-from-charity-experts1/.

We largely credit these disaster-related donation spikes to our [Hot Topics](#), which list charities that have a 3-star or 4-star rating and allow donors to designate their gift to the crisis at hand, among other criteria. The criteria we use speak to concerns that donors have communicated to us in such circumstances. Donors giving in these times are driven by emotion, but they are often unfamiliar with the charities providing the services they are aiming to support. Donors seek external validation from sources like Charity Navigator to confirm that these charities are trustworthy. Donors look for honesty and transparency from the charities they are considering supporting, but want to be emotionally engaged in the giving process.

Information Donors Should be Encouraged to Consider

Since donors want to make an impact when giving, leaders in the sector, such as charity evaluators and charity regulating agencies, must strive to educate donors on what information is available to them. This can start by assisting them in understanding the IRS Form 990, as demonstrated through the simple rendering of this data on a [Charity Navigator ratings page](#), educating them on what [questions to ask organizations before donating](#), and, if needed, directing donors to the proper [charity regulation agencies when reporting scams](#).

The internet has significantly increased the amount of information a donor can access when researching an organization. Charities are increasing their transparency through their websites and governance practices; in the few years after we began evaluating [Accountability & Transparency](#), 58 percent of rated charities have improved their transparency practices. This makes researching a charity much easier for donors, while simultaneously encouraging them to learn greater detail about the charity. For example, the Form 990 is now made available on many

charity, foundation, and evaluator websites, providing access to the information required to

evaluate the financial health of a charity; previously, a donor would have to call a charity or the

IRS and make a formal request for a copy of the 990.

Encouraging Charities to Make Information More Accessible

Sector leaders also have a responsibility to educate charities on what information they

should publicly provide. As outlined above, Charity Navigator's experience with collecting

outcomes measurement data, information about a charity's results, from approximately 3,000

charities showed that many organizations do not have this type of information readily available,

and many have questions about how to start collecting and publishing it. Providing tools to assist

organizations in being more transparent about their results helps mobilize the sharing of data

donors can use when giving.

In a similar vein, charities themselves should encourage communication with their

donors, whose interest in particular data points and information can vary significantly. Donors

should be able to get information about the charity's successes and failures, its programs, its

constituents, and its impact. Reaching out to a charity gives donors confidence, or solidifies a

lack thereof, in a charity's ability to bring about long lasting and meaningful change in the lives

of the people and communities that inspired the donor to give in the first place.

When charities, charity evaluators, and regulators work in tandem on informing donors,

we can increase sector transparency and give donors what they need to make wise giving

decisions. Different donors find a wide variety of information helpful, but sector leaders have a

responsibility to help guide them toward information that allows them to truly make informed

giving decisions. Not only should we making this information accessible, but we should also be assisting donors in digesting it and understanding what it truly means. Increased accessibility to information may make it easier for us to get all the information we have in front of donors, but we must be mindful to guide them to the proper resources.