BLACK HILLS
PHILANTHROPY STUDY

An in-depth analysis of the giving patterns of individual donors, businesses, and philanthropic organizations to inform the work of nonprofits in the Black Hills region of South Dakota.
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Pioneer Bank & Trust  Black Hills Corporation
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EXECUTIVE SUMMARY

A. Introduction
Philanthropy has existed in various forms in all cultures and civilizations throughout history, yet most people know little about it and its distinctive place in our lives. Studies have been performed nationally and regionally in order to obtain a better understanding of why people give, how much they give, and the consequences of the giving to society and organizations. Differences have been made between philanthropy and charity. In this study the difference between the two is not clearly defined. In general philanthropy has been defined as those individuals, foundations, or businesses that have committed to giving funds to other organizations or individuals in order to advance a cause, sustain missions that serve the betterment of humanity, and provide for public space for services and operations. Charity has been defined as the act of giving in order to meet an immediate or short term goal.

The study is seen as a first step in obtaining evidence regarding the effectiveness of the giving sources within the Black Hills. The findings provide some preliminary insight into the giving patterns and rationale so that it can be used for future development and strategic planning by nonprofits, philanthropic organizations, and businesses.

Objectives
The purposes for the study included:
- The development of a giving profile of donors that can inform nonprofit and philanthropic organizations of the support patterns within the Black Hills.
- The aggregation of findings to reflect the giving patterns of different types and sizes of organizations.
- To match nonprofit organizational needs with the various funding sources and giving priorities.
- To help nonprofit organizations develop realistic and achievable strategic and advancement plans to sustain the work of their respective organizations.
- To provide philanthropic organizations and businesses with an overview on how nonprofit organizations are dependent upon a variety of funding sources in order to meet their respective missions.

Methodology
Three questionnaires were developed by a committee of philanthropic, nonprofit, and research organization professionals. The three questionnaires focused on collecting data from three different target populations: (1) individual household residents, (2) nonprofit organizations, and (3) philanthropic foundations, individuals, and businesses. The target populations resided in at least one of the six counties constituting the Black Hills (Butte, Lawrence, Meade, Pennington, Fall River, and Custer). Within this area there were 62,042 households, 1,100 nonprofit organizations, and 5,983 non-farm businesses.

Twenty percent of the individual households were randomly selected to complete an online donor questionnaire. Paper copies of the questionnaire were available upon request. The response rate was 7.8% generating a margin of error of ±4.75%. Two hundred fifty nonprofit organizations were asked to complete the nonprofit questionnaire with a response rate of 39.2%. Five hundred non-farm businesses and philanthropic organizations were randomly selected to complete the business questionnaire with a response rate of 12.4%.
B. Study Findings

Individual Donors

Three out of four respondents (71.5%) resided in town or city limits with 61.1% of respondents being female. A majority of the respondents (71.8%) reported having an associate degree or higher of education. The average household income of the respondents was $69,700 and the median was $65,000. The median household income for the State of South Dakota is $62,000 per the 2011 U.S. Census. Eighteen percent (18.3%) of the respondents reported having a 2011 household income of $100,000 or more.

Of the households who reported giving to a charitable organization, 44.9% give between 2% and 5% of their annual income each year. In one year, 48% gave up to $1,000 while 5.5% of the respondents gave over $10,000. The majority of respondents reported giving donations to support programs focusing on assistance, education, and services to those in need (78.7%). Two thirds reported giving to support the general operations of an organization (62.3%) with another third reporting that help for organizations to purchase equipment, renovate or build was their preference for giving (30.1% to 36.0%, respectively).

Figure 2. Activities of nonprofits that individual donors support
The top five reasons for giving (strongly or somewhat agree) to an organization were:

- I believe in supporting the cause an organization promotes. (87.4%)
- It is an organization that I can trust. (86.7%)
- The organization is well-managed and effective. (75.3%)
- I want to help my community or my church. (74.3%)
- Charitable giving is a personal belief, obligation, and tradition. (55.5%)

Figure 3. Reasons for individual donor giving

The top five reasons for not giving¹ (strongly or somewhat agree) to an organization were:

- I cannot afford to give. (91.7%)
- I think some charities have high administrative costs. (75.0%)
- I am not sure my gift is being used appropriately. (66.7%)
- I volunteer my time instead of giving money. (66.6%)
- I do not know enough about an organization or charity requesting support. (58.3%)

¹ Note that only 12 respondents replied to this particular question, so percentages should not be heavily considered. A graph is not provided for this very reason.
Nineteen percent (18.9%) of respondents reported having a will that included a charitable gift. One third of the respondents (34.3%) did not have a will at all. When asked about what percent of their income they would give for the next three years, the percent reporting they would give 2% to 5% of their income slightly increased to 47.6% from the reported current giving level of 44.9%. The slight increase was also observed at higher giving levels.

Two-third of the respondents (61.7%) gave to charitable organizations because they were a member of that organization or church, while 43.3% gave because of an invitation to an event or attendance at an event for the organization. Personal requests for donations resulted in 38.9% of donors making a gift, while 4.7% gave as a result of telephone solicitation.

Figure 4. Most individual donors give based off membership or event attendance

Corporate and Private Donors

Fifty-one (51) business and foundation donors responded to the survey. Unfortunately, the survey did not require responses on critical demographic questions such as asset size and giving, therefore creating profiles of business/foundation donors is not statistically appropriate due to a lower response on those key questions. Thus, business and foundation donors will be described as an entire population throughout the report.

Roughly two-thirds of the survey population (70.6%) included non-farm businesses while the remainder consisted of foundations (private, business, and public), individual philanthropists, and other charities. Nearly half (47.1%) of those that responded serve the Black Hills or western SD region. Approximately 10% served a city or town only. The age of the business and foundations was evenly distributed to young organizations (<5 years) to well-established organizations (>30 years). The respondents prefer to give regionally within the Black Hills geographic area.

Forty percent of the philanthropic organizations gave more than $1 million to nonprofit organizations, while 50% of the businesses gave at least $7,000 in the previous year. The average total donation or gift from a philanthropic organization was $818,475. The average business donation or gift size was $12,970.
The total amount of funds granted or donated by 37 organizations or businesses last year was:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Number</th>
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<tbody>
<tr>
<td>$0</td>
<td>3</td>
</tr>
<tr>
<td>$1 to $1,000</td>
<td>7</td>
</tr>
<tr>
<td>$1,001 to $5,000</td>
<td>6</td>
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<tr>
<td>$5,001 to $10,000</td>
<td>9</td>
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<tr>
<td>$10,001 or higher</td>
<td>10</td>
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<tr>
<td>Not sure</td>
<td>2</td>
</tr>
</tbody>
</table>

A detailed breakdown of those that indicated “$10,001 or higher” in gifts/donations last year is as follows - (1) at $12,500; (2) at $20,000; $25,000; $39,000; $110,000; $150,000; $435,000; $2,000,000; and $4,100,000.

The top five business and foundation primary and secondary priorities are:
- Helping people in need, such as the poor, hungry, or homeless
- Encouraging child and youth development
- Helping the elderly
- Helping victims of a natural disaster, such as a flood, tornado, or hurricane
- Helping victims of crime, domestic violence, or abuse

Figure 5. Role of institutions and individuals regarding charitable issues from the perspective of an individual donor
Over half of the respondents (52.4%) believed that five or more years of financial support should be made available for nonprofit organizations and programs. Seven percent of the respondents (7.1%) believed support should be limited to one year. Overall, 73.3% of the respondents reported that the people in the Black Hills are generous in supporting nonprofit and religious organizations.

Figure 6. Strong support for organizations to receive funding for more than 3 years from any one grantmaker

About half of the respondents (45.7%) believed that local charities should coordinate the timing of capital fundraising efforts. One-third of the respondents (32.6%) were not sure of this activity. Capital campaigning draws a lot of funds to a single project and may reduce potential funding opportunities where there are simultaneous capital campaigns for two or more nonprofit organizations.

The primary giving priorities for businesses and philanthropic organizations included:

- Helping people in need, such as the poor, hungry or homeless; and
- Encouraging child and youth development

The second level of priorities included:

- Helping people who have disabilities;
- Drug and alcohol use and abuse prevention;
- Helping victims of crime, domestic violence, or abuse;
- Helping fight mental and physical illnesses;
- Arts and cultural organizations;
- Organizations that help other organizations (e.g. United Way);
- Beautification projects; and
- Protection of the environment.
Figure 7. Giving priorities amongst businesses and philanthropic organizations for individual donors

<table>
<thead>
<tr>
<th>Priority</th>
<th>Secondary</th>
<th>Not at all</th>
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<tr>
<td>Supporting beautification projects.</td>
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<tr>
<td>Supporting economic development initiatives.</td>
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<tr>
<td>Supporting animal or wildlife shelters and zoos.</td>
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<tr>
<td>Supporting organizations that support many different charities, such as The United Way or Black Hills Area…</td>
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<tr>
<td>Supporting community resources such as the library or parks.</td>
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<td>Supporting arts and cultural organizations.</td>
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<tr>
<td>Working to protect the environment.</td>
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<tr>
<td>Supporting religious-based charities beyond the maintenance of the organization, like church…</td>
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<tr>
<td>Supporting a church, synagogue, mosque, or other religious institution.</td>
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<tr>
<td>Supporting schools, colleges, universities, or other educational institutions.</td>
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<td>Helping people who have disabilities.</td>
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<td>Working to prevent drug and alcohol abuse.</td>
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<td>Encouraging child and youth development.</td>
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<td>Helping fight mental and physical illnesses.</td>
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<td>Helping the elderly.</td>
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<td>Helping victims of crime, domestic violence, or abuse.</td>
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<td>Helping people in need, such as the poor, hungry, or homeless.</td>
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Nonprofit Organizations

Two-thirds of the respondents (66.7%) reported that their nonprofit organization provides services in the Black Hills area that are not available from other organizations. One-fourth of the respondents (24.6%) identified themselves as a social service organization with 10.8% each being educational agencies and youth serving organizations.

Figure 8. Nonprofit organizations, classified

About half of the organizations (48.7%) had less than $1 million in assets. One fourth of the respondents (25.0%) had assets over $3.5 million. Sixty-one percent (60.6%) of the organizations had total revenue less than $1 million, while 21.1% had $3.0 million in revenue for the previous year.
Just over half (55.6%) of organizations indicated that their primary source of local charitable gifts was from grants from other foundations or organizations within the Black Hills region. In ranked order, the following reflect sources of local charitable gifts to nonprofits:

1. Grants from local philanthropic foundations or organizations (55.6%)
2. Event attendance or sponsorship (50.8%)
3. Personal contact by telephone or face-to-face (49.2%)

The other forms of donations (e.g. online, direct mail, workplace giving) were much less significant in terms of generating revenue for a nonprofit organization. Of interesting note, when individual donors were asked to consider their preference for solicitation, contact by phone was near the bottom of their list, yet nonprofits do generate revenue using this method.

The highest concerns expressed by nonprofit organizations in meeting their mission focused on funding and sustainability. The prioritized list of concerns included:

1. Level of funding from all sources (92.5%)
2. Lack of sustainable funding (90.2%)
3. Retention of qualified staff (79.2%)
4. Recruitment of engaged board members (74.7%)
5. Cost for offering services (72.2%)
6. Recruitment of qualified staff (68.1%)

The majority of organizations (55.6%) received most of their funding from local philanthropic organizations or the United Way followed by events and sponsorships (50.8%). Donations are obtained by personal contact (49.2%) and direct mail campaigns (31.7%). Online donations are received by 11.1% of the organizations although two-thirds of the nonprofit organizations (64.6%) indicate that individuals can make donations online. Sixteen percent of the organizations reported getting estate gifts and contributions to their endowments. Forty-four percent of the organizations (44.3%) reported having an endowment or foundation. Two-thirds of the respondents (67.2%) reported that the people of the Black Hills region are generous most of the time.
Figure 11. Sustainable funding from all sources top areas of concern for nonprofits

- Lack of sustainable funding
- Retention of engaged board members
- Recruitment of engaged board members
- Retention of qualified staff
- Recruitment of qualified staff
- Cost for offering services
- Availability of clients or request for services
- Facility upkeep or upgrade
- Lack of succession planning
- Level of funding from all sources
- Compliance to state regulations
- Compliance to federal regulations

Legend:
- Very Concerned
- Some Concern
- No Concern
One out of every four organizations (25.4%) consider a “major gift” to be between $1,000 and $2,000; second to that, an additional one out of every four organizations (22.2%) consider $500 to $1,000 to be a “major gift”. An additional fourth (22.2%) of organizations feel that a gift between $5,000 and $10,000 is major.

**Figure 12. Major gifts defined as $500 to $2,000 by most nonprofit organizations**

More than half (51.6%) of organizations reported that zero (0%) of their board members support the organization at the “major gift” level.

**Figure 14. Board member "major gifts" activity**  
**Figure 13. Percent of board members that give $**
Figure 15. Attitudes about nonprofit effectiveness

- There is a reliance on intuition and subjective reports to our organization’s board of directors to show program effectiveness. (54% strongly or somewhat agree)
- Funders are requiring external evaluation of programs to determine the effectiveness of a major donation or grant to our organization. (58% strongly or somewhat agree)
- Our organization is placing a greater emphasis on program effectiveness to share with funding sources and donors. (81% strongly or somewhat agree)
- Our organization has a good understanding of its overall performance in meeting identified needs. (89% strongly or somewhat agree)
- Compared to where our organization was a decade ago, our organization has made great progress in being able to assess our effectiveness. (89% strongly or somewhat agree)

Strong agreement with several key attitudes is evidenced by the data:

- Nonprofits have made great progress in being able to assess their effectiveness over the last decade. (89% strongly or somewhat agree)
- Nonprofits have a good understanding of their overall performance. (89% strongly or somewhat agree)
- Nonprofits place a greater emphasis on program effectiveness, and share that with funding sources and donors. (81% strongly or somewhat agree)

Just over half of nonprofits disagreed (54%) with the attitude that there is a reliance on intuition or subjective reports to the organization’s board as a way to demonstrate program effectiveness.

Most nonprofits (67.2%) do feel that people in the Black Hills are generous.
## C. Results & Conclusions

In addition to the discussion within the Executive Summary, which highlighted individual results from each survey instrument – household donors, businesses and other philanthropic organizations, and nonprofit organizations – a profile of giving that reflects both individual donors and businesses/foundations has been created.

### Giving Profile of Individual Donors

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<td><strong>Generation Y</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>45 to 54 year olds</strong></td>
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|                      | • Very clear on things they do not want to support versus things they do.
wish to support.
- As age increases, so does willingness to support non-Black Hills organizations.
- Strong interest in supporting faith-based organizations and churches, as well as organizations that can be trusted.
- As age increases, an organization’s “moral compass” becomes more important.
- Even higher emphasis placed on a friend’s recommendation to support an organization.

55 to 64 year olds
- Highest agreement across all ages with the idea that philanthropy is a personal obligation and tradition.
- Unlike younger age groups, this demographic is motivated by seeing the results of their gift, and leveraging their gift as a match.

Gender

Males
- Strong support for faith-based organizations.
- Feel that local businesses should be active contributors to nonprofits.
- Less inclined to support use of tax-dollars for nonprofit support.
- More likely than women to make a larger gift.
- More likely to give to national or regional organizations.
- Slightly more interested in seeing the results of their gifts than women.

Females
- More supportive of government-based support than men.
- Less likely to make a large gift.
- More apt to support local organizations.
- Strongly motivated by an organization they feel they can trust, and that they duly support the cause of the organization.
- Stronger support than men for social and humanitarian issues (e.g. protecting the environment, arts and culture).
- Women volunteer slightly more than men do, but men tend to contribute more hours per month than women.

Volunteer Commitment

As volunteer time commitment increases...
- Level of agreement on the role of institutions and individuals in supporting nonprofits remains the same.
- Men, by slight margin, tend to be more inclined to volunteer than women. However, women tend to commit to more volunteer hours than men.
- The amount of financial support for charitable, nonprofit or religious organizations also increases.
- Types of activities supported by donors remains consistent.
- The definition of a “major gift” increases in $ amount.
- The number of “major gifts” made slightly increases.
- Length of residency increases. The longer people live in the Black Hills, the more likely they are to commit to more volunteer hours.
- So does age. The older people get, aside from individuals aged 65+ which experiences a slight decline in volunteer time commitment, the more apt they are to volunteer.
Household income remains relatively steady. Household income has very little impact upon an individual’s propensity to volunteer.

**Donor Giving Level**

As percent of income contributed to charity increases...

- The types of activities donors support remains consistent – the most likely activity for donor engagement is for programs that provide assistance, education, and services.
- The likelihood for a donor to make an online gift increases.
- The propensity for donors to make gifts to organizations outside of the Black Hills also increases.
- The reasons for giving amongst donors remains relatively consistent – the top reason for giving is that the donor believes in supporting the cause the organization promotes.
- The likelihood of that same donor volunteering more time also increases, most noticeable amongst those that give more than 6% of their income to charity.
- The donor’s preference for giving also remains constant – helping people in need or those that are victims of a natural disaster are top priority. Funding for all giving preference areas was in nearly all instances at the $1 to $250 level.
- No impact is made upon things that would negatively a donor’s interest in giving – the number one thing that would negatively influence all donors is if an organization made a call to ask for a contribution.
- No change is evident in factors that would not influence a donor – the number one item that proves to be of little to no interest for donors is public recognition of any kind for their gift.
- Slight change is evident amongst higher level donors (6% and up) with increased emphasis placed on being able to see the direct results of a gift, as well as match opportunities for their gift to further leverage their dollars spent.
- An individual’s definition of a “major gift” also increases.