

Fifteenth Edition

The State  
of  
Church Giving  
through 2003

*Excerpt*

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*The State of Church Giving through 2003*  
by John and Sylvia Ronsvalle  
published by empty tomb, inc.  
First printing, October 2005

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ISBN 0-9679633-5-4  
ISSN 1097-3192

The Library of Congress has catalogued this publication  
as follows:  
The state of church giving through ...—19uu- Champaign, Ill. :  
Empty Tomb, Inc.,  
v. : ill. ; 28 cm. Annual.  
1. Christian giving Periodicals.  
2. Christian giving Statistics Periodicals.  
3. Church finance—United States Periodicals.  
4. Church finance—United States Statistics Periodicals.  
BV772 .S32 98-640917

*Measuring  
Charitable Giving  
in the United States*

HIGHLIGHTS

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- Recommendations to improve the measurement of philanthropy include:
  - Reports of philanthropic giving need to be adjusted by population and income, as are other national statistics. The Associated Press told the American public that a fundraising industry estimate of giving rose 5.0% in 2004, while the percent change in the industry estimate of individual giving, when adjusted for population and income, was actually –1.6%.
  - Utilize the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure (CE) Survey as the unbiased, broad-gauge benchmark of living Americans' aggregate cash giving to charity, until such time as the U.S. Internal Revenue Service makes summary Form 990 giving data available. Based on an analysis of CE survey data, Americans gave 1.12% of their after-tax income for charitable purposes in 2003 totaling \$91.01 billion, with 72% going for “church, religious organizations.”
  - A permanent commission with a Presidentially-appointed and U.S. Senate-approved chair, similar to the one recommended in the 1970s by the Commission on Private Philanthropy and Public Needs (Filer Commission), is needed to establish and maintain consistent national standards of philanthropy measurement.
  - U.S. Internal Revenue Service Form 990 line item information, drawn from charitable organizations' reports of income, needs to be made publicly available on an annual basis in composite, summary form by the United States Government. Such data, once it becomes publicly available in composite form, can serve as a sound basis for reporting annual changes in Americans' per capita giving as a percent of income.

- Changes are needed in the Internal Revenue Service Form 990 to provide information about contributions from living individuals as a distinct category. In order to assist this development, the Unified Chart of Accounts needs to provide a meaningful category dedicated to contributions from living individuals.
- A policy decision is needed to change Form 990, so that a nonprofit may choose between the governance categories of either faith-based or secular. Groups also need to be able to define themselves through the use of a standard classification system, such as the National Taxonomy of Exempt Entities.
- A peer-reviewed Journal of Philanthropy Measurement would assist with developing and refining standards of philanthropy measurement.

## NARRATIVE \_\_\_\_\_

**Introduction.** As noted in earlier chapters of this volume, weakening of the charitable impulse within churches and among living individuals, in general, may be occurring across America. Useful information about individual giving patterns is important not only to individual donors and their church and other nonprofit leaders, but also to the well-being of American society, itself.

Religion continues to be the seedbed of philanthropic values. The merit of charitable giving and concern for neighbor are taught on a regular basis in houses of worship. To the degree that the church, particularly Benevolences, is losing market share in giving as a percent of income, that trend will impact the practice of philanthropy in general. Accurate information about giving patterns is vital to foster Americans' good impulses.

Current measurement of philanthropy efforts in the United States is inadequate to inform a concerned public. As Hayden W. Smith wrote in a 1993 article, "But we must face the truth: no one—repeat, no one—really knows how much money and other property is given to charity in any given year . . ." <sup>1</sup>

While this may be the present case, specific steps can be taken to improve the situation.

The media regularly report as fact annual changes in aggregate dollar estimates of giving released by a for-profit, fundraising industry trade organization, while not emphasizing the annual changes in terms of individual giving adjusted for population and income. These adjustments are essential for Americans to understand their own level of generosity.

Yet, private contributions total tens of billions of dollars each year. The nonprofit institutions that they support are estimated to constitute as much as six percent of the U.S. economy, when various sources of income including fees and government grants are taken into account. <sup>2</sup> In addition, the charitable activity that is widespread throughout American culture provides assistance to segments of the population whose needs would otherwise be severely, or in some cases completely, underserved. Whether the topic is assistance to the poor or giving to the arts in the U.S., it is difficult for Americans to obtain a good sense of

<sup>1</sup> Hayden Smith, "Some Thoughts on the Validity of Estimates of Charitable Giving," *Voluntas*, Vol. 4, No. 2, August 1993, p. 251.

<sup>2</sup> "Nonprofit Information Center"; <[http://www.independentsector.org/Nonprofit%20Information%20Center/nonprofit\\_size\\_and\\_scope.htm](http://www.independentsector.org/Nonprofit%20Information%20Center/nonprofit_size_and_scope.htm)>; p. 1 of 8/23/01 4:28 PM printout.

the condition of this society without adequate reports and measures of their charitable giving level.

***Fifth Annual Report Card on the Measurement of Philanthropy.*** As one step toward changing this condition, an evaluation scale of those involved with measuring philanthropy was designed to provide an overview of the current situation. The fourth annual Report Card on the Measurement of Philanthropy evaluated twelve national entities involved in one or more aspects of the dissemination and measurement of charitable giving information.

The overall grade, all sources combined, for the dissemination and measurement of philanthropy data in the United States was an F.

Insofar as no material change in the measurement of philanthropy was observed during the past year, the fifth annual Report Card on the Measurement of Philanthropy retains a summary grade of F, based on both the detail presented in the fourth annual Report Card, and observations made during the past year. The fourth, and de facto, fifth, annual Report Card on the Measurement of Philanthropy detail may be found in chapter 7 of *The State of Church Giving through 2002*.<sup>3</sup>

Readers are invited to send annotated references to published material that is deemed relevant to the Report Card on the Measurement of Philanthropy Detail.<sup>4</sup>

***Recommendations.*** Several steps could be taken to improve the reporting of philanthropy in the United States. Some are fairly simple to implement. Others would require more of an investment, both financial and academic.

**The Associated Press (AP) Adjust Media Reports of Americans' Charitable Giving for the Two Factors of Population and Income.** The American people have a right to know whether their charitable giving is increasing or decreasing from year to year. The measure that validly conveys that information is the category of Individual giving adjusted by changes in population and income.

The American Association of Fundraising Counsel, an industry organization of for-profit fundraising companies, through its Giving USA Foundation, which "is a public service initiative of the Trust for Philanthropy of the American Association of Fundraising Counsel,"<sup>5</sup> annually distributes a press release of its *Giving USA* giving estimates. This annual press release emphasizes the aggregate, that is, summary or total, number of dollars raised each year, and the related percent change in the aggregate billions of dollars raised. Whether

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<sup>3</sup> Chapter 7, "Measuring Charitable Giving in the United States," of *The State of Church Giving through 2002*, is available online at <<http://www.emptytomb.org/scg02PhilMsr.pdf>>.

<sup>4</sup> It is requested that references provide detailed citation information, and that reference annotations be up to one page in length, and where feasible, refer to a particular Report Card entity-category cell with its accompanying grade. Kindly include a *brief* curriculum vitae listing research and publications. It is planned that such references received by April 15 of any given year will be considered with regard to the Report Card on the Measurement of Philanthropy related to that calendar year. Such annotated references, plus a copy of the article if possible, should be sent to Sylvia Ronswalle, empty tomb, inc., P.O. Box 2404, Champaign, IL 61825-2404. For further information: <[research@emptytomb.org](mailto:research@emptytomb.org)> with Report Card in the subject heading.

<sup>5</sup> Center on Philanthropy at Indiana University, *Giving USA 2005* (Glenview, IL: AAFRC Trust for Philanthropy, 2005), back cover. Also, the copyright page of *Giving USA 2005* indicated that "The Trust" is "a foundation established by the American Association of Fundraising Counsel."

presented in current dollars or inflation-adjusted dollars, the emphasis is invariably on the aggregate or total number of dollars raised.

However, changes in giving by Americans cannot meaningfully be assessed unless giving is adjusted for, compared with, or understood in relation to, routine, annual increases in American population and income. That is, normally each year there is a national increase in the two factors of population and income.

Therefore, merely to publicize an increase in aggregate giving is to ignore the strong possibility that the growth in American population and income may have been greater than the growth in aggregate giving.

To present, as was done in the American Association of Fundraising Counsel's *Giving USA 2005* press release, the 2004 annual change in aggregate current dollar giving of 5% ignores the fact that, when added together, changes in the two factors of population and income grew faster than the change in giving. Thus, in contrast to the press release lead that giving increased 5% in aggregate dollars, the change in giving as a percent of income from 2003 actually decreased by -1.6%, using the same data, when one accounts for these factors of population and income.

This concept can perhaps be clarified further by looking in greater depth at one of the two factors, namely, population. One observes that the 5% growth in aggregate current dollar giving from 2003 to 2004 is artificially misleading because it does not take into account the fact that more people were giving money due to the population increase from 291,073,000 in 2003 to 293,951,000 in 2004, an increase of 1%. Therefore, on average, the annual change in per person donations was less than the aggregate change in donations.

Examining this concept in terms of the increase in current dollar per capita income of \$28,034 in 2003, and \$29,372 in 2004, one finds a 4.8% increase in the per capita income. Combined, the increase in population and per capita income was greater than the increase in giving. Thus, per person (population factor) giving decreased as a portion of income.

Americans thereby receive a false, overly rosy picture each year of their generosity when only the billions of dollars are emphasized. That the for-profit fundraising industry may have different interests than the American public can be inferred from the comments of two experts in the field. Ann E. Kaplan, then editor of *Giving USA*, was asked about the value of waiting to issue giving estimates in order to provide more precise information when more reliable data became available. "Ms. Kaplan says that approach is not appealing. 'The longer you wait,' she says, 'the more accurate the data, but when you're fund raising and making public-policy decisions it's hard to wait.'"<sup>6</sup>

The Center on Philanthropy at Indiana University studies the area of philanthropy, and also offers courses to professional fundraisers. The Philanthropic Giving Index is produced by the Center on Philanthropy. This index is a nationwide survey of fundraisers and consultants. One aspect of the Index is to measure the optimism of fundraisers. The Center on Philanthropy has been researching, writing, and editing *Giving USA* under contract with the American Association of Fundraising Counsel. The *NonProfit Times* interviewed Eugene R. Tempel, executive director of the Center on Philanthropy. The interview referred to the

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<sup>6</sup> Harvy Lipman, "Report's Numbers Are No True Measure of Charity, Critics Say," *Chronicle of Philanthropy*, June 3, 1999, p. 30.

*Giving USA* estimates as a validation of the optimism expressed in the Philanthropic Giving Index. “ ‘Fundraisers may be optimistic people,’ he said, noting that such an outlook helps them keep going after failed solicitations.”<sup>7</sup>

Having an optimistic report of aggregate billions of dollars raised, unadjusted for population and income, may motivate the fundraiser. However, the work of church leaders and those involved in charities focused on the poor is likely enhanced by a more sober assessment of Americans’ charitable giving that takes into account changes in population and income. These leaders need to know what portion of their constituencies’ income their donors and potential donors are spending to help others, and what portion they are spending on themselves.

In the short run, an overly rosy picture may benefit the for-profit fundraising industry as it attempts to motivate a positive attitude in its fundraisers as they gear themselves up to call on, and ask for donations from, wealthy donors. However, in the long run, the repeatedly distorted picture Americans in general receive each year of their generosity is possibly harmful to the American social fabric. This is seen in part by one available estimate, that Human Services declined –37% in per capita giving as a percent of disposable (after-tax) income for the period from 1968 to 2003.<sup>8</sup> A lack of the whole truth about giving can be detrimental to the efforts of cultural leaders to mobilize giving among their constituencies.

To publicize the aggregate growth in giving as a measure of Americans’ generosity, apart from adjusting for the commensurate growth in population and income, is tantamount to stating that national productivity can be measured by presenting the change in the aggregate business sector “output of goods and services” without comparing that output with “the labor hours devoted to the production of that output.”<sup>9</sup>

An illustration focused on population—one of the two factors of population and income that are important when considering annual changes in giving—demonstrates the significance of reporting Americans’ charitable giving in the context of core societal changes.

Philip Meyer, Knight Chair in Journalism at the University of North Carolina at Chapel Hill, and author of *The Vanishing Newspaper* (University of Missouri Press, 2004), emphasized the importance of “secular” trends such as population. Meyer, in his book, *The New Precision Journalism*, observed:

Trends make news, either because they have been going on quietly and not many have noticed or because of a sudden interruption in a trend. To focus on the newsworthy trend, you have to separate it from all the parallel trends in the background. Population is one secular trend that, like inflation, can make other trends be more or less than they seem.

The American Newspaper Publishers Association every year issues a booklet of statistical trends in the news business. It shows that newspaper circulation grows a little bit every year in the United States. That sounds like good news for newspapers, but it is not, because the population and the number of households is growing a lot faster...

For an extreme example of population growth as a confounding factor, I like to show students a scatterplot showing church membership and alcohol consumption year by year...

<sup>7</sup> Matthew Sinclair, “Giving Attitudes: Survey Shows Drop in Optimism,” *NonProfit Times*, Feb. 2001, p. 32.

<sup>8</sup> This measure is based on an empty tomb, inc. analysis of the following source: Center on Philanthropy at Indiana University, *Giving USA 2005* (Glenview, IL: AAFRC Trust for Philanthropy, 2005), p. 196.

<sup>9</sup> “People are asking...”; U.S. Department of Labor, Bureau of Labor Statistics, Productivity and Costs; <<http://www.bls.gov/lpc/peoplebox.htm>>; p. 1 of 8/10/05 12:33 PM printout.

Just by looking at the scatterplot [at five year intervals over the 1955-1975 period]... you can see that the greater the church membership, the greater the liquor sales. In fact the correlation is almost perfect. The fun part is producing theories to explain it—for example, church-going relieves people of guilt, and so they feel free to drink; or drinking makes people feel guilty, and so they go to church. Of course, both are explained by population growth, and when we detrend the numbers by expressing them as ratios to population, the association disappears.<sup>10</sup>

Data from the *Editor & Publisher International Year Book*, included in the *Statistical Abstract of the United States: 2004-2005*,<sup>11</sup> provides an interesting comparison of newspaper circulation figures both that are aggregated without regard to changes in population, and that have been adjusted for changes in population. The first data row of Table 23 shows that aggregate total daily newspaper circulation, unadjusted for concomitant changes in United States population, grew steadily at ten-year intervals over the 1970-1990 period and then declined in 2000. Conversely, the second row shows that total daily newspaper circulation, adjusted for U.S. population, declined each decade over the 1970-2000 period.

**Table 23: Daily Total Newspaper Circulation in the United States, Aggregate and Per Capita, by Decade for 1970-2000**

Type	1970	1980	1990	2000
Circulation (millions)	62.1	62.2	62.3	55.8
Per Capita Circulation	0.3	0.27	0.25	0.2

Source: Editor & Publisher Co., New York, NY, *Editor & Publisher International Year Book*, annual (copyright), in the *Statistical Abstract of the United States: 2004-2005*

Accordingly, based both on the data in Table 23, and additional data in the *Statistical Abstract of the United States: 2004-2005* for the years 2001 through 2003, it can be seen that per capita newspaper circulation in the United States that had been adjusted for U.S. population served as a de facto leading indicator, over some 20 years, for the subsequent decline in aggregate newspaper circulation that took place rather steadily after 1990.

The decline in aggregate newspaper circulation, affected by major technological shifts, may not have been preventable, even with the insights provided by the early warning system of per capita newspaper circulation. It is, nevertheless, quite possible that mass communication of news about any declines in Americans' charitable giving levels, adjusted for the combined effect of the underlying changes in population and income, would indeed be important information as Americans consider reversing negative giving trends in ways that make a useful contribution to American culture.

*The Key Role Played by the Associated Press.* The headline and its related first sentence of the annual Associated Press article on the American Association of Fundraising Counsel's *Giving USA 2005* press release is the key communicator to the American public of Americans'

<sup>10</sup> Philip Meyer, *The New Precision Journalism* (Bloomington, IN: Indiana University Press, 1991), pp. 30-33.

<sup>11</sup> U.S. Census Bureau; *Statistical Abstract of the United States: 2004-2005*, 124<sup>th</sup> ed.; published 2004; <<http://www.census.gov/prod/2004pubs/04statab/infocomm.pdf>>; "Information and Communications," Table No. 1124, p. 718 of 8/23/05 printout. Table No. 1124 provides data for five-year intervals from 1970 to 1995, and annually from 1998 to 2003.



charitable giving behavior. This AP lead is so widely distributed that it has an exponential impact on the impression that Americans form about giving.

The important role of the Associated Press in the life of the American people and American culture is seen from summary information in “AP Facts and Figures.”

Founded in 1848, The Associated Press is the oldest and largest news organization in the world, serving as a source of news, photos, graphics, audio and video for more than one billion people a day.

The AP is the backbone of the world’s information system. In the United States alone, AP serves 5,000 radio and television stations and 1,700 newspapers. Add to that the 8,500 newspaper, radio and television subscribers in 121 countries overseas, and you’ll have some idea of AP’s reach.

AP’s mission is to provide factual coverage to all parts of the globe for use by the media around the world. News bearing the AP logotype can be counted on to be accurate, balanced and informed.<sup>12</sup>

Walter Cronkite commented on the important role newspapers play in our history and our culture.

In his farewell passage for King Features, Cronkite writes that because newspapers can provide depth and breadth, they can become a “custodian of our history.”

“The decent newspapers try to be fair and present both sides of a disputed story in the community and our nation, and that is the essential of our history,” he said. “It is where historians go to do their research. This is an absolutely vital link in the chain of culture that we call our democracy.”<sup>13</sup>

*The Associated Press Focus on Aggregate Giving Data, 2002-2004.* Each year the Associated Press reports on *Giving USA*’s annual report of giving.

The Associated Press charitable giving articles’ lead, either in the headline and/or the first mention of a percent change in giving, routinely reflects the upbeat tone of the *Giving USA* press releases that are presented in terms of aggregate billions of dollars raised, unadjusted for changes in population and income. Consider the 2002, 2003, and 2004 editions of *Giving USA*.

The headline on the *Giving USA 2002* press release read, “Charitable Giving Reaches \$212 Billion.”<sup>14</sup> The headline in the 2002 Associated Press story by Helena Payne declared, “2001 Charitable Giving Same As 2000.” However, this article’s first mention of a percent change came in the second sentence, which also constituted the second paragraph:

Total giving by individuals, corporations and other groups amounted to \$212 billion, up 0.5 percent from 2000 before inflation is figured in, according to *Giving USA*, a publication of the American Association of Fundraising Counsel.<sup>15</sup>

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<sup>12</sup> “AP Facts and Figures”; Associated Press; <[http://www.ap.org/pages/aptoday/aptoday\\_fact\\_fig.html](http://www.ap.org/pages/aptoday/aptoday_fact_fig.html)>; p. 1 of 12/14/01 4:53 PM printout.

<sup>13</sup> “Walter Cronkite Lays Down His Pen”; Reuters, Los Angeles quoted in MSNBC.com; <<http://msnbc.msn.com/id/5727906/>>; p. 1 of 8/17/04 8:12 AM printout.

<sup>14</sup> AAFRC, “Charitable Giving Reaches \$212 Billion,” <<http://www.aafrc.com/press3.html>>; p. 1 of 9/26/02 2:06 PM printout.

<sup>15</sup> Helena Payne, Associated Press Writer; “2001 Charitable Giving Same As 2000”; published June 20, 2002, 12:20 PM; <<http://www.washingtonpost.com/ac2/wp-dyn/A17534-2002Jun20?language=printer>>; p. 1 of 6/27/02 9:09 PM printout.

This first AP mention of the change in percent giving, of “up 0.5 percent,” was drawn from the first mention of the change in percent giving in the AAFRC press release which, in the third paragraph on page one, read, “The 2001 giving total is an increase of one-half of one percent (0.5 percent) over the \$210.89 billion now estimated for total giving in 2000. Adjusted for inflation, giving in 2001 is a decrease of 2.3 percent compared to the previous year.”

A similar emphasis on unadjusted aggregate billions of dollars raised was evident with the release of *Giving USA 2003*. The headline of the American Association of Fundraising Counsel’s (AAFRC) Indianapolis, IN press release read, “Charity Holds Its Own in Tough Times: Giving in 2002 Nears \$241 billion, 1 Percent above New Figures for 2001.”<sup>16</sup>

The headline of the Associated Press’ 2003 article by Mark Jewell, datelined Indianapolis, announced, “Donations Held Steady in 2002.” The AP article’s first mention of a percent change, again defined by the *Giving USA* press release, came in the second sentence, which also constituted the second paragraph:

Giving rose 1 percent last year to \$240.92 billion from \$238.46 billion in 2001, according to the annual “Giving USA” report.<sup>17</sup>

The pattern observed in past years continued for *Giving USA 2004*. The Associated Press June 21, 2004, story, with the headline, “Charitable Giving Rises in 2003,”<sup>18</sup> closely reflected the optimism of the American Association of Fundraising Counsel Trust June 21, 2004, press release for *Giving USA 2004* that led with the headline and subhead of “Americans Give \$241 Billion To Charity In 2003,” and “2.8 percent growth in contributions is highest rate seen since 2000,” respectively.<sup>19</sup> This message was also reflected in the reporting, with the AP article’s lead sentence announcing that “charitable giving in the United States last year rose by the highest rate in three years...” The first mention of a percent change, that is, in the second sentence of the second paragraph, read, “Researched by the Center on Philanthropy at Indiana University, the survey showed a 2.8 percent increase over 2002, when giving amounted to \$234.1 billion.”<sup>20</sup>

*Table and Chart regarding the Disparity between Associated Press Reports on Aggregate Charitable Giving Levels, and Giving Adjusted for Population and Income.* As pointed out above, the Associated Press charitable giving articles’ lead routinely emphasizes the upbeat tone of the *Giving USA* press releases in terms of aggregate billions of dollars raised, unadjusted for population and income. This pattern of disparity between AP reports on aggregate billions of dollars raised, and the complete picture of changes in charitable giving patterns, can be observed in Table 24.

<sup>16</sup> AAFRC Trust for Philanthropy, “Charity Holds Its Own in Tough Times: Giving in 2002 Nears \$241 billion, 1 Percent above New Figures for 2001” (Indianapolis, IN: AAFRC Trust for Philanthropy, June 23, 2003), p. 1.

<sup>17</sup> Mark Jewell; “Donations Held Steady in 2002”; published June 23, 2003, 4:23 PM; <<http://www.washingtonpost.com/wp-dyn/A23604-2003Jun23.html>>; p. 1 of 6/26/03 8:49 AM printout.

<sup>18</sup> Kendra Locke; “Charitable Giving Rises in 2003”; published June 21, 2004, 12:24 AM; <<http://www.washingtonpost.com/wp-dyn/articles/A56830-2004Jun21.html>>; p. 1 of 6/25/04 4:56 PM printout.

<sup>19</sup> American Association of Fundraising Counsel; “Press Releases: Featured Press Release from AAFRC Trust for Philanthropy: Americans Give \$241 Billion To Charity In 2003”; published June 21, 2004; <[http://www.aafrc.org/press\\_releases/](http://www.aafrc.org/press_releases/)>; p. 1 of 7/5/04 1:27 PM printout, and American Association of Fundraising Counsel; “AAFRC Trust Press Releases: Americans Give \$241 Billion To Charity In 2003”; published 2004; <[http://www.aafrc.org/press\\_releases/trustreleases/americansgive.html](http://www.aafrc.org/press_releases/trustreleases/americansgive.html)>; p. 1 of 6/25/04 4:18 PM printout.

<sup>20</sup> Locke; <<http://www.washingtonpost.com/wp-dyn/articles/A56830-2004Jun21.html>>; p. 1 of 6/25/04 4:56 PM printout.

**Table 24: Associated Press Reported Aggregate Changes, Americans' Individual Giving Changes as a Percent of Disposable Personal Income, and Total Giving Changes as a Percent of Gross Domestic Product, 2000-2004, from Prior Year's Base: Giving Data from *Giving USA* 2002, 2003, 2004, and 2005 Editions**

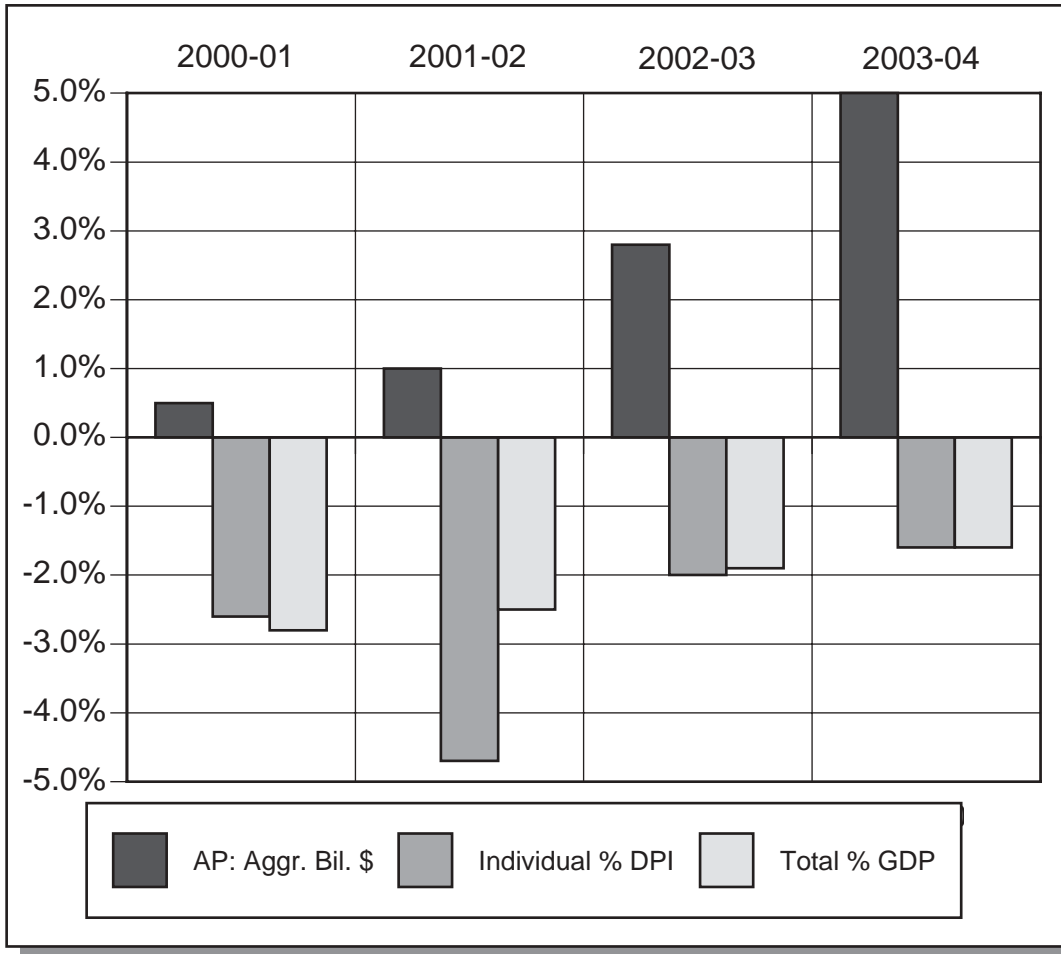
<i>Giving USA</i> Edition	<i>Giving USA</i> Data Interval	AP: First Percent Change from Previous Year Listed in AP Story: Aggregate Bil. \$ <sup>21</sup>	Per Capita Individual Giving as % of Per Capita DPI: % Change from Base Year <sup>22</sup>	Total Giving as % of Gross Domestic Product: % Change from Base Year <sup>23</sup>	AP Headline and AP First Mention of Percent Change	AP Byline and AP Dateline
2002	2000-01	0.5%	-2.6%	-2.8%	"2001 Charitable Giving Same As 2000" "Total giving by individuals, corporations and other groups amounted to \$212 billion, up 0.5 percent from 2000 before inflation is figured in"	Helena Payne, New York
2003	2001-02	1.0%	-4.7%	-2.5%	"Donations Held Steady in 2002" "Giving rose 1 percent last year to \$240.92 billion from \$238.46 billion in 2001"	Mark Jewell, Indianapolis
2004	2002-03	2.8%	-2.0%	-1.9%	"Charitable Giving Rises in 2003" "the survey showed a 2.8 percent increase over 2002, when giving amounted to \$234.1 billion"	Kendra Locke, New York
2005	2003-04	5.0%	-1.6%	-1.6%	"Charitable Giving Among Americans Rises" "Americans increased donations to charity by 5 percent in 2004"	Adam Geller, New York

<sup>21</sup> The references for the Associated Press stories for the 2000-2001, 2001-2002, and 2002-2003 "Associated Press: First Percent Change from Previous Year Listed in AP Story" percentages are the same as references for the stories by Helena Payne, Mark Jewell, and Kendra Locke documented earlier in this chapter. Documentation for the four versions of the 2003-2004 Associated Press article by Adam Geller is found in the following subsection of the present chapter.

<sup>22</sup> The calculation of "Per Capita Individual Giving as % of Per Capita Disposable Personal Income: % Change from Base Year" figures by empty tomb, inc. was based on the following data. The source of Per Capita Disposable Personal Income data for the 2000-01 and 2001-02 intervals was the U.S. Bureau of Economic Analysis; "Table 8.7. Selected Per Capita Product and Income Series in Current and Chained Dollars"; Line 4: "Disposable personal income"; National Income and Product Accounts Tables; <<http://www.bea.doc.gov/bea/dn/nipaweb/TableViewFixed.asp#Mid>>. The U.S. BEA tables for the 2000-01 and 2001-02 intervals, accessed by empty tomb, inc. on August 29, 2002 and August 15, 2003, were last revised on August 29, 2002, and July 31, 2003, respectively. The source for the 2002-03 and 2003-04 intervals was as noted above with the exceptions that the U.S. BEA table was numbered Table 7.1 rather than 8.7, accessed on June 11, 2004, and May 16, 2005, and last revised on May 27, 2004 and April 28, 2005, respectively. The aggregate Individual giving sources for the 2000-01, 2001-02, 2002-03, and 2003-04 intervals were the 2002 (p. 169), 2003 (p. 194), 2004 (p. 218), and 2005 (p. 194) *Giving USA* editions, respectively. U.S. Population on Line 16 of the above sources for Disposable Per Capita Personal Income was used to obtain a per capita figure for Individual giving.

<sup>23</sup> The calculation of "Total Giving as % of Gross Domestic Product: % Change from Base Year" figures by empty tomb, inc. was based on the following data. The aggregate Total giving sources for the 2000-01, 2001-02, 2002-03,

**Figure 16: Associated Press Reported Aggregate Changes, Americans' Individual Giving Changes as a Percent of Disposable Personal Income, and Total Giving Changes as a Percent of Gross Domestic Product, 2000-2004, from Previous Year's Base: Data from *Giving USA* 2002, 2003, 2004 and 2005 Editions**



Source: Associated Press; *Giving USA* data; U.S. BEA data; empty tomb analysis

empty tomb, inc. 2005

Figure 16 illustrates the disparity in the category of percent changes in aggregate charitable giving reported by the AP and the two categories of charitable giving as a percent of either per capita Disposable Personal Income (DPI), or Gross Domestic Product (GDP).

and 2003-04 intervals were the 2002 (p. 169), 2003 (p. 194), 2004 (p. 218), and 2005 (p. 194) *Giving USA* editions, respectively. The source of Gross Domestic Product (GDP) data in current dollars for the 2000-01 interval was the 2002 edition of *Giving USA* (p. 177). The source of GDP for the 2001-02 interval was the U.S. Bureau of Economic Analysis; "Table 1.1 Gross Domestic Product [Billions of dollars]"; Line 1: "Gross Domestic Product"; National Income and Product Accounts Tables; <<http://www.bea.doc.gov/bea/dn/nipaweb/TableViewFixed.asp#Mid>>; Last Revised on July 31 2003; (accessed by empty tomb, inc.: August 15, 2003). The source of GDP for the 2002-03 and 2003-04 intervals was as noted above with the exceptions that the U.S. BEA table was numbered Table 1.1.5 rather than 1.1, accessed on June 30, 2004 and May 17, 2005, and last revised on May 27, 2004 and April 28, 2005, respectively.

In 2002, 2003, 2004, and 2005, the AP lead uncritically emphasized the aggregate billions of dollars raised, as promoted in the related AAFRC *Giving USA* press release. However, in all four years, the available *Giving USA* data indicated that charitable giving actually declined from one year to the next, when considered as a percent of either Disposable Personal Income or Gross National Product.

The observation may be made that the Associated Press chooses to highlight an industry's interpretation of its own work in an uncritical fashion that omits essential elements of the whole truth. Perhaps the Associated Press regards the annual news about Americans' giving patterns more on the level of society galas than as a vital indicator of the social fabric.

*Detail for 2005 regarding the Associated Press Headline and Lead Sentence Focus on Aggregate Charitable Giving Data, Unadjusted for Population and Income.* Three aspects of the Associated Press, that is, The Associated Press, Associated Press Online, and Associated Press Financial Wire, produced four releases or versions of the article on the American Association of Fundraising Counsel's AAFRC Foundation *Giving USA 2005* Press Release that was headlined, "CHARITABLE GIVING RISES 5 PERCENT TO NEARLY \$250 BILLION IN 2004."<sup>24</sup>

Following is introductory, identification information quoted from each of the four Associated Press releases, with headings, plus, in each instance, the lead sentence of the lead paragraph, as this information was presented in the Associated Press material obtained via LexisNexis.

The Associated Press<sup>25</sup>

June 13, 2005, Monday, BC cycle

**SECTION:** Business News

**LENGTH:** 721 words

**HEADLINE:** American [*sic*] increase charitable giving, earmarking dollars for groups in which they have a stake

**BYLINE:** By ADAM GELLER, AP Business Writer

**DATELINE:** NEW YORK

**BODY:** Americans increased donations to charity by 5 percent in 2004, a lift for philanthropies that saw contributions stagnate in the past few years, says a new study, released Monday.

Associated Press Online<sup>26</sup>

June 14, 2005 Tuesday

**SECTION:** DOMESTIC NEWS

**LENGTH:** 716 words

**HEADLINE:** Charitable Giving Among Americans Rises

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<sup>24</sup> American Association of Fundraising Counsel; "AAFRC Foundation Press Releases: CHARITABLE GIVING RISES 5 PERCENT TO NEARLY \$250 BILLION IN 2004"; <[http://www.aafc.org/press\\_releases/index.cfm?pg=trustreleases/tsunamigifts.html](http://www.aafc.org/press_releases/index.cfm?pg=trustreleases/tsunamigifts.html)>; p. 1 of 6/14/05 7:43 AM printout.

<sup>25</sup> Adam Geller, AP Business Writer; "American increase charitable giving, earmarking dollars for groups in which they have a stake"; The Associated Press, New York; published June 13, 2005; <[http://web.lexis.com\[...extended URL\]](http://web.lexis.com[...extended URL])>; p. 1 of 8/7/05 3:46 PM printout.

<sup>26</sup> Adam Geller, AP Business Writer; "Charitable Giving Among Americans Rises"; Associated Press Online, New York; published June 14, 2005; <[http://web.lexis.com\[...extended URL\]](http://web.lexis.com[...extended URL])>; p. 1 of 8/7/05 3:44 PM printout.

**BYLINE:** ADAM GELLER; AP Business Writer

**DATELINE:** NEW YORK

**BODY:** Americans increased donations to charity by 5 percent in 2004, a lift for philanthropies that saw contributions stagnate in the past few years, says a new study, released Monday.

Associated Press Financial Wire<sup>27</sup>

June 14, 2005 Tuesday 1:32 PM GMT

**SECTION:** BUSINESS NEWS

**LENGTH:** 703 words

**HEADLINE:** Charitable Giving Among Americans Rises

**BYLINE:** By ADAM GELLER, AP Business Writer

**DATELINE:** NEW YORK

**BODY:** Americans increased donations to charity by 5 percent in 2004, a lift for philanthropies that saw contributions stagnate in the past few years, says a new study, released Monday.

The Associated Press<sup>28</sup>

June 14, 2005, Tuesday, BC cycle

**SECTION:** Domestic News

**LENGTH:** 573 words

**HEADLINE:** Charitable giving among Americans rises to nearly \$250 billion in 2004

**BYLINE:** By ADAM GELLER, AP Business Writer

**DATELINE:** NEW YORK

**BODY:** Americans increased charitable donations by 5 percent in 2004, a new record for philanthropic giving in the United States, according to a group that tracks contributions to nonprofits.

It may be noted that The Associated Press “Domestic News” Headline, “Charitable giving among Americans rises to nearly \$250 billion in 2004,” of the June 14, 2005, Tuesday, BC cycle is similar to headline of the AAFRC Foundation *Giving USA 2005* Press Release, “Charitable Giving Rises 5 Percent To Nearly \$250 Billion In 2004.” The lead clause of three versions, “Americans increased donations to charity by 5 percent in 2004”, and the almost identical “Americans increased charitable donations by 5 percent in 2004,” of the fourth version of the Associated Press article, picked up the “5 PERCENT” element of the AAFRC *Giving USA 2005* press release that was not repeated in the Associated Press headline. As can be seen, in three versions, the Associated Press headline did insert the words “Among Americans,” after the first three words, “Charitable Giving Rises,” from the text of the AAFRC Foundation *Giving USA 2005* Press Release.

A search of Google News on “Adam+Geller+giving” returned 30 articles based on a version of the Associated Press article related to the 2005 edition of *Giving USA*. Following

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<sup>27</sup> Adam Geller, AP Business Writer; “Charitable Giving Among Americans Rises”; Associated Press Financial Wire, New York; published June 14, 2005 1:32 PM GMT; <[http://web.lexis.com\[...extended URL\]](http://web.lexis.com[...extended URL])>; p. 1 of 8/7/05 3:43 PM printout.

<sup>28</sup> Adam Geller, AP Business Writer; “Charitable giving among Americans rises to nearly \$250 billion in 2004”; The Associated Press, New York; published June 14, 2005; <[http://web.lexis.com\[...extended URL\]](http://web.lexis.com[...extended URL])>; p. 1 of 8/7/05 3:36 PM printout.

is a listing of the 24 articles that remained after excluding a dual edition within each of six publications.<sup>29</sup>

Charitable giving among Americans rises to nearly \$250 billion in ...

*San Diego Union Tribune, CA*

Charitable Giving Among Americans Rises

phillyburbs.com, PA

Charity donations surge 5 percent in 2004

*Salt Lake Tribune, UT*

Charitable Giving among Americans Rises

Christian Broadcasting Network, VA

Charitable Giving Among Americans Rises

*Guardian Unlimited, UK*

Charitable Giving Among Americans Rises

*San Francisco Chronicle, CA*

Charitable giving among Americans rises

*Times Picayune, LA*

Charitable giving among Americans rises

OregonLive.com, OR

Charitable Giving Among Americans Rises - Yahoo! News

SierraTimes.com

Charitable Giving Among Americans Rises

*Lexington Dispatch, NC*

Charitable Giving Among Americans Rises

*Washington Post, DC*<sup>30</sup>

Charitable giving among Americans rises

*Seattle Post Intelligencer, WA*

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<sup>29</sup> A June 15, 2005 8:50 AM printout of a search of Google News sorted by relevance, and a June 15, 2005 8:58 AM electronic word processing document comprised of a copy of the search results of Google News sorted by date—both on “Adam+Geller+giving”—returned 30 articles with the same Google information. These 30 articles, out of a total of 31 “Results,” were each based on one of the versions of the Associated Press article on the 2005 edition of *Giving USA*.

<sup>30</sup> Adam Geller; “Charitable Giving Among Americans Rises”; The Associated Press, Tuesday, June 14, 2005; 9:32 AM; <[http://www.washingtonpost.com/wp-dyn/content/article/2005/06/14/AR2005061400179\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2005/06/14/AR2005061400179_pf.html)>; pp. 1-3 of 6/15/05 8:59 AM printout. Apart from the June 14, 2005 AP article presented on [washingtonpost.com](http://www.washingtonpost.com), The *Washington Post*, itself, had also written earlier about *Giving USA 2005*. LexisNexis returned a search result of Jacqueline L. Salmon; “Annual U.S. Donations to Nonprofits Climb 5%”; Washington Post Staff Writer; June 13, 2005 Monday, Final edition, A Section; A02, 365 words; <<http://web.lexis.com>[...extended URL]>; p. 1 of 6/13/05 10:36 AM printout. Google News, on a search of “other-nonprofits-rose” returned nine articles, ranging from “4 hours ago” to “14 hours ago,” with the one among them having been published first being, “Annual US Donations to Nonprofits Climb 5%”; Washington Post, DC – 14 hours ago; p. 1 of 6/13/05 11:42 AM printout. Charles Storch, in his column, wrote that “...an East Coast newspaper broke the embargo, by a week, on the release date of the foundation’s influential annual report of charitable giving in the U.S.”: Charles Storch, Chicago Tribune Knight Ridder/Tribune Business News; “Chicago Tribune Charles Storch column: ...Scooped.”; Chicago Tribune, Distributed by Chicago Tribune Knight Ridder/Tribune Business News; Jun. 16, Posted on Thu, Jun. 16, 2005; <<http://www.fortwayne.com/mld/newssentinel/living/11912467.htm>>; pp. 1-2 of 7/4/2005 10:33 AM printout.

Charitable Giving Among Americans Rises  
New York *Newsday*, NY

Charitable giving among Americans rises  
OregonLive.com, OR

Charitable Giving Among Americans Rises  
*Los Angeles Times*, CA

Charitable Giving Among Americans Rises  
The *Ledger*, FL

Charitable giving among Americans rises  
*News & Observer*, NC

Charitable Giving Among Americans Rises  
Wired News

Charitable Giving Among Americans Rises  
*Wilmington Morning Star*, NC

Charitable Giving Among Americans Rises  
*Worcester Telegram* (subscription), MA

Charitable Giving Among Americans Rises  
*Tuscaloosa News* (subscription), AL

Philanthropic gifts rise 5% in America  
*Akron Beacon Journal*, OH

Charitable giving rises for first time since 2000  
*Rocky Mountain News*, CO

Charitable donations up 5 percent in '04  
News-Leader.com, MO

In 19 of the above 24 headlines, the truncated “Charitable Giving Among Americans Rises” headline, with variations in capitalization, was used. One publication employed the similar, though longer headline, “Charitable giving among Americans rises to nearly \$250 billion in ...” An additional three headlines referred to a five percent increase in charitable donations employing the terminology, “Charity donations surge 5 percent in 2004,” “Philanthropic gifts rise 5% in America,” and “Charitable donations up 5 percent in '04.” These latter three headlines draw from the lead phrase of the lead sentence of the Associated Press article, “Americans increased donations to charity by 5 percent in 2004,” or its variant, “Americans increased charitable donations by 5 percent in 2004.”

Finally, “The Rocky Mountain News, CO,” headline stated that “Charitable giving rises for first time since 2000.” The *Rocky Mountain News* headline is perhaps understandable given that the following information is found in the two-sentence third paragraph, and the one sentence fourth paragraph, of all four versions<sup>31</sup> of the Associated Press release on *Giving USA 2005*:

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<sup>31</sup> Four versions of article by Adam Geller, AP Business Writer, Associated Press, New York, published June 13, 2005 and June 14, 2005, as referenced above.



Overall, donations rose to \$248.5 billion, the highest yearly total ever. That represents a 5 percent increase, or 2.3 percent when adjusted for inflation.

The increase marks the first time since the stock market bubble in 2000 that contributions rose in inflation-adjusted dollars.

The first sentence of the third paragraph of The Associated Press “Domestic News,” with the heading, “Charitable giving among Americans rises to nearly \$250 billion in 2004,” of the June 14, 2005, Tuesday, BC cycle 573 word version of the Adam Geller article, contains the same information as the other three versions, but with the extended wording, “The study, released by the Giving USA Foundation on Monday, found that overall donations rose to \$248.5 billion, the highest yearly total ever.”

It is interesting to observe that the *Rocky Mountain News* headline, “Charitable giving rises for first time since 2000,” based on information in the third and fourth paragraph of all four versions of the Associated Press release on *Giving USA 2005*, stands in stark contrast to the Associated Press headline of the previous year, which informed readers that, “Charitable Giving Rises in 2003.”<sup>32</sup> That is, in 2004, the Associated Press headline said that giving rose in 2003. Then, in 2005, the Associated Press reported that giving rose in 2004 for the first time since 2000.

Regarding the foregoing Associated Press third-sentence report that, “Overall, donations rose to \$248.5 billion, the highest yearly total ever,” one might reasonably expect that aggregate current dollar giving, unadjusted for changes in population and income, would each year rise to “the highest yearly total ever.” Indeed, 48 times, that is, in each of the 49 years since the *Giving USA* starting data year estimate for 1955 (with the exception of 1987), *Giving USA*’s aggregate current dollar Total giving,<sup>33</sup> unadjusted for changes in population and income, “rose to...the highest yearly total ever.” In a related, though not fully surprising manner, United States population,<sup>34</sup> an important component of aggregate giving, rose each year, for a total of 49 times, one might say, to “the highest yearly total ever,” from 165,275,000 in 1955 to 293,951,000 in 2004.

By way of comparison for the 1968-2004 period considered in other chapters of the present volume, *Giving USA*’s aggregate giving totals, when adjusted for changes in population and income, declined 19 years, and increased 17 years, out of the 36 year interval from 1968 to 2004.

During the 1968 to 2004 interval, Individual giving, adjusted for changes in population and income, declined 20 years, and increased 16 years. That pattern is in contrast to unadjusted aggregate current dollar individual giving that, with the exception of the years 1987 and 2001,<sup>35</sup> rose 47 out of 49 times to “the highest yearly total ever” from 1955 to 2004.

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<sup>32</sup> Kendra Locke; “Charitable Giving Rises in 2003”; published June 21, 2004, 12:24 AM; <<http://www.washingtonpost.com/wp-dyn/articles/A56830-2004Jun21.html>>; p. 1 of 6/25/04 4:56 PM printout.

<sup>33</sup> “Total Giving” Data Years 1955-1963: Fred Schnaue, *Giving USA Annual Report 1985* (New York: American Association of Fund-Raising Counsel, Inc., 1985), p. 41; Data Years 1964-2004: Center on Philanthropy at Indiana University, *Giving USA 2005* (Glenview, IL: AAFRC Trust for Philanthropy, 2005), p. 194.

<sup>34</sup> U.S. Population data for 1955 through 2004 is included in Appendix C of the present volume.

<sup>35</sup> “Individuals” Data Years 1955-1963: Fred Schnaue, *Giving USA Annual Report 1985* (New York: American Association of Fund-Raising Counsel, Inc., 1985), p. 42; Data Years 1964-2004: Center on Philanthropy at Indiana University, *Giving USA 2005* (Glenview, IL: AAFRC Trust for Philanthropy, 2005), p. 194.

The breadth of the impact of the Associated Press article on Americans' self understanding of Americans' generosity is further seen insofar as the *Giving USA* Associated Press article by Adam Geller was carried on June 14, 2005, by CBSNews.com, entitled, "U.S. Charity Giving Hits New High," dateline New York.<sup>36</sup>

The Associated Press article on *Giving USA 2005* by Adam Geller was also carried on June 14, 2005, by wjla.com, entitled, "Charitable Giving Among Americans Rises," dateline New York.<sup>37</sup> WJLA is ABC 7 that according to its "Advertising Information" material, "Each week...reaches over two and one-half million viewers in the Washington, DC market..."<sup>38</sup>

Like AP, other media also do not adjust for population and income, and therefore draw wrong conclusions. The overly rosy picture of Americans' generosity—a picture that is not conveying the whole truth of how giving changed, indeed declined, in the context of changes in population and income—is also exported for international consumption, besides being broadly disseminated within the United States via the Associated Press. For example, besides the above reference to the *Guardian*, which is a United Kingdom newspaper, a June 15, 2005 LexisNexis search cited an article from a worldwide news agency other than the Associated Press entitled, "US charitable gifts up 5 percent to 245.5 billion dollars," referenced as Agence France Presse—English, June 13, 2005 Monday, 8:18 PM GMT, 210 words, WASHINGTON June 13."

To demonstrate that the media in general do not adjust for population and income,<sup>39</sup> and therefore may draw wrong conclusions, it is instructive to consider a report from another news source, other than the Associated Press. This news source not only provided wide dissemination of the *Giving USA* press release, but also demonstrated how, when the American Association of Fundraising Counsel informed the public that charitable giving rose 5 percent, it was reasonable to assume that Americans worked hard and increased their level of generosity. That is, a June 14, 2005 Tuesday 8:14 AM EST CNNMoney.com article headlined, "U.S. charitable giving hits new record" had the following lead sentence conveying the increasing generosity of individual Americans:

Despite their own economic concerns, Americans reached deep into their pockets and gave an estimated total of \$249 billion to charitable causes in 2004, up five percent over the previous year and setting a new record, according to a new report from the Giving USA Foundation.<sup>40</sup>

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<sup>36</sup> Adam Geller; "U.S. Charity Giving Hits New High"; The Associated Press, CBS News; published June 14, 2005; <<http://www.cbsnews.com/stories/2005/06/14/national/printable701766.shtml>>; p. 1 of 6/15/05 11:30 AM printout.

<sup>37</sup> Adam Geller; "Charitable Giving Among Americans Rises"; New York (AP), WJLA; published Tuesday June 14, 2005 9:38am; <<http://www.wjla.com/news/stories/0605/235670.html>>; p. 1 of 8/6/05 4:27 PM printout.

<sup>38</sup> "Advertising Information"; WJLA; 08.10.05 updated at 2:24 pm; <<http://www.wjla.com/external.hrb?p=sales>>; p. 1 of 8/10/05 2:24 PM printout.

<sup>39</sup> As another illustration of this point, see the *Wall Street Journal*, which has a Philanthropy Reporter, and published an article on charitable giving that neither seemed to be the Associated Press article, nor had other attribution or byline information: "Charitable Donations Increased 5% in 2004," *Wall Street Journal*, Tuesday, June 14, 2005, sec. D, p. 2, col. 4. The first single-sentence paragraph of this article read, "Boosted by an improving economy, charitable giving rose 5% in 2004 to an estimated \$248.52 billion, compared with about \$236.73 billion in 2003."

<sup>40</sup> "U.S. Charitable Giving Hits New Record"; Cable News Network: CNNMoney.com; published June 14, 2005 Tuesday 8:14 AM EST; <[http://web.lexis.com\[...extended URL\]](http://web.lexis.com[...extended URL])>; downloaded Wed, Jun 15, 2005, 9:36 AM; p. 1 of 7/19/05 3:10 PM printout.

The media are responsible for evaluating the promotional materials they receive. *Giving USA's* promotional materials are going to be disseminated widely by the organization's representatives, but the press needs to be sophisticated about population and income in order to report the numbers in a useful context. The wide dissemination of the *Giving USA* press release is also seen by its distribution via PRNewswire.<sup>41</sup> The potential scope of PRNewswire distribution of its members' press releases is seen from the following excerpt from its "Benefits of Membership" section:

PR Newswire is the world leader in the electronic delivery of information directly from companies, institutions and agencies through its 40 worldwide bureaus, an exclusive partnership with Canada NewsWire and a vast system of international affiliates. Its world-leading dedicated newswire, Internet, satellite and fax network is capable of pinpoint or mass distribution, satisfying the growing global demand for the immediate delivery of news releases, video, audio and photos to the media, financial community and consumers.<sup>42</sup>

Further information is provided in a PR Newswire "News Distribution & Targeting" section:

Wire distribution is comprised of satellite, landline or Internet delivery directly into information systems of tens of thousands of media outlets worldwide, plus posting on thousands of Web sites that carry PR Newswire member copy, including our media-only Web site, PR Newswire for Journalists, which is accessible by more than 80,000 registered journalists.

...PR Newswire circuits reach virtually every segment of media, investor and consumer audiences worldwide, with your news delivered to more than 135 countries in 30 languages.

Individual targeting of media and other key audiences is available with one-to-one delivery to journalists using the MEDIAtlas™ database and broadcast fax/e-mail capabilities.<sup>43</sup>

Although still using aggregate giving that was not adjusted for population and income, at least two other journalistic endeavors, the *New York Times* and the *Chronicle of Philanthropy*, each led with information that adjusted for aggregate giving inflation only. The *New York Times* headline read, "Giving in '04 Was Up 2.3% in Rebound"<sup>44</sup> and the cover of the *Chronicle of Philanthropy* led with an approximately half-page illustration accompanied by the caption, "Catching a Wave: As the economy recovered, charitable giving rose 2.3% last year, a new report says."<sup>45</sup>

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<sup>41</sup> "Charitable Giving Rises 5 Percent to Nearly \$250 Billion in 2004"; Glenview, Ill.; published June 13, 2005; PRNewswire; <<http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=104&STORY=/www/story/06-13-2005/0003868341&EDATE=>>>; pp. 1-3 of 6/13/2005 1:49 PM printout. It may be noted on p. 3 that, "Issuers of news releases and not PR Newswire are solely responsible for the accuracy of the content." This press release was dated June 13, 05; 13:24 ET, as noted in "Top 100 Stories: Breaking News"; <<http://www.prnewswire.com/tnw/tnw.shtml>>; p. 3 of 6/13/05 1:48 PM printout.

<sup>42</sup> "Benefits of Membership"; PR Newswire Association LLC, A United Business Media company; copyright 1996-2005; <<http://www.prnewswire.com/services/resources/benefits.shtml>>; p. 1 of 8/28/05 2:42 PM printout.

<sup>43</sup> "News Distribution & Targeting"; PR Newswire Association LLC, A United Business Media company; copyright 1996-2005; <<http://www.prnewswire.com/services/resources/news.shtml>>; p. 1 of 8/28/05 2:44 PM printout.

<sup>44</sup> Stephanie Strom; "Giving in '04 Was Up 2.3% in Rebound"; published June 14, 2005; <<http://www.nytimes.com/2005/06/14/national/14charity.html?oref=login>>; p. 1 of 6/14/2005 6:05 AM printout; and "Late Edition – Final, Section A; Column 6; National Desk; Pg. 12"; <[http://web.lexis.com\[...extended URL\]](http://web.lexis.com[...extended URL]>)>; p. 1 of 6/14/05 4:09 PM printout.

<sup>45</sup> "Catching a Wave: As the economy recovered, charitable giving rose 2.3% last year, a new report says," *Chronicle of Philanthropy*, published by The Chronicle of Higher Education, Inc., Washington, D.C., June 23, 2005, front cover.

These two examples suggest that the canons of journalism do not require that a news article's lead must strictly follow the lead of an industry press release. If journalists do have the discretion of adjusting reports of aggregate giving for inflation, it would seem that journalists also have the ability to present the truth of giving levels adjusted also for population and income in their lead sentences, paragraphs, and headlines.

The basis for the American Association of Fundraising Counsel's *Giving USA* press release leadership commitment to reporting annual changes in aggregate giving, unadjusted for the combination of the two factors of population and income, has been seen in past *Giving USA* forewords and is seen in the current *Giving USA* "Foreword" coauthored by Henry (Hank) Goldstein, CFRE, Chair, Giving USA Foundation and President, The Oram Group, Inc., New York, New York; C. Ray Clements, Chair, American Association of Fundraising Counsel and CEO and Managing Member, Clements Group, Salt Lake City, Utah; and Eugene R. Tempel, Ed.D., CFRE, Executive Director, the Center on Philanthropy at Indiana University, Indianapolis, Indiana:

Charitable contributions reached an estimated \$248.52 billion in the United States in 2004. This is a new record. Giving grew at the highest rate since 2000, 5.0 percent over a revised estimate of \$236.73 billion for 2003 (2.3 percent adjusted for inflation).<sup>46</sup>

However, to the extent that journalists continue to lead with industry press releases' overly rosy, annual aggregate giving trend emphases, the perspective of Lester M. Salamon becomes all the more germane. Stephanie Strom, reporting in the *New York Times*, writes:

Giving USA is regarded by some as a tool of the professional fund-raising industry. "It seems hilarious that in this nation that boasts of its giving, the giving statistics are provided by an organization representing for-profit companies," said Lester Salamon, director of the Center for Civil Society Studies at the Johns Hopkins University. "Obviously, it's in their business interests to promote giving and make it seem important to our economy."<sup>47</sup>

Salamon's comments are all the more pertinent given his involvement with *Giving USA* methodology over a number of years. Then serving as Director, Center for Public Management & Economic Development Research, The Urban Institute, Salamon was part of a major American Association of Fund-Raising Counsel *Giving USA* Advisory Committee on Methodology effort in the mid-1980s to seek a more accurate method to estimate giving by individuals.<sup>48</sup> Salamon, then Director, Institute of Policy Studies, Johns Hopkins University, in reference to the fact that "Giving USA commissioned a study three years ago to update the methodology used in providing the estimates for personal giving," was credited as one of twelve "statisticians, researchers and economists who have freely given of their time, expertise, and encouragement to conclude this important project..."<sup>49</sup> Salamon was

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<sup>46</sup> Center on Philanthropy at Indiana University, "Giving USA 2005: Foreword," *Giving USA 2005* (Glenview, IL: AAFRC Trust for Philanthropy, 2005), pp. ii-iii.

<sup>47</sup> Stephanie Strom; "Giving in '04 Was Up 2.3% in Rebound"; published June 14, 2005; <<http://www.nytimes.com/2005/06/14/national/14charity.html?oref=login>>; p. 1 of 6/14/2005 6:05 AM printout; and "Late Edition – Final, Section A; Column 6; National Desk; Pg. 12"; <[http://web.lexis.com\[...extended URL\]](http://web.lexis.com[...extended URL])>; p. 1 of 6/14/05 4:09 PM printout.

<sup>48</sup> Fred Schnaue, "Methodology," *Giving USA Annual Report 1985* (New York: American Association of Fund-Raising Counsel, Inc., 1985), pp. 105-108.

<sup>49</sup> Lawrence A. Clancy, "Methodology," *Giving USA: Estimates of Philanthropic Giving in 1986 and the Trends They Show* (New York: American Association of Fund-Raising Counsel, Inc., 1987), pp. 112-115.

subsequently listed as a member of the *Giving USA* Advisory Council on Methodology in the seven *Giving USA* editions copyrighted from 1989 through 1995.<sup>50</sup>

**Utilize the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey Measure of Charitable Contributions as Interim Benchmark.** The U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure (CE) Survey develops consumer unit data on charitable cash contributions. This data, aggregated, conflated, and analyzed by empty tomb, inc., found that Americans gave 1.12% of their income in 2003.<sup>51</sup> This data aggregated to a total charitable giving estimate of \$91 billion for that year. This total includes the CE survey categories of “Cash contributions to: charities and other organizations; church, religious organizations; and educational institutions.” The above estimate of \$91 billion also is based on what is likely an overly positive assumption that all of the \$2.85 billion in the category, “Gifts to non-CU members of stocks, bonds, and mutual funds,” goes to charitable organizations. According to the CE survey data, Americans contributed 72% of their charitable contributions to “church, religious organizations” in 2003.<sup>52</sup>

Further detail regarding the analysis of U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey charitable giving data is presented in Table 25.

**Table 25: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, 2003 Cash Contributions: Americans’ Charitable Giving**

Consumer Expenditure Survey Subcategories of “Cash Contributions” Indicated by Quote Marks	Avg. Annual Expenditures x Number of Consumer Units (Billions \$)	Per Capita Giving (\$)	Per Capita Giving as % of U.S. BEA DPI	Category as % of Total
“Cash contributions to charities and other organizations”	\$16.09	\$55.27	0.20%	18%
“Cash contributions to church, religious organizations”	\$65.11	\$223.68	0.80%	72%
“Cash contributions to educational institutions”	\$6.96	\$23.93	0.09%	8%
“Gifts to non-CU members of stocks, bonds, and mutual funds”	\$2.85	\$9.78	0.03%	3%
<b>Total Cash Contributions for Charity (empty tomb conflation)</b>	<b>\$91.01</b>	<b>\$312.66</b>	<b>1.12%</b>	<b>100%</b>

Details in the above table may not compute to the numbers shown due to rounding.

Source: empty tomb aggregation, conflation, and analysis; U.S. Bureau of Labor Statistics CE Survey; U.S. Bureau of Economic Analysis

<sup>50</sup> *Giving USA* (1989), p. 153; (1990), p. 190; (1991), p. 220; (1992), p. 204; (1993), p. 182; (1994), p. 176; and (1995), p. 168.

<sup>51</sup> U.S. population and U.S. BEA disposable personal income, as documented in Appendix C of the present volume, were used to calculate per capita giving as a percent of income, based on aggregated CE survey giving data.

<sup>52</sup> Americans charitable giving was calculated by multiplying the 115,356,000 “Number of consumer units” by the each of the average annual consumer unit contributions for 2003, the components of which were \$139.45 (“charities and other organizations”), \$564.41 (“church, religious organizations”), \$60.37 (“educational institutions”), and \$24.68 (“Gifts to non-CU members of stocks, bonds, and mutual funds”). The resultant sum of the aggregated components yielded a total giving amount of \$91.01 billion. The “Cash contributions to church, religious organizations” amount, therefore, was calculated by multiplying the number of consumer units by \$564.41 yielding an amount of \$65.11 billion for 2003. Religion as a percent of the total was calculated by dividing \$65.11 billion by \$91.01 billion, yielding 72%. Data source: “Table 1800. Region of residence: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2003”; region.pdf; Created 12/2/2004; (U.S. Department of Labor, Bureau of Labor Statistics); pp. 1, 18.

One benefit of the CE survey is its unbiased data. The Mission Statement of the U.S. Department of Labor, Bureau of Labor Statistics reads:

The **Bureau of Labor Statistics (BLS)** is the principal fact-finding agency for the Federal Government in the broad field of labor economics and statistics. The BLS is an independent national statistical agency that collects, processes, analyzes, and disseminates essential statistical data to the American public, the U.S. Congress, other Federal agencies, State and local governments, business, and labor. The BLS also serves as a statistical resource to the Department of Labor.

BLS data must satisfy a number of criteria, including relevance to current social and economic issues, timeliness in reflecting today's rapidly changing economic conditions, accuracy and consistently high statistical quality, and impartiality in both subject matter and presentation.<sup>53</sup>

The BLS, among its various activities, is the source for the following indexes:

**Producer price index (PPI)**—This index, dating from 1890, is the oldest continuous statistical series published by BLS. It is designed to measure average changes in prices received by producers of all commodities, at all stages of processing, produced in the United States...

**Consumer price indexes (CPI)**—The CPI is a measure of the average change in prices over time in a “market basket” of goods and services purchased either by urban wage earners and clerical workers or by all urban consumers. In 1919, BLS began to publish complete indexes at semiannual intervals, using a weighting structure based on data collected in the expenditure survey of wage-earner and clerical-worker families in 1917-19 (BLS Bulletin 357, 1924)...

**International price indexes**—The BLS International Price Program produces export and import price indexes for nonmilitary goods traded between the United States and the rest of the world.<sup>54</sup>

Among the numerous applications of the BLS Consumer Expenditure Survey, the Survey is used for periodic revision of the Consumer Price Index (CPI). Following are excerpted comments from a “Brief Description of the Consumer Expenditure Survey.”

The current Consumer Expenditure Survey program was begun in 1980. Its principal objective is to collect information on the buying habits of American consumers. Consumer expenditure data are used in a variety of research by government, business, labor, and academic analysts. Additionally, the data are required for periodic revision of the Consumer Price Index (CPI).

The survey, which is conducted by the U.S. Census Bureau for the Bureau of Labor Statistics (BLS), consists of two components: A Diary or recordkeeping survey...and an Interview survey, in which expenditures of consumer units are obtained in five interviews conducted at 3-month intervals...

Each survey queries an independent sample of consumer units that is representative of the U.S. population...The Interview sample is selected on a rotating panel basis, surveying about 7,500 consumer units each quarter. Each consumer unit is interviewed once per quarter, for five consecutive quarters. Data are collected on an ongoing basis in 105 areas of the United States.<sup>55</sup>

The BLS, in commenting on the various functions of Consumer Expenditure Survey, observed that, “Researchers use the data in a variety of studies, including those that focus on the spending behavior of different family types, trends in expenditures on various expenditure components including new types of goods and services, gift-giving behavior, consumption studies, and historical spending trends.”<sup>56</sup>

<sup>53</sup> “Mission Statement”; U.S. Department of Labor, Bureau of Labor Statistics; Last Modified Date: October 16, 2001; <<http://www.bls.gov/bls/blsmisn.htm>>; p. 1 of 8/15/05 4:59 PM printout.

<sup>54</sup> U.S. Census Bureau, *Statistical Abstract of the United States: 2000*, 120<sup>th</sup> edition (Washington, DC: U.S. Government Printing Office, 2000), pp. 483-85.

<sup>55</sup> “Consumer Expenditures in 2001”; Report 966; U.S. Department of Labor, Bureau of Labor Statistics; April 2003; <<http://www.bls.gov/cex/csxann01.pdf>>; p. 4 of 8/27/03 printout.

<sup>56</sup> “Frequently Asked Questions”; U.S. Department of Labor, Bureau of Labor Statistics; Last Modified Date: March 17, 2005; <<http://www.bls.gov/cex/csxfaqs.htm>>; p. 2 of 5/28/05 10:32 AM printout.

Writing in the mid-1980s with reference to forthcoming Consumer Expenditure Survey-based revisions in the CPI, renowned business columnist Sylvia Porter remarked that the CPI is “the most closely watched, widely publicized and influential government statistic we have...”<sup>57</sup>

A glimpse into the wide-ranging, Consumer Expenditure Survey-based network of CPI usage in American culture is gained from the following facts:

The CPI is used to adjust federal tax brackets for inflation. It also serves as the base for annual increases in benefits for 80 million Social Security recipients, veterans, federal retirees and their survivors and food stamp and school lunch beneficiaries.<sup>58</sup>

*Benefits Obtaining to the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, Cash Contributions Measure of Americans' Charitable Giving.* A cash contributions measure of Americans' charitable giving, such as is presented in the BLS CE survey, is what most Americans likely think of when they consider and evaluate their own potential charitable giving. That is, the CE survey measures the amount of money individuals give to charities, churches, religious organizations, etc.

The CE survey avoids the vagaries, ambiguities, and resultant error involved in noncash donations to charitable causes.

*The Problems of Non-Cash Contributions Estimates.* The CE survey, by reporting only cash contributions, avoids the problems related to reporting of non-cash deductions. Washington Post Staff Writer Albert B. Crenshaw's “Tax Abuse Rampant in Nonprofits, IRS Says” article provides an introductory overview of the problems inherent in a noncash measure of charitable giving.

Charities and other nonprofits exempted from taxes because they serve a public purpose have become a hotbed of tax evasion and abuse, according to the head of the Internal Revenue Service.

“We can see that tax abuse is increasingly present in the sector,”...Internal Revenue Commissioner Mark W. Everson said in a letter to the Senate Finance Committee detailing abuses his agency has found.

Everson said that the IRS is finding problems in virtually every type of tax-exempt organization. Nonprofits include not only charities, but colleges and universities, many hospitals, pension plans, trade associations and think tanks...

“Unfortunately, we have no precise way to gauge the revenue impact of these issues,” Everson said, though he noted that the nonprofit sector, including pension plans and the like, now totals roughly 3 million entities controlling \$8 trillion in assets.

“It's a seminal letter that rips off the rose-colored glasses with which we usually look at tax-exempt organizations,” Senate Finance Chairman Charles E. Grassley (R-Iowa) said yesterday. “What's going on isn't a pretty picture in the harsh light.”<sup>59</sup>

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<sup>57</sup> Sylvia Porter, “Out-of-Date Consumer Price Index to Be Revised in '87,” a “Money's Worth” column appearing in *Champaign (Ill.) News-Gazette*, January 9, 1985, sec. D, p. 3.

<sup>58</sup> “Price Index Undergoes Statistical Adjustment,” an Associated Press (Washington) article appearing in *Champaign (Ill.) News-Gazette*, April 19, 1998, sec. C, p. 1.

<sup>59</sup> Albert B. Crenshaw, Washington Post Staff Writer; “Tax Abuse Rampant in Nonprofits, IRS Says”; April 5, 2005; page E01; <<http://www.washingtonpost.com/ac2/wp-dyn/A26388-2005Apr4?language=printer>> available on 8/20/2005 at <<http://www.washingtonpost.com/wp-dyn/articles/A26388-2005Apr4.html>>; p. 1 of 5/3/05 2:44 PM printout. This article was accessible at <<http://www.washingtonpost.com/wp-dyn/articles/A26388-2005Apr4.html>> as of 8/29/2005.

The problems inherent in a noncash measure of charitable giving, which is based on measures of deductions for charitable contributions, are further elucidated by Internal Revenue Service Commissioner Mark W. Everson in a *Chronicle of Philanthropy* article:

“There are increasing indications that the twin cancers of technical manipulation and outright abuse that we saw develop in the profit-making segments of the economy are now spreading to pockets of the nonprofit sector,” Mr. Everson said.

Mr. Everson estimated that American taxpayers write off between \$15-billion and \$18-billion a year more than they should be allowed to set aside tax-free because of laws that he said allow taxpayers to inflate the values of land, art, and other noncash items they donate.<sup>60</sup>

In the “Written Statement of Mark W. Everson, Commissioner of Internal Revenue, Before The Committee on Finance, United States Senate, Hearing on Exempt Organizations,” Everson, in a section entitled “Overstated deductions,” stated, “A common problem occurs when a taxpayer takes an improper or overstated charitable contribution deduction. This happens most frequently when the donation is of something other than cash or readily marketable securities.”<sup>61</sup>

The testimony of George K. Yin, Chief of Staff of the Joint Committee on Taxation, before the United States Senate Committee on Finance, includes useful information on noncash charitable contributions. Referring to “a recent Joint Committee on Taxation staff report on ‘Options to Improve Tax Compliance and Reform Tax Expenditures,’” Yin stated in a “Noncompliance in Charitable Contributions” section:

In the case of charitable contributions, the report focuses on the most significant area of potential noncompliance, namely the valuation of noncash charitable contributions.

Under present law, taxpayers are entitled to deduct the fair market value of most charitable contributions of capital gain property to a public charity. When property value is uncertain, this rule presents compliance burdens for the taxpayer, noncompliance opportunities, and law enforcement difficulties. Challenging taxpayer valuations is a very resource-intensive task for the IRS. Even a preliminary determination that the amount of a deduction may be questionable requires an upfront commitment of resources. If a serious challenge is to be made, more resources are needed to secure alternate appraisals and expert opinions. The less likely the threat of enforcement, the more likely is the possibility of overvaluation and noncompliance. Adding to the problem is the fact that the interests of the donor and donee are generally aligned because each wants to see the gift completed. Thus, each party has a reason to give the value claimed by the donor the benefit of the doubt.

The staff report contains several options intended to improve compliance for charitable contributions of property. The report does not propose changing the current law rules with respect to cash gifts or gifts of publicly traded securities, which do not present valuation concerns.<sup>62</sup>

The Library of Congress, Congressional Research Service’s Senior Specialist in Economic Policy, Jane G. Gravelle, presented informative data and instructive insights in

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<sup>60</sup> Brad Wolverton (Washington), “Taking Aim at Charity,” *Chronicle of Philanthropy*, published by The Chronicle of Higher Education, Inc., Washington, D.C., April 14, 2005, p. 27.

<sup>61</sup> Mark W. Everson; “Written Statement of Mark W. Everson, Commissioner of Internal Revenue, Before The Committee on Finance, United States Senate, Hearing On Exempt Organizations: Enforcement Problems, Accomplishments, and Future Direction”; April 5, 2005; <<http://finance.senate.gov/hearings/testimony/2005test/metest040505.pdf>>; p.9 of 4/27/05 printout.

<sup>62</sup> George K. Yin; “Testimony of George K. Yin, Chief of Staff of The Joint Committee on Taxation, At A Hearing of The Senate Committee on Finance, Relating to ‘Charities and Charitable Giving: Proposals for Reform’ ”; April 5, 2005; <<http://finance.senate.gov/hearings/testimony/2005test/gytest040505.pdf>>; pp. 1-2 of 4/29/05 printout.



her testimony before the United States Senate Committee on Finance. In a “Gifts of Appreciated Property” section of her testimony that included comment on a table that was part of her Statement, Gravelle remarked:

Non-cash contributions are a significant part of giving, accounting for about a quarter of gifts of itemizers. The shares by income class and distribution of each type of giving are shown in Table 1...

This table demonstrates that the share contributed in property goes up as the income level rises, with individuals with more than \$10 million of income providing half their contributions in property – or twice as much as the average. Taxpayers with adjusted gross income over \$1 million account for about 18% of cash contributions by itemizers, but account for 40% of property transfers.

The associated issue...is the problem of valuation of appreciated assets, such as stock in closely held firms and real estate, where data on asset values are not publicly available.

...[W]e may develop some notion of how important property that is not publicly traded is by looking at the ratio of closely held assets and real estate (excluding the personal residence) and business property to the total of those assets plus publicly traded stocks in estates, which is about 45%.<sup>[39]</sup>

These data suggest that assets other than publicly traded stocks are a significant share of assets of high income individuals and therefore may be a significant share of assets given away...

Certainly one of the most difficult problems is the valuation of property for which there is not an established price. Closely held stock, of course, really has no other market, and the value of real estate and other property can only be estimated. Taxpayers have an incentive to overstate the value so as to maximize the tax deduction, and the charity has little incentive to dispute the value as long as the gift does have some value.<sup>63</sup>

*Recommendation regarding Utilization of Consumer Expenditure Survey as Interim Benchmark of Americans’ Charitable Giving until Publication of Summary Form 990 Data.* It is recommended that the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey be utilized as the unbiased, broad-gauge benchmark of living Americans’ aggregate cash giving to charity, until such time as the U.S. Internal Revenue Service makes summary Form 990 giving data available.

There may be shortcomings in using the CE survey for such a fine-tuned measure as annual changes in giving as a percent of income. It is problematic to use the CE survey in order to assess annual changes in Americans’ giving as a percent of income from year to year, due to the high variance associated with the small percentage of consumer units that report “Cash contributions to educational institutions,” and “Gifts to non-CU members of stocks, bonds, and mutual funds.” The “Percent Reporting” in 2003 for these two subcategories was 2.18% and 0.31%, respectively. This lower “Percent Reporting” compares with 15.92% and 31.69% reporting “Cash contributions to charities and other organizations” and “Cash contributions to church, religious organizations,” respectively.<sup>64</sup>

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<sup>63</sup> Jane G. Gravelle; “Statement of Jane G. Gravelle, Senior Specialist in Economic Policy, Congressional Research Service, Before The Committee on Finance, United States Senate, on Charities and Charitable Giving: Proposals for Reform”; April 5, 2005; <<http://finance.senate.gov/hearings/testimony/2005test/jgtest040505.pdf>>; pp. 15-17 of 4/29/05 printout. Footnote 39 in the text of Gravelle’s testimony referred to “Internal Revenue Service, Statistics of Income, Estate Tax Returns, 2003.”

<sup>64</sup> Data source: “Table 1300. Age of reference person: Average annual expenditures and characteristics, Consumer Expenditure Interview Survey, 2003”; Age.pdf; Created 11/2/2004; (U.S. Department of Labor, Bureau of Labor Statistics), pp. 28-29.

However, the Consumer Expenditure Survey's quarterly assessment of a relatively large sample size, its concomitant avoidance of that error evident in noncash measures of giving, its recently refined and theoretically sound classification system of charitable giving categories, and its location within the U.S. Bureau of Labor Statistics, position it well to serve as the interim, broad-gauge benchmark of Americans' charitable giving. The preferred source of information would be the U.S. Internal Revenue Service summary Form 990 giving data, which is not currently available.

**Make Form 990 Summary Data Publicly Available.** The Internal Revenue Service requires any tax-exempt group registered as a 501(c)(3) charitable organization that normally has more than \$25,000 in annual income, and is not an exception under defined criteria, to file a Form 990 each year. Government publication of summary Form 990 information would provide a sound basis for understanding charitable giving levels in the United States. The information would be based on actual income records for organizations, rather than survey estimates of donors.

Line item information in Internal Revenue Service Form 990 needs to be made publicly available on an annual basis in composite, summary form by the United States Government.

Harvy Lipman reported in the *Chronicle of Philanthropy* that, "the Internal Revenue Service has decided not to set up a database that will make it easy for the public to gather data in the informational tax returns that nonprofit groups file online." In addition to comments supportive of establishing such a database, from Linda Lampkin, program director at the Urban Institute's National Center for Charitable Statistics, and Patrick Rooney, director of research at Indiana University's Center on Philanthropy, Lipman wrote that, "Sen. Charles E. Grassley, the Iowa Republican who chairs the Senate Finance Committee, said in a written statement that he was disappointed by the decision not to create a separate database that would be available to the public."<sup>65</sup>

Writing in 1977, Burton A. Weisbrod with Stephen H. Long anticipated IRS compilation of Form 990 data in their near future. Weisbrod and Long wrote, "The IRS is in the process of computerizing the Form 990 returns. It may be possible before long to obtain data for all filers, making it unnecessary to estimate totals from a sample, as we have done."<sup>66</sup> Weisbrod, John Evans Professor of Economics, and, Faculty Fellow, Institute for Policy Research, Northwestern University, "served as a senior staff economist on the Council of Economic Advisors to presidents John F. Kennedy and Lyndon B. Johnson."<sup>67</sup>

Todd Cohen reported in the *NonProfit Times* that, "Jan Masoka, executive director of CompassPoint, a nonprofit consulting firm in San Francisco and San Jose...would like to see the IRS publish all 990s, rather than having the function GuideStar serves borne by private funding. 'It's a government form,' she said. 'It's about public access.'"<sup>68</sup>

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<sup>65</sup> Harvy Lipman, "Tax Agency Declines to Create Separate Charity Database," *Chronicle of Philanthropy*, published by The Chronicle of Higher Education, Inc., February 17, 2005, p. 27.

<sup>66</sup> Burton A. Weisbrod and Stephen H. Long, "The Size of the Voluntary Nonprofit Sector: Concepts and Measures," *History, Trends, and Current Magnitudes*, Vol. 1 in the series, *Research Papers Sponsored by The Commission on Private Philanthropy and Public Needs* (Washington, DC: Department of Treasury, 1977), p. 360, n. 19.

<sup>67</sup> "People: Burton A. Weisbrod"; Institute for Policy Research, Northwestern University; Last updated 01/12/2005; <<http://www.northwestern.edu/ipr/people/weisbrod.html>>; p. 1 of 8/17/05 9:45 AM printout.

<sup>68</sup> Todd Cohen, "Financial Disclosure Takes Root, Although Some Still Balk," *NonProfit Times*, July 1, 2005, pp. 1, 6.

**Changes in Form 990.** Three changes in the information requested by the Internal Revenue Service’s Form 990 would assist in improving the measurement of philanthropy in the U.S. The recommendations about contributions from living donors, and the self-definition of organizations, are developed more fully under the section on recommendations related to the Urban Institute that follows.

*Contributions from Living Donors.* Theoretically, the most accurate measure of individual giving possible is from receipts by nonprofit organizations via a revised Form 990. This information would lessen the level of error inherent both in individual taxpayer reports to the IRS and in survey data. A policy decision needs to be made that it is important to obtain a sound Form 990 measure of individual giving by living donors.

*Self-Definition of Purpose and Governance Type.* Form 990 needs to be changed so that reporting, recipient organizations define themselves through the use of a numerical system based on a standard classification such as the National Taxonomy of Exempt Entities. Currently, Form 990 does not provide an organization with the opportunity to define its primary activities from a numbered list of options. In contrast, government forms provide this opportunity to businesses.

Another change in Form 990 would be the implementation of a self-definition category describing the governance of the organization as either faith-based or secular. Currently, no such self-description is systematically requested. The result, in some measures of charitable giving, is the undercounting of the role of religion in the philanthropic sector, and consequently, in American society as a whole. An organization that is faith-based and provides, for example, human services should be offered the choice of being categorized as “human services” without the religious component being ignored.

*Contributions by Source.* Form 990 does not now, but should, request that organizations provide donation information based on source of contributions.

**Recommendations Related to the Urban Institute.** The Urban Institute is involved in a variety of ways in the measurement of philanthropy. Several actions could be taken by this organization to improve the national collection of giving data.

*Changes in the Urban Institute’s Unified Chart of Accounts to Account for Donations by Living Individuals.* The Urban Institute provides a permanent home for the Unified Chart of Accounts (UCOA),<sup>69</sup> “designed so that nonprofits can...**quickly and reliably translate their financial statements into the categories required by the IRS Form 990**, the federal Office of Management and Budget, and into other standard reporting formats. UCOA also seeks to...promote uniform accounting practices throughout the nonprofit sector” [bold emphasis in original].<sup>70</sup>

1. A critical weakness in the UCOA is its treatment of individual giving. This category is combined with “small businesses” in category “4010-xxx,” to be reported on Form 990

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<sup>69</sup> Russy D. Sumariwalla and Wilson C. Levis, *Unified Financial Reporting System for Not-for-Profit Organizations: A Comprehensive Guide to Unifying GAAP, IRS Form 990, and Other Financial Reports Using a Unified Chart of Accounts* (San Francisco: Jossey-Bass, 2000), p. 211, Note.

<sup>70</sup> “The Unified Chart of Accounts”; National Center for Charitable Statistics, Urban Institute; <<http://nccs.urban.org/ucoa/nccs-ucoa.htm>>; p. 1 of 8/20/01 3:18 PM printout.

Line Number 1a. The UCOA provides that gifts from individuals, whether designated, pledged or undesignated, be included on the same line as gifts from small businesses, including commercial co-ventures. In order to obtain a clear measure of individual giving, Account Number 4010-xxx should be reserved for individuals. “Small businesses” should be moved either to a new or some existing account series, such as “4210-xxx, Corporate and other business grants.”

Part of the rationale for this separation in the reporting of individuals and small businesses is the definition of “small business.” Contributions from small businesses are often not the type that can be compared with the IRS *Statistics of Income Bulletin*’s Table 1:—Individual Income Tax Returns “Itemized deductions” for “Charitable contributions.” The Small Business Administration indicates that “Approximately 95% of all businesses are eligible for SBA [Small Business Administration] assistance.”<sup>71</sup> The Small Business Administration has size standards that include: 500 employees for most manufacturing and mining industries; 100 employees for all wholesale trade industries; \$5 million for most retail and service industries;<sup>72</sup> 4 million megawatt hours for energy producing companies; and \$100 million in assets for banks or similar institutions.<sup>73</sup>

If the Form 990 is ever going to provide a clear set of data on giving by living individuals, then the data must be separated from this wide spectrum of additional sources of business donations. To assist organizations in classifying donations, incorporated businesses that make deductible charitable contributions could be required to identify in a clear, standardized and regulated fashion that the gift comes from an incorporated business. In this way, the organization can easily attribute the gift to the appropriate bookkeeping/accounting category, which will subsequently be used for Form 990 reporting purposes.

2. Form 1040 (Individual Return) Schedules A and C and Form 1065 (Partnership Return) should also be changed. Currently contributions made through certain businesses, specifically sole proprietorships or partnerships, can be reported on Schedule A for Form 1040. Gifts from such businesses might best be deducted on the business’s tax return on Form 1065 rather than the individual’s return. A precedent for separating personal and business contributions is found in the treatment of “Car and Truck Expenses” in the “Tax Guide for Small Business.” The Tax Guide reads “If you have an expense that is partly for business and partly personal, separate the personal part from the business part.”<sup>74</sup> If not changed, then the individual donor should be required to indicate to the organization that the gift will be reported as an individual, rather than business, contribution so that the organization can attribute the gift accordingly.

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<sup>71</sup> U.S. Small Business Administration; “Small Business Resource Guide”; “startup pdf”; created Thu, Apr 6, 2000, 9:24 PM; downloaded from: <<http://www.sba.gov/starting/startup.pdf>>; p. 38.

<sup>72</sup> U.S. Small Business Administration, Office of Size Standards; “Frequently Asked Questions (FAQs)”; <<http://www.sba.gov/size/indexfaqs.html>>; p. 1 of 9/13/01 8:00 AM printout.

<sup>73</sup> U.S. Small Business Administration; “Small Business Size Standards: Matched to North American Industry Classification System (NAICS) Codes Effective December 21, 2000”; <<http://www.sba.gov/size/Table-of-Small-Business-Size-Standards-from-final-rule.html>>; pp. 4 and 23 of 9/12/01 2:43 PM printout.

<sup>74</sup> Internal Revenue Service, “Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ): For use in preparing 2000 Returns,” Publication 334, Cat. No. 11063P, p. 26.

3. “Contributions through commercial co-ventures” should be moved to the corporate/business UCOA account number. Income from such co-ventures cannot validly be compared with the IRS Statistics of Income Bulletin’s Table 1:—Individual Income Tax Returns “Itemized deductions” for “Charitable contributions.” Commercial co-ventures can involve millions of dollars to nonprofits in exchange for positive marketing results for the company. While the arrangement may be a legitimate symbiotic relationship, it cannot be compared with the type of philanthropy normally assumed to be defined by the term “individual giving.”

Any effort to change the Form 990 to yield an accurate measure of the level of giving from living individuals will be impeded to the extent that the Uniform Chart of Accounts, being championed by the Urban Institute for use by nonprofit organizations as a standard basis for bookkeeping categories, is structurally designed not to collect information specifically about giving by living individuals.

*Categorization of Organization by Self-Description of Purpose and Governance.* The Urban Institute’s National Center for Charitable Statistics has worked with the U.S. Internal Revenue Service to categorize nonprofit organizations that return Form 990. Further refinements could help to classify organizations using nationally accepted standards.

In 1993, the National Center for Charitable Statistics was housed at Independent Sector. Virginia Hodgkinson authored a report calling for “a check-off list for charities based on the categories developed by Independent Sector for the National Taxonomy of Exempt Entities, an effort to classify all non-profit organizations registered with the IRS.”<sup>75</sup> More specifically, the report recommended, “The Form 990 should be revised to allow for institutions of various functions to report their major purposes and programs, taking into account systems already in place to define such institutions.”<sup>76</sup>

A precedent for this type of information gathering is Schedule C (Form 1040) that is used to report “Profit or Loss from Business (Sole Proprietorship).” This form requires a reporting business to select a category from the “Principal Business or Professional Activity Codes” that best describes the business. In the year 2000, the codes provided 300 activities under 19 general categories.<sup>77</sup>

The National Taxonomy for Exempt Entities contains ten core categories from which a nonprofit organization could select to identify its main activity.

An important further refinement would provide a more complete picture of philanthropy in America. Before selecting one of the ten core categories, the nonprofit organization would first indicate its form of governance as either “faith-based” or “secular.” This identification could provide valuable information to help clarify the role of religion in the area of giving. Form 990 could also require that the organization define itself, first by selecting either faith-based or secular as the category of governance, and then the specific activity described by one or more of the NTEE core codes.

<sup>75</sup> Jennifer Moore, “Charity Group Backs Overhaul of Tax Form,” *Chronicle of Philanthropy*, November 30, 1993, pp. 34-35.

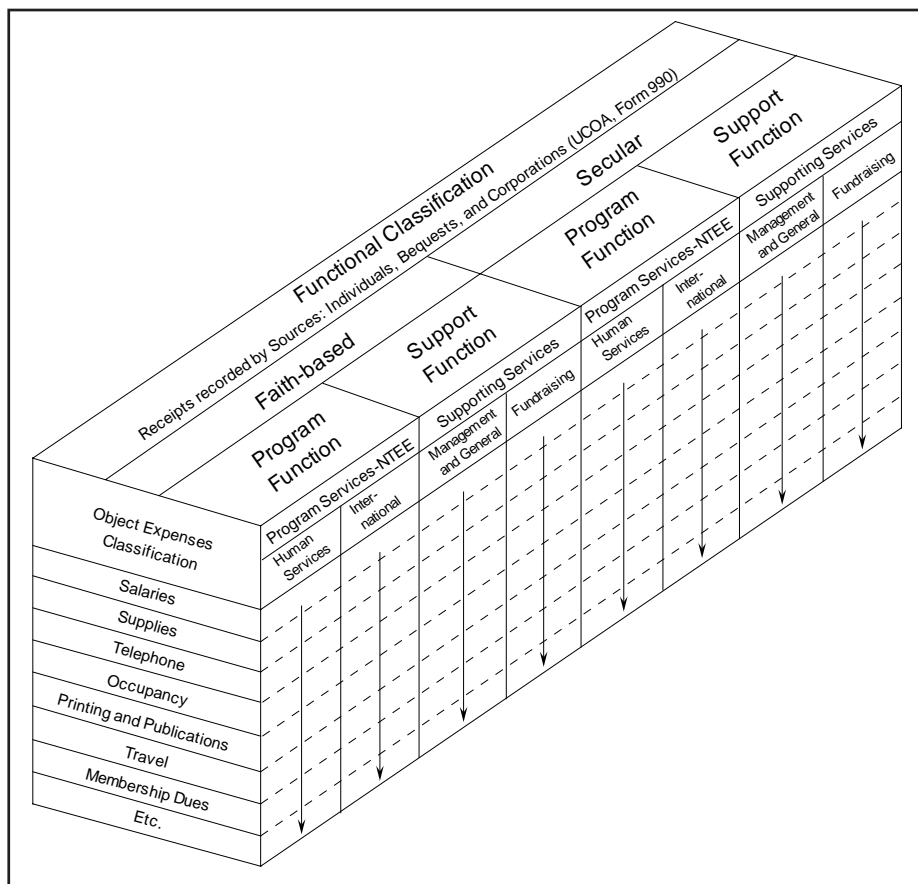
<sup>76</sup> Virginia Hodgkinson, et al., *A Portrait of the Independent Sector: The Activities and Finances of Charitable Organizations*, (Washington, DC: Independent Sector, 1993), p. 80.

<sup>77</sup> Internal Revenue Service, “Profit or Loss From Business (Sole Proprietorship),” Schedule C (Form 1040) 2000, OMB No. 1545-0074, Cat. No. 11334P, and Internal Revenue Service, “2000 Instructions for Schedule C, Profit or Loss From Business,” Cat. No. 24329W, pp. C-7 and C-8.

The importance of being able to classify giving by both faith-based or secular categories, as well as by specific activity codes can be seen from an observation in *Giving USA 1990*'s discussion of "Giving to Religion." That issue of *Giving USA*, edited by Nathan Weber, noted, "Further, among many religious groups, giving to religion is considered identical with giving to human services, health care, etc., when such services are administered by organizations founded by the religious groups" (p. 187). An analysis of the CE survey data for 2003 found that donors identified 72% of their charitable donations as given to churches and religious organizations.

In their book on the Unified Chart of Accounts, Russy D. Sumariwalla and Wilson C. Levis reproduced a graphic originally prepared by United Way of America that depicts how the account classification would appear in practical application.<sup>78</sup> For purposes of the present discussion, that graphic was adapted to include a statement about receipts classification, and to describe at what point the choice of faith-based or secular governance would be included in the accounting hierarchy (see Figure 17).

**Figure 17: Account Classification Application with Faith-based/Secular Governance Option Included**



Source: Adaptation of graphic in Sumariwalla and Levis empty tomb graphic 2001

<sup>78</sup> Sumariwalla and Levis, p. 41.

**Do Not Count Donations from Private Foundations.** Hayden Smith made this recommendation persuasively in a 1993 paper. Smith developed the position that it is a mistake to include the donations from foundations in a measure of the current flow of Total Contributions, writing in part:

However, if we are thinking about the flow of contributions and bequests from outside the charitable community, it is a mistake to include private foundation grants in our measure of total philanthropy, for one simple reason: private foundations themselves are charitable organizations and they are the recipients of gifts and bequests from individuals and families as well as makers of grants to other charities. By including them, we double-count some of the dollars that flow from donors to ultimate donations. . . Perfect validity requests that grants made out of the income generated from the investment of foundation assets, or any transfers of those assets to other charities, should not be included as part of the current flow of charitable giving.<sup>79</sup>

**A Commission on Private Philanthropy and Public Needs.** A recommendation for such a commission by Act of Congress was a finding of the original Commission on Private Philanthropy and Public Needs, also known as the Filer Commission. Details of that proposal are outlined in the Commission's report.<sup>80</sup> Among the recommendations were that the Commission's chair and 12 additional members would be appointed by the President of the United States, all subject to senatorial confirmation. These 13 appointees would name an additional 12 members. The term of the Commission would be permanent. The focus of the Commission was described in the Filer Commission Report as follows.

Among other purposes and roles of the commission would be continuous collection of data on the sources and uses of the resources of the nonprofit sector; exploring and proposing ways of strengthening private giving and nonprofit activity; providing a forum for public discussion of issues affecting, and for commentary concerning, the nonprofit sector; studying the existing relationships between government and the nonprofit sector and acting as an ombudsman in protecting the interests of the sector as affected by government.<sup>81</sup>

The Commission could also assist in developing standards for the reporting of philanthropy data, facilitating changes in Form 990 to yield giving data by living individuals, and assisting in the dissemination of Form 990 data in an effort to increase the public accountability of nonprofit organizations. The Commission ought to involve academic economists of the highest caliber, who are well versed in national economic accounting and the development of the National Income and Products Accounts of the United States, including those who would have a link to the Council of Economic Advisors, and the Internal Revenue Service Form 990, as well as those who could influence the National Bureau of Economic Research to assist with the improvement of the measure of philanthropy.

**Journal of Philanthropy Measurement.** A peer-reviewed journal on the topic of philanthropy measurement is needed to raise the reporting standards in this field of study. The journal would be dedicated to obtaining sound annual estimates of philanthropy in the United States. The Hauser Center for Nonprofit Organizations housed at Harvard University's John F. Kennedy School of Government would be one logical place in which to house such

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<sup>79</sup> Smith, *Voluntas*, p. 253.

<sup>80</sup> Commission on Private Philanthropy and Public Needs, *Giving in America: Toward a Stronger Voluntary Sector: Report of the Commission on Private Philanthropy and Public Needs* (n.p.: Commission on Private Philanthropy and Public Needs, 1975), pp. 191-193.

<sup>81</sup> Commission on Private Philanthropy and Public Needs, p. 27.

a journal. The Hauser Center was designed to take a broader view of the field of philanthropy. As reported in the May 1, 1997 issue of the *Chronicle of Philanthropy*, “Harvard officials say that after they examined the existing academic centers in the field, they felt that many were parochial in their approach.”<sup>82</sup>

**NBER.** The National Bureau of Economic Research needs to be encouraged to elevate the study of the nonprofit sector to a standing program, instead of only issuing occasional papers.

**USBEA.** The U.S. Department of Commerce, Bureau of Economic Analysis National Income and Product Accounts should expand its analysis of the nonprofit sector.

### **Funding the Solutions.**

Following are two possible sources that might reasonably serve to underwrite efforts to improve the measurement of philanthropy in the United States.

The first option, focused on governmental improvements, is the excise tax levied on foundations by the U.S. Government in 1969. The purpose of this tax, according to Pablo Eisenberg of the Georgetown University Public Policy Institute, was “to use the income to regulate tax-exempt organizations and handle the myriad administrative tasks associated with them. But things didn’t work out that way. That income has gone into the general treasury.” Eisenberg argues that redirecting the tax to the Internal Revenue Service’s oversight of nonprofits could not only provide for regulation and supervision, but also help to make the collected data available for purposes of public accountability.<sup>83</sup>

The second potential funding source, focused on private sector improvements, would be pooled funds from foundations for a “Foundation Research Service.” A model can be found in the Congressional Research Service, which is designed to provide “comprehensive and reliable analysis, research and information services that are timely, objective, unbiased, and confidential.”<sup>84</sup> Since 1987, at least 31 foundations have spent some unspecified millions of dollars on the measurement of philanthropy. Yet, there has been little effective evaluation or accountability that would improve the giving estimates produced by this funding. The Foundation Research Service could provide coordinated objective analysis of reports issued by grantees, including research on issues related to the measurement of philanthropy. The Foundation Research Service could provide evaluation of additional categories of research, particularly those that receive funding from multiple foundations. The Foundation Research Service could also keep track of whether reports funded by foundations were published in a timely fashion—or whether these reports were published at all. It is important that foundations that facilitate the identification of, or help recruit, funding partners not use the multi-foundation nature of a project to diffuse and avoid clear lines of responsibility and accountability.

***An Estimate of Aggregate Giving to Religion, 1968-2003.*** The largest category in philanthropy, as measured in the U.S. Bureau of Labor Statistics, Consumer Expenditure

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<sup>82</sup> *Chronicle of Philanthropy*, May 1, 1997, p. 10.

<sup>83</sup> Pablo Eisenberg, “How to Help the IRS Improve Charity Oversight,” *Chronicle of Philanthropy*, October 18, 2001, p. 34.

<sup>84</sup> “CRS Employment Home Page — What’s CRS: History and Mission”; <<http://lcweb.loc.gov/crsinfo/whatscrs.html#org>>; p. 1 of 10/4/01 12:10 PM printout.



Survey is “Cash contributions to church, religious organizations.” In 2003, according to the CE survey, as noted above, Americans contributed 72% of their charitable contributions to “church, religious organizations.”

An estimate of Americans’ giving to religion has been provided by empty tomb, inc. for the 1968 to 2003 period. This estimate employed a 1974 benchmark estimate of \$11.7 billion for giving to religion provided by the watershed Commission on Private Philanthropy and Public Needs of the 1970s, commonly referred to as the Filer Commission.<sup>85</sup>

The amount of change from year to year, calculated for 1968 to 1973 and also 1975 to 2003, was the annual percent change in the composite denomination set analyzed in other chapters of this report.<sup>86</sup> This calculation yielded a total of \$8.01 billion given to religion in 1968, and \$64.79 billion in 2003. Table 26 presents this data both in aggregate form, and as adjusted for population and income.

**Table 26: Giving to Religion, Based on the Commission on Private Philanthropy and Public Needs (Filer Commission) Benchmark Data for the Year of 1974, and Annual Changes in the Composite Denomination-Based Series, 1968-2003 Aggregate Billions of Dollars and Per Capita Dollars as a Percent of Disposable Personal Income**

Year	Denomination-Based Series Keyed to 1974 Filer Estimate	
	Billions Dollars	Per Capita Dollars as % of Disposable Personal Income
1968	8.01	1.28%
1969	8.33	1.24%
1970	8.67	1.18%
1971	9.13	1.14%
1972	9.78	1.13%
1973	10.69	1.09%
1974	11.70	1.09%
1975	12.74	1.07%
1976	13.87	1.06%
1977	15.02	1.05%
1978	16.41	1.02%
1979	18.15	1.01%
1980	20.08	1.00%
1981	22.14	0.99%
1982	24.00	0.99%
1983	25.61	0.98%
1984	27.71	0.95%
1985	29.40	0.95%
1986	31.09	0.95%
1987	32.42	0.94%
1988	33.68	0.90%
1989	35.46	0.88%
1990	36.98	0.86%
1991	38.37	0.86%
1992	39.43	0.83%
1993	40.50	0.82%
1994	43.37	0.84%
1995	44.19	0.82%
1996	47.70	0.84%
1997	49.42	0.83%
1998	52.28	0.82%
1999	55.10	0.82%
2000	59.36	0.83%
2001	61.89	0.83%
2002	64.00	0.82%
2003	64.79	0.79%

Source: empty tomb, inc. analysis; Commission on Private Philanthropy and Public Needs; YACC, adjusted series; U.S. BEA

<sup>85</sup> Gabriel Rudney, “The Scope of the Private Voluntary Charitable Sector,” Research Papers Sponsored by The Commission on Private Philanthropy and Public Needs, Vol. 1, History, Trends, and Current Magnitudes, (Washington, DC: Department of the Treasury, 1977), p. 136.

<sup>86</sup> For this comparison, the composite data set of denominations was adjusted for missing data.

