Put My Money Where Your Cause Is: An Analysis of Donor Perceptions of a
100% to Program Nonprofit Donation Model

By
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Abstract:

Within the nonprofit sector, donation-reliant nonprofit organizations (NPOs) must continually search for ways to increase the revenues that not only fund their programs, but also their organizational infrastructures. This poses a significant challenge as donors are becoming more sophisticated and selective regarding where they place their donations. Therefore, in an attempt to attract funds, certain NPOs have begun to use a 100% to program donation model where 100% of donations from the public (i.e., non-governmental and non-institutional donations) are funneled to programs affecting the organization’s cause, and operating expenses are covered by non-public donations. This thesis aims to fill a gap in the literature by addressing the effect that a 100% to program model has on donor perceptions in terms of likeliness to donate, hypothetical donation amount, and perceived management competence. Both high- and low-efficiency environments are examined in order to take into account the impact of administrative efficiency on donor perceptions. Two-sample t-tests and a linear regression model were used to assess the effect that a 100% to program model has on donor perceptions. The results of this study suggest that, broadly speaking, a 100% to program model is largely ineffective in enhancing donor perceptions of a NPO, especially when used by a low-efficiency NPO. There may, however, be some advantage of having a 100% to program model in a high-efficiency NPO. The results of this study are applicable to any of the one-quarter to one-half million donation-reliant NPOs in the United States who might consider implementing a 100% to program model.

Keywords: Nonprofit, NPO, donation, funding model, donation model, donor perceptions, 100% to program

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1. Introduction

Donated funds are the lifeblood of many nonprofit organizations (NPOs). Not only are they necessary for the survival of the organization, but also for the continued support of the programs that are central to the NPO’s focal cause or mission. One would imagine that donations by Americans, which amount to two percent of the nation’s Gross Domestic Product, or approximately $298 billion per year, would provide ample support. However, on an inflation-adjusted basis, total giving has remained constant over the past decade (National Philanthropic Trust, 2011). Furthermore, given that almost 1.6 million NPOs were registered with the United States IRS in 2009 – a 31% increase over the end of the previous decade (National Center for Charitable Statistics, 2009) – today’s NPOs must be cognizant of heightened competitive intensity. Understanding donor behavior and the organizational characteristics that make potential donors more or less likely to donate is becoming an imperative for long term survival. Nonprofit managers would especially like to know if there are ways for their NPOs to acquire more donation funds by minor changes in the way in which they operate or promote their businesses.

Over the past few decades, donors have become more informed, sophisticated and selective in the organizations to which they choose to donate. This has been noted by both practitioners and academics (Greenfield, 1999; The World Bank, 2008; Sargeant, 1999; Milne and Gordon, 1993). These informed donors have placed increasing pressure on NPOs to show lower administrative expense ratios (i.e., operating costs as a proportion of total spending). Unfortunately, this growing pressure increases the risk of under-investment in areas important to the NPO’s success and longevity (Tinkelman & Mankaney, 2007). Potential areas of under-investment include staff training, risk management, and compliance, leaving NPOs vulnerable to unforeseen financial, legal, and personnel-related challenges (Urban Institute and Center on Philanthropy – Indiana University, 2004). Over the past decade, some organizations have begun to ease this pressure to under-invest in important areas by implementing a 100% to program model in their organization. This model promises that 100% of donations from the
public (i.e., non-governmental and non-institutional donations) go directly towards funding the NPO’s cause-related programs, and must not be used to cover non-program operating expenses (such as administrative salaries, office supplies, mailings, rent of buildings, etc.). In these circumstances, operating expenses are covered by non-public donations. An organization employing this type of model would typically find a private donor, such as a group of high-wealth individuals or an institutional donor, to cover operating expenses. By doing so, it takes the pressure off of management to post unrealistically low administrative expense ratios since individual donors will, in theory, focus their attention specifically on where their donation money goes as opposed to focusing on the overall organization’s administrative expense ratio. With the organization’s operating expenses being covered by a more completely informed and heavily invested donor with significant management savvy, the NPO would be freer to invest appropriately in areas important to the NPO’s longevity.

To further illustrate how a 100% to program model works, let us use a simplified example. Let us say we have a hypothetical NPO that provides fully-prepared Thanksgiving turkeys to families with low economic means and it employs a legitimate 100% to program donation model. Donations from the public given to this hypothetical NPO must be used only for “program expenses” – costs generated by the activities required to source, prepare and deliver turkeys. A breakdown of these expenses would include the time spent in working directly with recipients to determine needs and schedule deliveries, the cost of the actual turkeys, the delivery of the turkeys to a commercial preparatory kitchen, the time and labor required to prepare the turkeys, packaging materials and labor, and the cost of the gasoline used to deliver the turkeys to homes. “Non-program expenses” would include the salaries of the NPO’s managers, administrative office rent and equipment, and the cost of publicity, fundraising, and promotional materials. Under a 100% to program model, these non-program expenses must be covered by some means other than donations from the public.
To my knowledge, no academic research exists on organizations which employ a 100% to program model. Furthermore, there is no literature examining how donors perceive this type of donation model, thus it is uncertain whether or not it influences their perceptions of the organization or their desire to donate money. According to Sargeant, Ford and West (2006), theory states that donors are willing to donate more when they are given greater information about where their donation goes. However, watchdog organizations, such as CharityWatch.org, have decried the use of a 100% to program model because they claim it can be used to deceive donors by intentionally blurring the lines between program and non-program expenses (CharityWatch.org, 2011). Thus, a 100% to program model has the potential to help or harm a NPO who employs it, so a prudent nonprofit manager would want to examine its impact on donor perceptions before employing a 100% to program model in his or her organization.

Therefore, in this paper, I examine whether or not individuals are more willing to give to a NPO that employs a 100% to program donation model than a NPO that does not. I investigate this question across three primary dimensions: likeliness to donate, hypothetical donation amount, and perceived management competence – defined as a measure of the extent to which donors believe the NPO’s management will run the organization in an honest and prudent way. I also look at this question through the lens of both high-efficiency and low-efficiency NPOs to get a deeper understanding of how a 100% to program model affects the different organizations that might employ it. To answer my research question, I surveyed a group of primarily undergraduate students using a scenario-based survey. Each scenario featured hypothetical NPOs that differ in whether or not they have a 100% to program model and whether they have high or low efficiency. Individuals were randomly assigned to different scenarios, which allows for causal interpretation.

In the next section, I will discuss relevant academic literature that influenced my thesis. In section 3, I will discuss the details of my study’s methodology, including my hypotheses, data, types of
analysis and the appropriateness of the methodology. Section 4 will review the results and implications of my study. Finally, I will conclude with the highlights and limitations of my research and the potential opportunities for further research on this topic.

2. Literature Review

To my knowledge, there currently exists no academic literature analyzing any aspect of a 100% to program donation model. This study fills in this gap in the literature by being the first to probe into any potential effects that a 100% to program model might have on donor perceptions of a NPO. Although there is no academic literature specifically on 100% to program models, there is plenty of relevant literature. I primarily review literature that discusses the effects that communication, trust, and a NPO’s administrative expense ratio have on donor willingness to give. A review of the literature helps to set the stage for understanding the methodology used in my study and the conclusions drawn from the results.

2.1 Effect of NPO Administrative Expense on Donations

Although there is still some debate on the topic, theory and practice show that a NPO’s effectiveness in using donated funds is typically a major decision factor for individuals when choosing whether or not to donate to a NPO. Theory says that higher levels of administrative expense, or non-program spending, raise the “price” to the donor of obtaining a dollar’s worth of program output, thus decreasing the likelihood of donating (Weisbrod and Dominguez, 1986). Certain studies claim that administrative efficiency is seen as important, but not the most important criterion, in selection of a charity (Jos van Iwaarden et al., 2009). However, Tinkelman and Mankaney (2007) conducted a meta-analysis on the effect of the administrative efficiency of a NPO on donations and found that several
studies claiming no significant relationship between administrative efficiency and donations had data integrity problems. When studies with fewer data quality issues were looked at, their conclusion was that a NPO’s administrative expense ratio and level of donations were inversely correlated. Thus, it is fair to say that, in general, administrative efficiency is tied to donation amounts. More specifically, lower efficiency (a higher administrative expense ratio) is associated with lower donations, and higher efficiency (a lower administrative expense ratio) is associated with higher donations. For this reason, administrative efficiency must be considered when evaluating a 100% to program model.

2.2 Effect of Communication to Donors and Trust on Charitable Giving

According to Sargeant, Ford and West (2006), donors prefer to give to organizations they trust. When giving time or money to an organization, donors are in effect “purchasing” the outputs of a NPO’s charitable programs. Given that there is generally more than one NPO supporting a particular cause, there exists a quasi-competitive free market for donations. “Brand loyal” repeat donors must feel a connection to an organization and not just to a cause. Forming a connection with an organization starts with the organization earning the trust of potential donors since trust plays a mediating role between donor perceptions of a NPO and giving behavior (Sargeant, Ford and West, 2006). Trust can be established in many ways, from financial ratios indicating efficiency to celebrity endorsements to word of mouth.

Two specific ways a NPO can build donor trust are its communications with donors and its performance (Sargeant, Ford and West, 2006). Examples of an organization’s communication with donors include solicitations for donations, ‘thank you’ letters, messaging on promotional materials and websites, and any other information a NPO may provide to its donors. A 100% to program model is a method of communication from the organization to donors saying ‘we promise to use all of the funds
you are giving to directly impact the cause you care about.’ I build off of this idea in the construction of my study’s hypotheses and methodology.

Organizational performance is a little more difficult to define because it involves various factors. However, some academics have argued that the level of trust of potential donors is driven by the extent to which they believe the organization has demonstrated it will use donations wisely (Tonkiss and Passey, 1999). Many times, the most accessible objective piece of information that potential donors have of a NPO’s wise use of donations is its administrative expense ratio. This provides evidence that the administrative expense ratio may also be linked to creating trust between donors and the NPO.

2.3 Summary

Current literature indicates that administrative expense, or non-program spending, influences donor behaviors and perceptions. Furthermore, it is shown that trust between the donor and the NPO is a key prerequisite to repeated charitable giving. This trust is influenced primarily by the NPO’s communication with its donors and, in part, by the NPO’s administrative efficiency. Thus, my study’s methodology reflects the fact that potential donors will form perceptions of the organization based off of its communication (e.g., a 100% to program model) and its performance (e.g., administrative expense ratio). These perceptions could then influence their willingness to donate. A gap in the literature currently exists since there is no academic research discussing this 100% to program model or its effects on donor behavior, and my study intends to address that gap.

3. Methodology

To fill a gap in the existing literature regarding the effects of a 100% to program donation model, I tested four hypotheses comparing donor perceptions of hypothetical NPOs. The hypothetical
NPOs in question were classified by whether or not they employed a 100% to program model and whether they had high or low administrative efficiency. This section of my paper outlines my hypotheses, describes my data and how it was collected, discusses how I analyzed the data and evaluated the hypotheses, and examines the appropriateness of my methodology.

3.1 Hypotheses

Research shows that donors prefer to receive communication from NPOs in regards to how their donation is used (Sargeant, Ford and West, 2006; Roderick Williams, 2007). The act of communication informs donors about what the organization has accomplished with their gift. It also creates or reinforces trust between the donor and the NPO, which is a critical ingredient for repeated giving behavior (Sargeant, Ford and West, 2006). I expect that donors who are given the assurance that one hundred percent of their donation is being put towards cause-related programs will perceive the NPO as a better donation opportunity. Thus, I believe that donors will be more likely to give to the NPO, will give larger amounts to the NPO, and will perceive the NPO’s management as more competent. I expect this will remain consistent for both high-efficiency and low-efficiency NPOs, as measured by their administrative expense ratios.

Hypothesis 1:

A high-efficiency NPO with a 100% to program model will be perceived more favorably than a high-efficiency NPO without a 100% to program model.

Hypothesis 2:

A low-efficiency NPO with a 100% to program model will be perceived more favorably than a low-efficiency NPO without a 100% to program model.
Donors place a high importance on the administrative efficiency of a NPO (Tinkelman and Mankaney, 2007; Roderick Williams, 2007). Because of this, I expect that a low-efficiency NPO with a 100% to program model would not be able to make up for its high, and thus less-desirable, administrative expense ratio when compared with a high-efficiency NPO without a 100% to program model. I also believe that a 100% to program model will be more effective when used by a high-efficiency NPO than when used by a low-efficiency NPO, after controlling for administrative efficiency.

Hypothesis 3:
A low-efficiency NPO with a 100% to program model will be perceived less favorably than a high-efficiency NPO without a 100% to program model.

Hypothesis 4:
A 100% to program model will be more effective in enhancing donor perceptions when used by a high-efficiency NPO than a low-efficiency NPO.

3.2 Data and Measures

To collect data, I created a scenario-based survey where participants were given an information sheet about a hypothetical NPO and a standard set of questions to gauge their opinions and perceptions of the organization. Please see Appendix 1 for the complete survey. The different survey scenarios were distributed randomly to individuals in the selected sample, allowing for causal interpretation. The sample was made up primarily of undergraduate students at the University of Minnesota in management and entrepreneurship classes, as well as several staff and faculty at the Carlson School of Management. The vast majority of those surveyed were undergraduates (95.5%) and there was a final sample size of 134 valid responses. All questions were identical on the different surveys, however, the scenario given varied from survey to survey. It was made clear to survey participants that they were to
assume that the organization in question had a mission in which they believed and that each survey participant had sufficient disposable income to donate.

Each survey participant was given a scenario with one of four hypothetical NPOs at random:

<table>
<thead>
<tr>
<th>Table 1</th>
<th>High Efficiency</th>
<th>Low Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% Model</td>
<td>“Case 1” High Efficiency with a “100% Model”</td>
<td>“Case 2” Low Efficiency with a “100% Model”</td>
</tr>
<tr>
<td>No 100% Model</td>
<td>“Case 3” High Efficiency without a “100% Model”</td>
<td>“Case 4” Low Efficiency without a “100% Model”</td>
</tr>
</tbody>
</table>

The goal of this study is to observe the differences and similarities between the four cases in order to understand whether or not a 100% to program model impacts donor perceptions of the NPO, taking into account the NPO’s level of efficiency.

In the creation of the survey, I used a 5% administrative expense ratio for the hypothetical high-efficiency NPOs and a 35% administrative expense ratio for the hypothetical low-efficiency NPOs. This was based off research indicating that the average administrative expense ratio for established, donation-reliant NPOs is between 13.8% and 18.7% as measured by the mean, or 8.6% and 13.6% as measured by the median (Tinkelman and Mankaney, 2007). This implies that an administrative expense ratio of 5% is clearly low, signifying high efficiency, and an administrative expense ratio of 35% is clearly high, signifying low efficiency.

Survey participants read an information sheet containing the hypothetical NPO’s administrative expense ratio, a hypothetical rating from an independent watchdog organization, and presence or absence of 100% to program model. Participants with hypothetical Case 1 and Case 2 NPOs (‘high-
efficiency with 100% model’ and ‘low-efficiency with 100% model,’ respectively) were given information explaining the 100% to program model employed. They were also given assurance that the 100% to program model had been audited by a public accounting firm. To introduce survey participants to the 100% to program model, I created a description based off of the concise and well-worded description used by a real NPO employing a 100% to program model, charity: water, which is posted on the organization’s website (charity: water, 2012).

Participants with hypothetical Case 3 and Case 4 NPOs (‘high efficiency without 100% model’ and ‘low efficiency without 100% model,’ respectively) were not given any information regarding a 100% to program model. Instead, they were given intentionally neutral information regarding the NPO’s cities of operation, a reassurance of their responsible use of funds, and a brief statement that they are audited by a public accounting firm.

To gauge their perceptions of the NPO, participants were asked three primary questions which are paraphrased below with their unit of measure.

1. **Likeliness to Give:**
   “Given only the information you know of this organization, how likely are you to donate to this nonprofit in comparison to another nonprofit of a similar mission?”
   (Likert Scale; 1: Very Unlikely, to 7: Very Likely).

2. **Hypothetical Donation Amount:**
   “You’ve just come into $100 that you must donate to any combination of organizations of your choice. Given only what you know of this organization, what dollar amount ($0-100) would you be willing to donate to this organization?”
   (Dollar amount, $0-100).

3. **Perceived Management Competence:**
   “Given only what you know of this organization, what do you believe about the management’s ability to appropriately run the organization?”
   (Likert Scale, 1: Very Incompetent, to 7: Very Competent).
Along with these questions, participants were given a chance to write down a few words to describe their overall impression of the hypothetical NPO, which provided good fodder for qualitative analysis. This qualitative analysis added some color to what might otherwise be relatively black-and-white quantitative analysis. Participants were also asked questions to understand their past donation behaviors and opinions of the role of NPOs in society. This information helps give context to participant responses. The survey also gathered demographic information to help control for any inconsistencies between different categories of participants.

Finally, survey participants were given a manipulation check question and were asked to recall the hypothetical NPO’s percent of total income spent on its cause without looking back (i.e., 100% minus the NPO’s administrative expense ratio). Because this was a crucial piece of information for a participant to understand in order to make an informed decision, surveys with answers off by five percent or greater were deemed invalid. Invalid responses amounted to 39 surveys, or about 23% of the total surveys collected. I chose this cutoff because I needed to distinguish between those who did and did not understand that the 100% to program model was different from the total amount that the organization spent on its cause. The situation with the highest chance for confusion is the scenario with a hypothetical NPO with high-efficiency (95% of organizational spending to cause) and a 100% to program model. In this situation the correct answer to the manipulation check would be “95%.” Individuals with this scenario who answered that 100% of the organization’s funds were spent on its cause did not demonstrate an ability to distinguish between the NPO’s administrative efficiency and its 100% to program model. Thus, since individuals with that scenario could only be off by less than five percent on the upside, this became the highest error I could accept. The need for consistency in this number led me to choose five percent above or below the correct answer as the cutoff for all cases. In hindsight, a binary recall question asking participants to classify this nonprofit organization as “high-efficiency” or “low-efficiency” would have been more appropriate. This is because a sizeable number of
individuals were confused about how the 100% to program model affected administrative efficiency and answered “100%” to the manipulation check question. For a table with details on the number of valid and invalid surveys, please reference Appendix 2.

3.3 Analysis

Two-sample t-tests

To test my first three hypotheses, I ran two-sample t-tests to assess if the differences occurring between my two samples in each hypothesis were statistically significant. These two-sample t-tests show whether a significant difference exists between any two cases I compare. These tests work well to give evidence as to whether or not my hypotheses are correct when looked at in isolation. They are limited in that they are fairly one-dimensional and ignore any interaction between the 100% to program model and a NPO’s efficiency. However, for my first three hypotheses, the interaction between the 100% to program model and the organization’s efficiency is not a crucial piece of information.

Linear Regression

To evaluate my fourth hypothesis and to give further evidence to my first and second hypotheses, I created a linear regression model. This model allows for a more holistic view of the data and the interactions between different pieces of data, which is needed when evaluating Hypothesis 4.

The basic model used is:

\[ Y = \beta_0 + \beta_1 \times \text{High Efficiency} + \beta_2 \times 100\% \text{ to program} + \beta_3 \times \text{High Efficiency} \times 100\% \text{ to Program} + \varepsilon \]
Table 2 includes a description of the equation’s variables:

<table>
<thead>
<tr>
<th>Variable/Coefficient</th>
<th>Definition</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y</td>
<td>Dependent variable Measurement of perception</td>
<td>“Likelihood to Donate” (Likert Scale, 1-7), or “Hypothetical Donation Amount” (Dollar amount $0-100), or “Perceived Management Competence” (Likert Scale, 1-7)</td>
</tr>
<tr>
<td>$\beta_0$</td>
<td>Regression intercept term Describes the expected value of “Y” if all independent variables are set to zero.</td>
<td>Describes the value of the response we would expect to find assuming all independent variables were set to zero. Has little to no impact on our results.</td>
</tr>
<tr>
<td>$\beta_1$</td>
<td>Regression coefficient for “High Efficiency” Describes the relationship between “High Efficiency” and “Y”</td>
<td>Previous research claims that this regression coefficient will be greater than zero and statistically significant.</td>
</tr>
<tr>
<td>“High Efficiency”</td>
<td>Independent variable Whether or not the NPO has high efficiency</td>
<td>Equal to 1 if the NPO has high efficiency Equal to 0 if not</td>
</tr>
<tr>
<td>$\beta_2$</td>
<td>Regression coefficient for 100% to program Describes the relationship between 100% to program and “Y”</td>
<td>Hypotheses 1 and 2 claim that this regression coefficient will be greater than zero and statistically significant.</td>
</tr>
<tr>
<td>“100% to Program”</td>
<td>Independent variable Whether or not the NPO employs a 100% to program model</td>
<td>Equal to 1 if the NPO employs a 100% to program model Equal to 0 if not</td>
</tr>
<tr>
<td>$\beta_3$</td>
<td>Regression coefficient for “High Efficiency * 100% to Program” Describes the relationship between “High Efficiency * 100% to Program” and “Y”</td>
<td>Hypothesis 4 claims that this regression coefficient will be greater than zero and statistically significant.</td>
</tr>
<tr>
<td>“High Efficiency * 100% to Program”</td>
<td>Interaction variable Whether or not the NPO has high efficiency and a 100% to program model</td>
<td>Equal to 1 if the NPO has both high efficiency and employs a 100% to program model Equal to 0 if not</td>
</tr>
</tbody>
</table>

This model is replicated three times where Y is first the measure of responses of “Likelihood to Donate,” second the measure of responses of “Hypothetical Donation Amount,” and finally the measure of responses of “Perceived Management Competence.” Different control variables were then built into to this basic equation to assess their impact on results.

3.4 Appropriateness of Methodology

Appropriateness

To understand individual preferences in regards to the four different hypothetical NPO cases, it was necessary to use some form of survey or interview to gather participant perceptions. Due to a lack
of research on the impact of a 100% to program model, there is no secondary data available. Thus, creating my own tool appeared to be the most logical choice. I wanted to get opinions from a large number of individuals in the hopes of bettering my chances of statistical significance, so I created a scenario-based survey.

The use of different hypothetical NPOs is a reasonable method to test donor perceptions. This is because participants need to be kept blind to the fact that they are being tested on their perceptions of the organization’s donation model. If participants had been told the study was about a 100% to program model or about administrative expense ratios, they would have paid undue attention to those factors which could skew results. The only reasonable way to gather information from both a treatment group and a control group was to create separate scenarios. Since the only difference in information given to survey participants was controlled by the researcher, and assignment to control and treatment groups was random, this survey can be classified as an experiment. This experimental classification allows for causal interpretation, which is a strength of my methodology.

Describing the hypothetical NPOs without a specified mission – yet explicitly stating that the mission was one that the donor would “connect with” – was a logical choice since individuals may have preexisting opinions about real NPOs as well as different causes they choose to support. If a real NPO were to be used in the survey, both of these factors would skew results. Survey participants were also told to assume that they had sufficient disposable income so that they possessed the ability to donate and that the NPO had a cause in which they believed. These two assumptions are justified since donors would not be willing to donate at all, regardless of the NPO’s donation model, if they did not have sufficient disposable income or did not agree with the NPO’s cause.
Limitations

This methodology is not without limitations. The first and largest limitation is that a majority of donors (77.6%) do not consult online intermediaries or watchdog organizations when making donations (Cnaan et al., 2011). Although this may appear troublesome, the donors who do consult watchdog organizations tend to be those who donate large sums or engage in advocacy for the organization, making it likely that the most impactful donors are those that pay attention to the information provided by watchdog organizations.

The other limitation is due to the assumptions used to create my scenario-based survey. Administrative expense ratios are only seen as highly relevant when four factors are met: 1.) The NPO is established (i.e., not a startup), 2.) Is primarily reliant on donations, 3.) Is of a size necessitating an external audit, and 4.) Reports reasonable administrative expense ratios (i.e., > 0%). Although these seem like they would be common in the nonprofit world, only between 15% and 30% of all NPOs fit into all four of these categories (Tinkelman and Mankaney, 2007). Survey participants were told throughout the survey that the hypothetical NPOs met all four of these criteria. This means that the results of this survey may only be directly applicable to less than 30% of all nonprofit organizations. Though this seems like a small number of NPOs, it would mean the findings are directly applicable to between 240,000 and 480,000 U.S.-based NPOs, which is clearly a substantial amount (National Center for Charitable Statistics, 2009). Furthermore, it is reasonable to assume that the study’s general findings would still be of some use to NPOs that meet two or three of the four factors making administrative efficiency highly relevant.

In this section I discussed the study’s hypotheses, data, and types of analysis. I also touched upon certain strengths and limitations of this methodology. Next, I will examine the results of my analysis and discuss the implications of these for donors and nonprofit managers.
4. Results

Validity Check on Survey Responses

Before running statistical tests to evaluate my hypotheses, I wanted to ensure that the dataset in question was congruent with other datasets that aim to investigate donor perceptions. The literature suggests that individuals prefer to give to high-efficiency NPOs with low administrative expense ratios in comparison to low-efficiency NPOs with high administrative expense ratios (Tinkelman and Mankaney, 2007). As an initial check on the validity of my survey responses as a whole, I ran a two-sample t-test to ensure that, all else equal, a high-efficiency NPO would outperform a low-efficiency NPO. In my analysis, a high-efficiency NPO with a 100% to program model outperformed a low-efficiency NPO with a 100% to program model in a statistically significant manner (p-value = 0.00) on all three dimensions (likelihood to donate, hypothetical donation amount, and management competence). Likewise, a high-efficiency NPO without a 100% to program model outperformed a low-efficiency NPO without a 100% to program model in a statistically significant manner (p-value = 0.00) across all three dimensions. This means individuals perceived a high-efficiency NPO as a better donation opportunity than a low-efficiency NPO, all else equal. This provides evidence that the dataset I collected is measuring donor preferences in a way that is congruent with other academic studies.

Overall Results

Overall, analysis yielded mixed results for my hypotheses. Hypothesis 1 and Hypothesis 2 were not supported by the study indicating that, broadly speaking, there is no significant advantage of a 100% to program model in enhancing donor perceptions in comparison to an organization with similar administrative efficiency. Hypothesis 3 was strongly supported indicating that a low-efficiency NPO with a 100% to program model will underperform a high-efficiency NPO without a 100% to program model.
on measures of donor perception. Finally, Hypothesis 4 was partially supported, meaning that a 100% to program model may be more effective when used in a high-efficiency environment.

4.1 Evaluation of Hypotheses

Evaluation of Hypothesis 1

Hypothesis 1: A high-efficiency NPO with a 100% to program model will be perceived more favorably than a high-efficiency NPO without a 100% to program model.

Two-sample t-tests do not support Hypothesis 1

Two-sample t-tests comparing the high-efficiency NPO with a 100% to program model and the high-efficiency NPO without a 100% to program model show no significant difference between the two cases when measured along the dimensions of “Likelihood to Donate,” “Donation Amount,” or “Perceived Management Competence.” These test results do not support Hypothesis 1. Results are shown in detail in the table below.

| Table 3 - Hypothesis 1 Results - "High-efficiency with 100% will outperform high-efficiency without 100%" |
|---------------------------------------------------------------|-------------------------------|-----------------|-----------------|-----------------|
| Two-Sample t-tests                                           | Hypothesis Implies:          | Estimate of difference (\(\bar{x}_1 - \bar{x}_2\)) | T-Value | P-Value | Statistical Significance |
| Likelihood to Donate                                         | \(\mu_1 - \mu_2 > 0\)        | 0.4311 (1-7 Likert Scale) | 1.27   | 0.21    | None |
| Donation Amount                                              | \(\mu_1 - \mu_2 > 0\)        | -$1.47 ($0-100 Scale) | -0.21   | 0.83    | None |
| Perceived Mgmt Competence                                    | \(\mu_1 - \mu_2 > 0\)        | -0.1691 (1-7 Likert Scale) | -0.69   | 0.49    | None |

Note: * denotes p < 0.10, ** denotes p < 0.05, *** denotes p < 0.01
\(\mu_1\): High-efficiency NPO with 100% to program model
\(\mu_2\): High-efficiency NPO without 100% to program model
Evaluation of Hypothesis 2

Hypothesis 2: A low-efficiency NPO with a 100% to program model will be perceived more favorably than a low-efficiency NPO without a 100% to program model.

Two-sample t-tests do not support Hypothesis 2

Two-sample t-tests run comparing the low-efficiency NPO with a 100% to program model and the low-efficiency NPO without a 100% to program model show no significant difference between the two cases when measured along the dimensions of “Likelihood to Donate,” “Donation Amount,” or “Perceived Management Competence.” These test results do not support Hypothesis 2. Results are shown in detail in the table below.

| Table 4 - Hypothesis 2 Results - "Low-efficiency with 100% will outperform low-efficiency without 100%" |
|--------------------------------------------------|---------------------------------|-----------------|--------|-----------------|------------------|
| Two-Sample t-tests                                | Hypothesis Implies:             | Estimate of difference $(\bar{x}_1 - \bar{x}_2)$ | T-Value | P-Value | Statistical Significance |
| Likelihood to Donate                              | $(\mu_1 - \mu_2) > 0$           | -0.6437 (1-7 Likert Scale)                      | -2.22   | 0.97   | None |
| Donation Amount                                   | $(\mu_1 - \mu_2) > 0$           | -$2.42$ ($0-100$ Scale)                         | -0.4    | 0.69   | None |
| Perceived Mgmt Competence                         | $(\mu_1 - \mu_2) > 0$           | -0.3866 (1-7 Likert Scale)                      | -1.41   | 0.16   | None |

Note: * denotes p < 0.10, ** denotes p < 0.05, *** denotes p < 0.01
$\mu_1$: Low-efficiency NPO with 100% to program model
$\mu_2$: Low-efficiency NPO without 100% to program model

Evaluation of Hypothesis 3

Hypothesis 3: A low-efficiency NPO with a 100% to program model will be perceived less favorably than a high-efficiency NPO without a 100% to program model.
Two-sample t-tests strongly support Hypothesis 3

Two-sample t-tests comparing the low-efficiency NPO with a 100% to program model and the high-efficiency NPO without a 100% to program model show a significant difference between the two cases when measured along all three dimensions ("Likeliness to Donate," "Donation Amount," and "Perceived Management Competence"). The test results strongly support Hypothesis 3. As Hypothesis 3 suggested, the estimate of the difference between the two sample means ($x_1 - x_2$) is less than zero and significantly different (p-value = 0.00) for all three dimensions measured. This means that, in the study, a low-efficiency NPO with a 100% to program model was perceived less favorably than a high-efficiency NPO without a 100% to program model in a statistically significant manner. In essence, a low-efficiency NPO cannot make up for the fact that it has low efficiency by implementing a 100% to program model. Results are shown in detail in the table below.

<table>
<thead>
<tr>
<th>Table 5 - Hypothesis 3 Results - &quot;Low-efficiency with 100% will underperform high-efficiency without 100%&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Two-Sample t-tests</strong></td>
</tr>
<tr>
<td>Likelihood to Donate</td>
</tr>
<tr>
<td>Donation Amount</td>
</tr>
<tr>
<td>Perceived Mgmt Competence</td>
</tr>
</tbody>
</table>

**Note:** * denotes $p < 0.10$, ** denotes $p < 0.05$, *** denotes $p < 0.01$

$\mu_1$: Low-efficiency NPO with 100% to program model
$\mu_2$: High-efficiency NPO without 100% to program model

Evaluation of Hypothesis 4

Hypothesis 4: A 100% to program model will be more effective in enhancing donor perceptions when used by a high-efficiency NPO than a low-efficiency NPO.
**Regression analysis partially supports Hypothesis 4**

To evaluate Hypothesis 4, we must look at the regression coefficient of the interaction variable of the regression, labeled “High-Efficiency * 100% to Program.” A positive value would imply that there is an advantage of having high efficiency and a 100% to program model together, while a negative value would imply that there is a disadvantage of having high efficiency and a 100% to program model together. This coefficient tells us whether or not the 100% to program model is more effective when used by a high-efficiency NPO than a low-efficiency NPO.

<table>
<thead>
<tr>
<th>Table 6 – Regression Equations</th>
<th>Likeliness To Donate</th>
<th>Donation Amount</th>
<th>Management Competence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High-Efficiency</strong></td>
<td>0.9926***</td>
<td>$34.70***</td>
<td>2.068***</td>
</tr>
<tr>
<td>(Standard Error)</td>
<td>(0.3087)</td>
<td>($6.357)</td>
<td>(0.2569)</td>
</tr>
<tr>
<td><strong>100% to Program</strong></td>
<td>-0.6437**</td>
<td>-$2.42</td>
<td>-0.3866</td>
</tr>
<tr>
<td>(Standard Error)</td>
<td>(0.3087)</td>
<td>($6.357)</td>
<td>(0.2569)</td>
</tr>
<tr>
<td><strong>High-Eff. * 100% to Program</strong></td>
<td>1.0748**</td>
<td>$0.953</td>
<td>0.2175</td>
</tr>
<tr>
<td>(Standard Error)</td>
<td>(0.4464)</td>
<td>($9.192)</td>
<td>(0.3715)</td>
</tr>
<tr>
<td><strong>R-squared</strong></td>
<td>28.40%</td>
<td>31.10%</td>
<td>51.70%</td>
</tr>
</tbody>
</table>

*Note:* * denotes p < 0.10, ** denotes p < 0.05, *** denotes p < 0.01

From the regression table above, we can see that there appears to be a statistically significant advantage of having high efficiency and a 100% to program model only on the “Likeliness to Donate” dimension. The other two dimensions, “Donation Amount” and “Perceived Management Competence,” do not have statistically significant values for that coefficient. This means that Hypothesis 4 is partially supported by the study since one of the three dimensions yields a statistically significant, positive regression coefficient. More research may be needed to fully establish whether or not a 100% to
program model is more effective in enhancing donor perceptions in a high-efficiency NPO than a low-efficiency NPO.

Regression analysis also does not support Hypotheses 1 or 2

Regression can also be used as additional evidence for or against Hypotheses 1 and 2. To evaluate Hypotheses 1 and 2 using regression, we must look at the regression coefficient of the 100% to program variable of our regression. A statistically significant positive value would tell us that there is an advantage of having a 100% to program model, while a statistically significant negative value would tell us there is a disadvantage of having a 100% to program model. This coefficient tells us whether or not the 100% to program model is effective in shaping donor perceptions for the better. From the regression table, we can see that the regression coefficients for all three dimensions of donor perceptions are negative. These values do not support Hypotheses 1 or 2.

In fact, the statistically significant, negative coefficient on “Likeliness to Donate” gives us some evidence that a 100% to program model may be detrimental to a donor’s likeliness to give. Since the study already demonstrated that donors may be more willing to give when an organization has both high efficiency and a 100% to program model, we can infer that any disadvantage of a 100% to program model comes from a low-efficiency organization employing it.

Summary of Control Variables Used

Most variables that I controlled for yielded statistically insignificant differences between groups. However, certain characteristics of survey participants did yield statistically significant differences. None of these controls affected the overall results of the study. However, they provide interesting points for discussion. Variables that I controlled for include sex, race/ethnicity, primary college at the university, and income level. Results of these control tests are shown below.
Controlling for Sex

As I touched on briefly when addressing the results for Hypotheses 1 and 2, having a 100% to program model appears to make donors less likely to donate. Controlling for sex in the regression equation shows that females are truly less likely to donate to a NPO with a 100% to program model on the “Likeliness to Donate” dimension (estimated difference = -0.9959, p-value = 0.022). Two-sample t-tests suggest that a 100% to program can be detrimental to a female’s likeliness to donate only when used by a low-efficiency NPO (estimated difference = -0.9949, p-value = 0.026) but not necessarily when used by a high-efficiency NPO. Males, on the other hand, show no significant difference as measured by the regression model or two-sample t-tests. This suggests that females are driving the statistical significance on this measure. On all other measures, there was no significant difference between females and males.

Controlling for Race/Ethnicity

Approximately 86.6% of survey participants identified themselves as “White/Caucasian” when asked to describe their race/ethnicity. The non-white groups (“Asian or Pacific Islander,” “Black,” “Hispanic/Latino”) were too small to analyze individually, so I created two groups: “non-white” and “white.” Using these two groups to control the results I found that individuals that identify as non-white give lower management competence ratings than those who identify as white (estimated difference = -0.5517, p-value = 0.044). On the other two dimensions, “Likeliness to Donate” and “Donation Amount,” there was no significant difference between the two groups.

Controlling for Primary College at the University of Minnesota

The majority of survey participants (95.5%) were undergraduate students at the University of Minnesota. I decided that there might be certain underlying characteristics that differ among students
who attend different colleges at the University of Minnesota, so I wanted to control for the student’s main college. The Carlson School of Management (38.8% of participants), College of Education and Human Development (14.2% of participants), and College of Design (6.0% of participants) showed no significant difference from the overall group. The College of Liberal Arts (21.6% of participants) gave a significantly smaller hypothetical donation amount than the group as a whole (estimated difference = -$11.51, p-value = 0.039). The College of Science and Engineering (8.2% of participants), however, gave a significantly larger hypothetical donation amount than the group as a whole (estimated difference = +$18.03, p-value = 0.031). Finally, the College of Food, Agricultural, and Natural Resource Sciences (5.2% of participants) gave significantly higher management competence ratings than the group as a whole (estimated difference = +0.7651, p-value = 0.066). Other schools at the University of Minnesota were not represented in my sample or were represented by only a few participants, making comparisons meaningless. Although these differences are interesting to look at, they do not affect my study’s results in a substantial way.

Controlling for Income Level

To control for income level, I broke survey participants into three similar-sized groups: those with annual income of less than $50,000, $50,001-100,000, and greater than $100,000. There was no significant difference on any of the three dimensions evaluated using these income groups.

4.2 Discussion

Broadly Speaking, a 100% to Program Donation Model Is Ineffective in Enhancing Donor Perceptions

Some of the most interesting information that this study provides comes from the refutation of my first two hypotheses. My primary research question was whether or not employing a 100% to program model enhances donor perceptions of a NPO. The results of testing these hypotheses suggest
that, broadly speaking, a 100% to program model is ineffective in enhancing donor perceptions of a NPO and might actually worsen donor perceptions if used by a low-efficiency NPO. The outcome of these hypothesis tests are opposite from what I expected. Theory says that enhanced communication and information about how funds are used in a NPO should enhance donor perceptions and willingness to give. My study’s results suggest that this is an area where theory and practice diverge. It is possible that individuals either do not pay attention or do not care whether or not a NPO has a 100% to program model. It is also possible that a 100% to program model makes potential donors uneasy since it is not a type of donation model that they are used to encountering.

I believe the primary takeaway of this study for nonprofit managers is that, unless the organization is already highly-efficient, it is generally not worthwhile for NPOs to employ a 100% to program model as it would not afford them any advantages that they do not already have. The resources managers would have to put towards finding an institutional or other donor to cover non-program expenses would be better spent on enhancing the NPO’s longevity, or finding ways to improve the NPO’s administrative efficiency. Trying to reduce administrative expense would be justified since donors clearly value high administrative efficiency over a 100% to program model, as shown by my study.

For Low-Efficiency NPOs, a 100% to Program Model May Be Detrimental to Donor Perceptions

As I stated before, low-efficiency NPOs using a 100% to program model may actually find that donors are less likely to give. I believe this is due to the disconnect between the organization’s promise to use 100% of public funds on program spending and its low efficiency. Using two-sample t-tests I was able to show that donors are less likely to donate to a low-efficiency NPO employing a 100% to program model than to a low-efficiency NPO not employing a 100% to program model (p-value = 0.030). As I discussed in the control variables summary, this difference is driven primarily by females. This could
potentially suggest that females have higher innate or conditioned levels of skepticism or find the disconnect between low efficiency and a 100% to program model more concerning than males do.

**Employing a 100% to Program Model in a Low-Efficiency NPO Undermines Donor Trust**

The disconnect between the 100% to program model and a NPO’s low efficiency affects the trust that individuals feel towards the NPO. As I discussed in the literature review, trust is necessary for commitment and commitment is necessary for a giving behavior to occur. Thus, NPOs which don’t instill trust are unlikely to achieve higher donation amounts (Sargeant, Ford, and West, 2006). I created a metric to measure perceived untrustworthiness of the NPO based off responses to the open-ended question where participants were asked to write down a few words to describe their overall perception of the NPO. I created a categorical variable from this data (“1” if the participant indicated some form of distrust in regards to the organization and “0” if there was no mention of distrust). Examples of answers that fell into the ‘untrustworthy’ category include responses clearly indicating distrust such as “I don’t trust them,” “I question their honesty,” and “Deceiving” to those more opaque answers including “They’re not telling us something” and “Not genuine in running the nonprofit.”

Using the metric I created, a two-sample t-test shows that a low-efficiency NPO employing a 100% to program model is viewed as significantly less trustworthy than both a high-efficiency NPO employing a 100% to program model (p-value = 0.000) and a low-efficiency NPO that doesn’t employ a 100% to program model (p-value = 0.001). Effectively, using a 100% to program model in a low-efficiency NPO causes donors to distrust the NPO. Since donor trust is so crucial in determining repeated giving behavior, we can infer that this lack of trust would damage a NPO’s relationship with donors and, therefore, its long-term success. It would be interesting to explore the implications of this finding for startup NPOs, which tend to have low administrative efficiency and frequently employ some form of a 100% to program model – funded by the founding members – at the launch.
For High-Efficiency NPOs, a 100% to Program Model May Be Beneficial to Donor Perceptions

Although more research is needed to fully confirm it, my study suggests that a 100% to program model may make donors more likely to give to a high-efficiency NPO. This could signify that a 100% to program model does, in fact, change donor perceptions for the better in an organization with few opportunities to improve administrative efficiency. This suggests that a high-efficiency NPO might be justified in implementing a 100% to program model if its efficiency is already considered high by donors. This information could be valuable to managers of high-efficiency NPOs who are considering implementing a 100% to program model in their organizations.

A 100% to Program Model is Not a Substitute for High Administrative Efficiency

My study supported Hypothesis 3, that a low-efficiency NPO with a 100% to program model will be perceived less favorably than a high-efficiency NPO without a 100% to program model. This provides further evidence that high efficiency trumps a 100% to program model when it comes to donor perceptions. Again, this is likely a function of trust, since donors may feel that a low-efficiency NPO employing a 100% to program model is just trying to cover up its low efficiency.

Most Respondents Believe that NPOs Hold the Greatest Responsibility for Charitable Services

Survey participants were asked which type of organization they believe holds the greatest responsibility to provide charitable services to the community with the options being: government (federal, state and local), nonprofit, corporations, or other. Interestingly, a majority (56.7%) of respondents stated that nonprofit organizations hold the greatest responsibility, followed by the government (25.4%), corporations (13.4%), and other (4.5%). This validates the existence of a nonprofit sector since my study suggests that most individuals believe that the nonprofit sector is most
responsible for providing charitable services. Looking at the average age of my study participants (21 years), we can infer that the upcoming generation of donors will want charitable services provided by the nonprofit sector, which is promising news for NPOs in the years to come.

My study sheds light on some areas of nonprofit management that have never been investigated before. The results of this study suggest that, broadly speaking, a 100% to program model is largely ineffective in enhancing donor perceptions of a NPO, especially when used by a low-efficiency NPO. In fact, donors appear less willing to give to low-efficiency NPOs employing a 100% to program model. These findings are likely related to the lack of trust, and perhaps the lack of familiarity, that potential donors feel towards NPOs employing 100% to program models. There may, however, be some advantage of having a 100% to program model in a high-efficiency NPO. Donors likely feel that a 100% to program model is appropriate and justified when the organization has already demonstrated its responsible use of funds in terms of its administrative efficiency.

5. Conclusion

This study aimed to determine whether or not donors view a NPO that employs a 100% to program model more favorably than a NPO that does not. Although two of the study’s primary hypotheses were not supported, my findings – which suggest that a 100% to program model may provide an advantage to high-efficiency NPOs and a disadvantage to low-efficiency NPOs – still represent a significant contribution to the literature on donor perceptions of NPOs. It is also, to my knowledge, the first academic study of a 100% to program model and its impact on donor perceptions. My study dives into some interesting questions that nonprofit managers and donors may have regarding the effect of a 100% to program model on donor perceptions. When interpreting results it is important to address both the study’s limitations and its implications.
General Limitations and Areas of Future Research

When developing the survey, I knew that a primary factor influencing charitable giving, aside from the NPO’s cause, is the NPO’s administrative efficiency. Because of this, I decided to test the 100% to program model’s impact in both a high-efficiency and low-efficiency environment. In hindsight, it would have been beneficial to also test in a ‘medium-efficiency’ environment to make the study’s findings more relevant. The methodology I used allows me to only compare high-efficiency and low-efficiency scenarios and ignores that many NPOs fall somewhere between high- and low-efficiency. However, due to time constraints and the scope of the project, only one round of surveys was possible. Including a medium-efficiency NPO in a similar study is an opportunity for future research. I would also like to note that in certain circumstances a well-justified, higher administrative expense ratio could be attractive to donors. These circumstances would involve incurring a short-term cost (e.g., higher administrative expense ratio) in exchange for a longer-term benefit (e.g., better managers, risk management or infrastructure). Due to scope, I could not integrate this component into my study.

Another limitation is that a sample of primarily college students at the University of Minnesota is likely not representative of the current donor base. Some of the students surveyed had engaged in little to no charitable giving in their lives since they are not necessarily financially independent. Other students who have engaged in charitable giving may not have given in large sums, reducing the incentive to look up information such as the NPO’s administrative ratio or donation model. It could, however, be argued that this generation of well-educated college students could become a major part of the donor base in years to come, making results relevant for NPOs in the future.

Although the students surveyed were from various different colleges at the University of Minnesota, there may be some sampling bias as those surveyed were primarily in management and entrepreneurship classes. Finally, due to the demographics of the sample, the results may only be
applicable to an environment with demographic characteristics similar to those of the University of Minnesota. I am unwilling to claim that my study’s results are representative of the entire population. It would be interesting to see if my study results could be replicated in other situations with a more representative national sample.

**Implications of Research**

Though results should be interpreted somewhat cautiously, my study appears to have uncovered some new and interesting information about the nonprofit world. It seems that, although promising in theory, a 100% to program model does not necessarily enhance donor perceptions of a NPO. However, it appears that a high-efficiency NPO would yield benefits from implementing a 100% to program model if it could not realistically improve its administrative efficiency by a material amount. NPOs that are classified as low-efficiency should steer away from employing a 100% to program model as it seems to undermine donor trust in the NPO. This lack of trust is likely due to a disconnect between the organization’s efficiency and its promise to use 100% of funds from the public on program expenses.

Efficiency appears to be significantly more important to donors than a 100% to program donation model, so nonprofit managers looking to increase donations could consider focusing resources on improving the organization’s administrative efficiency rather than changing its donation model. If a NPO does decide to switch over to a 100% to program model, it would be wise to give donors ample information about the way the new donation model works and how the organization plans to cover non-program expenses. NPOs implementing a 100% to program model should also reiterate to donors that their funds are being used to do as much good as possible. This would minimize the hesitancy of donors to accept a new donation model and would enhance the trust they feel towards the NPO.
My study is, to my knowledge, the first to examine the effect of a 100% to program donation model on donor perceptions and I hope it can serve as a foundation and model for future research on this topic. I believe the results of this study are important to nonprofit managers and donors alike, because when both parties are well-informed, charitable donations are more likely to be put to their optimal use.
References


Appendix
Appendix 1: Full Survey

Donation Patterns to Nonprofit Organizations

You are invited to participate in a research study that examines individuals’ donation patterns to various nonprofit organization types. This research is being conducted by Eric White, an undergraduate student in the University Honors Program at the Carlson School of Management - University of Minnesota as a part of his undergraduate honors thesis.

What Will Your Participation Entail?

You will first read a scenario regarding a hypothetical nonprofit organization. Next you will complete a paper survey, which includes questions regarding your donation preferences towards the hypothetical nonprofit organization from the scenario, as well as questions regarding basic demographic information. This survey will take you approximately 10 minutes to complete.

Are There Any Risks? What Are The Benefits?

There are no risks associated with participating in this study.

By participating in this study, you are helping to enhance the current understanding of donation preferences to different funding models of nonprofit organizations.

By completing this survey, you are consenting to participate in this study and allow your responses to be aggregated and used for the purpose of academic research.

Confidentiality

All data collected in this survey will remain confidential and will be used only for academic purposes to complete the requirements of my Honors Thesis. All data will be aggregated and no individual person or responses will be identifiable. The records of this study will be kept private, stored in a secure area, and only accessed by the researcher. In any sort of report I may publish, I will not include any information that will make it possible to identify a subject.

Participation in this study is voluntary. Your decision whether or not to participate will not affect your current or future relations with the University of Minnesota. If you decide to participate, you are free to not answer any question or withdraw at any time without affecting those relationships.

Questions or Concerns?

If you have questions, please contact Eric White at 651-249-5343 or whit1402@umn.edu.

If you have any other concerns regarding this study and would like to talk to someone other than the researcher, you are encouraged to contact the Research Subjects Advocate Line, D-528 Mayo, 420 Delaware Street S.E., Minneapolis, Minnesota, 55455; telephone (612) 626-5654, email irb@umn.edu.

Thank you very much in advance for your help in this important study!

Sincerely,

Eric White
Scenario-Based Survey

Instructions:

Please read all the information provided on this page and the following pages.

The following is a scenario-based survey. You will first be given information regarding a hypothetical nonprofit organization called Hope on the Horizon. You will then respond to questions regarding your feelings about Hope on the Horizon and your likeliness to donate to the organization. Finally, you will be asked questions regarding your current donation activities and basic demographic information.

For all the following questions, please assume the following:

- Hope on the Horizon has a mission in which you believe
- You have enough disposable income that you possess the ability to donate money
Donation Scenario

You are looking into donating some money to a nonprofit with a mission that you connect with. While looking into different organizations you come across an established nonprofit organization called Hope on the Horizon that has a cause you believe in.

Before donating any money to Hope on the Horizon, you decide to do some research on the organization. In your research you look at Hope on the Horizon’s website and Charity Navigator’s website (Charity Navigator is an independent charity watchdog organization that rates and evaluates charities to help the public make informed giving decisions).

**From Hope on the Horizon’s Website:**

Hope on the Horizon promises to ensure that **100% of donations** from the general public go directly to activities that impact our cause. We are so committed to this promise that we will even reimburse credit card fees associated with online donations.

We have partnered with private donors, foundations and sponsors to cover all of the organization’s operating expenses (e.g., staff salaries, office systems, rent and supplies).

*Our 100% model has been audited by a public accounting firm and they have stated: “In our opinion, Hope on the Horizon’s 100% model is fairly stated in all material aspects.”*

**From Charity Navigator’s Website:**

- Organization’s Overall “Grade” on an ‘A through F’ scale: A
- Percent of total income spent on cause: 95%
- Percent of total income spent on company operations (e.g., administration, fundraising, overhead): 5%
- The majority of the organization’s revenue comes from donations
- All of the organization’s financial statements have been audited by a public accounting firm.
Donation Scenario

You are looking into donating some money to a nonprofit with a mission that you connect with. While looking into different organizations you come across an established nonprofit organization called Hope on the Horizon that has a cause you believe in.

Before donating any money to Hope on the Horizon, you decide to do some research on the organization. In your research you look at Hope on the Horizon’s website and Charity Navigator’s website (Charity Navigator is an independent charity watchdog organization that rates and evaluates charities to help the public make informed giving decisions).

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**From Charity Navigator’s Website:**

- Organization’s Overall “Grade” on an ‘A through F’ scale: C-
- Percent of total income spent on cause: **65%**
- Percent of total income spent on company operations (e.g., administration, fundraising, overhead): **35%**
- The majority of the organization’s revenue comes from donations
- All of the organization’s financial statements have been audited by a public accounting firm.
Donation Scenario

You are looking into donating some money to a nonprofit with a mission that you connect with. While looking into different organizations you come across an established nonprofit organization called Hope on the Horizon that has a cause you believe in.

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**From Hope on the Horizon’s Website:**

*Hope on the Horizon is a 501(c) nonprofit organization operating out of several major cities in the United States including New York, Washington D.C., Charlotte, Dallas, Chicago, Minneapolis, San Francisco and Seattle.*

*We are committed to the responsible management of all of Hope on the Horizon’s resources, especially charitable contributions from our generous donors.*

*Hope on the Horizon is audited annually by a public accounting firm to ensure appropriate usage of donation funds and has always been issued an “unqualified opinion,” meaning financial statements accurately represent the organization’s financial position and performance.*

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- Organization’s Overall “Grade” on an ‘A through F’ scale: C-
- Percent of total income spent on cause: 65%
- Percent of total income spent on company operations (e.g., administration, fundraising, overhead): 35%
- The majority of the organization’s revenue comes from donations
- All of the organization’s financial statements have been audited by a public accounting firm.
Donation-Based Questions

1. Likeliness to Donate
Given only the information you know of Hope on the Horizon, how likely are you to donate to this nonprofit *in comparison to another nonprofit of a similar mission*?

1= Very Unlikely; 7= Very Likely

1  2  3  4  5  6  7

2. Donation Amount
You’ve just come into $100 that you must donate to any combination of organizations of your choice.

Given only what you know of Hope on the Horizon, what dollar amount ($0-100) would you be willing to donate to *this* organization?

$ __________

3. Management Competence
Given only what you know of Hope on the Horizon, what do you believe about the management’s ability to appropriately run the organization?

1= Very Incompetent; 7= Very Competent

1  2  3  4  5  6  7

4. Impression of Organization
In a few words, what is your overall impression of Hope on the Horizon?
General Questions

This information is important for analyzing overall group results. Your individual responses are confidential and will not be identified in any way.

1. Which of the following best describes you?
   a. Undergraduate student
   b. Graduate student
   c. Non-student
   d. Other ______________________

2. If you are a University of Minnesota student, which college are you in?
   a. Carlson School of Management (CSOM)
   b. College of Biological Sciences (CBS)
   c. College of Continuing Education (CCE)
   d. College of Design (CDes)
   e. College of Education & Human Development (CEHD)
   f. College of Food, Agricultural and Natural Resource Sciences (CFANS)
   g. College of Liberal Arts (CLA)
   h. College of Science and Engineering (CSE)
   i. School of Nursing (NURS)
   j. Other ______________________________
   k. Not a University of Minnesota Student

3. Which of the following is closest to your household annual income? (Please use your parents’ actual income, if you are not financially independent).
   a. $0 - 25,000
   b. $25,001-50,000
   c. $50,001-75,000
   d. $75,001-100,000
   e. $100,001-125,000
   f. $125,001-150,000
   g. Greater than $150,000

4. On an average year, what amount of money do you typically give to charities or nonprofit organizations?

   $ __________
5. What sources of information, if any, have you used before donating to a charity or nonprofit of your choice? (Circle all that apply)
   a. The nonprofit organization’s website
   b. The nonprofit’s promotional or informational materials (other than website)
   c. A charity watchdog website (e.g., Charity Navigator, Better Business Bureau, GuideStar, Network for Good)
   d. Government website or documents
   e. Other ________________________________________

6. What is your age?
   ________ Years

7. What is your gender?
   a.) Male
   b.) Female
   c.) Other/Prefer Not To Answer

8. Which of the following best describes you?
   a. White/Caucasian (Non-Hispanic)
   b. Hispanic/Latino
   c. Asian or Pacific Islander
   d. Black
   e. American Indian or Alaskan Native
   f. Other ______________________

9. In your opinion, which type of organization holds the greatest responsibility to provide charitable services to the community? Please select only one.
   a. Government (Federal, State and Local)
   b. Nonprofit
   c. Corporations
   d. Other ______________________

10. To the best of your ability and without flipping back to previous pages, please write down Hope on the Horizon’s percent of total income spent on its cause.
    ___________

    Thank you for completing the survey!
Appendix 2: Valid and Invalid Survey Responses – Details

Table 6 – Validity of Survey Sample
(Of all surveys collected)

<table>
<thead>
<tr>
<th></th>
<th>Total Number</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>134</td>
<td>77%</td>
</tr>
<tr>
<td>Invalid</td>
<td>39</td>
<td>23%</td>
</tr>
</tbody>
</table>

Table 7 – Manipulation Check Responses
(Of the invalid surveys)

<table>
<thead>
<tr>
<th>Answer to Manipulation Check</th>
<th>Number</th>
<th>% of Invalid</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>“100%”</td>
<td>15</td>
<td>38%</td>
<td>9%</td>
</tr>
<tr>
<td>Organization’s Admin Efficiency (i.e., “5%” or “35%”)</td>
<td>6</td>
<td>15%</td>
<td>3%</td>
</tr>
<tr>
<td>Blank or Other Incorrect (i.e., not “5%,” “35%,” or “100%”)</td>
<td>18</td>
<td>46%</td>
<td>10%</td>
</tr>
</tbody>
</table>