

How Philanthropic Dollars Move

Benefits and Costs
of Different Payment
Methods to Charities and
Institutional Grant Makers

PayPal Public Affairs and
Strategic Research¹





Executive Summary

In the United States, there are over 1.54 million charitable organizations, addressing cause areas such as education, human services, healthcare, and more². To tackle these difficult societal problems, charities require significant budgets.

In 2022, tax-exempt organizations received \$499.13 billion dollars of charitable giving³. A large portion of these contributions are made by check. This study also finds that the process of sending and receiving funds via check takes time and resources away from both the grant makers' and charities' missions.

Over the last decade, philanthropic giving by institutions has grown significantly⁴. This includes grant making by foundations, as well as Donor Advised Fund (DAF) sponsors, which receive donations from individuals and make grants to charities recommended by those individuals⁵. Given the rising prominence of grant making by such institutions, this report focuses specifically on philanthropic giving by foundations and Donor Advised Fund Sponsors, which we classify as "institutional grant makers" for the purposes of this study. We use a combination of in-depth interviews and a survey of 300 PayPal Confirmed Charities to quantify the benefits and costs of different payment methods to charities and institutional grant makers.

Based on the charities and grant makers that are surveyed, we find that:

- Charities receive over 55% of contributions from institutional grant makers via check and 22% via ACH.
- Cost, donor information, and processing speed are the most important attributes of payment methods for charities.
- Charities save on average \$2.86 per grant receiving funds via PayPal Grant Payments or ACH, relative to check. This difference is driven by the increased staff time required to accept, process, and document checks.
- For small charities with annual budgets of less than \$1m, PayPal is significantly less costly than the other payment methods. These organizations save on average \$7.72 per grant receiving funds via PayPal, relative to check.
- For grant makers, while checks are the most used payment method, PayPal Grant Payments (PPGP) can save grant makers monetary costs and time when PPGP has been automated into their processes.



Introduction

Market Overview and Introduction of Donor Advised Funds:

The charitable giving market in the United States was \$499.13 billion in 2022. Of this, 64% was donated by individuals and 21% was contributed by foundations, while 9% was contributed by bequest and 6% was donated by corporations. In 2022, charitable giving in the U.S. declined 3.4% year over year, but this came after two record-setting years in 2020 and 2021⁶. The decline was driven primarily by a 6.4% decline in individual giving, while philanthropy by foundations grew 2.5%⁷. However, Donor-Advised Funds (DAFs), are the fastest growing charitable giving vehicles in the United States⁸. The four largest Donor Advised Fund sponsors, National Philanthropic Trust, Vanguard Charitable, Schwab Charitable, and Fidelity Charitable, reported increases between 5%-18% in 2022 grant making to charities compared to the prior year^{9,10,11,12}.

Donor Advised Funds allow individuals to make charitable contributions to their DAF accounts; receive immediate tax deductions; and recommend charities they would like to fund via their DAF account. The DAF account sponsors provide account management, donor education and support, and grant processing. Additionally, the charitable assets in DAF accounts may be invested, with tax-free growth, thereby allowing

Fig. 1

Total Value of Grants Made by Donor-Advised Funds¹⁵

\$ in billions (USD)



donors to generate greater capital for philanthropic giving¹³.

In 2022, there were 1.9 million DAF accounts in the United States, holding \$228.89 billion dollars. As shown in figure 1, grants made by Donor-Advised Funds to charities have grown at a compound annual rate of 21.6% from \$23.87b in 2018 to \$52.16b in 2022, representing a payout rate of 22.5%¹⁴. Given that both foundations and DAF sponsors are organizations that are registered with the Internal Revenue Service, receive funding from a variety of sources, and support grant making to charities, we classify these organizations as “institutional grant makers” for the purposes of this study. The size and growth of philanthropic giving from foundations, as well as the rise of DAFs, illustrates the importance of institutional grant making in the broader philanthropic giving space.



PayPal Grant Payments:

In August 2022, PayPal launched Grant Payments, which enables Donor-Advised Fund (DAF) sponsors, community foundations and other grant makers to deliver grants to charities quickly and electronically via PayPal. Over 200,000 confirmed charities, which have been vetted per PayPal’s compliance standards, are eligible to receive funds via the product at no cost. Currently, National Philanthropic Trust (NPT), Vanguard Charitable, and CharityVest are using Grant Payments to deliver funds to charities. The product allows both grant makers and charities to view grant details, including donor information, grant letters, and terms and conditions, via a PayPal dashboard, as illustrated in Figure 2.

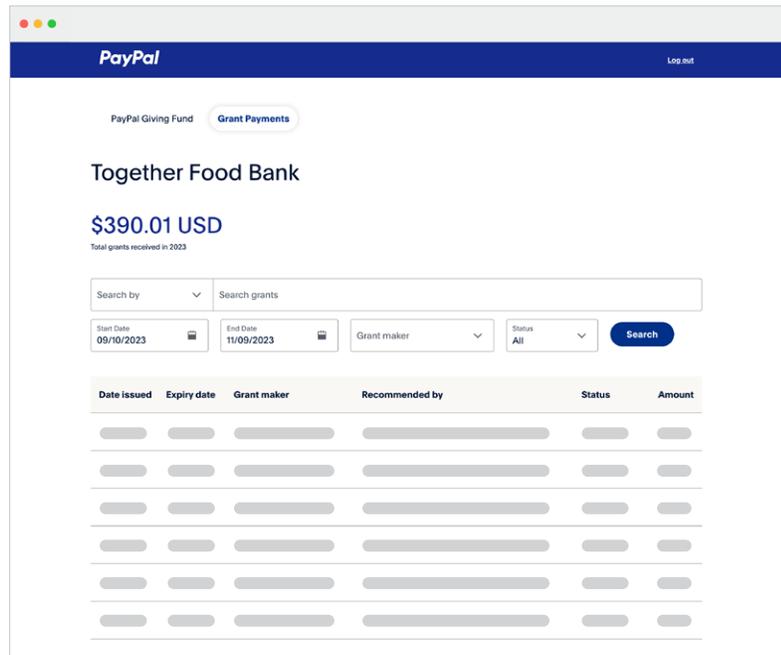


Fig. 2

This tool is an effort to modernize institutional philanthropy by bringing speed and efficiency to the process, given that the majority of contributions by institutional grant makers are made by check. In order to allow their donors to recommend grants to the widest possible universe of charities, institutional grant makers, and especially DAF sponsors, ingest a full list of eligible charities from the IRS into their systems. As a result, when a donor recommends a particular charity, the DAF sponsor must either send a check or reach out to the charity to collect bank account information. However, collecting vetted bank account information is time consuming and involves the risk of storing sensitive financial information for the DAF sponsors. It is also difficult for grant makers to ensure that charities accept the terms and conditions of any grants made electronically, given that unlike for checks, which must be deposited, no action needs to be taken by charities to receive the funds.

For charities, providing confidential bank details to many different DAF sponsors and institutional grant makers can be overwhelming and also time consuming. As a result, a large portion of payments from institutional grant makers are still made by mailing a check to the charity’s registered address with the IRS, which is not always accurate, thereby causing delayed or lost checks.

Since its launch, over \$500m has been received by more than 9,000 charities via PayPal Grant Payments.



Objectives and Methodology

The objective of this study is to better understand the process, costs, and benefits for grant makers sending funds via different payment methods, as well as for charities in receiving these grants. In order to achieve these objectives, our study involved a two-pronged research methodology including in-depth interviews with charities and grant makers, along with a large-scale survey of charities.

In-Depth Interviews with Charities and Grant Makers:

We conducted seven in-depth interviews with PayPal Confirmed Charities, as well as nine in-depth interviews with grant makers, including Donor-Advised Fund (DAF) sponsors and community foundations. Charities were asked a series of questions documented in a 2-page interview guide (Appendix A), as were grant makers (Appendix B). All responses were aggregated and anonymized.

Large-Scale Survey:

A 15-question online survey (Appendix C) was sent to 20,000 PayPal confirmed charities in July 2023. Charities had 7 days to respond via Qualtrics, with one reminder email sent. A screener question asked respondents to estimate the percentage of grants received from a variety of sources. Respondents who did not report at least 5% of funds from either DAFs or foundations were directed to the end of the survey, as the study focused on grants from institutional grant makers. No incentive or compensation was provided for survey completion. Completed responses from 300 charities were collected and analyzed.



Charity Perspective:

A. Survey Participant Characteristics:

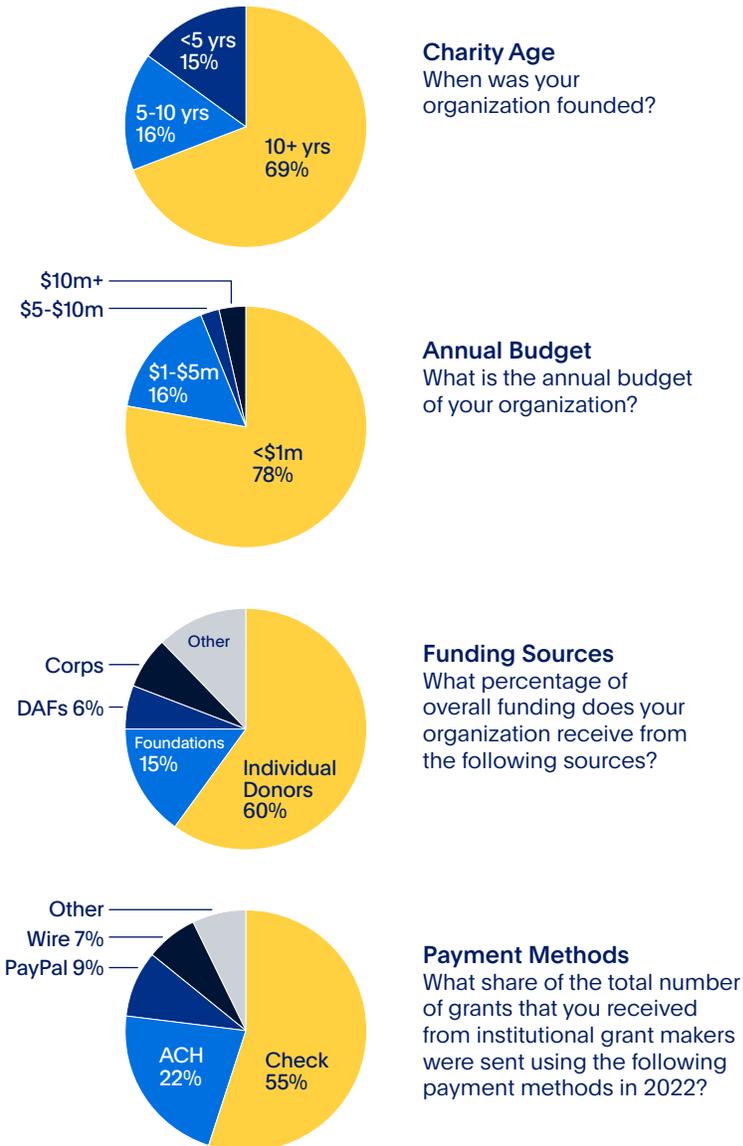
69% of charities surveyed were over 10 years old, with 78% having annual budgets of less than \$1m. The majority of charities' funds came from individual donors, with 15% from foundations and 6% coming from DAFs. Of funds from institutional grant makers, including DAFs and foundations, 55% were issued via check, with 22% coming from ACH, 9% from PayPal and 7% via wire.

B. Process:

Based on interviews with charities and survey responses, we documented the process charities undertake to accept contributions from institutional grant makers. First, charities either receive a payment directly, such as a check in the mail, or they receive a notice from a grant maker to expect a donation. While ACH and wire payments are automatically deposited in an account, checks require opening the physical mail and depositing one by one. Many larger, more established charities outsource check processing to 3rd party vendors, while smaller organizations keep this process in-house. With PayPal Grant Payments, charities accept grants digitally via the Grant Payments dashboard. Next, charities verify that necessary information is present, most importantly the fund designation. Once the funds have been transferred to the appropriate account, charities input grant information into internal reporting systems. While larger, more sophisticated charities automate this process, others input this manually. Through PayPal Grant Payments, charities can download a report via CSV, which can be uploaded to a reporting system, thereby reducing staff time.

Participant Characteristics

Fig. 3





Charity Grant Acceptance Process

- 1 Receive payment or notice from grant maker that payment is arriving.
- 2 Verify necessary information is present. If not, contact grant maker.
- 3 ★ Transfer funds to account, where applicable.
- 4 ★ Input grant information into internal reporting system.
- 5 Thank donor when contact information is available.

★ *Processing time saved via Grant Payments*

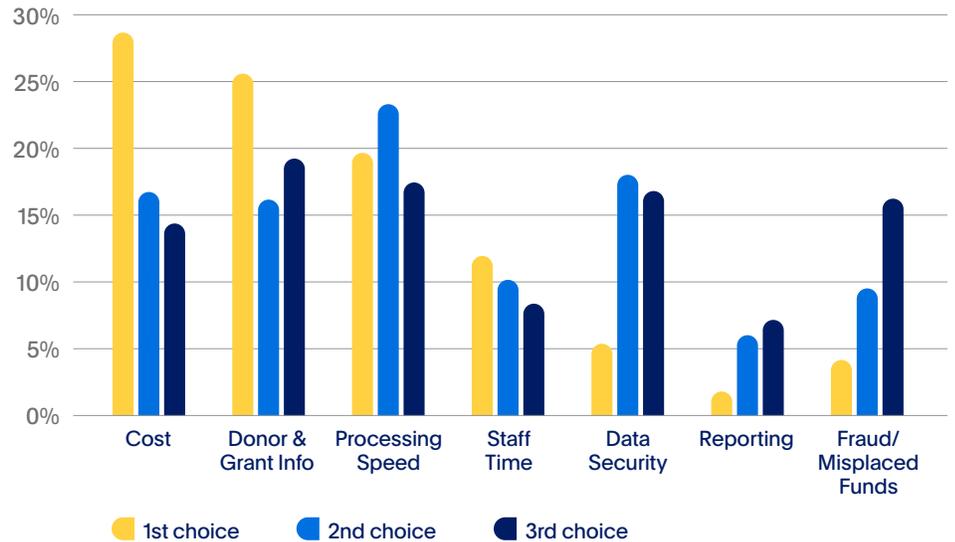
Lastly, when available, charities use the donor’s name and contact information to thank them, though some donors prefer to be anonymous or do not provide contact information.

C. Decision-Making Criteria:

Charities receive grants via a variety of payment methods. When asked to rank attributes of payment methods based on their relative importance, surveyed charities reported that cost, donor information, and processing speed are of greatest importance. Interviews found that the most relevant donor information includes the donor’s name, contact information, and cause designation, i.e., information that allows charities to accept and use funds, as well as thank donors, track grants, and encourage repeat donations. Based on interviews,

Attributes of Payment Methods Ranked by Importance

Fig. 4



data security and fraud are meaningful concerns and are heightened when sharing bank account or ACH information with many different grant makers. Using PayPal Grant Payments allows charities to share bank information just once with a company that has a core competency in data protection and security.

D. Cost of Receiving Charitable Contributions:

Through our survey and interviews with charities, we sought to identify monetary and labor costs that charitable organizations incur when processing contributions from institutional grant makers. Labor costs include staff time required to open mail, process donations, and reconcile transactions and accounts. We calculated cost of labor using responses to various survey questions, as well as the latest data by the U.S. Bureau of Labor Statistics for average wages in the charitable sector. We multiplied



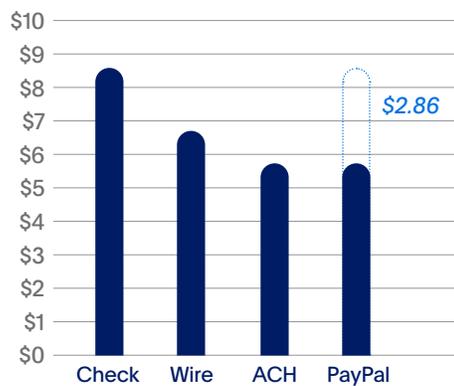
Median Cost of Processing a Grants via Different Payment Methods:

Fig. 5

Type of Cost	Check	ACH	Wire	PayPal
Monetary Costs	\$0	\$0	\$1.00 <i>Range: \$0-\$12</i>	\$0
Labor Costs	\$8.58	\$5.72	\$5.72	\$5.72
Total	\$8.58	\$5.72	\$6.72 <i>Range: \$5.72-\$11.72</i>	\$5.72

Cost of Processing Grants via Different Payment Methods:

Fig. 6



Charities save on average \$2.86 per grant receiving funds via PayPal grant Payments relative to check.

estimated staff time by hourly labor costs of \$34.33 (\$24.02 per hour of wages plus non-wage costs of \$10.30^{16,17}. Figure 5 reports our findings, which illustrate that staff time is the driving cost of processing payments. The fixed monetary costs were very low (between \$0 and \$32 per month) and thus not included, as they were negligible when spread across all monthly transactions.

Of the charities surveyed, we find that ACH and PayPal cost charities \$5.72 per grant to process on average. Checks cost \$8.58 on average, as charities incur higher

Processing Times of Payment Methods:

Fig. 7

	Median Time (min)	Min Time (min)	Max Time (min)
Check	15	10	10
ACH	0	0	0
Wire	40	31	39
PayPal	10	0	33

processing times. On average, charities save \$2.86 on a grant received via PayPal Grant Payments or ACH relative to a check. The median wire grant costs \$6.72. However, the range with wire transactions is significant, as wire transfer fees depend on the bank and per interviews and survey responses, range from \$0-12, creating a range of \$5.72-\$11.72 in terms of cost to process a wire.

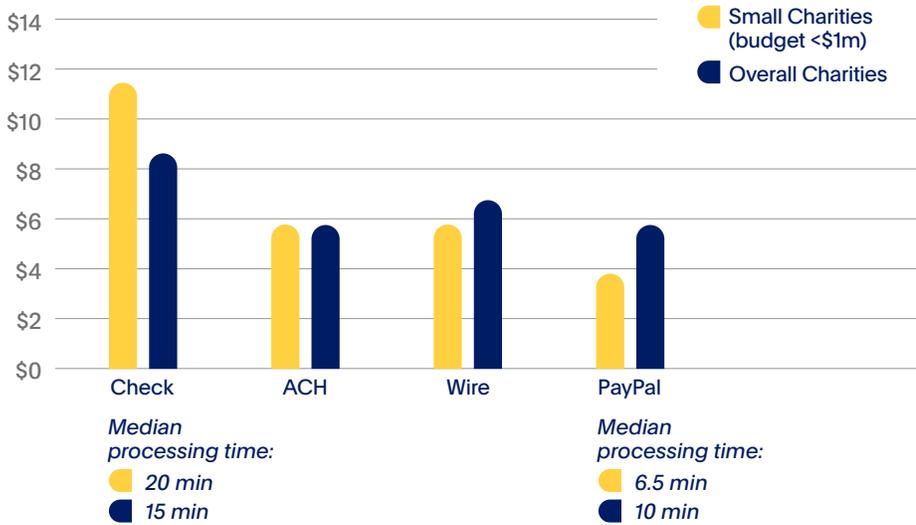
Reported time spent processing different payment methods varies a great deal, illustrating the significance of automating processes for time and cost savings. Median, minimum and maximum processing times are reported in Figure 7 above¹⁸.

We also found that the cost of processing grants depends on the size of the organization. The median time



Relative Processing Costs for Small vs All Charities

Fig. 8



required to process a check by charities with annual budgets of less than \$1m was 20 minutes, relative to the overall median of 15 minutes. This suggests a greater administrative burden of check processing on smaller charities. Meanwhile, the median time required to process a payment via PayPal Grant Payments for charities with annual budgets of less than \$1m is 6.5 minutes, compared to the overall median of 10 minutes. Thus, Grant Payments provides a mechanism for smaller charities to save time and resources in processing grants. On average, smaller charities using PayPal Grant Payments save \$7.72 per grant relative to receiving checks.

E. Problematic Transactions:

We inquired in the survey and interviews about problematic transactions, which are defined as donations where an error prevents the donation from initially going through. These transactions might include checks lost in the mail, misspellings, incorrect addresses, or duplicate

donations, among other issues. Charities report very low rates of problematic grants, with a median of 0% frequency across all payment methods. However, when problematic transactions do occur, wire payment requires a median of 20 minutes to address, while check requires a median of 10 minutes, compared with 2 minutes for ACH and PayPal. Thus, charities on average save \$4.58 addressing problematic transactions when using PayPal Grant Payments or ACH relative to check, and \$10.30 relative to wire.

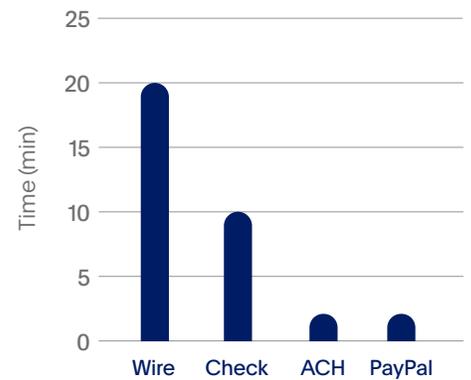
Grant Maker Perspectives:

A. Interview Participant Characteristics:

Of the 9 grant makers interviewed, about half were large, established grant makers who had been operating for over 20 years and collectively granted over \$12B to charities last year. The remainder

Median Staff Time Required to Address Problematic Transaction:

Fig. 9



Charities save on average \$4.58 addressing problematic transactions via PayPal or ACH relative to check.



were smaller, newer organizations. The majority utilized checks for over 60% of grants, with ACH being the second-most used payment method. Three of the grant makers interviewed are currently using PayPal Grant Payments to deliver grants to charities.

B. Process:

When DAF account holders recommend a donation to a charity, or a foundation chooses to grant to a charity, grant makers must verify that the charity is a registered 501c3. With PayPal Grant Payments, this process can be automated, given that charities are vetted and reviewed regularly per PayPal's compliance standards, although some grantmakers may choose to continue their own due diligence. The grant maker then determines the payment method through which to issue the grant (decision-making criteria outlined in the next section). Depending on the grant maker, they then contact the charity to collect banking or confirm contact information. For ACH or wire, this typically involves contacting the charity for their bank account information or encouraging them to sign up for a third-party vendor. The first-time set up for an ACH payment can be time consuming, with grant makers reporting that the process can take anywhere from 15 minutes to 2 hours. For checks, grant makers utilize the Internal Revenue Services' database of tax-exempt organizations to collect addresses. This can be automated with an API, but smaller, less digitized grant makers typically conduct this step manually. PayPal Grant Payments removes this step, as charities are already signed up for Grant Payments and funds are sent to the charity's PayPal account directly. Because DAF funds are often held in investments, grant makers often also need to sell assets to make cash available to grant. To initiate the fund transfer, the grant maker then creates a ticket to instruct a 3rd party

vendor to issue a check or ACH payment or starts the transaction directly. This process can be automated, though many grant makers create tickets manually. Next, grant makers track payments, often manually logging into banking or payment vendor systems. PayPal Grant Payments provides webhooks that allow grant makers to get real time updates on payment status delivered directly to their accounting system. Lastly, when problematic transactions occur, grant makers must investigate and reissue, a process for which is further outlined in section D.

Grant Making Process

- 1 Conduct charity verification, primarily for first-time grants.
- 2  Determine payment method.
- 3  Identify charity information and set up account for first-time donation.
- 4 Sell \$ transfer funds to make available for grant.
- 5 Create ticket or start transaction, typically via 3rd party.
- 6  Track payments and update reporting system.
- 7 If problematic, investigate and reissue, usually via check.

 *Processing time saved via Grant Payments*



C. Decision-Making Criteria:

From grant maker interviews, we identified the six most important criteria informing choices of payment methods:

- **Cost:** On average, checks cost \$1.50 to send via a 3rd party vendor, while ACH costs \$0.50, wire is \$35, and PayPal Grant Payments is \$1.05. Given cost considerations, grant makers report using wire only per donor request.
- **Processing Time:** Grant makers consider recurring processing time along with set up time, which is typically highest for ACH, as grant makers must contact charities to collect bank information as well as set up an account to make payments. Checks are by far the most common payment method, with some grant makers relying on checks for up to 99% of transactions, as long-standing processes and use of automated processing and outsourcing ensure low processing time.
- **Charity's Use of Vendor Platform:** Bill.com and other vendors are common for sending checks and ACH payments. If a charity has an ACH account with a 3rd party vendor used by the grant makers, the grant makers may be more likely to issue payment via ACH rather than check. Similarly, grant makers using PayPal Grant Payments consider whether charities accept payments via PayPal.
- **Transaction Speed and Problematic Transactions:** Grant makers report that individual donors expect speed when donating through a DAF account. Thus, grant makers value transaction speed a great deal. While checks can take up to two weeks to be delivered, a charity receives notification of a grant via PayPal Grant Payments in a matter of seconds and transfer of funds to their PayPal account happens at acceptance. Furthermore, while grant

makers can face issues of incorrect addresses or lost checks, they report largely avoiding such issues with ACH, wire, and Grant Payments.

- **Data Security:** Storing bank information with ACH and wire can be seen as an operational risk, while checks and PayPal Grant Payments do not require grant makers to collect and retain this information. ACH, wire and PayPal Grant Payments are seen to be highly secure.
- **Reporting:** Grant makers prefer payment processes that streamline their tracking process. Sending grants through 3rd party vendors such as bill.com or PayPal can help to standardize data and reporting.

D. Problematic Transactions:

Grant makers report that problematic transactions via check are typically caused by incorrect mailing information, lost checks, or defunct charities. Additionally, charities and grant makers note an increase in check fraud in recent years, a trend documented by the Financial Crimes Enforcement Network¹⁹. Problematic transactions can cause donor dissatisfaction, as they increase the time until charities receive funds. Additionally, addressing problematic transactions requires significant staff time, with larger, more established grant makers reporting having up to two full-time staff members dedicated to investigating and re-issuing problematic payments. With ACH and wire, grant makers report very infrequent rates of problematic transactions. Lastly, while most grant makers using PayPal Grant Payments report low rates of problematic transactions, the most common driver is charity non-acceptance of funds, due to not being familiar with the Grant Payments product, which is entering its second year of operations.



Conclusion

This study provides a better understanding of the process, costs, and benefits of different payment methods for institutional grant making, both from the charity and the grant maker perspective. Our results suggest that for charities, cost, donor & grant information, and processing speed are the most important attributes of payment methods. Survey data demonstrates that receiving grants via ACH or PayPal is the least costly for charities, given lower staff time required to process relative to checks. For smaller charities, processing checks is even more time-consuming, while PayPal Grant Payments is far less. Thus, PayPal Grant Payments offers smaller charities a cost and time saving solution for receiving grants from institutional grant makers.

On the grant maker side, we find that while checks are still the most used payment method, ACH and PayPal Grant Payments can reduce costs when automated into their processes. In addition to time and cost savings, PayPal Grant Payments provides value to grant makers of not having to collect and store bank information, as they do with ACH. These findings suggest that there is room for continued innovation and digital adoption in institutional philanthropy. Such changes have the potential to create time and cost savings, which can be directed to more efficiently serve the missions of charities and grant makers.



Appendix A:

Charity Interview Guide

General Information

1. What is the annual budget (budget income) of your organization?
2. Could you please estimate how many grants you received from institutional grant makers in 2022?
3. What percent of funds do you receive through each payment channel (e.g., check, ACH, wire, PayPal Grant Payments, other) from institutional grant makers like donor advised fund (DAF) sponsors and foundations?
4. What percent of funds from individual donors come from each payment method (e.g., check, ACH, wire, PayPal Grant Payments, other).
5. What are the key decision drivers in which payment method to use? You might consider staff time, processing speed, data security, experience for grant makers, frequency of fraud or misplaced funds.
 - When are the funds typically ready to use for your charitable cause?
 - b. What fixed costs do you have for each payment channel, and for how many transactions (e.g., lockbox/caging vendor, third-party vendor etc)?
 - c. What variable costs do you incur during every sub-process, in terms of:
 1. Time spent by staff (e.g., physically collecting the donation, recording donor information, deposit preparation, time taken to go to bank, account reconciliation, receipting)?
 2. Fees or other costs per transaction?

Economies of Scale and Scope:

7. Do the variable cost factors just described change as the volume of transactions changes?
 - a. Do the costs change with respect to repeat donations from by the same institution?
8. Are there economies of scope? Does the process described above change at all with the addition of new products (e.g., a dedicated emergency fund)?

Donation Receiving Process

6. Consider a typical donation from an institutional grant maker. For each of the payment channels that you use (e.g., check, ACH, wire, PayPal Grant Payments, other), could you please:
 - a. Walk us through the entire process of receiving a donation? Describe a smooth transaction: What happens, from the moment the payment leaves the donor? How does the payment reach your organization? Who is involved?



Problematic Transactions:

9. Now thinking about problematic transactions (e.g., bounced or lost check, insufficient information, fraud, etc.):
 - a. How often does a problematic transaction happen using each payment method?
 - b. If delays are caused, how long is a typical delay?
 - c. How much staff time is required to address this problematic transaction?
 - d. What are the extra costs involved with solving this issue (e.g., fees, charges)?

Opportunity Cost

10. Would it be possible to connect numbers (resources saved) or data (in terms of minutes economized) for each benefit item?
11. Do you publicly disclose what an additional \$1 of donations can achieve in terms of the cause you are pursuing?
12. Do you publicly disclose the overhead costs for each \$1 received?
13. How would you go about assessing what one \$1 of cost savings (for example cost savings in connection with receiving funds) can do with respect to the cause you pursue?

PayPal Grant Payments

14. [User] What are the biggest barriers/challenges to using PayPal Grant Payments?
15. [User] What additional functions/features would be helpful in PayPal Grant Payments?
16. [Non-user] What would make you more likely to accept donations from institutional grant makers using PayPal Grant Payments?



Appendix B:

Grant Maker Interview Guide

General Information

1. How many dollars does your organization contribute via grants to charities annually?
2. How many individual grants does your organization contribute to charities annually?
3. How many DAF accounts does your organization manage?
4. Of grants/donations paid to charities, what percent do you send through each payment channel (e.g., check, ACH, wire, PayPal Grant Payments, other)?
5. What are the key decision drivers in which payment method to use? You might consider staff time, processing speed, data security, experience for charities, frequency of fraud or misplaced funds.
7. Fixed costs:
 - b.** What is the initial fixed time cost of sending the first payment to a charity?
8. What is the initial fixed monetary cost of sending the first payment to a charity?
9. Variable costs:
 - a.** What variable costs do you incur during every sub-process, in terms of time spent by staff, or fees?
 - b.** What are the biggest cost-drivers in connection with this payment channel?

Economies of Scale and Scope:

10. Do the variable cost factors just described change as the volume of transactions changes?
 - a.** Do the costs change with respect to repeat donations to the same organizations?

Payment Process:

6. Consider a typical grant to a charity. For each of the payment channels that you use (check, ACH, wire transfer, PayPal Grant Payments, other), could you please:
 - a.** Walk us through the entire process of sending a donation? Describe a smooth transaction: What happens, from the moment you decide the organization and check amount? Who is involved? How long does the process take?



Problematic Transactions:

11. Now thinking about problematic transactions (e.g., returned or missing check, insufficient information, fraud, etc.)
 - a. How often does that happen?
 - b. If delays are caused, how long is a typical delay?
 - c. How much staff time is required to address this problematic transaction?
 - d. What are the extra costs involved with solving this issue (e.g., fees, charges, stop payments)?

Impact of Resources Saved:

12. Would it be possible to connect numbers (resources saved) or data (in terms of minutes economized) for each benefit item?

PayPal Grant Payments

13. [Users of PayPal Grant Payments]
What feedback have you received from DAF account holders on PayPal Grant Payments?
14. [Users of PayPal Grant Payments]
Have you seen any changes in donor behavior after the implementation of PayPal Grant Payments?
15. [Users of PayPal Grant Payments]
What are the biggest barriers/ challenges you face when using PayPal Grant Payments currently?
16. [Users of PayPal Grant Payments]
What additional functions/features would be helpful in PayPal Grant Payments?
17. [Non-Users of PayPal Grant Payments]
Why do you not currently use PayPal Grant Payments?
18. [Non-Users of PayPal Grant Payments]
What functions or features would make you more likely to use the platform?



Appendix C:

Charity Survey

Payment Methods:

1. Do you receive donations or grants from institutional grant makers (e.g., donor advised fund (DAF) sponsors, community foundations)?
 - a. Yes
 - b. No
2. What percentage of overall funding does your organization receive from the following sources?
 - a. Directly from individual donors, including monetary and stock donations
 - b. Donor Advised Fund (DAF) sponsors
 - c. Foundations (e.g., community foundations, family offices)
 - d. Corporations
 - e. Other (please specify)
3. Have you received donations from donor advised fund (DAF) sponsors in your PayPal balance and/or via PayPal Grant Payments?
 - a. Yes
 - b. No
4. Please estimate how many grants you received from institutional grant makers (e.g., donor advised fund sponsors (DAFs), foundations) (not individual donors) in 2022.
5. Using your best estimate, what share of the total number of grants that you received from institutional grant makers (e.g., donor advised fund (DAF) sponsors, foundations) were sent using the following payment methods in 2022?
 - a. Check
 - b. Automated Clearing House (ACH)
 - c. Wire transfer
 - d. PayPal Grant Payments
 - e. Other (please specify)

Payment Method Preferences:

6. Please rank the payment methods by their level of convenience for receiving donations from institutional grant makers.
7. Please rank the importance of the following attributes of payment methods for receiving funds from institutional grant makers.
 - a. Cost
 - b. Staff time
 - c. Processing speed
 - d. Data security
 - e. Frequency of fraud and/or misplaced funds
 - f. Ease of creating reports
 - g. Availability of donor information and grant terms
 - h. Other (please specify)



Cost & Staff Time Required to Receive Donations

8. What is the total staff time required to process a typical donation from an institutional grant maker (e.g., DAF sponsor, community foundation)? This could include physically collecting the donation, recording donor information, deposit preparation, time taken to go to bank, account reconciliation, and receipting. Use your best estimate.
9. What variable fees do you incur in receiving a typical donation from an institutional grant maker? This could include bank, vendor, or variable lockbox fees.
10. Please estimate your total fixed costs for receiving donations from institutional grant makers in a recent month? These could include lockbox/caging vendor fees or bank account fees in a recent month.
12. For each of the payment methods you use, on average how much does it cost your organization to deal with a problematic transaction (e.g., fees, vendor charges, etc.) from an institutional grant maker?
13. For each of the payment methods you use, on average, how much staff time does it take to deal with a problematic transaction from an institutional grant maker?

Your Organization:

14. When was your organization founded?
 - a. Within the last 5 years
 - b. 5 to 10 years ago
 - c. More than 10 years ago
15. What is the annual budget (budget income) of your organization?
 - a. Less than \$1 million
 - b. \$1 million - \$5 million
 - c. \$5 million - \$10 million
 - d. More than \$10 million

Problematic Transactions:

11. How often would you say a problematic donation occurs out of every 100 donations from institutional grant makers using each payment method? This could include bounced or lost check, old or incorrect address, and fraud. (e.g., out of every 100 checks, how many are problematic; out of every 100 electronic fund transfers, how many are problematic?)



References

- ¹ Authored by Anna Valuev, PayPal Public Affairs & Strategic Research. Thank you to all those who participated in the interviews and the survey, and shared insights that informed this paper. This work would not have been possible without you, as well as the PayPal PXXM, Legal, Social Innovation, and Philanthropic Giving teams who provided feedback and guidance.
- ² The Urban Institute | National Center for Charitable Statistics 2019
- ³ *Giving USA 2023 Report*
- ⁴ Giving USA: Total U.S. charitable giving remained strong in 2021, reaching \$484.85 billion. (2021, July). Lilly Family School of Philanthropy. [https://philanthropy.iupui.edu/news-events/news-item/giving-usa:-total-u.s.-charitable-giving-remained-strong-in-2021,-reaching-\\$484.85-billion.html](https://philanthropy.iupui.edu/news-events/news-item/giving-usa:-total-u.s.-charitable-giving-remained-strong-in-2021,-reaching-$484.85-billion.html)
- ⁵ The 2022 DAF Annual Report. National Philanthropic Fund.
- ⁶ Gamboa, G. (2023, June 20), Charitable giving in 2022 drops for only the fourth time in 40 years: Giving USA report. Associated Press News. <https://apnews.com/article/charitable-giving-decline-givingusa-report-becaca47cae4bc4f55063cc9f1c5865a>
- ⁷ *Giving USA 2023 Report*
- ⁸ Giving USA includes contributions to DAFs within "individual giving." However, there is broader industry debate about accounting methodologies, as DAF sponsors distribute these funds as grants to charities. Given that many DAF accounts are invested, the dollar amount contributed to charities may be larger than the original individual DAF contribution, thereby potentially underestimating the size of philanthropic giving.
- ⁹ <https://www.schwabcharitable.org/press-release/calendar-year-2022-results>
- ¹⁰ <https://www.fidelitycharitable.org/about-us/news/fidelity-charitable-donors-recommend-record-11-2-billion-in-grants-during-2022.html#:~:text=Donor%20generosity%20fueled%20record%20granting,than%20in%20the%20previous%20year>
- ¹¹ <https://www.vanguardcharitable.org/2022annualreport#:~:text=For%20the%20sixth%20straight%20year,when%20it%20was%20needed%20most>
- ¹² <https://www.businesswire.com/news/home/20230228005340/en/National-Philanthropic-Trust-Donor-Recommended-Grants-to-Charitable-Organizations-Surpass-6-Billion-in-2022>
- ¹³ What is a Donor Advised Fund (DAF)? National Philanthropic Fund. <https://www.nptrust.org/what-is-a-donor-advised-fund/>
- ¹⁴ The 2022 DAF Report, National Philanthropic Trust. <https://www.nptrust.org/reports/daf-report/>
- ¹⁵ The 2023 DAF Report, National Philanthropic Trust <https://www.nptrust.org/reports/daf-report/#:~:text=There%20is%20an%20estimated%20%24234.06,totaled%20%2445.74%20billion%20in%202021>
- ¹⁶ May 2022 National Industry-Specific Occupational Employment and Wage Estimates NAICS 813200 - Grantmaking and Giving Services. U.S. Bureau of Labor Statistics. https://www.bls.gov/oes/current/naics4_813200.htm#13-0000
- ¹⁷ Employer Costs for Employee Compensation for the Regions, U.S. Bureau of Labor Statistics. https://www.bls.gov/regions/southwest/news-release/employercostsforemployeecompensation_regions.htm
- ¹⁸ Given that PayPal Grant Payments is a new product, the processing times are expected to decline further, as all information from grant makers will come in one, consistent comprehensive report.
- ¹⁹ Sweet, K. (2023, June 12). Cases of check fraud escalate dramatically, with Americans warned not to mail checks if possible. Associated Press News. <https://apnews.com/article/check-fraud-banks-organized-crime-5f033b93bd87e2cbeb82b4ab4865a916>