



Online Giving

Why Churches Should Implement Electronic Giving

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Our Sunday Visitor

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Online Giving Option for Churches

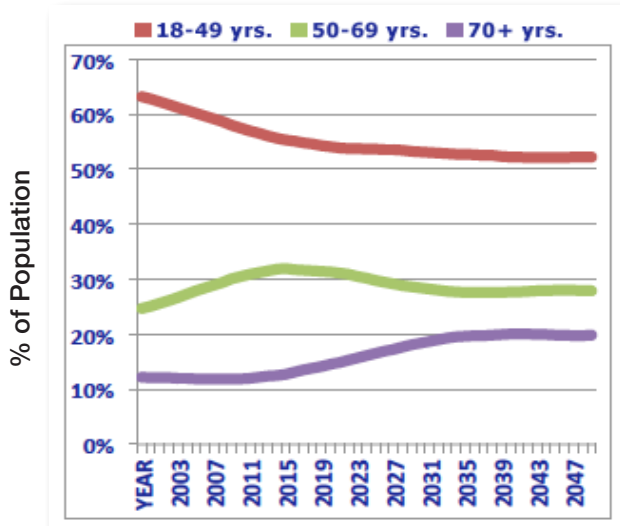
We live in an information world and are seeing a lot of old habits gradually migrating to new ones. No more trips to the post office or to the video rental store, no more writing checks, no more rabbit ear antennas. People, especially the younger generation, do not even use their cell phones to call someone. They are into “texting”. If someone writes a check and hands it over to the cashier at a Wal-Mart store, he/she scans it and gives it right back to the customer. For some, the change has been gradual, for others, it has been too rapid. Change does not come easy to everyone, especially to the churches that are steeped in traditional customs, which have been that way for literally thousands of years. But some of the church administrators are now beginning to realize that they need to change to keep up with the evolving environment and their member’s habits. As they look at what and how things are changing, they realize that change is, in fact, good for the church as well as its members.

Changing population and giving habits

The U.S. Census Bureau published a report in August 2008 that projects U.S. population trends through the year 2050. It is by far the most comprehensive report that breaks the data down by year, age, race and sex. According to this report, the population in the 18-49 year group will remain the largest portion although it will decline from 63% in 2000 to 52% by 2050. The 70+ year old group will grow from 12% to 20% of the population in the same time frame while the ones in the 50 to 70 year group will grow from 24.7% to 28%. This trend has significant implications for church attendance and collections.

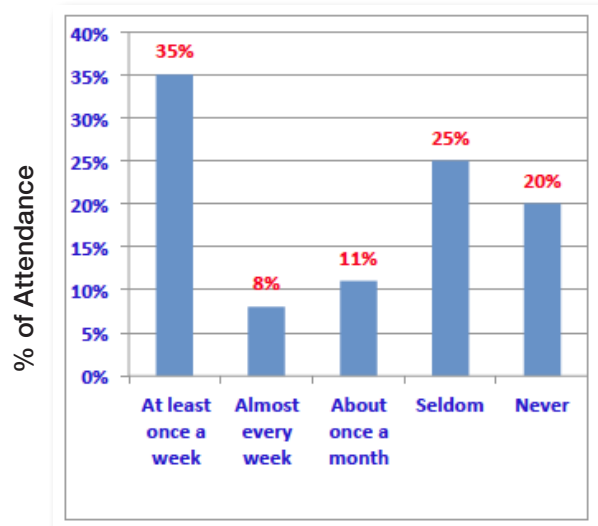
Another survey conducted by the Gallup Organization, based on over 150,000 interviews it conducted in 2010, showed that only about 35% of the people indicated that they attend church at least once a week. One in four said they “seldom” attend and 20% of them said they never attend. Depending strictly on attendance and expecting members to make donations when they do attend the church creates uncertainty in collections. Additionally it makes the job of budgeting and forecasting very difficult.

U.S. Population Trends 2003 - 2050



2008 Census Bureau

Church Attendance



2010 Gallup Organization Survey

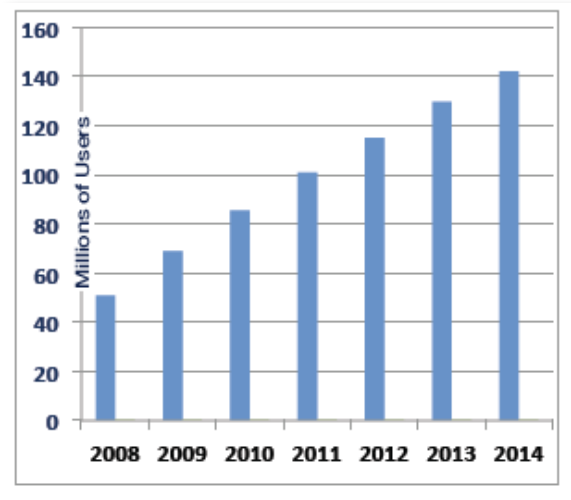
When you review the two reports mentioned on the previous page collectively, you can see that the church staff faces two major issues: 1) How do you attract the generation that is not in the habit of attending the church regularly? 2) How do you get them to give to the church? Communicating with the members is also becoming one of the most important issues as the rapid changes in technology and communication habits of churchgoers require a thorough and urgent review.

What is wrong with checks?

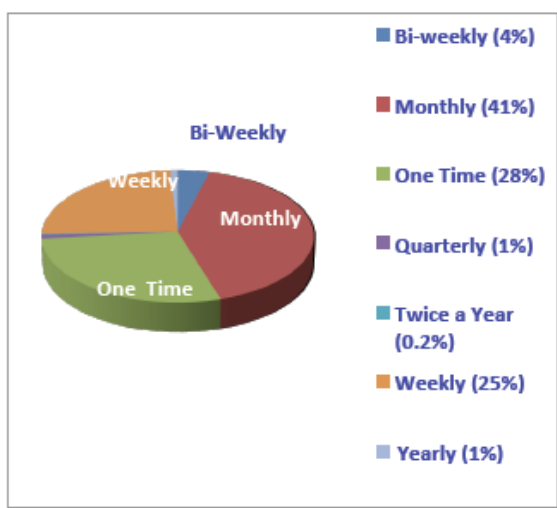
Checks are on the downward slide just as letters and postage stamps have been for the past decade. More and more people are paying bills online. Online bill payment increased at a compounded annual growth rate of 30% from 2005 to 2007, and it is projected to continue to grow through 2012 - although at the slower rate of approx. 20%. The most rapid growth is seen in the use of “smart” phones that are connected to the Internet and used for sending and receiving text messages, web pages and photos. Half of the smart phone users will use it to access the Internet by 2013.

For the church administrators, the problem of lack of attendance is compounded by the increased cost of processing checks as banks add fees to boost profits that were squeezed by the passage of the Credit Card Accountability Responsibility and Disclosure Act of 2009. Many of them utilize services of volunteers to process checks collected during the weekend and record check contributions in their accounting or census programs. It is often a very time consuming process and it exposes sensitive information to people who may or may not keep it confidential. If the checks are not deposited and processed promptly, the church loses its ability to have immediate access to funds that may be badly needed to pay bills.

Projected Web-Enabled Smart Phone Users



Giving Frequency Trends



Why offer an online giving option?

The online giving option is a simple, elegant solution whose time has come. There are several advantages to offering this option to churchgoers:

Wide acceptance – Many people have indicated that the only checks they write are the ones for their church. They have switched to paying bills online for almost all other activities. An option to give online is finding increasing acceptance by members at churches whenever they introduce it. Most of the churches that offer this option find at least 10% of the families sign up for it within the first year. The success of the program depends, to a large extent, on how it is launched and promoted.

Stability in collections – Most online giving programs offer a recurring giving feature that allows online donors to schedule their church donations weekly,

biweekly or monthly. When all the options to give are available and donors are free to set their own dates or days to give, 40% of them choose monthly option while 30% prefer to give weekly or biweekly. Now the church has a steady inflow of funds that it can count on throughout the year. Many churches have reported a significant increase in collections, especially during summer when many families go out of town or are simply too busy with other activities. Those in the Northeast or Upper Midwest generally experience a drop in collections during winter when the “snowbirds” head for warmer climates and attend church services in Florida, Texas or Arizona where they have winter residence. The online giving option allows these people to give to their home church regardless of where they are during the year.

Increase in collections – The online option to charge donations to the credit card greatly enhances attractiveness of the online giving program. A church that offers both bank transfer and credit cards for giving generally sees between 40 and 45% of the donations charged to credit cards. Additionally, an average credit card donation is generally 8 to 10% higher than that of a cash or check donation. This difference more than offsets the cost to the church of accepting credit card donations.

Security – Online transactions, whether they are church donations or payments for a function such as banquets, auctions, or any fund raising event, are safe and secure. The credit card companies have developed comprehensive guidelines for merchants who accept credit cards. They are required to comply with these guidelines in order to be approved for accepting payments with credit cards. The standards are developed and maintained by the PCI Security Standards Council. For additional information on the PCI Security Standards Council visit <https://www.pcisecuritystandards.org/>

Average Contribution Per Transaction

Transaction Type	
ACH (from bank account)	\$74
Credit Card	\$81
Average for Online Donations	\$77

The PCI Security Council is an open global forum that is responsible for the development, management, education and awareness of the PCI Security Standards. Its five founding global payment brands – American Express, Discover, MasterCard, Visa and JCB International – have agreed to incorporate the PCI DSS as the technical requirements of each of their data security compliance programs. The credit card transactions processed by companies that manage online transactions for the churches have to comply with these standards and have to submit themselves to regular audits to test their internal processes and safeguards which makes them far more secure than dropping a check in the collection basket not knowing who will see it and how confidential the information on it will be.

Convenience – This is probably the biggest advantage for the family. They can schedule their donations at any time during the week from the convenience and safety of their homes. They do not have to be concerned about missing out on their commitment to the church if they cannot attend the services for any reason. They also do not have to worry about forgetting their checkbook or not having enough cash in their wallets when they go the church. They can also manage their budgets better since they will know exactly how much they are committing to during the year. Making options to donate more convenient leads to overall increase in total collections for the church.

Attracting younger generation – The younger generation is more likely to participate in church's activities and donate when it can do so using the means and technology that they use in their daily lives. The appeal for donation for earthquake victims in Haiti is a prime example of how modern technology helped in collecting \$30 million dollars in a matter of ten days by allowing people who used their cell phones a means to make a donation.

Electronic payment process

There are three ways a church member can process an electronic donation:

1. Charge donation to the credit card,
2. Set up a one time or recurring donation to the church with the bank, and
3. Provide bank account information to the church so it can set up automatic withdrawal of funds from the church member's bank account.

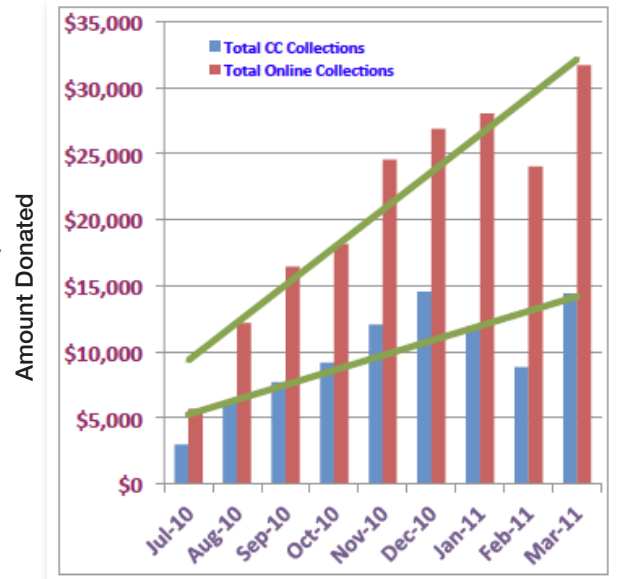
Let us review all the three options.

Bank Transfer (EFT) – The transaction set up by the donor with his/her bank is called an EFT transaction. The donor uses the bank’s ‘Bill Pay’ feature to designate the church as the payee and schedules a one time or recurring transfer of funds to the church for a certain amount. What most people do not realize is that the bank actually sends the church a check by mail and the church then has to process it just like any other check it receives during the weekly Mass. If the check is misplaced or lost, the donor is still out of funds as the bank will deduct the amount from his/her account regardless of whether the check is cashed or not unless the donor notifies the bank of the loss of check in a timely manner.

Bank Transfer (ACH) – If the church negotiates an arrangement with the bank to process donations from its members electronically, it is considered an ACH transaction. In this case, the donor has to provide the church with their bank account and routing information, amount to be withdrawn from his/her account and preferred date of withdrawal. Such transactions are fully automated and electronic. A major drawback of this arrangement is that the safety and security of the donors bank information is not guaranteed. The church staff may not want to assume liability and take on added risk of keeping such information safe.

Credit Cards – The popularity of credit cards from the donor’s perspective is obvious. The donor does not incur any additional cost of using it to make a donation to the church. In fact, he/she may receive added benefits such as airline miles, cash-back or some other form of rewards. The cost to the church ranges between 2 and 5% depending on the type of card, card issuing company and the pricing scheme of the payment processor. Analysis of data from online transactions clearly shows that credit card users consistently give more than those who give from their bank accounts. Donations during Christmas time, in particular, are higher with credit cards because of the delay in paying back to the card issuers but the donors can claim tax deduction for the year when they charge their card in December.

Electronic Donations at a 2000-Member Church



Ten rules to remember

In view of the variety of programs with various options that are available to the church, it is important to remember what matters the most to the church when choosing the right program. Here are the basic considerations for selecting the most cost-effective program:

1. **Maximum flexibility in giving** – Does the program offer as many choices for the donor as possible? Are they able to schedule recurring contributions on a weekly, biweekly, monthly, quarterly, semi-annually or annual basis? Can they also donate one time?
2. **Flexibility to make a pledge** – Can the donor pledge a certain amount and schedule regular payments over a certain period of time to fulfill the pledge? Can he/she also make a down payment toward that pledge? Can he/she make the down payment from one account and charge the rest of the payments to another account?
3. **Donor Preference** – Can the donor remain anonymous if she/he chooses to do so?
4. **Payment Process** – Where do the funds go when they are taken out of donor’s account and before they are deposited in the church’s bank? How long does it take for the funds to be deposited in the church’s account? Are they mixed in with other funds during the process?

5. **Maximum security** – Does the program offer the following:
 - a. PCI compliance
 - b. 128-bit secure browser connection to protect data
 - c. Secure Sockets Layer (SSL) to encrypt all of the information
 - d. Donors' credit card and bank information must not be accessible to church staff. Funds must not be held by the vendor or any third party during the process.

6. **Cost** – This is perhaps the most important consideration. The best way to compare the cost of any two options is to project the cost based on 10% of the current active members giving online in the first year. Many vendors offer optimistic projections of an increase in number of participants or total online donations in the first three to four years. Such projections can be very misleading as they often are unrealistic and rarely materialize due to factors beyond the control of church staff. Fees based on the size of the church regardless of how many members are active, how much they currently give and how many of them are likely to switch to online giving can also saddle the church with unusually high fees that will make the program cost prohibitive.

7. **Fees** – Are the online donations deposited in full in the church's bank account and fees charged at the end of the month? Are there any "hidden" fees such as fees for updating member's personal or bank/credit card information, changing future donations or pledges, etc.?

8. **Promotion** – Does the vendor offer help in launching and promoting the program? If so, what material is available during the launch and promotion phase? The church staff is generally not well versed in promoting any new initiatives such as online giving, nor do they have the resources to develop a multi-year strategy and execute it. Many of them see the new online giving option start off well but then new enrollment slows down to a trickle.

The main purpose of the online giving option should be to promote it to members who do not currently attend the church regularly and to those who prefer this option to give. Attracting them has to be an ongoing effort, not just one-time event. With this in mind, the provider of the electronic option must be in a position to develop an ongoing program geared toward maximum effectiveness. Cost of such promotion must be considered as an integral part of the effort to increase overall revenues and support new initiatives.

9. **Reports** – What reports are available for online contributions? Can the online contributions be posted in the church management software electronically or do they have to be posted manually? As the volume of online contributions grows, tracking them by fund or by donor and measuring effectiveness of the program becomes an important task for the bookkeeper or business manager. If it overwhelms them, they are likely to lose interest in it and not promote it. The vendor must be prepared to offer tools and training to help the church staff collect, organize and analyze online contribution data in the most efficient manner.



10. **Updates** – In view of the ever-changing nature of technology, it is extremely important to insure that the vendor has plans to keep the program current and make frequent updates and has plans to add features that add value and functionality. A good example of the new feature that is becoming popular is payment over the smart phones for one time payments. As the phones become more versatile and provide access to the Internet, more and more people are using them instead of conventional PCs. Ability to use mobile devices to donate to the church, with added security for such transactions, needs to be developed for getting maximum participation by members.

Business History

Our Sunday Visitor

Our Sunday Visitor serves millions of Catholics worldwide through its publishing, offertory, curriculum, and communication services. Established in 1912 by a local parish priest, Our Sunday Visitor has grown into the nation's largest supplier of offering envelopes, parish and diocesan mailings, books, periodicals, curriculum, address management and stewardship services. Our Sunday Visitor is a not-for-profit organization, returning a portion of net earnings back to the Catholic community through the OSV Institute.

Our Sunday Visitor Offertory Solutions provides complete offertory programs, stewardship services and campaign and appeal fulfillment services for parishes, missions, dioceses and other Catholic organizations. Our product and service offerings combine the use of technology with envelope and communications programs to provide you with the flexibility to adapt to the needs of your constituency.

Sage Payment Solutions

Sage is the leading supplier of business management software solutions small and medium-sized enterprises ("SMEs") worldwide. Its goal is to help customers manage their business processes more effectively through its software applications and support services. Key attributes of the Sage business are:

- 6.2m customers worldwide
- Market leading products and brands
- FY 2009 revenue of £1.4Billion and EBITA of £321Million
- Strong track record of earnings growth and cash flows
- Over 13,000 employees in 24 countries