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METHODOLOGY AND DATA COMPANION

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Should a donor's Israel gift go through the federation, or straight to the cause?

Methodology and data companion to the working paper

Gavriel Brown, PhD

A full working paper, with the complete introduction, literature review, data and design, results, discussion, limitations, conclusion and references, accompanies this companion.

At a glance	
Research question	A donor with $100 for Israel can send it through the local federation's four-organization chain or through a single-cause friends organization. Which route delivers more of the gift, and what does each choice buy that the other does not?
Data	2,335 IRS Form 990 returns filed by 265 federation-system entities, tax years 2014 to 2025, pooled over FY2018 to FY2022 for the comparison, combined with the Part IX pages of 18 American organizations raising for Israeli causes, 116 organization-years read one return at a time, and the filings and published accounts of JFNA, the United Israel Appeal, the Jewish Agency, Magen David Adom and Yad Sarah.
Unit of analysis	One hundred dollars, chained down each route. Each organization's management and fundraising share of its total spending is taken as filed and multiplied in sequence to the door of the Israeli operator.
Statistical method	No model is estimated. The engine is arithmetic: audited expense shares chained multiplicatively, medians compared rather than pooled aggregates, and a same-window comparison of December filers for the October 7 test.
Headline finding	At the median the direct route delivers $82.09 of $100 against the federation route's $76.58. The two national intermediaries in the middle cost $4.73 together, while the choice of first organization swings the outcome by up to 24.6 cents on the dollar.
What it shows	The number of layers is the small term and the identity of the first organization is the large one. On money that physically crosses the border the direct route wins by about seventeen dollars. What the federation sells instead is breadth, unrestricted money and a route that can be audited to the ground.

The question behind the paper

An American donor who wants money in Israel faces two doors. Behind the first is the local Jewish federation's annual campaign, which sends its overseas allocation to the Jewish Federations of North America, which sends it to the United Israel Appeal, which funds the Jewish Agency for Israel in Jerusalem. Behind the second is an American friends organization raising for one Israeli cause, American Friends of Magen David Adom is the largest, which remits to the operator it exists to fund. Four organizations handle the first gift; two handle the second.

The communal argument about these doors is usually an argument about middlemen, and it can be settled with public paper. Every American organization on either route files Form 990, whose Part IX divides total spending into program, management and fundraising. What each organization keeps for itself can be read as filed and multiplied down each chain, which turns a debate of adjectives into a subtraction problem.

The paper asks three questions of that structure. How much of $100 does each route lose before the money reaches the Israeli operator's door? Where along each route does the loss actually sit? And what does each door buy that the other cannot, which is the part of the choice no ratio prices?

Where the data come from

The federation panel. A database of 2,335 IRS Form 990 returns filed by 265 federation-system entities, tax years 2014 to 2025, parsed to the grant, expense, compensation and related-organization level, and filtered to the current version of every return. Percentile results use the 146 federations with more than $500,000 of pooled contributions; the aggregate chains all 163 entities of kind Federation, with foundation arms and the national body excluded. Twelve of the 146 report no fundraising expense in any year because a sibling entity carries it, Chicago and Baltimore most prominently, so the cheapest tail of the distribution reflects filing arrangements rather than thrift.

The direct fleet. Eighteen American organizations raising for Israeli causes, whose Part IX pages were read one return at a time, 116 organization-years over FY2018 to FY2025, because no published extract carries the functional expense split. Two of the eighteen, the Central Fund of Israel and PEF Israel Endowment Funds, are pass-through conduits with overhead of 0.24 and 0.99 percent and are held out of fleet statistics as the floor. The Technion's FY2018 to FY2021 filings were unreadable and are recorded as missing rather than zero, and the Weizmann Institute's remittance moved between Part IX lines in FY2020, a reclassification rather than a change of destination.

The middle of the chain. The Jewish Federations of North America and the United Israel Appeal are read from their own returns: overhead of 4.48 and 0.26 percent of spending respectively, with the Appeal reporting no salaries in any recent year. Neither organization solicits the public.

The Israeli end. The Jewish Agency files an American Form 990 and publishes its own Financial Highlights, carrying overhead of 11.7 and 7.3 percent on the two bases. Magen David Adom, a statutory body under the Magen David Adom Law of 1950 rather than a registered charity, files with no registrar and publishes no administrative or fundraising split in any year; its 2023 through 2025 statements are scanned images. Yad Sarah publishes Israeli accounts and files a Form 990, the only organization in the study visible through both lenses.

The method, named and explained

The paper estimates no statistical model. Its engine is chained arithmetic on audited shares. Overhead is defined as Form 990 Part IX line 25, management and general plus fundraising, over total functional expenses: the fraction of any dollar an organization spends that funds the organization rather than the work. One hundred dollars entering a layer with share s leaves it carrying 100 times one minus s, and the product down a route gives what survives to the door of the Israeli operator. Both routes are charged every American layer; neither is charged the Israeli operator's own costs, which are reported separately where they exist.

Medians are compared rather than aggregates, and the reason is a warning as much as a choice. Pooling all 163 federations puts the federation route at $80.86, nearly level with the reference direct organization's $81.16, but the top five federations are 42.6 percent of that denominator, one of them books $859.2m of spending with zero fundraising because a sibling entity carries it, and in the four years where both series can be measured the sign of the gap flips twice. Excluding the 21 filers that report no fundraising at all lifts the aggregate overhead from 15.13 to 16.29 percent. The pooled near-tie is an artifact of concentration, and the working paper declines to publish it as a finding.

A second basis is reported alongside the first. Overhead lets a dollar count as delivered even when it was spent on program in America, so each layer's spending is also split three ways, grants out, domestic program, and overhead, and the grant share alone is chained. Each basis flatters one route: overhead flatters the federation, which retains a fifth of its spending as American program, and the grants basis flatters the direct route, by treating as a cost programs a campaign donor may be deliberately buying. The paper reports both and says which is which.

The October 7 test compares like windows. Fiscal years end in different months, so both groups are restricted to organizations whose books close in December, 79 federations and nine direct organizations, making calendar 2023, with its three months of war, identical for every filer.

Key results from the paper

Table 1. What $100 becomes at the door of the Israeli operator, by specification.

Specification	$100 becomes
Federation route, median federation	$76.58
Federation route, 25th-percentile federation	$81.06
Federation route, 75th-percentile federation	$70.16
Federation route, aggregate of all 163 federations	$80.86
Direct route, median friends organization	$82.09
Direct route, American Friends of Magen David Adom, FY2018-2022	$81.16
Direct route, same organization, FY2018-2024	$84.46
Direct route, the two pure conduits	$99.17

Note.* *Chained overhead, both national intermediaries charged to the federation route. The aggregate row is an average of two crossing series and is reported for completeness rather than as a finding.

Table 2. Overhead share of total spending at the first layer, pooled FY2018 to FY2022.

Group	p10	p25	Median	p75	p90
146 federations	8.2%	14.8%	19.6%	26.2%	32.8%
16 friends organizations	9.2%	12.9%	17.9%	19.9%	22.7%

Note.* *The interdecile range is 24.6 points among federations and 13.5 among friends organizations, against 4.73 for the entire middle of the chain. The federation p10 partly reflects the filing arrangements described above.

Table 3. Where each layer's spending goes, share of total functional expenses.

Layer	Grants out	Program in the United States	Management and fundraising
Local federation	64.0%	20.9%	15.1%
Jewish Federations of North America	83.7%	11.8%	4.5%
United Israel Appeal	96.4%	3.4%	0.3%
American Friends of Magen David Adom	69.1%	12.1%	18.8%

Note.* *Rows sum to 100 up to rounding. Chained on the grants-out column, the federation route lands $51.63 of $100 as grants across the border and the direct route $69.09.

How to read the results

Table 1 is the paper's answer to its first question. Read the two median rows against each other: $82.09 against $76.58 is the honest comparison, a gap of 5.5 cents on the dollar, and 35 of the 146 federations, 24 percent, still beat the reference direct organization through three layers. The conduit row is the floor rather than a recommendation: a donor using the Central Fund of Israel or PEF has already chosen the Israeli recipient personally and is buying no judgment at all.

Table 2 answers the second question, where the loss sits. The two national intermediaries between them cost $4.73 of $100, while the spread between a cheap first organization and an expensive one is 24.6 points among federations and 13.5 among friends organizations. Choosing the first organization moves four to six times more money than choosing the shorter route, which is the finding that survives every specification tried.

Table 3 prices what the overhead measure cannot see. The federation retains 20.9 percent of its spending as program delivered in America, community relations, planning, Jewish education, campus work and the allocation process itself, against the reference direct organization's 12.1. Much of that fifth is product rather than cost for a campaign donor, but on money that physically crosses the border the routes sit $17.46 apart, and a donor comparing overhead percentages alone would never see it.

What the numbers do not claim

Every rate is an average over all of an organization's spending, and the money passing through is a specific subset. At the federation, processing an overseas allocation is close to costless at the margin, which argues its 15.1 percent overstates; an annual-campaign donor costs 11.99 cents per dollar to solicit against a 7.66 blended average, which argues it understates. The two corrections bound the federation route between $76.74 and $83.86, wider than any gap reported, and Part IX cannot resolve which correction dominates.

The chains stop at the Israeli operator's door, and the functional classification is taken as filed at every layer. The Israeli end of every direct route except Yad Sarah's is unmeasured, and one omission is not neutral: the reference organization's FY2021 return, its highest grant-share year, could not be read, and restoring it would move the direct route roughly two cents further in its favor.

A federation campaign gift is not an Israel gift by default. About 27 percent of federation grant dollars go overseas, so the paper follows a dollar the federation designates for Israel, which is a designation rather than the typical dollar. And the largest direct route is a different transaction than it appears: donations are about 6.9 percent of Magen David Adom's income, and its American friends' program spending cannot be reconciled with the operator's reported donation income, which points to support arriving as ambulances and buildings rather than as cash. Finally, the claims most often made for the federated route, that the allocation committee chooses better than a donor would and that its due diligence is worth the cost, are tested by nothing in any filing, and the paper treats them as claims.

Reproducing the analysis

The federation panel rebuilds from IRS Form 990 electronic filings for the 265 roster entities, filtered to current returns. The IRS serves archives back to 2018 only; earlier years come from the GivingTuesday mirror, and the monthly archives can be read over HTTP range requests by pulling each zip's central directory and fetching only the wanted members, noting that some archives use Deflate64. The direct fleet's returns come from IRS e-file XML, filing images and the organizations' own posted returns, read to Part IX line 25 one filing at a time.

The analysis itself needs no software beyond the shares. Every chained figure in the working paper reproduces by multiplying the layer shares reported in its Tables 1, 2 and 4, and the layer shares reproduce from the named line of the named form of each organization. The parameters of the study, the pooling window, the $500,000 floor, the conduit exclusion and the December-filer restriction, are each stated where they bind.