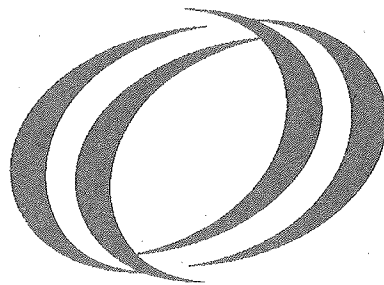


# Charitable Fundraising in Canada

Michael H. Hall



Canadian Centre for Philanthropy  
*Le Centre canadien de philanthropie*

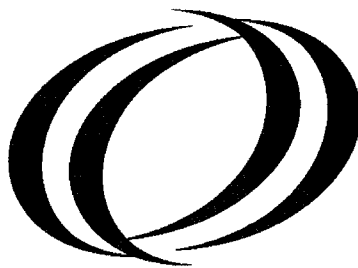
# Charitable Fundraising in Canada

*Results from a national survey of fundraising  
practices of Canadian charities*

Michael H. Hall

A joint project of the Canadian Centre for Philanthropy  
and the Canada West Foundation.

*A publication of:*



Canadian Centre for Philanthropy  
*Le Centre canadien de philanthropie*

## The Canadian Centre For Philanthropy

Established in 1981, the Centre is a national, charitable organization which helps strengthen Canadian charitable, voluntary organizations through research, public affairs, information products, professional development, *Front & Centre*, and the Imagine program.

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ISBN 0-921295-37-5

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# Foreword

Concerned by the possibility that some charitable fundraising practices would not well withstand public scrutiny, the Canada West Foundation and the Canadian Centre for Philanthropy embarked on a project in early 1994 to investigate the fundraising practices of Canadian charities. With support from a number of foundations (the Kahanoff Foundation, the Alberta Law Foundation, the Samuel and Saidye Bronfman Family Foundation, the Calgary Foundation and the Canadian Pacific Charitable Foundation), the project began with a review of the literature on fundraising practices by Nancy Palmer of the Canada West Foundation. Next, a series of consultations, conducted by Gordon Floyd, Director – Public Affairs, at the Canadian Centre for Philanthropy and Nancy Palmer, were held with representatives from the charitable sector during October to December, 1994. These consultations identified a number of issues about which the sector was concerned. The literature review and consultations formed the basis for the third component of the project – a national survey of charitable fundraising practices.

This report outlines the results of the survey. It examines current fundraising practices and fundraisers' opinions about practices that were identified as problematic in our consultations and literature review. The final stage of our project on fundraising practices will consist of a further series of consultations with the sector that will examine the feasibility of developing a set of standards regarding fundraising practices that Canadian charities and nonprofit organizations can be encouraged to adopt.

David Elton, PhD  
President  
Canada West Foundation

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# Acknowledgements

This report is one element of a joint project on fundraising practices conducted by the Canadian Centre for Philanthropy and the Canada West Foundation. It is based on a survey conducted with the financial support of the Kahanoff Foundation. At the Canada West Foundation, Dr. David Elton and Nancy Palmer (now at Foothills Hospital Foundation) provided assistance with the design of the questionnaire and valuable comments on a draft of this report. At the Canadian Centre for Philanthropy, Gordon Floyd provided input into the design of the questionnaire and comments on the draft report. Laura Macpherson assisted with data analysis and report preparation. Kevin Bailey was responsible for report design and production. Norah McClintock served as editor.

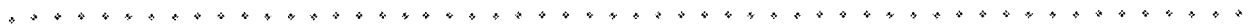
I would also like to acknowledge the important contributions of Dr. Bill Hallett, YMCA of Greater Toronto, Dr. Wesley Lindahl, Northwestern University Dental School, and Glen Mitchell, Lodestar Resources, who reviewed a draft of the report offering a number of helpful observations and suggestions. Finally, I would like to thank the fundraisers who generously gave their time to assist this project by completing the surveys that provided us with the data reported herein.

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# Executive Summary

Public interest in the fundraising practices of charitable non-profit organizations appears to be increasing. Charities need to ensure that their practices serve to maintain the public's trust that their charitable donations are being used efficiently and for the purposes for which they were intended. This report provides the information required to begin an informed discussion about the fundraising practices of Canadian charities.

Using the results of a national survey of 1,516 non-religious, non-private foundation charities, this report outlines how charities raise money from individual Canadians and the relative importance of different fundraising methods to different types of charities. It also details the use of third-party fundraising firms, the ways in which charities evaluate the effectiveness of their fundraising, costs of fundraising, and fundraisers' opinions about the need for standards and regulations.

The survey shows an important feature of non-religious Canadian charities, namely that most operate on very modest levels of revenues (38% report total revenues of less than \$125,000). It is not surprising, then, that 86% do not have any paid staff dedicated to fundraising. The survey also highlights the inter-relationship of certain characteristics. Larger revenue charities are more likely to be based in Ontario or British Columbia and to have paid fundraising staff. Hospitals, Education and Social Service charities have larger revenues than Arts & Culture, Community Benefit or Health charities.

Seventy-percent of all funds raised from individuals go to the largest charities (those with total revenues over \$1.5 million) that constitute 16% of the sample. Such fundraising, however, accounts for only 10% of the largest charities' total revenues. In contrast, only 5% of all funds from individuals go to the smallest charities (those with total revenues less than \$125,000), but these funds account for 55% of their total revenues. Comparing different types of charities, Hospitals raise much more from the public than Arts & Culture and Social Service organizations. Finally, it is worth observing that 50% of all funds raised from individuals go to Ontario charities.

Of the various methods used by charities to raise funds from individuals, Special Events are the most frequently reported, followed by Charitable Gaming, Product Sales, and Direct Mail. Direct Mail provides the most revenues, followed by Special Events, Planned Giving and Capital/Endowment campaigns. Direct Mail and Planned Giving are larger sources of revenue for large charities, while Special Events and Charitable Gaming are larger sources for smaller charities. Provincial variations are also important. Charitable Gaming is the largest source of revenues for Manitoba/Saskatchewan charities and second largest for B.C. charities; Capital Campaigns are the largest source for B.C. and Alberta charities; and Unsolicited Donations are the largest source of revenues for Atlantic charities.

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With regard to funding sources, charities raise 30% more from individuals than they do from government, foundation grants and corporate donations. It is important to note that the total value of government grants is over twice that of foundation grants and corporate donations. Corporate donations amount to only 17% of the revenues obtained from individuals, while Foundation grants are only 7%. An examination of patterns of funding reveals that over 50% of government, corporate, foundation and public funding goes to the largest charities (revenues over \$1.5 million). Over 30% of government grants go to Social Service charities which, along with Education and Other charities, also receive the most corporate support. Foundations support Social Service, Education and Hospital charities more than others. Finally, Ontario charities receive the largest percentage of all types of grants and donation revenues.

Turning to the costs of fundraising, there appears to be considerable variability in the way that charities calculate their costs. Over 60% of the largest charities calculate cost ratios (fundraising costs expressed as a percentage of the funds raised), compared to 29% of the smallest charities. Although reported cost ratios have questionable reliability because of variations in how costs are allocated, we obtained an approximate picture of the cost-effectiveness of various fundraising activities. These activities can be ordered from most to least cost-effective as follows: Workplace Campaigns, Planned Giving, Direct Mail, Charitable Gaming, Special Events, and Product Sales. Based on data provided by charities, our best estimate of the average cost ratio is 26%; the median is 12%.

A variety of fundraising practices used by Canadian charities may be at odds with public expectations. These include the use of third-party consultants and the use of percentage-based consultants. Of the 19% of charities that used a paid fundraising consultant in the past five years, 5% had percentage-based consulting arrangements and 13% negotiated flat-fee contracts. Percentage-based contracts are more frequently used by smaller charities. A substantial percentage of charities using percentage-based consulting contracts shared ownership of their donor lists (31%) and had funds deposited into bank accounts owned by the consultant (17%). In addition, the cost of consultants and total fundraising expenses are significantly higher for percentage-based consultants than for flat-fee consultants. Perhaps most troubling is the finding that 68% of charities with percentage-based contracts did not request proposals from more than one company and only 31% of their boards investigated the experiences of other organizations with the type of consulting agreement being considered.

In many charities, Boards of Directors do not appear to take an active role on policy issues in the area of fundraising. No more than 55% of Boards give formal approval to policies regarding the disclosure of fundraising costs to the public and donors, the types of costs included as fundraising expenses, or the use of donor names and addresses. Although 72% of charities with revenues over \$1.5 million evaluate their fundraising, 46% of the smallest charities do not.

Although there is substantiable variability in fundraising practices and opinions about the appropriateness of some types of activities, there is recognition of a need for standards and guidelines. There appears to be little consensus about what constitutes appropriate practice regarding the use of percentage-based consultants and expense allocations for calculating fundraising costs. However, most respondents think it is very inappropriate to use paid solicitors for fundraising without informing donors, or to share ownership of donor lists.

There is a recognized need for formal ethical standards among 86% of respondents. There also appears to be a recognized need for guidelines to evaluate costs. Most respondents think that charities should be required to use standardized accounting procedures for reporting fundraising activities, that some type of

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regulation regarding fundraising costs is required, and that charities should regulate themselves in this area.

This research arose out of concern that some charitable fundraising practices had the potential to undermine the public's confidence that their donations were being used effectively. Larger charities which do most of the public fundraising, appear on the whole to operate in a manner that safeguards public trust in their institutions. The smaller, yet more numerous charities, appear more likely to engage in fundraising practices that the public may regard as questionable. As government support to charities continues to decline, many charities will be faced to increase their fundraising activities. This will increase the risk that the public will encounter fundraising practices that could undermine their confidence and trust in all charities. The results of this study suggests that the charitable sector needs to ensure that appropriate guidelines and standards are made available and to encourage their widespread adoption.



# Chapter 1

# Introduction

Public interest in the fundraising practices of charitable non-profit organizations appears to be increasing. Concerned by reports of excessive costs, questionable reporting and fraudulent solicitations, some provinces, such as Alberta and Manitoba, have regulated charitable fundraising. Charities themselves have cause for concern about the nature of their fundraising activities because of the importance of maintaining the public's trust that their charitable donations are being used efficiently and for the purpose for which they were intended. Any activities that damage public and especially donor confidence will undermine the ability of charities to raise funds.

## Highlights

- 1,516 charities were surveyed using a representative national sample of non-religious, non-private foundation charities with at least \$1,000 in revenues in 1993.
- 38% of charities report total revenues of less than \$125,000 in 1995. 16% report total revenues of more than \$1.5 million.
- 29% are Social Service organizations. Arts & Culture, Community Benefit and Education charities each comprise from 14% to 16% of the sample.
- 36% are in Ontario and 20% in Quebec.
- 86% have no paid fundraising staff.
- Results show that the bulk of the money raised from Canadians goes to a small proportion of large charities that appear to have sound fundraising practices.
- The smaller, but more numerous charities, raise only a small proportion of money from individuals and appear more likely to engage in questionable fundraising practices.

Fundraising practices that safeguard and promote the trust of donors can be encouraged in a number of ways. Individual charities can make a concerted effort to ensure that their practices are sound and ethical (see, for example, Greenfield, 1991; Costa, 1991). The charitable sector, as a whole, can institute mechanisms to regulate fundraising practices. Governments or independent non-governmental regulatory bodies can assume the role of ensuring that charities engage in appropriate behaviour. Or some combination of these approaches can be employed. Each approach to promoting fundraising practices that will safeguard the public's trust in charities has its strengths and limitations. The choice of one over another will depend, in part, on the perceived seriousness of the problems to be addressed.

Any debate about how to promote appropriate fundraising practice has, until now, been based on anecdotal information and a few sensational cases of questionable activities. There has been little solid information about what fundraisers in Canada do to raise money from individuals.

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This report provides the information needed to begin an informed discussion about the fundraising practices of Canadian charities. Using the results of a national survey of non-religious charities, it outlines what these charities are doing to raise money from individual Canadians and the relative importance of different fundraising methods to different types of charities. It also details the use of third-party fundraising firms, the ways in which charities evaluate the effectiveness of their fundraising, costs of fundraising, and fundraisers' opinions about the need for standards and regulations.

*There are important differences between the fundraising activities of large and small charities.*

Our research shows that any consideration of charitable fundraising must take into account the important differences between the fundraising activities of large and small charities. The bulk of the money raised from Canadians goes to a small proportion of relatively large charities. These charities are more likely to have paid fundraising staff and appear to have, on the whole, sound fundraising practices. Smaller charities, although more numerous, attract only a small proportion of the total funds raised from individuals. They are also more likely to engage in questionable fundraising practices. On the whole, the public appears to be well served by those larger organizations to which most of their money is given. However, the activities of small charities may threaten the confidence of donors in all charities, both big and small.

## Survey Methodology

*Survey results are based on a sample of 1,516 non-religious, non-private foundation charities.*

The data for this research were collected through a national survey conducted by Decima Research during the summer of 1995. The survey was a joint project of the Canadian Centre for Philanthropy and the Canada West Foundation, with support from the Kahanoff Foundation. The survey sample was drawn from a list provided by Revenue Canada of all charities that filed 1993 Public Information Returns (as required by law). The sample consisted of charities that reported at least \$1,000 in donation revenues and excluded private foundations and religious organizations. The sample was stratified according to three characteristics of organizations: the size of their donation revenue, their major purpose, and their regional location. For the purpose of analysis, the data have been weighted to reflect the known distribution of charities along these three dimensions to make the sample as representative of Canadian charities as possible.<sup>1</sup> (Complete details of the survey methodology are presented in the Appendix.)

A total of 3,430 questionnaires were mailed in August, 1995 to individuals identified as responsible for fundraising at their organizations. Forty-four percent of the organizations contacted returned questionnaires.

<sup>1</sup> Analyses that involve the three different stratification variables employ different weights. As a result the sample sizes for each analysis will vary according to the stratification variable being examined.

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Thirty-four percent of the respondents identified themselves as being the top executive of the organization (i.e., CEO, President, or Executive Director). Eleven percent were Directors or Managers of Fundraising or Development. Close to 31% held some other management position in the organization and 7% identified themselves as holding some other Administrative staff function. Eight percent of the respondents were members of the Board of Directors.

A supplemental survey was also conducted of charities identified by Revenue Canada as religious charities. The primary purpose of that survey was to confirm the common assumption that fundraising by religious charities, particularly places of worship, is qualitatively different than fundraising by non-religious charities. Religious fundraising is aimed primarily at a special segment of the public, worshippers who have a personal connection to the organization.

A sample of religious charities was drawn according to the same procedures employed in the survey of non-religious charities except that the sample was not stratified by charity type. Six-hundred questionnaires were mailed to individuals identified as responsible for fundraising. Thirty-three percent of the organizations returned questionnaires.

The results confirmed our assumption. Almost 82% of the religious charities surveyed identified themselves as places of worship. These obtained 74% of their total revenue from donations from worshippers. The remaining religious charities, however, appear to rely extensively on the fundraising activities typically employed by non-religious charities. Thirty-eight percent of their total revenues are obtained by activities such as direct mail, or television appeals.

**This report is concerned solely with fundraising by non-religious charities and the data presented are based on the survey of non-religious charities.**

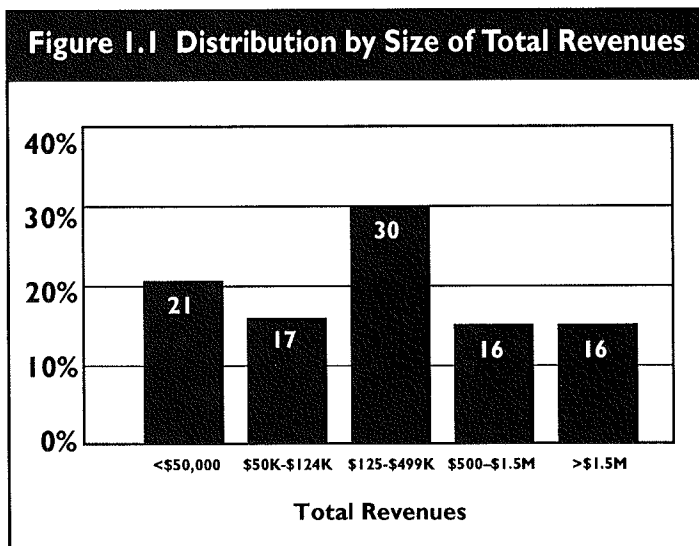
# Key Characteristics of the Charities Surveyed

Charitable organizations are quite diverse in their characteristics and some of these differences may be reflected in their fundraising activities. The analyses in this report examine variations in fundraising activities according to three organizational characteristics: the size of a charity in terms of its revenues, the type of charity (i.e., its major purpose or activity) and its regional location. The distribution of these characteristics are outlined below, as well as the extent to which charities employ paid fundraising staff.

*Larger revenue charities are more likely to be based in Ontario or British Columbia, and to have paid fundraising staff.*

As will be seen these characteristics are inter-related. For example, larger revenue charities are more likely to be based in Ontario or British Columbia, and to have paid fundraising staff. Hospitals, Education and Social Service charities are more likely to be larger revenue charities than are Arts & Culture, Community Benefit or Health charities.

## Size of Revenues



As Figure 1.1 shows, 38% percent of organizations report revenues of less than \$125,000 in their previous fiscal year and 21% report revenues of less than \$50,000. Organizations with revenues greater than \$1.5 million comprise 16% of the sample. Almost 19% of respondents did not report their organization's total revenues. These are therefore excluded from all analyses that examine variations among charities of different revenue size.

The average total revenues of organizations is \$1.9 million dollars. However, the revenue data is severely skewed by a small number of organizations that reported relatively large revenue figures. As a result, the average is a poor indicator

of the typical revenues of these organizations. The median revenue (that reported by 50% or less) provides a much better description of the level of revenues of most charities. The median revenue is \$237,000, meaning that 50% of charities have revenues of \$237,000 or less.

## Type of Organization

Charities are classified into eight types or categories according to their reported major purpose or activities:<sup>2</sup> Arts & Culture, Community Benefit,

<sup>2</sup> Charities were asked to indicate their major purpose by selecting one of 25 categories of charitable activity (see questionnaire in Appendix). Approximately 19% selected more than one major purpose or could not classify themselves into any of the 25 categories. These organizations were categorized using the Revenue Canada classification assigned to them on the basis of their stated purpose at the time of their registration as a charity.

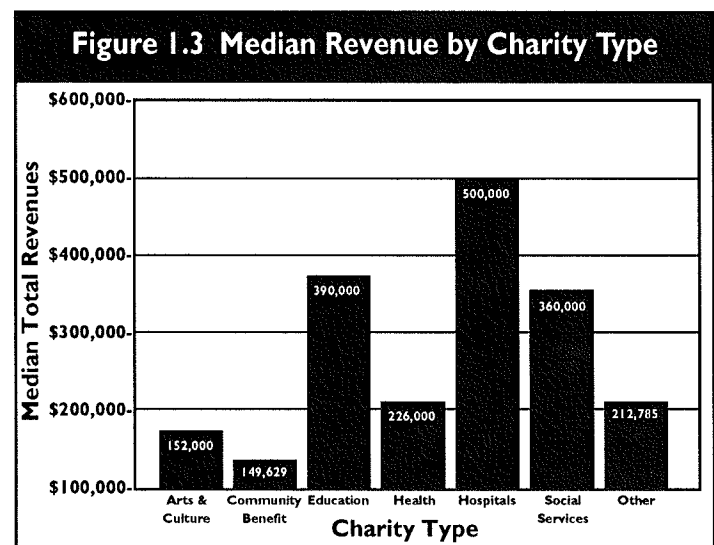
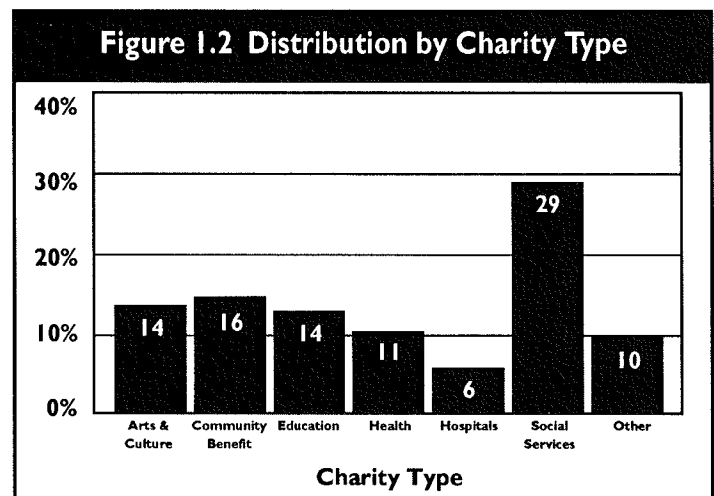
Education, Hospitals, Health, Social Service, Foundations, and Other. As Figure 1.2 shows, Social Service organizations are the largest category, comprising almost 29% of the sample, followed by Community Benefit organizations (e.g., recreation, environmental, protection of animals), at 16%. Hospitals are the smallest category, only 6% of the sample. It should be noted that these categories include operating charities and public foundations. Foundations were categorized according to their self-stated major purpose. This means, for example, that the Hospitals category includes both hospitals and foundations that have been created to support them. (Greater detail regarding the definition of these categories is provided in the Appendix.)

There is substantial variation in the total revenues that different types of charities report. Hospitals, Education, and Social Service organizations have median revenues that are more than twice as large as those reported by Arts & Culture and Community Benefit organizations (see Figure 1.3).

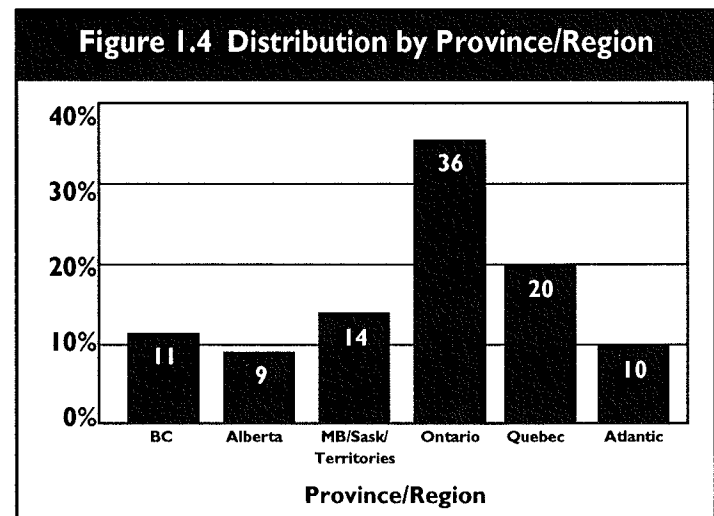
Table 1.1 shows the relationship between the revenue size and charity type variables that are used throughout this report. Arts & Culture, Community Benefit and Health charities are more likely to have lower levels of revenue than other types of charities. The distribution of Education charities according to revenue size shows that organizations cluster in both the lowest and the highest revenue categories. This may be because this category is composed of charities supporting educational causes, as well as teaching institutions such as universities and community colleges. Almost 32% of Hospitals have revenues of over \$1.5 million.

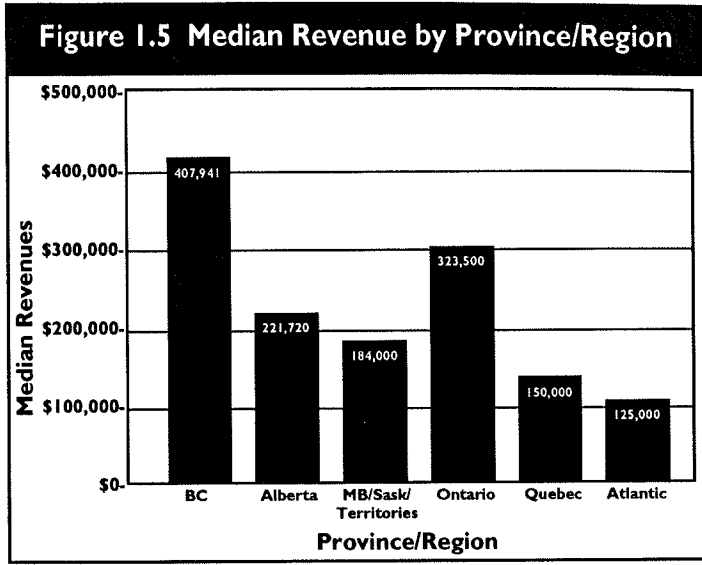
### Provincial Distribution

As Figure 1.4 shows, 36% of the organizations surveyed are from Ontario; 20% are from Quebec; and 14% are from Manitoba, Saskatchewan, Yukon and the Northwest Territories (Manitoba/Saskatchewan). Organizations from Alberta, the Atlantic



Note: The median is the value reported by at least 50% of respondents (see Appendix).





Note: The median is the value reported by at least 50% of respondents (see Appendix).

Provinces and British Columbia account for 9%, 10% and 11% of the sample respectively.

Charitable organizations based in British Columbia and Ontario tend to have more revenues than organizations in other parts of the country (see Figure 1.5). Table 1.2 shows the relationship between the province/region and revenue size used for analyses in this report. A relatively greater number of British Columbia and Ontario charities are found in the highest revenue category than are charities from other regions. It should be noted that 45% of all charities in the over \$1.5 million revenue category are Ontario-based while a further 19% are based in British Columbia.

Table 1.3 shows the relationship between charity type and province/region. There are relatively more Arts & Culture organizations in British Columbia than in Quebec. Quebec, on the other hand, has relatively more Social Service organizations than does any other province. Over 38% of Quebec charities are Social Service organizations. The Atlantic provinces have relatively greater numbers of Community Benefit charities than do other provinces, while British Columbia has among the fewest. Ontario has a greater proportion of Education charities than does Quebec.

**Number of Fundraising Staff**

*Eighty-six percent of charities do not have any paid employees devoted to fundraising.*

It is reasonable to expect that an organization's fundraising activities will be influenced to some extent by the number of paid fundraising staff that it employs. Eighty-six percent of the organizations surveyed did not have any paid employees working only in the area of fundraising. About three percent report a half-time position while five percent report having one paid employee. Only three percent report having more than two paid employees that work only on fundraising.

However, almost 70% of the organizations have staff working on fundraising in addition to their other duties. Almost 35% report having a half- to one full-time equivalent of a position in which the person works on fundraising in addition to other duties. Twenty-six percent report having between one and three full time equivalents, and eight percent have more than three employees (or full-time equivalents) doing fundraising as well as their other duties. Only two percent have more than seven employees working on fundraising in addition to other duties.

**Table 1.1 Charity Type by Size of Revenues**

Charity Type	SIZE OF TOTAL REVENUES					Total
	< \$50K	\$50K - \$124K	\$125K - \$499K	\$500K - \$1.5M	> \$1.5M	
<b>Arts &amp; Culture</b>						
% of Charity Type	22.9%	24.6%	32.8%	11.3%	8.5%	100.0%
% of Revenue Category	15.5%	19.9%	15.2%	9.7%	7.4%	13.9%
<b>Community Benefit</b>						
% of Charity Type	21.1%	22.6%	37.8%	15.2%	3.3%	100.0%
% of Revenue Category	16.2%	20.7%	19.8%	14.8%	3.2%	15.7%
<b>Education</b>						
% of Charity Type	30.4%	13.9%	16.6%	16.1%	23.0%	100.0%
% of Revenue Category	17.3%	9.5%	6.5%	11.7%	16.9%	11.7%
<b>Health</b>						
% of Charity Type	21.8%	16.8%	31.0%	12.8%	17.6%	100.0%
% of Revenue Category	12.3%	11.3%	12.0%	9.2%	12.8%	11.6%
<b>Hospitals</b>						
% of Charity Type	13.4%	10.0%	22.4%	22.7%	31.5%	100.0%
% of Revenue Category	3.8%	3.4%	4.4%	8.3%	11.6%	5.9%
<b>Social Services</b>						
% of Charity Type	15.7%	16.2%	29.8%	19.6%	18.6%	100.0%
% of Revenue Category	24.2%	29.9%	31.4%	38.5%	36.9%	31.7%
<b>Other</b>						
% of Charity Type	23.4%	9.9%	34.3%	13.4%	19.0%	100.0%
% of Revenue Category	10.7%	5.4%	10.7%	7.8%	11.2%	9.4%
<b>Total</b>						
% of Revenue Category	20.6%	17.2%	30.1%	16.1%	16.0%	100.0%
# of Total Respondents	245	205	358	192	190	1190

**Table 1.2 Provincial/Regional Distribution of Charities**

Province	SIZE OF TOTAL REVENUES					Total
	<\$50K	\$50K - \$124K	\$125K - \$499K	\$500K - \$1.5M	> \$1.5M	
<b>British Columbia</b>						
% of Province	14.4%	12.5%	31.2%	15.8%	26.2%	100.0%
% of Revenue Category	8.1%	8.5%	11.9%	11.2%	19.1%	11.5%
<b>Alberta</b>						
% of Province	17.7%	23.0%	32.7%	13.0%	13.5%	100.0%
% of Revenue Category	7.6	12.0%	9.6%	7.1%	7.6%	8.9%
<b>MB/Sask/Territories</b>						
% of Province	25.8%	16.2%	27.3%	17.8%	12.9%	100.0%
% of Revenue Category	17.5%	13.3%	12.5%	15.4%	11.3%	14.0%
<b>Ontario</b>						
% of Province	12.2%	17.7%	31.2%	19.0%	20.0%	100.0%
% of Revenue Category	21.1%	37.2%	36.7%	41.8%	45.0%	35.7%
<b>Quebec</b>						
% of Province	32.4%	14.8%	30.9%	12.2%	9.8%	100.0%
% of Revenue Category	33.4%	18.4%	21.5%	15.9%	13.1%	21.2%
<b>Atlantic</b>						
% of Province	29.0%	20.7%	27.3%	15.8%	7.2%	100.0%
% of Revenue Category	12.2%	10.6%	7.8%	8.5%	3.9%	8.7%
<b>Total</b>						
% of Revenue Category	20.6%	17.0%	30.4%	16.2%	15.9%	100.0%
# of Total Respondents	248	205	366	195	191	1206



**Table 1.3 Charity Type by Province/Region**

Charity Type	PROVINCE/REGION						
	British Columbia	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic	Total
<b>Arts &amp; Culture</b>							
% of Charity Type	17.4%	12.5%	14.7%	35.1%	12.0%	8.3%	100.0%
% of Revenue Category	20.7%	18.8%	14.4%	13.5%	8.2%	11.7%	13.7%
<b>Community Benefit</b>							
% of Charity Type	6.3%	8.9%	13.3%	37.6%	17.0%	16.9%	100.0%
% of Revenue Category	8.6%	15.3%	14.7%	16.4%	13.3%	27.3%	15.6%
<b>Education</b>							
% of Charity Type	10.2%	10.7%	12.1%	44.0%	14.8%	8.3%	100.0%
% of Revenue Category	12.6%	16.7%	12.2%	17.5%	10.5%	12.2%	14.2%
<b>Health</b>							
% of Charity Type	14.6%	7.5%	14.9%	29.3%	20.9%	12.9%	100.0%
% of Revenue Category	14.4%	9.3%	12.0%	9.3%	11.8%	15.1%	11.3%
<b>Hospitals</b>							
% of Charity Type	8.8%	7.9%	15.7%	40.0%	20.2%	7.4%	100.0%
% of Revenue Category	4.7%	5.3%	6.8%	6.8%	6.2%	4.7%	6.1%
<b>Social Services</b>							
% of Charity Type	11.6%	8.8%	14.5%	32.2%	25.9%	6.9%	100.0%
% of Revenue Category	29.7%	28.2%	30.4%	26.4%	38.1%	21.1%	29.3%
<b>Other</b>							
% of Charity Type	11.0%	6.1%	13.7%	37.0%	24.6%	7.8%	100.0%
% of Revenue Category	9.2%	6.4%	9.4%	10.0%	11.9%	7.8%	9.7%
<b>Total</b>							
% of Revenue Category	11.5%	9.1%	14.0%	35.7%	20.0%	9.6%	100.0%
# of Total Respondents	168	134	205	523	293	141	1463

*50% of the largest organizations have one or more full time fundraising staff person.*

The proportion of time that people who do fundraising in addition to other duties actually spend on their fundraising tasks appears to be quite modest. When asked to estimate, half reported that only 15% or less of staff's time was allocated to fundraising activities. Only 25% reported that staff spent more than 30% of their time on fundraising.

The extent to which an organization has paid fundraising staff increases with the size of an organization's revenue base. As Table 1.4 shows, 75% of those organizations with revenues under \$125,000 and 75% of organizations with revenues between \$125,000 and \$500,000 report having no full time fundraising staff. In contrast, 50% of the organizations with revenues over \$1.5 million have one or more full time fundraising staff person and 25% have three or more full time fundraising staff. Five percent of the largest revenue organizations have 12 or more paid staff. It appears that one marker of the larger revenue charities is the presence of paid fundraising staff. It would be interesting to know the extent to which such staff actually contribute to the amount of revenues that organizations obtain.

Table 1.5 displays the distribution of paid fundraising staff according to type of charity. Hospital charities are more likely than others to report having paid staff devoted solely to fundraising and to have staff working on fundraising in addition to other duties. Paid fundraising staff were less frequently reported by Arts & Culture, Community Benefit and Social Service charities.

**Table 1.4 Paid Fundraising Staff by Size of Charity**

	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K – \$499K	\$500K – \$1.5M	>\$1.5M
<b>Employees working in fundraising only*</b>				
Reported by 25% of Respondents	.0	.0	.0	.0
Reported by 50% of Respondents	.0	.0	.0	1.0 or less
Reported by 75% of Respondents	.0	.0	1.0 or less	3.0 or less
Reported by 95% of Respondents	.0	1.5 or less	3.0 or less	12.0 or less
Average	.0	.2	.7	2.9
<b>Employees with fundraising and other duties*</b>				
Reported by 25% of Respondents	.0	.5 or less	.5 or less	1.0 or less
Reported by 50% of Respondents	.5 or less	1.0 or less	1.0 or less	2.0 or less
Reported by 75% of Respondents	1.0 or less	2.0 or less	2.0 or less	3.0 or less
Reported by 95% of Respondents	2.5 or less	4.0 or less	5.0 or less	10.0 or less
Average	.8	1.6	1.8	3.0
<b>Percentage of time spent on fundraising activities</b>				
Reported by 25% of Respondents	10.0 or less	10.0 or less	10.0 or less	10.0 or less
Reported by 50% of Respondents	15.0 or less	20.0 or less	25.0 or less	30.0 or less
Reported by 75% of Respondents	30.0 or less	40.0 or less	50.0 or less	50.0 or less
Reported by 95% of Respondents	60.0 or less	75.0 or less	80.0 or less	75.0 or less
Average	21.2	27.6	33.1	33.0

\* Full-time equivalents

Table 1.5 Paid Fundraising Staff By Type of Charity

	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
<b>Employees working in fundraising only*</b>							
Reported by 25% of Respondents	.0	.0	.0	.0	.0	.0	.0
Reported by 50% of Respondents	.0	.0	.0	.0	.0	.0	.0
Reported by 75% of Respondents	.0	.0	.0	.0	1.0 or less	.0	.0
Reported by 95% of Respondents	1.0 or less	.5 or less	3.0 or less	1.5 or less	4.5 or less	1.0 or less	3.0 or less
Average	.2	.1	.6	.4	1.0	.2	.7
<b>Employees with fundraising and other duties*</b>							
Reported by 25% of Respondents	.0	.0	.5 or less	.5 or less	.0 or less	.0	.0
Reported by 50% of Respondents	1.0 or less	.5 or less	1.0 or less	1.0 or less	1.0 or less	1.0 or less	1.0 or less
Reported by 75% of Respondents	2.0 or less	1.0 or less	2.0 or less	2.0 or less	2.0 or less	2.0 or less	2.0 or less
Reported by 95% of Respondents	3.5 or less	3.0 or less	10.0 or less	4.5 or less	3.5 or less	5.0 or less	5.5 or less
Average	1.3	.9	2.8	1.8	1.2	1.7	1.6
<b>Percentage of time spent on fundraising activities</b>							
Reported by 25% of Respondents	10.0 or less	10.0 or less	5.0 or less	7.0 or less	10.0 or less	5.0 or less	10.0 or less
Reported by 50% of Respondents	20.0 or less	15.0 or less	20.0 or less	20.0 or less	20.0 or less	10.0 or less	25.0 or less
Reported by 75% of Respondents	30.0 or less	50.0 or less	30.0 or less	35.0 or less	50.0 or less	25.0 or less	50.0 or less
Reported by 95% of Respondents	75.0 or less	75.0 or less	75.0 or less	65.0 or less	90.0 or less	75.0 or less	80.0 or less
Average	23.4	25.4	23.6	23.0	31.9	19.8	34.1

\* Full-time equivalents

## Chapter 2

# Fundraising Methods & Revenues

### Highlights

- 70% of all funds raised from the public go to the 16% of organizations that have total revenues over \$1.5 million. These fundraising revenues account for 10% of their total revenues.
- Only 5% of funds raised go to charities with total revenues of less than \$125,000. But, these funds account for 56% of their total revenues.
- Hospital charities raise much more than Arts & Culture and Social Service organizations.
- 50% of funds raised go to Ontario charities. Median revenues are highest for B.C. and Ontario charities.
- Special Events are the most frequently reported activity, followed by Charitable Gaming, Product Sales, and Direct Mail.
- Direct Mail provides the most revenues, followed by Special Events, Planned Giving and Capital/Endowment campaigns.
- Direct Mail and Planned Giving are bigger sources of revenue for large charities. Special Events and Charitable Gaming are bigger sources for smaller charities.
- Charitable Gaming is the largest source of revenues for Manitoba/Saskatchewan charities and second largest for B.C. charities. Capital Campaigns are the largest source of revenues for B.C. and Alberta charities. Unsolicited Donations are the largest for Atlantic charities.

One often hears of donors being besieged by charitable solicitations and claims of increasing donor "fatigue." However, there is very little empirical data to provide any understanding of either the extent to which charities are soliciting donations or the extent to which they rely on such solicitations. A better understanding of charitable fundraising will allow us to assess, among other things, the extent to which charities may be vulnerable to adverse donor reactions to their fundraising activities.

This chapter examines charitable fundraising from the general public, that is, individual Canadians. It looks at the total amounts raised by charities of different sizes, types, and regional location; the frequency with which different methods are employed; and the revenues obtained from these methods. Variations in the methods employed among different sizes and types of charities, and among charities in different regions of the country are outlined.

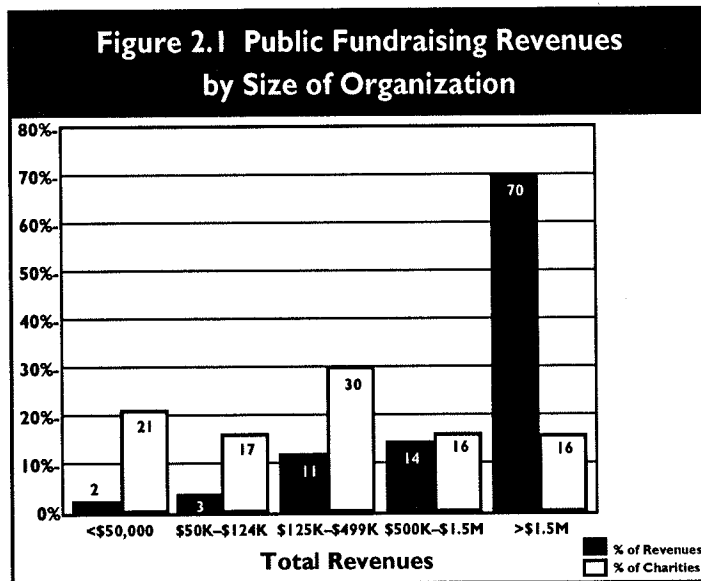
It is difficult to assess with complete accuracy the extent to which different fundraising methods are responsible for the revenues that a charity receives from a specific individual. As Lindahl (1992) points out that there are a number of possible "carry-over" effects from one fundraising method

to another. For instance, a person may be persuaded to make a small donation in response to a direct mail appeal. The donor may then accept an invitation to attend a charity's special event, and finally be visited by a development officer who successfully solicits a substantial planned gift. It could be argued that all of the fundraising activities contributed in the end to the donor's decision to make that planned gift and it is possible that any one activity, by itself, would not have resulted in a donation. Simply examining the smaller revenues returned from the direct mail appeal and the special event in comparison to a planned gift, however, would lead one to conclude, in this instance, that the direct mail and special event fundraising methods were less efficient methods than the planned giving program.

## Total Public Fundraising Revenues

*Half of all charities raised at least \$25,500 from individuals in the past year.*

Charities were asked to report the revenues they received in the previous fiscal year for each of a variety of public fundraising activities (e.g., direct mail, telephone campaigns, special events). The sample reported receiving just over \$300 million in revenues. The median value of revenues raised was \$25,500, indicating that half of all charities raise revenues of \$25,500 or less. Fundraising revenues account for 12% of the total revenues for all charities in the study.



### Organizational Size

The bulk of funds raised from individuals appears to go to the largest charities. As Figure 2.1 shows, the 16% of charities that had total revenues in excess of \$1.5 million accounted for 70% of all the funds raised from the public. In contrast, the 38% of charities that had total revenues of less than \$125,000 accounted for only 5% of all revenues raised.

As might be expected, larger revenue charities report receiving greater revenues from individuals than do smaller charities. What is surprising, however, is the modest contribution that fundraising from the general public makes to the

total revenues of many charities. Half of the smallest charities (under \$125,000 revenue) report public fundraising income of only \$12,100 or less (see Figure 2.2). Although these charities receive only modest fundraising revenues, they appear to depend heavily on them. Over 55% of all revenues to these small charities come from their fundraising activities. In contrast, only 10% of all revenues to the large charities (i.e., revenues over \$1.5 million) are attributable to their public fundraising.

## Charity Type

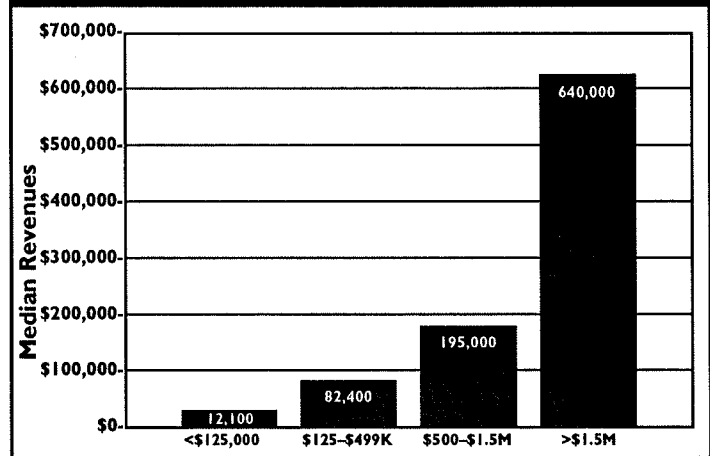
Some types of charities raise more funds than others, as Figure 2.3 shows. The Other category of charity, which comprise only 10% of our sample, accounted for 29% of the funds raised by the entire sector. It should be noted that a fifth of the Other category of charities are public foundations. Social Service charities, on the other hand, comprise 30% of the sample but reported only 14% of all fundraising revenues. Figure 2.4 displays the median value of revenues raised by each type of charity. It shows that there are also substantial variations in the typical amounts that different charity types raise. For example, 50% of Hospitals reported raising \$85,000 or more, whereas the median amounts raised by Arts & Culture and Social Service charities are much smaller (\$17,000 and \$21,500, respectively).<sup>3</sup>

## Province/Region

As Figure 2.5 shows, Ontario accounts for a larger percentage of the funds raised in the country than does any other province or region. Close to 50% of the fundraising revenues in our sample were accounted for by Ontario charities. This is a larger percentage than one would expect simply on the basis of their relative numbers. Only 36% of the charities in the study were based in Ontario. The greater efficiency of Ontario charities in their fundraising may be attributable to two factors. Ontario has a relatively larger population base to provide donations than do other provinces, and there are more large revenue charities in Ontario. As noted earlier, these charities are more likely to have paid fundraising staff.

British Columbia charities also account for a relatively larger percentage of fundraising revenues (14%) than would be expected on the basis of their numbers (11% of charities were based in British Columbia). They also appear to be more successful at fundraising than their counterparts in other parts of the country (see Figure 2.6). Fifty-percent of B.C. charities raised close to \$50,000 in their last fiscal year. In contrast, the median amount raised by charities in the

**Figure 2.2 Median Public Fundraising Revenues by Size of Organization**

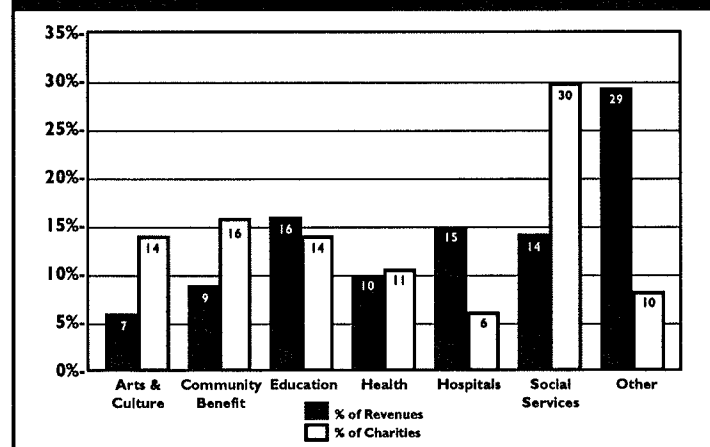


Note: The median is the value reported by at least 50% of respondents (see Appendix).

*Social Service charities comprise 30% of the sample but receive only 14% of all fundraising revenues.*

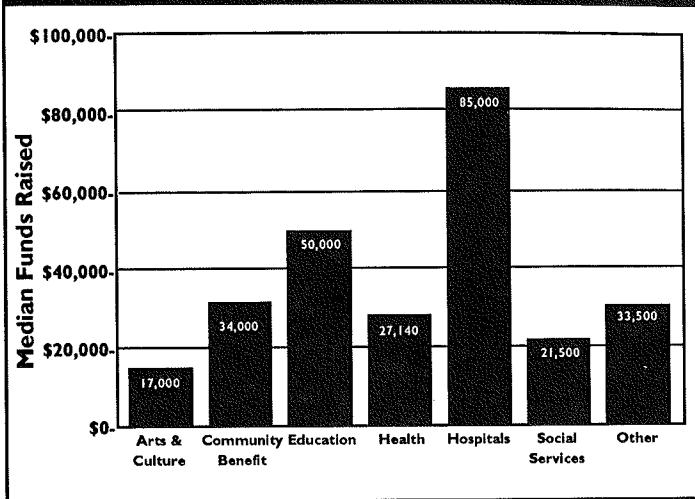
*Almost 50% of all fundraising revenues go to Ontario charities.*

**Figure 2.3 Public Fundraising Revenues by Charity Type**

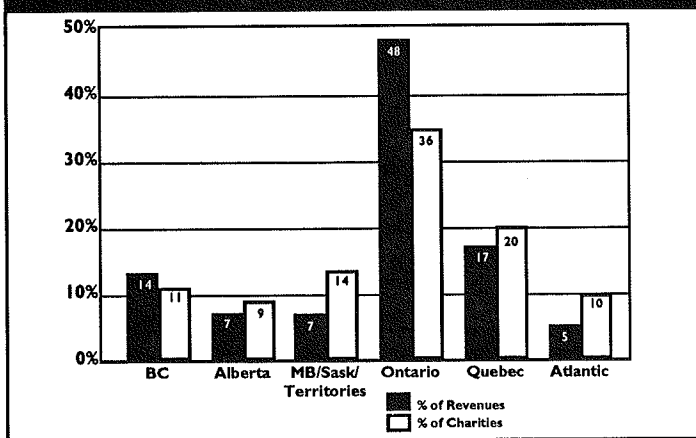


<sup>3</sup> It should be pointed out that a substantial percentage of Hospitals have much larger revenues than the median value suggests. Twenty-five percent receive over \$400,000 in fundraising revenues and five percent receive over \$2 million. Both Education and Other charities show similar patterns.

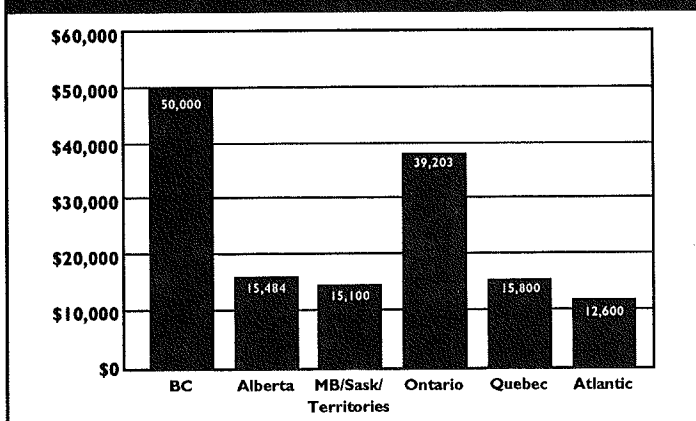
**Figure 2.4 Median Public Fundraising Revenues by Charity Type**



**Figure 2.5 Public Fundraising Revenues by Province/Region**



**Figure 2.6 Median Public Fundraising Revenues by Region/Province**



Atlantic provinces was only \$12,600. Quebec, Alberta, and Manitoba/Saskatchewan reported median amounts ranging from \$15,100 to \$15,800.

## Fundraising Methods

This section examines the frequency with which charities report using various fundraising methods and the revenues obtained from these methods. Respondents were asked whether or not they engaged in a number of fundraising activities:

- direct mail campaigns,
- telephone campaigns (telephone requests for donations),
- door-to-door canvassing,
- workplace campaigns (federated fundraising, United Way style campaigns),
- special events primarily for fundraising (rather than for marketing or promotion),
- planned giving/bequest programs/estate planning,
- product sales (e.g., chocolate bars, t-shirts, flower, etc.),
- charitable gaming (casinos, bingo, lotteries, raffles and Nevada tickets),
- capital and/or endowment campaigns (soliciting major and institutional donations for occasional multi-year gifts, special capital projects or endowments).

## Frequency of Use

Figure 2.7 displays the overall frequency with which the various types of fundraising methods were reported. Special Events are, by far, the most frequently employed fundraising activity, used by over 61% of the organizations surveyed. Charitable Gaming, Product Sales and Direct Mail are the next most frequently used, employed by 40% to 44% of respondents. Capital/Endowment Campaigns are used by 11%. It should be noted, however, that 31% of those who reported using Capital/Endowment Campaigns use them in combination with other fundraising methods. A total of 73% of charities received revenues from Unsolicited Donations.



Although Telephone solicitations attract a great deal of attention from the press and the public for their intrusiveness into the home lives of prospective donors, they are one of the least frequent methods of fundraising employed by this sample of charities. Only 8% report conducting Telephone fundraising campaigns in their last fiscal year.

### Revenues Obtained from Fundraising Methods

As Figure 2.8 shows, Direct Mail campaigns account for more fundraising revenues than any other single fundraising activity. Eighteen percent of all funds raised are obtained through Direct Mail. Special Events are the second largest source of revenues, accounting for 15% of all funds raised, followed by Planned Giving at 12% and Capital Campaigns at 11%. The two methods that return the smallest amount of revenue are Telephone solicitation (3% of all funds raised) and Board Member fundraising (2%). Interestingly, Unsolicited Donations account for more than 8% of all funds raised, the same percentage as Charitable Gaming and Workplace campaigns.

The median values in Figure 2.9 show the amount raised by 50% of the charities who report for each fundraising method. For example, 50% or more of the charities who report revenues from Capital/Endowment campaigns raised \$20,000 or more. Planned Giving provided \$13,100 or more for 50% of the organizations who report revenues from this source. Direct Mail returns much less for most organizations. Fifty-percent of those that report using Direct Mail obtain or less \$6,477 from this approach. It is worth noting, however, that Direct Mail is often used to identify prospects to whom other fundraising methods can be applied (e.g., face-to-face appeals, telephone solicitations) to encourage donors to make more and, hopefully, larger gifts to the charity.

Figure 2.7 Reported Fundraising Methods

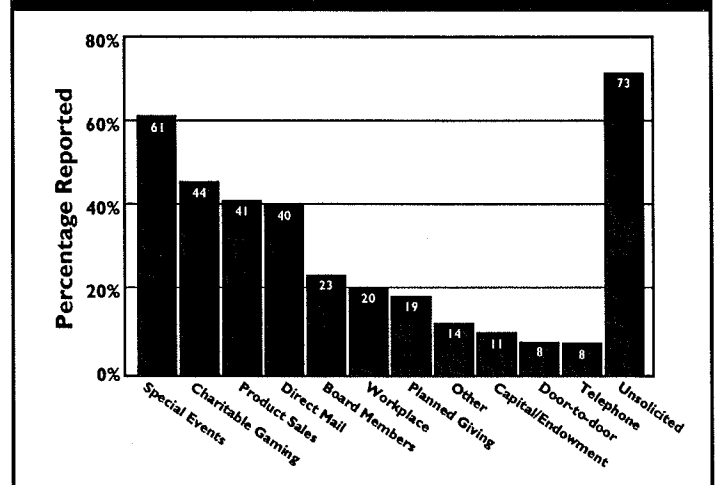


Figure 2.8 Percentage of Funds Raised by Fundraising Methods

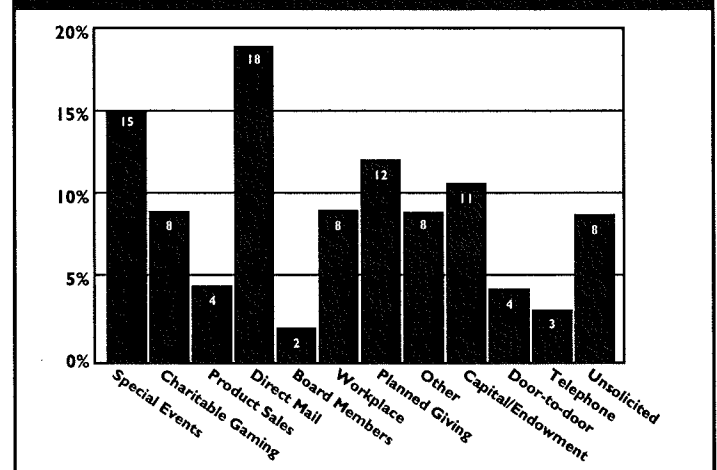
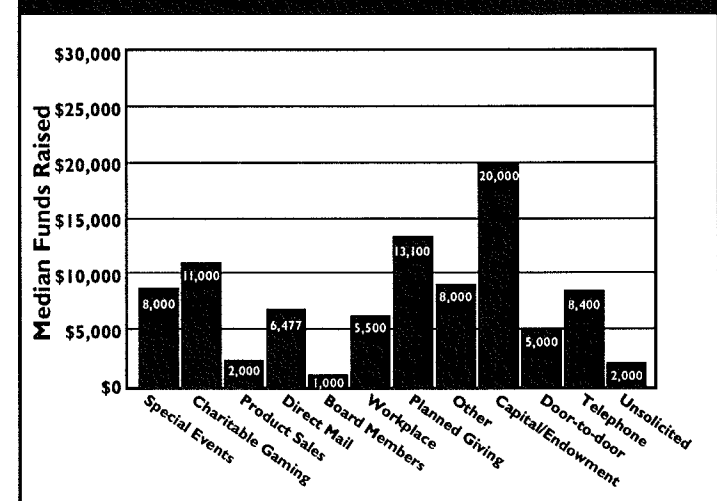


Figure 2.9 Median Revenues Raised by Methods



**Table 2.1 Percentage Reporting Use of Fundraising Methods by Size of Charity**

Public Fundraising Activities	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K-\$499K	\$500K-\$1.5M	>\$1.5M
Direct Mail	38%	57%	60%	70%
Telephone	3%	12%	14%	24%
Door-to-door	9%	7%	10%	11%
Workplace	16%	19%	28%	32%
Special Events	55%	69%	77%	73%
Planned Giving	15%	25%	33%	53%
Product Sales	41%	42%	39%	37%
Charitable Gaming	42%	49%	53%	39%
Unsolicited	71%	76%	77%	81%
Board Members	20%	27%	35%	39%
Capital/Endowment	6%	11%	20%	27%
Other	13%	20%	13%	19%
<b>Total Number of Respondents</b>	<b>294</b>	<b>343</b>	<b>239</b>	<b>321</b>

**Organizational Size.** Larger organizations tend to be more involved in various types of fundraising than smaller organizations, as Table 2.1 shows. For example, 53% of organizations with revenues greater than \$1.5 million engage in Planned Giving activities, compared to only 15% of organizations with revenues less than \$125,000. Similarly, 73% of organizations with revenues greater than \$1.5 million conduct Special Events, compared to only 55% of organizations with revenues less than \$125,000. The notable exception to this is Charitable Gaming, which is less frequently employed by the largest organizations.

Regardless of size, Special Events and Direct Mail are among the top three most frequently employed fundraising activities. It is not surprising then, to find that they are among the top three or four largest sources of revenues for charities, regardless of size (see Table 2.2). However, Special Events are a relatively larger source of revenues for the smaller size charities than they are for the largest organizations. Smaller charities also rely more heavily on Charitable Gaming and Unsolicited Donations than do their larger counterparts. The fundraising activities that return the most revenues to the largest charities are Direct Mail and Planned Giving.

**Charity Type.** Different types of charities appear to engage more frequently in some types of fundraising than others (see Table 2.3). Hospitals are more likely to report using a wider variety of fundraising activities than do other types of charities. They are also the most likely to use Planned Giving (50%), Capital/Endowment campaigns (30%) and Board Member

**Table 2.2 Revenue Raised from Fundraising Methods by Size of Charity**

Public Fundraising Activities	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
<b>Direct Mail</b>				
# Respondents	97	183	142	214
Median Amount Raised \$	6,000	15,000	57,160	195,000
Total Raised \$	1,493,660	7,556,563	15,093,609	136,101,893
<b>Telephone</b>				
# Respondents	9	32	30	136
Median Amount Raised \$	8,000	20,000	20,000	40,000
Total Raised \$	86,042	1,438,277	2,166,571	21,424,308
<b>Door-to-door</b>				
# Respondents	21	17	24	31
Median Amount Raised \$	1,500	40,783	20,000	132,500
Total Raised \$	138,198	1,498,040	1,042,600	33,106,915
<b>Workplace</b>				
# Respondents	38	57	60	95
Median Amount Raised \$	2,774	8,000	18,000	25,000
Total Raised \$	1,019,014	3,816,260	6,753,104	71,843,270
<b>Special Events</b>				
# Respondents	144	219	176	214
Median Amount Raised \$	5,000	15,000	34,000	80,000
Total Raised \$	2,286,328	7,894,664	16,250,254	74,762,102
<b>Planned Giving</b>				
# Respondents	28	63	66	150
Median Amount Raised \$	2,000	11,000	60,000	190,000
Total Raised \$	184,886	4,105,984	6,763,521	97,482,026
<b>Product Sales</b>				
# Respondents	105	132	87	109
Median Amount Raised \$	1,000	3,000	10,500	10,000
Total Raised \$	470,234	2,264,447	3,122,652	17,278,750
<b>Charitable Gaming</b>				
# Respondents	116	153	122	113
Median Amount Raised \$	7,164	22,850	20,000	45,000
Total Raised \$	2,328,456	5,327,470	8,054,314	24,796,120
<b>Unsolicited</b>				
# Respondents	191	226	172	213
Median Amount Raised \$	1,000	5,000	8,000	30,000
Total Raised \$	1,432,317	3,111,886	5,939,824	49,211,366
<b>Board Members</b>				
# Respondents	52	84	77	109
Median Amount Raised \$	600	2,000	6,000	20,000
Total Raised \$	209,351	1,186,316	2,767,196	15,451,965
<b>Capital/Endowment</b>				
# Respondents	14	29	36	67
Median Amount Raised \$	6,000	25,000	52,000	279,000
Total Raised \$	457,604	3,561,913	9,604,671	74,617,943
<b>Other</b>				
# Respondents	36	62	23	53
Median Amount Raised \$	2,000	15,000	75,000	251,646
Total Raised \$	1,474,494	4,043,896	2,609,021	78,777,584

Note: Median amount raised is the amount raised by 50% or more of respondents.  
See Appendix for interpretation of tables.

**Table 2.3 Percentage Reporting Use of Fundraising Methods by Type of Charity**

Public Fundraising Activities	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
Direct Mail	43%	35%	44%	35%	51%	41%	47%
Telephone	4%	8%	18%	6%	12%	7%	7%
Door-to-door	0%	7%	9%	7%	7%	10%	11%
Workplace	2%	16%	21%	21%	24%	27%	29%
Special Events	78%	59%	56%	65%	77%	62%	64%
Planned Giving	15%	17%	28%	22%	50%	15%	26%
Product Sales	43%	55%	48%	38%	28%	37%	37%
Charitable Gaming	52%	54%	32%	44%	44%	55%	37%
Unsolicited	76%	75%	62%	81%	88%	80%	62%
Board Members	29%	14%	30%	21%	36%	24%	25%
Capital/Endowment	16%	8%	21%	9%	30%	4%	12%
Other	10%	16%	11%	18%	15%	15%	18%
<b>Total # of Respondents</b>	<b>238</b>	<b>173</b>	<b>183</b>	<b>199</b>	<b>166</b>	<b>331</b>	<b>142</b>

fundraising (36%), and are among the most likely to use Direct Mail campaigns (51%) and Special Events (77%). They are the least likely to use Product Sales (28%). Education charities are the most likely to conduct Telephone campaigns (18%), Product Sales (48%) and Capital Campaigns (21%). Charitable Gaming is most frequently reported by Arts & Culture, Community Benefit and Social Service organizations. Arts & Culture organizations, along with Hospitals, most frequently report using Special Event fundraising.

Special Events and Direct Mail are among the five largest sources of revenue for each type of charity (see Table 2.4). However, there are differences in the extent to which different types of organizations rely on other fundraising methods. For example, Capital/Endowment Campaigns are the largest source of revenue for Arts & Culture, Hospitals, and Education charities. Planned Giving is a much more important source of revenue for Health, Hospital, Education and the Other group of charities. Social Service and Other organizations get more of their revenues from Workplace campaigns than do any other type of charity. Door-to-door canvassing is a relatively greater source of revenue for Health charities than it is for any other charity type. Charitable Gaming is a more important source of revenues for Arts & Culture, Community Benefit and Social Service organizations than it is for others. Finally, Hospitals receive more of their revenues from unsolicited donations than do any other type of charity. They are the second largest source of revenues for Hospitals.

Table 2.4 Revenue Raised from Fundraising Methods by Type of Charity

Public Fundraising Activities	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
<b>Direct Mail</b>							
# Respondents	89	57	73	61	72	118	53
Median Amount Raised \$	6,000	6,000	10,000	22,000	70,000	5,314	25,000
Total Raised \$	2,484,975	1,563,182	5,471,801	5,606,457	9,403,031	6,595,865	30,614,647
<b>Telephone</b>							
# Respondents	9	13	30	11	16	17	6
Median Amount Raised \$	5,000	5,000	20,000	20,000	10,000	5,000	73,000
Total Raised \$	195,733	399,780	2,983,858	479,830	2,249,800	599,840	1,413,432
<b>Door-to-door</b>							
# Respondents	1	10	13	13	11	23	14
Median Amount Raised \$	20,000	2,000	39,000	60,000	5,000	2,900	18,000
Total Raised \$	5,721	159,402	2,450,671	5,568,685	243,160	253,403	4,599,079
<b>Workplace</b>							
# Respondents	4	26	30	37	26	76	34
Median Amount Raised \$	50	2,000	10,000	11,000	10,000	3,000	26,846
Total Raised \$	22,392	157,838	820,061	2,707,298	1,798,820	10,308,170	16,104,064
<b>Special Events</b>							
# Respondents	169	92	85	119	98	179	77
Median Amount Raised \$	5,000	8,000	10,000	7,000	25,751	8,000	25,000
Total Raised \$	3,612,115	3,122,708	6,891,305	6,223,672	14,008,918	5,575,958	12,411,324
<b>Planned Giving</b>							
# Respondents	24	17	36	34	57	31	22
Median Amount Raised \$	2,000	3,000	7,500	6,100	80,000	6,700	100,000
Total Raised \$	266,693	733,632	5,563,428	8,884,755	10,334,193	2,136,608	13,492,293
<b>Product Sales</b>							
# Respondents	87	89	79	72	37	98	44
Median Amount Raised \$	2,000	1,000	6,000	3,000	2,577	1,500	3,500
Total Raised \$	984,268	1,752,712	1,666,448	1,416,499	372,929	2,037,280	2,133,648
<b>Charitable Gaming</b>							
# Respondents	105	79	52	78	59	162	47
Median Amount Raised \$	12,000	17,000	13,000	14,000	30,000	10,000	18,000
Total Raised \$	2,784,731	2,689,146	1,704,789	2,098,933	6,018,708	6,033,317	4,602,323
<b>Unsolicited</b>							
# Respondents	154	117	85	136	113	229	70
Median Amount Raised \$	1,000	1,000	3,000	2,945	17,000	2,500	2,000
Total Raised \$	914,569	914,580	1,996,108	2,696,799	16,468,584	2,426,057	5,427,381
<b>Board Members</b>							
# Respondents	67	24	44	38	53	73	30
Median Amount Raised \$	800	1,000	2,000	1,000	6,000	1,000	500
Total Raised \$	1,113,790	151,508	2,214,001	1,108,364	2,223,638	451,638	986,239
<b>Capital/Endowment</b>							
# Respondents	30	10	21	14	27	6	9
Median Amount Raised \$	17,000	10,000	100,000	4,000	100,000	20,000	1,500
Total Raised \$	14,572,531	172,095	9,418,668	1,927,028	18,331,606	703,320	1,622,883
<b>Other</b>							
# Respondents	22	20	19	32	16	41	22
Amount Raised \$	2,000	35,000	12,000	8,000	35,000	2,216	60,000
Total Raised \$	941,873	1,743,508	4,043,072	3,281,187	2,090,941	595,981	8,680,721

Note: Median amount raised is the amount raised by 50% or more of respondents.  
See Appendix for interpretation of tables.

**Table 2.5 Percentage Reporting Use of Fundraising Methods by Province/Region**

Public Fundraising Activities	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
Direct Mail	41%	32%	40%	43%	50%	32%
Telephone	6%	7%	8%	8%	10%	10%
Door-to-door	6%	6%	6%	4%	14%	20%
Workplace	24%	16%	25%	22%	16%	17%
Special Events	61%	67%	60%	71%	49%	65%
Planned Giving	25%	16%	20%	24%	12%	12%
Product Sales	39%	45%	37%	47%	39%	40%
Charitable Gaming	70%	50%	47%	52%	23%	31%
Unsolicited	86%	84%	75%	75%	64%	74%
Board Members	17%	26%	15%	26%	29%	26%
Capital/Endowment	11%	14%	15%	12%	8%	6%
Other	14%	14%	16%	14%	15%	14%
<b>Total # of Respondents</b>	<b>192</b>	<b>233</b>	<b>224</b>	<b>423</b>	<b>166</b>	<b>216</b>

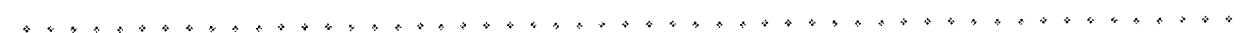
**Province/Region.** There are variations in the extent to which different fundraising techniques are employed by charities in different regions of the country. As Table 2.5 shows, Atlantic charities are the most likely to use Door-to-door canvassing, and among the least likely to use Charitable Gaming and Planned Giving. British Columbia charities are, by far, the leaders in Charitable Gaming (70% report using this method) and among the most frequent to report Planned Giving and receiving Unsolicited Donations. Ontario charities are among the most likely to use Special Events (reported by 71%), and Planned Giving. Alberta charities are among the most frequent to report Special Events and Unsolicited Donations. Finally, Quebec charities are among the least frequent to report the use of Special Events and Charitable Gaming and the least likely to receive Unsolicited Donations.

With regard to the amount of revenues raised, Special Events are among the top three most important sources of revenues for charities in all provinces but British Columbia (see Table 2.6). Ontario and British Columbia receive proportionally more of their revenues from Planned Giving than do others. Charitable Gaming is among the top five sources of revenue for all charities except those in Ontario and Quebec. It is the largest source of revenues for charities in Manitoba/Saskatchewan, and the second largest for British Columbia and Alberta. Manitoba/Saskatchewan, British Columbia and Alberta receive relatively more revenue from Workplace campaigns than do charities in other provinces. Interestingly, Unsolicited Donations (along with Special Events) are the largest source of fundraising revenue for the Atlantic provinces. Finally, Capital/Endowment Campaigns are the largest single source of revenues for British Columbia and Alberta charities.

**Table 2.6 Revenue Raised from Fundraising Methods by Province/Region**

Public Fundraising Activities	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
<b>Direct Mail</b>						
# Respondents	76	62	75	160	71	59
Median Amount Raised \$	6,477	5,000	6,000	8,000	10,000	3,000
Total Raised \$	3,870,651	2,891,204	2,840,985	26,847,238	5,739,862	1,558,663
<b>Telephone</b>						
# Respondents	12	14	16	28	15	16
Median Amount Raised \$	10,000	5,000	3,000	20,000	10,000	2,500
Total Raised \$	545,408	505,039	400,779	4,053,111	583,151	1,116,484
<b>Door-to-door</b>						
# Respondents	10	9	9	11	19	33
Median Amount Raised \$	120,000	5,000	20,000	39,000	2,900	6,000
Total Raised \$	3,466,554	830,770	545,283	4,362,341	558,312	580,827
<b>Workplace</b>						
# Respondents	40	30	52	72	24	30
Median Amount Raised \$	5,500	10,000	2,500	4,000	17,800	3,000
Total Raised \$	5,137,774	3,521,391	2,920,086	8,138,974	1,495,569	1,935,361
<b>Special Events</b>						
# Respondents	107	132	117	262	67	120
Median Amount Raised \$	10,000	5,000	5,000	7,500	15,000	7,500
Total Raised \$	3,571,200	5,013,559	2,720,500	18,735,208	4,317,618	6,789,479
<b>Planned Giving</b>						
# Respondents	32	26	33	76	9	17
Median Amount Raised \$	7,000	10,000	6,700	26,000	16,000	7,000
Total Raised \$	6,637,255	2,475,568	2,790,012	14,833,441	2,639,255	1,705,138
<b>Product Sales</b>						
# Respondents	67	86	75	177	55	74
Median Amount Raised \$	3,000	2,000	2,500	3,000	1,500	1,500
Total Raised \$	1,281,767	2,303,453	656,029	4,110,887	1,398,553	429,521
<b>Charitable Gaming</b>						
# Respondents	129	95	92	188	33	56
Median Amount Raised \$	25,000	16,200	7,800	10,000	8,000	3,000
Total Raised \$	6,651,289	6,051,771	5,302,881	5,646,469	985,096	1,265,576
<b>Unsolicited</b>						
# Respondents	146	158	145	261	92	129
Median Amount Raised \$	3,000	1,500	1,765	3,000	2,000	1,000
Total Raised \$	2,239,371	2,781,777	2,613,326	7,439,294	1,476,991	6,798,197
<b>Board Members</b>						
# Respondents	30	56	27	97	44	53
Median Amount Raised \$	1,000	1,000	600	2,000	600	500
Total Raised \$	658,677	1,564,670	170,208	2,856,906	553,868	324,424
<b>Capital/Endowment</b>						
# Respondents	10	22	26	34	9	7
Median Amount Raised \$	45,000	30,000	8,000	37,000	16,661	20,000
Total Raised \$	12,562,593	8,521,173	2,948,410	8,251,401	2,409,376	716,328
<b>Other</b>						
# Respondents	25	28	30	46	23	22
Median Amount Raised \$	7,000	10,000	2,500	15,000	2,216	30,000
Total Raised \$	2,359,432	1,150,503	312,752	6,514,056	6,845,264	689,422

Note: Median amount raised is the amount raised by 50% or more of respondents.  
See Appendix for interpretation of tables.





## Chapter 3

# Funds Raised from Government, Corporations and Foundations

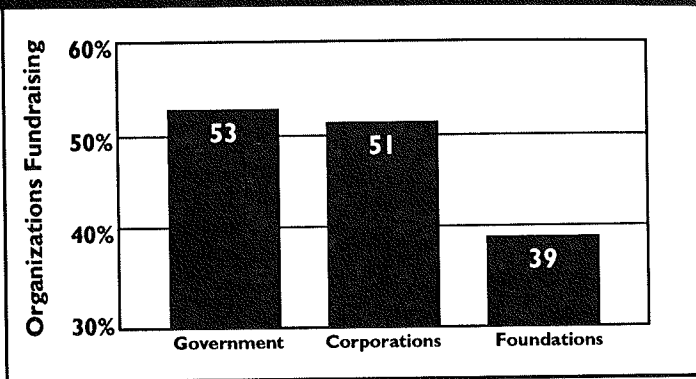
### Highlights

- Charities raise 30% more from individuals than from government, foundation grants and corporate donations.
- Government grants are over twice as large as foundation grants and corporate donations.
- Corporate donations equal 17% of revenues obtained from fundraising from individuals. Foundation grants equal 7%.
- Over 50% of government, corporate and foundation funding goes to the largest charities.
- Social Service, Education, and Other charities receive most corporate funding. Over 34% of government grant support goes to Social Service charities. Foundations support Social Service, Hospitals, and Education charities more than others.
- Ontario charities receive the largest percentage of all types of grants and donation revenues.

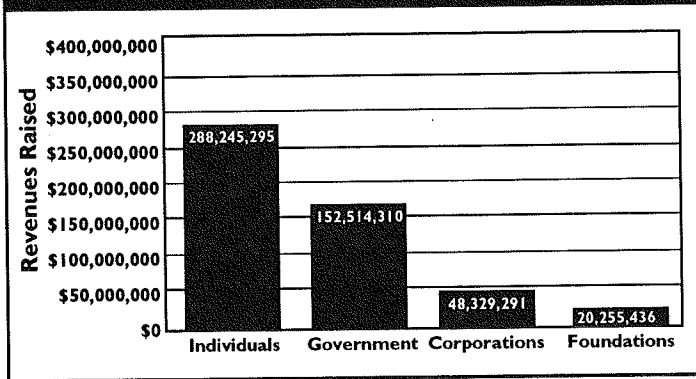
In addition to activities that raise funds from the public (i.e., individuals), charitable organizations obtain substantial revenues from government, corporate and foundation grants and donations. Over half of the organizations surveyed sought funds (i.e., grants and donations) from government and corporate sources while 39% sought grants from foundations (see Figure 3.1).

The charities in our survey report raising 30% more from individuals (\$288 million) than they raise from government, corporate and foundation grants (\$221 million). However, government grants are a much larger source of revenue (2.2 times larger) than are grants or donations from corporations and foundations (see Figure 3.2). It should be noted that government provides other revenues to charities in the form of contracts and fees for services that are not

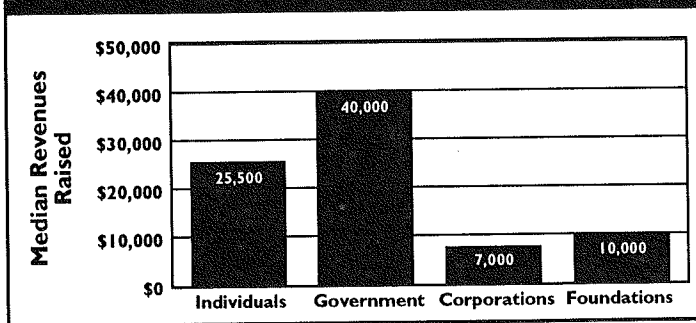
**Figure 3.1 Fundraising from Government, Corporations and Foundations: Percentage Soliciting Grants and Donations**



**Figure 3.2 Total Revenues Raised from Individuals, Government, Corporations and Foundations**



**Figure 3.3 Median Revenues Raised from Individuals, Government, Corporations and Foundations**



Note: The median is the value reported by at least 50% of respondents (see Appendix).

reflected in this data.<sup>4</sup> While corporate donations provide twice as much revenue as foundations grants to the charities in this survey, they equal only 17% of the size of revenues provided by individuals. Foundation grants equal 7% of fundraising revenues from individuals.

An examination of the median value of revenues that come from individuals, government, corporations and foundations (see Figure 3.3) suggests that corporate and foundation grants account for only a modest amount of the typical charity's fundraising revenues. Half of the charities surveyed received \$7,000 or less from corporations and \$10,000 or less from foundations. Government grants, in comparison, appear to be a more substantial component of a typical charity's revenue base. Half of the charities report receiving at least \$40,000 from government sources.

### Organizational Size

Interestingly, charities of all sizes attempt to obtain government grants with about the same frequency (see Table 3.1). Larger charitable organizations, however, appear more likely to solicit funding from corporate and foundation sources than do the smaller organizations. As Table 3.1 shows, 81% of the largest revenue charities seek corporate funding compared to 63% of the smallest organizations. A similar pattern exists for foundations. The majority of the funding that corporations, governments, and foundations give to charitable organizations goes to the largest charities, which comprise only 16% of the sample (see Table 3.2). Half of the largest charities that get government grants report receiving at least \$430,000, and those that get corporate donations report receiving at least \$112,000 from that source (see Table 3.3).

### Charity Type

Arts and Culture organizations, Hospitals and the Other category of charities (which includes public foundations and international charities)

<sup>4</sup> Government accounts for 60% of all revenues to non-religious, non-private foundation charities in Canada according to data presented in *A Portrait of Canada's Charities* (Sharpe, 1993). These revenues include grants, contracts and fee for service arrangements. Government revenues to the types of charities surveyed in this study are estimated to total to approximately \$48 billion dollars.

are more likely than others to seek government grants (see Table 3.4). Health charities are the least likely to do so. However, it should be noted that these organizations obtain significant government funding in the form of transfers. Over 90% of Arts & Culture organizations

report seeking corporate donations in their last fiscal year. Education charities and Hospitals are the least likely to go to this source. Social Service organizations, Education charities and Hospitals are more likely than others to seek foundation funding.

Table 3.5 shows the degree to which governments, corporations and foundations support various types of charities. Over 34% of government grant revenues go to Social Service charities. Education, Social Service and Other charities (this category has a substantial number of public foundations, such as United Ways) receive a greater percentage of revenues from corporate donations than do other types of charities. Hospitals, Social Service organizations and Education charities receive more foundation support than other types of charities. Table 3.6 displays the total revenues and median revenues received by each charity type.

### Province/Region

Charities in Alberta appear to be the most likely to attempt to get government grants and donations (see Table 3.7), while those in Manitoba/Saskatchewan are among the least likely. They are also, along with charities in British Columbia and the Atlantic provinces, among the most likely to seek corporate grants. Charities in the Atlantic provinces are among the least likely to solicit foundations.

Regionally, Ontario accounts for the largest percentage of all types of grant and donation revenues (see Table 3.8). Charities in Manitoba/Saskatchewan and British Columbia receive a much smaller proportion of corporate donations than do charities in other regions.

Atlantic charities, on the other hand, receive the smallest proportion of government grant revenues and, along with Manitoba/Saskatchewan charities, the smallest proportion of foundation grants. Table 3.9 displays the total revenues and median revenues received by charities in each region.

**Table 3.1 Percentage of Charities in Each Size Category That Solicit Grants and Donations**

Source	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
Government	65%	67%	62%	63%
Corporations	63%	79%	81%	81%
Foundations	45%	56%	62%	67%
<b>Total # of Respondents</b>	<b>203</b>	<b>295</b>	<b>214</b>	<b>278</b>

**Table 3.2 Distribution of Funds by Size of Charity**

Source	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
Government Grants	3.7%	17.4%	16.0%	62.9%
Corporate Donations	4.3%	11.2%	30.0%	54.5%
Foundation Grants	10.0%	19.3%	19.3%	51.4%
Funds from Individuals	4.9%	11.0%	14.4%	69.6%

**Table 3.3 Revenues Received by Size of Charity**

Source	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
<b>Government Grants</b>				
# Respondents	117	178	119	146
Median Amount Raised \$	15,000	60,000	107,500	430,000
Total Raised \$	2,988,322	18,463,837	27,443,101	277,958,084
<b>Corporate Donations</b>				
# Respondents	108	206	158	198
Median Amount Raised \$	4,000	10,000	45,000	112,000
Total Raised \$	3,266,452	6,702,487	21,198,367	92,216,852
<b>Foundation Grants</b>				
# Respondents	74	132	121	156
Median Amount Raised \$	8,000	10,000	22,000	50,000
Total Raised \$	1,263,607	3,309,288	6,326,8122	28,954,617
<b>Funds from Individuals</b>				
# Respondents	283	329	235	313
Median Amount Raised \$	12,100	82,400	195,000	640,000
Total Raised \$	11,580,584	45,805,716	80,167,337	691,163,353

Note: Median amount raised is the amount raised by 50% or more of respondents.  
See Appendix for interpretation of tables.

**Table 3.4 Percentage of Charities in Each Charity Type That Solicit Grants and Donations**

Source	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
Government	75%	68%	69%	54%	78%	65%	87%
Corporations	93%	75%	48%	65%	30%	78%	57%
Foundations	48%	46%	58%	43%	58%	62%	47%
Total # of Respondents	221	130	116	151	109	267	102

**Table 3.5 Distribution of Funds by Charity Type**

Source	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
Government Grants	16.0%	6.8%	16.9%	7.3%	1.9%	34.2%	16.8%
Corporate Donations	13.9%	3.4%	26.0%	5.7%	8.6%	19.8%	22.7%
Foundation Grants	5.5%	7.5%	24.4%	4.7%	16.0%	33.5%	8.3%
Funds from Individuals	7.1%	5.3%	16.6%	10.9%	15.4%	14.1%	30.6%

**Table 3.6 Revenue Received by Charity Type**

Source	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
<b>Government Grants</b>							
# Respondents	186	82	35	87	14	180	47
Median Amount Raised \$	50,000	50,000	20,000	20,000	11,000	40,000	25,000
Total Raised \$	31,756,198	7,359,809	22,592,895	10,569,824	6,152,568	55,484,812	21,480,998
<b>Corporate Donations</b>							
# Respondents	142	77	63	73	68	146	74
Median Amount Raised \$	5,000	6,000	15,000	11,000	18,000	5,000	10,000
Total Raised \$	8,316,306	1,223,639	15,425,458	3,945,258	7,378,227	9,220,785	14,363,719
<b>Foundation Grants</b>							
# Respondents	88	45	52	53	45	132	33
Median Amount Raised \$	5,500	10,000	50,000	14,580	25,000	10,000	15,000
Total Raised \$	1,476,906	1,253,523	5,395,841	1,198,597	6,324,533	6,367,034	1,507,159
<b>Funds from Individuals</b>							
# Respondents	229	166	166	183	146	321	134
Median Amount Raised \$	17,000	34,000	50,000	27,140	85,000	21,500	33,500
Total Raised \$	27,899,391	13,560,091	45,224,210	41,999,506	83,544,327	37,717,436	102,088,034

Note: Median amount raised is the amount raised by 50% or more of respondents.  
See Appendix for interpretation of tables.

**Table 3.7 Percentage of Charities in Each Province/Region**

Source	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
Government	68%	84%	56%	74%	64%	62%
Corporations	78%	68%	83%	68%	64%	78%
Foundations	56%	62%	48%	51%	59%	37%
Total # of Respondents	155	176	176	318	134	144

**Table 3.8 Distribution of Funds by Province/Region**

Source	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
Government Grants	14.3%	18.0%	12.4%	36.1%	14.8%	4.4%
Corporate Donations	8.2%	12.3%	5.0%	42.5%	17.9%	14.0%
Foundation Grants	15.0%	15.6%	5.4%	36.5%	20.8%	6.7%
Funds from Individuals	14.4%	7.4%	7.6%	48.3%	16.9%	5.4%

**Table 3.9 Revenues Received by Charities in Each Province/Region**

Source	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
<b>Government Grants</b>						
# Respondents	95	96	124	181	75	96
Median Amount Raised \$	50,000	50,000	21,441	52,000	38,400	19,040
Total Raised \$	25,786,911	48,614,891	21,033,565	44,218,141	13,386,479	10,140,518
<b>Corporate Donations</b>						
# Respondents	89	123	82	196	73	81
Median Amount Raised \$	10,000	2,800	6,000	8,000	10,000	6,500
Total Raised \$	4,706,514	10,504,679	2,692,881	16,494,236	5,156,813	10,293,679
<b>Foundation Grants</b>						
# Respondents	68	86	65	125	65	48
Median Amount Raised \$	20,000	15,000	5,000	15,000	15,000	3,000
Total Raised \$	3,592,774	5,586,325	1,223,619	5,930,951	2,503,577	2,064,243
<b>Funds from Individuals</b>						
# Respondents	183	217	211	395	160	198
Median Amount Raised \$	50,000	15,484	15,100	39,203	15,800	12,600
Total Raised \$	48,981,970	37,610,877	24,221,251	111,789,327	29,002,916	23,909,422

Note: Median amount raised is the amount raised by 50% or more of respondents.  
See Appendix for interpretation of tables.

## Chapter 4

# Costs of Fundraising

One way in which donors may attempt to evaluate how well their donations are being used is to examine or compare charities' fundraising costs. Generally, donors prefer to give to organizations that have lower fundraising costs because their donations are more likely to be used to support the actual charitable activities of the organization. Unfortunately, as will be seen, comparisons of fundraising costs are made difficult because there is substantial variation in the way charities calculate these costs.

### Highlights

- 57% of the largest charities allocate overhead expenses to fundraising costs, compared to only 30% of the smallest charities.
- 22% of organizations allocate some of the expenses associated with fundraising to other programs in annual financial statements.
- Over 58% of the largest charities calculate cost ratios, compared to 29% of the smallest charities.
- Reported cost ratios have questionable reliability because of variations in how costs are allocated.
- Fundraising activities, in order of their cost effectiveness, are: Workplace campaigns, Planned Giving, Direct Mail, Charitable Gaming, Special Events, and Product Sales.
- Based on data provided by charities, the best estimate of the average cost ratio is 26%, the median is 12%.

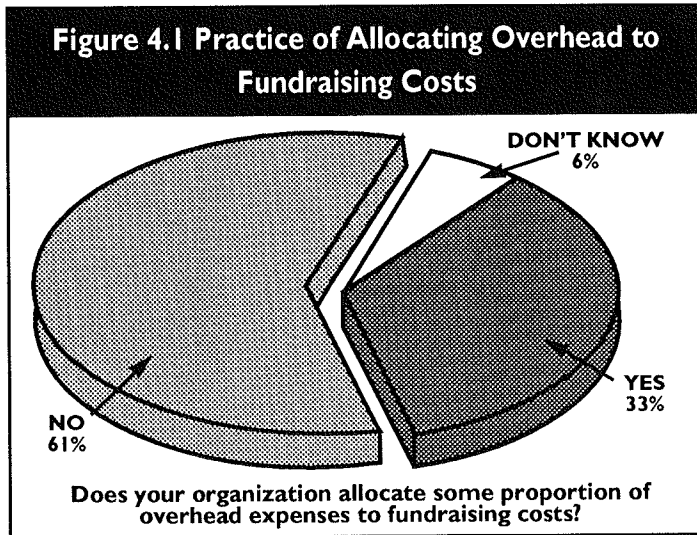
This chapter looks briefly at practices regarding the allocation of overhead and fundraising expenses in the calculation of fundraising costs. It also reviews data from charities that calculate their fundraising costs as a percentage of their expenses (cost ratios) and the relative reported costs of some specific fundraising activities. Data on gross fundraising revenues and costs are used to calculate fundraising cost ratios so that variations among charities of different sizes and different provincial or regional location can be reviewed.

### Calculation of Fundraising Costs

A majority of respondents (75%) believe that charities should be required to use standardized accounting procedures for reporting fundraising activities. This view may be based on the recognition that there is little agreement among charities as to how fundraising costs should be calculated. There is, for example, little consensus on

whether such things as organizational overhead should be included in the calculation of costs.

## Inclusion of Overhead Expenses in Fundraising Costs



Organizations that allocate a proportion of their organizational overhead costs (e.g., rent, utilities, telephone expenses) to their fundraising activities may appear to have more expensive fundraising programs than do those organizations that do not make such allocations. However, allocating overhead costs to fundraising programs provides a more realistic accounting of the actual costs of fundraising activities and allows for more accurate comparisons of the total costs incurred against the fundraising revenues generated. Only 33% report making such allocations (see Figure 4.1).

*Larger charities are more likely to allocate overhead expenses to fundraising costs.*

**Organizational Size.** As Table 4.1 shows, the tendency to allocate overhead expenses to fundraising costs increases as the size of the charity increases. Over 57% of the largest revenue organizations report allocating overhead expenses to the cost of fundraising, compared to only 30% of the smallest organizations.

**Charity Type.** Allocating overhead expenses to fundraising costs is more prevalent among the Other category of charities, Community Benefit charities and Hospitals (see Table 4.2). Less than a third of Arts and Culture, Education and Social Service charities engage in this practice.

**Province/Region.** Charities in Ontario are far more likely than others to report allocating overhead expenses to fundraising costs, with almost 40% doing so (see Table 4.3). In contrast only 27% of charities in British Columbia reported allocating overhead expenses in this way.

## Allocating Costs to Other Programs

When fundraising activities are combined with other organizational activities, questions may be raised about the appropriate way to allocate costs. For example, in direct mail campaigns, when requests for donations are combined with informational brochures, some organizations allocate some of the direct mail campaign costs to the organization's education program. Obviously, those organizations that allocate a proportion of their fundraising costs to other programs will report lower fundraising costs than those that do not, all else being equal. Almost one in five (21%) allocate some of the expenses associated with fundraising to other programs in annual finan-



cial statements (see Figure 4.2).

**Organizational Size.** Organizations with revenues over \$1.5 million and those with revenues from \$125,000 to \$499,000 are more likely to report allocating fundraising costs to other activities than are other organizations (see Table 4.1).

**Charity Type.** Arts and Culture organizations are least likely to allocate fundraising costs to other programs, with only 15% reporting doing so (see Table 4.2). Health and Community Benefit organizations are more likely to make such allocations with the greatest frequency (27% and 24% respectively).

**Province/Region.** Quebec and British Columbia charities report allocating fundraising costs to other programs less often than others (14% and 16% respectively) (see Table 4.3). Ontario charities are most likely to engage in this practice (26%).

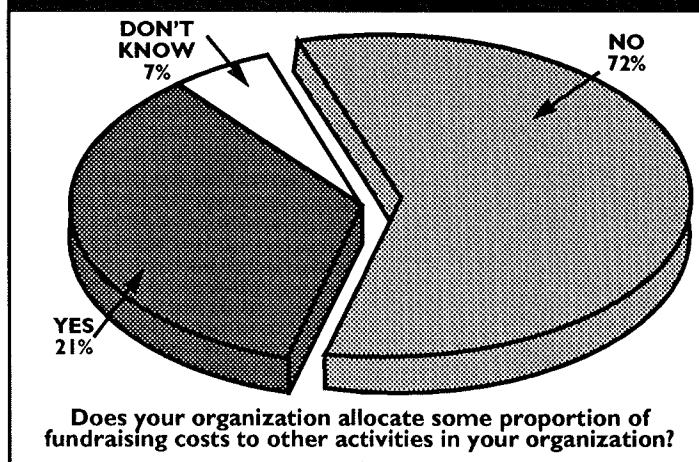
### Basis for Allocating Costs to Other Programs

Respondents who indicated that their organization allocated fundraising costs to other programs were also asked about the primary basis for their decision. Fifty-eight percent based their allocation decisions on the extent to which they believed the fundraising activity helped accomplish other program objectives. Thirteen percent based their decisions on the need to adjust costs to meet Revenue Canada's 80/20 disbursement quota<sup>5</sup> or to keep costs within a pre-determined level.

## The Reliability of Cost Estimates

The variations in how charities allocate fundraising costs and related overhead expenses make it difficult to perform meaningful comparisons of the fundraising costs they report. They also call into question the reliability of any data gathered on charitable fundraising costs. In the following sections we report both respondents' estimates of fundraising costs and cost ratios (costs calculated as a percentage of the funds raised) that have been calculated from gross fundraising revenue and expense data provided by charities. Given our findings about the variability in allocating expenses,

**Figure 4.2 Practice of Allocating Expenses Associated with Fundraising to Other Programs**



<sup>5</sup> A disbursement quota is the amount a registered charity must spend each year on certain activities or donees to meet requirements for continued registration by Revenue Canada. The quota differs for foundations and charitable organizations. Charitable organizations must spend 80% of the previous year's donations for which official receipts were issued (subject to some exclusions) on charitable activities they carry on, and on gifts to qualified donees. More detailed definitions are provided in "Your Guide to the Charity Return" published by Revenue Canada.

**Table 4.1 Expense Allocation Practices and Calculation of Fundraising Costs by Size of Charity**

	TOTAL REVENUES REPORTED			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
<b>Allocate overhead costs – fundraising budget?</b>				
Yes	30.3%	42.7%	45.1%	57.2%
No	65.7%	55.6%	49.4%	37.8%
Don't Know	4.0%	1.7%	5.4%	5.0%
<b>Allocate fundraising costs – other programs?</b>				
Yes	17.9%	25.2%	19.1%	26.3%
No	75.0%	71.1%	76.0%	68.6%
Don't Know	7.1%	3.7%	4.9%	5.1%
<b>Whether calculate costs as a percentage of funds raised?</b>				
Yes	28.0%	37.8%	43.0%	58.6%
No	69.0%	58.0%	55.5%	37.8%
Don't Know	3.0%	4.2%	1.5%	3.6%
<b>Costs calculated for...</b>				
Each Separate Activity	77.2%	72.2%	69.1%	53.1%
Entire Fundraising Program	22.8%	27.8%	30.9%	46.9%

**Table 4.2 Expense Allocation Practices and Calculation of Fundraising Costs by Charity Type**

	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
<b>Allocate overhead costs - fundraising budget?</b>							
Yes	27.7%	41.9%	28.8%	34.1%	38.6%	31.1%	48.5%
No	67.5%	54.3%	64.9%	57.0%	57.4%	63.6%	50.8%
Don't Know	4.8%	3.9%	6.3%	8.9%	4.1%	5.4%	.7%
<b>Allocate fundraising costs – other programs?</b>							
Yes	15.3%	23.8%	18.9%	27.2%	21.0%	20.6%	19.5%
No	82.8%	66.6%	77.0%	64.1%	75.4%	72.8%	74.1%
Don't Know	1.9%	9.6%	4.2%	8.7%	3.6%	6.6%	6.4%
<b>Whether calculate costs as a percentage of funds raised?</b>							
Yes	27.1%	17.5%	30.9%	30.2%	47.0%	27.6%	43.6%
No	66.1%	77.1%	65.7%	62.0%	51.3%	68.6%	55.4%
Don't Know	6.8%	5.4%	3.4%	7.7%	1.7%	3.8%	1.0%
<b>Costs calculated for...</b>							
Each Separate Activity	70.3%	85.5%	59.3%	80.8%	58.7%	82.7%	64.9%
Entire Fundraising Program	29.7%	14.5%	40.7%	19.2%	41.3%	17.3%	35.1%

Table 4.3 Expense Allocation Practices and Calculation of Fundraising Costs by Province/Region

	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
<b>Allocate overhead costs – fundraising budget?</b>						
Yes	27.1%	31.5%	33.5%	39.5%	27.7%	31.8%
No	69.5%	64.9%	64.0%	52.9%	64.2%	64.0%
Don't Know	3.4%	3.6%	2.5%	7.6%	8.1%	4.2%
<b>Allocate fundraising costs – other programs?</b>						
Yes	16.3%	23.5%	22.5%	26.0%	13.8%	22.1%
No	80.2%	72.5%	72.9%	67.4%	72.9%	75.8%
Don't Know	3.5%	4.0%	4.6%	6.6%	13.3%	2.1%
<b>Whether calculate costs as a percentage of funds raised?</b>						
Yes	28.9%	25.3%	27.9%	29.6%	34.2%	24.6%
No	68.0%	65.7%	67.2%	66.7%	60.8%	72.7%
Don't Know	3.0%	9.0%	4.9%	3.7%	5.0%	2.8%
<b>Costs calculated for...</b>						
Each Separate Activity	75.9%	76.8%	80.1%	67.9%	72.2%	70.8%
Entire Fundraising Program	24.1%	23.2%	19.9%	32.1%	27.8%	29.2%

respondents' estimates are, at best, "ballpark" estimates and should not be construed as giving an accurate picture of actual costs. They are, nevertheless, among the best estimates currently available on the costs of fundraising.

## Cost Ratios

The cost ratio - the percentage of funds raised that are spent on the fundraising activity itself - is a common yardstick for measuring fundraising efficiency. It is often recommended as a means for fundraisers and Boards to evaluate their efforts (e.g., Costa, 1991, Greenfield, 1991; Howe, 1991) and guidelines for "appropriate" cost ratios are readily available. The cost ratio is also used by the media and organizations that monitor charities and their fundraising activities (e.g., the Better Business Bureau of Nova Scotia, the National Charities Information Bureau in the U.S.).

Cost ratios, however, suffer a number of weaknesses as a measure of the efficiency of fundraising. First, fundraising costs are affected by a number of factors that have little to do with how well a fundraising program is being managed. Some causes are more popular and require less effort to raise money than others. For example, a local disaster relief agency may find it easier to raise money than a treatment centre for substance abusers,

.....

especially if there has been a recent flood or tornado. Competition for donation dollars can also drive up costs. A small charity may have to work harder and spend more to raise money in the face of a local hospital or university capital campaign. Fundraising costs also depend upon the type of campaign. For example, campaigns to acquire donors are much more expensive than campaigns that target previous or current donors.

Secondly, as Steinberg (1994) points out, the level of fundraising expense that best supports the provision of services is different from the level that minimizes the cost ratio. Consider the following two fundraising programs. The first spends \$10,000 to obtain \$50,000 with a net return of \$40,000 and a resulting cost ratio of 20%. The second program spends \$100,000 and returns \$200,000 in donations producing a net return of \$100,000 and a resulting cost ratio of 50%. Steinberg argues that the latter fundraising program is the better choice for those wanting to maximize the resources available for providing the organization's charitable services.

### Calculation of Cost Ratios

*29% of those surveyed report calculating fundraising cost ratios*

Of the 29% of the sample who said they calculate fundraising cost ratios (Figure 4.3), almost 28% calculate costs for their entire program, while 72% calculate them for separate activities.

**Organizational Size.** Cost ratios are more frequently used by larger organizations. As Table 4.1 shows, over 58% of organizations with revenues in excess of \$1.5 million calculate cost ratios, compared to only 28% of those with revenues less than \$125,000. Smaller organizations are more likely to calculate ratios for each separate fundraising activity, while larger organizations are more likely to calculate ratios for the entire fundraising program.

**Charity Type.** Hospitals and Other types of charities report calculating cost ratios more frequently than other types of charities (see Table 4.2). Community Benefit organizations were the least likely to report calculating ratios. The small number of responses to the question about whether costs are calculated for each activity or for entire programs makes it difficult to compare the charity types with any degree of precision. It appears, however, that Community Benefits, Health and Social Service organizations are among the most likely to calculate costs for each activity and among the least likely to do so for the entire program.

**Province/Region.** There is no significant variation among charities from different regions, with the exception that Quebec charities appear to calculate cost ratios more frequently than Atlantic charities (see Table 4.3).

## Reported Cost Ratios

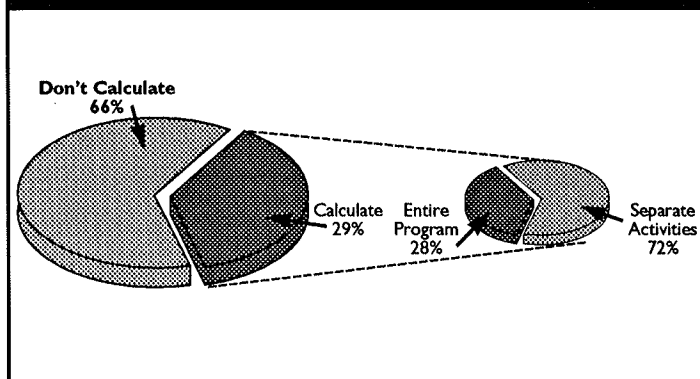
Table 4.4 displays the cost ratios reported by the 31% of respondents who do such calculations. The average reported cost ratio was 22% meaning that, on average, expenses accounted for 22% of the funds raised. The median reported cost ratio (the ratio reported by at least 50% of respondents) was 18%. Table 4.4 also shows that 25% of the sample have costs that are 10% or less of the funds raised, while five percent have costs that are equal to or greater than 60% of the funds raised (95% of respondents have costs of 60% or less). Because larger revenue organizations are more likely to calculate cost ratios, these figures are likely to be more representative of the costs of these organizations than of smaller revenue organizations.

Costs were also reported for separate fundraising activities. The cost estimates for Telephone campaigns, Door-to-door Canvassing and Capital/Endowment campaigns are not very reliable, however, because they are based on reports by only a small number of organizations. Comparing the costs of all other fundraising methods, it appears that Workplace and Planned Giving are among the most cost-effective. They have both the lowest median (the amount reported by 50% of respondents) and average costs and only five percent report costs that equal or exceed 30% of the funds raised.

Direct Mail appears to be the next most cost-effective fundraising approach using either the median or average cost ratio as the point of comparison, followed by Charitable Gaming and Special Events. There appears to be more variability in Charitable Gaming and Special Event costs than in either Workplace, Planned Giving or Direct Mail. For example, Table 4.4 shows that 25% of those reporting Charitable Gaming costs have expenses that are equal to or greater than 40% of the funds raised (75% have cost ratios of 40% or less) while five percent of those reporting Charitable Gaming costs have cost ratios of 67% or greater.

Product Sales appear to be the least cost-effective fundraising method with an average cost ratio of 35%. Five percent of those reporting Product Sales cost ratios had 90% or more of the funds raised going to expenses.

**Figure 4.3 Percentage that Calculate Cost Ratios as a Percentage of Funds Raised**



*A majority of the largest organizations (60%) calculate cost ratios.*

*Workplace and Planned Giving are among the most cost-effective fundraising approaches.*

**Table 4.4 Reported Fundraising Cost Ratios**

	<b>COST RATIOS</b>					Average Cost Ratio
	# of Respondents	Reported by 25% Respondents	Reported by 50% Respondents	Reported by 75% Respondents	Reported by 95% Respondents	
Direct Mail Campaigns	<b>188</b>	<b>5.0%</b> or less	<b>12.5 %</b> or less	<b>25.0 %</b> or less	<b>50.0 %</b> or less	<b>19.1 %</b>
Special Events Primarily for Fundraising	<b>199</b>	<b>7.0%</b> or less	<b>20.0 %</b> or less	<b>38.0 %</b> or less	<b>60.0 %</b> or less	<b>24.2 %</b>
Charitable Gaming (Casinos, Bingos, Lotteries, Raffles)	<b>131</b>	<b>7.0%</b> or less	<b>10.0 %</b> or less	<b>40.0 %</b> or less	<b>67.0 %</b> or less	<b>23.0 %</b>
Product Sales	<b>150</b>	<b>5.0%</b> or less	<b>30.0 %</b> or less	<b>50.0 %</b> or less	<b>90.0 %</b> or less	<b>34.6 %</b>
Telephone Campaigns	<b>25</b>	<b>3.0%</b> or less	<b>25.0 %</b> or less	<b>50.0 %</b> or less	<b>80.0 %</b> or less	<b>29.1 %</b>
Door-to-Door Canvassing	<b>25</b>	<b>.0%</b>	<b>5.0 %</b> or less	<b>17.5 %</b> or less	<b>50.0 %</b> or less	<b>17.0 %</b>
Workplace Campaigns	<b>71</b>	<b>.0%</b>	<b>1.0 %</b> or less	<b>8.0 %</b> or less	<b>30.0 %</b> or less	<b>7.1 %</b>
Planned Giving/Bequests/ Estate Planning	<b>62</b>	<b>1.0%</b> or less	<b>2.0 %</b> or less	<b>5.0 %</b> or less	<b>30.0 %</b> or less	<b>7.1 %</b>
Capital/Endowment Campaigns	<b>44</b>	<b>.0%</b>	<b>5.0 %</b> or less	<b>10.0 %</b> or less	<b>20.0 %</b> or less	<b>6.9 %</b>
<b>Total Program</b>	<b>183</b>	<b>10.0%</b> or less	<b>17.5 %</b> or less	<b>28.0 %</b> or less	<b>60.0 %</b> or less	<b>21.8 %</b>

## Calculated Cost Ratios

Respondents were asked to provide global figures regarding the amount they received in donations in the previous year and their total gross fundraising costs - before costs were allocated to any other programs (e.g., public education) and including appropriate organizational overhead costs. A total of 59% of the sample provided information that allowed us to calculate their organization's fundraising cost ratio.<sup>6</sup> These probably provide the best estimates of the total costs of fundraising activities.

*50% of the sample have fundraising costs that are 12% of funds raised or less. The average cost ratio is 26%.*

As Table 4.5 shows, 50% of the sample have fundraising costs that are 12% of funds raised or less. Five percent have costs that are 115% (95th percentile value) of funds raised or more. The average cost ratio is 26%.

*Average cost ratios are lowest for the largest charities.*

Cost ratio values did not vary significantly by charity type but did vary somewhat by size of organization and province. As Table 4.6 shows, the average costs are lowest for the largest charities. The largest charities also show less variation in costs than do smaller organizations. For example, only five percent of organizations with revenues over \$1.5 million have cost ratios that are 52% or more. In contrast, five percent of the smallest charities have cost ratios that are 115% or more. Regionally, the only significant variations are between Manitoba/ Saskatchewan charities, which appear to have higher average costs (35%) than those in Atlantic Canada (19%) or Quebec (19%) (see Table 4.7).

**Table 4.5 Calculated Cost Ratios**

# of Respondents	COST RATIOS				Average Cost Ratio
	Reported by 25% Respondents	Reported by 50% Respondents	Reported by 75% Respondents	Reported by 95% Respondents	
<b>884</b>	<b>2.8%</b> or less	<b>11.8%</b> or less	<b>31.3%</b> or less	<b>115.4%</b> or less	<b>26.2%</b>

<sup>6</sup> To assess the validity of these calculated cost ratios, they were compared to the cost ratios reported by respondents themselves. There were no significant differences between the two types of cost ratios. All cases (6%) who reported costs that were more than double the funds raised have not been included in the analysis because of the possible bias they introduce to the results.

**Table 4.6 Calculated Fundraising Cost Ratio by Size of Charity**

	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
Reported by 25% of Respondents	1.0% or less	5.9% or less	6.8% or less	5.2% or less
Reported by 50% of Respondents	8.0% or less	16.0% or less	18.6% or less	14.2% or less
Reported by 75% of Respondents	33.3% or less	30.5% or less	33.3% or less	23.9% or less
Reported by 95% of Respondents	115.4% or less	105.1% or less	100.0% or less	51.6% or less
Average Cost Ratio	25.8%	25.8%	28.6%	18.4%
# of Respondents	192	270	196	273

**Table 4.7 Calculated Fundraising Cost Ratio by Province/Region**

	PROVINCE/REGION					
	BC	Alberta	MB/Sask Territories	Ontario	Quebec	Atlantic
Reported by 25% of Respondents	.4% or less	2.3% or less	4.0% or less	5.6% or less	1.4% or less	.00%
Reported by 50% of Respondents	9.1% or less	14.3% or less	14.4% or less	15.3% or less	8.3% or less	5.2% or less
Reported by 75% of Respondents	37.1% or less	32.8% or less	41.4% or less	33.3% or less	19.6% or less	18.7% or less
Reported by 95% of Respondents	143.6% or less	104.4% or less	156.3% or less	100.0% or less	96.0% or less	96.0% or less
Average Cost Ratio	32.1%	27.6%	35.0%	26.5%	18.8%	19.2%
# of Respondents	121	140	139	254	108	120



## Chapter 5

# The Use of Consultants

Some fundraising practices used by Canadian charities may be at odds with public expectations. These include the use of third-party consultants and percentage-based contracts with consultants. This chapter looks at the percentage of organizations that report using consultants and examines the most recent consulting arrangements reported by those

who used consultants in the past five years. Some aspects of these arrangements are reviewed, such as the use of no-risk contracts, and ownership of donor lists and bank accounts. Finally, the hiring process is examined, including the role played by members of Boards of Directors.

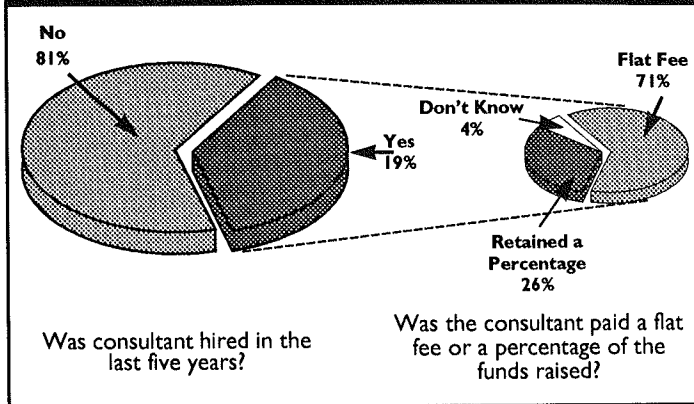
### Highlights

- 19% of charities used a paid fundraising consultant in the past five years. 5% had percentage-based consulting arrangements, while 13% report flat-fee arrangements.
- Percentage-based contracts are more frequent among smaller charities.
- 31% of charities with percentage-based consulting contracts shared ownership of their donor lists.
- 17% of charities with percentage-based contracts had funds deposited into bank accounts owned by the consultant.
- The cost of consultants and total fundraising expenses are significantly higher for percentage-based consultants than flat-fee consultants.
- 68% of charities with percentage-based contracts did not request proposals from more than one company.
- Only 31% of organizations' Boards investigated the experiences of other organizations with the type of consulting agreement being considered.

### The Public's View of Private Fundraising Consultants

A focus group study conducted by Longwoods Research Group for Revenue Canada Taxation (1990) reports, "Most people reject the idea of using private fundraising consultants, because they feel fundraising should be a voluntary activity offered free of charge. Some, however, believe that such consultants are a necessary evil to raise much-needed cash. The concept of a set fee for such consultants seemed somewhat more palatable than the percentage arrangement, though both were disliked by a majority."

**Figure 5.1 Use of Consultants and Terms of Contracts**



How do public expectations compare with practice? Nineteen percent of the organizations in our survey report using a paid fundraising consultant in the past five years; 13% used one in the past year (see Figure 5.1). Larger organizations are more likely to have used a consultant in the past five years; almost 50% of them report doing so (see Table 5.1). There are no significant differences in the reported use of consultants among different types of charities. Regionally, Ontario and British Columbia charities are much more likely than others to have used a consultant in the past five years (see Table 5.2); Ontario charities report having done so more than others.

## Activities for Which Consultants Are Used

*Although only 8% of all charities report using Telephone solicitations, 26% of those who hired consultants used them for this purpose.*

As Figure 5.2 shows, 43% of those organizations that reported using a consultant in the past fiscal year, used them to provide assistance with direct mail campaigns. Over 30% used consultants on Special Events and Capital/Endowment campaigns. There appears to be a relatively high degree of involvement of consultants in telephone campaigns. Although only 8% of all charities report using this fundraising method, 26% of those who hired consultants used them for this purpose.

**Table 5.1 Use of Outside Consultants or Fundraising Companies by Size of Charity**

	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
<b>Hired consultant/company in the past 5 years?</b>				
Yes	9.8%	21.6%	40.8%	49.9%
No	90.2%	78.4%	59.2%	50.1%
<b>Hired consultant/company in the last fiscal year</b>				
Yes	53.3%	61.3%	72.9%	71.7%
No	46.7%	38.7%	27.1%	28.3%

**Table 5.2 Use of Outside Consultants or Fundraising Companies by Province/Region**

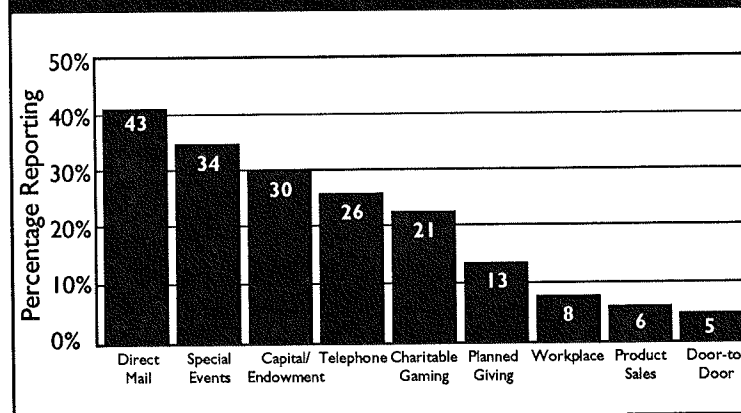
	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
<b>Hired consultant/company in the past 5 years?</b>						
Yes	24.4%	17.9%	14.4%	25.5%	10.5%	15.2%
No	75.6%	82.1%	85.6%	74.5%	89.5%	84.8%
<b>Hired consultant/company in the last fiscal year</b>						
Yes	57.7%	48.7%	57.9%	78.3%	61.0%	65.6%
No	42.3%	51.3%	42.1%	21.7%	39.0%	34.4%

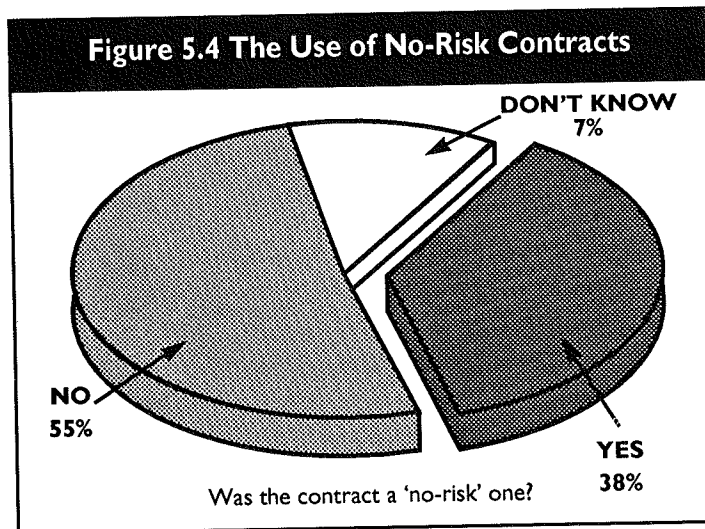
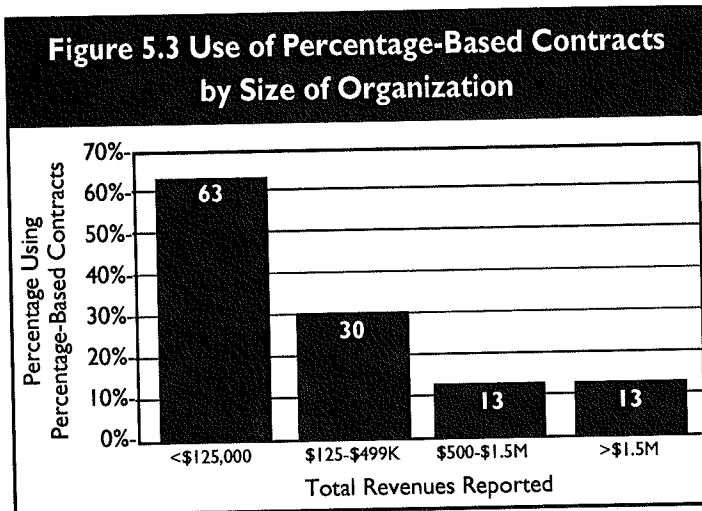
## Charities and Percentage-Based Fundraisers

The use of percentage-based fundraising consultants can be controversial. Most fundraising activities require some initial investment of capital to cover start-up costs with no guarantee that these costs will be recovered. A major appeal of percentage-based fundraisers is that they often allow charities to avoid start-up costs and they offer "no-risk" arrangements. As Steinberg (1990) points out, small or new charities that lack the expertise or resources to conduct their own fundraising campaigns may find percentage-based arrangements attractive because they allow the charity to shift risk of financial loss onto the third-party fundraiser. If the campaign is unsuccessful, the charity's expenses are relatively small, whereas in fixed-fee arrangements, if the fundraising campaign is unsuccessful, the charity must still pay the contractor. "Risk insurance" comes at a price, however. As will be seen, our data indicates that campaigns employing percentage-based consultants are more costly than those using consultants who charge a flat fee.

Most professional fundraising organizations take the position that percentage-based contracts with third-party fundraisers are unethical (e.g., National Society of Fund Raising Executives, Alberta Association of Fund Raising Executives). As McCormick, Elton, and Vander Ploeg (1995) point out, percentage-based contracts are problematic because, among other

**Figure 5.2 Types of Activities for which Consultants were Employed**





things, they provide incentives for consultants to operate in ways that are not necessarily in the charity's best interests. Any activity that increases revenues over the term of the contract provides benefit to the consultant. However, not all activities that increase revenues (e.g., the use of misleading promises or overly zealous canvassers) necessarily promote the best interests of the charity over the long term. It can be argued that there is an inherent conflict of interest in relationships between percentage-based consultants and charities.

The fundraisers who responded to our survey were divided on how appropriate it is to pay fundraising consultants a percentage of the funds raised. More respondents considered this practice to be appropriate (49%) than inappropriate (43%). Opinions about the appropriateness of using percentage-based fundraisers are not, however, mirrored by practice. Seventy-one percent of organizations that reported using a consultant in the past five years said that their most recent consulting arrangement was a flat-fee one, while 26% reported it was percentage-based. Viewed from the perspective of all charities in the sample, five percent report having percentage-based consulting arrangements while 13% report flat-fee arrangements.

## Organizational Size

Percentage-based contracts appear to be more frequent among smaller organizations. Of those organizations with revenues less than \$500,000 that used a consultant in the past five years, over 30% used percentage-based contracts in their most recent consulting arrangement. Only 13% of organizations with revenues of \$500,000 or more had such arrangements (see Figure 5.3). Views about the appropriateness of using percentage-based contracts also vary similarly with the size of the organization. Fifty-percent of organizations with revenues less than \$500,000 consider it appropriate, compared to only 32% with revenues greater than \$1.5 million.

## The Use of No-Risk Contracts

Just over 37% of organizations report that the contract with their consultant was a "no-risk" one that guaranteed their organization would not lose any money as a result of the fundraising campaign (Figure 5.4). Percentage-based contracts are most often arranged in this way (see Table 5.3). Over 80% of percentage-based contracts were "no-risk" arrangements, while only 23% of flat-fee contracts were accompanied by such guarantees. As Table 5.4 shows, no-risk arrangements, like percentage-based contracts, are more frequently reported by the smaller charities.

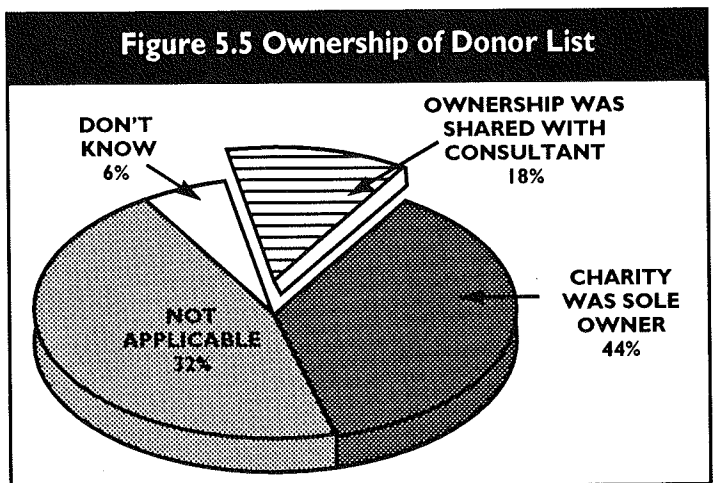
*Over 80% of percentage-based contracts were "no-risk" arrangements.*

## Consultants and Ownership of Donor Lists.

Giving ownership or control of a charity's list of donor's names and addresses to a consultant or fundraising firm is another potentially questionable practice. It is usually more expensive for an organization to identify new donors and obtain their donations than it is to solicit donations from those who have given in the past. It is to a charity's advantage to ensure that it is the sole recipient of the benefits that accrue from the efforts and resources expended to develop a list of donors. Sharing ownership or control of a donor list with a consultant or fundraising firm allows the consultant to sell the list to other charities. A charity may find itself competing for donations from its donors with other organizations.

The practice of sharing ownership of a donor list or of selling that list is defensible only if charities receive adequate compensation. Such compensation should take into account the true long term value of the donor list to the charity, i.e., the potential revenues that the donors on the list will provide to the charity over a donor's lifetime. Ideally, charities like to see donors give on an annual basis, increase the level of their donations over time, participate in special campaigns, and ultimately participate in their planned giving program (if one exists). However, even if adequate compensation is received for sharing ownership of a donor list, charities still face the challenge of justifying this practice to donors.

Almost 18% of organizations that used a consultant report sharing ownership of their donor list with the fundraising consultant or company (see Figure 5.5). Thirty-four percent of organizations that had percentage-based



*Over 30% of organizations involved in percentage-based contracts with third-party fundraisers shared ownership of their donor lists.*

**Table 5.3 Arrangements with Consultants and Fundraising Companies According To Type of Contract**

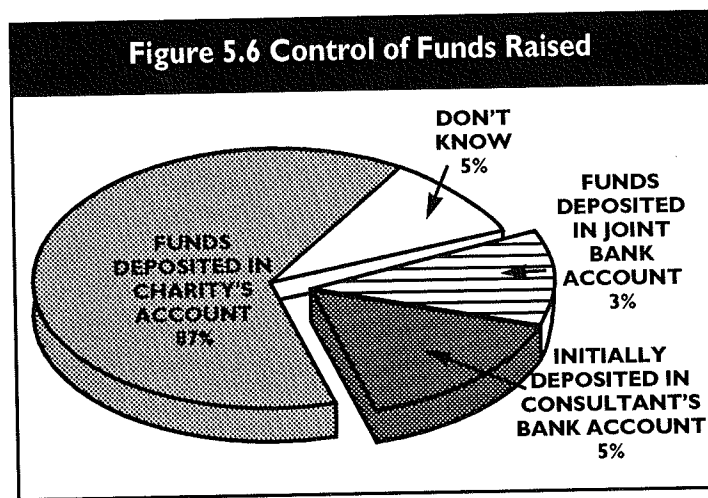
	TYPE OF CONTRACT	
	Flat Fee	Percentage-Based
<b>1) Was the contract 'no-risk', guaranteeing no loss of money from campaign?</b>		
Yes	23.1%	80.5%
No	72.3%	14.5%
Don't know	4.6%	5.0%
<b>2) Did the organization obtain sole ownership of the list of names and addresses of donors?</b>		
Organization had sole ownership	56.1%	23.1%
Ownership was shared with consultant /fundraiser	14.0%	34.4%
Not applicable	29.9%	42.6%
<b>3) How were funds raised controlled?</b>		
The organization had a joint bank account with consultant/company	.5%	10.6%
The organization was sole owner of the account into which funds deposited	99.3%	72.8%
The funds were initially deposited to an account that consultant/company owned and later transferred to organization	.2%	16.6%
<b>4) Did the organization request proposals from more than one consultant/company?</b>		
Yes	58.5%	27.4%
No	32.1%	68.3%
Don't know	9.4%	4.3%

**Table 5.4 Arrangements with Consultants and Fundraising Companies According To Size of Charity**

	SIZE OF TOTAL REVENUES		
	< \$500K	\$500K - \$1.5M	> \$1.5M
<b>1) Was the contract 'no-risk', guaranteeing no loss of money from campaign?</b>			
Yes	46.4%	21.3%	27.1%
No	47.6%	70.4%	67.4%
Don't know	6.0%	8.4%	5.6%
<b>2) Did the organization obtain sole ownership of the list of names and addresses of donors?</b>			
Organization had sole ownership	37.8%	56.0%	62.5%
Ownership was shared with consultant /fundraiser	28.4%	15.8%	11.2%
Not applicable	33.8%	28.2%	26.3%
<b>3) How were funds raised controlled?</b>			
The organization had a joint bank account with consultant/company	9.1%	.5%	1.4%
The organization was sole owner of the account into which funds deposited	84.2%	93.8%	97.7%
The funds were initially deposited to an account that consultant/company owned and later transferred to organization	6.7%	5.7%	.9%
<b>4) Did the organization request proposals from more than one consultant/company?</b>			
Yes	44.2%	45.9%	64.4%
No	49.4%	42.8%	28.8%
Don't know	6.4%	11.3%	6.9%

contracts with consultants shared ownership of their donor lists. Only 14% of organizations that had flat-fee contracts shared ownership of their lists. Sharing ownership, like the use of percentage-based contracts, was more common among smaller organizations than larger organizations. Twenty-eight percent of organizations with revenues less than \$500,000 report shared ownership, compared to only 11% of organizations with revenues over \$1.5 million (see Table 5.4).

## Control of Funds Raised



Charities are better able to ensure that their funds are properly accounted for if they have sole ownership of the bank accounts into which funds are deposited. Almost 87% reported that they maintained sole ownership of the bank account. Five percent indicated that the funds were initially deposited into an account owned by the consultant or fundraising company and were later transferred to their organization. Three percent had a joint bank account with the consultant (see Figure 5.6).

Issues associated with the control of funds appear to be associated solely with percentage-based consulting arrangements. Seventeen percent of those reporting percentage-based contracts had their funds deposited into their consultants' account (see Table 5.3) and 11% had joint accounts. In contrast, 99% of those with flat-fee arrangements report being the sole owners of the bank accounts into which fundraising revenues were deposited.

## Costs of Fundraisers

*Many organizations employing percentage-based contracts (17%) did not own the bank accounts into which the funds raised were deposited.*

What are the costs associated with the use of outside fundraising consultants or companies? Table 5.5 shows the reported gross revenues from organizations' most recent fundraising activity carried out by a fundraising consultant or company, the amount paid to the fundraiser, and the amount paid for other expenses. The median amount of funds raised (that raised by at least 50% of the sample) was \$150,000, the median amount paid to the fundraiser was \$19,000 and the median amount paid for other expenses was \$10,000. Five percent of the sample reported paying fundraisers \$366,000 or more (95% report paying this much or less) and 5% reported paying \$400,000 or more for other expenses.

Table 5.5 also shows the percentage of the funds raised that were paid to the consultant, the percentage paid for other expenses and the total expenses



es as a percentage of the funds raised (the cost ratio). Fifty-percent of the sample reported that 15% (the median value) or more of the funds raised went to the consultant. Five percent of the organizations paid 75% or more of the funds raised to the consultant (95% paid 75% or less). The median cost ratio is 29%, while five percent reported a cost ratio of 120% or more.<sup>8</sup>

It was noted at the outset that there is a cost attached to percentage-based contracts that guarantee that a charity will not lose money on its fundraising campaign. As Table 5.6 indicates, flat-fee consultants were involved in campaigns that raised substantially more revenues than were percentage-based consultants. Both the cost of consultants and total fundraising expenses, when examined in terms of the percentage of funds raised, are significantly higher for percentage-based consultants than for flat-fee consultants. The median cost ratio is 26% for campaigns employing flat-fee consultants and 59% for percentage-based consultants. Half of those employing percentage-based consultants have costs that are 59% or greater of the funds raised.

*The cost of consultants and total fundraising expenses are significantly higher for percentage-based consultants than for flat-fee consultants.*

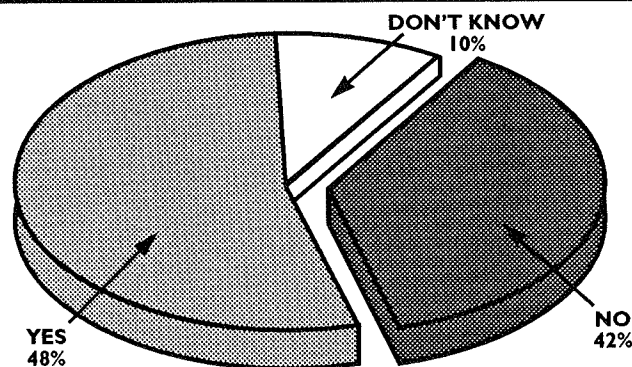
## The Hiring Process for Consultants

Because the use of consultants or fundraising companies in charitable fundraising activities is potentially controversial, it is useful to understand how organizations make decisions about hiring them. Two aspects of the hiring decision were investigated: the proposal process and the role of the Board of Directors.

### Review of Proposals

Respondents were asked to indicate whether or not their organization requested proposals from more than one consultant or company. Forty-two percent indicated that they did not (see Figure 5.7). There were substantial differences between those who reported using consultants on a percentage-basis and those using consultants on a flat-fee basis. Sixty-eight percent of those who entered into a percentage-based contract did not request proposals from more than one company, compared to 32% who used a flat-fee contract (see Table 5.3). As noted earlier, percentage-based contracts are more frequently employed by smaller rather than larger revenue organizations. Over 64% of the largest revenue organizations report requesting proposals from more than one consultant, compared to only 44% of the smallest revenue charities (see Table 5.4).

**Figure 5.7 Were Proposals Requested from More than One Company?**



*Over 64% of the largest revenue organizations report requesting proposals from more than one consultant, compared to only 44% of the smallest revenue charities.*

<sup>8</sup> These cost ratios differ substantially from those reported in Chapter 4 because they refer only to the most recent fundraising activity carried out by or with a third-party fundraiser.

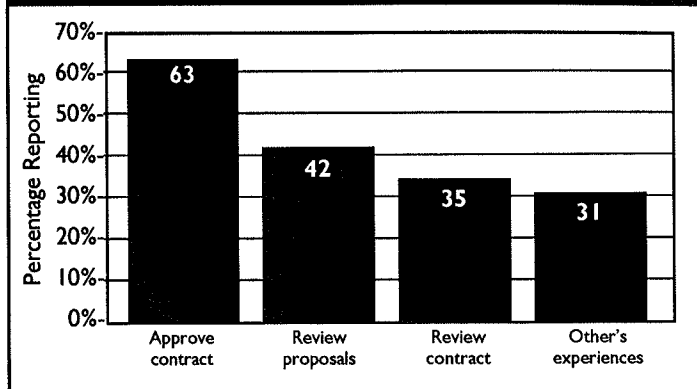
**Table 5.5 Financial Results of Most Recent Fundraising Activity Carried Out by Consultant / Fundraising Company**

	# of Respondents	Reported by 25% of Respondents	Reported by 50% of Respondents	Reported by 75% of Respondents	Reported by 95% of Respondents	Average
Gross Revenues Raised	243	\$22,000 or less	\$150,000 or less	\$700,000 or less	\$4,000,000 or less	\$936,000
Amount Paid to Fundraiser	226	\$2,520 or less	\$19,000 or less	\$65,000 or less	\$366,000 or less	\$111,000
Amount Paid for Other Expenses	202	\$913 or less	\$10,000 or less	\$57,921 or less	\$400,000 or less	\$72,921
Fees as % of Revenues	204	5% or less	15% or less	37% or less	75% or less	76%
Other Expenses as % of Revenues	190	1% or less	9% or less	32% or less	84% or less	70%
Total Expenses as % of Revenues (Cost Ratio)	216	14% or less	29% or less	60% or less	120% or less	133%

**Table 5.6 Financial Results of Most Recent Fundraising Activity Carried Out by Consultant / Fundraising Company by Type of Contract**

	TYPE OF CONTRACT	
	Flat Fee	Percentage-Based
<b>Gross Revenue Raised</b>		
Reported by 50% of Respondents	\$172,000 or less	\$77,000 or less
Reported by 75% of Respondents	\$825,700 or less	\$170,000 or less
Reported by 95% of Respondents	\$7,000,000 or less	\$1,000,000 or less
Average	\$1,174,844	\$231,873
# of Respondents	183	53
<b>Amount Paid to Fundraiser</b>		
Reported by 25% of Respondents	\$3,500 or less	\$870 or less
Reported by 50% of Respondents	\$20,000 or less	\$10,000 or less
Reported by 75% of Respondents	\$65,000 or less	\$70,000 or less
Reported by 95% of Respondents	\$366,000 or less	\$213,280 or less
Average	\$69,206	\$277,833
# of Respondents	171	47
<b>Amount Paid to Other Expenses</b>		
Reported by 25% of Respondents	\$1,500 or less	\$0
Reported by 50% of Respondents	\$11,000 or less	\$3,000 or less
Reported by 75% of Respondents	\$80,000 or less	\$50,000 or less
Reported by 95% of Respondents	\$400,000 or less	\$180,000 or less
Average	\$80,100	\$52,903
# of Respondents	158	38
<b>Fees as % of Revenue</b>		
Reported by 25% of Respondents	4% or less	7% or less
Reported by 50% of Respondents	14% or less	25% or less
Reported by 75% of Respondents	29% or less	50% or less
Reported by 95% of Respondents	70% or less	75% or less
Average	49%	147%
# of Respondents	150	47
<b>Other Expenses as % of Revenue</b>		
Reported by 25% of Respondents	1% or less	0%
Reported by 50% of Respondents	8% or less	11% or less
Reported by 75% of Respondents	31% or less	54% or less
Reported by 95% of Respondents	66% or less	84% or less
Average	82%	31%
# of Respondents	147	37
<b>Total Expenses as % of Revenue</b>		
Reported by 25% of Respondents	12% or less	25% or less
Reported by 50% of Respondents	26% or less	59% or less
Reported by 75% of Respondents	50% or less	87% or less
Reported by 95% of Respondents	122% or less	100% or less
Average	120%	168%
# of Respondents	161	48

**Figure 5.8 Role of Board of Directors in Hiring Consultant or Fundraising Company**



## Role of Board of Directors

A majority of respondents (63%) indicated that their Board formally approved the contract with the consultant or fundraising company. A minority (42%) indicated that the Board reviewed proposals before the consultant was selected. Only 31% attempted to find out the experiences of other organizations with the type of consulting agreement being considered (see Figure 5.8). There were no significant variations in responses between those who employed a consultant on either a flat-fee or percentage-basis or among different sized organizations.

## Chapter 6

# The Role of Boards of Directors

Boards of Directors of charitable organizations have the ultimate responsibility for the activities of their organizations. Of particular interest to this research is the extent to which Boards can be relied upon to ensure that their organizations do not engage in practices that may undermine the public's confidence in charitable fundraising. The Board's role in setting policy regarding fundraising activities and its role in evaluating the effectiveness of fundraising are two areas that receive specific attention.

### Highlights

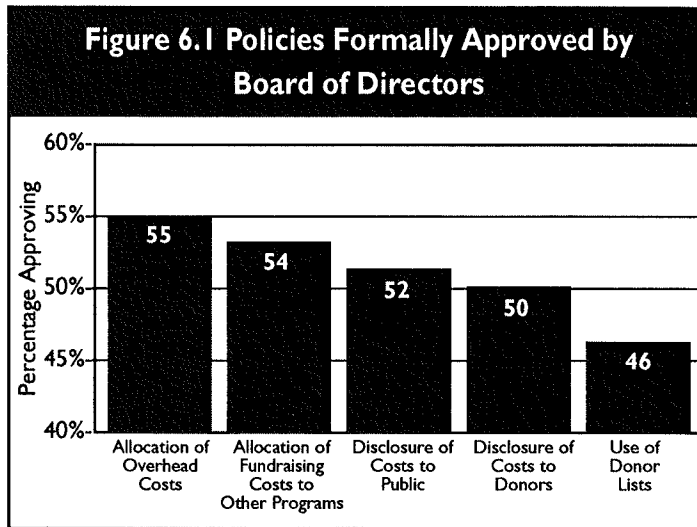
- Over one-third of Boards do not approve policies regarding the disclosure of fundraising costs to the public and donors, or the types of costs to include as fundraising expenses.
- 46% of Boards do not formally approve policies regarding donor lists.
- 72% of large revenue charities evaluate their fundraising, compared to 46% of the smallest charities.
- Among charities that conduct evaluations, there is greater board involvement among smaller revenue charities. Staff involvement in evaluation increases with the size of charity.
- Hospital Boards are consistently reported to be more involved in almost all evaluation activities than the boards of other types of charities.

### Practices Given Board Approval

Two areas of potential Board involvement in fundraising activities were investigated: the approval of policies regarding the calculation and disclosure of fundraising costs, and approval of policies on the use of donor lists. Respondents were asked to indicate whether their Board of Directors gave formal approval (through the budget process or other means) to:

- policies concerning the use of donor lists (i.e., donor's names and addresses);
- policies about how fundraising costs are disclosed to donors and the public;

- the proportion of organizational overhead costs allocated to fundraising programs;
- the proportion of fundraising expenses allocated to other organizational activities (e.g., public education).



As Figure 6.1 shows, only 46% of respondents indicated that their Board gives formal approval to policies about the use of donor lists, which are an important resource for many charities. From 50% to 55% indicated that their Boards give formal approval to policies in the remaining four areas.

### Organizational Size

Policies regarding the use of donor lists and disclosure of fundraising costs to the public are the only ones where there is significant variation among different sizes of charities (see Table 6.1). There is, however, little difference in the extent to which Boards give approval in these areas.

Respondents from smaller organizations were more likely to report either that their Board did not give approval or that they did not know whether their Board gave approval in these areas. Organizations with revenues between \$125,000 and \$499,000 were more likely than organizations of any other size to report Board approval of the disclosure of fundraising costs to the public.

### Charity Type

Different types of charities vary significantly in Board involvement only in the areas involving the allocation of fundraising expenses and the proportion of organizational overhead costs allocated to the fundraising program (see Table 6.2). The Boards of Arts & Culture, Education and Health organizations are the least likely to report that their Boards give formal approval to policies regarding the proportion of fundraising expenses allocated to other programs. Health charities are the most frequent to report making such allocations. These same charities are the least likely to report that their Boards give formal approval to policies regarding the allocation of overhead costs.

### Province/Region

Significant regional variations in Board involvement are apparent in all policy areas with the exception of the use of donor lists (see Table 6.3). The Boards of Alberta and Quebec charities are more likely to give approval to policies concerning allocation of expenses and are also, along with Atlantic

charities, the most likely to give approval to the disclosure of fundraising costs. Ontario charities are among the most likely to give approval to policies about allocating fundraising expenses to other programs and among the least likely to give approval to the disclosure of fundraising costs to donors.

## Evaluation of Fundraising Activities

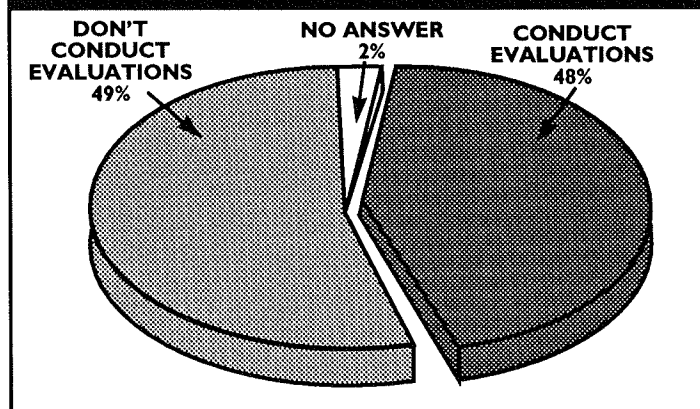
Less than half (48%) of respondents report that any of their organization's staff or Board members conduct evaluations of the effectiveness of their organization's fundraising activities (see Figure 6.2). Those who reported conducting evaluations were asked to indicate who, if anyone, used a number of possible evaluation approaches. As Figure 6.3 shows, a majority (70% or more) report that Board members either alone or with staff used the following approaches:

- Assessing the extent to which the organization met its fundraising targets.
- Examining the total costs of fundraising activities.
- Examining the costs of fundraising as a percentage of the total amount of funds raised.
- Applying common sense standards about appropriate costs.
- Using the organization's previous fundraising experiences as a guide.
- Examining the total gross revenues returned from fundraising activities.
- Examining the net revenues (after expenses are deducted) from fundraising activities.

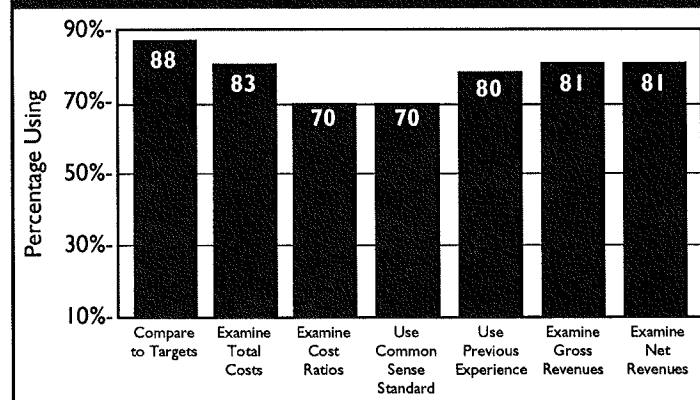
A number of evaluation approaches were much less frequently reported (see Figure 6.4):

- Calculating the return on investment for fundraising activities on an annual basis.
- Calculating return on investment over a number of years (e.g., 3 years, 5 years, 10 years).

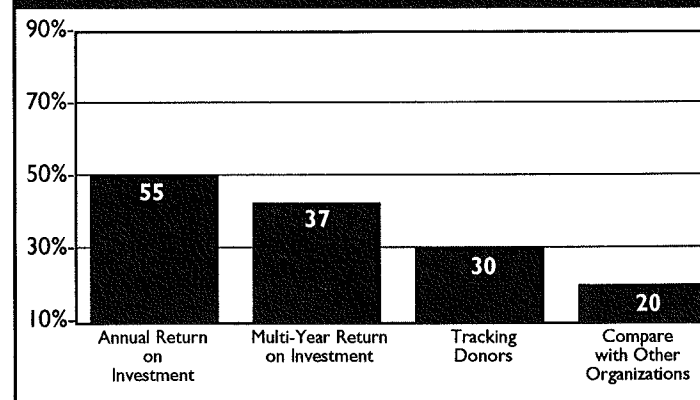
**Figure 6.2 Percentage of Charities in which Staff or Board Evaluate Fundraising Activities**



**Figure 6.3 Evaluation of Fundraising Activities: Frequently Employed Methods**



**Figure 6.4 Evaluation of Fundraising Activities: Less Frequently Employed Methods**



**Table 6.1 Practices Given Board Approval by Size of Charity**

	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
<b>Proportion of expenses allocated to other programs</b>				
Give Approval	56.2%	57.8%	58.4%	59.7%
Do Not Give Approval	31.0%	33.7%	32.5%	32.9%
Don't Know	12.8%	8.4%	9.1%	7.3%
<b>Policies re: use of donor list</b>				
Give Approval	52.7%	46.4%	50.1%	48.2%
Do Not Give Approval	33.5%	47.7%	41.7%	45.7%
Don't Know	13.8%	6.0%	8.2%	6.2%
<b>Proportion of overhead costs allocated to fundraising</b>				
Give Approval	59.0%	62.0%	59.8%	60.0%
Do Not Give Approval	31.3%	33.2%	34.5%	35.4%
Don't Know	9.7%	4.8%	5.7%	4.6%
<b>Policies re: disclosure of fundraising costs to donors</b>				
Give Approval	51.9%	56.5%	49.5%	48.1%
Do Not Give Approval	32.9%	37.7%	44.1%	45.0%
Don't Know	15.3%	5.7%	6.5%	6.9%
<b>Policies re: disclosure of fundraising costs to public</b>				
Give Approval	52.8%	62.2%	52.0%	51.9%
Do Not Give Approval	31.4%	32.7%	41.3%	42.7%
Don't Know	15.8%	5.1%	6.7%	5.5%

- Tracking donors (e.g., number of new donors, number of donors retained, growth of donor contributions).
- Comparing the organization with what other charities report.

### Organizational Size

*Almost three-quarters of the largest charities evaluate their fundraising.*

Larger organizations appear more likely than smaller ones to evaluate their fundraising activities (see Table 6.4). Close to 72% of organizations with revenues over \$1.5 million evaluate their fundraising compared to only 46% of those with revenues of less than \$125,000.



Table 6.2 Practices Given Board Approval by Charity Type

	CHARITY TYPE						
	Arts & Community Culture	Benefit	Education	Health	Hospitals	Social Services	Other
<b>Proportion of expenses allocated to other programs</b>							
Give Approval	47.4%	66.1%	43.4%	42.3%	54.7%	62.9%	60.1%
Do Not Give Approval	35.6%	23.4%	36.5%	46.4%	37.9%	26.7%	27.1%
Don't Know	17.0%	10.4%	20.2%	11.3%	7.3%	10.4%	12.9%
<b>Policies re: use of donor list</b>							
Give Approval	47.9%	52.7%	38.7%	40.8%	48.2%	48.3%	48.8%
Do Not Give Approval	40.3%	33.1%	44.1%	46.7%	44.7%	40.9%	39.5%
Don't Know	11.8%	14.3%	17.2%	12.5%	7.1%	10.7%	11.8%
<b>Proportion of overhead costs allocated to fundraising</b>							
Give Approval	50.7%	63.2%	43.8%	43.7%	59.7%	63.9%	56.3%
Do Not Give Approval	38.3%	24.9%	40.8%	43.8%	32.9%	28.8%	38.0%
Don't Know	11.0%	11.8%	15.4%	12.5%	7.3%	7.3%	5.7%
<b>Policies re: disclosure of fundraising costs to donors</b>							
Give Approval	49.1%	58.0%	48.4%	45.4%	56.5%	50.0%	52.3%
Do Not Give Approval	34.7%	32.4%	35.6%	43.9%	35.4%	34.3%	37.1%
Don't Know	16.2%	9.6%	16.0%	10.7%	8.1%	15.6%	10.5%
<b>Policies re: disclosure of fundraising costs to public</b>							
Give Approval	51.4%	60.6%	49.1%	47.3%	56.6%	54.1%	48.6%
Do Not Give Approval	32.0%	28.8%	35.5%	42.5%	35.2%	32.7%	35.2%
Don't Know	16.6%	10.6%	15.4%	10.2%	8.2%	13.3%	16.2%

Board involvement in the different evaluation approaches varied significantly according to the size of organization, with the exception of assessing whether the organization meets its fundraising targets. There is a trend for greater Board involvement in evaluation among smaller revenue charities. There is also a corresponding trend of greater staff participation in evaluation activities as the size of an organization increases. The tendency of the Boards of larger organizations to be less involved in evaluation activities may reflect their ability to rely on staff to perform these functions. As was noted earlier, larger organizations are more likely to have paid fundraising staff than are smaller ones (see Chapter 1).

*Board involvement in evaluation is more frequent in smaller revenue charities, but staff involvement is more frequent in larger charities.*

**Table 6.3 Practices Given Board Approval by Province/Region**

	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
<b>Proportion of expenses allocated to other programs</b>						
Give Approval	44.7%	57.3%	45.7%	55.6%	65.3%	46.9%
Do Not Give Approval	37.2%	27.9%	45.0%	29.8%	24.0%	40.1%
Don't Know	18.1%	14.9%	9.3%	14.7%	10.7%	13.0%
<b>Policies re: use of donor list</b>						
Give Formal Approval	40.5%	43.1%	38.3%	44.7%	57.4%	45.0%
Do Not Give Approval	39.2%	41.9%	43.6%	42.8%	35.2%	42.1%
Don't Know	20.3%	15.1%	18.1%	12.5%	7.4%	13.0%
<b>Proportion of overhead costs allocated to fundraising</b>						
Give Approval	45.5%	60.1%	48.4%	53.9%	71.7%	44.1%
Do Not Give Approval	43.3%	29.1%	44.8%	35.5%	19.2%	41.1%
Don't Know	11.2%	10.8%	6.8%	10.6%	9.1%	14.8%
<b>Policies re: disclosure of fundraising costs-to donors</b>						
Give Approval	41.6%	53.4%	40.9%	46.9%	63.1%	54.4%
Do Not Give Approval	43.3%	31.1%	42.7%	38.8%	23.3%	36.2%
Don't Know	15.1%	15.5%	16.4%	14.3%	13.6%	9.4%
<b>Policies re: disclosure of fundraising costs to public</b>						
Give Approval	40.5%	57.4%	44.7%	49.8%	63.9%	55.4%
Do Not Give Approval	43.5%	29.1%	41.2%	36.0%	20.2%	35.2%
Don't Know	16.0%	13.5%	14.1%	14.1%	15.9%	9.4%

## Charity Type

Hospitals, Other and Health charities are more frequently reported to evaluate their fundraising activities than are other types of charities. For example, almost 70% of Hospitals conduct such evaluations compared to 44% of Community Benefit charities.

There are only a few evaluation approaches in which board involvement varies significantly. However, as Table 6.5 shows, there is a trend for Boards of Arts & Culture, Social Service and Health organizations to be less involved in many areas than others. This is especially the case for: examining costs as a percentage of funds raised, calculating the return on investment over a number of years, and tracking donors. Arts & Culture organizations are among the least frequent to report Board involvement in examining costs as a percentage of funds raised or using the organization's previous fundraising experience as a guide. Boards of Community Benefit charities are the least likely to track donors and compare their organization with other organizations than are boards of other types of organizations.

The Boards of both Hospitals and Education charities are more frequently reported to be involved in two areas: calculating the return on investment for fundraising activities over a number of years and, along with Other charities, tracking donors. Hospital Boards are consistently reported to be more involved in almost all evaluation activities than the Boards of other types of charities.

## Province/Region

Ontario, Quebec and Alberta based charities more frequently report evaluating their fundraising activities than do charities from other regions of the country (see Table 6.6). There appears to be a general trend of greater involvement of Boards from Quebec based organizations in most evaluation methods. However, there are significant provincial variations for only two evaluation methods: examining costs as a percentage of funds raised and tracking donors. Boards of Ontario, Quebec, and Atlantic organizations are more frequently reported to be involved in the former, while the Boards of Atlantic and Quebec based charities are more frequently involved in the latter. Boards of Manitoba/Saskatchewan charities appear least likely to be involved in either of these evaluation approaches.

*Boards of Arts & Culture, Social Service and Health organizations are less involved in many evaluation areas than others.*

*Hospital boards are more frequently reported to be involved in almost all evaluation activities than are the Boards of other types of charities.*

*Ontario, Quebec and Alberta based charities more frequently report evaluating their fundraising activities.*

Atlantic

46.9%  
40.1%  
13.0%

45.0%  
42.1%  
13.0%

44.1%  
41.1%  
14.8%

54.4%  
36.2%  
9.4%

55.4%  
35.2%  
9.4%

**Table 6.4 Evaluation of Organizational Fundraising Activities by Size of Charity**

	SIZE OF TOTAL REVENUE			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
<b>Does Staff or Board evaluate fundraising effectiveness?</b>				
No	52.6%	35.3%	35.0%	26.1%
Yes	46.1%	62.4%	64.4%	71.5%
No answer	1.2%	2.3%	.6%	2.3%
<b>Evaluation Methods</b>				
<b>Assess whether meet fundraising targets</b>				
Staff	7.2%	7.0%	9.4%	13.6%
Board Members	87.4%	92.3%	90.3%	86.0%
No One	4.6%	.7%	.3%	.4%
Don't Know	.8%	.0%	.0%	.0%
<b>Examine total costs</b>				
Staff	7.8%	14.3%	18.9%	20.8%
Board Members	86.7%	84.1%	80.8%	76.3%
No One	5.2%	1.7%	.3%	2.1%
Don't Know	.4%	.0%	.0%	.8%
<b>Examine costs as a percentage of funds raised</b>				
Staff	5.9%	12.6%	23.5%	25.4%
Board Members	77.5%	72.7%	69.9%	64.0%
No One	12.0%	13.5%	4.8%	7.9%
Don't Know	4.5%	1.2%	1.8%	2.7%
<b>Common sense standards re: costs</b>				
Staff	7.2%	20.3%	36.6%	31.0%
Board Members	81.1%	69.9%	55.7%	59.5%
No One	5.9%	5.2%	3.6%	6.3%
Don't Know	5.8%	4.6%	4.0%	3.2%
<b>Using organization's fundraising experience</b>				
Staff	8.9%	16.5%	27.2%	22.1%
Board Members	89.5%	80.9%	66.9%	71.0%
No One	1.7%	2.0%	4.2%	6.0%
Don't Know	.0%	.6%	1.7%	.8%
<b>Examine total gross revenues raised</b>				
Staff	5.0%	11.5%	20.9%	18.3%
Board Members	89.5%	82.5%	75.3%	72.3%
No One	3.3%	4.9%	3.8%	8.8%
Don't Know	2.1%	1.2%	.0%	.6%

Table 6.4 (continued) Evaluation of Organizational Fundraising Activities by Size of Charity

Evaluation Methods	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
<b>Examine net revenues raised</b>				
Staff	6.3%	12.2%	20.1%	21.6%
Board Members	89.9%	83.4%	75.2%	72.8%
No One	1.7%	3.2%	4.6%	5.2%
Don't Know	2.1%	1.3%	.0%	.5%
<b>Calculate return on investment on annual basis</b>				
Staff	5.0%	15.3%	22.8%	27.4%
Board Members	63.8%	51.3%	56.9%	53.7%
No One	26.7%	28.1%	15.0%	13.9%
Don't Know	4.6%	5.2%	5.3%	5.0%
<b>Calculate return on investment over # of years</b>				
Staff	5.8%	13.0%	20.2%	23.6%
Board Members	43.9%	38.4%	37.3%	36.5%
No One	39.1%	40.2%	35.1%	34.2%
Don't Know	11.1%	8.4%	7.4%	5.7%
<b>Track donors (# new, # retained)</b>				
Staff	17.5%	44.5%	63.2%	58.6%
Board Members	49.0%	28.7%	21.5%	24.8%
No One	32.3%	26.6%	14.3%	16.3%
Don't Know	1.2%	.2%	1.0%	.3%
<b>Compare organization with others</b>				
Staff	8.5%	24.1%	37.7%	39.9%
Board Members	32.8%	18.8%	19.0%	29.9%
No One	51.6%	51.7%	36.6%	27.0%
Don't Know	7.1%	5.4%	6.8%	3.1%

**Table 6.5 Evaluation of Organizational Fundraising Activities by Type of Charity**

	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
<b>Does Staff or Board evaluate fundraising effectiveness?</b>							
No	44.7%	54.6%	40.2%	34.4%	27.9%	40.1%	32.8%
Yes	54.3%	43.6%	54.2%	61.9%	69.6%	58.8%	65.9%
No answer	1.0%	1.8%	5.6%	3.6%	2.5%	1.2%	1.3%
<b>Evaluation Methods</b>							
<b>Assess whether meet fundraising targets</b>							
Staff	10.9%	11.0%	8.6%	7.8%	7.3%	11.6%	15.8%
Board Members	89.1%	87.7%	89.1%	89.8%	92.7%	84.8%	83.7%
No One	.0%	.6%	2.3%	1.9%	.0%	3.6%	.5%
Don't Know	.0%	.8%	.0%	.5%	.0%	.0%	.0%
<b>Examine total costs</b>							
Staff	25.9%	13.5%	13.7%	22.7%	3.0%	16.0%	18.7%
Board Members	70.5%	85.0%	81.3%	77.3%	95.0%	80.1%	80.0%
No One	1.4%	.8%	5.0%	.0%	2.0%	3.8%	1.3%
Don't Know	2.2%	.7%	.0%	.0%	.0%	.0%	.0%
<b>Examine costs as a percentage of funds raised</b>							
Staff	28.3%	16.2%	19.5%	19.3%	10.0%	19.6%	10.4%
Board Members	54.6%	73.1%	68.8%	66.3%	87.4%	64.6%	76.5%
No One	15.8%	8.0%	10.3%	8.8%	2.4%	11.9%	12.7%
Don't Know	1.3%	2.7%	1.4%	5.6%	.3%	3.9%	.4%
<b>Common sense standards re: costs</b>							
Staff	31.1%	20.7%	19.3%	27.1%	19.2%	28.1%	23.5%
Board Members	63.4%	72.4%	66.6%	62.1%	73.2%	62.2%	70.0%
No One	4.3%	2.5%	9.0%	5.9%	4.6%	2.6%	4.7%
Don't Know	1.2%	4.4%	5.1%	5.0%	3.0%	7.1%	1.8%
<b>Using organization's fundraising experience</b>							
Staff	25.1%	14.2%	15.9%	17.6%	12.8%	22.4%	25.2%
Board Members	68.8%	80.8%	78.0%	77.1%	80.8%	74.1%	73.2%
No One	4.1%	5.0%	5.6%	1.2%	6.1%	2.6%	.9%
Don't Know	2.1%	.0%	.6%	4.0%	.3%	.9%	.6%
<b>Examine total gross revenues raised</b>							
Staff	14.7%	15.5%	14.2%	12.8%	9.0%	17.1%	15.7%
Board Members	78.9%	83.7%	79.3%	80.5%	83.5%	76.1%	77.2%
No One	5.6%	.0%	6.1%	6.7%	6.8%	6.3%	4.0%
Don't Know	.9%	.8%	.4%	.0%	.7%	.5%	3.1%

Table 6.5 (continued) Evaluation of Organizational Fundraising Activities by Type of Charity

Evaluation Methods	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
<b>Examine net revenues raised</b>							
Staff	15.2%	18.2%	14.7%	17.5%	10.3%	18.0%	14.9%
Board Members	79.1%	80.3%	76.3%	78.8%	87.0%	79.7%	75.6%
No One	5.7%	.0%	7.7%	3.7%	2.7%	1.3%	6.4%
Don't Know	.0%	1.5%	1.3%	.0%	.0%	1.1%	3.0%
<b>Calculate return on investment on annual basis</b>							
Staff	22.6%	20.1%	17.5%	20.7%	12.3%	20.0%	17.3%
Board Members	51.7%	55.3%	61.9%	51.3%	65.3%	54.6%	54.0%
No One	22.0%	19.9%	16.1%	19.6%	16.2%	20.8%	21.0%
Don't Know	3.7%	4.8%	4.5%	8.3%	6.1%	4.6%	7.7%
<b>Calculate return on investment over # of years</b>							
Staff	19.3%	14.9%	24.4%	15.2%	12.0%	16.4%	15.8%
Board Members	27.9%	40.5%	49.7%	31.6%	51.9%	34.1%	38.2%
No One	43.1%	38.7%	21.8%	37.9%	29.8%	38.7%	37.5%
Don't Know	9.7%	5.8%	4.2%	15.2%	6.2%	10.8%	8.5%
<b>Track donors (# new, # retained)</b>							
Staff	54.0%	53.0%	43.1%	51.2%	50.5%	46.2%	43.0%
Board Members	28.6%	16.8%	37.4%	23.6%	41.0%	25.9%	39.0%
No One	15.1%	28.7%	19.6%	21.7%	8.2%	26.9%	16.9%
Don't Know	2.3%	1.6%	.0%	3.5%	.3%	1.1%	1.1%
<b>Compare organization with others</b>							
Staff	32.7%	28.7%	28.2%	25.4%	31.5%	26.2%	32.3%
Board Members	25.2%	11.7%	25.0%	26.2%	39.3%	21.6%	21.7%
No One	37.9%	55.8%	40.8%	40.7%	26.7%	45.8%	40.1%
Don't Know	4.2%	3.8%	5.9%	7.8%	2.5%	6.4%	5.9%

Table 6.6 Evaluation of Organizational Fundraising Activities by Province/Region

	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
<b>Does Staff or Board evaluate fundraising effectiveness?</b>						
No	55.5%	48.9%	58.7%	41.2%	49.0%	57.4%
Yes	42.6%	47.3%	41.0%	55.8%	47.3%	42.0%
No answer	1.9%	3.8%	.3%	3.0%	3.7%	.6%
<b>Evaluation Methods</b>						
<b>Assess whether meet fundraising targets</b>						
Staff	10.7%	13.4%	10.6%	9.8%	3.9%	13.4%
Board Members	84.0%	84.0%	89.4%	86.5%	96.1%	85.1%
No One	5.3%	.0%	.0%	3.7%	.0%	1.5%
Don't Know	.0%	2.7%	.0%	.0%	.0%	.0%
<b>Examine total costs</b>						
Staff	11.0%	16.5%	20.2%	15.3%	6.2%	20.8%
Board Members	82.8%	78.4%	79.8%	82.0%	89.9%	79.2%
No One	6.2%	3.3%	.0%	2.7%	3.8%	.0%
Don't Know	.0%	1.7%	.0%	.0%	.1%	.0%
<b>Examine costs as a percentage of funds raised</b>						
Staff	11.7%	19.0%	20.5%	16.4%	7.2%	16.2%
Board Members	69.5%	68.9%	55.2%	72.6%	74.9%	72.4%
No One	18.3%	10.9%	22.1%	8.7%	9.7%	8.3%
Don't Know	.5%	1.2%	2.2%	2.4%	8.2%	3.0%
<b>Common sense standards re: costs</b>						
Staff	21.9%	18.4%	27.6%	22.4%	10.6%	20.1%
Board Members	71.5%	73.7%	68.9%	69.3%	68.0%	74.7%
No One	1.0%	3.4%	.3%	3.2%	8.3%	2.7%
Don't Know	5.6%	4.5%	3.2%	5.1%	13.2%	2.6%
<b>Using organization's fundraising experience</b>						
Staff	13.6%	14.0%	14.0%	17.6%	15.4%	17.6%
Board Members	82.2%	84.3%	83.8%	78.5%	80.0%	74.6%
No One	1.3%	1.3%	1.3%	3.4%	4.0%	7.4%
Don't Know	3.0%	.3%	.9%	.5%	.5%	.4%
<b>Examine total gross revenues raised</b>						
Staff	6.7%	8.2%	13.6%	13.8%	7.0%	19.6%
Board Members	85.6%	83.9%	76.1%	80.3%	84.1%	79.9%
No One	7.4%	7.4%	7.2%	5.6%	6.4%	.5%
Don't Know	.3%	.4%	3.1%	.3%	2.5%	.0%



Table 6.6 (continued) Evaluation of Organizational Fundraising Activities by Province/Region

	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
<b>Examine net revenues raised</b>						
Staff	11.4%	10.8%	16.5%	13.7%	9.0%	21.7%
Board Members	85.7%	82.9%	78.2%	83.0%	79.6%	75.6%
No One	2.6%	4.8%	2.0%	3.1%	6.3%	2.7%
Don't Know	.3%	1.5%	3.3%	.2%	5.2%	.0%
<b>Calculate return on investment on annual basis</b>						
Staff	16.8%	10.5%	15.8%	16.2%	7.9%	21.5%
Board Members	52.7%	56.2%	56.0%	52.7%	59.0%	57.0%
No One	27.6%	28.8%	21.0%	23.6%	24.9%	19.8%
Don't Know	2.9%	4.5%	7.2%	7.6%	8.3%	1.8%
<b>Calculate return on investment over # of years</b>						
Staff	15.8%	10.9%	6.5%	12.4%	11.7%	24.7%
Board Members	26.9%	38.5%	31.4%	35.5%	44.1%	42.2%
No One	46.8%	43.1%	51.0%	38.7%	28.3%	31.6%
Don't Know	10.5%	7.4%	11.2%	13.4%	15.9%	1.5%
<b>Track donors (# new, # retained)</b>						
Staff	37.0%	36.6%	36.8%	44.0%	36.6%	35.9%
Board Members	27.8%	28.9%	19.1%	28.2%	41.7%	37.1%
No One	30.3%	30.0%	41.8%	26.9%	21.7%	26.6%
Don't Know	5.0%	4.6%	2.3%	.9%	.0%	.4%
<b>Compare organization with others</b>						
Staff	27.7%	14.0%	17.0%	27.4%	22.3%	14.4%
Board Members	22.8%	24.0%	15.6%	19.4%	22.0%	19.6%
No One	46.9%	56.7%	60.2%	47.7%	42.1%	63.1%
Don't Know	2.6%	5.3%	7.3%	5.5%	13.6%	3.0%



## Chapter 7

# The Need for Standards in Fundraising Practices

### Highlights

- There is little consensus about appropriate practice regarding the use of percentage-based consultants and expense allocations for calculating fundraising costs.
- Most respondents think it is very inappropriate to share ownership of donor lists, and to use paid solicitors without informing donors.
- 86% indicate a need for formal ethical standards regarding fundraising practices. 41% employ such standards (58% of the largest charities).
- 14% of the smallest charities have formal guidelines to evaluate fundraising costs, compared to 37% of the largest charities. Half of those without guidelines think they need to be developed.
- 75% think charities should be required to use standardized accounting procedures for reporting fundraising activities.
- Only 6% indicate that there is no need for regulations regarding fundraising costs. 62% think charities should regulate themselves.

Reductions in government revenues are pushing charities to compete for donations. As a result, donors are likely to receive increasing numbers of appeals for money. One can expect that this will lead to more public scrutiny of charitable fundraising practices. Are charities prepared for this scrutiny?

As we noted earlier, some fundraising practices, such as the use of paid fundraisers, may be at odds with public expectations. The lack of consensus among charities on how to calculate fundraising costs makes it difficult for the public to compare the cost-effectiveness of fundraising programs. This could lead to heightened misgivings by the donor public.

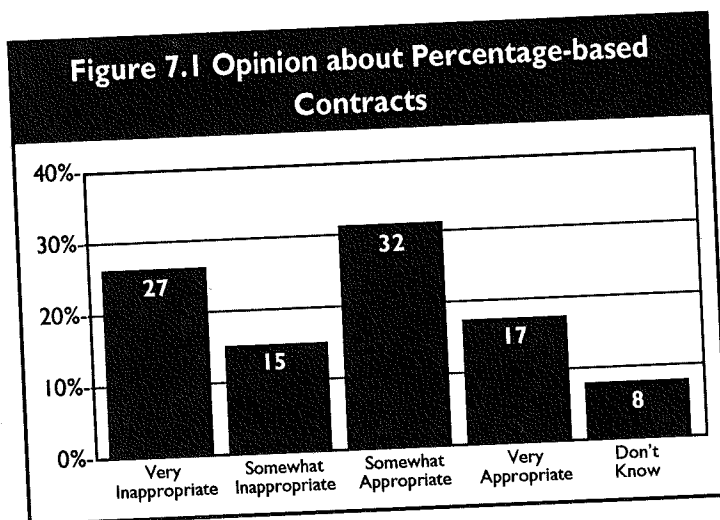
This chapter examines fundraisers' opinions about the appropriateness of practices in such areas as the use of fundraising consultants, the calculation

of fundraising costs, and the need for ethical standards and guidelines for evaluating and reporting fundraising costs. It also looks at how those in charitable organizations view the need for regulations regarding fundraising costs.

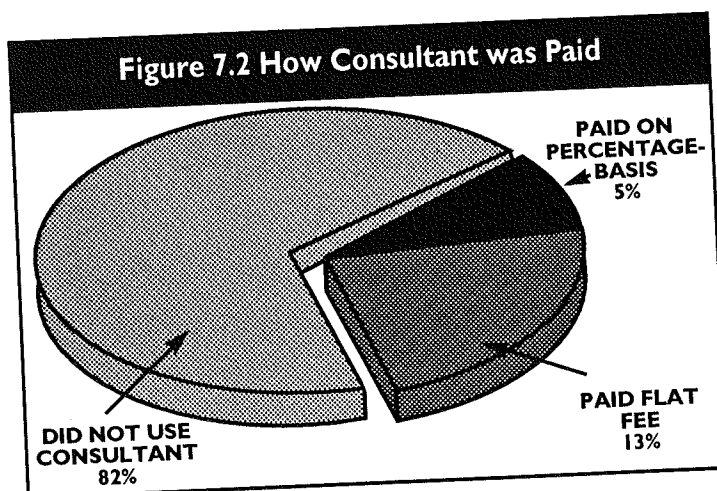
## Appropriateness of Fundraising Practices

As discussed in Chapter 5, some of the public's expectations about fundraising practices, such as the use of percentage-based consultants, may be at odds with some of the practices of charitable organizations. How do those in the charitable sector view these matters?

### The Use of Percentage-Based Fundraisers



The charitable fundraisers who responded to our survey were divided on how appropriate it is to pay fundraising consultants a fee based on a percentage of the funds raised. Somewhat more respondents (49%) considered this appropriate than inappropriate (42%) (see Figure 7.1). As Figure 7.2 shows, these opinions are not mirrored in practice. Of the organizations that used consultants, more than twice as many used flat-fee contracts as opposed to percentage-based arrangements.



Opinions about the use of percentage-based consultants appear to vary among organizations depending upon the size of their revenues and the type of activity in which they are engaged. Respondents from smaller organizations are more likely to indicate that paying consultants a percentage of the funds raised is appropriate compared to those from the larger organizations (see Table 7.1). Forty-eight percent of those with revenues less than \$125,000 indicated this practice is either somewhat appropriate or very appropriate, compared to 32% of organizations with revenues greater than \$1.5 million.

The majority of Arts & Culture respondents (55%) indicate that percentage-based contracts are either very or somewhat appropriate (see Table 7.2). Only 38% of

Hospitals, on the other hand, report that this practice is either very or somewhat appropriate.

### Informing Donors about the Use of Paid Solicitors

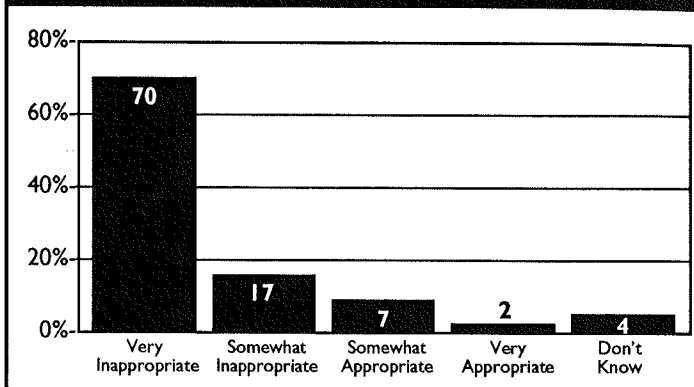
Donors may be unaware that, in addition to the use of paid fundraising consultants, some organizations pay people to solicit funds through telephone and door-to-door canvassing. The results from this research indicate that most charities believe donors have the right to know when paid solicitors are being used. A large majority of respondents (70%) indicated that it was very inappropriate to use paid solicitors to solicit funds in telephone or door-to-door canvassing without telling potential donors (see Figure 7.3). Almost 54% indicated that it was very inappropriate to use paid solicitors without telling potential donors how much they were being paid (see Figure 7.4).

Although the majority of respondents believe that donors should be informed about the use of paid solicitors and the amounts they are paid, the size of this majority varies according to organizational size, type and regional location. Generally, larger organizations and those based in Ontario are somewhat more accepting of these practices (see Tables 7.1 to 7.3). Proportionally fewer Arts & Culture organizations consider it to be very inappropriate to use paid solicitors without informing donors. Community Benefit organizations are the most likely to consider it to be very inappropriate to use paid solicitors without informing potential donors about the amount paid.

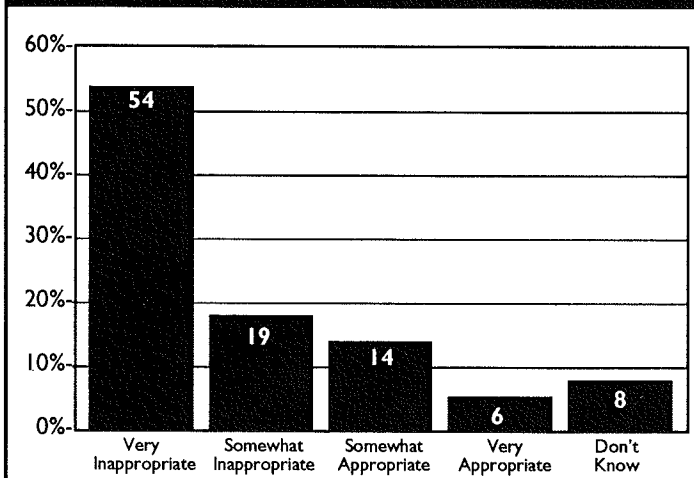
### Sharing Ownership of Donor Lists with Paid Fundraising Consultants

As noted in earlier chapters, although donor lists are an important asset, a small percentage of charities enter into contracts with fundraisers in

**Figure 7.3 Opinion about Using Paid Solicitors without Informing Potential Donors**



**Figure 7.4 Opinion about Using Paid Solicitors without Informing Potential Donors of the Amount They are Paid**



**Figure 7.5 Opinion about Sharing Ownership of the Donor List with Consultant**

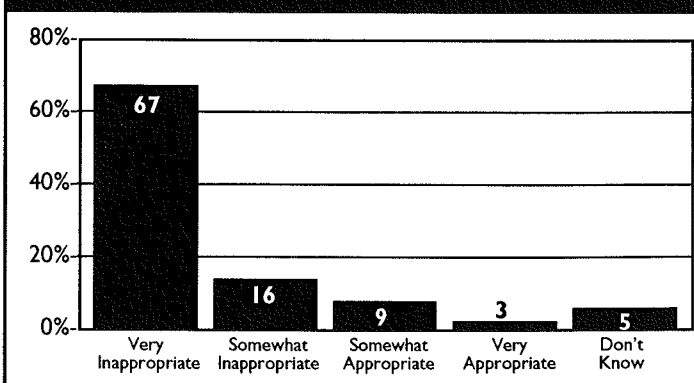


Table 7.1 Opinions about Fundraising Practices by Size of Charity

Practice	SIZE OF TOTAL REVENUES			
	<\$125K	\$125K- \$499K	\$500K- \$1.5M	>\$1.5M
<b>Paying consultants a percentage of funds raised</b>				
Very Appropriate	15.8%	18.4%	15.2%	11.7%
Somewhat Appropriate	32.3%	33.8%	29.7%	20.7%
Somewhat Inappropriate	15.6%	15.6%	17.3%	18.9%
Very Inappropriate	28.2%	27.3%	31.8%	45.3%
Don't Know	8.1%	4.9%	6.1%	3.4%
<b>Using paid solicitors without informing donors</b>				
Very Appropriate	1.0%	3.2%	3.1%	2.4%
Somewhat Appropriate	3.3%	6.7%	9.0%	11.3%
Somewhat Inappropriate	20.1%	16.0%	15.3%	17.3%
Very Inappropriate	71.9%	70.7%	66.3%	66.1%
Don't Know	3.8%	3.4%	6.4%	2.9%
<b>Using paid solicitors without informing donors of the amount paid</b>				
Very Appropriate	3.4%	6.1%	9.7%	9.1%
Somewhat Appropriate	10.8%	14.5%	16.5%	17.2%
Somewhat Inappropriate	19.8%	17.9%	17.5%	23.1%
Very Inappropriate	59.2%	56.1%	45.9%	44.0%
Don't Know	6.7%	5.4%	10.5%	6.6%
<b>Sharing ownership of the donor list with consultant</b>				
Very Appropriate	5.3%	1.8%	4.9%	1.9%
Somewhat Appropriate	6.5%	9.9%	7.7%	10.5%
Somewhat Inappropriate	18.7%	15.3%	14.5%	12.9%
Very Inappropriate	64.2%	69.5%	70.4%	72.1%
Don't Know	5.2%	3.5%	2.6%	2.6%

Table 7.2 Opinions about Fundraising Practices by Type of Charity

Practice	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
<b>Paying consultants a percentage of funds raised</b>							
Very Appropriate	22.2%	20.1%	13.0%	14.7%	7.7%	17.4%	11.6%
Somewhat Appropriate	32.4%	26.6%	32.2%	30.0%	30.5%	34.5%	35.8%
Somewhat Inappropriate	16.9%	11.3%	21.0%	21.8%	18.6%	12.4%	16.8%
Very Inappropriate	25.4%	33.2%	26.7%	25.5%	34.2%	27.9%	23.2%
Don't Know	3.2%	8.8%	7.1%	8.0%	9.0%	7.8%	12.5%
<b>Using paid solicitors without informing donors</b>							
Very Appropriate	3.7%	1.8%	.4%	1.8%	.5%	1.6%	4.4%
Somewhat Appropriate	3.5%	5.8%	5.4%	6.1%	4.5%	9.4%	6.4%
Somewhat Inappropriate	27.1%	15.1%	15.6%	17.1%	15.3%	12.5%	17.4%
Very Inappropriate	63.4%	70.5%	72.7%	72.1%	75.3%	74.3%	66.6%
Don't Know	2.2%	6.7%	6.0%	3.0%	4.3%	2.2%	5.1%
<b>Using paid solicitors without informing donors of the amount paid</b>							
Very Appropriate	8.4%	5.0%	6.9%	5.6%	6.0%	4.4%	5.9%
Somewhat Appropriate	16.6%	9.5%	17.3%	16.0%	13.5%	14.8%	8.7%
Somewhat Inappropriate	22.0%	11.8%	21.7%	18.7%	26.0%	18.2%	22.8%
Very Inappropriate	46.3%	66.6%	46.9%	51.9%	47.4%	56.3%	55.5%
Don't Know	6.8%	7.1%	7.3%	7.8%	7.1%	6.3%	7.1%
<b>Sharing ownership of the donor list with consultant</b>							
Very Appropriate	1.9%	5.5%	.8%	3.2%	2.7%	3.9%	1.9%
Somewhat Appropriate	12.5%	5.4%	7.0%	8.1%	6.4%	7.5%	17.5%
Somewhat Inappropriate	15.5%	13.9%	17.6%	17.5%	17.3%	14.1%	14.1%
Very Inappropriate	65.0%	70.8%	68.7%	67.6%	72.0%	69.0%	61.7%
Don't Know	5.1%	4.5%	5.9%	3.6%	1.7%	5.4%	4.8%

which they share ownership of their lists to their possible detriment. As Figure 7.5 shows, a majority of respondents (67%) consider list sharing to be very inappropriate. The size of this majority is greater among the largest size organizations (72%) than it is among the smallest (64%) (see Table 7.1). Hospitals are also more likely to find this practice very inappropriate (72%) than are Arts & Culture organizations (65%) (see Table 7.2). Finally, charities in British Columbia are more likely to consider this very inappropriate than are charities from Quebec (60%) or the Atlantic region (61%) (see Table 7.3).

## Reporting Fundraising Costs

There appears to be substantial variation in the way charities allocate expenses when calculating fundraising costs, as was noted in Chapter 4. It is not surprising then, that there is also substantial variation in opinions as to what constitutes appropriate practice in this area.

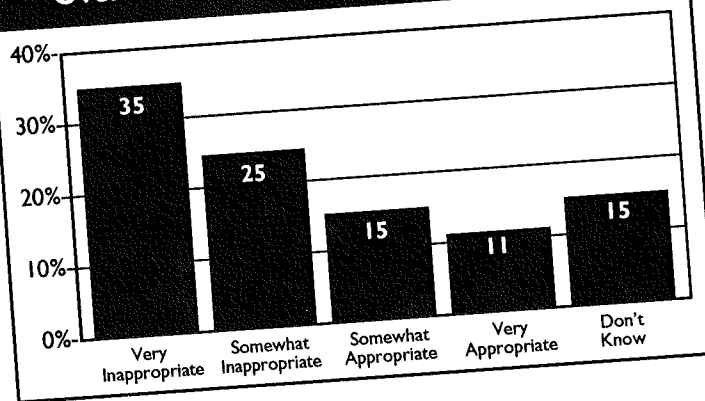
### Inclusion of Overhead Expenses in Fundraising Costs

Most charitable organizations believe a proportion of organizational overhead expenses should be included in calculations of fundraising costs. Sixty percent of respondents to our survey indicate that not allocating overhead expenses to the fundraising budget was either somewhat inappropriate or very inappropriate (see Figure 7.6). The minority who believe this practice to be appropriate is, however, substantial (26%).

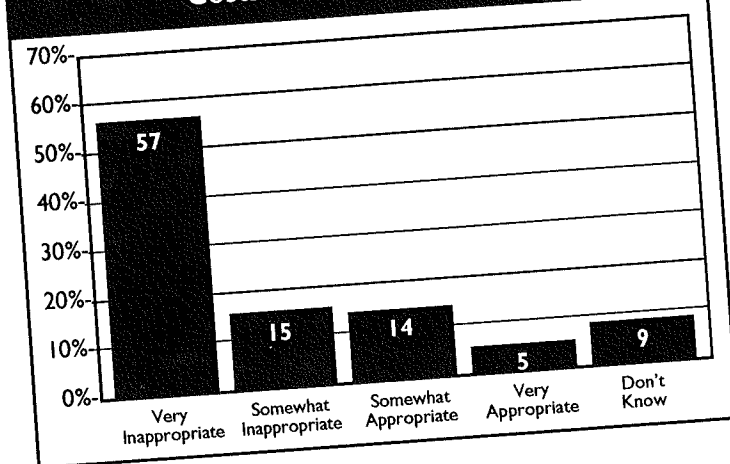
As reported in Chapter 4, only 33% of respondents belong to organizations that actually allocate overhead expenses to their fundraising budget. There appears to be a gulf between practice and opinion on this issue.

Proportionally fewer small organizations (those with revenues less than \$500,000) consider it somewhat or very inappropriate to not allocate overhead costs to fundraising (see Table 7.4). This variation in opinion corresponds to the variations in practices reported in Chapter 4. This is also true of Social Service charities (see Table 7.5). In terms of regional variations, Quebec based charities are the least likely to consider non-allocation of overhead expenses to be inappropriate (see Table 7.6).

**Figure 7.6 Opinion about Not Allocating Overhead Costs to the Fundraising Budget**



**Figure 7.7 Opinion about Allocating Fundraising Costs to Other Programs**





## Allocating Costs to Other Programs

A majority (57%) of those surveyed indicated that it was very inappropriate to allocate some of the expenses associated with fundraising to other programs in annual financial statements (see Figure 7.7). However, as is the case with allocation of overhead expenses, a substantial minority believe that such practices are appropriate. As noted in Chapter 4, 21% of respondents allocate some proportion of their expenses to other programs (e.g., education programs).

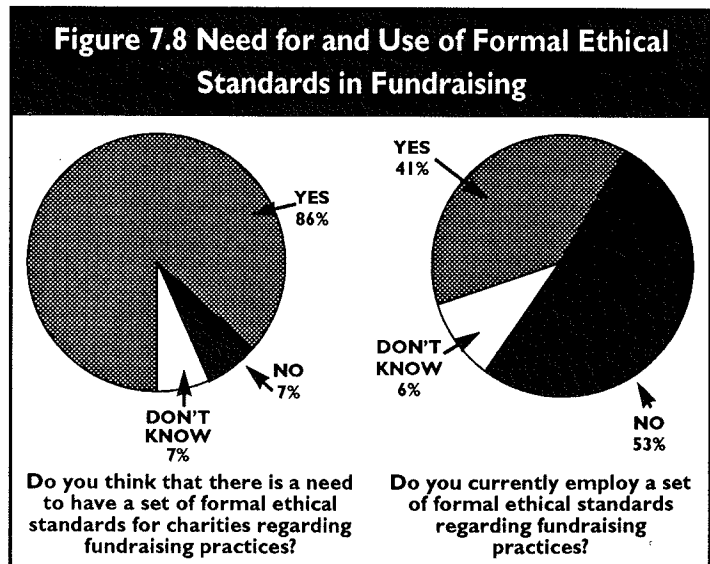
Proportionally fewer large organizations indicated that it was very inappropriate to allocate fundraising costs to other programs. This is the case with 54% of organizations with revenues over \$1.5 million, compared to 63% of organizations with revenues less than \$125,000 (see Table 7.4). Health and Education charities were less likely than other types to indicate that these practices are very inappropriate (49% and 53%, respectively). It should be noted that Health charities appear to be most likely to allocate fundraising costs to other programs (see Table 7.5). Regionally, Ontario-based charities were less likely than most others to consider this practice very inappropriate (see Table 7.6).

## The Need for Standards

There appears to be more consensus on the sharing of donor lists and the use of paid solicitors without informing donors than there is on the use of percentage-based consultants and the calculation of fundraising costs. In these latter areas, there appears to be little agreement as to what constitutes appropriate practice. This is cause for concern because these are the areas most likely to spark questions in the public's mind. There is, however, indication that fundraisers are aware of the need for greater attention to these issues.

### Formal Ethical Standards - Fundraising Practices

As Figure 7.8 shows, 86% of survey respondents indicate that there is a need for charities to have formal ethical standards regarding fundraising practices. Forty-one percent report that the charity for which they work employs such standards. The smallest revenue organizations are somewhat less likely than others to indicate a need for ethical standards and much less likely to employ such standards. Only 38% of organizations with revenues



*Only 38% of the smallest charities employ formal ethical standards, compared to 58% of the largest charities.*

**Table 7.3 Opinions about Fundraising Practices by Province/Region**

Practice	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
<b>Paying consultants a percentage of funds raised</b>						
Very Appropriate	15.6%	13.2%	14.5%	14.3%	23.9%	18.1%
Somewhat Appropriate	32.2%	29.7%	33.6%	33.6%	34.4%	25.2%
Somewhat Inappropriate	14.8%	19.5%	13.1%	17.3%	11.0%	17.3%
Very Inappropriate	28.2%	27.1%	30.5%	26.5%	23.1%	34.4%
Don't Know	9.2%	10.5%	8.3%	8.4%	7.6%	5.0%
<b>Using paid solicitors without informing donors</b>						
Very Appropriate	1.6%	1.4%	1.0%	2.8%	.3%	5.0%
Somewhat Appropriate	4.2%	6.2%	7.3%	10.0%	2.8%	5.7%
Somewhat Inappropriate	12.0%	16.1%	19.9%	16.9%	20.4%	12.1%
Very Inappropriate	77.1%	72.6%	69.3%	65.7%	71.9%	72.8%
Don't Know	5.2%	3.8%	2.5%	4.6%	4.5%	4.3%
<b>Using paid solicitors without informing donors of the amount paid</b>						
Very Appropriate	5.9%	4.5%	4.2%	8.9%	1.8%	6.2%
Somewhat Appropriate	13.2%	12.5%	11.9%	18.0%	8.2%	13.1%
Somewhat Inappropriate	25.8%	17.9%	20.3%	17.6%	17.1%	18.4%
Very Inappropriate	49.5%	59.1%	56.9%	46.0%	64.9%	55.2%
Don't Know	5.7%	6.0%	6.6%	9.4%	8.1%	7.1%
<b>Sharing ownership of the donor list with consultant</b>						
Very Appropriate	.0%	2.3%	3.2%	4.4%	1.0%	7.8%
Somewhat Appropriate	5.2%	7.2%	9.0%	9.1%	8.6%	16.0%
Somewhat Inappropriate	15.1%	10.6%	15.4%	14.0%	23.2%	13.0%
Very Inappropriate	76.4%	74.0%	68.8%	67.7%	60.3%	60.5%
Don't Know	3.3%	5.9%	3.6%	4.8%	6.9%	2.7%

**Table 7.4 Cost Allocations: Opinion and Practice by Size of Charity**

	<b>TOTAL REVENUES REPORTED</b>			
	<b>&lt;\$125K</b>	<b>\$125K- \$499K</b>	<b>\$500K- \$1.5M</b>	<b>&gt;\$1.5M</b>
<b>Opinion: Not allocating overhead costs to the fundraising budget</b>				
Very Appropriate	7.8%	14.2%	10.0%	10.2%
Somewhat Appropriate	17.8%	16.9%	13.5%	15.9%
Somewhat Inappropriate	18.9%	24.9%	29.5%	28.2%
Very Inappropriate	36.6%	34.4%	39.5%	35.3%
Don't Know	18.9%	9.6%	7.5%	10.4%
<b>Do you allocate overhead costs to the fundraising budget?</b>				
Yes	30.3%	42.7%	45.1%	57.2%
No	65.7%	55.6%	49.4%	37.8%
Don't Know	4.0%	1.7%	5.4%	5.0%
Very Inappropriate				
<b>Opinion: Allocating fundraising costs to other programs</b>				
Very Appropriate	4.9%	4.8%	8.3%	7.4%
Somewhat Appropriate	11.5%	14.9%	13.8%	13.5%
Somewhat Inappropriate	8.7%	17.1%	23.4%	19.1%
Very Inappropriate	63.4%	58.3%	50.4%	54.3%
Don't Know	11.5%	4.9%	4.2%	5.7%
<b>Do you allocate fundraising costs to other programs?</b>				
Yes	17.9%	25.2%	19.1%	26.3%
No	75.0%	71.1%	76.0%	68.6%
Don't Know	7.1%	3.7%	4.9%	5.1%

Table 7.5 Cost Allocations: Opinion and Practice by Type of Charity

	CHARITY TYPE						
	Arts & Culture	Community Benefit	Education	Health	Hospitals	Social Services	Other
<b>Opinion: Not allocating overhead costs to the fundraising budget</b>							
Very Appropriate	15.5%	9.7%	8.4%	9.7%	9.5%	12.9%	8.9%
Somewhat Appropriate	16.1%	9.4%	18.7%	13.8%	13.5%	17.6%	12.6%
Somewhat Inappropriate	26.3%	19.5%	28.4%	33.3%	35.7%	20.9%	27.6%
Very Inappropriate	32.0%	42.9%	30.6%	27.6%	29.1%	33.6%	39.4%
Don't Know	10.0%	18.6%	13.9%	15.6%	12.1%	15.1%	11.5%
<b>Do you allocate overhead costs to the fundraising budget?</b>							
Yes	27.7%	41.9%	28.8%	34.1%	38.6%	31.1%	48.5%
No	67.5%	54.3%	64.9%	57.0%	57.4%	63.6%	50.8%
Don't Know	4.8%	3.9%	6.3%	8.9%	4.1%	5.4%	.7%
<b>Opinion: Allocating fundraising costs to other programs</b>							
Very Appropriate	2.5%	4.6%	3.4%	4.8%	3.3%	6.8%	7.2%
Somewhat Appropriate	13.6%	15.4%	18.6%	13.7%	11.6%	11.7%	15.5%
Somewhat Inappropriate	17.4%	13.7%	11.3%	22.5%	19.7%	13.0%	14.1%
Very Inappropriate	58.1%	59.5%	53.3%	49.2%	60.3%	60.8%	58.5%
Don't Know	8.4%	6.8%	13.3%	9.9%	5.1%	7.7%	4.6%
<b>Do you allocate fundraising costs to other programs?</b>							
Yes	15.3%	23.8%	18.9%	27.2%	21.0%	20.6%	19.5%
No	82.8%	66.6%	77.0%	64.1%	75.4%	72.8%	74.1%
Don't Know	1.9%	9.6%	4.2%	8.7%	3.6%	6.6%	6.4%

**Table 7.6 Cost Allocations: Opinion and Practice by Province/Region**

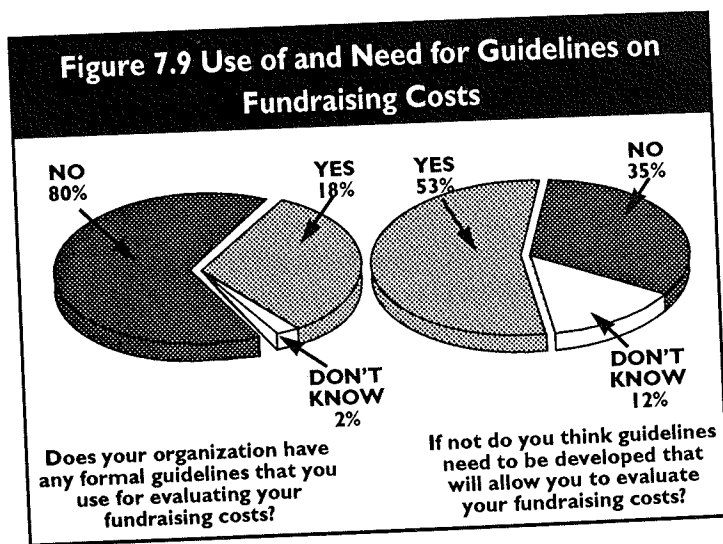
	PROVINCE/REGION					
	BC	Alberta	MB/Sask/ Territories	Ontario	Quebec	Atlantic
<b>Opinion: Not allocating overhead costs to the fundraising budget</b>						
Very Appropriate	11.3%	9.7%	12.7%	8.0%	14.8%	9.1%
Somewhat Appropriate	8.5%	14.4%	15.1%	13.1%	22.7%	19.2%
Somewhat Inappropriate	35.6%	25.9%	24.3%	24.7%	19.7%	21.1%
Very Inappropriate	25.2%	38.3%	40.2%	37.8%	25.9%	39.6%
Don't Know	19.4%	11.7%	7.7%	16.4%	16.9%	10.9%
<b>Do you allocate overhead costs to the fundraising budget?</b>						
Yes	27.1%	31.5%	33.5%	39.5%	27.7%	31.8%
No	69.5%	64.9%	64.0%	52.9%	64.2%	64.0%
Don't Know	3.4%	3.6%	2.5%	7.6%	8.1%	4.2%
<b>Opinion: Allocating fundraising costs to other programs</b>						
Very Appropriate	2.6%	5.0%	9.2%	5.7%	3.4%	4.6%
Somewhat Appropriate	16.0%	19.4%	12.5%	17.2%	8.7%	11.5%
Somewhat Inappropriate	14.1%	12.1%	12.8%	12.1%	21.0%	17.5%
Very Inappropriate	60.1%	55.8%	58.8%	52.6%	61.4%	61.0%
Don't Know	7.2%	7.6%	6.7%	12.5%	5.4%	5.4%
<b>Do you allocate fundraising costs to other programs?</b>						
Yes	16.3%	23.5%	22.5%	26.0%	13.8%	22.1%
No	80.2%	72.5%	72.9%	67.4%	72.9%	75.8%
Don't Know	3.5%	4.0%	4.6%	6.6%	13.3%	2.1%

less than \$125,000 employ such ethical standards, compared to 58% of organizations with revenues over \$1.5 million.

Hospitals are most likely to report that there is a need for ethical standards and also most likely to have such standards. Community Benefit organizations are the least likely to indicate a need for standards but among the most likely to report employing such standards, along with Hospitals and Other charities. Arts & Culture organizations are the least likely to report employing a set of ethical standards for their fundraising.

Regionally, Atlantic charities are the least likely to indicate a need for ethical standards, but among the most frequent to report employing such standards. British Columbia charities are among the least likely to report employing ethical standards.

### Formal Guidelines to Evaluate Costs



As noted in Chapter 4, there appears to be some recognition of the need for standards to guide the evaluation of fundraising costs. As Figure 7.9 shows, only 18% of the respondents to our survey report that their organizations have formal guidelines that are used to evaluate their fundraising costs. Over 50% percent of those without guidelines indicate that such guidelines need to be developed.

Respondents from larger organizations are more likely to report having formal guidelines than are those from smaller organizations. Over 36% of organizations with revenues over \$1.5 million report having guidelines, compared to only 14%

of those with revenues under \$125,000. Those from the smallest organizations are also the least likely to think that such guidelines need to be developed.

*Over 36% of the largest charities have guidelines compared to only 14% of the smallest.*

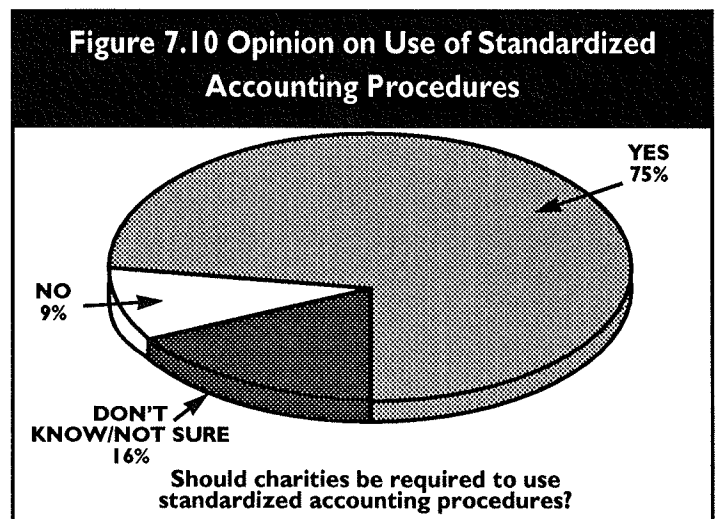
Hospitals, Community Benefit and the Other category of charities report having formal guidelines most often). Among those without guidelines, respondents from Community Benefit and Other charities are least likely to think that they need to be developed.

There are regional variations in the use of and reported need for guidelines. Only 10% of the respondents from British Columbia charities report having organizational guidelines to evaluate costs. In contrast, those in Alberta are the most likely to report having such guidelines. Relatively fewer Atlantic region and Manitoba/Saskatchewan respondents think that guidelines need

to be developed than do those from other provinces. In contrast, those from Alberta and Ontario are the most likely to think that guidelines are needed.

## Opinions about Standardized Accounting Practices

The lack of consensus on the allocation of expenses both to and from fundraising budgets may explain why 75% of respondents indicate that charities should be required to use standardized accounting procedures for reporting fundraising activities (see Figure 7.10). It should be noted that 16% of respondents said that they did not know whether such procedures were needed. There is no significant variation of opinion among charities of different sizes, but there are variations by charity type and by region. Hospitals and Social Service organizations are more likely than others to indicate a need for standardized accounting procedures (82% and 80%, respectively), while Health and Other charities are less likely to indicate such a need (67% each). Alberta charities are more likely than those in British Columbia, Manitoba/Saskatchewan and Ontario to express a need for standardized accounting procedures for reporting fundraising activities.



## Is there a Need for Regulation?

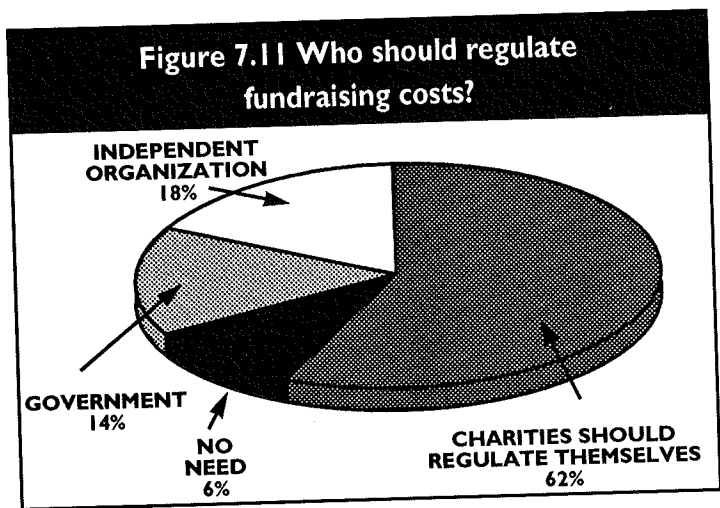
As we have seen, there is little consensus either in fundraising practices or in fundraisers' opinions about the appropriateness of these practices. This can only encourage public scepticism about charitable fundraising. In a Gallup poll conducted for the Council of Better Business Bureaus in the United States in 1993, 81% of respondents indicated that they were "somewhat" or "very" concerned about the amount charities spend for fundraising and other expenses "not directly related to the problem they are fighting." Sixty-six percent said that charities do not provide donors with adequate information to make decisions about donations. A majority, almost 75%, indicated that mandatory regulation was required to keep charities honest. Although the opinions of those in the U.S. do not necessarily correspond with those in Canada, the Gallup results should sound a cautionary warning.

Charitable fundraisers recognize the need for ethical standards and standardized accounting procedures in fundraising. In addition, they overwhelmingly indicate that some sort of regulation regarding fundraising

costs is needed (see Figure 7.11). Only 6% indicate that it is not. Fundraisers' opinions diverge somewhat, however, about who should provide such regulation. Sixty-two percent think that charitable organizations should regulate themselves; 32% indicate that external regulators are required. Of these, 18% believe it should be an independent body and 14% believe it should be government.

There are only modest variations in opinions about regulations among charities of different sizes. The largest charities are less likely than the smallest to indicate that there is no need for regulation. In addition, the medium

sized charities (revenues between \$125,000 and \$1.5 million) are less likely to endorse the idea of charities regulating themselves than are the largest revenue charities, and are more likely to indicate that they do not know which regulation option is best. There are no significant variations in responses by charity type. With regard to provincial variations, Alberta, Quebec and Atlantic charities are less likely to endorse the option of charity self-regulation, and British Columbia and Ontario charities are most likely to do so. It should be noted that Alberta respondents were most likely to indicate that they did not know which was the best option.





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# Chapter 8

# Conclusion

This research indicates that there are substantial differences in both fundraising practices and opinions about these practices among Canadian charities. There appears to be recognition that fundraisers in charitable organizations would benefit from the development and use of ethical standards, guidelines for evaluating costs, and standardized accounting procedures.

## Large vs. Small Charitable Organizations

Fundraising practices of the large revenue charities differ substantially from small revenue charities. Larger charities that do the bulk of fundraising are not only more likely to report employing ethical standards, but are also more likely to recognize the need for such standards. It appears that fundraisers in smaller charities, however, would benefit from greater education about issues associated with fundraising. This may be partly attributable to the resources they are able to direct toward fundraising and partly due to the relative importance they place on public fundraising as a source of revenue.

Almost 40% of the organizations in this study report total revenues of less than \$125,000. Most have very few resources to direct towards fully developing their approaches to fundraising. Over 86% do not have paid staff that devote their full attention to fundraising activities. Over 50% have one paid staff person who spends 15% of his or her time on fundraising in addition to their other duties. For these organizations, it is likely that fundraising is primarily the responsibility of volunteers. One would expect that most of these charities, given their modest presence in the fundraising arena and modest resources, would not devote a great deal of time and energy to considering many of the issues associated with fundraising.

Large charities with revenues over \$1.5 million (which comprise only 16% of all organizations surveyed) account for 70% of the funds raised from the public. These organizations are, not surprisingly, more likely to have staff that are devoted to fundraising efforts. Hospital charities, a substantial number of which are also large revenue charities, are most likely to report having a paid fundraising staff person, while Arts & Culture, Community Benefit and Social Service organizations are least likely.

Charities, as a whole, raise 30% more from individuals than they raise from government, corporate and foundation grants. Revenues from government grants are more than twice as large as those obtained from corporate or foundation grants and donations. Most corporate, government, and foundation funding, like funding from private individuals, goes to those charities with revenues over \$1.5 million.

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## Fundraising Costs

Cost of fundraising issues may be less relevant to smaller revenue charities because of the ways in which they raise their funds. Among the smaller charities, Special Events and Charitable Gaming are the most important fundraising activities in terms of the amounts of revenues obtained. Unsolicited donations are also a far more important source of revenue for small charities. In contrast, larger organizations tend to rely more on Direct Mail and Planned Giving. Direct Mail may call more attention to a charity's fundraising activities than do Special Events or Charitable Gaming.

Are the costs of charitable fundraising excessive? Unfortunately, this is very difficult to judge because of variations in how organizations calculate costs. For example, almost one-third of charities allocate organizational overhead expenses to their fundraising budgets, while two-thirds do not. This practice is used by the majority (61%) of the large organizations that account for the bulk of fundraising revenues, but by only a third of the smallest organizations. Allocation practices also vary according to the type of charity. Hospitals, Community Benefit and Other charities are more likely to allocate overhead expenses than are others. Almost one-fifth of charities also allocate some of their fundraising expenses to other programs, such as public education. Arguments can be made about the merits of both types of allocation practices. The lack of consistency, however, makes any evaluation of fundraising costs difficult.

Our best estimate of the cost of fundraising suggests that 50% of charities have costs that amount to only 12% of the funds raised. The average cost is 26%, indicating that some organizations incur substantial fundraising costs. At least 5% spend more money on fundraising than they collect. It should be borne in mind, however, that fundraising activities are often expensive at the outset, particularly if an organization is attempting to acquire donors (c.f., McCormick, P., Elton, D., & Vander Ploeg, C., 1995)

## Use of Third-Party Fundraisers

There have been a number of cases in the media of third-party, percentage-based fundraising consultants who have retained what appears to be an inordinate proportion of the funds raised on behalf of a charity. This research attempted to obtain an empirical estimate of the use of fundraising consultants, the terms of the arrangements between consultants and charities, and their costs.

The use of consultants appears to be much more frequent among larger charities. Fifty-percent of the organizations with revenues over \$1.5 million report using a for-profit fundraising company or consultant in the past five years. In contrast, only 10% of the smallest charities used a consultant over the same time period. Consultants seem particularly active in the area of telephone solicitations. Over 26% of those employing fundraising consultants used them for telephone fundraising campaigns.

Percentage-based consulting arrangements have attracted particular scrutiny because of the potential conflict of interest between a consultant's desire to boost revenues and the charity's need to preserve the goodwill of its donors. In addition, donors may not consider it appropriate that a proportion of their donation goes to a for-profit company, rather than to the charity and the charitable activities they wish to support.

Percentage-based contracts with third-party consultants occur relatively infrequently. Of the 19% of charities reporting using a paid fundraising consultant in the past five years, only 26% entered into percentage-based arrangements. This translates to a reported use of percentage-based consultants in the past five years by only 5% of all charities. The use of this type of consultant is, however, more frequent among smaller revenue organizations.

These percentage-based arrangements appear to offer a number of advantages to small revenue charities. For example, they often include a "no-risk" guarantee that the charity will not lose money on its fundraising activities. Nevertheless, there are a number of questionable practices associated with these types of arrangements.

Almost a third of percentage-based arrangements resulted in the charity sharing ownership of its donor list with the consultant. In over a quarter of such arrangements, the charities did not have sole ownership of the bank accounts into which fundraising revenues were deposited. In addition, over two-thirds of those organizations that reported percentage-based contracts did not request proposals from more than one consultant.

As has been discussed, each of these practices is potentially harmful to the charity. Sharing ownership of a donor list means that other charities may obtain access to donors by purchasing the names and addresses from the consultant. Lack of control of the bank accounts into which fundraising revenues are deposited can make it difficult to account properly for the funds raised. Lastly, most percentage-based contracts do not appear to have been subject to a competitive bid process that would help to ensure that the charity got the best deal possible.

Smaller charities may be more likely to enter into percentage-based contracts with their attendant weaknesses for a number of reasons. They may be unable to marshal the resources necessary to undertake fundraising activities on their own or may not understand the issues associated with the contracts they sign. They are also less likely to be able to afford the risk that a fundraising program will lose money. Finally, because of their size, small charities are likely to be relatively unknown, and may therefore have less potential than larger charities to attract donors.

Larger revenue charities, on the other hand, may be less likely to enter into percentage-based contracts because they have the resources to hire their own staff, are better able to risk capital in fundraising ventures, and are more likely to be known to potential donors. One of the benefits of having paid fundraising staff is that they may be more aware of the problems associated with some types of consulting arrangements, particularly if they are fundraising professionals. As we noted earlier, a number of professional fundraising organizations have standards of conduct which prohibit the use of percentage-based fundraisers.

## Boards of Directors

It is important to understand the role Boards play in approving policies concerning their organizations' fundraising activities and the extent to which they monitor these activities. The ultimate responsibility for the operation of charitable organizations rests with their Boards of Directors.

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A substantial percentage of Boards do not give formal approval to fundraising policies. No more than 55% give formal approval to policies regarding the disclosure of fundraising costs, or decisions about the types of costs that are included in fundraising expenses (e.g., allocation of organizational overhead expenses). Only 46% give formal approval to policies about the use of donors names and addresses.

## Evaluation of Fundraising Cost-Effectiveness

Almost half (48%) of the organizations report that neither their Board nor their staff conduct evaluations of the effectiveness of their organization's fundraising activities. This calls into question the ability of these organizations to assure donors that their donations are being used cost-effectively. However, as has been noted earlier, most organizations receive only modest amounts of revenues from public fundraising.

There appears to be greater attention to evaluation in the large organizations that raise most of the funds from the public. Seventy-two percent of those with revenues over \$1.5 million (that account for 70% of the funds raised) conduct evaluations of the effectiveness of their fundraising programs. Such evaluations are much more common among Hospital charities, Health charities and the Other category of charities.

## Standards of Practice

Opinions about what constitutes appropriate fundraising practices vary considerably on issues concerning the use of percentage-based consultants and the calculation of fundraising costs. This may be cause for concern because practices in this area are particularly likely to raise questions about the effective use of charitable donations.

There appears to be consensus on the need to develop guidelines for fundraising practice.<sup>9</sup> Although most (86%) of the respondents indicate that there is a need for formal ethical standards, only 41% report that their organization employs such standards. It is important to note that smaller charities are much less likely to employ ethical standards than are the largest charities. Only 17% of organizations report having formal guidelines for evaluating their fundraising costs, and half of those without guidelines indicate that they are needed. A majority (75%) also indicate that charities should be required to use standardized accounting procedures for reporting fundraising activities.

With regard to regulating fundraising costs, only 6% of respondents indicate that there is no need to do so. A majority express the view that charitable organizations should regulate themselves in this area. Thirty-two percent indicate that external regulators are required. Of these, 18% look to an independent body and 14% to government.

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<sup>9</sup> It should be pointed out that some guidelines do exist. The National Society of Fund Raising Executives has, for example, developed a Code of Ethical Principles and Standards of Professional Practice, as have a number of other professional associations (for a compilation of standards of U.S. organizations, see Independent Sector (1991)). As noted earlier, there are also a number of sources for recommendations on appropriate costs (e.g., Greenfield, 1991, Howe, 1991).

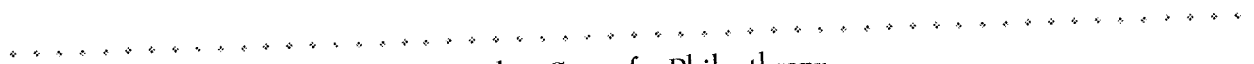
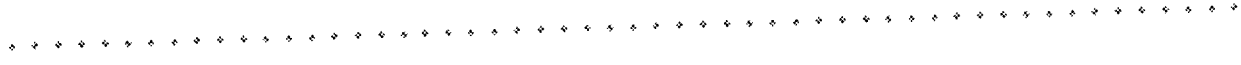
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## Conclusion

This research arose out of concern that some charitable fundraising practices have the potential to undermine the public's confidence that their donations are being used effectively. The results are encouraging in many respects, but also point to the need for greater attention to fundraising practice. Larger charities, which account for most of the funds raised from the public, appear on the whole, to operate in a manner that safeguards public trust in their institutions. Nevertheless, there is a surprising lack of uniformity in the way that costs are calculated, and an expressed need for ethical standards and the establishment of guidelines for practice.

The smaller, yet more numerous charities, appear to be more likely to engage in fundraising practices that the public could regard as questionable. However, one can anticipate that they will increase their public fundraising activities if government support continues to decline. As more small charities enter the fundraising arena, there is an increased potential for fundraising practices that could undermine donor confidence and trust in all charities. Efforts to improve fundraising practices of these charities would therefore appear to be in the best interests of all.

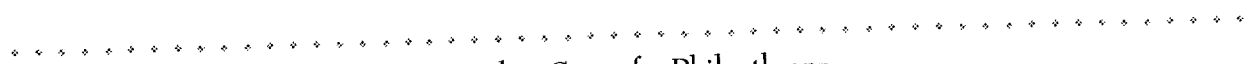
The general lack of consistency in fundraising practice and the finding that an overwhelming majority of fundraisers think that there is a need for ethical guidelines and standards of practice point to the need for a concerted effort within the charitable sector to address these issues. As has been pointed out, a number of guidelines and standards do exist, although most charities do not employ them. Charities are either not aware of them or do not find them appropriate to their needs. The results of this study indicate that the charitable sector needs to ensure that appropriate guidelines and standards are made available, and to encourage their widespread adoption.



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# Appendix

# Survey Methodology

The following outlines the survey methodology employed in this study. It begins with a review of the sample design, sample selection procedures and response rates. Next, the analysis variables are reviewed (i.e., revenue size, charity type and province/region) and the confidence intervals associated with breakdowns of the data by each of these variables are presented.

## **Sample Design**

The sample consisted of non-religious, non-private foundation charities with reported donation revenues of \$1,000 or more in 1993 for which a valid mailing address could be verified by a pre-survey telephone contact. The sample was drawn from a list, obtained from Revenue Canada, of all registered charities that filed tax returns (Form T3010) for 1993.

The sample was stratified along three dimensions: the province/region in which the charitable organization is located, the total value of donation revenues reported to Revenue Canada, and the type of charitable organization. Table A.1 shows the population counts and target sample sizes for each of the sampling strata. As can be seen, some strata were oversampled to ensure adequate numbers in each subset of the sample to allow for meaningful analysis.

The desired number of returns in each substrata of the sample was calculated on a cell-by-cell basis taking into account region, revenue and charity type. In cases where the size of the actual population was not sufficiently large to accommodate the desired sample size in a specific cell, cell counts were adjusted as appropriate by either increasing the size of the next highest revenue category cell within the same charity type category in the region, or if necessary, by increasing the size of the next charity type category within the same revenue category in the region.

## **Sample Selection Procedures**

The list of charities was sorted by region, then within each region by charity type and revenue. A systematic sampling technique using an Nth name selection process was then used to identify individual chari-

ties to be included in the sample within the various sampling strata. The sample was drawn on the assumption that mailing addresses would not be verifiable for 10% of charities. A total of 5,417 charities were drawn to obtain the target of 3,430 charities with confirmed mailing addresses.<sup>1</sup> Charities for which addresses could not be confirmed were replaced in the sample by charities drawn at random from within the same sampling cell. Where the size of the actual population within the sampling cell was not sufficiently large to draw additional names, replacements were drawn by either moving to the next highest revenue category cell within the same charity type category in the region, or if necessary by moving to the next charity type category within the same revenue category in the region.

## Data Collection

Prior to the mailing of the survey, charities were contacted by telephone during normal office hours and a request was made to speak to the person who handles fundraising for the organization. If available, the fundraiser was informed that they would be sent a survey in the next few weeks. If unavailable, the name of the fundraiser was obtained and a message was left indicating they would be receiving a survey on charitable fundraising. For the Quebec sample, bilingual interviewers were used to contact fundraisers and to confirm the language in which the respondent preferred to receive the questionnaire. The names and titles of the identified fundraisers were used to personalize the survey mailings.

The questionnaire was mailed with along with a postage-paid return envelope and a letter from the Director of Research at the Canadian Centre for Philanthropy explaining the objectives of the research and its importance. A French language version of both the questionnaire and covering letter was developed for use by Quebec respondents. The questionnaires were mailed in the first week of August, 1995. A reminder letter from Decima Research was sent two weeks following the initial mailing. A second reminder along with a questionnaire was sent three weeks later to all respondents whose questionnaires had not yet been returned.

## Response Rates

A total of 3430 were mailed to non-religious charitable organizations, of which 1516 were returned, yielding a response rate of 44.2%. Table A.2 shows the distribution of the final sample, the distribution of returns and the response rates within each of the three sampling strata.

## Weighting

Because of the stratified sampling design employed, the unweighted data are not representative of the population. For example, the sample contains more large revenue charities, Community Benefit charities, Arts & Culture organizations, and charities outside Ontario than would be expected in the population. Weights were therefore applied to adjust for the effects of stratification. Four weights were calculated: provincial weights, charity type weights, revenue weights and national weights. The adjustments they perform are outlined in Table A.3.

<sup>1</sup> Efforts were made to find telephone numbers for each charity selected (Revenue Canada could not provide telephone numbers for charities). Some telephone numbers could not be found because the charity no longer existed, or had moved. If the charity had moved within the city in question, a new address and telephone number was sought and used if found. Charities for which telephone numbers could not be found, or had not been contacted after a minimum of five calls were excluded from the sample.

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## Analysis Variables

Three analysis variables are employed in this report: size of total revenue, charity type, and province/region. The size of total revenue is an ordinal variable created from respondents reports of the total revenues of their organization in the previous fiscal year, and province/region is based on the mailing address of the charity. The charity type variable was created using two sources of information. Charities were asked to indicate the major purpose or activity of their organization by selecting one of 25 possible categories. Approximately 19% selected more than one major purpose or could not classify themselves into any of the 25 categories. These organizations were categorized using the Revenue Canada classification assigned to them on the basis of their stated purpose at the time of their registration as a charity. Table A.4 details the types of organizations represented by each of the charity type categories.

## Confidence Limits for Analysis Variables

Confidence limits calculated for breakdowns of the data by each of the analysis variables are presented in Table A.5. These confidence limits indicate the percentage variation of a sample estimate that one would expect to find in the population 95% of the time. For example, a confidence interval of  $\pm 6.00\%$  for Alberta means that a percentage value reported for Alberta charities (e.g., the percent reporting Special Events) would be within 6 percentage points of the value in the population<sup>2</sup>, 95% of the time. These confidence limits were calculated using estimations of the population size where applicable.

## Interpretation of Tables

Because the sample is stratified, it is not representative of the population unless appropriate weights are applied to the data as noted above. National estimates of the data are weighted to make the sample representative along the three dimensions of size of revenue, type of charity and province/region of location. Most of the cells in the three-way sample design are adjusted downward by the weighting procedure. For example, because our sample has more large revenue charities than would be expected in a random sample, the size of the largest revenue category is adjusted downward to reflect the national average. Therefore, the total weighted sample is smaller than the unweighted sample and the sample sizes for each breakdown of the data by revenue size, charity type, and province/region also differ.

Because of the differential use of weights (see Table A.4), it is not appropriate to use the data provided in tables that break the data down by size, charity type or province/region to attempt to create national estimates. For example, it would be incorrect to sum the total corporate donation data presented in the tables Chapter 3 across either revenue category (Table 3.3), charity type (Table 3.6) or province/region (Table in 3.9) to compute total national corporate donations data. Because of the differential use of weights in each table, the computed sums will all differ and none of the sums will be equal to the national sums reported.

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<sup>2</sup> That is, non-religious, non-private foundation charities that received \$1,000 or more in donations in 1993 — the population to which this study attempts to generalize.

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## Interpretation of Median Values

Median revenue values are reported in a number of figures. A median is a measure of the typical value that occurs in a distribution. It is the middle value, half the values are larger than it and half the values are smaller. The median is a more appropriate measure of “typicality” than an average when there are a small number of very large values in a distribution because these large values can increase the average disproportionately. For example, if five organizations report the following revenues: \$10,000, \$10,000, \$20,000 \$50,000 \$1,000,000; the average revenue will be \$218,000. The median, which is \$20,000 in this instance, provides a better picture of what the “typical” revenue is for this group.

**Table A.1 Stratified Sample Design for Non-Religious Registered Charities**

Province/Region	Population N	Population %	Unweighted Sample N (Targets)	Unweighted Sample % (Targets)
Alberta	2161	9.7	250	14.7
Atlantic	1997	9.0	250	14.7
MB/SK/Territories	3043	13.6	250	14.7
British Columbia	2521	11.3	250	14.7
Quebec	4720	21.2	275	16.2
Ontario	7837	35.2	425	25.0
<b>TOTAL</b>	<b>22,279</b>	<b>100.0</b>	<b>700</b>	<b>100.0</b>

Donation Revenue	Population N	Population %	Unweighted Sample N (Targets)	Unweighted Sample % (Targets)
\$1,000 - \$9,999	11052	49.6	500	29.4
\$10,000 - \$99,999	8164	36.6	375	22.1
\$100,000 - \$299,999	1669	7.5	325	19.1
\$300,000 - \$999,999	911	4.1	300	17.6
\$1,000,000 and over	483	2.2	200	11.8
<b>TOTAL</b>	<b>22, 279</b>	<b>100.0</b>	<b>1,700</b>	<b>100.0</b>

Charity Type	Population N	Population %	Unweighted Sample N (Targets)	Unweighted Sample % (Targets)
Arts & Culture	2783	12.5	200	11.76
Health	2065	9.3	200	11.76
Hospitals	649	2.9	200	11.76
Other	778	3.5	200	11.76
Public Foundations	2011	9.1	200	11.76
Community Benefit	4132	18.5	200	11.76
Social Services	6202	27.8	300	17.68
Education	3659	16.4	200	11.76
<b>TOTAL</b>	<b>22,279</b>	<b>100.0</b>	<b>1,700</b>	<b>100.0</b>

**Table A.2 Distribution of Responses and Response Rates by Sampling Strata**

Province/Region	# Sent	Received	Response Rate
Alberta	500	240	48.00%
Atlantic	498	224	44.98%
British Columbia	499	203	40.68%
MB/SK/Territories	498	230	46.18%
Quebec	547	191	34.92%
Ontario	888	428	48.20%
Donation Revenue	# Sent	Received	Response Rate
\$1,000 - \$9,999	963	392	40.71%
\$10,000 - \$99,999	989	434	43.88%
\$100,000 - \$299,999	665	295	44.36%
\$300,000 - \$999,999	464	216	46.55%
\$1,000,000 and over	349	179	51.29%
Charity Type	# Sent	Received	Response Rate
Arts & Culture	425	235	55.29%
Health	435	203	46.67%
Hospitals	286	116	40.56%
Other	116	31	26.72%
Public Foundations	510	243	47.65%
Community Benefit	482	189	39.21%
Social Services	658	287	43.62%
Education	518	212	40.93%
<b>TOTAL</b>	<b>3430</b>	<b>1516</b>	<b>44.20%</b>

Table A.3 Use of Weights in Analyses

Weight	Corrects over/under sampling of:	Applied to:
Provincial	Revenue, charity type	Provincial breakdowns
Charity type	Revenue, province/region	Charity type breakdowns
Revenue	Province/region, charity type	Revenue breakdowns
National	Province/region, revenue, charity type	Overall/aggregate results

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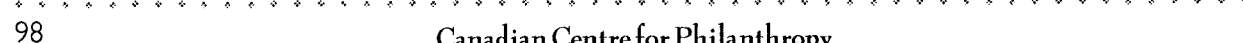
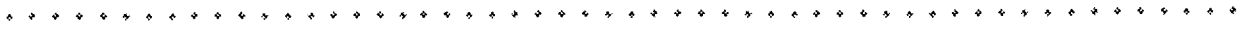
**Table A.4 Composition of Charity Type Categories**

<b>Arts &amp; Culture</b>	Includes libraries, museums, zoos, aquariums, media.
<b>Community Benefit</b>	Includes Recreation, Service Clubs, Environment, Animals, Wildlife, Veterinary, Civic & Advocacy organizations, Law and Legal Services (including public safety, crime prevention, rehabilitation of offenders, victim support, consumer protection).
<b>Education</b>	Includes Pre-School, Elementary, Primary and Secondary Education, and School Boards, Higher Education (Colleges, Universities), Other education (including vocation, technical, multipurpose).
<b>Health</b>	Includes Nursing Homes, Mental Health and Crisis Intervention (including psychiatric hospitals) and Other Health Services (including public health and wellness education, treatment, emergency services, outpatient rehabilitation).
<b>Hospitals</b>	Includes Hospitals and Rehabilitation Hospitals.
<b>Social Services</b>	Includes Social Services (including child, youth, family, handicapped and elderly welfare & services, self-help services, day care, Salvation Army social service agencies), Emergency & Refugees (including disaster prevention, relief & control, temporary shelters), Income Support & Maintenance (including material assistance), Economic, Social and Community Development, Housing, Employment and Training).
<b>Other</b>	Includes International Activities (any activities conducted primarily outside Canada, including exchange/friendship/cultural programs, development assistance, disaster relief, international human rights and peace), Public Foundations, and Others Not Elsewhere Classified.



**Table A.5 Confidence Intervals for Analysis Variables**

<b>ANALYSIS BY PROVINCE/REGION</b>			
<b>Province/Region</b>	<b>Weighted Sample N</b>	<b>Population N</b>	<b>Confidence Limit</b>
Alberta	236	2161	± 6.05
Atlantic	228	1997	± 6.14
BC	202	2521	± 6.65
MB/SK/Territories	224	3043	± 6.33
Ontario	432	7837	± 4.59
Quebec	175	4720	± 7.31
<b>ANALYSIS BY SIZE OF TOTAL REVENUES</b>			
<b>Revenue Size</b>	<b>Weighted Sample N</b>	<b>Population N</b>	<b>Confidence Limit</b>
under \$125,000	296	5323	± 5.55
\$125,000 - \$499,999	344	5895	± 5.14
\$500,000 - \$1,000,000	249	4907	± 6.08
over \$1,500,000	329	6155	± 5.27
<b>ANALYSIS BY CHARITY TYPE</b>			
<b>Charity Type</b>	<b>Weighted Sample N</b>	<b>Population N</b>	<b>Confidence Limit</b>
Arts & Culture	249	2783	± 5.95
Health	201	2065	± 6.60
Hospitals	167	649	± 6.57
Other	133	2789	± 8.35
Community Benefit	177	4132	± 7.25
Social Services	345	6202	± 5.14
Education	187	3659	± 7.02
<b>Topline</b>	<b>1491</b>	<b>22279</b>	<b>± 2.45</b>



## SURVEY OF FUNDRAISING PRACTICES OF CANADIAN CHARITIES

### INSTRUCTIONS

1. You will see most questions have either boxes or circles for you to check your answer in. If there is a q you should check (4) ONE answer. If there is a m check as many responses as apply. Some questions also have an OTHER space. You should write an answer in this space ONLY if NONE of the answers listed are right for you, or IF NONE cover a particular activity in which your organization is involved. Please print your answer as neatly as you can.

#### FOR EXAMPLE:

- Q. What percentage of the Canadian population do you think is aware of your organization's work?

- |  |   |
|--|---|
| <input type="checkbox"/> <sub>1</sub> Less than 10%        | <input type="checkbox"/> <sub>4</sub> 50% - 69%     |
| <input checked="" type="checkbox"/> <sub>2</sub> 10% - 29% | <input type="checkbox"/> <sub>5</sub> 70% - 90%     |
| <input type="checkbox"/> <sub>3</sub> 30% - 49%            | <input type="checkbox"/> <sub>6</sub> More than 90% |

- Q. Which of the following describe the scope of the fundraising operations of your organization? (CHECK AS MANY AS APPLY)

- |   |  |
|---|--|
| <input type="radio"/> <sub>1</sub> Within a single neighbourhood  | <input type="radio"/> <sub>4</sub> Across one province/territory |
| <input type="radio"/> <sub>2</sub> Across one city, town or rural area  | <input checked="" type="radio"/> <sub>5</sub> Across Canada      |
| <input type="radio"/> <sub>3</sub> In more than one city, town or rural area, but less than a whole province or territory | <input checked="" type="radio"/> <sub>6</sub> International      |

2. Some questions do not have any answers provided and ask you to fill in your own answer(s).

#### FOR EXAMPLE:

- Q. How many fundraising campaigns did your organization conduct in the last fiscal year?

\_\_\_\_\_ Fundraising Campaigns

The questions in this survey relate to fundraising activities in your organization. If your organization is a branch or a member of a larger federated structure but does its own fundraising, we would like information on those fundraising activities for which you are directly responsible, not the fundraising activities of the larger organization. Similarly, if your organization is the head office or centre of a large federated structure, we would like information on the fundraising activities that your office is directly responsible for conducting.

### ASSURANCE

Please remember, all your answers are anonymous  
and will be kept strictly confidential.

## A. CONSULTANTS AND FUNDRAISING COMPANIES

1. In the past five years, has your organization ever hired an outside consultant or fundraising company to assist with its fundraising?

- <sub>1</sub> Yes (GO TO Q 2)  
<sub>2</sub> No (SKIP TO SECTION B)  
<sub>3</sub> Don't Know (SKIP TO SECTION B)

2. Has your organization hired an outside consultant or fundraising company to assist with its fundraising in the past fiscal year?

- <sub>1</sub> Yes (GO TO Q3)  
<sub>2</sub> No (SKIP TO Q4)  
<sub>3</sub> Don't Know (SKIP TO SECTION B)

3. On what types of fundraising activities did they provide consulting or assistance in the last year? (PLEASE CHECK ALL THAT APPLY).

- <sub>01</sub> **Direct Mail Campaigns** (mailing requests for donations to people)  
<sub>02</sub> **Telephone Campaigns** (telephone requests for donations)  
<sub>03</sub> **Door-to-Door Canvassing** (requests made to people at their home)  
<sub>04</sub> **Workplace Campaigns** (federated fundraising - e.g. United Way style campaigns)  
<sub>05</sub> **Special Events Primarily for Fundraising** (special events that are for fundraising rather than marketing or promotion of cause)  
<sub>06</sub> **Planned Giving/Bequests Programs/Estate Planning** (requests for donations via wills and insurance plans)  
<sub>07</sub> **Capital/Endowment Campaigns** (requests for major individual and institutional donations for occasional multi-year gifts, special capital projects or endowments)  
<sub>08</sub> **Product Sales** (e.g. chocolate bars, t-shirts, flowers, etc)  
<sub>09</sub> **Charitable Gaming** (Casinos, Bingos, Lotteries, Raffles, or "Nevada" Tickets)  
<sub>xx</sub> **Other** (Please Specify) \_\_\_\_\_  
\_\_\_\_\_

Please answer questions 4 through 10, in the context of your most recent consulting arrangement...

4. Did the consultant or fundraising company work for a flat fee or did they retain a percentage of the contributions obtained?

- <sub>1</sub> Flat fee  
<sub>2</sub> Retained a percentage of contributions  
<sub>3</sub> Don't Know

5. Was the contract between your organization and the consultant or fundraising company a "no-risk" contract that guaranteed your organization would not lose any money as a result of the campaign?

- <sub>1</sub> Yes
- <sub>2</sub> No
- <sub>3</sub> Don't Know

6. Did your organization request proposals from more than one consultant or company?

- <sub>1</sub> Yes
- <sub>2</sub> No
- <sub>3</sub> Don't Know

7. Which of the following describes the role that members of your Board of Directors played in the process? (PLEASE CHECK ALL THAT APPLY)

- <sub>1</sub> They attempted to find out the experiences of other organizations with the type of outside consulting arrangement being considered
- <sub>2</sub> They reviewed proposals *before* the consultant or fundraising company was selected
- <sub>3</sub> They reviewed the contract *after* the consultant or fundraising company was selected
- <sub>4</sub> They formally approved the contract with the consultant or fundraising company
- <sub>5</sub> Don't Know

8. Did your organization obtain sole ownership of the list of names and addresses of donors or was ownership shared with the fundraising consultant or company?

- <sub>1</sub> Organization had sole ownership
- <sub>2</sub> Ownership was shared with consultant/fundraiser
- <sub>3</sub> Not applicable
- <sub>4</sub> Don't know

9. Which one of the following statements best describes how the funds raised were controlled?

- <sub>1</sub> Your organization had a joint bank account with the consultant or fundraising company
- <sub>2</sub> Your organization was the sole owner of the account into which the funds were deposited
- <sub>3</sub> The funds were initially deposited to an account that the consultant or fundraising company solely owned and were later transferred to your organization
- <sub>4</sub> Don't Know

10. What were the financial results of the most recent fundraising activity carried out by the professional fundraising consultant or company?

How much were the gross revenues? \$ \_\_\_\_\_ .00 <sub>98</sub> Don't Know

How much was paid to the fundraiser? \$ \_\_\_\_\_ .00 <sub>98</sub> Don't Know

How much was paid for other expenses? \$ \_\_\_\_\_ .00 <sub>98</sub> Don't Know

## B. OPINIONS ABOUT FUNDRAISING PRACTICES

1. How appropriate do you personally regard each of the following practices?

	<u>Very appropriate</u>	<u>Somewhat appropriate</u>	<u>Somewhat inappropriate</u>	<u>Don't Very inappropriate</u>	<u>Know/ Not Sure</u>
a) Paying fundraising consultants a fee that is based on a percentage of the funds raised	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
b) Using paid fundraisers to solicit funds in telephone or door-to-door canvassing without informing potential donors that they are being used.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
c) Using paid fundraisers to solicit funds in telephone or door-to-door canvassing without informing potential donors how much they are being paid.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
d) Sharing ownership of donor lists (the names and addresses of donors) with paid fundraising consultants.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
e) Allocating some of the expenses associated with fundraising to other programs in annual financial statements.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
f) Not allocating organizational overhead costs (e.g, rent, equipment rental, etc.) to the fundraising budget.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

2. Do you think that there is a need to have a set of formal ethical standards for charities regarding fundraising practices?

- <sub>1</sub> Yes
- <sub>2</sub> No
- <sub>3</sub> Don't Know

3. Do you currently employ a set of formal ethical standards regarding fundraising practices in your organization?

- <sub>1</sub> Yes
- <sub>2</sub> No
- <sub>3</sub> Don't Know

## C. FUNDRAISING PRACTICES

Some organizations have staff who only work in the area of fundraising, while others have staff who work both on fundraising and on other tasks.

1. How many paid employees (both professional and support staff) does your organization have that only work in the area of *fundraising* (do not include employees who do fundraising in addition to other duties). Please answer in terms of full time equivalents (e.g., 1 full time employee and 1 half-time employee = 1.5 Full Time Equivalents).

Number of Paid Employees that Only Work in Area of Fundraising \_\_\_\_\_

- 2A. How many paid employees (both professional and support staff) in your organization have fundraising duties in addition to their other duties? Please answer in terms of full time equivalents (e.g., 1 full time employee and 1 half-time employee = 1.5 Full Time Equivalents)

Number of Paid Employees with Fundraising Duties in Addition to Other Duties \_\_\_\_\_  
(GO TO Q2B)

- 2B. On average, what percentage of their time do you estimate is spent on fundraising activities? \_\_\_\_\_ %

3. Do members of your Board of Directors give formal approval (either through the budget process or through other means) to:

	<u>Do Give Formal Approval</u>	<u>Do Not Give Formal Approval</u>	<u>Don't Know</u>
a) the proportion of fundraising expenses allocated to other organizational activities (e.g., public education)	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>
b) policies concerning the use of donor lists (i.e., donors' names and addresses)	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>
c) the proportion of organizational overhead costs allocated to the fundraising program(s)	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>
d) policies about how fundraising costs are disclosed to donors	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>
e) policies about how fundraising costs are disclosed to the public	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>

4. Overall, do you think that charitable organizations should be required to use standardized accounting procedures for reporting fundraising activities?

- <sub>1</sub> No  
 <sub>2</sub> Yes  
 <sub>3</sub> Don't Know/Not Sure

5. Does your organization provide all or part of your donor list to other charities for their fundraising purposes?

- <sub>1</sub> No  
 <sub>2</sub> Yes  
 <sub>3</sub> Don't Know/Not Sure

6. Do any of your organization's staff or Board Members conduct evaluations of the effectiveness of your organization's fundraising activities?

- <sub>1</sub> No (SKIP TO SECTION D)  
<sub>2</sub> Yes (GO TO Q7)

7. Below are listed a number of approaches to evaluating fundraising activities. Please indicate who, if anyone in your organization uses these approaches for evaluating your organization's fundraising activities.

	<u>Staff</u>	<u>Members of Board of Directors</u>	<u>Both Staff and Board Members</u>	<u>No One</u>	<u>Don't Know</u>
a) By assessing the extent to which the organization meets its fundraising targets.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
b) By examining the total costs of fundraising activities.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
c) By examining the costs of fundraising as a percentage of the total amount of funds raised.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
d) By applying "common sense" standards about appropriate costs.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
e) By using the organization's previous fundraising experiences as a guide.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
f) By examining the total gross revenues returned from fundraising activities.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
g) By examining the net revenues (after expenses are deducted) returned from fundraising activities.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
h) By calculating the return on investment for fundraising activities on an annual basis.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
i) By calculating the return on investment for fundraising activities over a number of years (e.g., 3 years, 5 years, 10 years).	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
j) By tracking donors (e.g., number of new donors, number of donors retained, growth of donor contributions).	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
k) By comparing your organization with what other charities are reporting.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
l) Other (please specify) _____ _____	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>



## D. FUNDRAISING REVENUES

In this section we would like to know whether your organization conducts activities in the areas outlined below (PART A). We would also like to know how much revenue your organization receives from each activity (PART B). If you do not have revenue data readily available to you, please provide your best estimate of the amount received from each activity.

	PART A	PART B
	Has your Organization Engaged in this Activity in the Last Fiscal Year?	What were the Estimated Gross Revenues (before deducting expenses) Obtained by This Activity In the Last Fiscal Year?
1. <b>Direct Mail Campaigns</b> (mailing requests for donations to people)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00
2. <b>Telephone Campaigns</b> (telephone requests for donations)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00
3. <b>Door-to-Door Canvassing</b> (requests made to people at their homes)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00
4. <b>Workplace Campaigns</b> (federated fundraising - e.g. United Way style campaigns)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00
5. <b>Special Events Primarily for Fundraising</b> (special events for fundraising rather than marketing or promotion of cause)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00
6. <b>Planned Giving/Bequest Programs/ Estate Planning</b> (requests for donations via wills and insurance plans)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00
7. <b>Corporate Fundraising</b> (soliciting funds or gifts in kind from business or corporations)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00
8. <b>Government Fundraising</b> (soliciting grants from government)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00
9. <b>Foundation Fundraising</b> (soliciting grants from foundations)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00
10. <b>Product Sales</b> (chocolate bars, t-shirts flowers etc.)	<input type="checkbox"/> <sub>1</sub> Yes → <input type="checkbox"/> <sub>2</sub> No <input type="checkbox"/> <sub>3</sub> Don't Know	\$ _____ .00

**PART A**

**PART B**

Has your Organization Engaged in this Activity in the Last Fiscal Year?

What Were the Estimated Gross Revenues (before deducting expenses) Obtained by This Activity In the Last Fiscal Year?

- 11. **Charitable Gaming** (Casinos, Bingos, Lotteries, Raffles, and "Nevada" Tickets)
  - <sub>1</sub> Yes →
  - <sub>2</sub> No
  - <sub>3</sub> Don't Know
  
- 12. **Unsolicited Donations** (donations that are received without being specifically requested)
  - <sub>1</sub> Yes →
  - <sub>2</sub> No
  - <sub>3</sub> Don't Know
  
- 13. **Members of Board of Directors** personally soliciting funds as part of the organizations fundraising activities.
  - <sub>1</sub> Yes →
  - <sub>2</sub> No
  - <sub>3</sub> Don't Know
  
- 14A. **Capital and/or Endowment Campaigns** (soliciting major and institutional donations for occasional multi-year gifts, special capital projects or endowments)
  - <sub>1</sub> Yes →
  - <sub>2</sub> No
  - <sub>3</sub> Don't Know

\$ \_\_\_\_\_ .00

\$ \_\_\_\_\_ .00

\$ \_\_\_\_\_ .00

\$ \_\_\_\_\_ .00

14B. Do you conduct these campaigns in combination with your other fundraising campaigns or are they done as a separate activity?

- <sub>1</sub> Combined with Other Fundraising Campaigns
- <sub>2</sub> As a Separate Activity

- 15. **Any Other Fundraising Activities** (please specify) \_\_\_\_\_
  - <sub>1</sub> Yes →
  - <sub>2</sub> No
  - <sub>3</sub> Don't Know

\$ \_\_\_\_\_ .00

16A. Is your organization a place of worship (e.g. church, temple or synagogue)?

- <sub>1</sub> Yes (GO TO Q16B)
- <sub>2</sub> No (SKIP TO Q17)

16B. How much did you receive in donations from worshipers in the last fiscal year?

\$ \_\_\_\_\_ .00

17. If your organization has conducted **direct mail campaigns** (directed at new or known donors) in the last fiscal year, please indicate how many years your organization has been engaged in this type of activity.

\_\_\_\_\_ Years  <sub>98</sub> Don't Know

18. If your organization has conducted **telephone campaigns** (directed at new or known donors) in the last fiscal year, please indicate how many years your organization has been engaged in this type of activity.

\_\_\_\_\_ Years  <sub>98</sub> Don't Know

## E. FUNDRAISING COSTS

1. Does your organization have any formal guidelines that you use to evaluate your fundraising costs?

- <sub>1</sub> Yes (SKIP TO Q3)  
<sub>2</sub> No (GO TO Q2)  
<sub>3</sub> Don't Know (GO TO Q2)

2. Do you think that guidelines need to be developed that will allow you to evaluate your fundraising costs?

- <sub>1</sub> Yes (SKIP TO Q4)  
<sub>2</sub> No (SKIP TO Q4)  
<sub>3</sub> Don't Know (SKIP TO Q4)

3. What guidelines do you use? (PLEASE CHECK ALL THAT APPLY)

- <sub>01</sub> Guidelines developed within your organization  
<sub>02</sub> Guidelines from literature in the field  
<sub>03</sub> Guidelines from a professional association  
<sub>04</sub> Costs reported by other charities  
<sub>xx</sub> Other (please specify) \_\_\_\_\_  
\_\_\_\_\_

4. Some organizations assess the costs of their fundraising activities by calculating what they are as a percentage of the funds raised. For example, if it costs \$300 to raise \$1000, then the costs are calculated to be 30% of the funds raised. Do you or does your organization calculate fundraising costs as a percentage of funds raised?

- <sub>1</sub> Yes (GO TO Q5)  
<sub>2</sub> No (SKIP TO Q8)  
<sub>3</sub> Don't Know (SKIP TO Q8)

5. Do you calculate the costs for each separate fundraising activity or for your entire fundraising program?

- <sub>1</sub> Each Separate Activity (SKIP TO Q7)  
<sub>2</sub> Entire Fundraising Program (GO TO Q6)



6. What were your organization's total fundraising costs as a percentage of the total amount raised in the last fiscal year?

\_\_\_\_\_ % (SKIP TO Q8)

7. For each of the following types of fundraising activities, please indicate what those fundraising costs were as a percentage of the total amount of funds raised in the last fiscal year. If financial data is not readily available to you, please provide your best estimate of costs.

	<u>Fundraising Costs As % of Total Funds Raised</u>	<u>Don't Know</u>	<u>Do Not Engage In Activity</u>
a) Direct Mail Campaigns	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998
b) Telephone Campaigns	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998
c) Door-to-Door Canvassing	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998
d) Workplace Campaigns	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998
e) Special Events Primarily for Fundraising	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998
f) Planned Giving/Bequests Programs/ Estate Planning	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998
g) Capital/Endowment Campaigns	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998
h) Product Sales	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998
i) Charitable Gaming (Casinos, Bingos, Lotteries, Raffles or "Nevada" Tickets)	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998
j) Other (Please Specify) _____	_____ %	<input type="checkbox"/> 997	<input type="checkbox"/> 998

8. Below are four statements concerning regulations on fundraising costs. Which one best reflects your personal opinion?

- <sub>1</sub> There is no need for regulations regarding fundraising costs.
- <sub>2</sub> Charitable organizations should regulate themselves regarding fundraising costs.
- <sub>3</sub> An independent organization should regulate charitable organizations regarding fundraising costs.
- <sub>4</sub> The government should regulate charitable organizations regarding fundraising costs.

9. Does your organization allocate some proportion of overhead expenses (e.g., office rent, telephone costs, photocopying, etc) to fundraising costs?

- <sub>1</sub> Yes
- <sub>2</sub> No
- <sub>3</sub> Don't Know

10. Does your organization allocate some proportion of fundraising costs to other activities in your organization (e.g., public education, advocacy, volunteer recruitment)?

- <sub>1</sub> Yes (GO TO Q11)
- <sub>2</sub> No (SKIP TO SECTION F)
- <sub>3</sub> Don't Know (SKIP TO SECTION F)

11. What is the primary basis for your allocation decisions? (PLEASE CHECK ONE ONLY)

- <sub>01</sub> Our judgement about the extent to which the purposes of other programs (e.g., education, volunteer recruitment) are being achieved through the fundraising activity.
- <sub>02</sub> The amount allocated is determined on the basis of the organization's need to meet Revenue Canada's 80/20 disbursement quota.
- <sub>03</sub> The amount allocated is determined by the need to keep fundraising costs within a pre-determined level.
- <sub>xx</sub> Other (please specify) \_\_\_\_\_  
\_\_\_\_\_

## F. TOTAL REVENUES AND COSTS

In this section, we would like to get a picture of your organization's overall finances. It would be helpful if you are able to use your organization's actual financial data to answer these questions. If these data are not available to you, please give your best estimates.

1. How much in total did your organization receive in donations (receipted and unreceipted) in your last fiscal year ?

\$ \_\_\_\_\_ .00

2. What were your total gross fundraising costs for the last fiscal year before costs were allocated to any other programs (e.g., public education) and including appropriate organizational overhead costs?

\$ \_\_\_\_\_ .00

3. What was your organization's total revenue from all sources during your last fiscal year?

\$ \_\_\_\_\_ .00

## G. CHARACTERISTICS OF YOUR ORGANIZATION

1. Which of the following categories provide the best description of the major purpose or activities of your organization? (PLEASE CHECK ONE ONLY)

### Culture, Arts, Recreation

- <sub>01</sub> Culture & Arts (including libraries, museums, zoos, aquariums, media)
- <sub>02</sub> Recreation
- <sub>03</sub> Service Clubs

### Education & Research

- <sub>04</sub> Pre-School, Elementary, Primary and Secondary Education, and School Boards
- <sub>05</sub> Higher Education (Colleges, Universities)
- <sub>06</sub> Other Education (including vocation, technical, multipurpose)
- <sub>07</sub> Research (including medical, social, science, technology, policy studies)

### Health

- <sub>08</sub> Hospitals and Rehabilitation Hospitals
- <sub>09</sub> Nursing Homes
- <sub>10</sub> Mental Health and Crisis Intervention including psychiatric hospitals
- <sub>11</sub> Other Health Services (including public health and wellness education, treatment, emergency services, outpatient rehabilitation)

### Social Services

- <sub>12</sub> Social Services (including child, youth, family, handicapped and elderly welfare & services, self-help services, day care)
- <sub>13</sub> Emergency & Refugees (including disaster prevention, relief & control, temporary shelters)
- <sub>14</sub> Income Support & Maintenance (including material assistance)

### Environment

- <sub>15</sub> Environment
- <sub>16</sub> Animals, Wildlife, Veterinary

### Development and Housing (primarily in Canada)

- <sub>17</sub> Economic, Social and Community Development
- <sub>18</sub> Housing
- <sub>19</sub> Employment and Training

### Law & Advocacy

- <sub>20</sub> Civic & Advocacy Organizations
- <sub>21</sub> Law and Legal Services (including public safety, crime prevention, rehabilitation of offenders, victim support, consumer protection)

### Philanthropic Intermediaries and Voluntarism

- <sub>22</sub> Philanthropic Intermediaries (including grantmaking foundations, fundraising intermediaries, multi-purpose philanthropy and voluntarism)

### International Activities

- <sub>23</sub> International Activities (any activities conducted primarily outside Canada including exchange/friendship/cultural programs, development assistance, disaster relief, international human rights and peace)

### Religion

- <sub>24</sub> Religious Congregations, Associations, Mission Organizations

### Others Not Elsewhere Classified

- <sub>25</sub> Others Not Elsewhere Classified

2. What position do you hold in your organization?

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**THANK YOU VERY MUCH FOR YOUR ASSISTANCE.**

## THE CANADIAN CENTRE FOR PHILANTHROPY

Established in 1981, the Centre is a national, charitable organization which helps strengthen Canadian charitable, voluntary organizations through research, public affairs, information products, professional development, *Front & Centre*, and the IMAGINE program.

**RESEARCH:** is building a base of knowledge about the charitable, voluntary sector and the environment in which charities operate. *A Portrait of Canada's Charities* (1994) is the first-ever look at the size and scope of the charitable sector in Canada. *Charitable Fundraising in Canada* (1996) reports the results of a national survey on the fundraising practices of Canadian charities. A regional version of *A Portrait of Canada's Charities* will be published in the fall of 1996. *Research Bulletins*, exclusive to Affiliate members of the Centre, cover current topics of interest to the sector.

**PUBLIC AFFAIRS:** plays a crucial role in communicating the issues and concerns of the sector to government, policy makers, the media, and the public. *Issue Alerts*, exclusive to Affiliate members of the Centre, provide information on government's legislative and regulatory initiatives. Policy options for the sector are explored in Discussion Papers and cross-Canada roundtable discussions.

**PROFESSIONAL DEVELOPMENT & INFORMATION PRODUCTS:** produces key information products about Canadian foundations: *Building Foundation Partnerships*, *the Canadian Director to Foundations*, and *The Grant Report*. Professional development seminars and conferences throughout the year help organizations build development and management capacity. Our *Resource Guide* lists hundreds of journals, periodicals, pamphlets and books related to the sector. The Centre's publication list is available on request.

**FRONT & CENTRE:** keeps readers up-to-date on trends and issues which affect the sector. Published every other month, *Front & Centre* is the charitable sector's only newspaper, and features News, in depth articles, interviews with key sector players, Tips & Techniques, Legislative Updates, and a Calendar of Events. *Front & Centre* is available through the Affiliate Program, or paid subscription.

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**IMAGINE:** "A New Spirit of Community" is a program which aims to increase public and corporate support for charitable, voluntary organizations which serve the community. The IMAGINE Caring Company Program explores new standards and methods for measuring and encouraging corporate support for the community.

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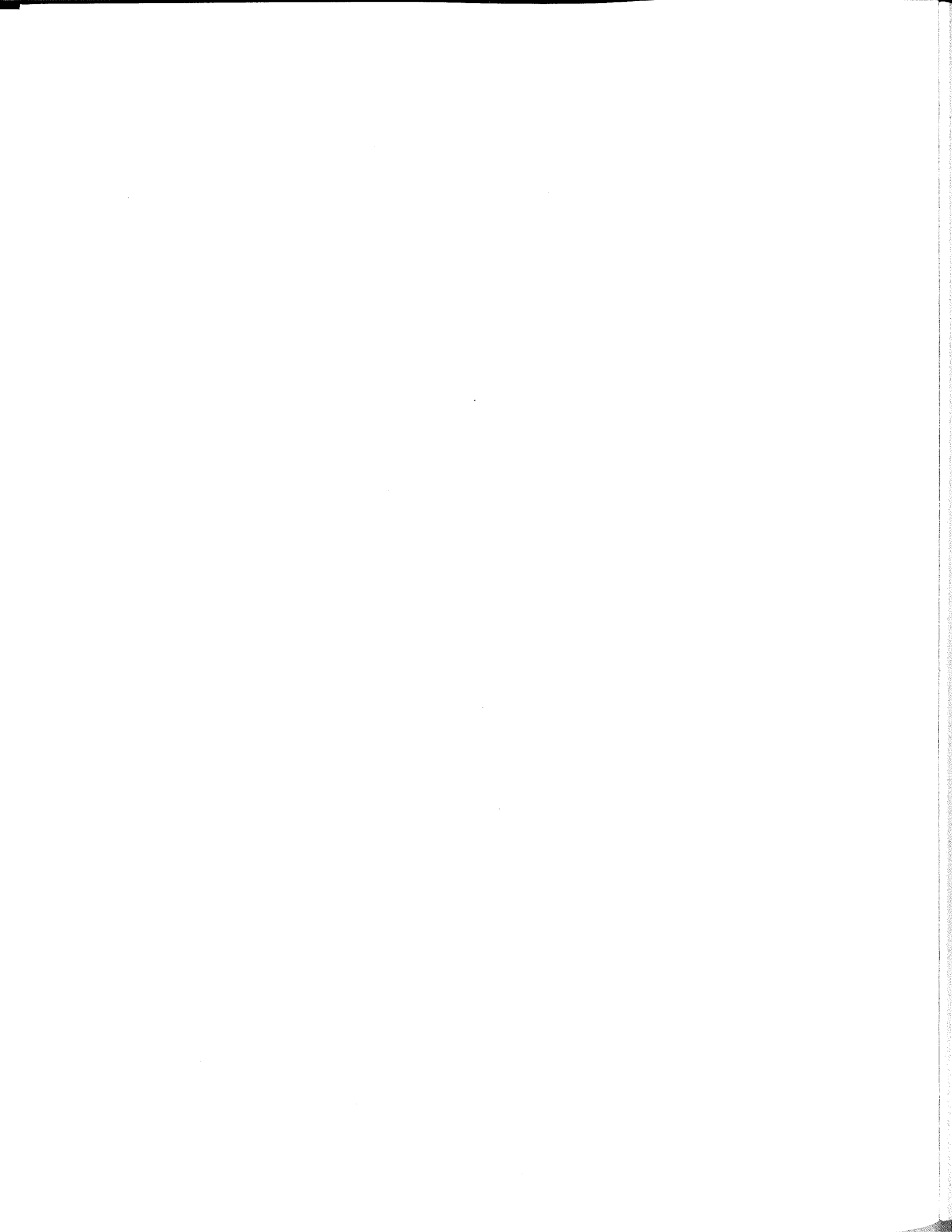
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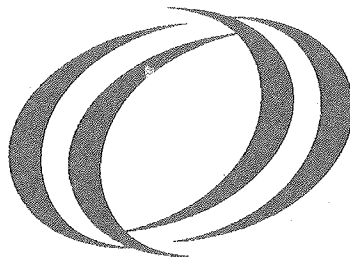


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