



MEDIA BRIEFING:

RETHINKING THE COST OF FUNDRAISING

Last updated: Spring 2023

Towards Decolonization

The original stewards of Turtle Island, also known as Canada, are the Indigenous peoples of this territory. The Association of Fundraising Professionals (AFP) in Canada acknowledges the important relationship Indigenous peoples have with this vast space and the devastating legacy of colonization on their communities and the land we all occupy today.

AFP in Canada is committed to understanding the history and current realities of our diverse profession, including Indigenous, racialized and equity-deserving groups across the charitable sector. We acknowledge that the ongoing process of inclusion and reconciliation involve a review of the common practices that inform how Canadian charities value generosity and reciprocity. New paradigms, founded on principles of respect, allyship and justice, hold great potential in transforming the sector.

It is incumbent upon all of us—especially settlers on this land—to work in solidarity towards building a culture of belonging that will benefit everyone.

Background:

The following document has been prepared by the AFP Canada Communications Committee to assist chapters and members with outreach and response on the topic of the cost of fundraising. As part of our mandate to bring the [AFP Canada Narrative for Canadian Fundraising](#) to life, the committee developed this overview, key messaging and frequently asked questions about this critical issue.

This document can be used to inform and support both proactive and reactive media relations on behalf of AFP and your organization. Possible uses include:

- Using content to develop opinion/editorial pieces.
- Responding to inquiries from media, donors or boards.
- Fielding media inquiries that come to your organization during a time of year when there is often increased charitable giving.
- Positioning yourself in your local media market as a thought leader on the topic of fundraising.

Overview:

The issue of the “cost of fundraising” is a perennial one. Donors give their money voluntarily to charities, and they want to be able to measure the impact of their giving. Focusing on the “cost of fundraising” seems like an easy way to do so. In addition to donors, charities often have to address this with governing boards and the general public when the issue is fuelled by media that publish charity rankings or lists of “worthy” charities.

It’s time to rethink the cost of fundraising as something not to be avoided, but to be embraced as a measure of investment that charities NEED to make to create impact and change the lives of those they serve.

Key Messages:

1. The cost of fundraising should be embraced as a measure of investment by charities.

- Our role is to effect the greatest change in Canada and the world, and there is no one single way to do that.
- For-profit businesses make investments in people, infrastructure, marketing and technology. They spend money to run businesses that provide goods and services which support the economy. Charities make similar investments to run programs and provide services that benefit worthy causes. **Let's acknowledge and celebrate that charities are investing to grow their impact in our communities.**
- For-profit businesses are usually celebrated for the investments they make to run their businesses professionally, effectively, and efficiently; charities should be as well. They need to be professional and even 'business'-like; utilizing best practices to effect change.
- In the for-profit sector, the difference between profit and loss can be slim. Some retail stores will even sell a product at a loss to get you to come to their store. Having a "loss-leader" product is an investment to get you into their store so you'll buy their profitable products. Similarly, charities may run fundraisers like events or direct mail campaigns with slim or no profits in the short run to help build awareness and longer-term donor relationships. *{Editor's note: Have a tangible example from your own charity about diverse fundraising sources such as events, bequests, direct mail, major gifts. Tell them how, in aggregate, they support your charity's long-term goals.}*

2. If you want to assess a charity, look at impact, rather than a single financial metric.

- The two most important factors in your giving decision should be a charity's ability to fulfill its mission and its overall impact.
- Key questions to ask yourself when choosing which charities to support:
 - What impact is this charity having in my community?
 - Are its programs working and effective?
 - Are they addressing issues and services that I believe in personally?

{Editor's note: See question 1 below for additional ways to help donors make a giving decision.}

3. With 170,000 charities and nonprofits in Canada, no single metric can be used to judge effectiveness. Impact, size and scope matter.

- Provided needed change *is* effected, a nonprofit can be big or small, local or national, campaigning or helping, fundraising or non-fundraising.

- While perhaps more common in the past, the idea of charities being run solely by volunteers is now very unusual. Nonprofits and charities may have just a few employees or hundreds of employees and be led by professional, highly-qualified leaders who manage budgets of millions of dollars. Professional fundraisers who are guided by a code of ethical practices are vital for a charity to ensure donor dollars are stewarded appropriately. They are trained to employ best practices to be effective and efficient in raising money to serve a mission.
- Spending too little on things like infrastructure and salaries can be counterproductive and have negative consequences. Having out-of-date equipment or infrastructure doesn't help an organization—if anything it hinders the charity's ability to provide services. The COVID-19 pandemic shone a light on the challenges faced by charities and nonprofits that were unable to adapt by having staff work from home or to digital and virtual fundraising because of a lack of technology or infrastructure. Those who invested in these things were able to continue to support their missions and serve their communities when many others were not. Organizations with strong foundations in people, technology and fundraising excellence are better able to make it through difficult times and achieve long-term impact.
- There is no single metric to accurately judge effectiveness in for-profits or nonprofits. Relying solely on a list published by a charity evaluator does not help a donor assess their alignment with a charity or the impact of their donation on the mission.

Questions and Answers:

1. How should I evaluate charities?

Donors should look at tangible impact in the form of programs, services, research and on-the-ground benefits that affect real people.

People should be knowledgeable about charitable solicitations that come their way. In some cases, caution is warranted to make sure your funds are going to appropriate and legitimate causes. Tips and questions to consider:

- Ensure the organization you are looking at has a registered charitable number.
- What results come up when you do a web search of the charity? Is there anything unusual or suspicious in the search results?
- Are their audited financial statements readily available?
- Look at their annual report. Are you comfortable with how they use their funds?
- For crowdfunding campaigns, look for clarity on how the funds will be used and who they will be distributed to.
- Does the organization subscribe to and conduct itself according to AFP's *Code of Ethics*?

- Smaller charities can be incredibly impactful. Don't exclude them because they don't have a big public profile. Do your research and talk to representatives of the organization.
- Talking to people at charities of interest to you is good practice in all cases. You can get a feel for how the organization runs and ask questions about impact.
- Do you understand how their business works? How do they raise their money (understanding that certain ways of fundraising naturally have higher costs)?

2. **If I am considering the cost of fundraising for the charity I want to donate to, is there an ideal cost of fundraising?**

Given the wide range of charities in Canada and their purpose, size, scope and types of fundraising, there is not a standard ratio that can be applied throughout the sector.

It is important for donors to have reliable information about the charities they support, including financial details. Giving is often oversimplified when it becomes about only giving to organizations that have the lowest administrative expenses. Instead, donors should look at tangible impact in the form of programs, services, research and on-the-ground impact that reaches real people.

Charities have overhead costs, just like for-profit organizations. Fundraising and other administrative costs may contribute to an understanding of an organization's management. Donors should look at a charity's cost of fundraising as well as its overall budget, and whether or not it is running a deficit. They should look for signs of consistent management and stable costs over several years.

Donors should consider an organization's overhead spending relative to the work they do. Spending too little on things like infrastructure can be counter-productive—especially when those organizations with strong systems and reserves may be able to help even more through difficult times.

Costs alone are not an indication of an organization's effectiveness and overall work. Different types of charities and programs have substantially varying costs (compare a charity that works to find a cure for a disease versus one that provides meals to the needy). Comparing organizations by costs and expenses does not show the relative impact they have on society.

Additional reading/viewing:

- [How Much Should a Canadian Registered Charity Spend on Administration?](#) (Canadian Charity Law)
- [How much should Canadian charity spend on overhead?](#) (Canadian Charity Law)
- [The way we think about charity is dead wrong](#) (Dan Pallotta, YouTube)
- [Evaluating fundraising costs](#) (AFP Global)
- [AFP Canada Responds to MoneySense's Best Charities to Donate to in 2022](#) (AFP Canada)
- [Charity Fundraising Costs, Watchdog Scoring Requires Much More Nuance](#) (AFP Canada)
- [AFP Responds to Maclean's Article on Charity Effectiveness and Employee Salaries](#) (AFP Canada)
- [Don't villainize overhead costs for charities this Giving Tuesday](#) (Toronto Star)
- [Measuring Impact, Not Administration: A Primer on Charity Overhead](#) (Charity Village)

To learn more about AFP Canada visit <https://afpglobal.org/afp-canada>.