PHILANTHROPIC TRENDS QUARTERLY

2015: Issue 3

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The definitive [4] times per year source of philanthropic trends analysis in Canada

Each edition of *Trends Quarterly* gives us an opportunity to explore key issues facing charitable organizations in Canada. From talent development to strategy to technology, there are elements that resonate with charities across the spectrum of the sector.

We also hear from fundraising professionals and senior volunteers that they would periodically appreciate a closer look at what is happening in their particular sector. What are the emerging trends that should be considered as charities plan for the months and years ahead?

We are happy to present the first of two editions focusing on trends in specific sectors. This edition presents 'the big picture' in terms of the charitable sector overall, then delves into key trends related to National Health Charities, Hospital/Healthcare Foundations, and the Social Services sector. Part two, available in December 2015, will focus on Independent Schools, Colleges, Universities and the Arts and Culture sector.

KCI first introduced the concept of Sector Snapshots in 2012. While it has only been three years, there have been significant developments in terms of how charities are connecting with donors, telling their story and orienting their fundraising plans. Charities are also responding to a continually changing environment, including advances in technology and shifts in demographics.

At the same time, many of the trends outlined in the 2012's Sector Snapshots are just as relevant today. The charitable environment – across all sectors – is becoming more complex and requires dexterity and creativity in order to respond to the increasing pressure to raise more funds.

We hope these Sector Snapshots provide you with valuable insights as you and your organization prepare for 2016.

Happy Fall...!

Marnie Spears
President and CEO

2015 Sector Snapshots | Part 1 |

- Canada's Charitable Sector
- National Health Charities
- Hospital/Healthcare Foundations
- Social Services

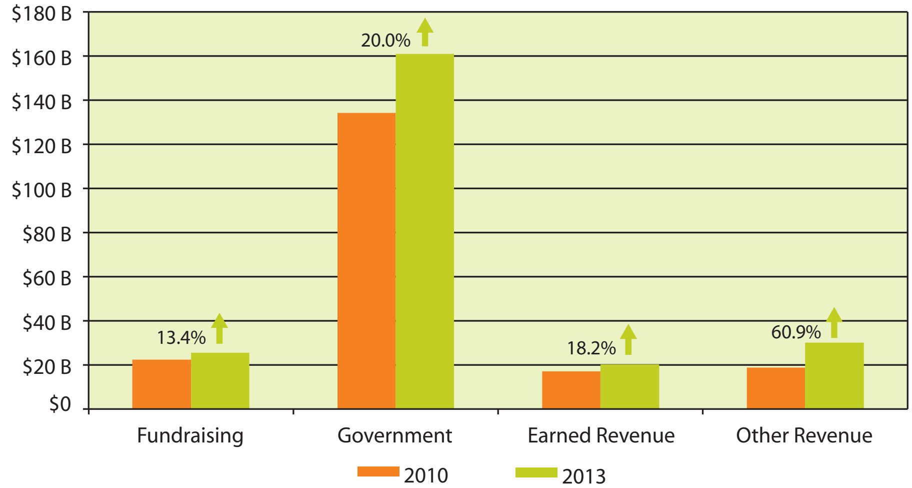
KCI

FORWARD THINKING

THE CHARITABLE SECTOR [1]

The charitable sector continues to be a major player in the Canadian economy.

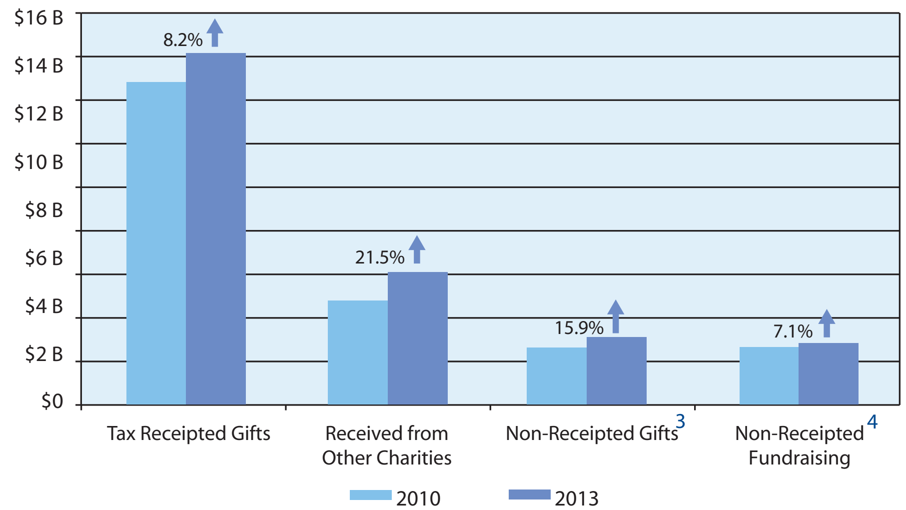
In 2013, 82,261 charities filed a T3010. These charities reported $236 billion in total revenue from all sources, an increase of 18% over the $200 billion reported in 2010. Government revenue makes up the majority of revenue in the sector and grew over the period by 20%. Earned revenue showed the greatest increase over the period at almost 61%. Of the charities that filed a T3010, 10,554 (12.8%) reported no fundraising revenue and 4,078 (5.0%) reported no revenue at all. The sector also reported a total of 1,854,670 full-time, and 2,138,877 part-time employees.



1. All figures included in The Sector Snapshots are based on 2013 T3010 filings (unless otherwise specified). The T3010 is the charitable tax return that every registered charity is required to file annually, even if they had no revenue to report.

FUNDRAISING REVENUE [2]

Total fundraising revenues amounted to $25.5 billion in 2013, an increase of 13.4% over the $22.5 billion reported in 2010. Tax receipted gifts totaled $14.6 billion and continue to make up the majority of fundraising revenue at 57%. However, at 8.2%, tax receipted gifts ranked third in terms of percentage growth between 2010 and 2013. Revenue received from other charities demonstrated the greatest increase over the period at 21.5%, following by non-receipted gifts at 15.9%.

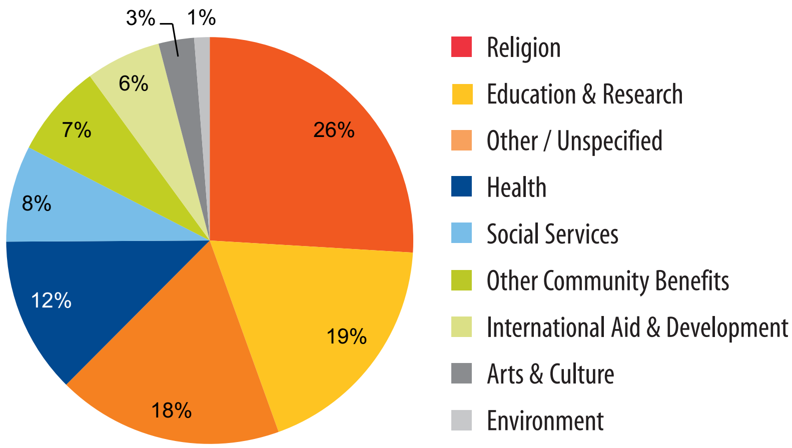


2. Unless otherwise specified, fundraising revenues includes the following: Tax Receipted Gifts, Gifts Received from Other Charities, Non-receipted Gifts and Non-receipted Fundraising. 3. Gifts for which the charity did not issue tax receipts because it could not identify the donor, such as anonymous gifts, collection boxes or loose collections. 4. Gross amount of non tax-receipted revenue from fundraising activities, such as lotteries, 50/50 draws, etc.

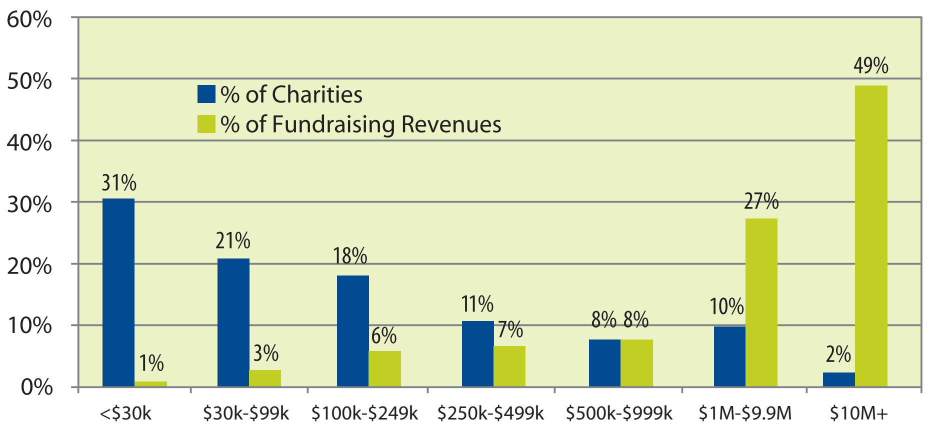
FUNDRAISING REVENUE BY SECTOR [5]

Religious organizations continued to receive the largest share of fundraising revenues at 26% followed by Education/Research organizations at 19%. Arts and Culture organizations and Environmental charities have the smallest share of fundraising revenues at 3% and 1% respectively.

5. Data in this chart excludes "Gifts Received from Other Charities" to prevent double counting revenue received by one part of the charity and transferred to another (e.g. hospital foundation to hospital).



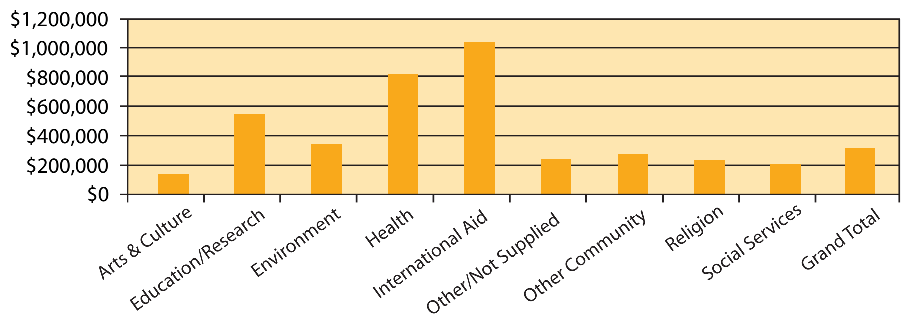
FUNDRAISING REVENUE BY SIZE OF PROGRAM



In 2013, 52% of charities reported that they raised less than $100,000 in fundraising revenue and accounted for only 4% of all funds raised. There were 12% of charities that reported raising $1 million or more, accounting for 76% of total funds raised in 2013.

AVERAGE FUNDRAISING REVENUE

The average fundraising revenues reported by all charities in Canada in 2013 was about $310,000 with significant variation across the sectors. International Aid and Development organizations had the greatest average fundraising revenues at just over $1 million. Arts and Culture organizations report the smallest average revenue at $136,000.



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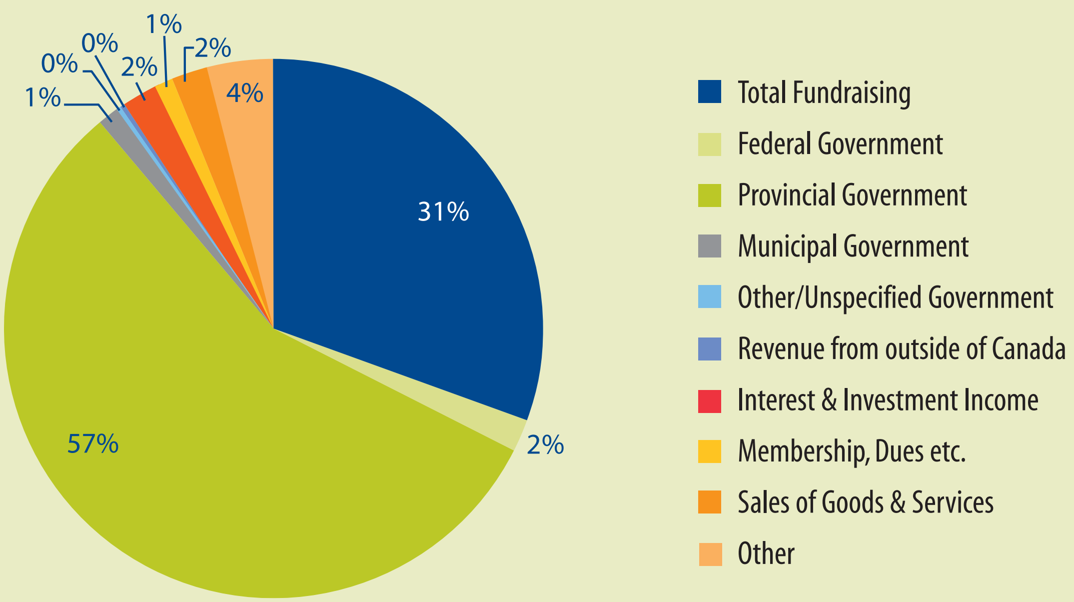
National Health Charities

The Numbers

2013 REVENUE BY SOURCE



The Trends

1. The national health charity sector continues to grow with multiple organizations covering an array of health issues. In such a crowded environment, it is critical for organizations to differentiate themselves and to **clearly articulate their mandate and impact**. This is not only a concern for newer entrants to the sector; it remains an issue for larger, more established organizations that must clearly convey their often multi-faceted mission.

2. **Governance and structure** remain an important issue for national health charities. Many are examining how they should function from a fundraising perspective at the local, provincial and national levels. Whether centralized or more community-based, it is important to develop a structure that maximizes areas of fundraising opportunity and responds to the culture of the organization.

3. National health charities tend to be ahead of the curve in terms of **investing in technology** and developing social media strategies. This is in large part due to the emergence of peer-to-peer fundraising as a core component of a fundraising program. Peer-to-peer fundraising has enabled organizations to build their donor base as well as provide the direct connection to a cause many donors seek.

4. Investing in technology has enabled organizations in this sector to **segment donors** in a more sophisticated manner, particularly as it relates to third party and peer to peer fundraising. One example is that organizations can identify top fundraisers and implement stewardship plans to keep them engaged.

5. At the same time, a number of organizations struggle with **data integration** since they have various data streams (e.g. separate databases for local and national fundraising). Some have invested in data management in order to streamline their system and ensure fundraising staff have access to all the information

The Numbers

791 – Total charities in sector
1.0% – Percent of charities in Canada
$2.27 billion – Total revenue (all sources)
$703 million – Total fundraising revenue
2.8% – Share of fundraising revenue in Canada
$887,531 – Average fundraising revenue
$36,252 – Median fundraising revenue
18.6% – Average overhead ratio

The Trends

they need to implement donor-centred solicitations and stewardship.

6. Events comprise a sizeable portion of many fundraising programs in the sector. Considering this, concern with respect to **cost per dollar raised** is particularly acute for national health charities. Organizations need to articulate why there is a higher cost of fundraising and focus on net gain that can be distributed to programs and services.

7. There is a growing **trend toward campaigns** in the sector. With the plateau of traditional fundraising methods, most notably direct mail and door to door fundraising, organizations are looking to major gifts as a way to build revenue. With many organizations new to major gift fundraising, campaigns provide the framework with which to seek larger investments.

8. The **case for major gift fundraising** must be clear, unique, and inspirational. This is particularly true in the case of research, since national health charities are in competition with large health centres and universities for a donor's attention.

9. There is **considerable turnover** of both fundraising staff and senior organizational leadership in the sector. This is due to an inability of many organizations to pay competitive salaries at the senior team level, as well as an event-heavy fundraising program which can lead to burnout among fundraising staff. Some organizations are implementing additional benefits, such as professional development opportunities and additional vacation time, as a means to retain staff members.

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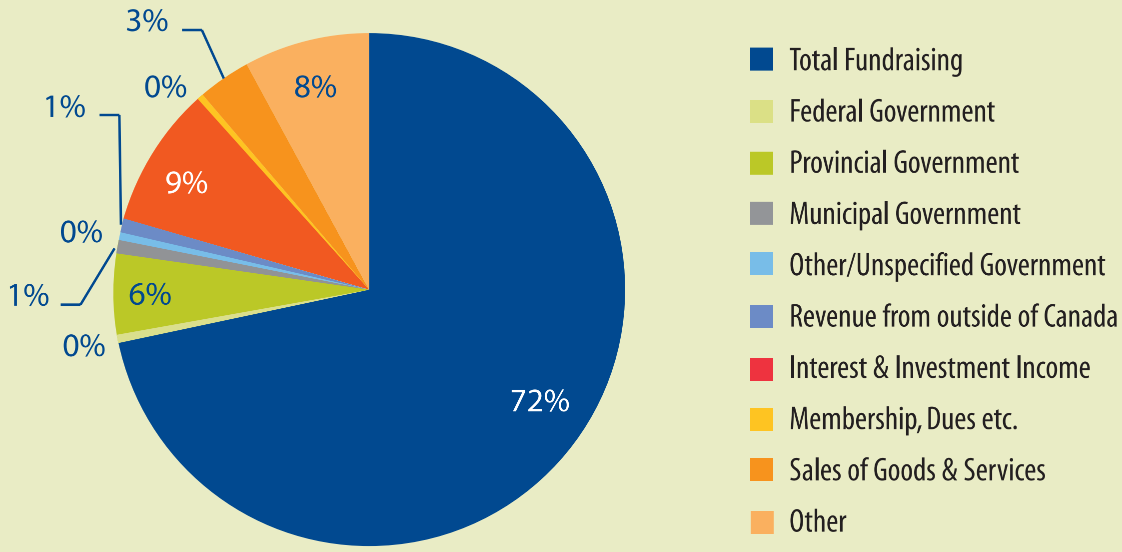
Hospital / Healthcare Foundations

The Numbers

REVENUE BY SOURCE



The Trends

1. With ever increasing needs, hospital/health centre foundations face mounting pressure in terms of raising funds. This situation heightens the need for **alignment between hospitals/health centres and foundations.** Alignment is best illustrated when both entities partake in establishing fundraising priorities and goals and there is open and frequent communication between senior leadership, both volunteer and staff.

2. Foundations that operate within the framework of a health authority often face the challenge of determining fundraising priorities. In the absence of large projects, major gift programs in particular can languish. Some foundations are **working in partnership with the health authority** in order to move priority setting forward, for example by involving the hospital CEO and foundation board members in conversations with the health authority.

3. There is an increasing focus on turning foundation boards into **active fundraising boards.** Some foundations have created individual engagement plans for each foundation board member, with metrics specific to their role in direct fundraising. As well, some are revamping their recruitment and orientation processes to include specific references to active participation in fundraising.

4. There is a move toward **data-driven decision making** in the sector. This in turn is leading to more sophisticated processes to manage prospects and move donors across giving streams (such as converting a first-time peer-to-peer event participant into an ongoing donor).

5. The need to secure **unrestricted funding** is an ever present concern. Some foundations have seen success by packaging their ongoing needs, for example by establishing a fund for patient comfort. In this sense, donors feel there are able to direct their funding, albeit not to a specific fundraising priority. The marketing of such a program must be carefully undertaken, since it cannot be construed as a designated priority.

6. It is important for foundations to have

The Numbers

545 – Total charities in sector

0.7% – Percent of charities in Canada

$1.6 billion – Total revenue (all sources)

$1.2 billion – Total fundraising revenue

4.9% – Sector's share of total fundraising revenue

$2,116,610 – Average fundraising revenue

$295,522 – Median fundraising revenue

33.6% – Average overhead ratio

The Trends

a **strategic communications plan**. In most cases, the foundation 'owns the brand' since it is the community liaison. Foundation staff must work in close partnership with hospital/health centre counterparts in order to deliver consistent, compelling messages to the community.

7. For many foundations, giving is motivated by personal experience. This heightens the need to **engage internal stakeholders** in fundraising (e.g. physicians, nurses, rehabilitation professionals, researchers). Many are developing formal engagement plans that identify both internal (e.g. sitting on the Foundation Board) or external (e.g. acting as an expert witness or identifying grateful patients) opportunities.

8. There is a move away from hosting numerous foundation-produced special events. Some foundations are focusing on one or two signature events and placing more of an emphasis on **third party events** and **peer to peer fundraising.** Foundations are empowering individuals to become ambassadors and fundraisers; however, foundations must make an investment in technology to support fundraising activity and a resource to manage both the program and the organization's profile out in the community.

9. Larger health centres and hospitals affiliated with research centres are increasingly entering into **partnerships** with universities and other institutions to secure major investments. The partners can create a case around a complex idea and demonstrate how together they can take a concept from research to the bedside.

10. Hospital and health centre foundations are reaching out to **diverse constituencies**, which are reflective of the communities they serve. Successful foundations implement an authentic engagement strategy that does not assume traditional philanthropic methods will work. Rather, they take a design/build approach with senior community leaders and develop giving vehicles that will resonate with the community, such as group giving opportunities or special events.

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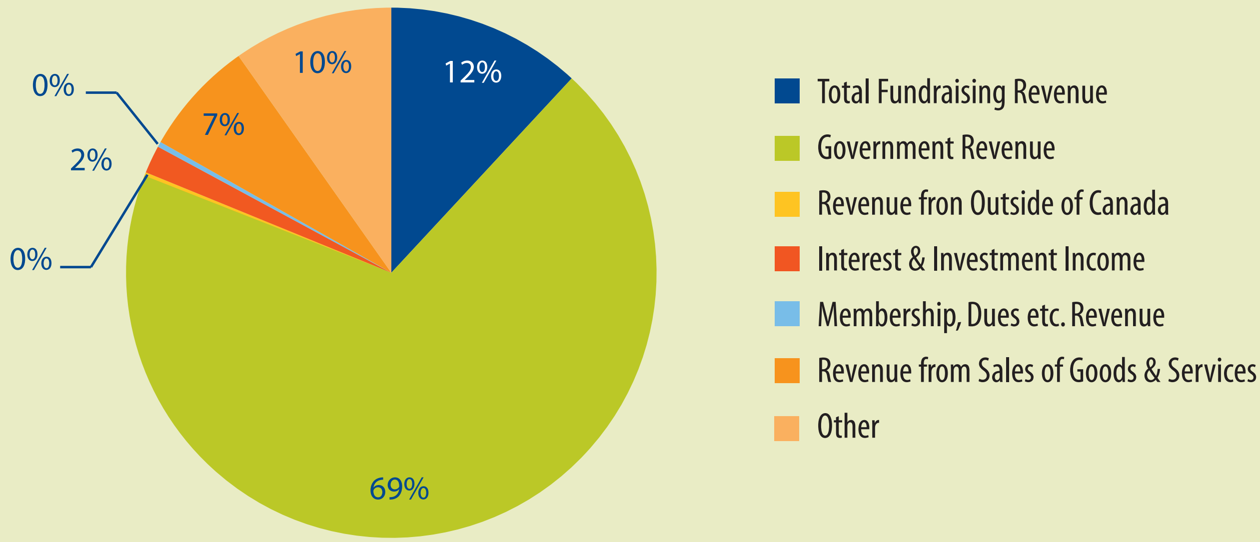
Social Services

The Numbers

REVENUE BY SOURCE



The Trends

1. The social services sector is vast, covering a broad range of issues. In addition, there are numerous organizations that focus on similar issues. This heightens the **need for differentiation** and to articulate an organization's unique mandate and impact. This is a concern not only for smaller organizations or new entrants to the sector; national organizations must also clearly convey their mission and demonstrate the breadth of their programs and services.

2. Many social service charities focus on issues that have considerable stigma in the general public. It is important for these organizations to have a **strategic communications plan** that includes a component on raising awareness and educating potential donors about an issue.

3. Since charities in this sector often focus on long-term social issues, the demand for **fiscal responsibility** is heightened. This is particularly the case when an organization is planning to raise funds for a facility or other capital project. Donors want to see a solid, well-articulated business case that accounts for the sustainability of the project in the long-term.

4. Social services charities tend to be ahead of other sectors in terms of **collaborating with partner organizations.** Many partner with like-minded organizations in order to tackle a particular issue or project. This elevates the credibility of the partners, demonstrates that the organizations are forward thinking, and assures donors there is no duplication of effort.

5. Reporting on outcomes is critical for the social services sector. Funders, whether government or private citizens, want to know their gift will have an impact on an intended community. This can be a challenge for many organizations that address complex social issues. One strategy is to focus on stories of individual success as a means to demonstrate positive outcomes.

6. Volunteers remain a critical part of fundraising in this sector. With limited resources, volunteers are utilized in a number of ways, from entering informa-

The Numbers

10,278 – Total charities in sector

12.5% – Percent of charities in Canada

$17.4 billion – Total revenue (all sources)

$2.1 billion – Total fundraising revenue

8.2% – Sector's share of total fundraising revenue

$201,989 – Average fundraising revenue

$22,868 – Median fundraising revenue

14.8% – Average overhead ratio

The Trends

tion into a database, to making thank you calls to donors, to providing an introduction to a potential major gift donor. A comprehensive **volunteer recruitment and engagement strategy** is a critical underpinning for these organizations.

7. From a major gifts perspective, **senior volunteers** are critical to identifying and reaching potential major donors. However, it can be a challenge for social services charities to assemble a formal body of senior volunteers. Many are recruiting community leaders and working with them on an individual basis, even within the context of a capital campaign.

8. Charities in this sector tend to have large numbers of donors at the lower giving levels. Some organizations have invested in **data analytics** as a means of identifying loyal donors with the capacity to increase their giving. These donors were then solicited as part of a mid-level program that focused on a particular fundraising priority.

9. For some charities, **social enterprise** is an emerging tool to raise revenue. Whether it is providing a good or a service, some organizations have the necessary assets to enter into a commercial space. It is critical for these organizations to understand that social enterprise requires a different skill set from fundraising. It must be viewed through the lens of starting a business, with all of the protocols and policies associated with this type of venture.

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Philanthropic Trends Quarterly

 Philanthropic Trends Quarterly© is intended to provide an anecdotal 'snapshot' of philanthropy in Canada. We hope it will serve as a useful overview for observers of the charitable and nonprofit scene.

Aussi disponible en français.

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