

Fundraising Performance:
The First Annual Report on Fundraising in
Ireland



2010

Sinead Kelleher

Dennis O' Connor

*2into3,
Benson Street,
77 Sir John Rogerson's Quay,
Dublin 2.
+353 (1) 640 1825
dennis@2into3.com
www.2into3.com*



Contents

Executive Summary.....	4
1 Introduction	5
2 Brief Overview of the Non-profit Sector.....	7
3 Fundraising Performance – Theoretical Framework and International Data	9
3.1 Introduction	9
3.2 International Research.....	9
3.3 Fundraising Costs and Organisational Efficiency	10
3.4 The Research Methodology	11
4 Profile of Organisations in the Study	12
4.1 Participating Organisations by Subsector	12
4.2 Age Profile of Participating Organisations	13
4.3 Income	14
4.4 Salaries	15
4.5 Number of staff.....	15
4.6 Change in Staff Numbers and Salaries	17
4.7 Reliance on State Income	18
4.8 Unrestricted and Restricted Income.....	19
5 Fundraising.....	20
5.1 Change in Fundraised Income between 2008 and 2009	20
5.2 Types of Fundraising Undertaken	23
6 Fundraising Costs.....	24
6.1 Methodology and Cost across Sector as a Whole.....	24
6.2 Fundraising Cost by Subsector	25
6.3 Fundraising Cost by Technique	26
7 Limitations to the Research	29
8 Implications for your Organisation	30
9 Bibliography	32
10 Appendix A: List of Participating Organisations.....	33
11 Appendix B – Statistical Definitions	34
12 About 2into3 and the Authors	35



Figures

Figure 1: Distribution of Organisations and Income within the Irish Non-profit Sector	7
Figure 2: Participating Organisations by Subsector	12
Figure 3: Age Profile of Participating Organisations	13
Figure 4: Income of Participating Organisations in 2009	14
Figure 5: Salaries as a Percentage of Total Expenditure (2009)	15
Figure 6: Participating Organisations by Staff Numbers (2009)	15
Figure 7: Number of Staff 2009 Including Outlier	16
Figure 8: Number of Staff 2009 Excluding Outlier	16
Figure 9: Salaries as Percentage of Total Expenditure in 2009 and 2008.....	17
Figure 10: Number of Jobs Created and Lost between 2008 and 2009.....	18
Figure 11: Reliance on State Income, by Subsector.....	19
Figure 12: Unrestricted vs Restricted Income.....	19
Figure 13: Change in Fundraised Income between 2008 and 2009	20
Figure 14: Change in Fundraised income between 2008 and 2009 by Subsector.....	21
Figure 15: Change in Fundraised Income between 2008 and 2009 by Percentage Change	22
Figure 16: Percentage Income from each Source in 2009	23
Figure 17: Unweighted Average – Cost to Raise €1 by Sector	26
Figure 18: Fundraising Cost by Technique – Unweighted Average Figures.....	27
Figure 19: Costs of Fundraising by Methodology (Greenfield, 1999)	28

Tables

Table 1: Factors Affecting Fundraising Performance.....	9
Table 2: Participating Organisations by Subsector	12
Table 3: Summary Statistics - Income	14
Table 4: Summary Statistics – Staff.....	17
Table 5: Change in Fundraised income between 2008 and 2009 by Percentage Change.....	22
Table 6: Fundraising Cost – Total Across Sample.....	24
Table 7: Fundraising Cost by Subsector	25
Table 8: Fundraising Costs by Technique.....	26

Executive Summary

Despite its importance in terms of GDP, employment creation and provision of social services and facilities, there is very little quantitative information available on the Irish non-profit sector. Lack of data hinders effectiveness and efficiency by making it difficult for organisations to benchmark themselves against the rest of the sector. As such, they are unable to gauge how well they are weathering the storm of the current economic climate compared to their fellow non-profits, and the relative effectiveness of their fundraising techniques.

This paper, based on the annual accounts of 80 Irish non-profit organisations, is an attempt to address this data gap. It is the first in what is intended to be an annual report on fundraising performance in Ireland.

Key findings from the study are presented below:

% change in fundraised income between 2008 and 2009	 12.9%
% change in total income between 2008 and 2009	 4.8%
Salaries as a % of total expenditure in 2009	36%
Change in staff costs between 2008 and 2009	 3.5%
State income as a % total income in 2009	48.7%
Total income for the 70 organisations for which 2009 data is available	€532,765,646
Total fundraising income for the 59 organisations for which 2009 data is available	€224,178,528
Average cost to raise €1 in 2009	20.3c



1 Introduction

The non-profit sector is of key importance in Ireland – providing employment, moulding public opinion, affecting government policy and providing essential skills and services. The so-called third sector also fulfils a more intangible function – it reflects our priorities as a society. Individual decisions of donors, supporters and volunteers, taken privately and often shaped by personal experiences or driven by personal beliefs, combine to mirror our communal psyche.

However, there is an alarming dearth of quantitative information available on the Irish non-profit sector. Excluding the Centre for Non-profit Management in Trinity College Dublin and The Wheel, very little primary research has been undertaken to quantify even the shape, size or structure of the sector.

The limited research into fundraising performance and efficiency in an Irish context stymies efforts by fundraisers and CEOs to construct campaigns which are both cost effective and efficient. Lack of data hinders the transference of best practice and prevents genuine communication between organisations and their donors. Unable to benchmark against similar organisations, fundraising managers and CEOs cannot determine their own efficiency ranking and rate the success or otherwise of their fundraising methods.

Every non-profit organisation should be aware of their financial performance in comparison to that of similar organisations in their specific sub-sector. However, it is most obvious to those working in non-profit organisations that a careful balance has to be maintained between ensuring expenditure on projects and appropriate investments required to ensure ongoing organisational efficiency, effectiveness and sustainability. Thus, although low fundraising and low administration costs are clearly desirable in a non-profit organisation, the relationship between efficiency and cost ratios is in no way clear or linear. As such, this paper should not be perceived or interpreted as equating low overhead costs with organisational effectiveness or organisational quality. Rather, it aims to reflect the current reality of the non-profit sector in Ireland, providing Boards, CEOs and Fundraising Executives with information which they can use to identify their own standing among their peers whilst remaining mindful of the wide range of factors which impact upon an organisation's administration costs and fundraising performance.

This research is the first in an annual series of quantitative analyses of Irish fundraising organisations. It is intended to give an overview of research and international findings in the area, to delineate the key issues, to present headline data in relation to Irish organisation and above all, to inspire dialogue, debate and discussion.

The past number of years have brought about wide-ranging changes in the non-profit sector in Ireland. Non-profits have been affected in a contradictory fashion with government expenditure and private donations both falling but demand for services increasing – they are being asked to do more with less.



Where possible, this paper captures a number of indicators between 2008 and 2009 and shows changes over this time period.

The quantitative analysis in this paper is based on the annual accounts of 80 Irish non-profit organisations. A list of these organisations is available in the Appendix.

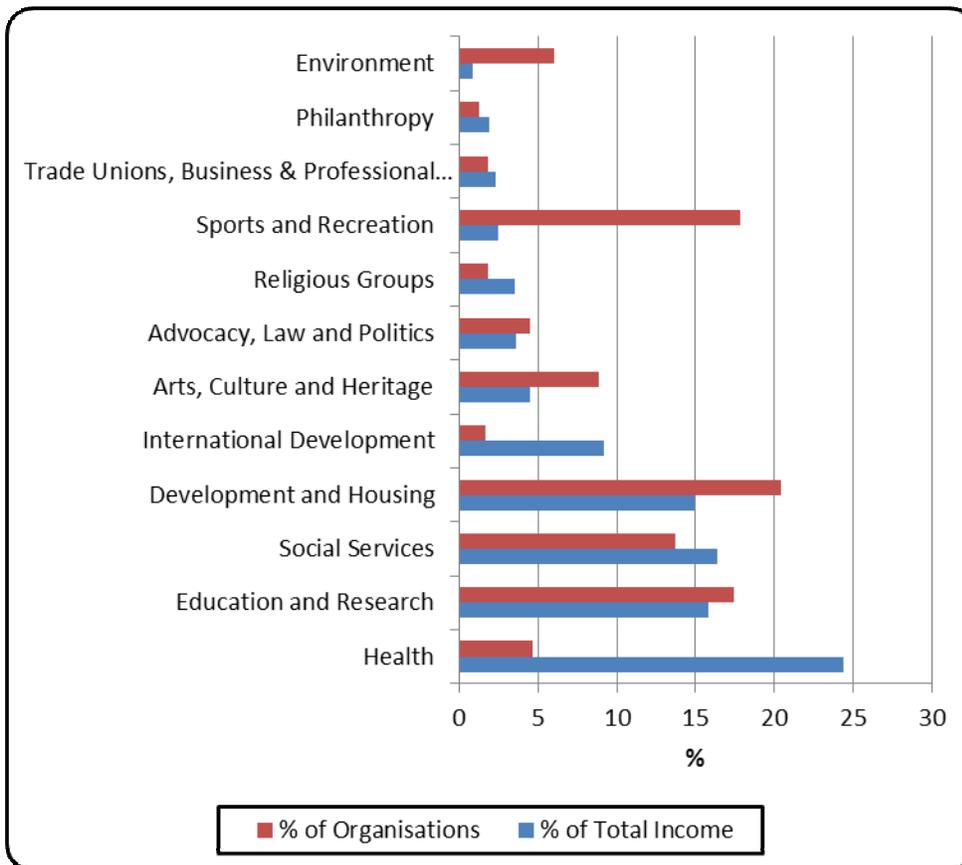
2 Brief Overview of the Non-profit Sector

Despite the clear significance of the non-profit sector to the Irish economy and Irish society very little quantitative research has been carried out in this area. As such, there is a significant dearth of information available on the nature, profile and future direction of the sector.¹

It is estimated that the Irish non-profit sector accounts for between 4% and 8% of GDP and provides employment (both paid and unpaid) to 10% of the population.

Just five subsectors (Health, Social Services, Education and Research, Development and Housing, and International Development), represent 80% of the total income (turnover) of the sector, as can be seen in Figure 1 below.

Figure 1: Distribution of Organisations and Income within the Irish Non-profit Sector



Source: Centre for Non-profit Management (Trinity College), 2006

¹ The key piece of quantitative research available is The Hidden Landscape, a very valuable study involving a survey of 4,214 organisations and undertaken by the Centre for Non-profit Management in Trinity College Dublin in 2006.



This figure also shows an important, but possibly counterintuitive, feature of Irish non-profits; subsectors do not receive income in proportion to their size. Instead, the nature of their work has a very significant impact on how much income they receive. Key examples of this are health organisations, which comprise fewer than 5% of all surveyed organisations, but account for 24% of total income. By contrast, almost 18% of respondent organisations are in the Sports and Recreation subsector but they account for only 2.5% of total income.

Another feature is the highly skewed distribution of income and expenditure. A very high proportion of organisations have very modest incomes, but there are a small number of very significant outliers, the high income and expenditure figures of which dramatically affect the average figures.

Non-profits, like governments, organisations and individuals, exist in a commercial world where financial viability is essential for survival and the delivery of their mission. Non-profit organisations in Ireland are particularly dependent on the State for funding, with the Hidden Landscape Study showing that about 60% of non-profit income came from public sources in the year in question. Other studies have also shown that Irish non-profit organisations receive the majority of their funding from the government. The 1999 Johns Hopkins research found the proportion to be 75% and a 2008 study by The Wheel reported it at 59%.



3 Fundraising Performance – Theoretical Framework and International Data

3.1 Introduction

Measurement and consideration of fundraising performance within the non-profit sector is important as it allows CEOs and Heads of Fundraising to compare their costs and income to those of similar organisations working in the same field. When the sector has evidence of what techniques and approaches are most effective, best practice can be shared and the efficiency of the sector as a whole improved. In addition, donors can be confident that their donations are being used appropriately.

3.2 International Research

There has been limited research on the costs of fundraising and levels of fundraised income in Ireland. However, a certain amount of research has been carried out into fundraising performance in the USA and UK.²

A number of bodies in the US have developed recommended fundraising thresholds. The American Institute of Philanthropy states that “60% or greater [of total expenditures on charitable programs] is reasonable for most charities.” The Wise Giving Alliance now suggests that “fundraising costs [should] not exceed 35 percent of related contributions” while the American Institute of Philanthropy agrees that ‘\$35 or less to raise \$100 is reasonable for most charities’. However, targets by watchdogs and other organisations are relatively arbitrary benchmarks, and no direct justifications for these numbers have been offered.

The studies which have been conducted into fundraising to date have identified a number of key factors which affect fundraising performance. In some cases, these factors are outside an organisation’s control, while in other cases they are inherent to the fundraising process itself. The most important of these factors are listed and briefly discussed in the table below.

Table 1: Factors Affecting Fundraising Performance

1. Nature of the Cause

Research from the US consistently shows that fundraising efficiency varies quite significantly across different subsectors. Certain causes are, by their nature easier, to ‘sell’ to potential donors, while some more marginal causes, or those with a stigma attached, may find it more difficult to fundraise. This reflects nothing more than the base level of public interest in the cause and is generally outside an individual organisation’s control.

² The results of these studies are in the quantitative section of this paper, and are presented as comparisons with the results from this study

2. Size of Organisation

Larger organisations can take advantage of economies of scale in relation to fundraising and can often also afford to employ full time, professional fundraisers. In smaller bodies, the fundraising duties are distributed between all other staff.

3. Age of Organisation

Newer organisations are often driven by highly dedicated, passionate volunteers, who work hard to fundraise to increase both profile and funds. Thus, evidence suggests that non-profits which are new to fundraising often have initially low fundraising costs due to volunteer work. However, newly established bodies don't have the networks, reputation, working relationships, clients, proven ability to survive and place in the public's consciousness which all assist older organisations in obtaining funds. Younger organisations may therefore have to spend more money in order to build donor bases and establish organisational routines and staff strengths. In addition, certain sources of funding, especially legacies and bequests, generally require a long cultivation period and so are less often available to younger groups. Thus, evidence suggests that costs increase as an organisation formalises and fall again when it has undergone a significant learning curve.

4. Investment in Donor Development

Attracting new donors to an organisation is an inherently costly business, and many organisations lose money on this activity, especially if direct response media (direct mail, advertising etc) are used. The loss is not important in the medium term as the organisation will be able to solicit second and subsequent gifts from these new donors, on which the returns will be significantly higher. This is an investment activity and organisations which make a particular effort to build their constituency will initially report very poor fundraising ratios. However, Sargeant and Shang (2010) note that if particular attention is focused on fundraising ratios alone, organisations will be punished by the media and potential donors for investing in their fundraising base and taking a long term view.

5. Exceptional Gifts

A major gift or bequest can skew the fundraising costs figures by making an organisations fundraising ratio seem particularly low for a given year, and then relatively quite high the following year.

3.3 Fundraising Costs and Organisational Efficiency

It would be highly erroneous and misleading to equate low fundraising and administration costs with organisational efficiency. While it is desirable to have low overhead costs, it is essential to emphasise that behind each good programme, project or intervention there is a good organisation with talented and knowledgeable staff. Projects do not exist in a vacuum but grow from and are fundamentally shaped by governance, management and staff skills. In addition, poor equipment can be as time consuming and wasteful as poor staff, e.g. slow computers requiring maintenance siphon time, money



and energy, and risk existing knowledge and information being lost. As such, very low administrative or overhead costs can compromise the ability of an organisation to successfully and sustainably operate.

The Urban Institute and the Centre on Philanthropy at Indiana University warns that competition among non-profits to show low administrative ratios 'induces non-profit managers to under-invest in good governance, planning compliance and risk management, collection of data for service performance evaluations and staff training' (2004).

While the same point was made in the Irish Times in August 2010,

'Funding for organisational support and infrastructure is often neglected under donor demands that as much aid as possible is pushed to victims. Thus, distribution channels may suffer as warehouses, equipment, communications infrastructure, and training remain unimproved or deteriorating....Unless operations are managed efficiently and effectively, millions of euro that could otherwise have been used to save lives will be lost.'

A careful balance therefore has to be realised between having low overhead costs, and investing appropriately to ensure provision of the necessary support structure. Enlightened funders and good CEOs recognize the need to fund the organisation and not projects.

3.4 The Research Methodology

Sets of annual accounts were requested from a total of 196 Irish non-profit organisations during the summer of 2010. This request was made by letter, followed up by a phone call. Participating organisations were guaranteed that data would be presented in an aggregated format and that individual organisations would not be identifiable. A total of 80 sets of accounts were received spanning the period 2007 to 2010, giving a response rate of 41%.

A list of participating organisations is available in the Appendix. Four organisations requested anonymity and so are not included in this list.

Organisations have different accounting cycles, so, for simplicity of analysis, accounts are defined as dating from the year in which they were signed off – e.g. all accounts signed from 1st January 2009 to 31st December 2009 are deemed to relate to 2009. The accounts received ranged from 2007 to 2009 as follows.

Year Accounts Signed Off	Number of Sets of Accounts Received
2009	70
2008	77
2007	11

Unless otherwise stated, figures used in the text are from accounts signed off in 2009.

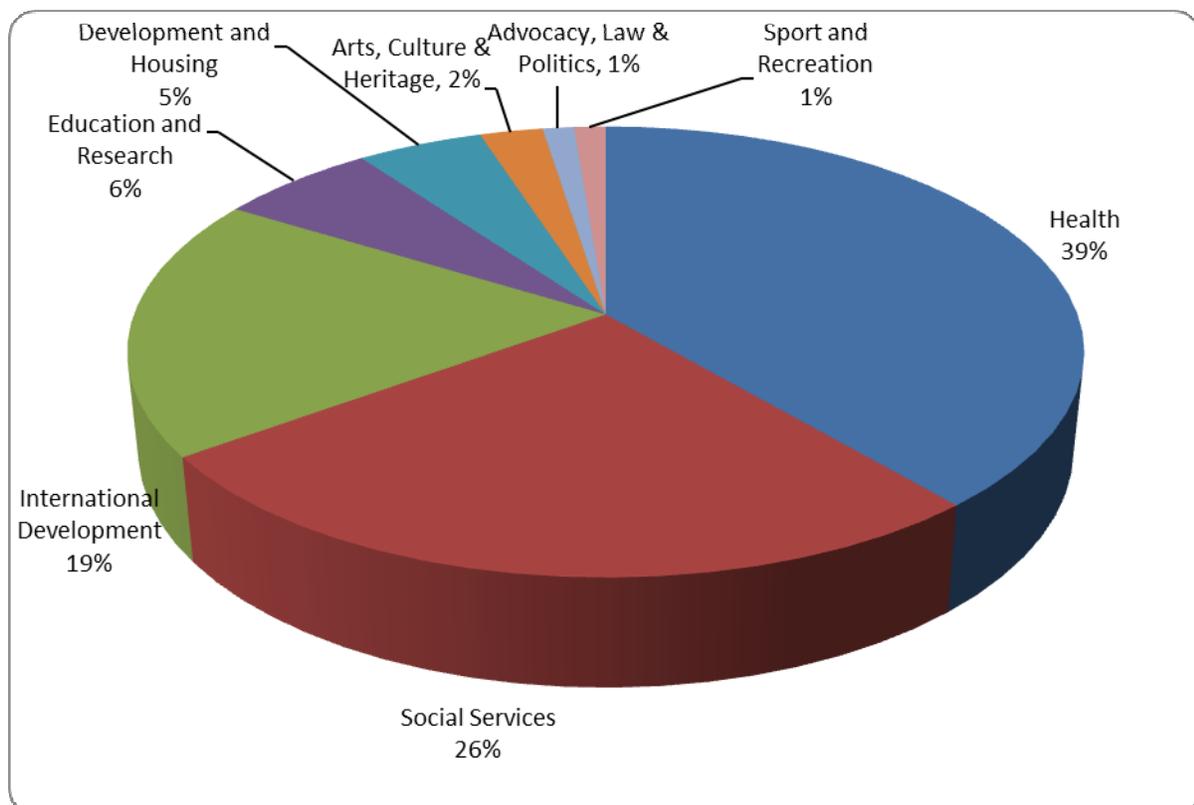
4 Profile of Organisations in the Study

4.1 Participating Organisations by Subsector

Participating organisations were categorised into nine groups, as below.

Subsector	Number of Participating Organisations
Advocacy, Law and Politics	1
Arts, Culture and Heritage	2
Development and Housing	4
Education and Research	5
Health	31
International Development	15
Social Services	21
Sports and Recreation	1
Total	80

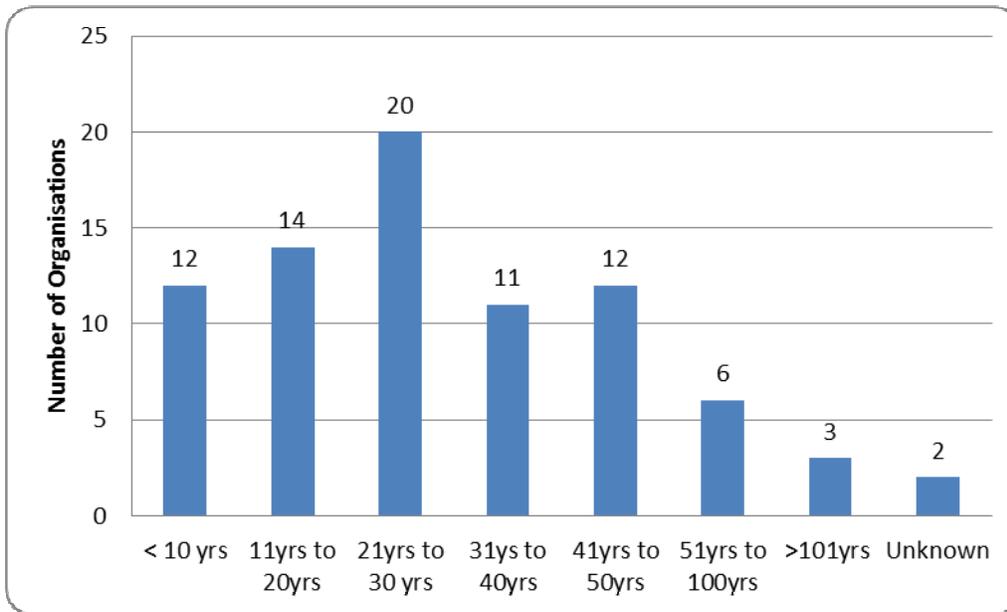
Figure 2: Participating Organisations by Subsector



As noted by Hagar, Pollak and Rooney (2001), the subsector in which an organisation operates impacts upon their fundraising performance (i.e. their total fundraising income and their fundraising cost). As such, the performances of subsectors are examined separately where possible. Due to the relatively small sample of organisations, we can only make meaningful comments about three subsectors – Health, International Development and Social Services.

4.2 Age Profile of Participating Organisations

Figure 3: Age Profile of Participating Organisations



Sample Size = 80

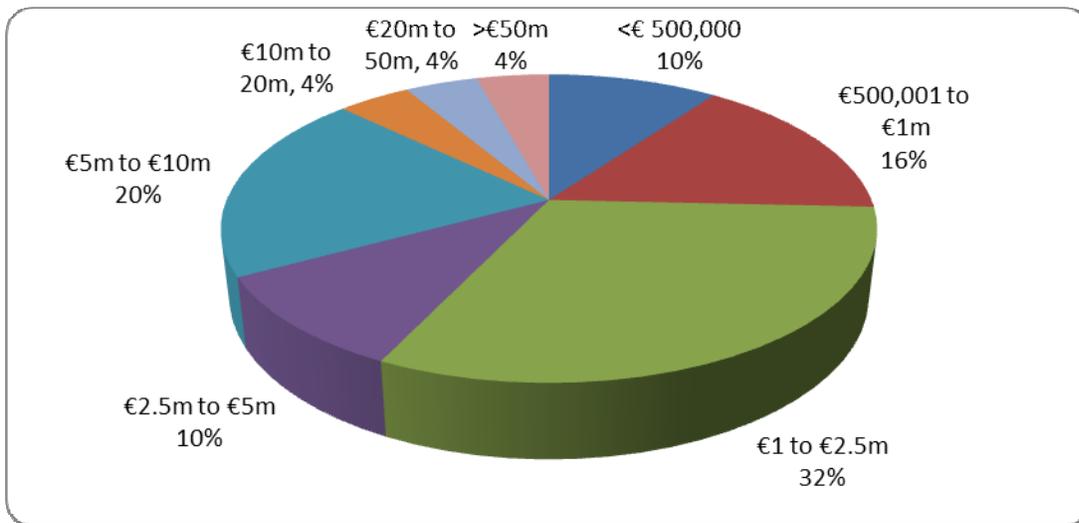
The graph above shows the age distribution of organisations in the sample. The average age is 32 years (average year of establishment is 1978).

The age profile is older than would be expected given the results of the Hidden Landscape study of 2006 which found that half of all respondent organisations were formed in the 19 years prior to the study (compared to 35% in this sample) and that one quarter were less than 10 years old (compared to 15% in this study).

4.3 Income

The income of respondent organisations ranged significantly, from €119,000 to €129m. About 60% of all organisations have income of less than €2.5 million. The total income of the 70 organisations for which we have 2009 accounts was €532,765,646 in that year.

Figure 4: Income of Participating Organisations in 2009



Sample Size = 70

The summary statistics below give further insight into the income data. ³

Table 3: Summary Statistics - Income	
Average	€7,610,938
Median	€2,108,717
Range	€119,955 to €129,421,000
% organisations below the average	87.1%
Sample Size	70

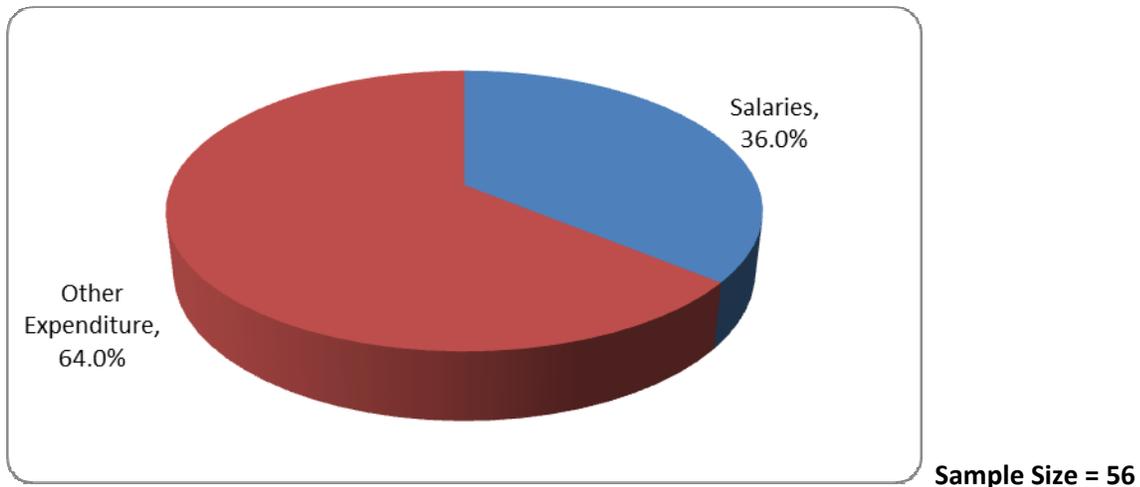
As the summary statistics indicate, a small number of large organisations are pushing up the average income figures – note that only 13% of organisations in the sample have income above the average. As noted earlier, this skewed pattern of a large number of small organisations but a small number of very large bodies is also found in the Hidden Landscapes Study.

³ The median is simply the value separating the higher half of the sample from the lower half. It is found by arranging all the income figures from lowest to highest and picking the middle one. As such, it is not affected by especially high or low outliers.

4.4 Salaries

As can be seen in the figure below, salaries are a considerable expense in non-profit organisations, accounting for over one third of all expenditure in 2009.

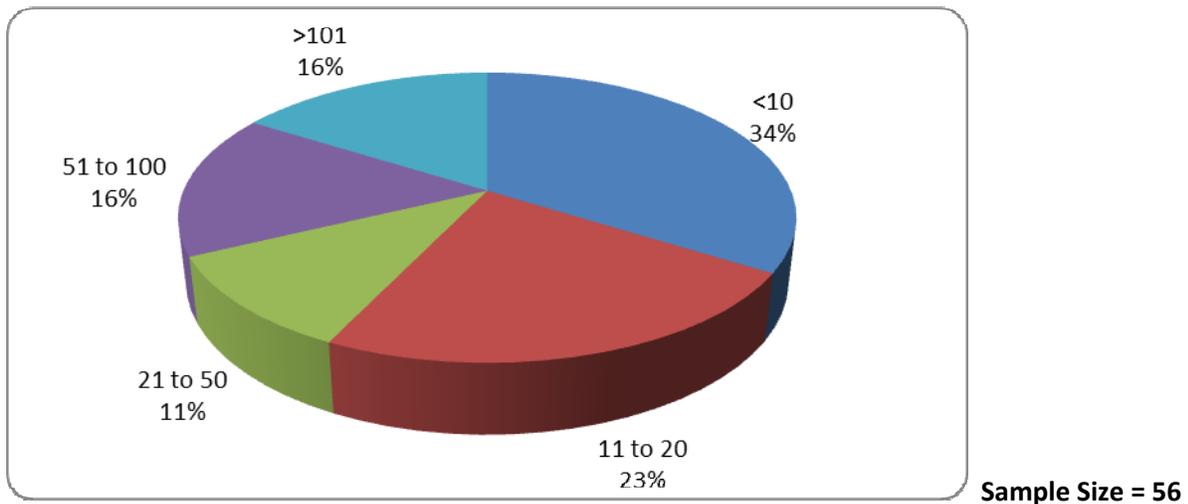
Figure 5: Salaries as a Percentage of Total Expenditure (2009)



4.5 Number of staff

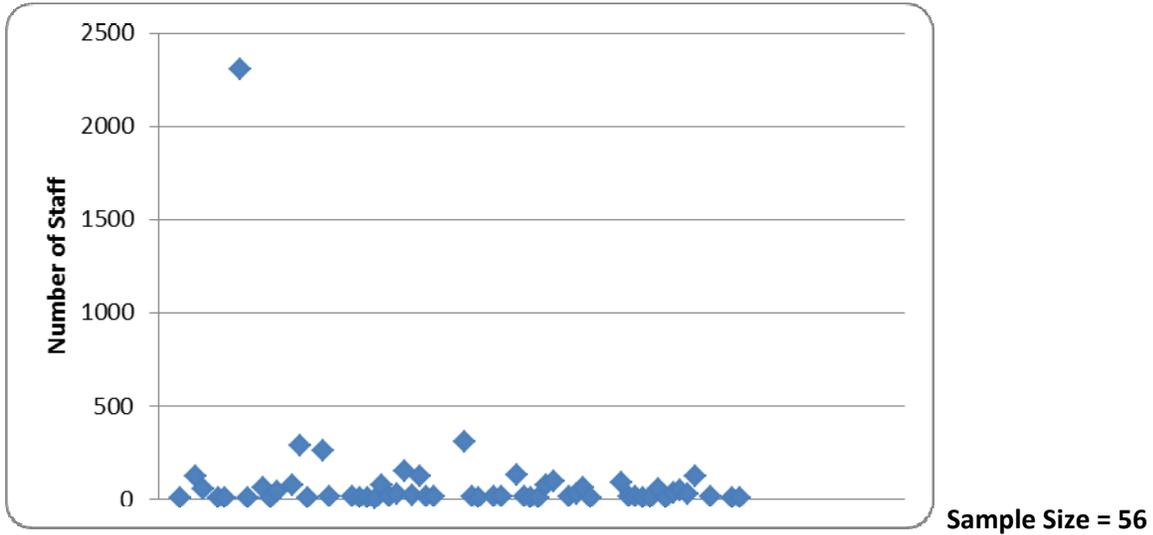
The pie chart below shows the distribution of staff numbers of respondent organisations. Almost 60% of organisations have fewer than 20 staff members with over a third having less than 10.

Figure 6: Participating Organisations by Staff Numbers (2009)



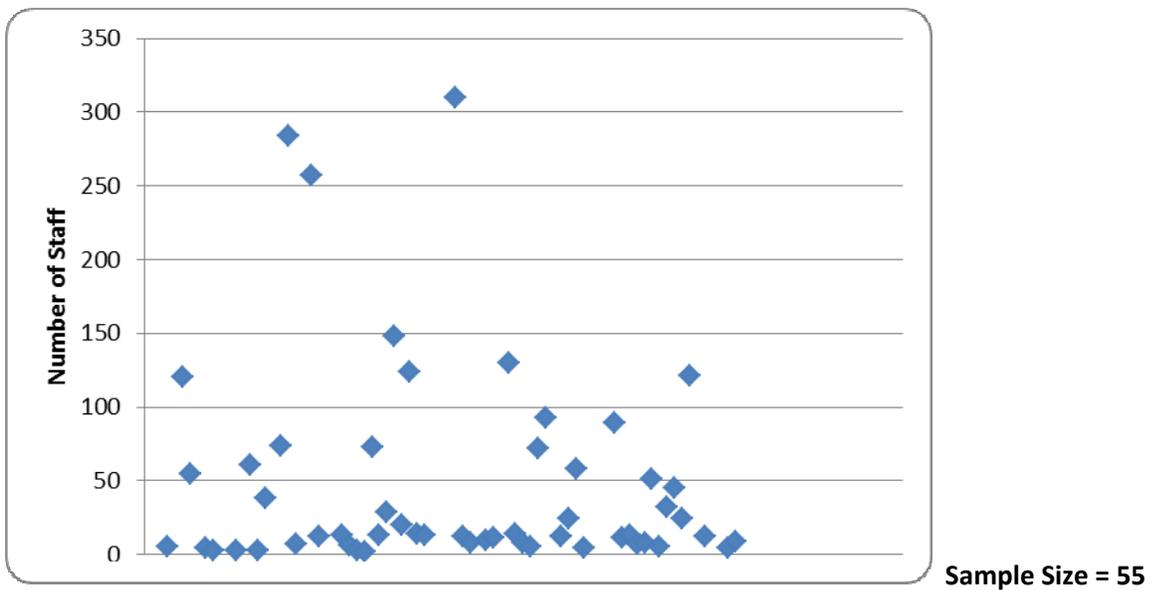
The average number of staff in 2009 is 87.4. Just 11 organisations of the 56 for which we have data have above the average number of staff. This is because the average figure is pulled up by a very high outlier which has over 2,300 staff members, as can be seen in the scatterplot below.

Figure 7: Number of Staff 2009 Including Outlier



Excluding this organisation brings the average staff number down to 47, but it is still clear that there are a small number of organisations with relatively high numbers of staff compared to the main cluster.

Figure 8: Number of Staff 2009 Excluding Outlier



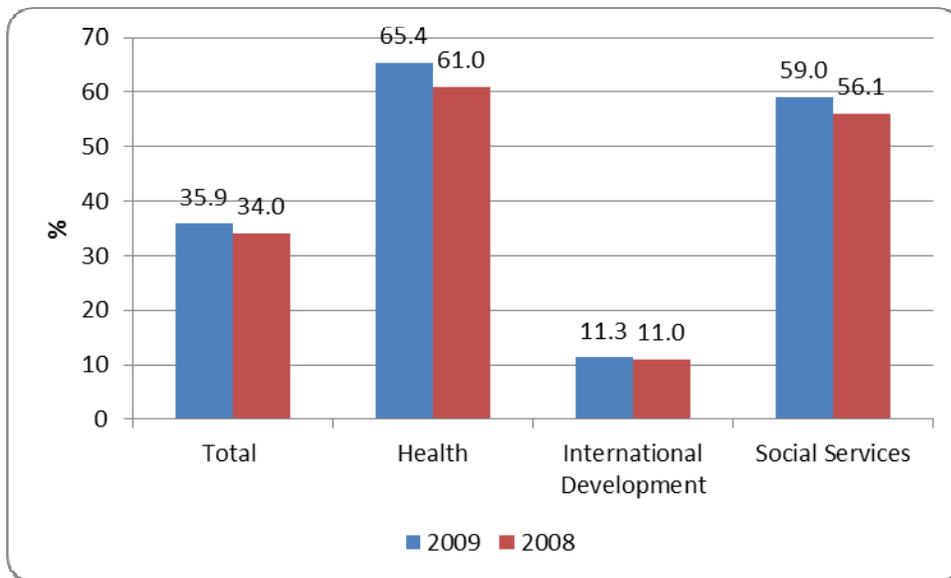
The pattern of a small number of large organisations skewing the average results is again captured in the summary statistics. Here we find that although the average number of staff is 87, only 20% of organisations have staff numbers above this value and the median is just 13.

Table 4: Summary Statistics – Staff	
Average	87.4
Median	13
Range	2 to 2307
% organisations below the average	80.3%
Sample Size	56

4.6 Change in Staff Numbers and Salaries

As seen above, salaries comprise a very high proportion of total expenditure. However, it was hypothesized before this research commenced that staff costs would have fallen between 2008 and 2009 due to salary cuts and redundancies. However it was found that salaries actually increased in real terms (by 3.5%) and also rose as a proportion of total expenditure over this period.

Figure 9: Salaries as Percentage of Total Expenditure in 2009 and 2008



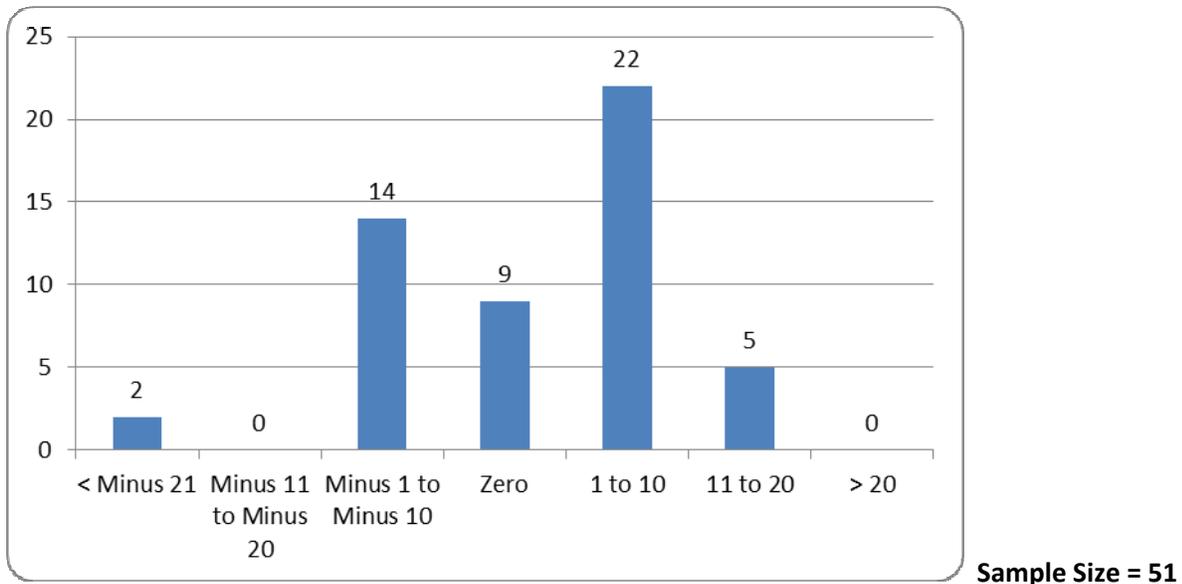
Sample Size = 51

A possible explanation for this counterintuitive result would be a temporary increase in staff expenditure due to redundancy payments. However, in the 52 companies for which we have employee data, a net total of 60 jobs were created in the year.

- Jobs were lost in 16 companies (a total of 81 jobs, ranging from 1 to 21)
- Positions were created in 27 organisations (a total of 141 jobs, ranging from 1 to 18)
- 9 organisations retained the same net number of jobs

This information is displayed graphically below.

Figure 10: Number of Jobs Created and Lost between 2008 and 2009

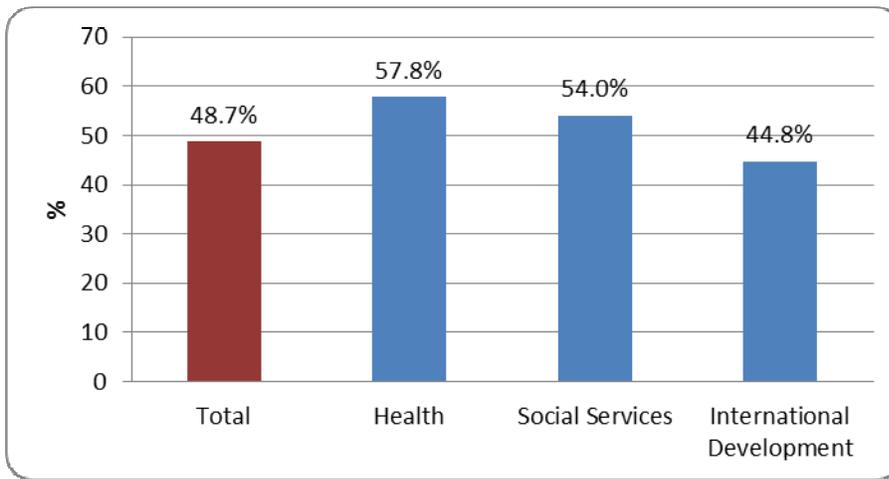


4.7 Reliance on State Income

There is significant concern within the non-profit sector around the expected decrease in state expenditure in 2010 and in coming years.

Previous studies have shown that Irish organisations have a disproportionate reliance on state income compared to their international counterparts, and the same result is found in this study, with government funding averaging at about 49%. This is significantly lower than that figure calculated by the Hidden Landscape study which found a reliance of 60%. Our calculated figure may be slightly skewed downwards due to high number of foundations (seven, including universities and hospitals) which do not receive any government funding.

Of the three subsectors for which there are sufficient data to make any comment, Health has the greatest reliance on state funding.

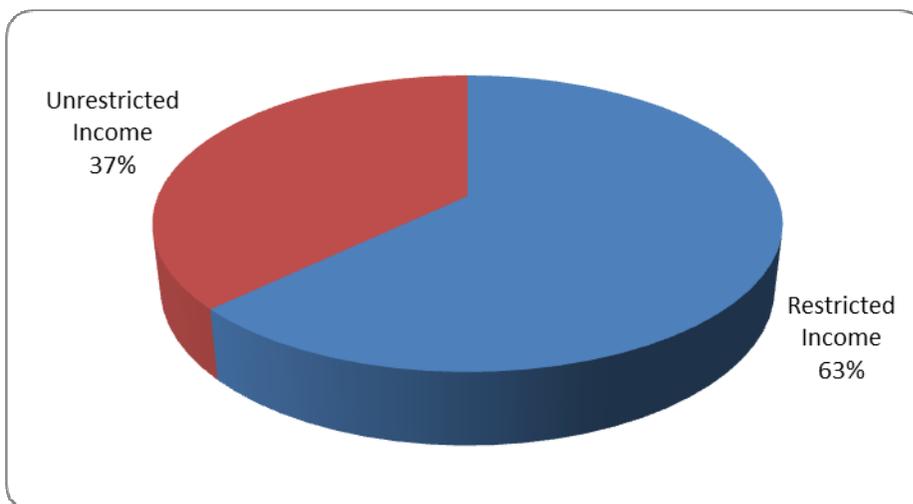
Figure 11: Reliance on State Income, by Subsector

Sample Size = 59

4.8 Unrestricted and Restricted Income

The value of donations to organizations is dependent on their ability to use them appropriately and according to their needs. Hager et al notes that 'Non-profits whose funding is primarily unrestricted will buy what they need to be effective. Non-profits whose funding is primarily restricted can only buy what they need if it happens to fit within their funders' restrictions.'

A total of 22 organizations indicated that a proportion of their income is restricted, with the average proportion of restricted funding being 63%.

Figure 12: Unrestricted vs Restricted Income

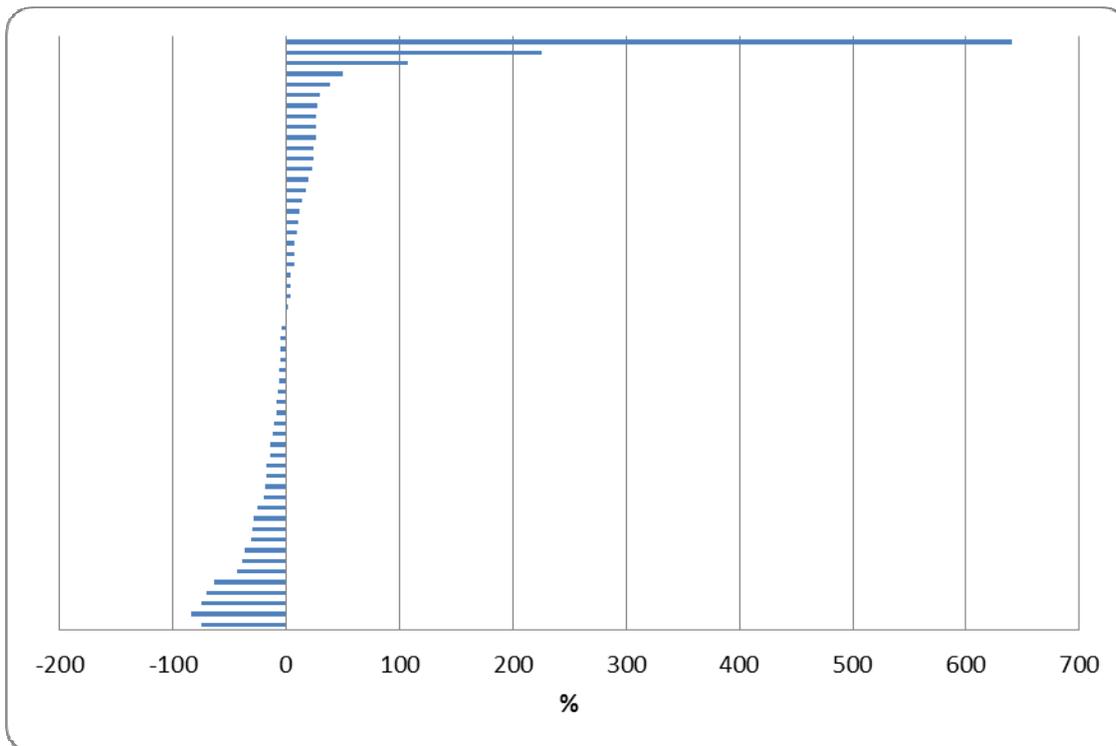
Sample Size = 22

5 Fundraising

5.1 Change in Fundraised Income between 2008 and 2009

The dual challenge to the non-profit sector during the current economic contraction is to cope with an increased demand alongside a reduced supply of resources. A key element of this research has been attempting to quantify the drop in fundraised income between 2008 and 2009. The first noteworthy point is the huge heterogeneity in the experiences of non-profit organizations over this period as evident in the figure below. This shows the percentage change in fundraised income over the past two years for all organisations for which we have data.

Figure 13: Change in Fundraised Income between 2008 and 2009



Sample Size = 56

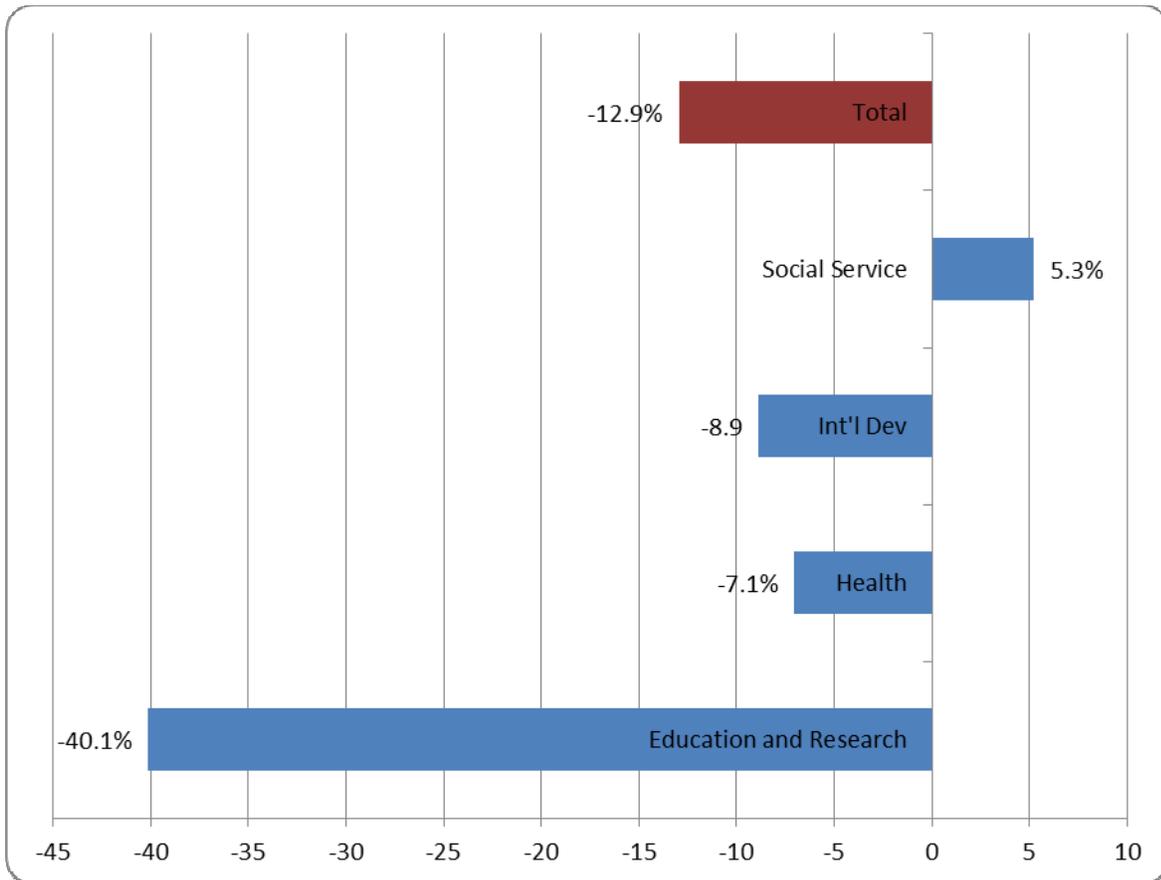
As expected, most organizations are grouped around the 0% change mark, but it is clear that there are a small number of significant outliers who increased their fundraised income a number of times over during the period.

On average, organisations within the sector experienced a 12.9% decline in fundraised income (see below). However, this differs across subsectors, with the 14 social services organisations in the sample



actually experiencing an average increase in income of over 5%. Education and research institutions were especially badly hit with the five organisations in this subsector experiencing a drop in fundraised income of over 40%.

Figure 14: Change in Fundraised income between 2008 and 2009 by Subsector



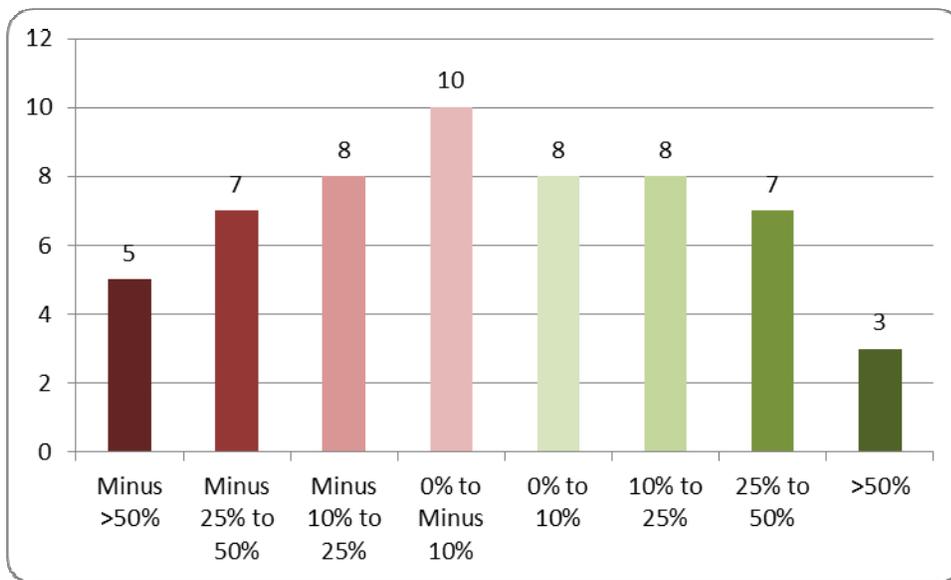
Sample Size = 56

The extent and direction of fundraising change can be seen in the table and image below. Of the 56 organisations for which we had data, a total of 30 experienced a reduction in fundraised income while 26 experienced an increase.



Table 5: Change in Fundraised income between 2008 and 2009 by Percentage Change							
minus	minus	minus	minus	plus	plus	plus	plus
>50%	25% to 50%	10% to 25%	0% to 10%	0% to 10%	10% to 25%	25% to 50%	>50%
5	7	8	10	8	8	7	3

Figure 15: Change in Fundraised Income between 2008 and 2009 by Percentage Change



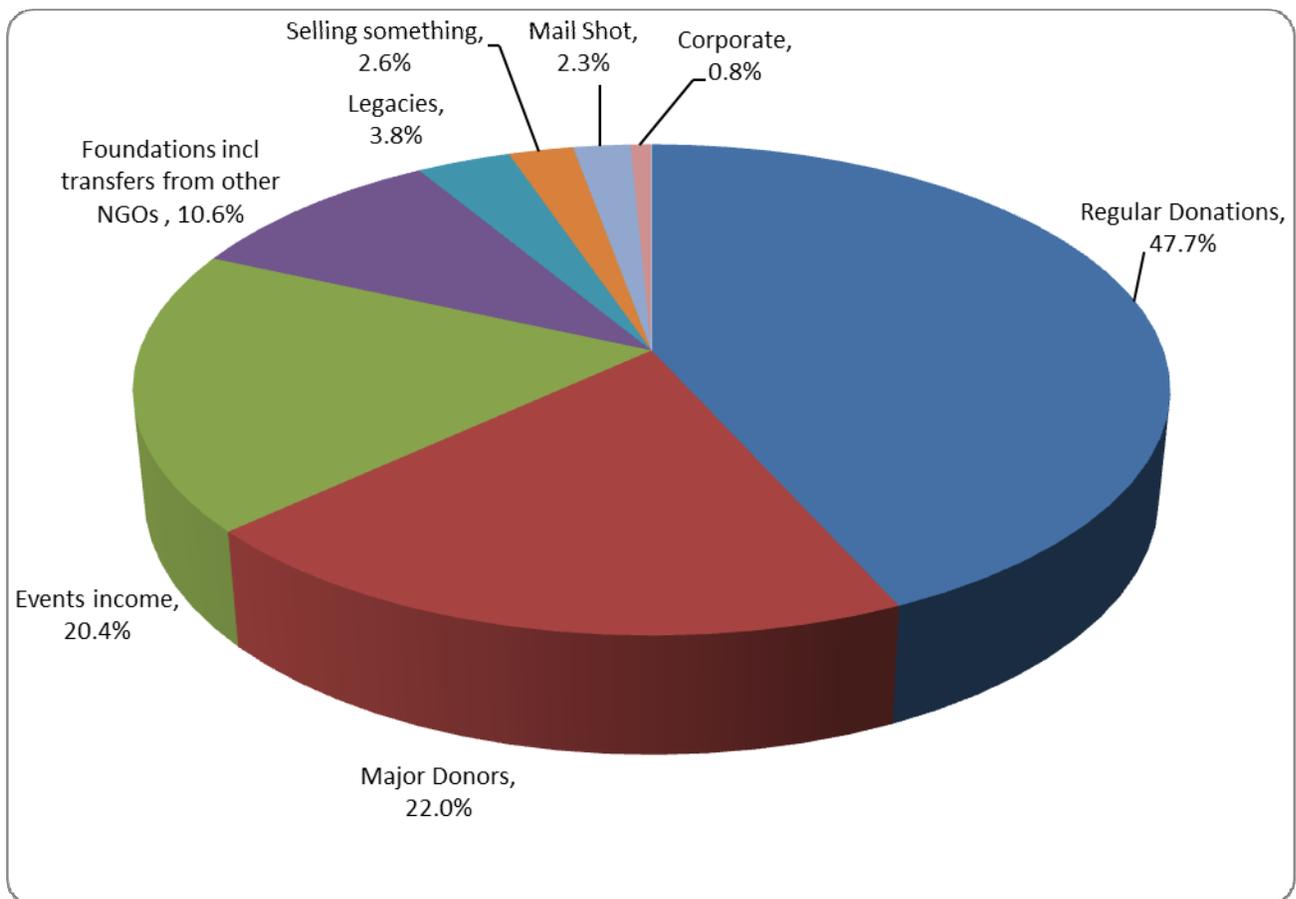
Sample Size = 56

5.2 Types of Fundraising Undertaken⁴

Fundraising managers have a wide menu of techniques to choose from when determining how best to raise funds either on an ongoing basis or for a particular purpose. For the purpose of this study, these were divided into nine categories.

The figure below indicates the various sources of the total fundraised income of our sample in 2009. It appears that organisations are somewhat unadventurous in relation to fundraising techniques. Leaving aside the major state support, about 70% of income comes from either regular donations or major donors.

Figure 16: Percentage Income from each Source in 2009



Sample Size = 35

⁴ Organisations are excluded from this analysis if more than 70% of their income comes from unidentified sources.

6 Fundraising Costs

6.1 Methodology and Cost across Sector as a Whole

A key indicator of fundraising efficiency is the so-called fundraising costs ratio. This is the quantum that an organization spends to raise each euro it receives from donors and is calculated by dividing fundraising expenses by total contributions.

Due to the non-standardised nature of the accounting systems used by non-profits in Ireland, organisations differ in how they present fundraising costs in their accounts. Specifically, some organisations included staff costs in the fundraising cost total while some excluded these costs, and instead simply provided a ‘total staff costs’ figure. As such, the usable dataset was smaller than the total dataset – in total, there were only 32 organizations for which fundraising costs including staff costs were available. As the true cost of fundraising clearly incorporates the salaries of staff, only these 32 organizations are included for analysis.

	Fundraising Cost	Net Fundraising Income	Number in Sample
Unweighted average	20.3	79.7	59
Weighted Mean	15.2	84.8	59
Median	19.7	80.3	59

A number of different techniques can be used to determine the fundraising cost:

- **The unweighted average:** The fundraising cost for each of the non-profits was calculated and this was simply divided by the number of non-profits in the sample. This technique means that each of the fundraising costs is giving equal ‘weight’ in the analysis – larger non-profits do not have a proportionately large impact on the overall result
- **Weighted Average:** The total fundraising cost for the sector was summed and divided by the total fundraised income. As such, charities with bigger income and bigger fundraising expenditure get a disproportionately high ‘weight’ in the analysis. This accounts for the lower value for the weighted average figure – larger non-profits tend to be more efficient at fundraising, and this efficiently is pulling down the overall average cost.
- **Median:** The median is different to the average (or mean). It is simply the value separating the higher half of the sample of calculated fundraising costs, from the lower half. It was found by arranging all the calculated fundraising costs from lowest value to highest value and picking the middle one. As such, it is not affected by especially high or low outliers.



Due to the small sample in this analysis and the potential for large organisations to significantly skew the results, we feel that the unweighted average method is the most appropriate, and this will be the figure referred to in the text. However, for completeness, at all stages through the following analysis, all three figures will be provided.

As such, it costs an average of about 20.3 cent to raise every one euro of fundraised income.

A number of estimates have been made as to the costs of fundraising in non-profit organisations in the USA. For example, Rooney, Hager and Pollak identified that it costs an average of 24 cents to raise a dollar. Other studies (e.g. (Sargeant and Shang, 2010)) have reported similar levels of cost, typically in the order of 15-30 cents to raise a dollar, but this varies across the category of cause (animal welfare, arts, education etc) and the size of organisation (as measured by income).

Less research has been carried out in the UK into the costs of fundraising. However, Sargeant et al (2009) estimated a figure of between 20-21p to raise a pound in a survey of the Top 500 fundraising charities.

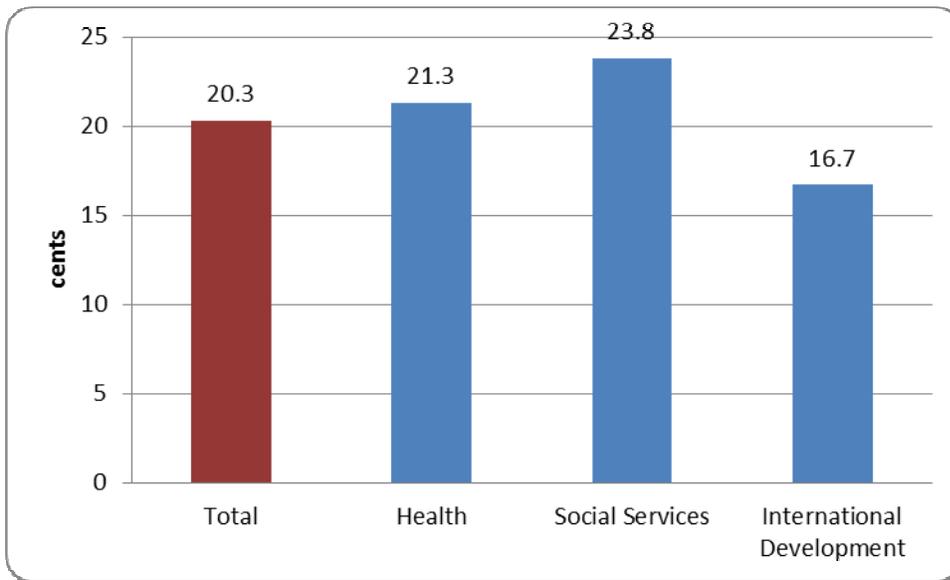
As such, the estimate in this study is not dissimilar to the international averages.

6.2 Fundraising Cost by Subsector

International literature also suggests that fundraising costs will differ across subsector. Sufficient data is only available to analyse three subsectors – health, social services and international development.

	Total	Health	Social Services	International Development
Unweighted Average	20.3c	21.3c	23.8c	16.7c
Weighted Average	15.2c	20.5c	9.2c	18.3c
Median	19.7c	22.1c	24.7c	18.1c
Sample Size	59	18	12	19

Figure 17: Unweighted Average – Cost to Raise €1 by Sector



Sample Size = 59

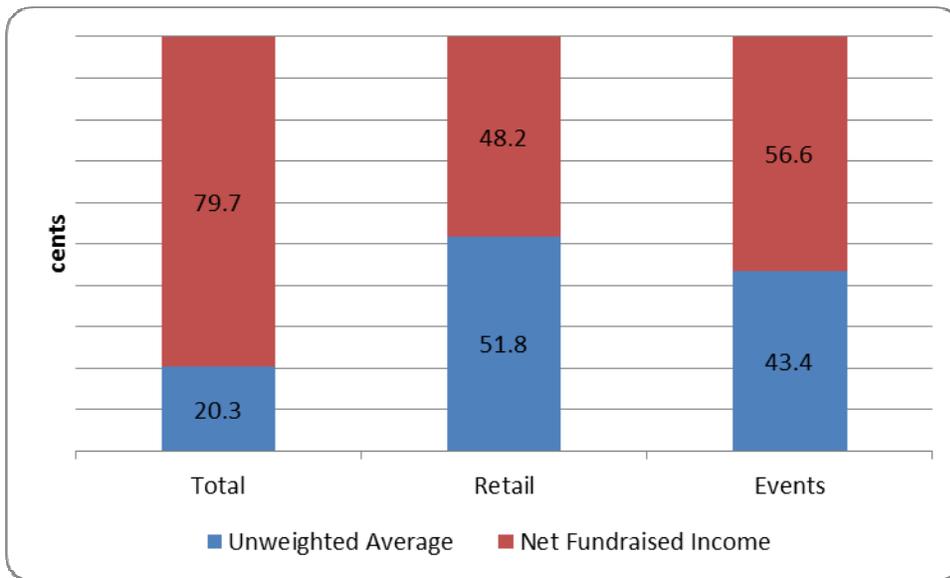
6.3 Fundraising Cost by Technique

As indicated above, the unweighted average required to raise one euro is 20.3 cent. However, fundraising professionals will be very aware that some fundraising techniques are more costly than others. In this limited data set, sufficient information is available only on the costs of ‘retail based fundraising’ – i.e. selling Christmas cards, pins, running a charity shop etc, and events fundraising – balls, treks etc. As indicated below, both these methodologies are particularly expensive.

	Total	Retail	Events
Unweighted Average	20.3c	51.8c	43.4c
Weighted Average	15.2c	53.2c	53.5c
Median	19.7c	46.6c	43.0c
Sample Size	59	9	10



Figure 18: Fundraising Cost by Technique – Unweighted Average Figures



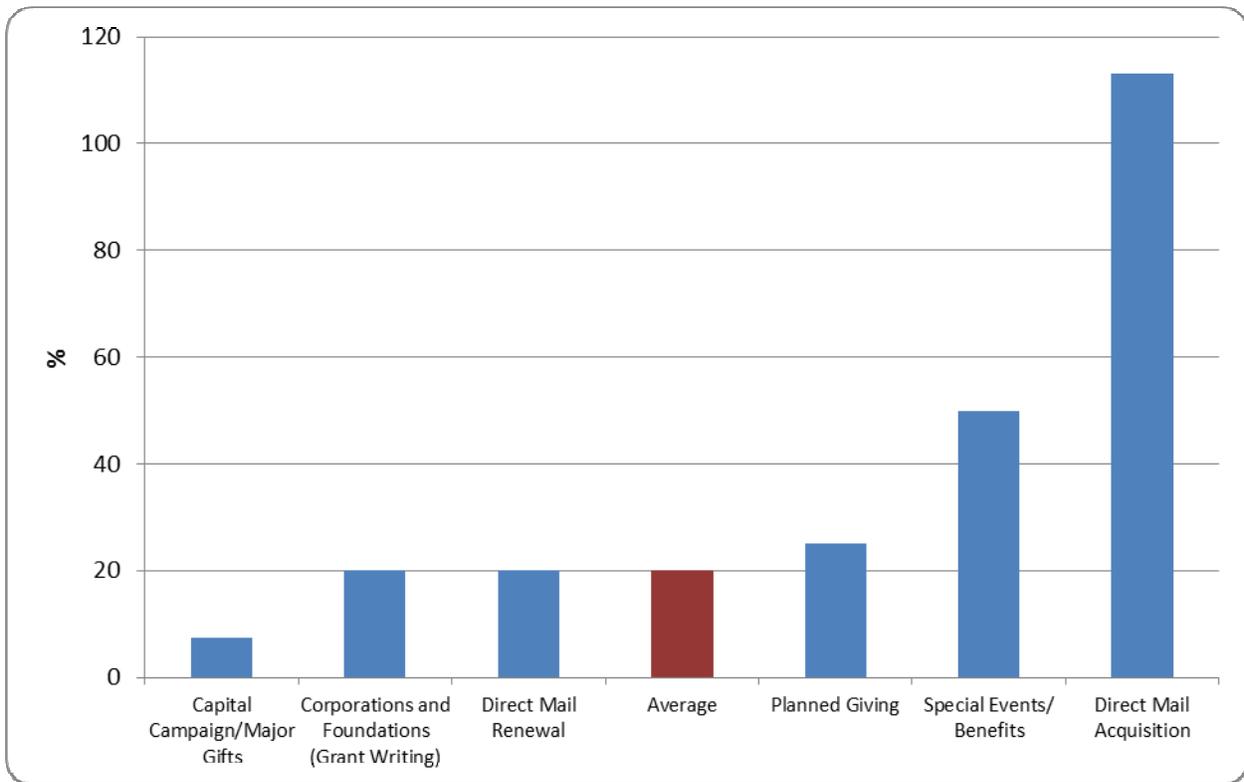
Sample Size = 59

Although both events and retail based techniques are expensive, the multiple functions of such activities may justify their higher costs. Fundraisers must weigh up the greater expense of setting up a shop or organizing a trek with the increased publicity that will result. Widely advertised events or ongoing publicity through a retail presence can inspire donations beyond those directly linked to the initial expenditure. In addition, educating the public is often an aim of non-profit organisations and media attention relating to events can be used as a platform to highlight the nature of their cause and raise awareness.



Greenfield (1999) calculated the relative costs of various types of fundraising in the USA – the results are in the figure below. He computed that the overall national average cost to raise a dollar is 20 cents. It should be noted that the figure for special events/benefits is similar to the calculated ‘events’ figure above.

Figure 19: Costs of Fundraising by Methodology (Greenfield, 1999)



Source: Greenfield, 1999

7 Limitations to the Research

Limitations to the research include the following:

- This is not a survey of all non-profit organisations in Ireland. Attempts were made to ensure a balanced representation of organisations across all nine subsectors, and to avoid the inclusion of too many ‘headline’ large organisations to the exclusion of smaller groups. However, it is unlikely that the figures in this study are representative of the reality in the sector, but rather are indicative of the underlying trends.
- Accounts are not standardised, so reported costs of fundraising can vary widely depending on interpretation, categorisation, inclusion of staff costs etc. Attempts were made to make data compatible but this was a significant challenge.
- Organisations provided different levels of details regarding their fundraising performance. A small number provided costs for each component of their fundraising (major donors costs, legacies costs, activities costs etc) while most just provided an aggregated figure. This significantly limited the scope for identifying the most expensive and cost inefficient methods of fundraising.
- Some activities which stimulate donations are not identified as fundraising activities. For instance, the costs of a poster campaign by a health promotion charity may be viewed as educational expenditure rather than fundraising expenditure.
- Annual fluctuations such as the influence of one off large donations or investment in a long term campaign will result in a particularly good or poor fundraising performance for a particular organisation. However, it is expected that this effect will be negated into the future when this study continues and the results for individual organisations are followed over a number of years

8 Implications for your Organisation

This paper has provided the first quantitative information on fundraising performance in Ireland by using data from a sample of non-profit organisations. While the results have shown that fundraising costs are largely in line with international figures, it is abundantly clear that the sector is operating in an increasingly harsh economic environment with the cuts in December's budget expected to impact badly on the sector, both directly through reductions in funding and indirectly through reduced disposable income of donors.

A 2008 paper by 2into3, *Fundraising in a Cold Climate*, delineated a series of recommendations designed to assist Irish non-profits in ensuring they are best positioned to react to the challenges to economic contraction. Similar recommendations and actions are appropriate in the light of the findings in this paper.

- **Research, research, research!** Fundraising managers and CEOs within non-profits need to invest time to fully understand the return levels, cost and effectiveness of each of their fundraising techniques. The fact that a particular methodology is widely used within an organisation or that it 'has always been done that way' is not a reason to continue down a certain path in recessionary times. Every method used needs to continuously prove its value.
- **Diversify income streams.** This is particularly the case if a key income stream is state funding. There is very little doubt but that all areas of state expenditure will experience a series of severe cutbacks over the coming years. The reality is that lobbying the government for additional funding is going to be ineffective – looking outside traditional income channels is necessary.
- **Nurture donor relationships.** Remember that donor retention is cheaper than donor recruitment so be sure to maintain clear communication with donors and to always acknowledge and thank them for the receipt of donations. Similarly, maintain contact with donors who have stopped making donations. Although the tone and frequency of your communications may change, maintaining that contact is a good investment as it increases the chances that the donor will resume giving when they are in a position to do so.
- **Examine opportunities for cost saving.** The last number of years has seen a fall in the prices for goods and services as commercial businesses fight for cash flow and survival. As such, non-profits should be continually negotiating with suppliers and landlords. In relation to donor communication, the potential for lower cost communication techniques should be examined, for example the feasibility and donor reaction to emailing newsletters as opposed to posting them in hard copy.
- **Focus on the cause, not the organisation.** Make your cause and its importance key to all communication with the media and donors. Focus on organisational transparency and long term plans and show the impact a donor's support can have.
- **Know your organisation!** It is key that CEOs and fundraisers know the intricacies of their own organisation. There may well be valid reasons for an organisation to exceed the average figures



calculated in this paper and to seem at first glance to be highly inefficient. It may be the case that the organisation is engaged in an awareness raising campaign in parallel with its fundraising campaign, or that they are on a donor recruitment drive which will pay off in future years. As such, it is important that CEOs do not panic when they look at their fundraising efficiency figures but rather see them in the context of the wider mission or longer time scale of the organisation.

9 Bibliography

2into3, 2008, *Fundraising in a Cold Climate*. Available at:

<http://www.2into3.com/news/Fundraising%20in%20a%20Cold%20Climate.pdf>

Centre for Non-profit Management (Trinity College), 2006, *The Hidden Landscape – First Forays into Mapping Non-profit Organisations in Ireland*

Center of Non-profits And Philanthropy, Urban Institute And Center On Philanthropy, Indiana University, 2004, *Non-profit Overhead Cost Project: The Pros And Cons Of Financial Efficiency Standards*. **Brief Number 5**

Greenfield, J, 1999, *Fundraising: Evaluating and Managing the Fund Development Process*

Hagar, M, T Pollak and P Rooney, 2001, Variation in Overhead and Fundraising Efficiency Measures: The Influence of Size, Age and Subsector

Hager, M, P Rooney, T Pollak and K Wing, 2005, *Paying for Not Paying for Overhead*, **Foundation News and Community**, Volume 46, Number 3

Irish Times, 14th August 2010, *Key Funds for NGO Administration often Neglected in rush to get Aid to Victims*. Available at: <http://www.irishtimes.com/newspaper/opinion/2010/0814/1224276813009.html>

Johns Hopkins Comparative Non-profit Sector Project, 1999, *Uncovering the Non-profit Sector in Ireland; Its Economic Value and Significance*

Sargeant, A and E Jay 2010, *Fundraising Management, Analysis, Planning and Practice*

Sargeant, A and J Shang, 2010, *Fundraising Principles and Practice*

Adrian Sargeant, S Lee and E Jay, 2009, *Communicating the 'Realities' of Charity Costs – An Institute of Fundraising Initiative*, **Non-profit and Voluntary Sector Quarterly**, vol. 38 no. 2 333-342

The Wheel, 2008, National Survey on Pay and Benefits in Community, Voluntary and Charitable Organisations

10 Appendix A: List of Participating Organisations

Advocacy, Law and Politics
GLEN
Arts, Culture and Heritage
Business to Arts
Wexford Festival Opera
Development and Housing
Dublin Simon Community
Cork Simon Community
Sophia Housing Association
DePaul Ireland
Education and Research
Galway University Foundation
Educate Together
Northside Learning Hub
Gaisce
Trinity Foundation
Health
St James Hospital Foundation
Our Lady's Hospice - Harold's Cross
Irish Wheelchair Association
Marie Keating Foundation
Deafhear.ie
Children's Medical and Research Foundation
Irish Cancer Society
Friends of the Coombe
Diabetes Federation
Central Remedial Clinic
Arc
Mater Foundation
Irish Kidney Association
Friends of St Patrick's
Asthma Society of Ireland
Aspire
Samaritans Ireland
Brainwave
Migraine Association of Ireland
Children's Sunshine Home
Friends of the Rotunda
Coolmine Therapeutic Community
DEBRA Ireland
Irish Heart Foundation
Aware
Fighting Blindness
Temple Street Children's University Hospital (The Children's Fund for Health Ltd)
Alzheimer Society

Health (cntd)
Barretstown Gang
Meningitis Trust
Beaumont Hospital Foundation
International Development
Link Community Development
Concern
80:20
ActionAid Ireland
Aidlink
Trocaire
Suas
Chernobyl Children's Project International
Camara Education Limited
Habitat for Humanity
Gorta
Christian Aid
Rose Project
Progressio
Sightsavers International
Social Services
CARI
Galway Rape Crisis Centre
Ana Liffey Drugs Project
Irish Guide Dogs for the Blind
Barnardos Republic of Ireland Ltd
ISPCC
Carmichael Centre for Voluntary Groups
Active Retirement Network Ireland
Irish Hospice Foundation
SPIRASI
St Vincent de Paul
One Family
Ruhama
Merchants Quay Project Ltd
Carelocal
Vantastic
Accord
Headstrong
Age Action
Carers Association
Immigrant Council
Sport and Recreation
Federation of Irish Sport

11 Appendix B – Statistical Definitions

- **The unweighted average:** The fundraising cost for each of the non-profits was calculated and this was simply divided by the number of non-profits in the sample. This technique means that each of the fundraising costs is giving equal ‘weight’ in the analysis – larger non-profits do not have a proportionately large impact on the overall result
- **Weighted Average:** The total fundraising cost for the sector was summed and divided by the total fundraised income. As such, charities with bigger income and bigger fundraising expenditure get a disproportionately high ‘weight’ in the analysis. This accounts for the lower value for the weighted average figure – larger non-profits tend to be more efficient at fundraising, and this efficiently is pulling down the overall average cost.
- **Median:** The median is different to the average (or mean). It is simply the value separating the higher half of the sample of calculated fundraising costs, from the lower half. It was found by arranging all the calculated fundraising costs from lowest value to highest value and picking the middle one. As such, it is not affected by especially high or low outliers.

12 About 2into3 and the Authors



2into3

2into3 is a Dublin based consulting and recruitment firm working exclusively in the non-profit sector. With clients ranging from very small specialised groups to third level institutions and hospitals and over 60 senior positions filled in the past five years, 2into3 have an unparalleled insight into the current status of the Irish non-profit sector.

Sinead Kelleher



Sinead is an associate of 2into3, with a particular responsibility for quantitative analysis and data based research assignments. Prior to joining 2into3, she worked for a number of years as a consultant for both public and private sector organisations and had a particular focus on projects related to the arts and community development. She has a Degree and Masters in Economics from Trinity College Dublin and is currently undertaking a PhD in Economics in UCD.

Dennis O' Connor



Dennis is a founding Director of 2into3 with specific responsibility for Management Consulting Services. Prior to establishing 2into3, he built up a successful independent management consultancy business serving clients in the non-profit and private sectors. Dennis has a history of strong involvement in the non-profit sector, serving as Executive Director of Clongowes Wood College Foundation and on the Clongowes Board, as well as Interim Director of S.H.A.R.E and Chair of Rockboro Primary School.

