



THE USE OF EXTERNAL FUNDRAISERS IN CANADA'S CHARITABLE SECTOR



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EXECUTIVE SUMMARY

The use of external fundraisers to grow donations is an optional tool embraced by many organizations in Canada's Charitable and Philanthropic sector. In this report, we delve into the use, cost, and efficiency of external fundraising.

We begin by presenting a general discussion on fundraising and the rationale for the use of external fundraisers in Charity and Foundation operations. We then provide analytical insight over time through the following studies:

- The number and percentage of charities using external fundraisers.
- The total amount of donations raised by external fundraisers.
- The total amount spent by Charities and Foundations on external fundraisers.
- The total Donations raised by external fundraisers over time.
- The Expense Ratio for using external fundraisers over time, as measured by the amount spent as a percentage of the donations raised by external fundraisers.
- Donations raised by external fundraisers as a percentage of their Total Donations for those Charities and Foundations which use external fundraisers.
- The average and the median amount spent on external fundraisers by a charity that uses external fundraisers.
- The average and median amount of Total Donations raised by a charity that uses external fundraisers.
- A breakdown of the popular methods of payment for external fundraisers.
- The methods of payment for external fundraisers in 2016 compared to 2020.
- The average value of expenditures on external fundraisers and Donations from external fundraisers by category of Charities.
- The breakdown of Charities sorted by category which are using external fundraisers by the number of charities and the value of donations.
- The number of charities using external fundraisers by Charity category.

Principle conclusions of the Report

- The percentage of the Charity sector's Total Donations raised by external fundraisers is material and growing even though only a small number and percentage of charities use this option. The use of external fundraisers has become more concentrated over the past five years. Fewer charities have been using this option of fundraising but they have experienced a larger average value of donation
- Donations raised by external fundraisers held up strongly during the global COVID health pandemic relative to donations solicited by internal development teams and internal promotional efforts.
- There has been a corresponding increase in the amount charities are paying external fundraisers for their services and expertise.
- The total amount of Donations raised for Charities and Philanthropies by external fundraisers has grown materially over time.
- The growth in Donations from external fundraisers is only marginally greater than the increase in costs paid to external fundraisers. There is little in the way of economies of scale being achieved.

- The Expense Ratio (Expended on External Fundraisers to Total Donations raised by External Fundraisers) has been relatively constant over the period of 2016 to 2020 fluctuating around 25 per cent.
- Similarly, the amount spent on external fundraisers as a percentage of Total Expenses for only those charities that use external fundraisers has been relatively constant at around 15 per cent.
- The *median* value of donations has declined in an equal measure to the growth in the *average* value of donations. This indicates that the dominance of large charities using external fundraisers has accelerated and become more prominent over the past five years.
- Charities which compensate their external fundraisers on a fee-for-service basis represent 48 per cent of all charities. This is followed by commissions at 30 per cent and 'Other' undefined means of compensation at 17 per cent.
- The largest category of Charities and Foundations using external fundraisers in 2020 measured by the value of Donations raised is Core Health Care, followed by Foundations and those Relieving Poverty.
- Core Health Care charities are the most efficient in their use of external fundraisers.
- There is material growth in the number of charities using external fundraisers in the Foundation category in 2019. This growth was maintained in 2020. This observation requires more research to determine the factors that led to such substantial growth.

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Our Vision

We will participate in a thriving Canadian philanthropic sector where the most impactful charities with the highest governance standards are celebrated and supported by donor capital.

Our Mission

The Veritas Foundation aims to be Canada's authoritative source for participating in the country's charitable sector and evaluating its effectiveness and impact.



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