

## MONEYSENSE'S 2017 CHARITY RATINGS

Run out and buy this December's copy of **MoneySense' 2017 Charity Ratings** – it's going to be a collector item!

MoneySense's charity ratings are a must-read for people who care about their giving. As yesterday's *The Financial Times* reported, "since charities vary in how good they are, it's important to identify the good ones"<sup>1</sup>. MoneySense's charity ratings can help Canadians donate their \$16 billion in annual giving to the "good" charities.

A couple of findings jump out from the MoneySense' [2017 The Charity 100](#). Charities do vary significantly, and the variations occur in sectors – health care charities are one precarious sector relative to higher-rated sectors like United Ways, international and frontline social service charities. Donors should make "apples to apples comparisons" and donors that do research and use ratings will find wide variations in costs, even in similar sectors. Big charities typically have higher costs than smaller charities showing a puzzling "diseconomies of scale". A charity's size doesn't correlate to its results: "terrible charities can be big or small".

1. **Some charity sectors are mine fields with variation in performance, and other sectors are generally strong.** One could think here of the perils of investing in commodity stocks rather than investing in Canadian bank shares.

Highly rated sectors:

- Fundraising foundations like **United Ways** get high grades in the MoneySense's ratings.
- Most **international charities** rate highly: 7 (58%) get a final grade of A. Charity Intelligence's ratings find a similar trend: with ratings on 84 international charities, 22 (26%) get top ratings of 4 stars<sup>2</sup>.
- The **social sector "frontline" charities** (foodbanks, homeless shelters, Canadian Red Cross) also get high grades.

Poorly rated sectors:

- **Fundraising foundations for hospitals is a weaker sector.** None of the fundraising foundations for hospitals earn an A final grade from MoneySense. The highest grade MoneySense gives to hospital foundations is a B. The highest rated fundraising foundations are **Ottawa Hospital Foundation** and **Alberta Children's Hospital Foundation**. Charity Intelligence has ratings on 85 fundraising foundations for hospitals – **Ottawa Hospital Foundation** is one of only 2 to get the top rating of 4 stars – along with **Sinai Health Foundation**.
- Donors also need to pick carefully when donating to fundraising foundations for cancer, heart disease, diabetes and other health charities. Health cause charities typically don't get high ratings from MoneySense.

2. **MoneySense notes that some charities are just more expensive to run.** There is large variation in costs. These costs may be due to the sector a charity operates in. When researching a charity, it's

important for donors to compare one charity with another charity with a similar mandate. Costs are but one metric to consider – but just a quick snap shot of the fundraising and operating costs of charities with a similar mandate, fundraising foundations for children’s hospitals, for example, clearly shows this wide variation.

Comparison of Fundraising Foundations for Children's Hospitals			
Charity name	Town	Costs for every \$ donated %	MoneySense 2017 rating
Saskatchewan Children's Hospital Foundation	Saskatoon	17.3	
Alberta Children's Hospital Foundation	Calgary	19.1	C+
Montreal Children's Hospital Foundation	Montreal	24.8	B-
IWK Hospital Foundation	Halifax	25.6	C
SickKids Foundation	Toronto	27.6	D
B.C. Children's Hospital Foundation	Vancouver	32.0	D
Stollery Children's Hospital Foundation	Edmonton	34.8	
Janeway Children's Hospital Foundation	St. John's	38.6	
Manitoba Children's Hospital Foundation	Winnipeg	48.8	
Children's Hospital of Eastern Ontario Foundation	Ottawa	56.2	D

Note: CHEO fundraising costs include its lottery revenues and costs as these are not separately disclosed in the audited financial statements, raising the ratio. Other children’s hospital foundations that run lotteries provide financial disclosure on lottery net profits.

Fundraising and administrative costs calculated by Charity Intelligence in more recent report, fiscal years vary.

Excluding the fundraising foundation for CHEO (since its financial disclosure isn’t typical), the average cost of fundraising and administrative costs are 30%. **Saskatchewan Children’s Hospital Foundation** is the lowest cost charity among fundraising foundations for children’s hospitals costing 17% for every dollar donated.

*“Imagine Canada believes that ranking charities is not helpful to Canadians especially in the absence of evaluating the impact of their work.”<sup>3</sup>*

Sector experts will argue that donors need to look beyond simplistic cost comparisons and focus on the social results, the impact, a fundraising charity achieves. As yet, fundraising charities do not report on their results, their impact, the “returns” grants to children’s hospitals achieve.

With the cost variation, the fundraising foundation for the **Manitoba Children’s Hospital would have to produce results 62% higher** than results of the fundraising foundation for the Saskatchewan Children’s Hospital. This is a high bar to clear and is unlikely. So, to some extent, cost comparisons are one useful tool for donors looking to give intelligently.

3. **MoneySense’s 2017 report also highlights a curious trend of “diseconomies of scale”.** Bigger charities typically have higher administrative and fundraising costs than “smaller” charities – these smaller charities all have annual donations of over \$1 million. The larger a charity gets, the higher its operating costs are. This finding is baffling to any economist.

4. Don't prejudge a charity by its size – sector guru Mark Blumberg chimes in with a brilliant zinger **“You can have big charities that are great and terrible, and you can have small charities that are great and terrible.”**<sup>4</sup> Too often donors mistakenly see big charities as better charities. MoneySense's charity ratings and Charity Intelligence's research hasn't found any correlation between size and results. Great charities can be big, small, and every size in between.

Sources:

---

Mark Brown, “The 2017 Charity 100” MoneySense, November 16, 2016 <http://www.moneysense.ca/save/financial-planning/canadas-top-rated-charities-2017/>

<sup>1</sup> Financial Times, “Don't spread the love with your Christmas charity giving”, December 11, 2016 <https://giving-evidence.com/2016/12/11/big-grants/>

<sup>2</sup> Charity Intelligence Canada data search result “international” accessed December 12, 2016 <https://www.charityintelligence.ca/charity-search-results?k=international&limitstart=0>

<sup>3</sup> Imagine Canada, “Statement about Charity Ranking Systems” updated July 23, 2012 [http://www.imaginecanada.ca/sites/default/files/www/en/positions/statement\\_charity\\_ranking\\_07052011.pdf](http://www.imaginecanada.ca/sites/default/files/www/en/positions/statement_charity_ranking_07052011.pdf)

<sup>4</sup> Mark Brown, “The 2017 Charity 100” MoneySense overview November 16, 2016 <http://www.moneysense.ca/save/financial-planning/canadas-top-rated-charities-2017/>