

# ACTS OF CHARITY

BEFORE YOU GIVE, SAYS LIBBY ZNAIMER,  
FIND OUT WHERE YOUR MONEY IS GOING

**I**t always starts with a very personal connection. A terrible disease strikes you or someone you love. A tragic death or a remarkable recovery inspires you to do something. Maybe your colleagues are getting together to walk or bike in support of a good cause. Or a friend asks you to sponsor her. Those are all good reasons to donate to a health charity. But do you know exactly where your money is going?

"Too often people make a donation without thinking how much of this money is going to the charity itself," says Karen Greve-Young of Charity Intelligence Canada. She feels there are a few key questions every donor should ask. "How much of this money is going to achieve real impact? What are the programs this money will actually go to? And is this a charity where I can have the biggest impact on either saving lives or improving treatment or experience for Canadians?"

Charity Intelligence Canada is itself a charity, mostly run by volunteers like Greve-Young, whose day job is director of strategic initiatives at Toronto's MARS Discovery District. The goal of the organization is to give Canadians the facts and figures so they can make intelligent donation decisions. It is my go-to source for both analyses based on audited financial statements and in-depth studies of selected non-profits.

Its website ([www.charityintelligence.ca](http://www.charityintelligence.ca)) has the Major 100 Charities report, which clearly lays out fundraising and administrative costs as a percentage of revenues for all the country's big charitable organizations. The top 100 (36 of which are health charities) receive nearly 40 per cent of all money given each year.

Fundraisers complain that it is unrealistic to expect all money to go to the cause, that it costs money to raise money. Some go so far as to say that donors shouldn't even consider those ratios. "The increasing focus on a charity's cost of doing business," writes Brad Offman, vice-president strategic philanthropy at McKenzie Financial Corporation, "has forced the entire charitable sector to defend itself against a rash of naive accusations."

But it's our money. Different organizations have different cost structures. It takes more money to run a hospital foundation than a small charity focused on one disease or program. The

Canada Revenue Agency, which sets the rules for charities, likes to see fundraising expenses under 35 per cent, but that's not mandatory. Fourteen per cent of the top 100 exceeded that benchmark and, when combined with administration costs, some had expenses that

were 50 per cent of revenue or higher.

Among the highest: the Heart and Stroke Foundation of British Columbia and Yukon had administration costs of 11.1 per cent and fundraising costs of 49.3 per cent in 2010. That same year, Cystic Fibrosis Canada reported combined costs of 56 per cent but, according to a note on the report, that's because CFC was an early adopter of the new accounting disclosure requirements.

Those tougher rules are now in place for all charities. Greg Thomson, Charity Intelligence's director of research, says they ensure that salaries and office expenses

for fundraising professionals are included as fundraising costs.

The costs also vary for different kinds of events. Most of us understand that if we participate in a golf tournament or a gala, part of the ticket price will go to cover ex-

penses and that will be reflected in the amount on the tax receipt. But many people expect that if they support someone in a fundraising run or bike ride, their entire donation will go to the cause. It won't, and it's okay to ask how much will be used for costs.

**AT THE OTHER END** of the spectrum, the Terry Fox Foundation spent less than 18 per cent on both fundraising and administration. "Anything under 20 per cent is amazing," says Greve-Young. The charity I am involved with – Pancreatic Cancer Canada – also has an impressive balance sheet. The only fundraising costs we have are for our annual golf tournament, and administration costs are 10 per cent. That's possible because our two founders, Betty Aldridge and Laurie Ellies, are full-time unpaid volunteers who work out of their homes. We understand that this is not sustainable, that as we grow, we'll have to hire paid staff and

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rent an office. But in the meantime, if you make a straight donation, nearly all of it will go to the cause, and it will go quickly. In 2010, we collected \$222,000 in donations. In 2011 we awarded \$205,000 in grants.

PCC also scores high on another measure. A report by Charity Intelligence last year found that pancreatic cancer, along with cancers of the lung, stomach and colon, are the most underfunded relative to their toll in lives taken. That means the charitable dollars we receive make a big impact by going to an unfilled need.

Asking how much a charity needs your money is a key question that can be answered by having a look at the size of its reserves. In 2010, the Alberta Cancer Foundation had enough money in reserves to fund its annual research grants 8.3 times. Charity Intelligence believes that ideally there should be no more than 18 to 24 months of program coverage. There may be a good explanation for the Alberta foundation's numbers – maybe the institution has multi-year funding commitments or it is temporarily suspending grants while it reassesses its priorities. But you should ask if you don't like the idea of your cash sitting around.

Sometimes, friendship can trump these rational considerations. Despite my reservations, I supported two friends who grew moustaches for Prostate Cancer Canada's brilliant Movember Campaign. After all, they had supported me when I asked. I don't question the importance of this cause, just the consequences of its incredible success. What are the plans for the \$37 million they raised as of December 2011? Greg Thomson has a radical idea. "They've got probably \$50 million sitting in the bank," he told me. "I would love to see Movember spread the wealth [to other charities] next year."

## THE **TERRY FOX** FOUNDATION

Movember Canada donates 90 per cent of the money it raises to Prostate Cancer Canada, after deducting awareness and operating costs. Prostate Cancer Canada uses the money for survivorship programs and research projects. It recently set up a national advisory research panel to award the research grants. Matt Matheson of Movember Canada says all the funding allocations will be confirmed by the fall and the programs will be rolled out after that. "There are so many promising research initiatives in Canada that it isn't possible to fund them all," says Matheson. "What this does mean though is that we have the opportunity to fund the highest potential research and survivorship programs to make the largest impact."

### STARTING A FOUNDATION

So, you want to start your own charity? Sometimes, it feels like that's the only way to fill a very specific need or memorialize a loved one. "We want to set up a foundation in her name to fund research and also set up a bursary in her name," wrote Deborah, a close friend of a friend who passed away late last year.

Despite the lovely sentiment, I was anxious to discourage her. She didn't realize all the time, money and administration that's involved – getting a charitable number, issuing tax re-

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ceipts, providing financial statements, in addition to getting the word out about the cause and raising money.

The reality is that even when there's a successful effort in the first year or two after someone's death, the initiative doesn't always last. There's another option that can serve the same purpose. You can set up a targeted fund

under the auspices of another foundation, like a hospital, or you can go through one of the 180 community foundations across the country. Each one has slightly different rules, but if you meet the minimum for an endowment or a flow-through fund, they set up the equivalent of

a family foundation that allows you make annual grants to the organizations of your choice while they handle the back office.

At the Toronto Community Foundation (TCF), the minimum is \$25,000. And the fees seem reasonable. For 1.5 to two per cent, they'll take care of investment management, governance, regulatory compliance and follow-ups for grant receipting. Using this vehicle allows you to fund a host of different organizations and change the focus of your philanthropy if your interests change. "It's a journey," says TCF CEO Rahul Bhardwaj, explaining that community foundations can point the way to where the biggest needs lie. "They [donors] may come in for one reason, but that expands to a whole lot of other areas," he says. "It opens the door to a whole world of impact they never knew existed." ■

## MOVEMBER CANADA

DONATES

# 90%

OF THE MONEY IT  
RAISES TO PROSTATE  
CANCER CANADA, AFTER  
DEDUCTING EXPENSES

## IN 2010, THE **ALBERTA CANCER** FOUNDATION

HAD ENOUGH MONEY  
IN RESERVES TO FUND

ITS ANNUAL  
RESEARCH GRANTS  
**8.3 TIMES**