

CHARITY SALARIES: A DONOR HOT TOPIC BUT A USELESS METRIC IN INTELLIGENT GIVING

Salaries¹ paid to charity staff is a hot topic with donors. Nothing provokes more sound and fury from donors than charity salaries. Some donors hold strong beliefs about whether charity staff should or shouldn't get paid. Yet the data isn't revealing any significant indicators about what makes a "good charity". Recent comments show a lack of understanding of Charity Intelligence's thoughts on charity salaries. This brief hopefully clears up Charity Intelligence's findings and opinions on charity salaries.

Charity Intelligence does NOT use staff salaries in our charity rating. We report the salary information straight from the CRA Charities Directorate reports because donors ask for it. Salary information is at the very bottom of our reports because we feel it is the least useful piece of information to giving intelligently and we do not use it in our charity analysis. Simply put, salary information is not a useful tool in finding "good charities" or intelligent giving.

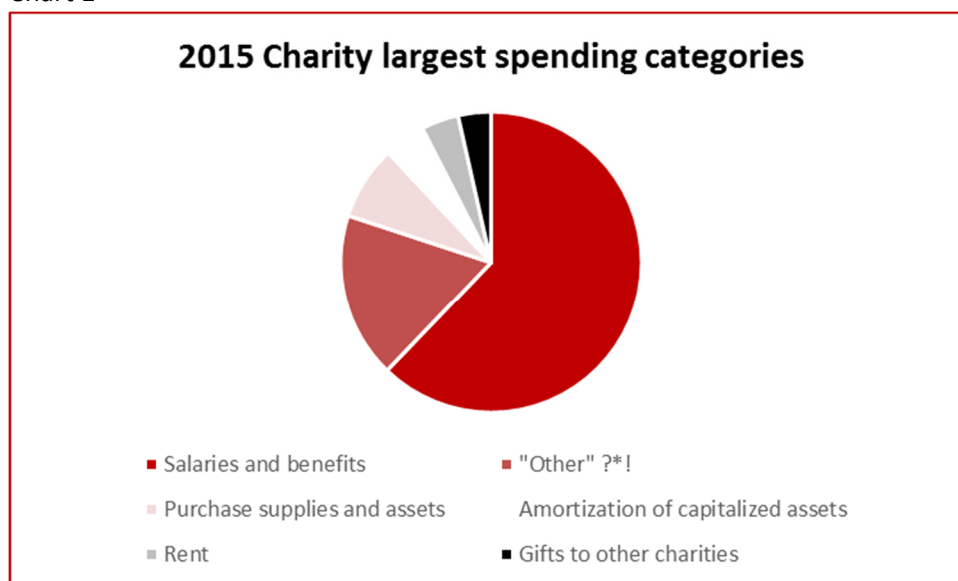
To the many donors who contact Charity Intelligence and in interviews, Charity Intelligence consistently tries to provide donors with context and perspective, to weigh other factors, and take a holistic approach rather than a single focus on overhead costs or charity salaries.

In dealing with strongly held personal beliefs, starting with facts can help establish solid ground.

2015 KEY FACTS

- 39,917 registered Canadian charities reported staff expenses (47% of registered charities), 44,525 registered charities reported no staff expenses. These charities would be entirely run by volunteers.
- In 2015 charities reported 1,709,249 full-time staff and 1,985,623 part-time staff.
- In 2015 full-time staff compensation was \$108.6 billion. **The average salary for full-time staff paid in Canada's charity sector is \$63,582.** This average covers full-time staff in all charity sectors: doctors, teachers, managers, medical researchers, janitors, fundraisers, and administrative support. Charities working in different sectors will have different labour costs. Some charity workers are unionized, some are not. Where Statistics Canada segregates wages into different industries, the reported charity data just lumps all wages across all industry.
- **57% of the charity sector's total expenses are for staff salaries and benefits** – see Chart 1. (\$135.8 billion paid in total staff salaries relative to \$240.1 billion in total charity expenses). **This percent looks low.** Charities are mostly service organizations. It's a people operation to do charity work. Perhaps our opinion is because we focus on a small subset of large charities or perhaps it shows inadequate cost allocation in filing annual returns. On the total 2015 annual returns, charities report 16% of total spending in a catch-all "other" category. This is sloppy cost allocation. Salaries may be hidden in "other" costs.

Chart 1



Source: Data analysis done by Mark Blumberg's *Charity Snap Shot* from 2015 CRA Charities Directorate filings.

Charities with no paid staff: donors have lots of choices but not in Charity Intelligence's data.

- For donors who feel strongly about their donation not paying for salaries, there are lots of choices. There are 44,525 charities that are entirely volunteer-run with no paid staff.

Donors looking for charities with no-paid staff will find slim pickings in Charity Intelligence's ratings. Charity Intelligence's research coverage of over 700 charities has only 24 charities that report no paid staff, 21 when excluding the 3 charities that have been revoked by CRA audit.

| Table 1: Charity Intelligence ratings of charities reporting no paid staff and size | | |
|---|----------------|----------------------|
| Charity with No Paid Staff | Ci Star Rating | Total donations (\$) |
| G(irls) 20 | ★★★ | 240,584 |
| Watch Tower Bible – Jehovah's Witnesses | ★★ | 56,482,000 |
| Shriners Hospital for Children (public foundation) | ★★ | 10,849,612 |
| Rotary Foundation of Canada | ★★ | 7,210,000 |
| Global Medic | ★★ | 4,614,022 |
| Michael J. Fox Foundation for Parkinson Research | ★★ | 3,438,100 |
| Stand Up To Cancer Canada | ★★ | 1,806,000 |
| Canadian Women for Women in Afghanistan | ★★ | 1,336,822 |
| VOCM Cares | ★★ | 259,645 |
| Ansihinabek Nation 7th Generation Charity | ★★ | 199,643 |

| | | |
|---|-----|------------|
| Hammer Band - From Violence to Violin | ★★★ | 175,269 |
| Habitat for Humanity Iqaluit | ★★★ | 172,332 |
| Cabbagetown Community Arts Centre | ★★★ | 98,607 |
| | | |
| Ronald McDonald House Charities | ★ | 5,096,000 |
| <u>Fondation 24H Tremblant</u> | ★ | 3,529,721 |
| Canadian Food for Children | ★ | 3,339,315 |
| Edmonton Oilers Community Foundation | ★ | 2,155,000 |
| Chasdei Tovim Meoros | ★ | 1,692,000 |
| Dreams Take Flight Canada | ★ | 1,541,709 |
| | | |
| <u>Kupas Hachesead Meoroth</u> | ☆ | 14,513,909 |
| Gates of Mercy – under investigation | ☆ | 9,339,457 |
| Vaad Mishmere Mitzvos Committee to Observe the Torah Laws REVOKED 2017 | ☆ | 31,613,580 |
| HEDAC - Help Eliminate Disease and Addiction REVOKED 2012 | | |
| Smile Train Canada REVOKED 2016 | | |

Note: Charity Intelligence Star Rating as of April 6, 2017 and subject to change with charity improvements in financial transparency, donor accountability, cost efficiency and funding need.

- Of the charities with no paid staff, **G(irls) 20** is the highest rated by Charity Intelligence. It has annual donations of \$240,000. Perhaps charities can apparently run entirely on volunteer staff to around \$250,000 in total funding and still rate highly.
- Charity Intelligence's ratings show that large charities with over \$1 million in annual donations appear to suffer without paid staff. Donors should take a careful look at charities that receive more than \$1 million in annual donations with no paid staff. Watch Tower that receives \$56 million in annual donations with no paid staff appears incredulous.

Caveat: Not reporting paid staff is frequently a reporting error, as often occurs with T3010 filings.

Staff costs may be lumped into "other expenses" as mentioned before.

Another issue is that a charity may have paid staff, yet these staff are paid for by a different and associated charity/organization. For example, Edmonton Oilers Community Foundation staff are likely paid for by a separate organization, the Edmonton Oilers.

Rotary Foundation and Watch Tower may be truly large charities run by volunteers given their huge base of "members".

Table 2: Charity Intelligence’s average distribution of star ratings compared with charities with no paid staff.

| | All charities rated (target distribution) n= 700 | Charities with no paid staff n = 21 |
|----------------------------|--|--|
| 4-star “best” charities | 15% | 0% |
| 3-star “good” charities | 20% | 5% |
| 2-star “average” charities | 40% | 57% |
| 1-star “poor” charities | 15% | 29% |
| 0-star charities | 10% | 10% |

- **Charities with no staff typically have low star ratings mostly because these charities have poor financial transparency, donor accountability and social results reporting.**

The correlation of no paid staff and low ratings on this small sample set indicates salaries are NOT a meaningful indicator of a “good” charity. In fact, the data from Charity Intelligence’s small sample set shows an inverse relation: NO salaries are moderately correlated to “average” and “poor” charities compared with the distribution of star ratings. US-based CharityWatch found a similar trend with F-rated charities having lower pay than A-rated charities².

From this analysis, the data may indicate that it’s the proportions that matter most: a small charity paying a high salary to one person looks disproportionate. Similarly, large charities with no paid staff look disproportionate. Donors looking at charity salaries should bear in mind how large a charity is, the number of people working at the charity, the nature of its programs, and need for professional staff.

HIGH SALARIES IN CANADA’S CHARITY SECTOR IS NOT PREVALENT.

A separate issue to whether a charity has paid staff or not, is whether **high** salaries are paid. Just as in the business and for-profit sector, executive compensation is under growing scrutiny. Investors and donors want value. In assessing compensation, performance of people is hard to evaluate in both the for-profit and charity sector.

Canadian charities have lower disclosure requirements on top executive compensation than US charities. American charities need to disclose the total compensation paid to top executives. Canadian charities need only “tick the box” for staff paid more than \$350,000. As such, Canadian donors are not informed if a charity executive makes \$351,000 or \$3.5 million.

High charity staff salaries are not prevalent in Canada’s charity sector. In the 2015 annual filings, the data for all registered charities shows 512 people working for charities are paid over \$350,000. There’s a significant wrinkle in this reported data. One might think that, of the 1,709,249 full-time workers in the charity sector, only 512 receive over \$350,000 - a tiny 0.03%. Yet charities only have to report the 10 highest paid positions. If, say, at University of Toronto, 50 people are paid over \$350,000, only 10 would

be reported. This reporting understates the 0.03% of full-time staff paid more than \$350,000, but it is likely not material.

“Government charities” make up most of the charities paying staff over \$350,000. Many registered charities are entirely funded by governments. Government charities include school boards, health authorities, hospitals and many other government agencies. These “government charities” have different accountability and reporting than donor-supported charities. For example, Sick Children’s Hospital (a separate charity from Sick Kids Foundation) receives 67% of its funding from governments. It reports 4,302 full-time paid staff, its average full-time pay is \$101,043 and its reports 10 staff receive over \$350,000.

Charities paying high salaries are predominantly universities and hospital fundraising foundations. In Charity Intelligence’s research, 44 charities report salaries over \$350,000 representing 6% of our research coverage of over 700 charities. Charity Intelligence’s small subset accounts for all large donor-funded charities that represent approximately 53% of Canadian charitable giving.

- Of the 44 charities that report paying staff \$350,000 and more, 19 are universities (yellow in Table 3 below). The universities account for 84% of the charity staff paid over \$350,000.
- 10 fundraising foundations for hospitals report paying staff over \$350,000 (blue in Table 3 below).
- In other sectors, 15 charities report paying staff over \$350,000.

| Table 3: Charities researched by Charity Intelligence reporting paying salaries of \$350,000 and over. | |
|---|---|
| Charity | Of the 10 highest paid staff, number making over \$350,000 |
| 1. Queen's University | 10 |
| 2. University of Alberta | 10 |
| 3. University of British Columbia | 10 |
| 4. University of Saskatchewan | 10 |
| 5. University of Toronto | 10 |
| 6. University of Calgary | 8 |
| 7. McMaster University | 4 |
| 8. McGill University | 4 |
| 9. University of Ottawa | 3 |
| 10. University of Western Ontario | 3 |
| 11. Canadian Cancer Society | 2 |
| 12. CD Howe Institute | 2 |
| 13. Heart and Stroke | 2 |
| 14. National Ballet of Canada | 2 |
| 15. SickKids Foundation | 2 |

| | |
|---|-----|
| 16. University of Manitoba | 2 |
| 17. University of Victoria | 2 |
| 18. York University | 2 |
| 19. Aga Khan Foundation Canada | 1 |
| 20. BC Cancer Foundation | 1 |
| 21. BC Children's Hospital Foundation | 1 |
| 22. Canadian Breast Cancer Foundation – MERGED 2017 | 1 |
| 23. Centre for Addiction and Mental Health Foundation | 1 |
| 24. Centre for International Governance Innovation | 1 |
| 25. Federation CJA | 1 |
| 26. Hamilton Health Sciences Foundation | 1 |
| 27. London Health Sciences Foundation | 1 |
| 28. MaRS Discovery District | 1 |
| 29. Memorial University of Newfoundland | 1 |
| 30. Montreal General Hospital Foundation | 1 |
| 31. Multiple Sclerosis Society of Canada | 1 |
| 32. North York General Hospital Foundation | 1 |
| 33. Prostate Cancer Canada | 1 |
| 34. Rick Hansen Foundation | 1 |
| 35. Simon Fraser University | 1 |
| 36. Sinai Health Foundation | 1 |
| 37. St Michael's Hospital Foundation | 1 |
| 38. Stratford Festival | 1 |
| 39. Sunnybrook Foundation | 1 |
| 40. Trillium Health Partners Foundation | 1 |
| 41. University of Guelph | 1 |
| 42. University of New Brunswick | 1 |
| 43. University of Regina | 1 |
| 44. Wilfrid Laurier University | 1 |
| Total | 114 |

Universities are a special sub-set when looking at charity salaries. Charity Intelligence rates 17 universities as 4-star charities. The average salary at these universities is \$118,508 with an average salary range of \$147,380 - \$82,215.

Excluding the universities, Charity Intelligence's 4-star charities have an average salary of \$64,086, 0.8% higher than the overall charity sector average salary of \$63,582. The **average salary range of \$134,307 - \$18,325** is meaningless – it's a cacophony of data. **We're finding top charities with average salaries all over the map.**

IS STAFF SALARY DISTRIBUTION A BETTER METRIC FOR INTELLIGENT GIVING?

Having outlined how useless Charity Intelligence finds salary information in selecting good charities, there is one area we are tinkering with. It's not whether staff are paid, or how much staff are paid, perhaps it's the distribution. Similarly in the for-profit sector, analysts are looking at the "income gap" between the highest paid salary and the average salary.

When one sees one high-paid staff making significantly more than the rest of the staff, could this be an indicator of a "weak organization", like a scrawny "Charlie Brown Christmas tree" with a star on top? Would staff compensation that is bunched show a stronger charity?

| Number of staff making: | Weak organization? | Strong team? |
|-------------------------|--------------------|--------------|
| Over \$350K | | |
| \$300K - \$350K | | |
| \$250K - \$300K | 1 | |
| \$200K - \$250K | | |
| \$160K - \$200K | | |
| \$120K - \$160K | | 6 |
| \$80K - \$120K | 1 | 4 |
| \$40K - \$80K | 3 | |
| Under \$40K | 6 | |
| Charity | MJCF | CHS |

As always, your comments and feedback are appreciated and drive Charity Intelligence's research forward.

About Charity Intelligence: Charity Intelligence researches Canadian charities for donors to be informed and give intelligently. Charity Intelligence's website posts free reports on over 700 Canadian charities, as well as in-depth primers on philanthropic sectors like Canada's environment, cancer, and homelessness. Today over 304,770 Canadians use Charity Intelligence's website as a go-to source for information on Canadian charities and have downloaded over 2.2 million charity reports. Through rigorous and independent research, Charity Intelligence aims to assist Canada's dynamic charitable sector in being more transparent, accountable and focused on results.

Be Informed. Give Intelligently. Have Impact.

Charitable Registration Number: 80340 7956 RR0001

Additional resources:

¹ Charity Intelligence uses the words “salary” and “pay” interchangeably to represent compensation. Canada’s Charities Directorate defines compensation to “include all forms of salaries, wages, commissions, bonuses, fees, and honoraria, plus the value of taxable and non-taxable benefits paid by a charity to its employees. This includes the charity’s contribution to the employee’s pension, medical or insurance plan, employer Canada Pension Plan/Quebec Pension Plan and employment insurance contributions, and workers’ compensation premiums.” For other regulatory definitions, the guideline is a valuable resource: Canada Revenue Agency, “*Completing the Registered Charity Information Return*”, T4033(E) Rev. 15 <http://www.cra-arc.gc.ca/formspubs/prioryear/t4033/t4033-15e.pdf>

¹ CharityWatch “*Debunking Charity Salary Myths*” December 1, 2008
<https://www.charitywatch.org/charitywatch-articles/debunking-charity-salary-myths/39>

Global Philanthropy “*Blumbergs’ Canadian Charity Sector Snapshot 2015*”, March 30, 2017 the compilation of CRA Charities Directorate annual charity filings for 2015
http://www.globalphilanthropy.ca/blog/blumbergs_canadian_charity_sector_snapshot_2015

CharityWatch “*Reported Charity Salaries May Not Tell the Full Story*” April 4, 2017
<https://www.charitywatch.org/charitywatch-articles/reported-charity-salaries-may-not-tell-the-full-story/180>

Charity Navigator *2016 CEO Compensation Study*
<https://www.charitynavigator.org/index.cfm?bay=studies.ceo>

Charity Navigator “*Excessive Charity CEO Pay is Not the Norm: America’s Largest Charity Evaluator Releases Study on Nonprofit CEO Salaries*” October 11, 2016
<https://www.charitynavigator.org/index.cfm?bay=content.view&cpid=4404>

CharityWatch – American Institute of Philanthropy “*Top Compensation Packages*”
<https://www.charitywatch.org/top-charity-salaries>

CharityWatch – American Institute of Philanthropy “*CharityWatch Calls for full disclosure of charity executive compensation*” August 1, 2011 <https://www.charitywatch.org/charitywatch-articles/charitywatch-calls-for-full-disclosure-of-charity-executive-compensation/139>

CharityWatch – American Institute of Philanthropy “*Eye-Popping Pay*” December 1, 2011
<https://www.charitywatch.org/charitywatch-articles/eye-popping-pay/37>

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