

FIA Conference 2024

Where **passion**
meets **purpose**

Brisbane
28 Feb – 1 Mar

FIA

CONFERENCE

We need to talk differently about overhead.

LEADERSHIP TRACK

LISA ALLAN, THE SMITH FAMILY
USHA MENON, UM-MC ASIA
KARL UHRICH, AUSTRALIAN RED CROSS
RICHENDA VERMEULEN, NTEGRITY



Leadership Track
Sponsored By:



THE TEAM



Richenda Vermeulen

INTEGRITY

Founder & CEO



Lisa Allan

THE SMITH FAMILY

Head of Fundraising



Usha Menon

UM-MC ASIA

Founder



Karl Urich

AUSTRALIAN RED CROSS

Head of Fundraising Products



Richenda Vermeulen,
Integrity

JOIN LEADING FUNDRAISERS TO EXPLORE THE LATEST RESEARCH, AND COLLECTIVE ACTION REQUIRED TO CHANGE THE PERCEPTIONS AND PRACTICES FOR INDIRECT COSTS.

ATTEND THE PANEL

Friday · 9.25am
Leadership Track



Lisa Allan,
The Smith Family



Special thanks to pioneers | Anni Duggan, Clare Joyce, Daniel Lator, Karl Ulrich, Joshua O'Rourke, Paul Balle, Luise Lochry, Colin Allen - along with other fabulous fundraisers

REFRAMEOVERHEAD.ORG

WE NEED
to talk differently about
OVERHEAD

DOWNLOAD THE GUIDE & SIGN THE PLEDGE



Martin Paul,
More Strategic

DID YOU KNOW

97% OF FUNDRAISERS BELIEVE THERE IS A PROBLEM WITH THE WAY NOT-FOR-PROFITS REPRESENT AND/OR ARE FUNDED FOR THEIR OVERHEAD COSTS.

Rather than competing with each other for the 'best' overhead ratios, which just results in a race to the bottom, we need to come together as a sector to challenge the perceptions and reset the narrative.

FIND OUT MORE



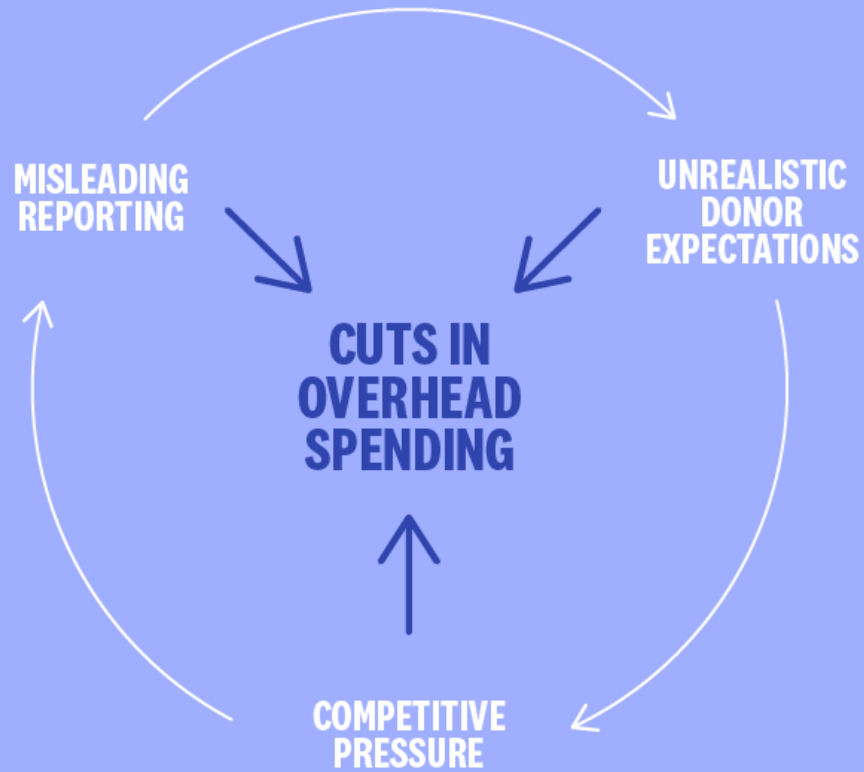
Janine Kewming,
The Salvation Army



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What is Pay What It Takes?



The 'non-profit starvation cycle' developed by Stanford Social Innovation Review.

- Overheads = Indirect costs
- A self perpetuating cycle
- ...yet changing the cycle can create change!

→And **WE CAN CHANGE** part of that cycle!!



Paying what it takes

Funding indirect costs to create long-term impact



Indirect costs are not a good way to assess charities

Not-for-profits that spend less on indirect costs are not more effective than those who do not. Evidence shows that spending insufficient resources on indirect costs can potentially reduce overall not-for-profit effectiveness.



True indirect costs are not being covered by funders

On average, the true indirect costs of each organisation were 33% of their overall costs. Yet many organisations believe, potentially incorrectly, that funders are mostly unwilling to fund above 20% or – even lower.



Low indirect costs reduce capability and effectiveness

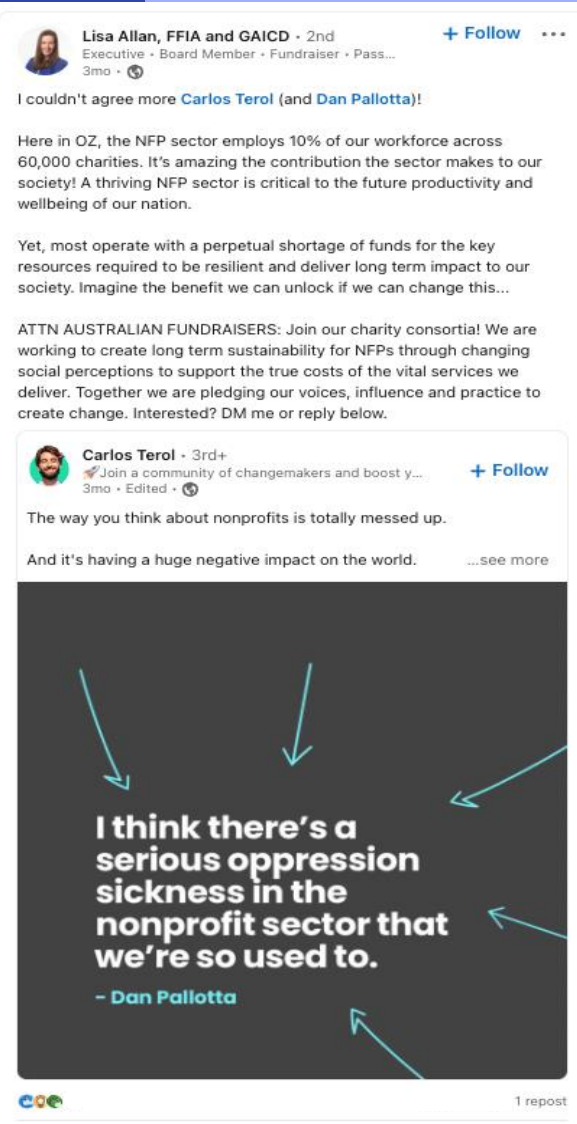
The not-for-profits that participated in the study universally underinvested into their core capability. This increases risk, forces organisations to search for untied funding and introduces inefficiencies.



The drivers of indirect cost underfunding are complex

The complexity of measuring not-for-profit effectiveness, the power dynamics in the funder–funder relationship, and a lack of consistency of measurement all contribute to this issue.

It started with a LinkedIn post...



Lisa Allan, FFIA and GAICD · 2nd
Executive · Board Member · Fundraiser · Pass...
3mo · 🌐

+ Follow ...

I couldn't agree more [Carlos Terol](#) (and [Dan Pallotta](#))!

Here in OZ, the NFP sector employs 10% of our workforce across 60,000 charities. It's amazing the contribution the sector makes to our society! A thriving NFP sector is critical to the future productivity and wellbeing of our nation.

Yet, most operate with a perpetual shortage of funds for the key resources required to be resilient and deliver long term impact to our society. Imagine the benefit we can unlock if we can change this...


ATTN AUSTRALIAN FUNDRAISERS: Join our charity consortia! We are working to create long term sustainability for NFPs through changing social perceptions to support the true costs of the vital services we deliver. Together we are pledging our voices, influence and practice to create change. Interested? DM me or reply below.

Carlos Terol · 3rd+
Join a community of changemakers and boost y...
3mo · Edited · 🌐

+ Follow

The way you think about nonprofits is totally messed up.

And it's having a huge negative impact on the world. ...see more

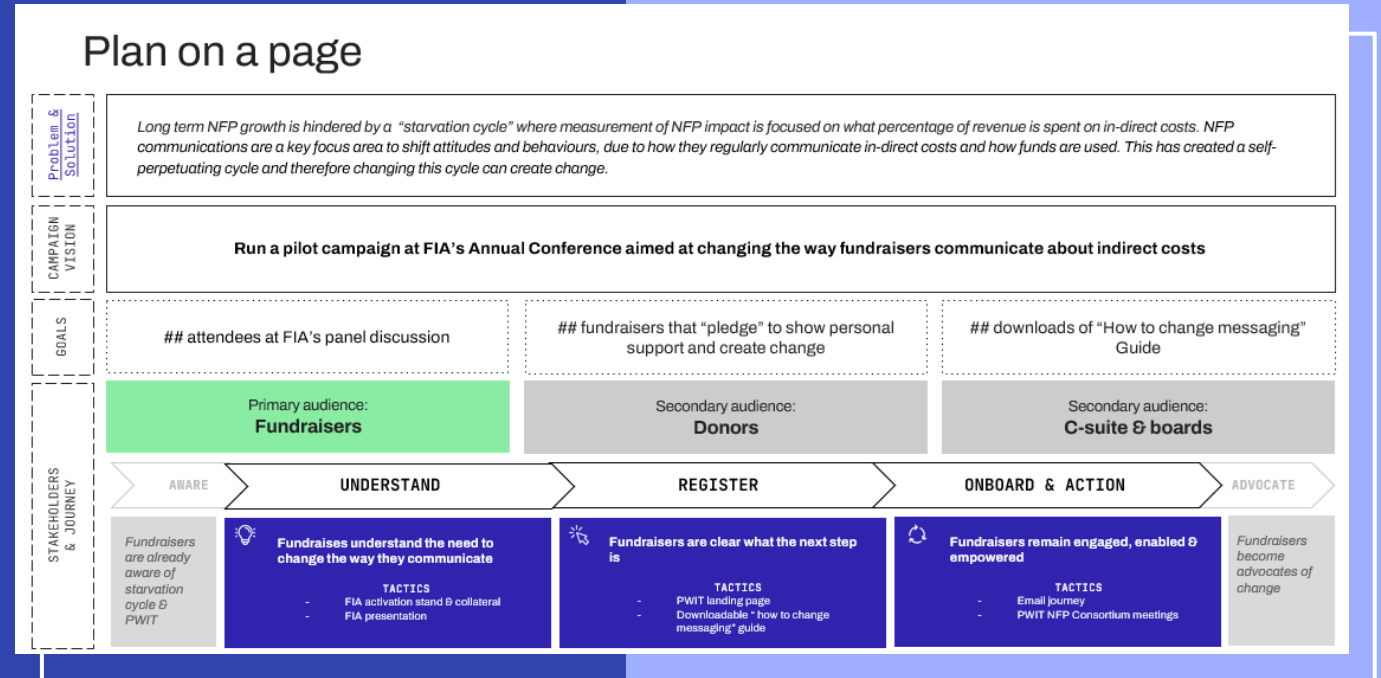


I think there's a serious oppression sickness in the nonprofit sector that we're so used to.

- Dan Pallotta

1 repost

It started with a
 LinkedIn post...
 And grew into
 much more!





OBJECTIVE

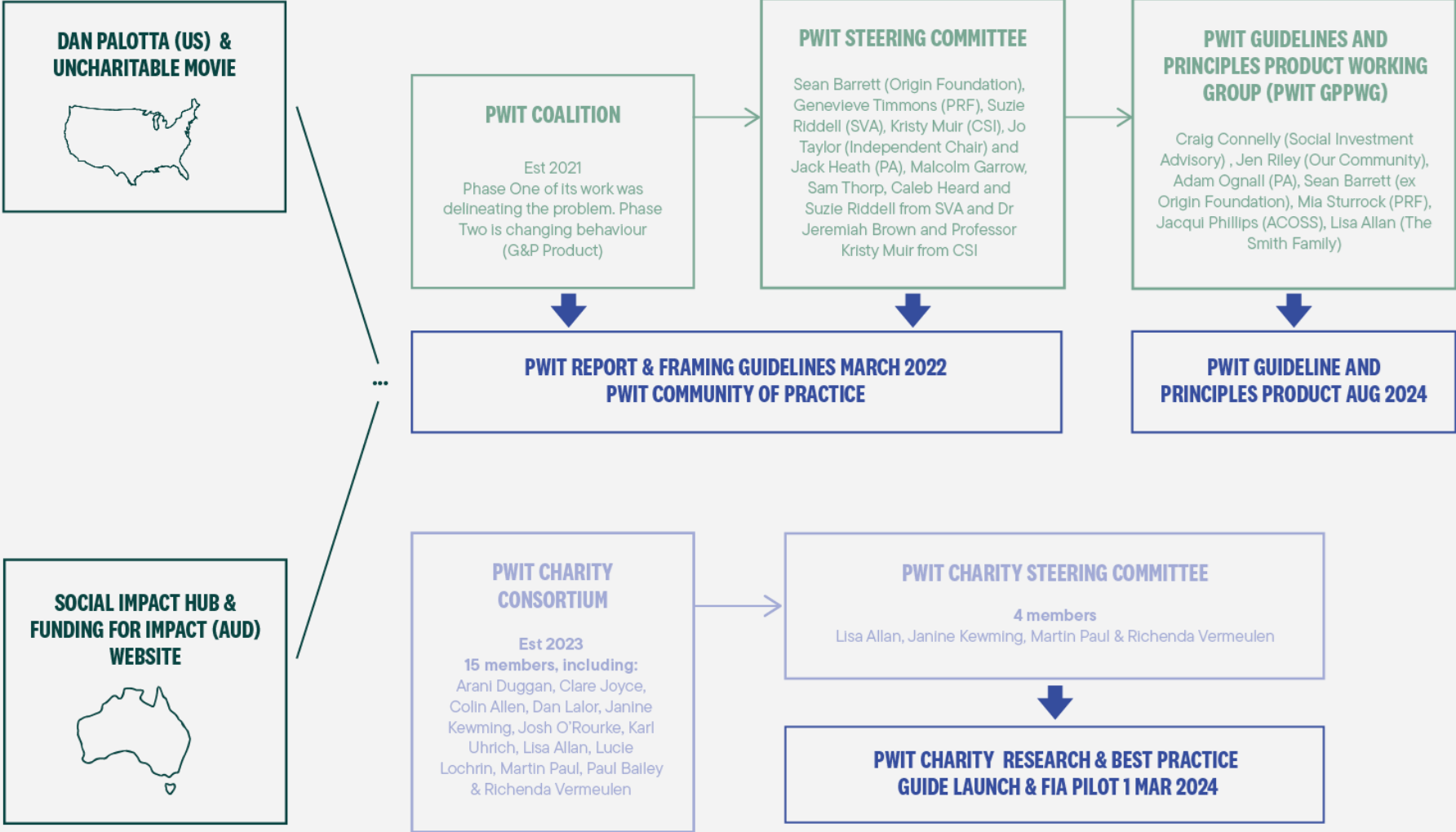
**Run a pilot campaign at FIA's Annual Conference
aimed at changing the way fundraisers
communicate indirect costs**



paulramsay
FOUNDATION

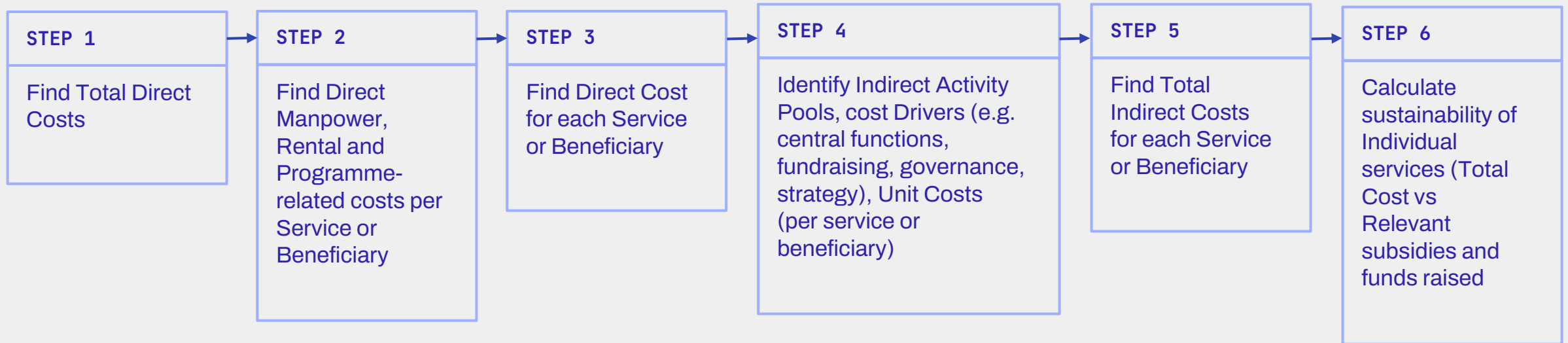
FIA Fundraising
Institute
Australia

THE PAY WHAT IT TAKES ECOSYSTEM



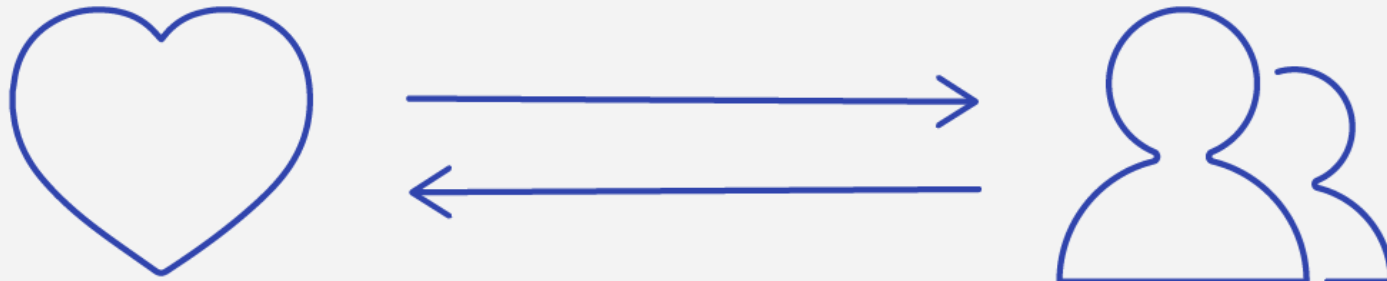
Educating your internal stakeholders — it takes conviction!

APPLICATION OF ACTIVITY-BASED COSTING TO CHARITIES



Educating the donor — it takes courage!

Explain importance of cost of operations and cost of compliance etc. and how they are integral to taking on donor projects, which benefits donors and the community in meeting its objectives.



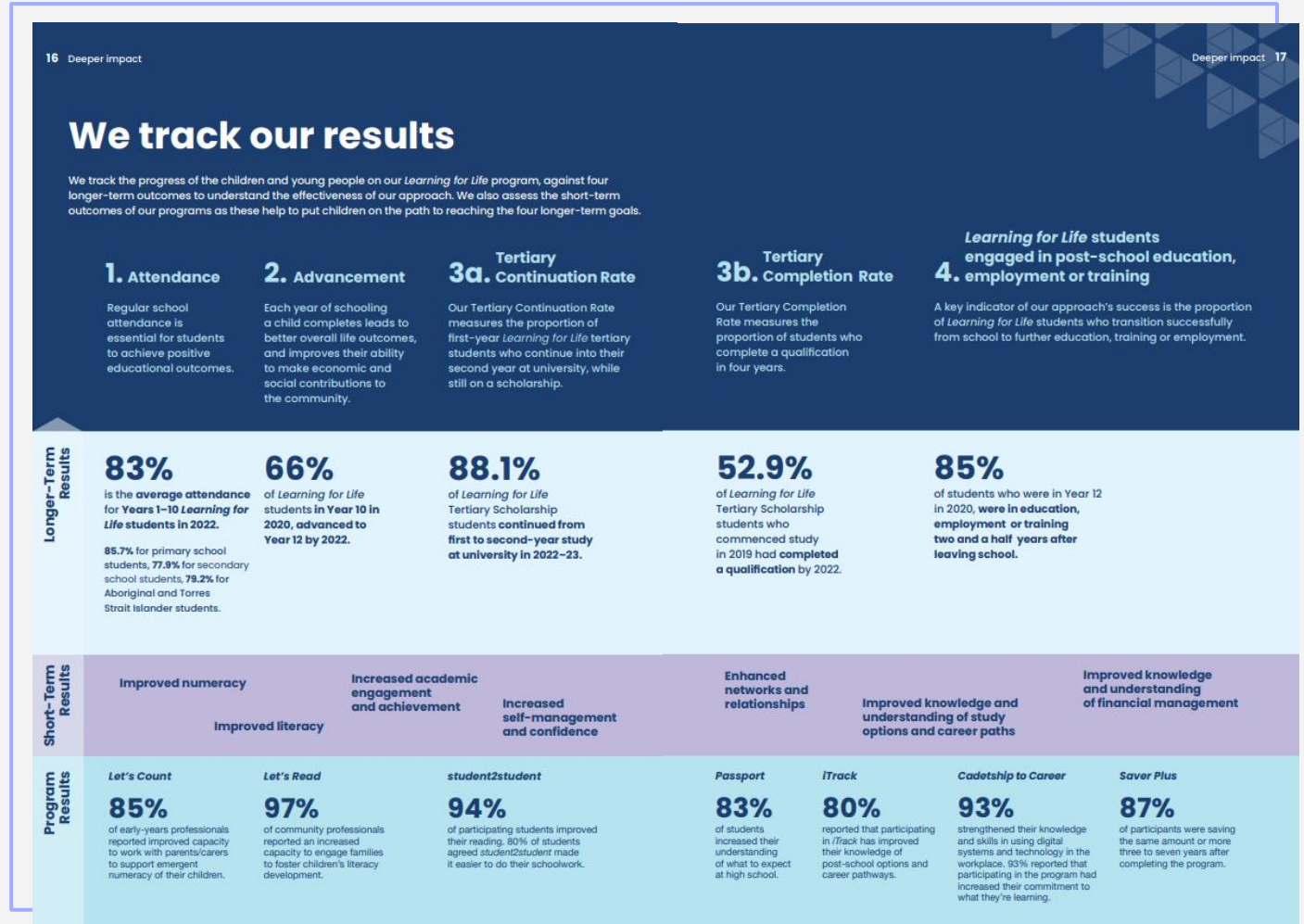
Australian Red Cross

- A 'starvation cycle' to meet public expectations
- Trust and understanding varies
- A measured approach to balance risk, financial sustainability and donor sentiment
- A coordinated response across sector is key



The Smith Family

→ Research led → track outcomes

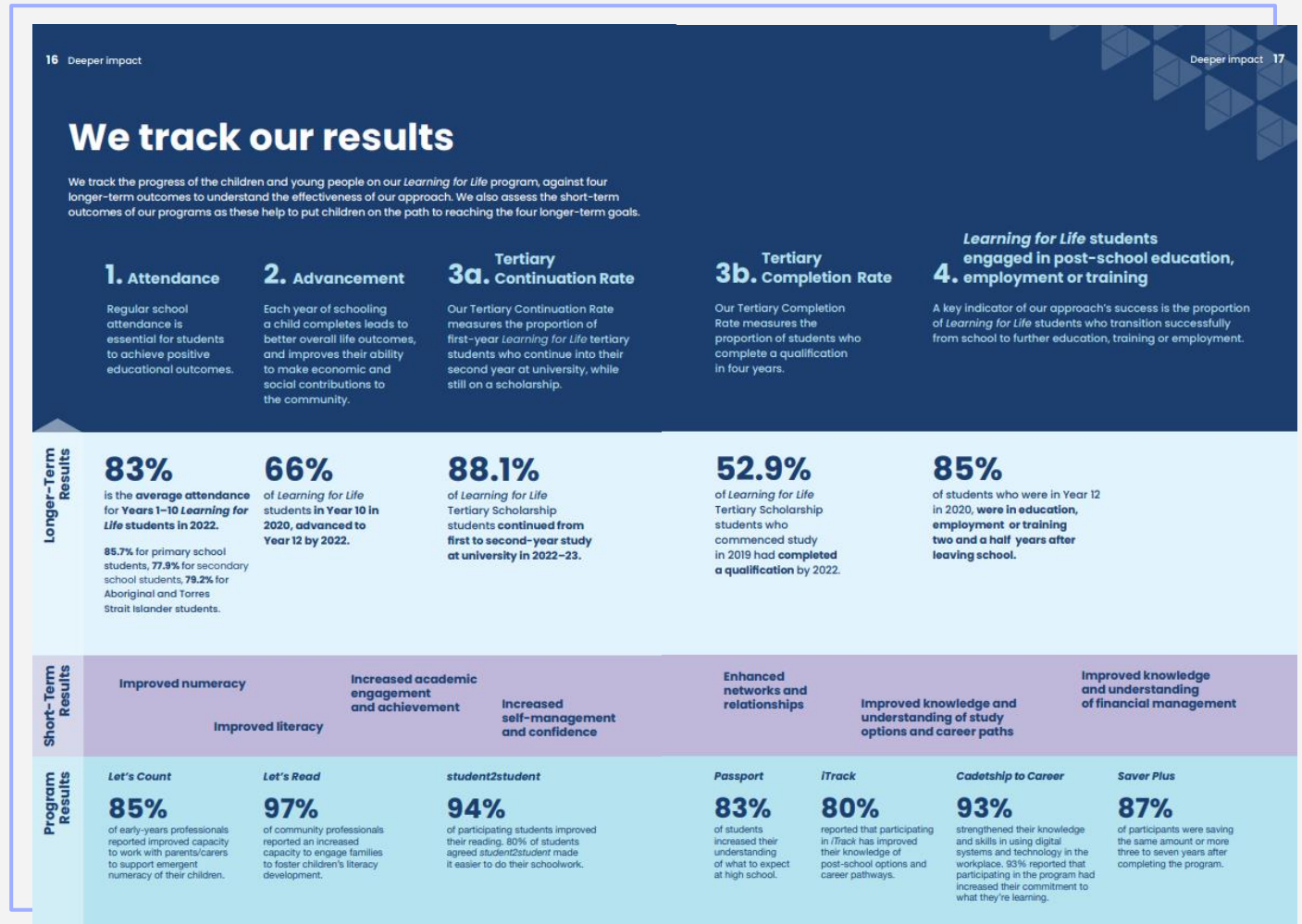


The Smith Family

→ Research led → track outcomes

→ CEO was ahead of the game

→ Start with how we represent
(language and imagery)



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2 Message from the Chairman and CEO

Message from the Chairman and the CEO

Helping young Australians unlock their potential

The Smith Family Chairman
Nicholas Moore AO (left)
with Chief Executive Officer
Doug Taylor

The Smith Family
to today, change tomorrow.

Our finances and funding

We are committed to ensuring that the funds we raise are used in the most effective way to enable us to provide the most impactful programs for children and young people, so they can gain skills to change their futures.

Expenditure to administer programs and run the organisation is integral to our sustainability and outcomes. All organisations – profit and not for profit – need proper resources to give quality support and fulfil their purposes. We are encouraged that funders and partners are engaged in conversations with us to understand our business model and how they can best support the true costs of delivering the important services we provide to the Australian community. By working together, we create a stronger and more resilient organisation that can adapt to change and address the causes, not just symptoms, of poverty in our country.

The Smith Family

- Research led → track outcomes
- CEO was ahead of the game
- Start with how we represent (language and imagery)

Fundraising performance

Allocating our resources for impact

Resources are essential for building strong infrastructure and increasing our effectiveness and impact for children experiencing poverty, so they can build skills to change their futures.

In the five years to June 2023, 72% of donations from our supporters has been spent on our community programs, with 28% of our resources invested in the vital activities that build our continuing organisational capacity and sustainability.

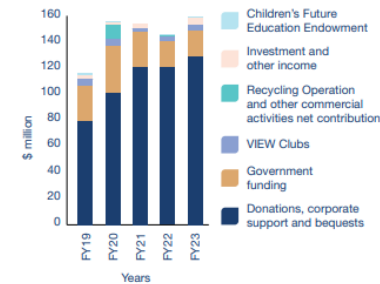
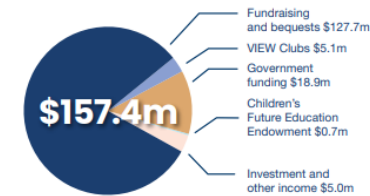
However, our 72% funding allocation to community programs is just one measure of the effectiveness of our organisation. Another critical dimension is the positive impact our investment in resources and activities has in supporting the achievement of the four program outcome measures

we track and report – the attendance, advancement, tertiary continuation and completion, and engagement rates of students we help.

The Smith Family has joined with other not-for-profits to develop initiatives aimed at providing donors and charity partners with a deeper appreciation of a range of not-for-profit evaluation criteria. Our goals are to demonstrate the effectiveness of resource allocations so that donors can see the impact that together we achieve for those we help. By facilitating greater openness around how funds are carefully stewarded, and by showing how all costs contribute to a healthy, sustainable, and effective organisation, we aim to help donors understand the important and enduring part donations play in making the difference they expect.

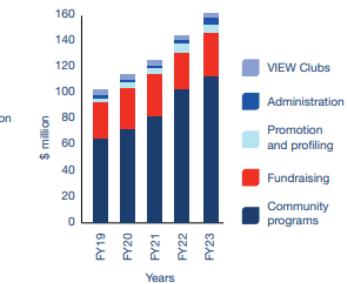
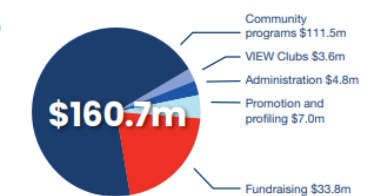
Where we obtained our financial resources

2022–23



How we applied our financial resources

2022–23



The Smith Family

→ Research led → track outcomes

→ CEO was ahead of the game

→ Start with how we represent
(language and imagery)

The screenshot shows the website header with the logo and navigation links: Our Programs, Get Involved, Ways to Give, CHILD SPONSORSHIP, and DONATE NOW. Below the header is a dark blue navigation bar with links: Poverty in Australia, About Us, Our Research, Media and Stories, Login, and Search. The main content area is titled 'OUR FINANCES' and features a quote from Doug Taylor, CEO, about the importance of expenditure on programs and sustainability. Below the quote is a section titled 'Allocating our resources for impact' which discusses resource allocation and lists two key statistics: 72% of donations spent on community programs and 28% invested in organizational capacity. A table below this section details four metrics: Attendance (83% average), Advancement (66% of students advanced to Year 12), Tertiary Continuation and Completion Rate (88.1% in 2022-23), and Post School Engagement (85% of students had been in Year 12 in 2020). The table also includes a section on 'Maximising impact across the not-for-profit sector'.

OUR FINANCES

“ Expenditure to administer programs and run the organisation is integral to our sustainability and outcomes. ”
Doug Taylor, CEO

Allocating our resources for impact

Resources are essential for building strong infrastructure and increasing our effectiveness and impact for children experiencing poverty, so they can build skills to change their futures.

In the five years to June 2023:

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However, our funding allocation to community programs is just one measure of effectiveness. Another critical dimension is the positive impact our investment in resources and activities has in supporting our four long-term program outcome measures. We track and report:

Metric	Description	Value
Attendance	Regular school attendance is essential for students to achieve positive educational outcomes.	83% is the average attendance for Years 1-10 Learning for Life students in 2022
Advancement	Each year of schooling a child completes leads to better overall life outcomes, and improves their ability to make economic and social contributions to the community.	66% of Learning for Life students in Year 10 in 2020 advanced to Year 12 by 2022.
Tertiary Continuation and Completion Rate	We measure the proportion of first-year Learning for Life tertiary students who continue into their second year at university.	In 2022-23 this was 88.1%. We also measure the proportion of students who complete a tertiary qualification within four years. In 2022 this was 52.9%.
Post School Engagement	We measure the proportion of Learning for Life students who transition successfully from school to further education, training or employment.	In 2022 this was 85% of students who had been in Year 12 in 2020.

Maximising impact across the not-for-profit sector

The Smith Family has joined with other not-for-profits to develop initiatives aimed at providing donors and charity partners with a deeper appreciation of a range of not-for-profit evaluation criteria. Our goals are to demonstrate the effectiveness of resource allocations so that donors can see the impact that together we achieve for those we help.

By facilitating greater openness around how funds are carefully stewarded, and by showing how all costs contribute to a healthy, sustainable, and effective organisation, we aim to help donors understand the important and enduring part donations play in making the difference they expect.

The Smith Family

- Research led → track outcomes
- CEO was ahead of the game
- Start with how we represent (language and imagery)
- Next: Roll through all materials and tackle the financial cuts

The screenshot shows the website header with the logo and navigation links: Our Programs, Get Involved, Ways to Give, CHILD SPONSORSHIP, and DONATE NOW. A secondary navigation bar includes Poverty in Australia, About Us, Our Research, Media and Stories, Login, and Search.

OUR FINANCES

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Attendance	Advancement	Tertiary Continuation and Completion Rate	Post School Engagement
 <p>Regular school attendance is essential for students to achieve positive educational outcomes.</p> <p>83% is the average attendance for Years 1-10 Learning for Life students in 2022</p>	 <p>Each year of schooling a child completes leads to better overall life outcomes, and improves their ability to make economic and social contributions to the community.</p> <p>66% of Learning for Life students in Year 10 in 2020 advanced to Year 12 by 2022.</p>	 <p>We measure the proportion of first-year Learning for Life tertiary students who continue into their second year at university. In 2022-23 this was 88.1%.</p> <p>We also measure the proportion of students who complete a tertiary qualification within four years. In 2022 this was 52.9%.</p>	 <p>We measure the proportion of Learning for Life students who transition successfully from school to further education, training or employment.</p> <p>In 2022 this was 85% of students who had been in Year 12 in 2020.</p>

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So what does
research tell us..?



KEY RESEARCH & RESOURCES



INSIGHT 01

Dan Pallotta's thought-leadership has generated a groundswell of awareness, but lacks tangible actions for Not-For-Profits to drive change.

INSIGHT 02

Not-For-Profits should be cautious in assuming donors want to minimise overhead costs or that overhead costs affect giving behaviour.

INSIGHT 03

Donors understand the importance of charities investing in overhead costs if it's framed in the right manner and linked to impact.

INSIGHT 04

Not-For-Profits need more data on the impact of overhead costs to make their case for support.

Existing research is inconsistent and often conflicting.

Research	Low overhead costs are important to donors	Low overhead costs are <u>not</u> as important to donors
<p>McCrindle Australian Communities Report (2021)</p> <p>1,467 participants</p>	<ul style="list-style-type: none"> → For 70% of givers, keeping marketing and administration costs low (below 20%) matters more to them than growing overall donation revenue. → 90% answered that the number one reason givers stop supporting a charity/not-for-profit is a mismanagement of finances. → 63% of Australian givers are more likely to say that detailed and transparent reporting of fund allocation matters more than charities being trusted to direct donations for maximum impact (37%). 	<ul style="list-style-type: none"> → Nine in ten Australian givers (90%) are willing to trust Not-For-Profits to allocate resources to get the greatest return on investment, even if this requires them to invest more than 20% into marketing and quality staff. → Emerging generations showing a greater openness to growing overall donation revenues to maximise impact and employ quality staff rather than to keep staff costs as low as possible. → Australian givers are more likely to believe that employing quality staff matters more (64%) than keeping staff costs as low as possible (36%).
<p>The Smith Family Charity Givers Survey (2021)</p> <p>534 participants</p>	<ul style="list-style-type: none"> → The percentage going to the cause is somewhat more important when starting to give (the percentage of donation going to cause ranked #2 in importance). → Trust is also lower when people start to give, and higher after continued giving, proving that the percentage going to the cause is more important at the initial stages of donation. 	<ul style="list-style-type: none"> → The percentage going to the cause lessens in importance for continued giving. Impact, stories, knowing the work rises in importance. → Donors prefer to "Make the biggest difference" vs "Spend the least on admin". → Minimal acceptable direct to the cause = 66% (36% overhead cost).
<p>Red Cross Research (2023)</p> <p>43 participants</p>	<ul style="list-style-type: none"> → 30% admin costs are on par or less than what many expected. → 20% admin fees are preferable, if this is possible. 	<ul style="list-style-type: none"> → 10% admin fees are considered unrealistic. → On average Australians believe around 27% of donations go to administer the charity... However, this is expected to vary by charity.
<p>MoreStrategic's Cost of Living Study Nov (2023)</p> <p>1,009 participants</p>		<ul style="list-style-type: none"> → What NFPs need to run effectively = Allocated 37% fundraising & 16% administration with 31% to community programs and frontline and 16% campaigning & advocacy. → What proportion of donation should go directly to frontline/program vs. overhead costs. On average respondents believe 57% does go to the cause, however they believe 72% should go to the cause. In contrast, respondents believe 48% does go to admin costs, however they believe 41% should go to admin costs.

NFPs currently use limited language in how they tell the story of overhead

Language commonly used by Not-For-Profits to talk about overhead costs	ntegrity website analysis ¹⁸	FIA Fundraiser Survey ¹⁹
Administration	56%	72%
Fundraising	56%	65%
Pie chart (visual)	45%	56%
Operation costs	33%	60%
Cost income ratio (i.e for every \$1 raised, 72% goes to program)	22%	26%
Overheads	5.5%	24%
Support costs	5.5%	-
Income cost ratio (i.e for every \$1 you donate, we raise \$3 more)	5.5%	

SOURCE: PWIT CAMPAIGN RESEARCH REPORT

NFPs currently use limited language in how they tell the story of overhead

Q11.1 How would you feel if you saw this statement on a charity brochure "For every \$1 you donate, 33% goes on the cost of fundraising". Does this figure sound good, bad or about right?



When donating to a charity, which of the following would help you feel confident in the charity's trustworthiness?

	More confident
A quote from an independent financial auditor endorsing the charity	36%
A quote from a university endorsing the charity	13%
A visualisation on how the charity's program funds are distributed	55%
A positive rating from an independent agency (like CHOICE, CANSTAR), certifying the charity as effective	54%
An endorsement that the charity is a member of an industry body or regulator (eg Fundraising Institute of Australia)	41%

SOURCE: MORE STRATEGIC SUSTAINABILITY REPORT

SOURCE: PWIT CAMPAIGN RESEARCH REPORT

NFPs currently use limited language in how they tell the story of overhead

Q11.1 How would you feel if you saw this statement on a charity brochure "For every \$1 you donate, 33% goes on the cost of fundraising". Does this figure sound good, bad or about right?



VS

Q11.2 How would you feel if you saw this statement on a charity brochure "When you donate \$1 a charity is then able to raise \$3". Does this figure sound good, bad or about right?



SOURCE: MORE STRATEGIC SUSTAINABILITY REPORT

SOURCE: MORE STRATEGIC SUSTAINABILITY REPORT

Exploring behaviour based data and digital search analysis....

DONOR SURVEY

KEYWORD ANALYSIS

GOOGLE ANALYTICS
ANALYSIS

We did our own research, focusing on behaviour based data and digital search analysis.

DONOR SURVEY

We learnt that 80% of donors surveyed **don't look at overhead costs** before donating to a charity.

2% knew the administration costs of their chosen charity.

KEYWORD ANALYSIS

Only a small percentage of 5000+ searches on Australian charities are looking for common words or terms to describe overhead

GOOGLE ANALYTICS ANALYSIS

94.5% of donors **do not check annual reports, "about us" or look for overhead costs** before making online donations

Recommendations: How to reframe overhead?

WE NEED
to talk differently about
OVERHEAD

**NFP
GUIDE
2024**

REFRAMEOVERHEAD.ORG

The Pay What It Takes Charity Consortium Australia acknowledges the Traditional Owners of the places in which we live and work. We recognize and respect the enduring relationships they have with their lands and waters, and we pay our respects to their Elders, past and present.

Reframe language

STOP

Limiting reporting on fundraising and the impact it makes.

Using broad and unclear phrases to describe overhead costs.

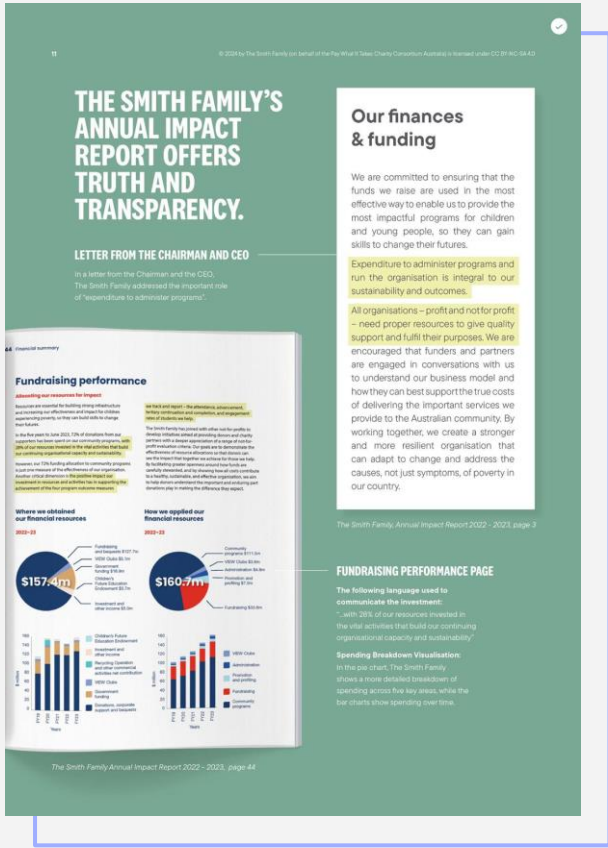
1. Capacity Building
2. Infrastructure
3. Innovation
4. Organisational Development
5. Administration

START

Speaking more frequently and in more detail about the impact of overhead costs and fundraising.

Framing overhead costs with clear, descriptive and authoritative language.

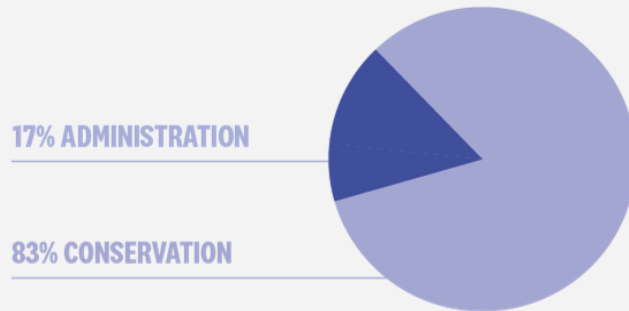
1. Accountability
2. Organisational effectiveness
3. Governance
4. Fundraising
5. Sustainability



Reframe visuals

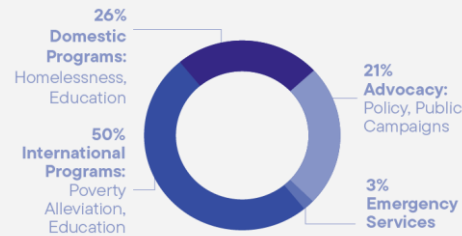
STOP

Using using pie charts that reinforce programs vs overhead costs.

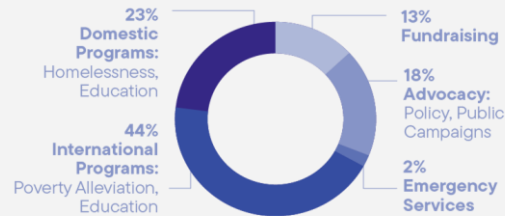


START

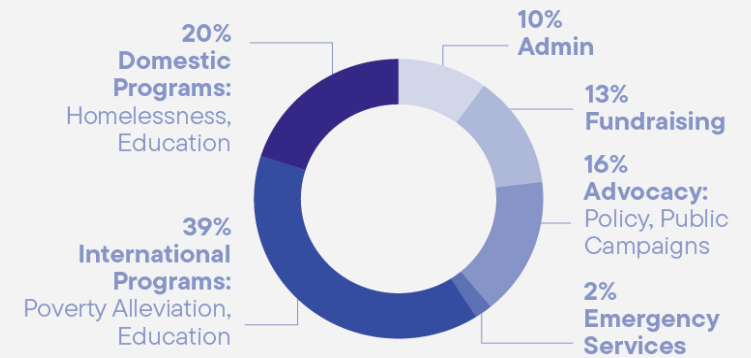
Breaking down pie charts to demonstrate the complexity of overhead costs.



19% PREFERRED



19% PREFERRED



62% PREFERRED

Link overhead to impact

STOP

Focusing on the percentage of funding not going to programs.

ONLY **28%** OF OUR FUNDS ARE SPENT ON ADMINISTRATION!

START

Adding a fundraising multiplier to existing visuals or pie charts.

4X IMPACT
For every \$1 invested we raised \$3.91

- Fundraising (20%)
- Domestic services (30%)
- International programs (20%)
- Advocacy (10%)
- Accountability (20%)

“ For every \$1 invested into fundraising, we raised \$4.32 to invest in research, prevention and support programs.

LINK OVERHEAD TO IMPACT.

IMPACT VISUALISATION
RSPCA QLD demonstrates how you can link overhead cost visualisations to impact.

HOW YOUR GENEROUS DONATIONS WERE INVESTED IN 2022/2023

- 56c
- 12c
- 15c
- 17c

Like in this example, it's recommended that NFPs monitor how we ensure financial stewardship and consistently review resource investments to ensure they are contributing to an effective and sustainable organisation.

RSPCA Queensland IMPACT REPORT 2023 37

RSPCA QLD Impact Report 2023, page 37

Reframe your annual report

STOP

Limiting your annual report to mandatory documents.

START

Transforming your annual reports into inspiring “impact reports”, clearly showcasing your organisation’s achievements, outcomes and societal change.



CANCER COUNCIL SA IMPACT REPORT 2021-22



SMITH FAMILY IMPACT REPORT 2022-23



WE NEED

to talk differently about

OVERHEAD

Download the guide

Add your name

Richenda Vermeulen

Lisa Allan

Martin Paul

Janine Kewming

Arani Duggan

Clare Joyce

Karl Uhrich

Olivia Shah



SIGN THE PLEDGE



**FIA
Conference**
2024

Thank you



Q&A