Charity Intelligence's 2023 Sector Snapshot

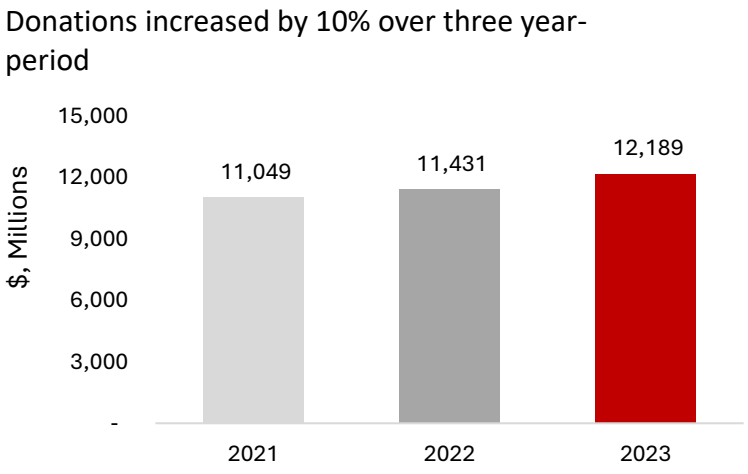
While Charity Intelligence's research on 829 charities represents just 1% of all registered charities, it accounts for nearly 50% of all donations, offering a meaningful glimpse into sector-wide trends. Though not exhaustive, this data sheds light on how the sector – and its largest players – have evolved over time.

2023 Highlights

- Donations rose 7% to $12.2 billion.
- Financial transparency improved by 5%. In 2023, 34 charities opened their books and posted their audited financial statements on their website. 82% of charities Ci reviews (681 charities) are financially transparent in 2023 compared to 78% in 2022 (647 charities). Canadians universally expect charities to be financially transparent.
- Admin and fundraising costs grew to $4.8 billion, a 2% increase. Overhead averages 27% of donations and fundraising revenues compared to 26% in 2022. Most charities are in what Charity Intelligence calls a "reasonable range" for overhead, yet in 2023, 24 more spend above this range.
- Reserve funds remain lower than pandemic levels but are beginning to increase. The relative wealth of the "richest" charities rose by 5% in 2023, with their reserve funds reaching $9.6 billion. Donors need to discern between which charities need donations, and which charities already have enough.
- Charity reporting improved by 3% – the scores for how well charities report their results. This increased from an average score of 108 to 111.

Donations Rose by 7% in 2023

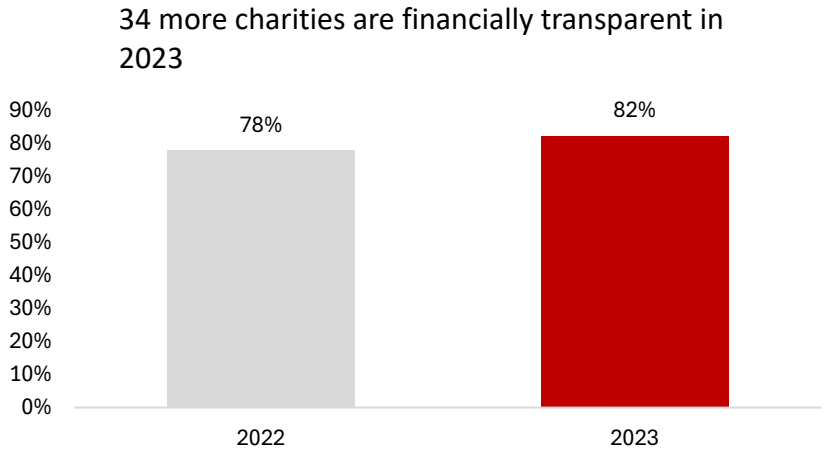
Ci's 2023 data shows donations[1] reached a record $12.2 billion – a 7% increase from $11.4 billion in 2022. The growth significantly outpaced inflation, which was 4% in 2023This increase in donations runs counter to the common narrative that giving is declining as our data accounts for giving beyond the tax-receipted donations reported on tax forms / a charities annual filings to the CRA Charities Directorate. Canadians are generous and giving is at record levels in 2023.



[1] Donations include individual donations, corporate grants, charity grants, and special events fundraising.

Financial Transparency Improved by 5%

Financial transparency measures whether a charity publicly shares its audited financial statements. Audited financial statements are the only reliable way to see how a charity spends its money. The CRA recommends that charities with over $250k in annual revenue maintain financial transparency. Of the 829 charities on Ci's website, 681 (82%) are financially transparent, up from 647 (78%) in 2022 – a 5% increase. While this is an improvement, the 18% that are not transparent received $1.7 billion in donations in 2023. This represents $1.7 billion given blindly.



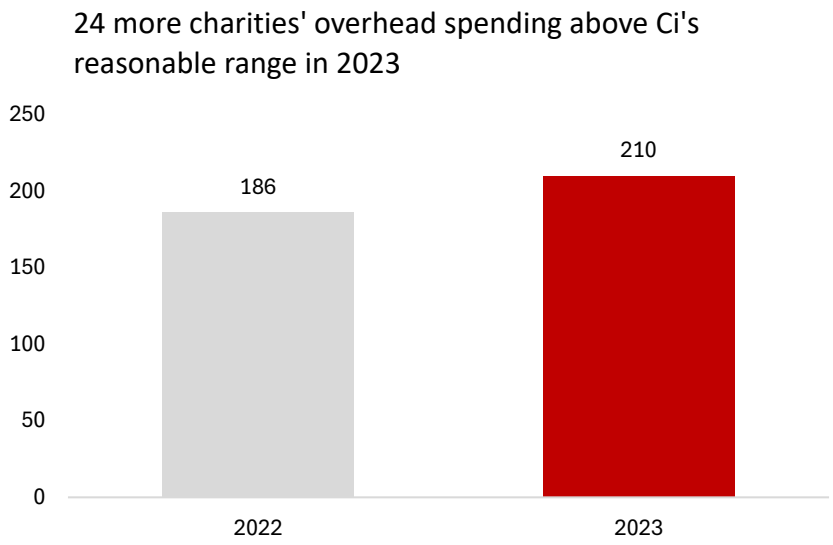
A Quarter of Charities Spend Excessively on Overhead in 2023

In 2023, total spending on overhead, which includes fundraising and administrative costs, rose by 2% to $4.8 billion. The average charity spent 27%[2] of its donations and revenue on overhead. This is a slight increase compared to 26% in 2022. Ci's reasonable range for overhead spending is between 5% and 35% of donations and revenue[3]. Most charities have reasonable overhead spending.

However, Canadians need to pay attention to overhead spending with those charities that spend too much. In 2023, 210 charities (25%) spend more on overhead than the 35% reasonable limit. This is an increase from 186 charities (22%) in 2022.

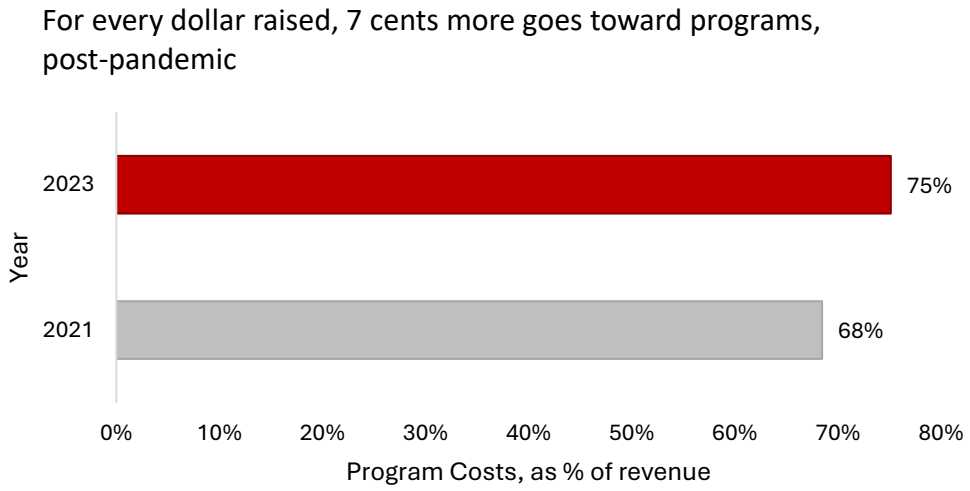
For those charities that exceed the reasonable range of 35%, the average spending on overhead was 53%. This excess is offside on CRA Charities Directorate's guidance that a charity must spend the majority of its resources on programs and not fundraising. The average charity within Ci's range spends just 20%.

[2] Loeys Dietz's debt financing insurance policies result in fundraising costs of 3,000%, which skews the average for all charities analysed. Ci removed this one outlier each year for a more accurate representation of the average.
[3] Charity Intelligence's overhead spending metric divides fundraising costs by donations and administrative costs by total revenue. The term "donations and revenue" refers to fundraising costs divided by donations and administrative costs divided by total revenue, less investment income.



7 More Cents on Every Dollar Raised Goes Toward Programs

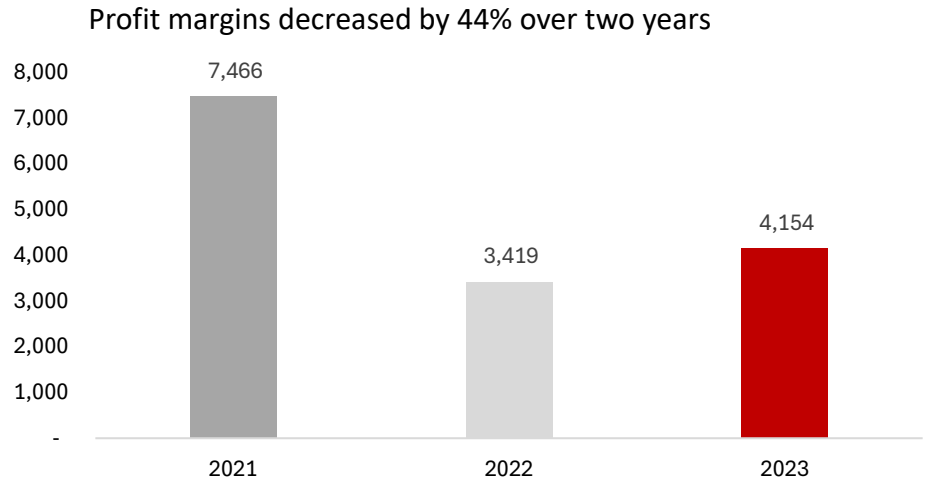
Despite this increase in overhead, charities demonstrated improved efficiency in program spending. In 2023, charities spent $39.1 billion on programs[4] – an 8% increase from $36.1 billion in 2022. Program spending represented 75% of total revenue[5], up from 68% in 2021. For every dollar charities raised, they spent 7% more on their programs in 2023, versus during the pandemic (2021).



"Profit Margin" Squeeze in 2023

[4] Program costs include domestic program costs, international program costs, grants, and donor designated donations.
[5] This represents cash revenue, excluding donated goods. Donated goods are traditionally a flow-through in the audited financials, representing the same amount on revenue and expenses. Including donated goods skews the data for certain sectors that primarily receive donated goods, like food banks.

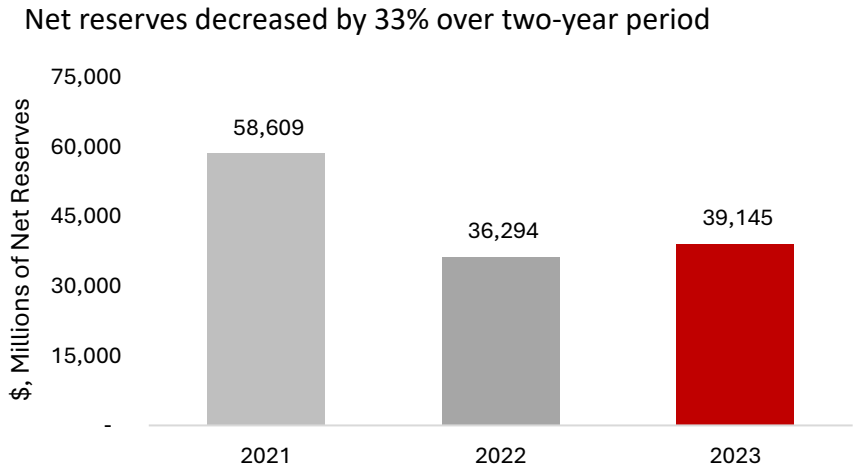
Thinking about profit margins at charities might seem counterintuitive – after all, they are non-profits. But charities don't call it "profit"; they call it "surplus" or "deficit." In 2023, the sector reported a $4.2 billion surplus (8% of revenue), down from $7.5 billion (15% of revenue) in 2021. Most charities run a modest surplus, but some rake it in.



Net Reserves Down from 2021, but the "Rich" Continue to Deepen Pockets

In addition to looking at charities' revenues and spending, donors need to focus on a charity's balance sheet. To discern if a charity is "rich" with millions, or hundreds of millions in cash and investments, as compared to charities that need donations to do their work in the short term.

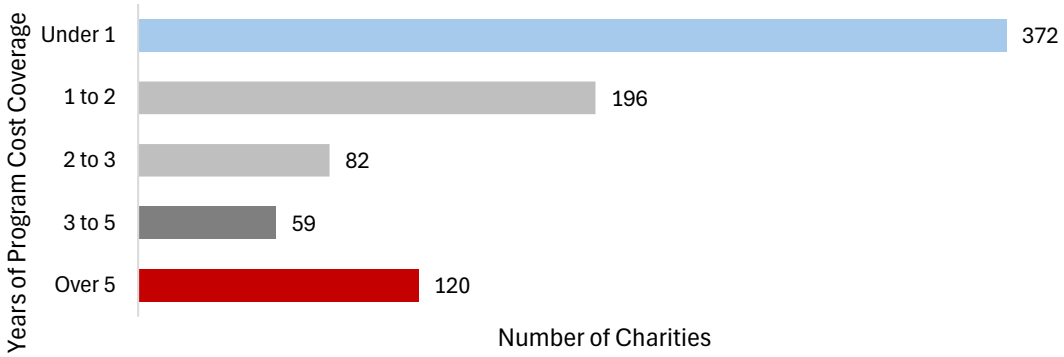
Net reserve funds[6] totalled $39.1 billion in 2023. This is an 8% increase compared to $36.3 billion in 2022. Despite this increase, reserve funds remain significantly lower than the $58.6 billion held in 2021, when charities retained more cash during the pandemic.



[6] Net reserve funds are a charity's cash and investments, less donor-endowed funds and interest-bearing debt.

More important than the absolute dollar value of reserve funds is the reserve funds relative to a charity's annual spending on programs[7]. A financial cushion where a charity has funds to run its programs for a year is healthy. Consider two charities, each with $10 million in cash and investments. One charity's programs cost $10 million a year. The other charity spends $1 million a year. One charity has a healthy reserve of 1 year, while the other has 10 years of money on hand.

14% of charities hold reserves that cover over 5 years of annual program costs

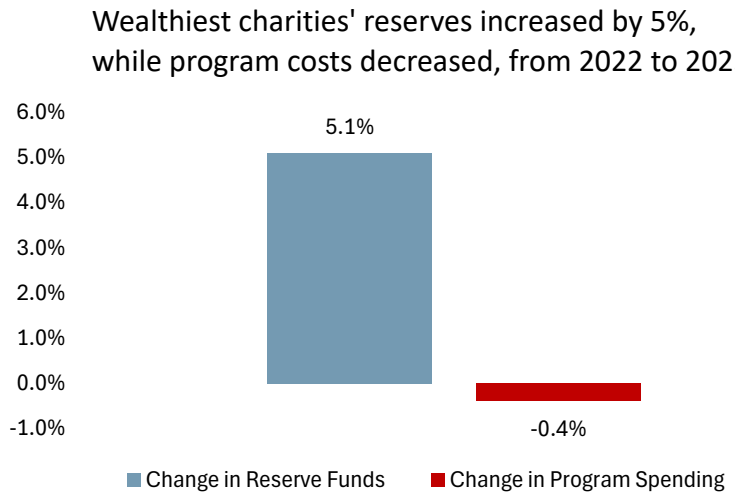


Of the charities we track, 120 charities (14%) have enough money to fund their programs for 5 or more years. We do not think this is typical. We believe some of the wealthiest charities in the world reside in Canada. Yet they continue to fundraise each year. Despite only making up 14% of all charities, the reserve funds held by these "rich charities" represent 24% of the total.

Years of Program Cost Coverage[7]	Number of charities	% of charities	Value of Reserve Funds $ billion
Under 1 year	372	45%	9.9
1 – 2 years	196	24%	13.0
2 – 3 years	82	10%	3.1
3 – 5 years	59	7%	3.6
Over 5 years	120	14%	9.6

In 2023, the 14% "wealthiest" charities increased their reserves by 5%, while program spending decreased by half a percentage point. For these "rich" charities, they have enough reserve funds to cover their program spending for 10 years in 2023. This abundance represents a 15% increase from 8.4 years in 2022.

[7] Charity Intelligence's "Program Cost Coverage" metric tracks a charity's relative "wealth", measuring how many years of program costs a charity's net reserves can cover. Ci's reasonable range recommends that reserves cover no more than three years of annual program costs. In 2023, 22% of charities were outside Ci's reasonable range, which is consistent with previous years (22% 2022 and 21% 2021).



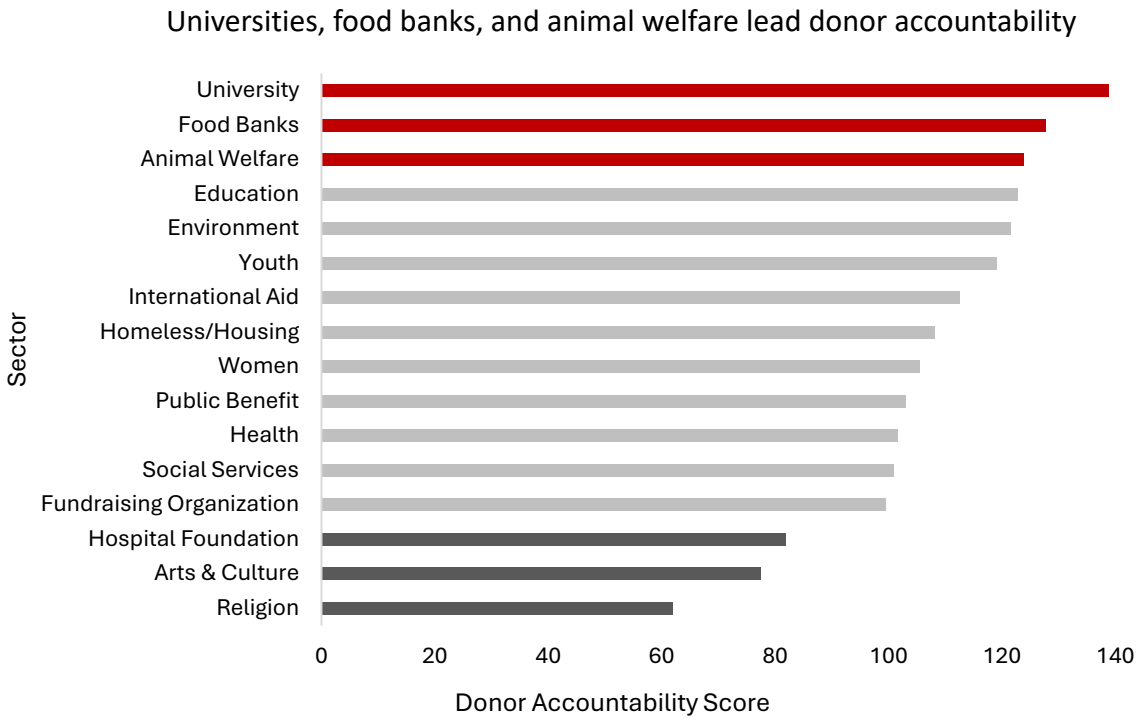
Accountability to Donors Improved by 3%

Results Reporting grades are a proxy for accountability, assessing how effectively a charity communicates its performance and impact. Charity Intelligence evaluates reporting across six sections: strategy, activities, outputs, outcomes, quality, and learning. Stronger reporting enables donors to better understand a charity's achievements and how their contributions make a difference. This helps donors make informed giving decisions.

In 2023, the average Results Reporting score increased by 3%[8], indicating an overall improvement in accountability. This improvement was equal across all six sections.

Results Reporting performance varies significantly across sectors. Universities, food banks, and animal welfare charities outperformed the average charity, reporting their results 33%, 23%, and 19% better, respectively. In contrast, religious charities, arts and culture organizations, and hospital foundations reported their results 40%, 26%, and 21%, worse than the average, respectively. The 3% improvement in Results Reporting scores in 2023 reflects progress in accountability. Yet the significant disparities across sectors highlight the need for consistent reporting to ensure donors can make well-informed giving decisions.

[8] Of the charities we rated in 2023, compared to the charities we rated in 2022.



Closing Note

The charity sector in 2023 showed both progress and persistent challenges, as reflected in the data from Charity Intelligence's analysis. Donations and total revenue experienced record growth, with program spending efficiency improving significantly since the pandemic. However, overhead costs rose. Giving remains concentrated with most donations going to few charities. This shows as a growing gap between a few, "rich" charities. Knowing which charities have a need for funding and do not have multiple years of money in reserves continues to highlight the value of "doing your research" before donating.

Accountability rose again, a long steady trend of improvements. Looking at accountability by sectors shows gaps. An estimated 40% of giving goes to religious charities where the large religious charities have the lowest disclosure scores. Similarly, 25% of giving goes to hospital foundation, which also reports poorly, on average. In contrast, universities receive significant donations (25%) and rank top in disclosure.

The information on Charity Intelligence's research is publicly available with the goal of helping donors make informed decisions. If you want to donate but are unsure where to begin, Charity Intelligence publishes a Top 100 Canadian Charities List, which highlights charities that score exceptionally well across all our metrics.

Want to get in touch? Reach me at lchapleau@charityintelligence.ca

If you find Charity Intelligence's research useful in your giving, please donate to support our work. Being funded by donors like you maintains our independence to help Canadians be informed in their giving. Canadians donate over $18 billion each year. This giving could achieve tremendous results. We hope Charity Intelligence's research helps Canadians give better.

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