



trends [4]

The definitive [4] times per year source of philanthropic trends analysis in Canada

In this edition of *Philanthropic Trends Quarterly*, we are pleased to share **Part Two** of our **2015 Sector Snapshots**.

Part One, which was distributed in late October and is now available on our website, focused on 'the big picture' in terms of the charitable sector as a whole as well as those related to National Health Charities, Hospital/Healthcare Foundations, and the Social Services sectors specifically. Rounding out our exploration of the sectors, this edition focuses on Universities, Colleges, Independent Schools and Arts and Culture organizations.

We first introduced our Sector Snapshots in 2012 as a way to explore the emerging trends in fundraising and philanthropy that are unique to specific sectors. And as we noted in Part One, the world is a very different place today thanks to advances in technology and shifts in demographics. As a result, there have been significant developments in terms of how charities connect with their donors, tell their stories and orient their fundraising plans.

At the same time, many of the trends outlined in the 2012 Sector Snapshots are just as relevant today. The charitable environment – across all sectors – is becoming more complex

and requires dexterity and creativity in order to respond to the increasing pressure to raise more funds.

We do hope that these two editions of Trends Quarterly provide you and your organizations with valuable insights and input as you prepare for the year ahead.

And on behalf of the entire KCI team, our very best to you for a happy holiday season as well as a productive and successful 2016!

Marnie Spears
President and CEO

2015 Sector Snapshots

| Part 2 |

Colleges

Universities

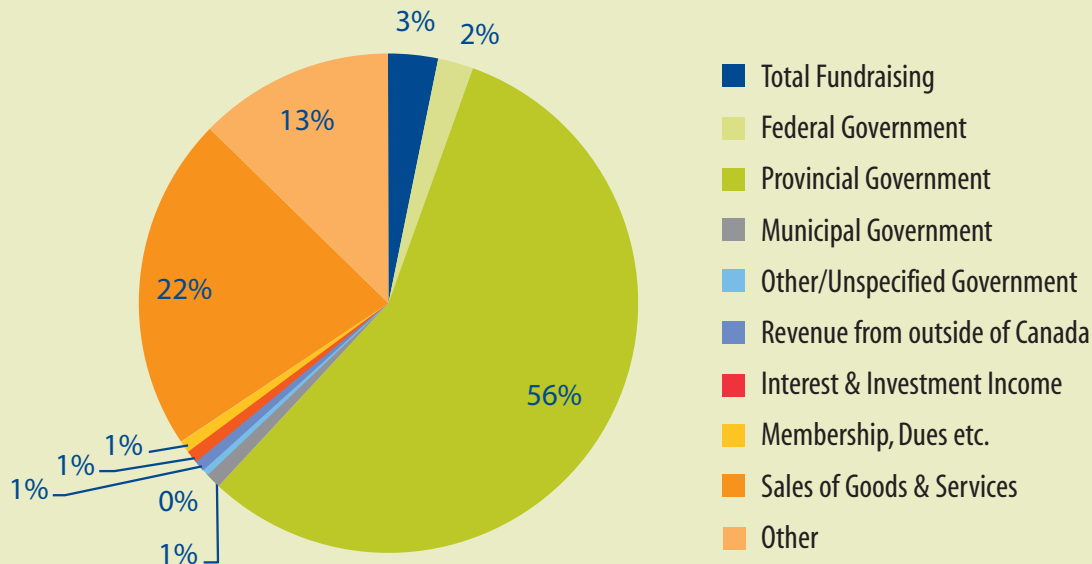
Independent Schools

Arts & Culture



The Numbers¹

2013 REVENUE BY SOURCE



The Trends

1. Colleges have come into their own in terms of acknowledgement of the value they bring to students, industry and the community. Colleges that have found most fundraising success are those that are **able to effectively define their “why”**. They are able to make the case that they contribute to – and sometimes drive – the local or regional economy. From a fundraising perspective, these colleges are able to position themselves competitively in a crowded philanthropic sector.

2. At the same time, the **need for colleges to differentiate themselves and promote their unique areas of program-**

ming excellence is becoming more important. For some, efforts by provincial governments, such as Ontario’s Strategic Mandate Agreement process, have led colleges to differentiate themselves based on their individual strengths.

3. The culture of philanthropy is emerging for colleges in Canada with a growing understanding that a **thriving culture of philanthropy is rooted at the top of the organization**, starting with the active participation of the President and Deans. Many colleges are implementing individual engagement plans to support and direct their participation in fundraising.

4. Scholarships and bursaries continue to be a keen area of interest for donors. At the same time, colleges are finding ways to **build support for capital projects** and programming that include offering attractive naming opportunities, using government support as leverage with donors, and showing uniqueness and not duplication of effort with other local institutions. Some colleges are positioning their key programs as centres of excellence, which heighten their profile and appeal to potential donors.

5. The major source of fundraising revenue continues to originate from the

The Numbers¹

- 229** – Total charities in sector
- 0.3%** – Percent of charities in Canada
- \$7.7 billion** – Total revenue (all sources)
- \$248 million** – Total fundraising revenue
- 1.0%** – Sector's share of total fundraising revenue
- 1.1 million** – Average fundraising revenue
- \$256,701** – Median fundraising revenue
- 14.9%** – Average overhead ratio²

1. All data in this section include colleges, Polytechnic Institutes, CEGEPs and associated foundations (which can include foundations whose only function is to manage the endowment as well as alumni associations).

2. The Overhead Ratio is the percentage of total expenses devoted to administrative costs and fundraising costs. It is calculated by adding administrative and fundraising costs and dividing by total expenses.

The Trends

corporate sector. While corporate support remains strong, **there is an emergence of individual giving** at colleges particularly at the major gift level. A number of colleges have recently seen large seven-figure investments from alumni or friends of the college, driven by visionary projects rooted in the College's key area of strength.

6. The pipeline of prospective donors for colleges is often more limited than other institutions. Campaigns and other significant fundraising initiatives are often buoyed by the support of a cadre of major donors who provide the bulk of funding.

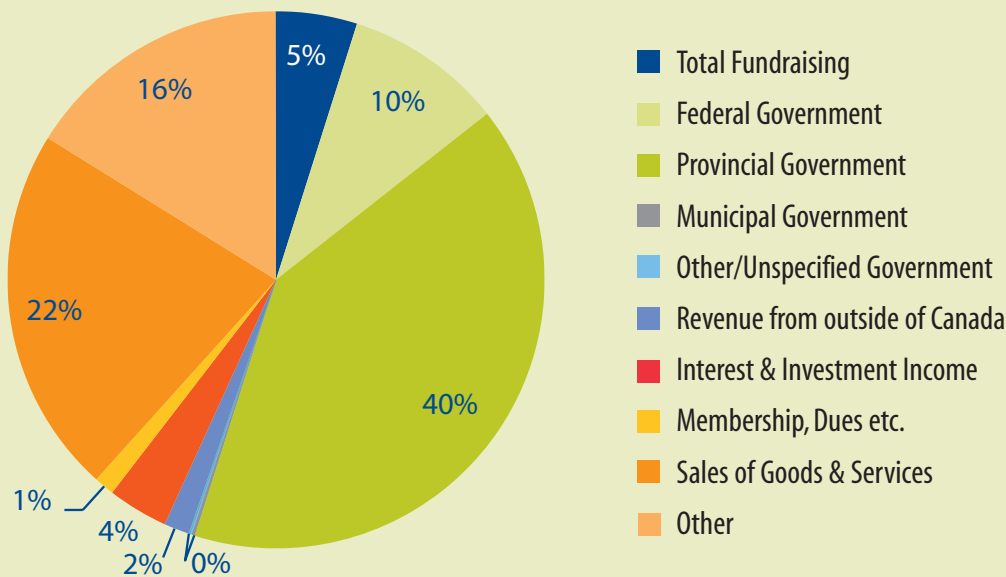
7. Alumni engagement is becoming an increasing focus for colleges. Some colleges are taking a segmented approach, in which alumni with capacity and an affinity to the college are considered for the major gift stream, a segment of alumni with a giving history are considered for group giving opportunities or mid-level programs, and the balance are for engagement purposes.

8. Institutional impatience is a challenge in the college sector. With multiple funding needs, college leadership can have improbable expectations in terms of what can be raised within a given

timeframe. Open dialogue between college leadership and Advancement is critical to ensure appropriate goals are established. Thorough planning is also imperative to ensure large initiatives, such as campaigns, have the right foundations in place for success.

The Numbers¹

2013 REVENUE BY SOURCE



The Trends

1. Collaboration is an increasing focus for university fundraising, whether it is working across faculties or partnering with other institutions, such as hospitals and research centres. This is particularly true when a transformational gift is sought for a visionary concept, since one institution alone could not produce the necessary outcomes.

2. Many universities now find themselves in a state of “**continual campaign**”, when one campaign or phase of a campaign segues into the next. This is borne out of the challenge of ever present and increasing needs. For some, a prominent theme binds the various phases together,

while the case is more dynamic, shifting to various priorities over time.

3. Many large universities are announcing significant campaign goals, which can create pressure for others to perform at a similar level. **Managing the expectations of boards and senior leaders**, in addition to thoughtful campaign planning, is paramount to ensure established goals are in line with a university’s capacity.

4. It is critical for universities to undertake a **thoughtful, consultative priority setting process**. The process is often led by the Provost to ensure that established priorities are rooted in the vision and

direction of the institution. Significant time – upwards of one year for many – must be allocated to priority setting since various stakeholders from across the university must be involved.

5. The time to **realize major gifts is trending upward**, with some gifts taking close to three years to move from concept to agreement. This is due in part to the complexity of the priorities, coupled with the trend toward partnerships with other institutions. For the latter, universities must work out memorandums of understanding with partner institutions, which can add to the time to realize a major investment.

The Numbers¹

- 92** – Total charities in sector
- 0.1%** – Percent of charities in Canada
- \$27.6 billion** – Total revenue (all sources)
- \$1.35 billion** – Total fundraising revenue
- 5.3%** – Sector’s share of total fundraising revenue
- \$14.7 million** – Average fundraising revenue
- \$3.4 million** – Median fundraising revenue
- 10.3%** – Average overhead ratio²

1. All data in this section include colleges, Polytechnic Institutes, CEGEPs and associated foundations (which can include foundations whose only function is to manage the endowment as well as alumni associations).

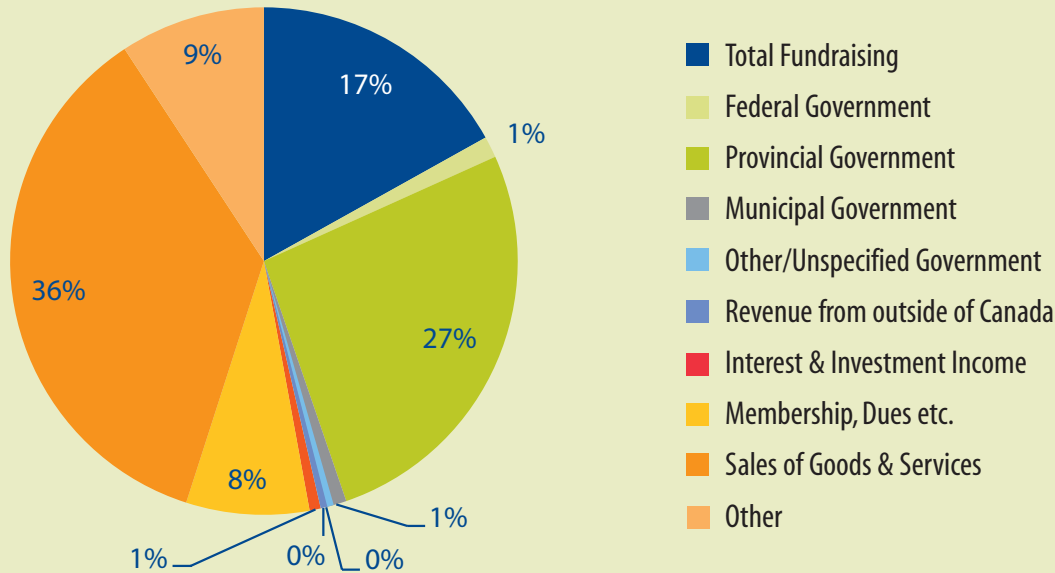
2. The Overhead Ratio is the percentage of total expenses devoted to administrative costs and fundraising costs. It is calculated by adding administrative and fundraising costs and dividing by total expenses.

The Trends

- 6.** The balance between **maintaining academic integrity and accepting corporate support** has always been delicate. However, this tension has increased with a number of corporations seeking deeper involvement with recipient institutions. Universities must have a transparent gift acceptance policy that emphasizes an unwavering focus on academic freedom. Fundraisers must also be candid in their discussions with potential corporate donors to manage their expectations with regard to involvement.
- 7.** A number of universities are bolstering annual support via **mid-level giving programs**. While the gift levels of this type of program vary widely across institutions, the principle remains the same: the program blends aspects of major giving (e.g. a focus on a specific project) with annual giving techniques (e.g. communications via email and social media as opposed to personal interactions). Successful programs utilize a multi-channel approach, including such elements as direct mail, crowdfunding and events.
- 8.** Universities are increasingly turning to data analytics to **create tailored strategies for their alumni segments**. They are also implementing performance metrics to manage the Alumni Relations portfolio. Some have an annual “dashboard” that measures return on engagement for each segment.
- 9.** The role of Deans in fundraising is evolving and requires a thoughtful engagement plan. Increasingly, Deans are being recruited with the expectation that fundraising is a core component of their position. Fundraisers need to ensure the necessary support and guidance are in place to maximize the involvement of Deans in active fundraising.

The Numbers

2013 REVENUE BY SOURCE



The Trends

1. The culture of philanthropy is emerging for many independent schools. With the need to bolster parent and alumni participation rates, schools are looking at creative ways to encourage giving. Matching gifts have been used to good success as well as creating targeted strategies such as reunion class giving or rallying around a particular case project that would appeal to a particular segment of the school's community.

2. Many independent schools are building capacity by focusing on the development of robust annual giving programs. However, some find that a general ask is not resonating and are "packaging" their

annual fund by focusing on key themes and areas of support. In this manner, donors do not feel they are "filling the gap"; rather they are supporting areas of excellence within the school.

3. Partnership between Advancement and other school functions remains important. In particular, Advancement teams work closely with Admissions teams, in terms of articulating key messages about philanthropy and identifying potential donors. Advancement teams also work in tandem with the marketing arms of schools, in order to ensure clear, substantive messages about the school are delivered.

4. Recognizing the relatively small pipeline of potential donors, a number of schools are utilizing data analytics as a means to identify donors with the capacity to contribute more. This can also include a wealth screening component to identify potential major donors.

5. Some schools have identified "legacy families" who can contribute a major gift as a family. For example, a grandparent and current parent, both alumni, contribute a gift and are recognized together.

6. Some schools, particularly boarding schools, are realizing success with engagement strategies for international

The Numbers

841 – Total charities in sector

1.0% – Percent of charities in Canada

\$3.6 billion – Total revenue (all sources)

\$615.8 million – Total fundraising revenue

2.4% – Sector's share of total fundraising revenue

\$732,213 – Average fundraising revenue

\$220,364 – Median fundraising revenue

16.2% – Average overhead ratio¹

1. The Overhead Ratio is the percentage of total expenses devoted to administrative costs and fundraising costs. It is calculated by adding administrative and fundraising costs and dividing by total expenses.

The Trends

parents. Important considerations for such a program are to implement outreach activities at the outset of a parent's relationship with the school and to take a design/build approach in terms of cultivation activities. Successful schools understand that an international prospect may not respond to traditional methods of fundraising or ways of giving.

7. There has been an **emergence of transformative gifts** at the high seven-figure and eight-figure level. Attracting these gifts requires an aspirational case rooted in the vision and strategic direction of the school. This highlights the need for the active involvement of the

Principal/Head of School since his or her vision for the school is a necessary underpinning to creating a bold case.

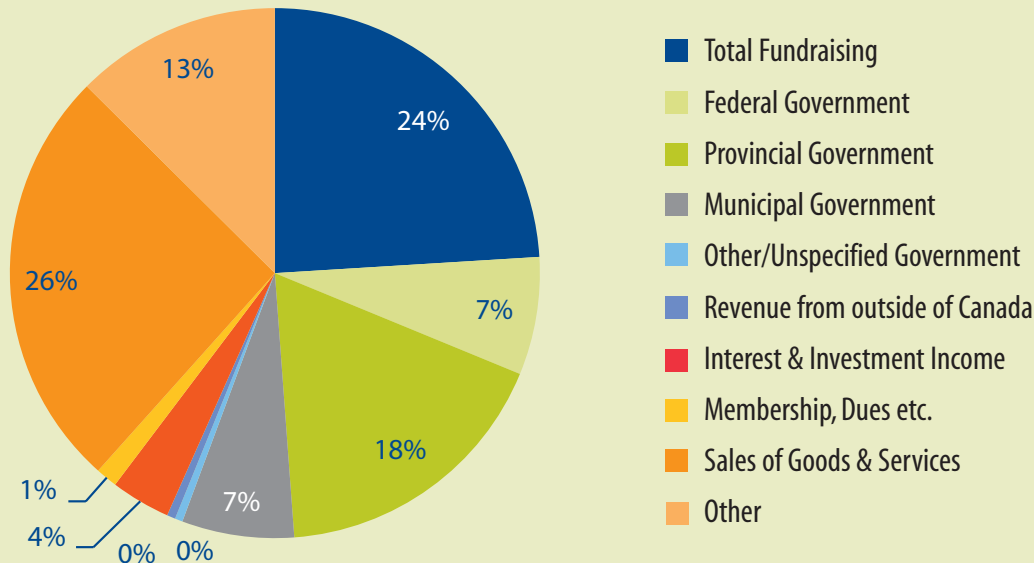
8. The involvement of **senior volunteers continues to be important**, particularly for campaign fundraising. A number of independent schools are using more flexible volunteer structures. As opposed to a formal campaign cabinet, some schools have a cadre of senior volunteers who have a specific role in terms of reaching out to potential donors.

9. Many independent schools are looking at **creative ways to engage newer alumni** in philanthropy. In addition to

having a social media strategy, some schools are developing Young Alumni Councils, where members build engagement – and eventually support – with their cohorts. In some instances, this has manifested in crowdfunding appeals, for an initiative that will resonate with younger alumni.

The Numbers

2013 REVENUE BY SOURCE



The Trends

1. For organizations in the arts and culture sector, the **importance of generating philanthropic revenue continues to grow.** With arts council funding and earned revenues either flat or decreasing, many organizations continue to look to both philanthropy and corporate sponsorship for revenue growth.

2. As within other sectors, there remains a **significant capacity gap** between larger organizations with mature development programs and the majority that operate with one or no development staff. Smaller organizations are becoming more entrepreneurial in their fundraising strategies, e.g. engaging in peer to peer

campaigns that offer unique artistic experiences for those raising funds.

3. Large organizations with broad reach may be successful in securing corporate sponsorship, but most smaller organizations cannot offer the visibility required to make sponsorship a viable proposition. Some **smaller organizations are focusing on new strategies** to build relationships with locally based businesses.

4. **Leadership and succession** continue to be key challenges across the sector, with particular implications when it comes to inspiring philanthropic investment. While the Executive Director has an

important role to play, it is the Artistic Director who must articulate the vision that will engage donors in the life and future of the organization. When an Artistic Director moves on, it is incumbent upon the Board to appoint a skilled relationship manager who understands the nuances of inspiring major donors.

5. The **case for supporting arts and culture organizations continues to evolve.** Historically, messaging focused on the need to “close the gap” between revenues from ticket sales and public sector support. However, as donors become more deliberate and discerning, messages about organizational need – or even orga-

The Numbers

- 5,081** – Total charities in sector
- 6.2%** – Percent of charities in Canada
- \$2.87 billion** – Total revenue (all sources)
- \$689 million** – Total fundraising revenue
- 2.7%** – Sector's share of total fundraising revenue
- \$135,644** – Average fundraising revenue
- \$11,780** – Median fundraising revenue
- 23.2%** – Average overhead ratio¹

1. The Overhead Ratio is the percentage of total expenses devoted to administrative costs and fundraising costs. It is calculated by adding administrative and fundraising costs and dividing by total expenses.

The Trends

nizational worthiness – no longer resonate. Arts and culture organizations have begun to focus more strategically on what they are uniquely positioned to do and their commitment to artistic excellence. In addition, there is a strong focus on creating ways for subscribers, members and donors to "belong" and to share in the excitement of creation and performance.

6. Savvy organizations understand the **value of delving into their ticket-buying or membership database** using data analytics to identify key segments for cultivation and upgrade. Like grateful patients in a hospital setting or alumni in

a university setting, those who have "used your services" are much more likely to understand your value proposition. This contrasts sharply with a broad-based approach of trying to appeal to the general public, especially in a crowded and highly competitive market.

7. Youth education and broader community outreach remain key fundraising pillars for many arts and culture organizations. While this is partially because arts councils require a component of outreach and public engagement, it is also fair to say that arts organizations recognize the long-term value of nurturing future audiences. In addition,

donors continue to be drawn to the opportunity to enable young people to experience the arts.

8. The relentless pressure to achieve annual fundraising targets means that **expectation management has become a key component of a fundraiser's job** in this sector. Fundraising staff must work with senior leadership, both staff and volunteer, to establish realistic fundraising targets and to communicate that investments in major or planned gifts are not likely to be realized in the year that they are made.

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We hope it will serve as a useful overview for observers of the
charitable and nonprofit scene.

Aussi disponible en français.



FORWARD THINKING