



**Ovato's Report Non —  
Profit Charity Industry**

**A rewards, earning and  
giving based token!**

**Market Report on  
the Global Charity  
(Non-Profits Organisation) Industry**

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## 1.1 Market size of The Global Charity and Non-Profits Industry

*in industrialized democratic countries with a longer history of independent associational life, the nonprofit sector has expanded and become a more integral element in developing and delivering public goods and services.*

*In developing countries and those with authoritarian or single-party regimes, a nascent sector has more openly been pushing against previous constraints and opening up spaces of civic participation, often in concert with authorities that had previously spurned them and may continue to constrain them to a limited sphere of approved activities.*

*Charitable contributions by individuals, foundations, bequests, and corporations reached \$358.38 billion in 2014, an increase of 7.1% from the revised 2013 estimates and after adjusting for inflation. Of these charitable contributions:*

- *Religious organizations received the largest share, with 32% of total estimated contributions.*
- *Educational institutions received the second largest percentage, with 15% of total estimated contributions.*
- *Human service organizations accounted for 12% of total estimated contributions in 2014, the third largest share.*

*In 2013, public charities reported over \$1.74 trillion in total revenues and \$1.63 trillion in total expenses. Of the revenue:*

- *21% came from contributions, gifts and government grants.*
- *72% came from program service revenues, which include government fees and contracts.*
- *7% came from "other" sources including dues, rental income, special event income, and gains or losses from goods sold.*

*Total giving to charitable organizations was \$390.05 billion in 2016 (2.1% of GDP). This is an increase of 2.7% in current dollars and 1.4% in inflation-adjusted dollars from 2015.*

*Giving has increased in current dollars every year since 1976, with the exception of three years that saw declines: 1987, 2008 and 2009.*

*The average year-to-year change in total giving between 1976 and 2016 was an increase of \$8.96 billion (in current dollars), making the current-dollar change in total giving between 2015 and 2016 much larger than the 40-year average.*

*Prior to the 40-year period 1976–2016, total giving was consistently at or above 2.0% of GDP. It fell below 2.0% throughout most of the 1970s, 1980s, and 1990s. Total giving as a percentage of GDP rose to 2.0% and above through most of the 2000s, but then dropped*

*to 1.9% in the years 2009 to 2011. Total giving as a percentage of GDP was 2.1% for three of the four years, 2013–2016.*

*Charitable giving continued its upward trend in 2016, as an estimated \$390 billion was given to charitable causes. For the third year in a row, total giving reached record levels. This increase and the overall size of charitable contributions is further testament to the integral role charities play in our society, a role which continues to grow.*

## **1.2 Regulations from Government on Charity Organisations.**

### **Tax Regulations**

*Nonprofits operate under many designations, such as charitable organizations, churches, private foundations or political groups. Different tax exemption requirements exist based on the nature of the business. To enjoy special tax exemptions, an organization must be devoted to carrying out company activities not usually conducted for a profit.*

*No earnings are allowed to benefit individuals or company shareholders. According to the Internal Revenue Service, for example, in order for a social club to be exempt from federal taxes it “must be organized for pleasure, recreation, and other similar non-profitable purposes and substantially all of its activities must be for these purposes.”*

### **Incorporating**

*Rules for incorporating a nonprofit organization are very similar to those incorporating a for-profit business. Incorporated nonprofits are able to receive foundational grants and the process of obtaining tax-exempt status is more straightforward than if an organization is not incorporated. Nonprofit corporations must complete applications for tax-exemption on the state government level.*

### **Donations and Fundraising**

*Receiving donations are an important method of obtaining financial support for most nonprofit organizations. Certain rules apply, however, to both the donors and to the organization accepting the donation. Donors must give gifts without receiving any goods or services in return. On the other hand, a nonprofit that offers monetary contributions to potential donors could result in the organization losing its tax-exempt status.*

## **.4 Recent Trends Happening Globally in Charity and Non-Profit Sectors**

*Mobile is a favorite of donors, just as it is for many people when they are looking to communicate and participate with others. That's why charity organizations plan on using more mobile communication, particularly with emails that now tend to be opened more often on a smartphone or tablet versus anywhere else.*

*They are also planning on taking advantage of integrating a payment button directly into their emails to increase donations. This idea may be taken a step further, as another new trend is accepting payments through social media platforms like Instagram, Facebook and Snapchat.*

*Many marketing trends for traditional businesses have become important for nonprofits too, which also need to improve engagement with their audiences and donors. While they have to be sensitive in terms of the stories they share, storytelling will become one of the*

*most important marketing tools for them in 2017 because it provides a way to connect with the emotions that help drive donor engagement and ongoing support.*

*One of non-profit organizations main goals in 2017 is the trend to look year round for board members that can provide fundraising and networking expertise. Specifically, they're looking to millennials and Generation Xers who are focused on social causes and are well-connected with others who are passionate about social good.*

- *Total giving is predicted to increase by 4.1% in 2016 and by 4.3% in 2017.*
- *Giving by foundations is predicted to increase by 5.7% in 2016 and by 6.4% in 2017.*
- *Plus, wealthy millennials are "more likely to use their wealth to create social impact as compared with older generations."*

*Nonprofits keeping up with technology innovations have been able to enhance transparency, better engage donors and other constituents, and leverage peer-to-peer fundraising to provide greater ease in giving. Nonprofit websites and their digital presence is vital to sustainability.*

*Monthly giving is on the rise. Although currently accounting for only 17% of all online revenue in M+R's 2016 Benchmark study, this reflects rapid growth. In 2015, monthly revenue grew by 24% across all sectors, compared to 18% growth in one-time revenue. Encourage this by helping donors understand the value of monthly gifts and create content specific to these givers.*

*Email appeals are increasingly successful. Contrary to those claiming email is dead, M+R's research found that among their 25 top performers, more than a third of all online revenue could track directly to an email appeal (34%). These top 25 also email revenue grow by 37% over 2014 levels (compared to 18% among all other groups surveyed).*

Nonprofit marketers are having to target each giving generation differently. According to the Global NGO Online Technology Report, Millennials' giving is most inspired by social media whereas email has the most impact on Gen X and Baby Boomers. Meanwhile, it's predicted Gen Z will prefer mobile apps.

## 1.5 Detailed Breakdown of Charity based on Cause or Sector

In 2016, cancer was voted the 'most popular cause' by a long way, yet charities supporting children and young people actually received the most money (30%, ahead of medical research for the first time at 29%).

Slightly better is to ask people what they have already given to charity as the annual survey does. The latest survey found that the most popular causes (measured by the number of people giving to them) in 2015 were:

- |    |                           |       |
|----|---------------------------|-------|
| 1. | Children and young people | (30%) |
| 2. | Medical research          | (29%) |
| 3. | Animals                   | (22%) |

Looking at how much money each cause gets however tells a different story: medical research charities received most (16%), while religious charities received the second highest amount at 13% of the total pot.

Overseas aid and disaster relief, which has had a raking over the coals in recent years, received 11% of the total pot (the 4th highest amount) and, according to the nfpSynergy survey receives the largest average gift size despite smaller numbers giving: £57 (with respondents 55 years and over saying they'd donate on average £73).

At the other end of the popularity stakes lie causes such as human rights with just 18 per cent of respondents saying they'd make a donation to such a charity in 2017 according to nfpSynergy. Arts and sports/recreation charities at the short straw end receiving the least money.

The latest Coutts Million Pound Donor Report found that higher education was the most popular cause both in the number of donations (45) and the total amount donated (42%) – a truly popular cause.

## **The next most popular in terms of numbers of donations (all at 22) were:**

- Health (receiving 13.8% of the total pot)
- Arts and Culture (8.2%)
- Human Services and Welfare (5.7%)

*International Development charities again received a smaller number of larger donations (15 donations totalling 11.5% of the pot) with donations ranging from £1m to £54m (compared with £1m to £4.7m for Education).*

*But of course charities do not receive all of their income from individuals, so popularity with the public is only one audience they have to worry about.*

## **ANIMAL CHARITY**

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*This particular type of charity can be broken down further into four distinct groups.*

- Wildlife Conservation Organizations
- Hunting & Fishing Conservation Groups
- Pet and Animal Welfare Organizations
- Zoos and Aquariums

## **Environmental Charities**

*Environmental Charities focus on ways to promote preservation, appreciation, and sustainable development for the environment. The two primary subgroups for this type of charity are:*

- Environmental Conservation & Protection
- Parks and Nature Centers

## **International NGOs**

*International NGOs (Non-governmental organizations) are typically charities that are headquartered in one country but work in other countries. In some cases they overlap with other types of charities.*

- International Development NGOs
- Conservation NGOs
- Disaster Relief & Humanitarian NGOs
- Child Sponsorship Organizations
- Peace & Human Rights NGOs



## **Health charities**

*Health charities cover everything from supporting and treating the sick and disabled, working on cures for diseases, and promoting public awareness of specific health risks.*

- *Disease & Disorder Charities*
- *Medical Services & Treatment*
- *Medical Research Charities*
- *Patient and Family Support Charities*

## **Education charities**

*Education charities serve students from every age group, pre-school to graduate school and beyond. Some serve as the educational institutions while focus on making education more accessible and effective.*

- *Private Elementary, Jr. High, and High Schools*
- *Universities and Colleges*
- *Scholarship and financial aid services*
- *School Reform and Experimental Education*
- *Support for students, teachers, and parents*

## **Art and Culture Charity**

*These types of charities help preserve artistic and cultural heritage as well as celebrate the arts and our history.*

- *Museums & Art Galleries*
- *Performing Arts*
- *Libraries & Historical Societies*
- *Public Broadcasting and Media*

## 1.6 Top 10 Charity Organisations in the world

### 1. Direct Relief

*Founded in 1948, Direct Relief is California's largest international humanitarian nonprofit organization. The organization provides medical assistance to improve the health and lives of people affected by poverty and disaster, both in the U.S and throughout the world.*

*Since 2000, Direct Relief has responded to a wide range of urgent and ongoing health emergencies by providing over \$3.4 billion in essential material resources, such as medicine, supplies and equipment, including more than \$500 million in assistance to the United States. It has annual revenue of \$775 million.*

### 2. MAP International

*MAP International is a global Christian health organization that partners with people living in conditions of poverty. Its mission is to save lives and develop healthier families and communities. Founded in 1954, it provides medicine, helps to prevent disease by improving water supplies, and promotes health to create hope and lasting change in more than 115 countries.*

*MAP also works with local leaders to help educate and train communities to deal with health threats such as HIV/AIDS and partners with more than 300 organizations, agencies and medical missions around the world. It has annual revenue of \$545 million.*

### 3. Catholic Medical Mission Board

*Providing health care for the world's poor is the mission of Catholic Medical Mission Board(CMMB), a leading faith-based NGO. It accomplishes this by building healthy, sustainable communities through local engagement and partnerships and by focusing on the leading causes of mortality for mothers and children in targeted communities throughout Africa, Latin America and the Caribbean.*

*In addition, CMMB's volunteer program provides medical and business know-how for community development and engages with the pharmaceutical industry to help meet the needs of the poor around the world. It has annual revenue of \$372 million.*

## 4. United Nations Foundation

*The United Nations Foundation was created in 1998 with a \$1 billion gift from entrepreneur Ted Turner to support United Nations causes and activities. The organization acts as an advocate for the UN, and a platform for connecting people, ideas and resources to help the United Nations solve global problems.*

*Through its sister organization — the Better World Campaign — the UN Foundation works to support a fully funded United Nations so that it can continue to be an effective voice for international cooperation on behalf of peace, development, human rights and the environment.*

## 5. The Rotary Foundation

*This not-for-profit organization works to advance world understanding, goodwill and peace. Using Rotary Foundation grants, Rotary's 34,000 clubs across the globe develop and carry out sustainable humanitarian projects and provide scholarships and professional training opportunities.*

*One of its biggest initiatives aims at eradicating polio through its PolioPlus program, launched in 1985. Since then, Rotary and its partners, including the World Health Organization and the Bill & Melinda Gates Foundation, have immunized more than 2.5 billion children, reducing the incidence of polio by 99 percent and eradicating it from all but three countries. It has annual revenue of \$269 million.*

## 6. Samaritan's Purse

*Since 1970, Samaritan's Purse has helped meet the needs of people who are victims of war, poverty, natural disasters, disease and famine, with the purpose of sharing God's love through His Son, Jesus Christ.*

*Through its ministry, Operation Christmas Child, the organization delivers more than 8 million shoe box gifts to poor children in more than 100 countries each year.*

*Its World Medical Mission sends doctors, equipment and supplies to underprivileged countries. Community development and vocational programs in impoverished villages and neighborhoods around the world help people break the cycle of poverty and give them hope for a better tomorrow. It has annual revenue of \$565 million.*

## 7. Institute of International Education

*The Institute of International Education is among the world's largest and most experienced international education and training organizations. The organization was started in 1919 with the mission of promoting closer educational relations between the people of the United States and those of other countries.*

*It works to strengthen and link institutions of higher learning around the world and strives to build leadership skills so that individuals and organizations are able to address both local and global challenges.*

## 8. **Compassion International**

*Holistic child development starting with prenatal care through young adulthood is the mission of Compassion International. The organization partners with more than 6,500 Christian churches in 26 countries to offer sponsorship, physical and spiritual development and leadership training for millions of children in poverty around the world.*

*The sponsors involved with Compassion International provide monthly gifts, letter writing and prayer, and in return children receive ongoing Christian training, educational opportunities and key health and life skills. It has annual revenue of \$799 million.*

## 9. **United States Fund for UNICEF**

*The U.S. Fund for UNICEF supports UNICEF's work around the world through fundraising, advocacy and education in the United States. Forty years ago UNICEF figured out that promoting simple, low-cost interventions like hand-washing and breastfeeding could save millions of lives, and its mission has helped children in more than 190 countries and territories.*

*The U.S. Fund for UNICEF raises funds for UNICEF's work on child survival, development, protection and emergencies. It has annual revenue of \$509 million.*

## 10. **Natural Resources Defense Council**

*The focus of the Natural Resources Defense Council is singular: Earth. The organization works to restore the integrity of the elements that sustain life — air, land and water — and to defend endangered natural places.*

*This environmental protection group works with businesses, elected officials and community groups on issues such as global warming, reviving the oceans, clean water and sustainable communities. Founded in 1970, the council has more than 2 million members and online activists.*

## 1.7 Challenges faced by Charity Organisations

*With many nonprofit organizations working to keep their doors open and lights on, advances in technology have gone by the wayside. Many fight for every donated-dollar, finding themselves behind the curve in tech trends. They turn to interns and high-school students for Web design to save a few dollars, and the thought of a mobile campaign is beyond both technical and financial comprehension.*

*NGOs were found to be weak at staff career development. So, other problem is about staffing issues and covers recruitment, assignment and layoff as well as human resources development and administration and finally everyday management of staff. Not all people working for NGOs are volunteers and paid staff members typically receive lower pay than in the commercial private sector, they have little organizational and professional skills, and the poor quality of training or lack of importance attached to training NGO workers are on the most concerns of NGOs.*

*The most commonly identified challenging issues for NGOs include; Fundraising, limited financial and management expertise, limited institutional capacity, low levels of self-sustainability, isolation/lack of inter organizational communication and/or coordination, lack of understanding of the broader difficulties of managing NGOs with operations in several countries also raised concerns.*

*Fraud: There are a number of reasons why charities can be susceptible to fraud. These include the fact that a high level of confidence in the sector means people think it very unlikely; there can be a lack of strong controls either because of limited resource or over reliance on goodwill of employees or volunteers; and reliance on large number of volunteers.*

*It is essential that trustees understand the risks to which the charity is exposed and where it might be vulnerable to fraud risk and make sure that controls are designed accordingly and that proper training is given to trustees and staff.*

*The separation between the management who are responsible for the day-to-day operations of the charity and the trustees who have the ultimate responsibility in law for running the charity brings challenges to all charities. However the situation is more complex in charities operating internationally.*

*There are a multitude of ways such charities can be set up such as through a branch structure, overseas subsidiaries, affiliates, working through partners, working through local churches or faith based organizations etc.*

## 1.8 Demographic breakdown of Charity donors

### High Net Worth Individuals.

*It's important to strategically attract and maintain strong relationships with high net worth donors as the recently released 2012 Bank of America Study of High Net Worth Philanthropy revealed that these households are strongly committed to philanthropy. 95% had made a donation to at least one charitable organization in comparison to 65% of the overall general population. 76% plan to continue to give at the same levels or higher in the upcoming 3-5 years. This demographic is also more apt to give their time as 89% volunteered and, of these, 54% volunteered over 100 hours within one year.*

*Furthermore, the study showed that the more the individual volunteered the more they gave. 71% of high net worth donors have a giving strategy and budget. 74% cited "feeling moved about how a gift can make a difference" as a top motivator as they derive great satisfaction from their giving. However, don't ask for an inappropriate amount/over-solicit to this group as it's the top reasons they stop giving to a charity.*

### Young People

*The recently released Index on Young People and Volunteering by DoSomething.org showed that 93% of young people aged 13-15 surveyed want to volunteer their time, however only 54.2% actually do. One main reason why they volunteer is if their friends do and it becomes a social activity.*

*Attracting young people is not easy but making volunteering opportunities local, informal, social and set in unconventional settings such as a club or group will help attract them. Engaging them through text is most effective for them to take action. The research shows that 52% of teens that text frequently also volunteer and 23.3% are also most likely to fundraise. Fundraising is the number one volunteering activity they participate in (38.5%).*

*Although young people may not have much money or disposable income, they are a perfect target audience as engaging them early on will help build on a long-lasting relationship that may produce giving in the future.*

*Motivators as to why they volunteer vary but 70.7% cited civic engagement as their motivator. Many educational institutions have volunteering requirements but 63% of the young volunteers surveyed did not have any requirement to do so.*

### Women

*There is a growing importance of women's role in philanthropy according to the Women's Philanthropy Institute's Women Give 2012 report which shows that there are definitely differences in giving motivators and patterns between genders and that generally, women give more.*

*The study shows that women – specifically those aged 48 (Baby Boomers) and older – and single give more to charity than males in the same demographic. In fact, they give 89% more than their male counterparts and 70% more than younger generations. Baby Boomers account for over 76 million of the American population – the largest generation in the U.S. – and also accounts for over 90% of the country's net worth. As such, they have the most impact on many aspects of society and philanthropy is no different. A focus on this Boomer and older female demographic is important for nonprofits to consider in its fundraising strategies.*

## **2.1 Attitude of Donors Towards How Charities Spend the Funds they Raise**

*The average American believes that it's reasonable for charities to spend 23 cents out of every dollar raised on fundraising and administrative costs. Unfortunately, the average American also believes that charities actually spend 37 cents out of every dollar raised on such costs.*

*That 14-cent difference is just one of the curious results from a new study, Where'd My Money Go, conducted by Grey Matter Research about how Americans perceive the amount of money spent by charities on overhead costs versus programs and services. The study asked participants to answer two questions: what do you think is reasonable for charities to spend on overhead costs, and what do you think they actually spend on overhead costs.*

*Some of the results from the study are quite positive. The 23-cent figure is a higher number that is often given in media stories and is realistically comparable with some charities'*

*actual costs. "Often, we read about donors and others expecting overhead costs of five percent or lower," said Andrew Watt, Flntf, president and CEO of AFP. "While many still believe that, it's clear that overall expectations about fundraising costs are much more varied than is often portrayed."*

*More than a third of respondents believe that charities spend more than half of their funds raised on fundraising and administrative costs. In addition, when comparing respondents' two questions, the survey found that 62 believe that what charities spend on fundraising and administrative costs is unreasonable.*

*According to the survey, while 18 percent of donors believe that overhead costs of more than nine cents on the dollar is too much, an equal percentage believe that overhead costs of 40 cents on the dollar is reasonable as well.*

*In comparison, 25 percent feel that the average charity spends what is reasonable, and 13 percent believe that charities actually spend less than what is reasonable.*

*"Many donors still believe that charities don't do a good job at containing costs, and this study is a reminder that we have much work to do in terms of educating the public about costs and what fundraising and administrative expenses help us do," said Watt.*

## **2.2 Breakdown of Overhead cost that Global Charity Organisations Incur**

**The average overhead cost of global charity organization is as follows:**

- Total Overhead: 91.8%
- Fundraising Expenses: 82.5%
- Management & General Expenses: 9.3%
- CEO Compensation: (1%-5%)

## 2.3 Statistics on How Charity Waste Monies Raised from the Public

*Embezzlement is a more common and bigger issue than may be thought of. In the non-profit sector, it's estimated that 7% of gross revenue is lost to fraud (Association of Certified Fraud Examiners report).*

*For every dollar I give to the American Cancer Society, 21.8 cents of that goes towards furthering their marketing efforts. For every dollar that one donates to the American Cancer Society, 9.8 cents goes to administrative costs.*

*In 2016, an average of five cents of every dollar went to fundraising costs, and four cents went to administrative expenses. And compared to other charities and nonprofit*

*organizations, that overall nine cents per dollar, or 9%, is very low, according to charity evaluator CharityWatch.*

*While nine cents may seem small, it adds up the more you give -- if you donate \$3,000, nearly \$300 of that money goes to administrative costs, and that amount jumps to a whopping \$90,000 for a donation of \$1 million.*

*Looking at the 5,543 charities which raised more than £500,000 last year, it claimed that one in five spent less than 50 per cent of their donations on good work, and that 292 charities spent 10 per cent or less on charitable activities.*

*The study, which was first reported by the Telegraph, claims the British Heart Foundation only spends an average of 46 per cent of its money on charitable work, while Age UK allegedly spent 48 per cent. Cancer Research UK and the Guide Dogs for the Blind Association were also accused of only spending 64 per cent.*

## 2.4 How Much Donor Money Raised By Global Charity actually reaches the beneficiaries

- Giving to Education charities was up 3.6% to \$59.77 billion (15% of all donations).
- Donations to Human Services charities were up 4.0% to \$46.8 billion (12% of all donations).
- Foundations saw an increase of 3.1% to \$40.56 billion (10% of all donations).
- Health charities experienced an increase of 5.7% to \$33.14 billion (8% of all donations).
- Public-Society Benefit charities saw an increase of 3.7% to \$29.89 billion (8% of all donations).
- Giving to International charities increased by 5.8% to \$22.03 billion (6% of all donations).
- Arts, Culture and Humanities saw an increase of 6.4% to \$18.21 billion (5% of all donations).
- Charities that focus on the Environment / Animals saw an increase of 7.2% to \$11.05 billion (3% of all donations).
- Historically, Religious groups have received the largest share of charitable donations. This remained true in 2016. With the 3.0% increase in donations this year, 32% of all donations, or \$122.94 billion, went to Religious organizations. Much of these contributions can be attributed to people giving to their local place of worship.



## **2.5 Maximizing the Impact of the Funds Raised**

*Elevate your finance office from policing compliance to being a thought partner. High-performing nonprofit organizations may prize dynamism and creativity, but finance staff too often get relegated to conservative roles. They administer budget cuts, track spending, ensure a clean audit, and the like.*

### **Strike the right balance in informing your team about the organization's finances.**

Despite the best of intentions, organizations can vacillate between droughts and deluges of financial data.

### **Understand the full cost of running your programs and the underlying business model of your organization.**

Nonprofits often inherit business models based on opportunistic funding decisions made in the past. Transforming an organization from being a passive recipient of funds to an active steward is a valuable process. Asking the right questions is a starting point and one way to gauge the financial health of your programs.

### **Maintain a reserve fund to provide stability and reduce uncertainty.**

Being “strategic” can mean many things, and it includes building a buffer against uncertainty through reserve funds: dollars being held for future use.