How Much Does it Cost to Raise a Dollar?
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First Written for Alexander Haas, 9/2016

In the late 1980's, CASE and NACUBO joined forces to attempt a sort of fundraising (COF) study. The results were published in 1990. They based their findings on a review of 51 institutions and took an average over a three-year period of time and concluded that costs vary (no surprise there) between 15 and 35 cents to raise a dollar. Those spending less were typically more mature fundraising programs. Those spending more were very young programs. But the study had numerous flaws (my personal opinion based on the limited number of institutions and institution types; imprecise expenditure definitions; lack of audits to ensure compliance with prescribed metrics) and while useful, it in itself was not a "bible." But there was one consistent consideration - revenue figures were based solely on dollars and other negotiable assets received. In other words, the calculation was based on the figures reported annually to CAE for the Voluntary Support of Education survey.

Recognizing the imperfections in this early study, the Center on Philanthropy at Indiana University joined forces with the National Center for Charitable Statistics between 1999 and 2004 to conduct a different yet related study that included many more organizations, including non-educational nonprofits. In this study they opted to use the data reported to the IRS on form 990. The study ultimately was inconclusive as they discovered that many nonprofit organizations simply fail to properly complete the 990. But again there was one consistency - the revenue figures were based strictly on cash received.

CASE attempted another 3-year funding survey more recently (launched in 2009), referred to as AIMS (Advancement Investment Metrics Study). It was an aggressive analysis of fundraising costs and revenue. But it was so extensive that only a limited number of institutions (39) participated in the survey, and further surveys have not been restarted. However, the methodology and definitions are still available on the CASE website.

Nailing down a true COF is more mythology than methodology. However, very clearly when one attempts to get to a finite figure, pledges have had no bearing. And the reason is simple. While you might be able to "book" a pledge as an asset for FASB/GAAP purposes, you cannot spend it. All related studies compare costs to actual dollars raised - not what is in the "pipeline."

I, however, contend that we have not been looking at the right thing. We should be looking at our return on investment and not how much does it costs to raise a dollar. This involves a much broader look at an organization's costs and revenue over a much longer period of time. For example, that Kresge Foundation challenge grant you might have just received this year did not happen by magic this year. It represented the results of 5-7 (at least!) years' worth of work by many people on your campus. We, therefore, need to figure out a better way to tie expenses to the actual dollars they bring in.

But in the meantime, best practices suggest that you compare your current costs to your actual dollars received (outright gifts and pledge payments) - and ideally averaged over a period of time. On the cost side of things you can use the formula outlined in the aforementioned CASE/NACUBO or AIMS studies if you wish, although there are (in my opinion) several flaws in those formulae. For example they specifically tell you to exclude any of your campus CEO's salary from the formula. Well, these days, it is frequently written into the CEO's job description that they will allocate a certain percent of their time to Advancement work. Therefore I contend that that percent of the CEO’s salary and expenses should be added to the cost calculation. But still, a suggested formula does exist (see the aforementioned AIMS information on the CASE website). Those outline what CASE considered "direct" costs. But, for example, most "alumni" costs would be excluded.

A number of years ago a friend and colleague, Mal Warwick, wrote the following:

"The 'overall fundraising Cost to Raise a Dollar' is a myth. There is NO such standard, and anyone who tells you there is one should survey the real world of fundraising in all its diversity. One organization might be embarrassed to spend more than a dime to raise a dollar, while another might be fortunate to squeak by with 40 or 50 cents on a dollar -- and both might be ethically run, well managed organizations.

“This myth has been propagated by the self-appointed charitable "watchdogs," who long for simple-minded rules and guidelines, and by some major-gift fundraisers who know that raising money in large chunks is always cheaper than raising it in small ones.

“The reality does not live up to this simplistic approach. The cost of fundraising varies from one nonprofit organization to another based on a host of variables: the age of the organization, the size of the budget, the popularity of the cause, the fundraising methods used, the skills of the development staff, the strength of the organization's leadership -- and many more.”

I think it is time we stopped trying to compare ourselves to other selves. I have yet to find two institutions that have exact comparisons to each other. Even with finite definitions, interpretations of those definitions still vary.

Instead, we should focus on our own performance and our own improvements. We should set our OWN definitions and track our progress against our OWN improvement. Only then can we advocate to our donors and prospects that we are doing everything we can to reduce costs and maximize impact of our donors’ philanthropy.