

Charity Intelligence 2013 Social Results Reporting

In 2013 Charity Intelligence (Ci) continued its work to help promote and encourage better reporting by charities on their social results. In 2012, Ci conducted research into charity reporting to understand better the information gaps reported by Canadian donors in how charities use donations, the impact of charities' work, and information about the programs and services charities deliver. Following up on this research, during 2013, Ci scored 453 charities on social results, covering a diverse range of sectors, from hospital foundations and other fundraising charities to food banks and homeless shelters. Ci will soon be including results reporting of over 400 charities on our online charity profiles and charity ratings.

Key findings:

- Overall average score of 31% of information available, consistent with 2012 findings.
- Charity size matters: The largest charities, with revenues over \$20m, out-performed the average while charities with revenues under \$1m scored lower.
- Significant differences across sectors with leaders being universities and animal welfare and environmental charities. Lower-scoring sectors include sports & recreation, religion, intermediaries, and arts & culture.
- No correlation between results disclosure and administrative cost ratios. Curiously, our hunch that charities with higher administrative cost ratios would perform better did not hold.

What did Ci measure?

Charity Intelligence scored charities on answers to 26 questions covering strategy, activities, outputs, outcomes, and learning. We modeled the scorecard on charity sector resources developed by the Canadian Institute of Chartered Accountants, New Philanthropy Capital in the UK, Global Reporting Initiative, and Queen's University Centre for Governance. Charity Intelligence used a matrix of questions focusing on how well a charity reported:

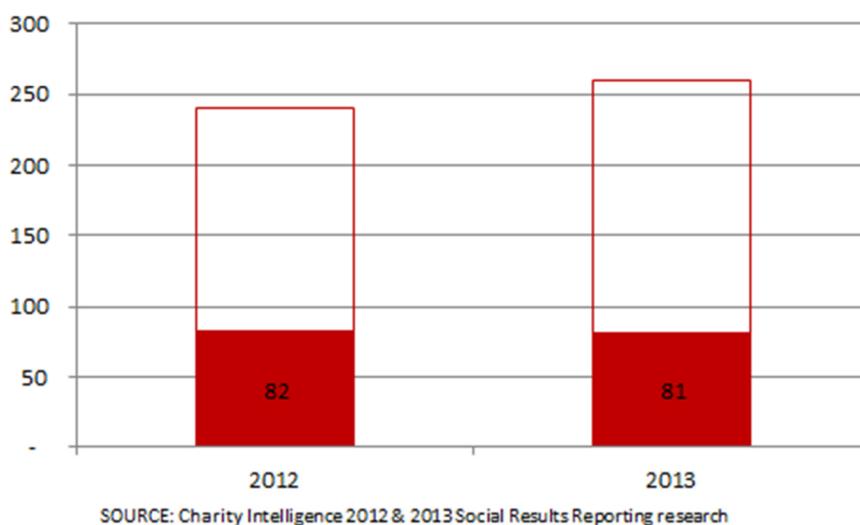
1. The problem it addresses (Problem/Need)
2. The programs and services it provides to fix the need (Activities)
3. Quantifying its programs and services (Outputs)
4. The results it achieves (Outcomes)
5. The reliability and clarity of reporting (Quality)
6. The learning and changes made (Learning)

Ci scored charities in these six areas and covered seven indicators: timeliness, balance, consistency, clarity, reliability, forward-looking, and accuracy. The final score is a measure of

the charity's social reporting. This scoring does not assess the strategy, the quality of activities, the level of outputs or the impressiveness of outcomes. All it does is assess if enough information has been disclosed, such that any reader would have the opportunity to make those assessments.

2013 Findings

Figure 1. Overall Average Results Reporting Score, 2012/13

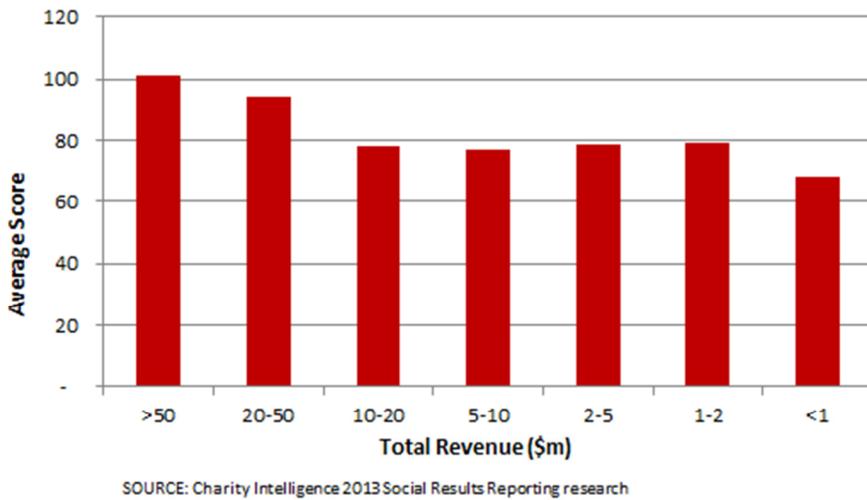


SOURCE: Charity Intelligence 2012 & 2013 Social Results Reporting research

The findings from our 2013 social results reporting work show there are significant information gaps, in line with what we had seen in 2012 and from our ongoing charity analysis. While most charities are aware of the importance of measuring and reporting impact, there is a need to translate this into practice. The average score from the charities scored in 2013 was 81 out of 260 or 31%, compared to 82 out of 240 or 34% in 2012. This minor change was a result of the samples of charities scored, as fewer “mega-charities” were included in the 2013 sample.

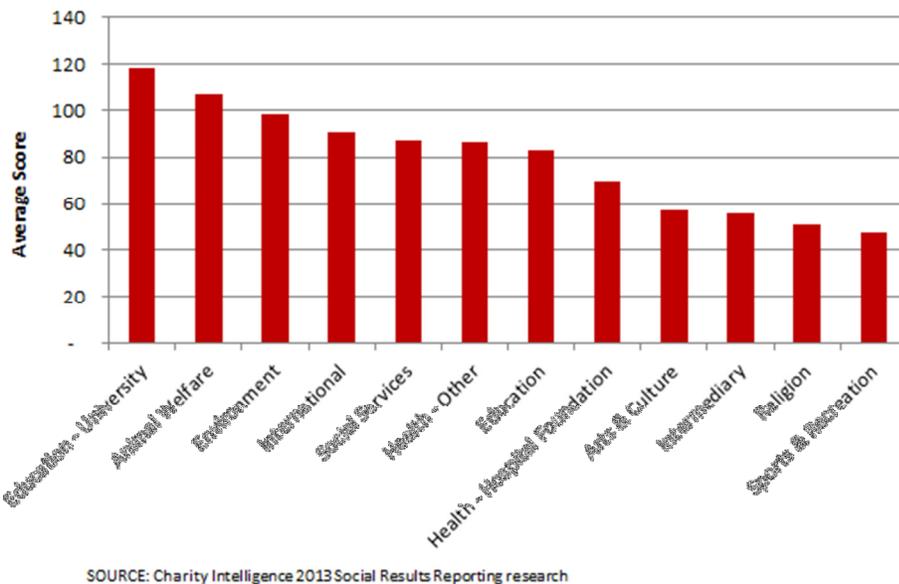
It is important that we emphasize that we have created a scoring system that is more like a long jump than a high jump. We have created a long pit and do not expect most charities to jump even half way at this point. We hope that with continued focus on results reporting, Canadian charities will improve their disclosure of social results. In our reporting, Charity Intelligence will report individual charity scores on a relative basis, not showing percentage scores, as we do not want the average score of 31% to be viewed as a failing grade.

Figure 2. Social Results Reporting by Total Revenue of Charity, 2013



In examining results reporting by size of charity, we did not find a significant overall correlation (see Figure 2); however, there was some relationship on either end of the spectrum. Charities with total revenues over \$20m scored, on average, 20% higher than the overall sample (15% higher if universities are excluded), while charities with total revenues less than \$1m scored 16% lower on average (note: Ci assessed 44 charities with revenues under \$1m, 10% of the total sample size).

Figure 3. Average Scores on Social Results Reporting by Sector, 2013



While there are limited sample sizes in some sectors, we have presented in Figure 3 the average scores by sector. Results point to the highest disclosure among universities, followed by animal welfare and environmental charities, while intermediaries and charities in the sports

& recreation, religion, and arts & culture sectors scored significantly lower than average. We believe that these results speak to the nature of the different sectors rather than charities in these sectors.

No relationship between social results reporting and administrative costs

One comment that we have heard numerous times is that tracking and reporting on this type of information is time-consuming and costly. If so, it could be reasonably assumed that we would see that those charities with better reporting have higher administrative cost ratios. However, we did not find any evidence to support this relationship. The overall correlation between results reporting score and administrative cost ratio was 0.02, thus we found no relationship between the two. With this, we urge charities concerned about the cost of tracking social results to think instead about the cost of *not* tracking social results – could they be achieving a greater impact today if they had better tracking?

Feedback from charities

During 2013, Ci scored 453 Canadian charities across all sectors. After each charity was scored, the results were sent to the charity for feedback and to ensure that nothing material was missed in the scoring. The overall response rate from charities was 35%, with 60% of the response being a simple acknowledgement of receipt and 40% (or 14% of the overall sample) having comments about the analysis.

Of the comments received 56% provided constructive feedback or had a negative tone, 23% were positive comments, and 21% were simply wishing to provide additional information for consideration in the scoring.

Negative/constructive feedback:

- Scoring tool is unclear / do not understand some aspect(s)
- Charity believed that Ci missed key information when scoring
- Why should we put this information together for Charity Intelligence?
- Why does Charity Intelligence only look at charities' websites?
- Our charity is unique / different and cannot be scored like others

Positive feedback:

- We know we have to improve our reporting and this is very useful to help us get there
- This will help us with what information we should put on our website
- This will help us with what information we should put in our annual report
- We are looking forward to seeing examples of best practices

Ci response to feedback from charities

The most significant feedback from charities was on the topic of clarity of the scoring tool. We recognize that the format and wording of the questions is not intuitive and we need to create a version of the scoring tool that is easy to understand and more helpful for charities. This will also help with the second most common criticism of Ci “missing” information, as we found that in most cases where charities felt that we missed key information, it was actually a misunderstanding of the language of the question. There were, however, three instances where we did miss information. We will strive to improve our scanning of charity websites for information that donors would typically seek out.

We have no desire for charities to put information together especially for Charity Intelligence. We believe that key activity, output, and outcome data should be a cornerstone of any charity’s operations to ensure that they are doing the best for their clients or attaining their mission in the most effective way possible. This data should be captured for the ongoing operation of the charity. And given that donors are asking about how charities spend their donations and what impact the charities are having, once the data is collected, we believe that it should be presented for any donor to see. This is why we believe that it should be included in an annual report or an impact report and then posted on the charity’s website. For donors who care about impact, charities should provide data to demonstrate that impact.

To the question of uniqueness of charities, we fully recognize the diversity of the sector. However, we believe that the scoring tool can be used generally for almost any charity in any sector. We are only asking that charities report on those key metrics that they use in the general management of their charity – whatever those metrics may be. How does management know that it is doing a better job achieving its mission today than 3 years ago? And how will they know if they are doing a better job 3 years from now? Each charity is different and may answer these questions differently, but we believe the same questions can be asked.

That being said, we do recognize that some questions do not apply in some sectors. Given this, we have created slightly different versions of the scoring tool for a couple of sectors (hospital foundations as well as United Ways and community and other foundations). We are working on tweaking some questions in other sectors as well. We urge charities to continue to share their thoughts on this.

Next Steps

Ci is continuing to improve our methodologies and we welcome feedback on our results reporting scoring tool. More details can be found on our website at www.charityintelligence.ca/results-reporting.

During 2014, Ci will be releasing its new charity rating system, which will include social results reporting scores, for over 400 Canadian charities. Along with results reporting, the rating will include financial transparency, a charity's need for funding, and fundraising and administrative costs.