



"If charity cost nothing, the world would be full of philanthropists."
— Jewish Proverb

Most Americans believe non-profits spend too much on overhead



(Original release date: February 13, 2008) Study results released today from Ellison Research (Phoenix, Arizona) show most Americans believe non-profit organizations and charities are not financially efficient enough in their work. Sixty-two percent believe the typical non-profit spends more than what is reasonable on overhead expenses such as fundraising and administration.

The findings are from a study independently designed and conducted by Ellison Research among a representative sample of over 1,000 American adults. Ellison Research is a full-service marketing research firm that specializes in working with non-profit organizations.

Respondents were asked what proportion of every dollar they give to a typical non-profit organization will go towards overhead expenses such as fundraising and administration. The average person believes 36.3 cents on the dollar goes toward overhead expenses at the typical charity.

The study also asked people what would be a reasonable proportion to go toward overhead expenses – and respondents were reminded to answer with a figure they feel would be *reasonable*, rather than what they feel is *ideal*. The average American believes 22.4 cents on the dollar being spent on overhead is a reasonable figure.

Beyond just these averages, the study shows a number of things that are important for non-profits to understand about how Americans perceive them. For one thing, although the *average* American believes 36.3 cents out of every dollar is being spent on overhead expenses, this average figure comes from a very wide array of perceptions about how non-profits operate.

On one end of the spectrum, 23% of all Americans believe the typical non-profit is spending less than 20 cents out of every dollar on overhead. At the same time, about as many (22%) have a highly negative view of charities' financial efficiency, believing that the typical organization spends 60 cents or more out of every dollar on overhead expenses.

There is much less diversity of thought on what charities *should* be spending on overhead. The average is 22.4 cents on the dollar, but 43% of all Americans give a figure below 20 cents on the dollar as being a reasonable proportion, and 74% give a figure below 30 cents on the dollar as reasonable.

Comparing perceptions of what charities actually spend with perceptions of what is reasonable for them to spend shows that 28% believe the typical charitable organization is right on course – spending a reasonable proportion on overhead. Ten percent see charities in a very favorable light, believing non-profit organizations typically spends less on overhead than what they would consider to be a reasonable standard.

But 62% of all Americans believe the typical non-profit is actually spending more than a reasonable proportion on overhead.

This varies considerably by age. Among adults under age 35, 44% believe charities typically spend more than is reasonable on overhead. This rises to 64% among people age 35 to 54, and 70% among those 55 or older.

Ron Sellers, president of Ellison Research, explained that although the average American does not have a good understanding of the business side of non-profits, what they believe – right or wrong – is still likely to influence their giving. "We've spoken with tens of thousands of donors over the years, and one thing that is consistent is that most people really don't know much about how non-profits operate," Sellers stated. "But even when people are misinformed, their perceptions still influence how they make giving decisions. That's why it's so important to understand how people perceive charities in general, as well as why individual non-profits really need to learn how their own donors or potential donors see them."

Sellers also noted that when people don't know much about a particular organization they might consider supporting, they'll tend to judge it by how they see charities in general. According to Sellers, "The people who believe non-profits are spending too much on overhead will tend to make that assumption about any non-profit they come across. It's almost as if organizations are automatically under suspicion until they prove themselves innocent."

He also cautioned that this study is not an indictment of the actual practices of the non-profit industry, but it does not speak well of the public's perception of the industry. "Because the public often believes non-profits are not efficient enough with their donations does not necessarily mean this is reality. At the same time, even if it's not the truth, the old adage still applies – for donors, perception is reality. The public sets a very high perceptual standard for the financial efficiency of charities, and it's up to charities either to meet that standard or to re-educate people on why that standard is not reasonable. Of course, the third choice is simply to face the consequences when potential donors don't see them as suitably efficient."

STUDY DETAILS:

The study was conducted by Ellison Research, a marketing research company located in Phoenix, Arizona. The sample of 1,007 adults is accurate to within ±3.1 percentage points at the 95 percent confidence level with a 50 percent response distribution.

The study was conducted in all 50 states. Respondents' age, household income, geography, racial or ethnic background, and gender were carefully tracked to ensure appropriate representation and accuracy.

Perceptions of what the typical non-profit spends on overhead such as fundraising and administration...

Proportion of Every Dollar	What Proportion of Every Dollar They	What Proportion of Every Dollar They
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Under 10 cents of every dollar	6%	13%
10 - 19 cents	17	30
20 - 29 cents	23	31
30 - 39 cents	12	10
40 - 49 cents	8	6
50 - 59 cents	13	7
60 - 69 cents	7	1
70 - 79 cents	8	1
80 cents or more of every dollar	7	1
Average	36.3 cents	22.4 cents

How perceptions of actual spending on overhead compare with perceptions of what is a reasonable standard...

Population Groups	Think Overhead Is Lower Than a Reasonable Standard	Think Overhead Is at a Reasonable Standard	Think Overhead Is Higher Than a Reasonable Standard
All Americans	10%	28%	62%
Men	9	28	63
Women	12	27	61
Under age 35	18	38	44
Age 35 – 54	10	26	64
Age 55 or older	7	23	70
Household income under \$40,000	10	31	59
Household income \$40,000 to under \$80,000	12	24	64
Household income \$80,000 or higher	9	27	63
Caucasian	10	25	65
African-American	20	24	56
Hispanic/Latino	10	28	62
Evangelical Christians	13	29	57
Not evangelical Christians	10	27	62
Regularly attend religious worship services	11	28	61
Do not regularly attend religious services	10	27	63
Attend Protestant services	11	32	58
Attend Catholic services	12	20	68
Attend another type of religious services	7	26	67
Northeast region	12	31	56
Midwest region	9	24	67
South region	12	25	62
West region	8	32	60
Democrats	10	30	59
Republicans	10	24	66
Independents	12	30	59
Small town or rural resident	10	26	63
Suburban resident	10	28	62
Urban resident	12	29	59

*Numbers may not add to exactly 100% due to rounding.