

# WE NEED

*to talk differently about*

# OVERHEAD

**NFP  
GUIDE  
2024**

**REFRAMEOVERHEAD.ORG**

The Pay What It Takes Charity Consortium Australia acknowledges the Traditional Owners of the places in which we live and work. We recognise and respect the enduring relationships they have with their lands and waters, and we pay our respects to their Elders, past and present.

**THE WAY NOT-FOR-PROFITS  
AND CHARITIES COLLECTIVELY  
COMMUNICATE ABOUT OVERHEAD  
COSTS HAS A SIGNIFICANT  
IMPACT ON OUR SECTOR.**

**THIS NOT-FOR-PROFIT  
GUIDE OUTLINES THE LATEST  
RESEARCH, BEST PRACTICES,  
AND RECOMMENDATIONS  
FOR AUSTRALIAN CHARITIES.**

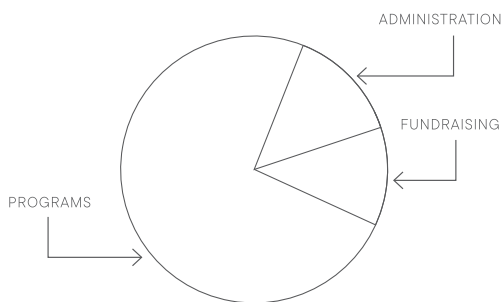


# IT'S TIME TO REFRAME OVERHEAD COSTS.

Australia's charity sector is one to be proud of. We are thousands of organisations, collectively, helping make the world a better place. Doing good, as best we can.

*But we find ourselves in a bit of a pickle.*

Because, for a long time now, when our donors wanted to know about how our resources are being spent, 89%\* of us have shown a pie chart that looks something like this:



In an effort to be transparent, we've continued to build on the narrative that money invested in programs is good but as little as possible should be spent on overhead costs. And this has not been helped by a media happy to perpetuate this myth.

*The effect is that our sector is now the only sector which publicly competes to show who invests in their organisation the least.*

And it's not just us who believe this is an issue.

*94%\* of fundraisers agree there is a problem with how Not-For-Profits represent and/or are funded for their overhead costs.*

Research and public conversations are starting to explore the effects of this "non-profit starvation cycle" and what that means for our sector's ability to operate effectively, evolve, retain talent, and measure and achieve maximum impact.

In this guide you'll find practical steps you can take, all backed up by rigorous data. We hope it sparks lively debate and gives you the tools you need to take the first step.

Sign the pledge and join us today as we begin the journey to reframe overhead costs and build a more impactful Not-For-Profit sector.

**PAY WHAT IT TAKES CHARITY CONSORTIUM  
AUSTRALIA STEERING COMMITTEE**

\*Pay What It Takes Charity  
Campaign Report, page 25 & 22



# THE CHARITY CONSORTIUM STEERING COMMITTEE

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NTEGRITY



## ACKNOWLEDGEMENTS

**The PWIT Charity Consortium Australia has also contributed invaluable to the creation of this report and launch campaign.**

Arani Duggan, Clare Joyce, Colin Allen, Daniel Lalor, Fiona Jessiman, Karl Uhrich, Joshua O'Rourke, Olivia Shah, Paul Bailey, Lucie Lochrin

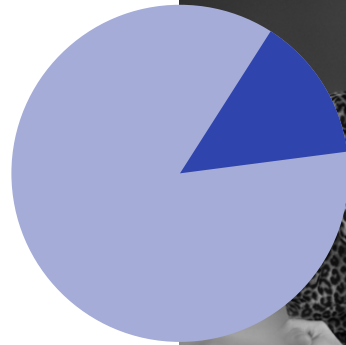
We thank the many other people across the sector who have provided valuable feedback and advice on the work, as well as highlighting the hard work of people and organisations referenced in this report including: Dan Pallotta, Charity Defense Council, PWIT Coalition (Australia), Social Ventures Australia and the Centre for Social Impact: Paying What It Takes: Funding Indirect Cost To Create Long-Term Impact 2022 report, ntegrity, The Smith Family, More Strategic, The Salvation Army, The Red Cross, Cancer Council SA, and RSPCA QLD.

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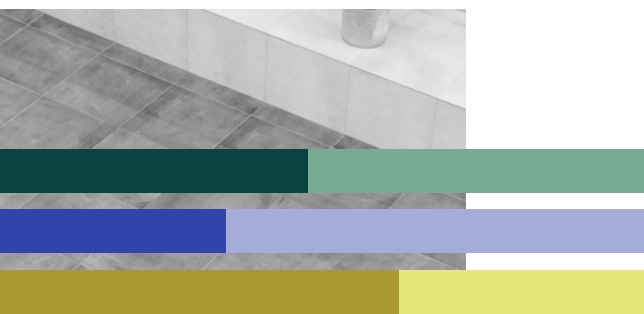
## WHO IS BEHIND THIS GUIDE?

The Pay What It Takes (PWIT) Charity Consortium Australia is a collection of individuals and organisations working collaboratively to address the critical challenges faced by Australian Not-For-Profits, focusing on the crucial but often underfunded area of overhead costs. We conduct research, raise awareness of the issue, and provide resources for those in the Not-For-Profit sector looking to tackle this systemic challenge and create change.



## DEFINING OVERHEAD COSTS

We define overhead costs, or indirect costs, as costs incurred by an organisation that cannot be directly and easily attributed to a specific project. Indirect costs include administration, fundraising, IT, finance, human resources, learning and development, measurement and evaluation.



## THE REPORT

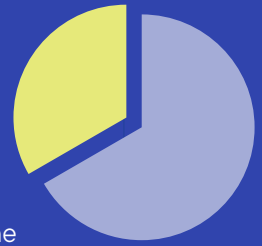
The insights, data and recommendations suggested in this guide are supported by extensive research including a literature review, analysis of charity communications, and surveys of fundraisers (n=95) and donors (n=1265). For a deeper dive into this research and for more information on the recommendations given, refer to the “Pay What It Takes Charity Campaign Research Report” which can be downloaded at [reframeoverhead.org](https://reframeoverhead.org)

# SUMMARY AND KEY FINDINGS

## THE AVERAGE OVERHEAD COST IS 33% OF TOTAL COSTS.

Charity Campaign Research Report, page 18

Charities have invested time to understand the relevance of this percentage, but the overwhelming majority of donors are not searching for overhead costs.



### A 2024 SURVEY OF AUSTRALIAN DONORS FOUND THAT...

**98%**

who give a first donation **DON'T KNOW** how much is spent on administration.

**80%**

**DO NOT** search for overhead costs when donating to a new charity.

**42%**

had **NEVER** researched overhead costs when donating to a new charity.

### YET, MOST CHARITIES STILL FRAME INDIRECT COSTS AS SOMETHING THAT NEEDS TO BE MINIMISED.

**94%**

of fundraisers believe there is a problem with the way charities represent and/or are funded for their overhead costs.

**There is a desire for action, and fundraisers believe they can enact that change.**

**76%** are either able to adapt communications directly or gain approval from a manager, confident they would say "yes".

**56%**

of fundraisers surveyed use a simple pie chart to visualise overhead costs vs programs

**This simple framing is not preferred by donors.**

When offered a pie chart, they prefer a more complex breakdown with more categories by a factor of three. Donors also show very high positive sentiment to using the fundraising multiplier.

### ENCOURAGINGLY, SIGNIFICANT CHANGES ARE STARTING TO TAKE PLACE.

63% of fundraisers believe they can make change through altering strategy communications and this guide highlights some of the organisations who are on the journey.

\*Key findings taken from the Pay What It Takes Charity Campaign Research Report

# HOW DO I SPEAK TO DONORS ABOUT OVERHEAD COSTS?



Not-For-Profits need to invest in systems to ensure **strong governance and sustainability**. This creates a multiplier effect – helping every dollar go further to contribute to larger societal impact.

For every dollar we spend on fundraising we are able to raise \$3 to **help more people**.

Strategic investment in fundraising, operations and training helps propel a Not-For-Profit to grow, so they are able to respond to dynamic and changing circumstances **for their beneficiaries**.



If your mum was sick, would you look for which hospital has the lowest operating costs? Or would you look for which hospital has the best patient recovery?  
(Common Cause, Indirect Cost Messaging, 2023)

**Not-For-Profits are a little like a hospital.** Investment in wages, information security, new technologies and the like help ensure better patient outcomes. The same applies to Not-For-Profits – you need fundraising, accountability and governance to maximise impact and ensure sustainability.



# THE REFRAME

There are many ways overhead cost communications can be adapted. Fundraisers have the power, the influence and the knowledge to create change.

**RECOMMENDATIONS  
ARE EVOLUTIONARY,**  
*not revolutionary (yet).*

**HERE  
ARE THREE  
PRIORITY  
ACTIONS  
TO TAKE** →



# REFRAME THE LANGUAGE WE ARE USING

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## STOP

**USING BROAD AND UNCLEAR PHRASES TO DESCRIBE OVERHEAD COSTS.**



### TOP 5 LOWEST RATED TERMS BY DONORS

- 1. CAPACITY BUILDING
- 2. INFRASTRUCTURE
- 3. INNOVATION
- 4. ORGANISATIONAL DEVELOPMENT
- 5. ADMINISTRATION

**LIMITING REPORTING ON FUNDRAISING AND THE IMPACT IT MAKES.**

The majority donors felt fundraising was “important” or “very important” to a charity achieving impact.

- Undecided
- Important
- Very important

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# REFRAME THE LANGUAGE WE ARE USING

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## START



**FRAMING OVERHEAD COSTS WITH CLEAR, DESCRIPTIVE AND AUTHORITATIVE LANGUAGE.**



### TOP 5 HIGHEST RATED TERMS BY DONORS

1. ACCOUNTABILITY
2. ORGANISATIONAL EFFECTIVENESS
3. GOVERNANCE
4. FUNDRAISING
5. SUSTAINABILITY



**SPEAKING MORE FREQUENTLY AND IN MORE DETAIL ABOUT THE IMPACT OF OVERHEAD COSTS AND FUNDRAISING.**

*See the following page (11) for one example from The Smith Family.*

Give richer information and updates by detailing future investments that will bring future impact. For example, describe fundraising as a strategic investment to increase impact, and track and articulate the societal change our organisations are making.

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# THE SMITH FAMILY'S ANNUAL IMPACT REPORT OFFERS TRUTH AND TRANSPARENCY.

## LETTER FROM THE CHAIRMAN AND CEO

In a letter from the Chairman and the CEO, The Smith Family addressed the important role of "expenditure to administer programs".

## Our finances & funding

We are committed to ensuring that the funds we raise are used in the most effective way to enable us to provide the most impactful programs for children and young people, so they can gain skills to change their futures.

Expenditure to administer programs and run the organisation is integral to our sustainability and outcomes.

All organisations – profit and not for profit – need proper resources to give quality support and fulfil their purposes. We are encouraged that funders and partners are engaged in conversations with us to understand our business model and how they can best support the true costs of delivering the important services we provide to the Australian community. By working together, we create a stronger and more resilient organisation that can adapt to change and address the causes, not just symptoms, of poverty in our country.

The Smith Family, Annual Impact Report 2022 - 2023, page 3

## FUNDRAISING PERFORMANCE PAGE

The following language used to communicate the investment:

"...with 28% of our resources invested in the vital activities that build our continuing organisational capacity and sustainability"

Spending Breakdown Visualisation:

In the pie chart, The Smith Family shows a more detailed breakdown of spending across five key areas, while the bar charts show spending over time.

## Fundraising performance

### Allocating our resources for impact

Resources are essential for building strong infrastructure and increasing our effectiveness and impact for children experiencing poverty, so they can build skills to change their futures.

In the five years to June 2023, 72% of donations from our supporters has been spent on our community programs, with 28% of our resources invested in the vital activities that build our continuing organisational capacity and sustainability.

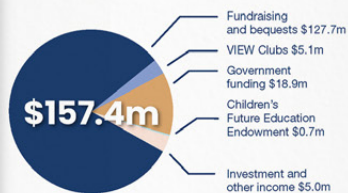
However, our 72% funding allocation to community programs is just one measure of the effectiveness of our organisation. Another critical dimension is the positive impact our investment in resources and activities has in supporting the achievement of the four program outcome measures

we track and report – the attendance, advancement, tertiary continuation and completion, and engagement rates of students we help.

The Smith Family has joined with other not-for-profits to develop initiatives aimed at providing donors and charity partners with a deeper appreciation of a range of not-for-profit evaluation criteria. Our goals are to demonstrate the effectiveness of resource allocations so that donors can see the impact that together we achieve for those we help. By facilitating greater openness around how funds are carefully stewarded, and by showing how all costs contribute to a healthy, sustainable, and effective organisation, we aim to help donors understand the important and enduring part donations play in making the difference they expect.

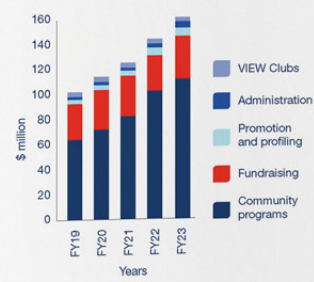
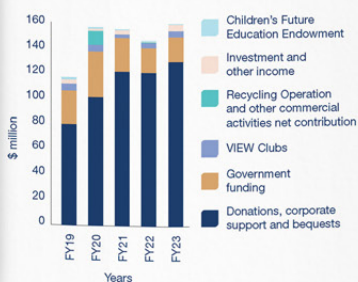
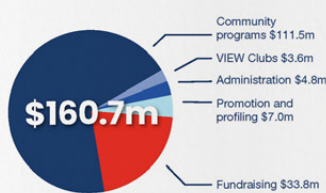
### Where we obtained our financial resources

2022-23



### How we applied our financial resources

2022-23



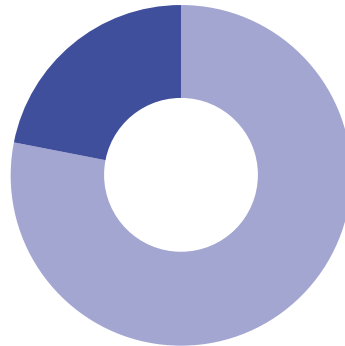
# REFRAME HOW WE VISUALISE OVERHEAD COSTS

## 2

### STOP ✕

**USING PIE CHARTS THAT FOCUS  
ON THE PERCENTAGE OF FUNDING  
NOT GOING TO PROGRAMS.**

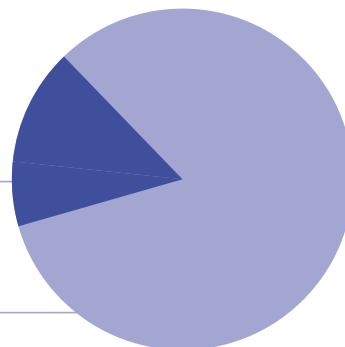
**ONLY  
28%  
OF OUR FUNDS  
ARE SPENT ON  
ADMINISTRATION!**



**USING PIE CHARTS THAT  
REINFORCE PROGRAMS  
VS OVERHEAD COSTS.**

**17% ADMINISTRATION**

**83% CONSERVATION**

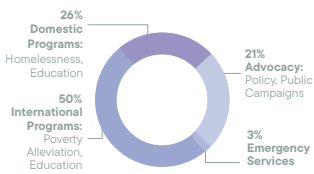


# REFRAME HOW WE VISUALISE OVERHEAD COSTS

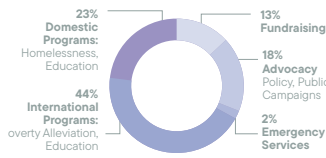
## START

### BREAKING DOWN PIE CHARTS TO DEMONSTRATE THE COMPLEXITY OF OVERHEAD COSTS.

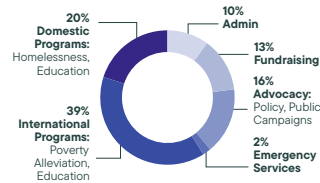
Breaking down “administration” and referring to it with different terms was viewed as more favourable by donors. It also links overhead costs more clearly to the complexity of the organisation.



19% PREFERRED



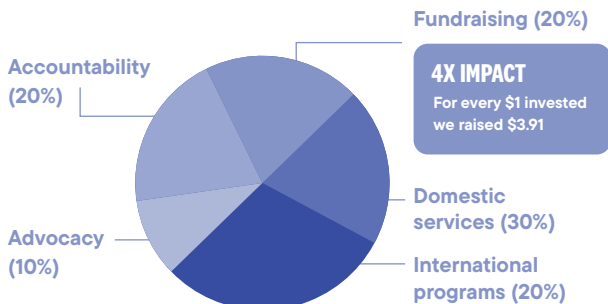
19% PREFERRED



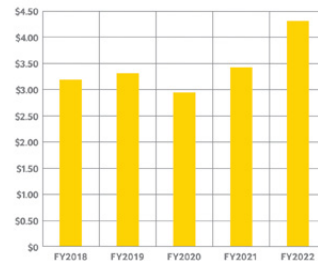
62% PREFERRED

### ADDING A FUNDRAISING MULTIPLIER TO EXISTING VISUALS OR PIE CHARTS.

A visual using a multiplier was preferred by **75% of donors** when choosing to make a donation.



Dollars raised for every \$1 invested in fundraising



2022 saw our strongest return on fundraising investment for five years, reflecting strong income from gifts in wills and through our direct mail appeals.

**\$4.32** In the past year, for every \$1 invested into fundraising, we raised \$4.32 to invest in research, prevention and support programs for South Australians impacted by cancer.



# LINK OVERHEAD TO IMPACT.

## IMPACT VISUALISATION

RSPCA QLD demonstrates how you can link overhead cost visualisations to impact.

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Like in this example, it's recommended that NFPs reinforce how we ensure financial stewardship and consistently review resource investments to ensure they are contributing to an effective and sustainable organisation.



### HOW YOUR GENEROUS DONATIONS WERE INVESTED IN 2022/2023

- Providing immediate care for animals in need**
  - 56 cents in every dollar directly supports animals in need right now, including the Inspectorate, shelters, veterinary hospitals, wildlife and community outreach and education programs.
- Investing in the future welfare of animals**
  - 12 cents in every dollar is reinvested into raising vital funds, so we can be ready to help even more animals in the future.
  - 15 cents in every dollar funds our Social Enterprises to ensure we have ongoing revenue streams to deliver profit for purpose.
- Making sure we do things the right way**
  - 17 cents in every dollar covers the essentials to ensure we run our organisation effectively and efficiently.



RSPCA Queensland **IMPACT REPORT 2023** 37

# REFRAME OUR ANNUAL REPORTS

# 3

## ...AND THEN GO FURTHER

### STOP



**LIMITING ANNUAL REPORTS TO MANDATORY REPORTING DOCUMENTS.**

Instead regularly share with donors the impacts their donations are achieving across programs and overhead investments.

### START



**TRANSFORMING OUR ANNUAL REPORTS TO INSPIRING, “IMPACT REPORTS” CLEARLY SHOWCASING OUR ORGANISATIONS’ ACHIEVEMENTS, OUTCOMES AND SOCIETAL CHANGE.**

You can then adapt your impact reports for other communication material.

**REFER TO:**

[The Smith Family Report](#) ↓

[The Cancer Council SA Report](#) ↓



# IF WE TACKLE THIS COLLECTIVELY THERE NEEDS TO BE A NARRATIVE SHIFT AROUND WHAT IT TAKES TO DELIVER QUALITY PROGRAMS.

Fundraiser quote, Pay What It Takes  
Campaign Charity Research Report, page 19





# HOW DO I GET BUY-IN FROM MY LEADERSHIP?

## STEP 1 JOIN THE MOVEMENT

Sign the pledge and share this guide and the Charity Campaign Research Report to increase awareness of the need for change.

## STEP 2 BUILD YOUR CASE FOR CHANGE

- Gather your organisation's data. Incorporate behaviour based questions into your annual donor surveys (see page 27 of the Charity Campaign Research Report).
- Analyse donation conversion pathways and SEO trends to see whether research on overhead costs impact donation flow (see page 27 of the Charity Campaign Research Report).
- Conduct internal interviews to understand perceptions of overhead costs and how they may impact donor and funder communications.
- Compare your organisational data to the Charity Campaign Research Report data and see whether there's alignment/misalignment between internal perceptions and donor perceptions of overhead costs.

## STEP 3 START A CONVERSATION WITH YOUR EXECUTIVE TO SEEK SUPPORT

See the following page for an example agenda.



# MEETING AGENDA

## 1. Set the scene

- Introduce the topic and the PWIT initiative, outline the impact of a collective voice.
- Outline why you are here today and what you'd like to change.

## 2. Highlight what impact the perceptions of overhead costs may have on the wider organisation's effectiveness.

- Highlight key industry insights & research from this guide.

*For example the average overhead cost is 33% of total costs but 98% of donors do not know how much their chosen charity spends on overhead costs.*

## 3. Share insights from your organisation

- Donor insights – do your donors care about overhead costs, what does the data tell you about reported behaviour? Does it align with the Charity Campaign Research Report?
- Stakeholder insights – what internal beliefs exist around overhead costs in your organisation? Why may this be problematic?

## 4. Recommendations

- Suggest key initial recommendations on changes that your organisation could make.
- Share examples from other organisations to show collective buy in.

## 5. Facilitate conversation & next steps

- Request thoughts and feedback on data presented.
- Seek collective agreement on next steps to changing your narrative.

# TAKE THE PLEDGE



*In order to reframe overhead, collective action is required.*

While many organisations remain hesitant to take action, an overwhelming majority of individuals working in the Not-For-Profit sector support reframing overhead.



Join us and commit to learning more. Commit to starting to have conversations in your organisation. Commit to starting the industry wide journey of reframing overhead.

To show your personal support – and help create a more sustainable sector with greater impact – join us at:

**REFRAMEOVERHEAD.ORG**



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*to talk differently about*  
**OVERHEAD**