ASSOCIATION FOR HEALTHCARE PHILANTHROPY℠

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Optimal Investment Levels in Health Care Fundraising
for Chief Development Officers

Regression Results
Benchmarking FY 2012

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EXECUTIVE SUMMARY

In this white paper, AHP answers the following questions:

How does investment impact bottom line fundraising results (including efficiency and effectiveness)?

What are the most lucrative areas of investment for chief development officers?

What are the optimal levels of investment and how does this differ for different types of organizations?

AHP built a complex statistical model combining the organizational fundraising performance data from two AHP FY 2012 surveys – the AHP Report on Giving and the AHP Performance Benchmarking Service – for a total of 380 surveys. The large sample (335 surveys) of the AHP Report on Giving combined with the more in-depth smaller subset (45 surveys) of the Performance Benchmarking Service provided significant data in order for AHP to test these three questions.

Previous benchmarking reports had continually pointed to a handful of interconnected factors that are strongly correlated with bottom-line fundraising performance, e.g., net production returns or revenue. Those factors include total fundraising expenses, fundraising staff size, fundraising staff tenure and compensation, a focus on major gifts and organizational size (as measured by net patient service revenue, bed size, market share, etc.).

In depth regression analysis showed that budget allocation in the following areas maximizes fundraising revenue:

- **Number of Direct FTE professionals** –This individual factor has a ripple effect. Increasing FTEs increases market penetration, which builds stronger donor relationships leading to larger average gift sizes. All of which increase fundraising revenue, efficiency (CTRD) and effectiveness (ROI).
  - o For U.S. organizations, optimal staffing levels are identified at **7 or more.**

  - o For Canadian organizations, greater success is tied to levels of **5 or more.**

- **Major Gift Programming** – Well-established major gifts programming increases average gift sizes tremendously. High performing organizations know the importance of investments in people and programs including sophisticated research programs, major gift initiatives (including well-managed campaigns), planned giving, corporate sponsorships, grant writing, and identification of opportunities for major funding from partners such as foundations, local, state, and federal government agencies.

- **Professional Salaries and Benefits Budgets** – More staff obviously calls for larger budgets for salaries. However, both qualitative and quantitative data analyzed for this report illustrate the linkages between professional tenure and compensation.
  - o For U.S. organizations, optimal professional salary budgeting is identified at **$800,000 or more** (e.g., for a staff of 7, average salary and benefits would be valued at $114,285).
  - o For Canadian organizations, this number is **$500,000** (e.g., for a staff of 5, average salary and benefits would be $100,000).

- **Employee Retention** – More staff, focused on major gift activity, means that donor relationships are more genuinely cultivated and sustained. Qualitative results reported herein point to better results when professionals have been on staff for **five or more years.**

- **High Average Gift Sizes** – Naturally, higher average gift sizes mean a higher yield in bottom-line fundraising revenue. Larger gifts are directly tied to net production revenues, but it also can be considered a ripple effect of employing and retaining an optimal number of professional staff.
  - o For U.S. organizations, higher success levels are linked with average gift sizes of **$535 or more.**

o For Canadian organizations, bottom-line returns grow for organizations that secured gifts of **$650 or more.**

Chief development officers, and other executives, can use this information to identify and adjust "controllable" factors in a way that makes sense to their organization. This paper uses research to learn what constitutes deeper, more meaningful investment in the fundraising operations of a hospital or health care system. While size accounts for some of the variation in net production revenues, statistical outcomes paired with qualitative data underscore the fact that consistent increases in bottom line returns are closely correlated with the addition of more professional staff, sustained emphasis on major giving activities, higher salary budgets, and longer tenure support of its mission.

The results reported herein are based solely on statistical trends from a group-level analysis. We must caution readers that they *cannot* be generalized to a single institution. Instead, the results are intended as a learning device that provides a starting point for planning and financial modeling. Readers also must consider unique qualitative factors that influence fundraising results within their own organizations.

INTRODUCTION

The Association for Healthcare Philanthropy (AHP) continues to gather and report on fundraising performance data provided by member organizations participating in its Performance Benchmarking Service. Since 2005, reporting has included comparative data from a rapidly changing economic climate.

This year's report represents a departure from previous years where small samples dictated a more descriptive approach to reporting and includes additional information as provided with AHP's Report on Giving, for both the United States and Canada. With the additional opportunity of more in-depth survey of benchmarking results, we are presented with a grand opportunity. The larger sample provided with the data from the Report on Giving, combined with a more in-depth look at a smaller sub-set provided with data from the AHP Performance Benchmarking Service, allows us to

build more complex statistical modeling to test the questions that have persisted over the course of eight years of benchmarking, including:

1. *How does investment impact bottom-line fundraising results (including efficiency and effectiveness)?*
2. *What are the most lucrative areas of investment for chief development officers?*
3. *What are the optimal levels of investment and how does this differ for different types of organizations?*

While philanthropic growth has slowed over the years of the recession, it also has shifted for many organizations. Gone are the days of heavy investment in annual funds and special events as the cornerstones of development operations. Over time we have learned that more sophisticated organizations rely on a mix of programs with heavy investment in major gifts and grants raised through individuals, their estates, government funding, and corporation/foundation grants.

We also have learned that because of the wide variations in organizations' size, type, market size, and demographic there is no single magic formula for determining varying levels of investment. We use this paper to test and explore these questions in a conceptual way. While the reader may find the information herein valuable in planning, goal setting, and communicating those plans – it is in no way intended to supplant the known predictive factors and financials from any single organization.

SAMPLE AND METHODS

This report relies on in-depth benchmarking data provided by 45 participating organizations in the AHP Performance Benchmarking Service from across the United States and Canada. At the same time, this database has been joined with 335 organizations (a statistically valid sample) who participated in AHP's recent Report on Giving (a less intensive version of benchmarking) for regression modeling. For more information on the FY 2012 AHP Report on Giving, visit the website at www.ahp.org.

While the full benchmarking database contains many more variables and measures than the Report

on Giving, the two samples do not differ dramatically when it comes to type, size, locations, and structure of the health care entities.

Researchers rely on multiple regression modeling techniques, including measures of the effects of key predictor variables on bottom-line returns. These tests provide the amount of influence each variable brings to bear on net production in the presence of other powerful predictors. When running regression, we must assume linearity, or a normal distribution, within our sample. With the use of the Report on Giving, we have the requisite amount of cases to meet this criterion. However, readers must be cautious when looking at sub-group breakouts, which produce lower sample sizes. In instances where results are skewed due to insignificant sample sizes, results will be noted to help alleviate misinterpretation.

To make up for smaller subsets of data, we also used statistical correlations, small sample statistical measures—such as means comparisons (ANOVA's and T-Tests), as well as general descriptive techniques.

In preparing our data for multiple regression analysis, we first divided several key variables (number of direct full-time staff members [FTEs], total salary expenditures for direct staff members, and total fundraising expenses) into three approximately equal-sized tiers. These tiers represent low investment (e.g. comparatively fewer FTEs), moderate investment, and high investment. In itself, this exercise is simply observational and does not take into account the size or type of institution, nor does it prescribe a desirable level of investment for any institutions in the sample.

The regression analysis and our several predictive models take these observed correlations one important step further. The method allows us to incorporate additional quasi-experimental variables (campaign status, net patient revenues) and observable institutional fundraising output (average gift) to assess the specific and independent contribution of each variable. Using these selected variables, we successfully separated our sample institutions into five discrete rankings of increasing predicted net production. This allows for the direct comparison of the relative value of having more fundraising staff than similar institutions, being in a

capital campaign, or even being associated with a hospital that generates more or less patient revenue than comparable institutions.

The results reported herein are based solely on statistical trends from a group-level analysis. We must caution readers that they *cannot* be generalized to a single institution, the reader should consider the uniqueness of each organization — including special funding relationships, differing cultures of philanthropy and local attitudes toward the system or hospital. Instead, the results are intended as a learning device that provides a starting point for planning and financial modeling. Readers also must consider unique qualitative factors that influence the ebb and flow of fundraising results within their own organizations.

BENCHMARKING SAMPLE OVERVIEW

The analysis begins with a brief overview of fiscal year 2012 data from this year's smaller benchmarking sample of 45 organizations[1]. This sample, while not statistically valid in its own right, was thoroughly reviewed for qualitative data to help interpret and expand on regression modeling, discussed later in this report.

Thirty-seven of the organizations operate in various regions of the United States and the remaining eight are from Canada. Three of the Canadian partners come from Ontario; while the others serve the provinces of Alberta, British Columbia, Winnipeg, and Manitoba.

The following bar chart represents a regional breakout for the United States:

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[1] For a sample overview of AHP's Report on Giving, readers are encouraged to reference the most recent report, published in September of this year. Visit www.ahp.org.

Number of U.S. Organizations by Region
Source: AHP Performance Benchmarking Service FY 2012
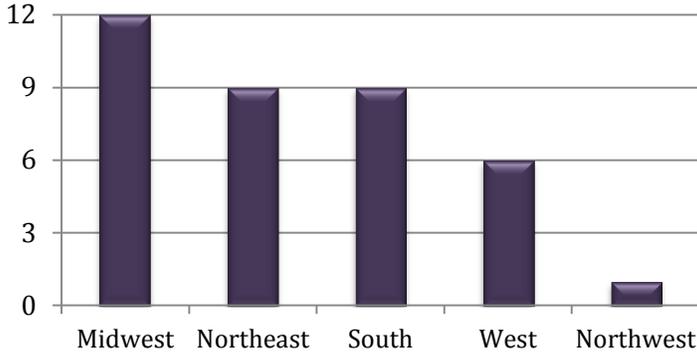
AHP's benchmarking sample has always included a hugely diverse array of hospitals and health care systems and this year is no exception. Though small, the benchmarking sample contains a large contingent (68%) of organizations that are part of a larger health care system. On the other end of the spectrum, the smallest community hospital has only one full-time fundraiser—with no support staff members—serving a single rural region. The sample also includes single hospitals, some of which are Children's and Academic Teaching hospitals with staff sizes that range from 15-17 direct fundraisers serving large geographic areas, spanning multiple regions.

As was observed last year, overall net operating revenue has shown an upward ascent since the depths of the recession (2008-2010), when several organizations reported negative gains. To give a better image of the diverse sample composition, the table below illustrates the interquartile range for two key size measurements, including operating revenues and bed size:

Quartiles	Hospitals/Health Care Systems	
	Net Operating Revenue	**Bed Size Range**
25th Percentile	$35 million	69-855
50th Percentile (median)	$384 million	121-1,197
75th Percentile	$829 million	255-2,120
Minimum	-$17 million	69
Maximum	$4.6 billion	2,120

Source: AHP Performance Benchmarking Service FY 2012

FUNDRAISING RESULTS

Since the peak of the recession in 2008, benchmarking analysis has continued to observe stagnated and/or incremental gains from year to year.
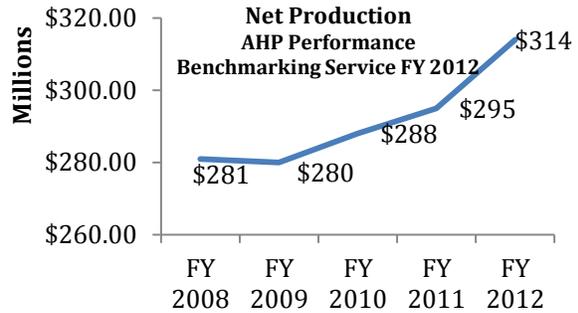
In contrast, current results show a combined net production figure that reached a promising peak of $314 million. This represents a $19 million dollar (6.4%) increase from the $295 million reported by 58 organizations during the 2011 fiscal year[2]. This is the most notable growth observed since the start of the recession, offering a promising sign of recovery for health care organizations[3].

At the median level, data also present good news for organizations – particularly those within the United States. Data show overall increases in net production returns, as well as fundraising effectiveness (ROI) and efficiency (CTRD) from fiscal year 2011.

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[2] Major outlier removed.

[3] This rate of recovery outpaces AHP's recent Report on Giving that saw stagnated change between 2011 and 2012. These stats come a bit closer to Giving USA's estimated increase of 2.8 percent in giving to health organizations during the same time period. Some of the difference can be accounted for by Giving USA's adjustment for inflation. See more at: http://www.philanthropy.iupui.edu
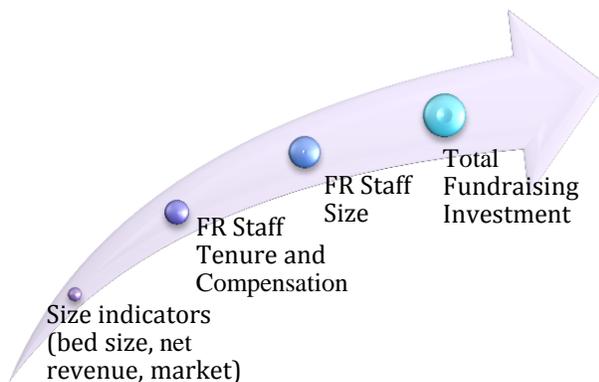
Fiscal Year 2011		Fiscal Year 2012
$2.8M	**Overall Net Production Returns**	$3.6M
$1.3M	**U.S. Net Production Returns**	$3.6M
$5.3M	**Canada Net Production Returns**	$4.8M
$3.67	**Overall Return on Investment**	$3.97
$3.64	**U.S. Return on Investment**	$4.12
$5.23	**Canada Return on Investment**	$3.62
$0.27	**Overall Cost to Raise Dollar**	$0.25
$0.27	**U.S. Cost to Raise Dollar**	$0.24
$0.19	**Canada Cost to Raise Dollar**	$0.28

SUCCESS FACTORS - EXAMINED

Previous benchmarking reports had continually pointed to a handful of interconnected factors that are strongly correlated with bottom line fundraising performance, e.g., net production returns. The graphic below illustrates those factors.

Total Fundraising Investment

FR Staff Size

FR Staff Tenure and Compensation

Size indicators (bed size, net revenue, market)

While compelling, this small-sample analysis did not offer up any new information to fundraisers, especially without specifics tied to varying levels of investment. It stands to reason that a bigger budget, allowing for a larger staff of skilled professionals, would produce higher returns. At the same time, it might just lower efficiency by increasing costs associated with raising funds.

But the questions, regarding the influence of these factors, remained of *where*, *how much*, and *with what outcome*. Indeed, fundraisers continue to seek data that can scientifically support results from varying levels of investment to help build and reinforce the case for additional investment in fundraising operations. What's more, chief development officers also seek knowledge about the wise allocation of scarce resources to essentially maximize returns. In many cases, they strive to do more with less.

REGRESSION OVERVIEW

U.S. Sample
Researchers assembled the following regression model based on significant correlations with net production returns. In developing the model for the 285 hospitals and systems, campaign involvement was excluded as a predictor variable because it made no significant impact on net production revenues in the company of more powerful predictors. Other excluded variables include: number of gifts, type of institution[4], average FTE salary, and percentage of fundraising expenses associated with salaries. Variables were excluded by the researchers for logical and statistical reasons; in some cases, the above variables did not improve the model's predictive ability and in others,

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[4] The reader should note that this year's Report on Giving found that Children's and Academic Teaching hospitals raised significantly more in net production revenue than their counterparts. However, we lacked sufficient numbers of cases across organizational types to make meaningful comparisons.

they were replaced by related variables that were more influential or provided more practical material for interpretation.

Overall, results demonstrate the predictive strength of this model. It is statistically significant with a p value of .000. This indicates that the results shown here are not due to chance alone. They also point to an R^2 of .34[5], which indicates that **34 percent** of the variation in net production revenue can be explained by these influential variables. Clearly, there are many other factors, outside the scope of this database, that influence bottom line returns. In fact, many of them are qualitative and include: professional tenure, localized culture of giving, and a planned gift realized in any given year. For the

sake of this paper, we have chosen to utilize the variables available to us to provide an analysis of the more "controllable" aspects with the goal of producing actionable results for members.

The following table shows the statistical strength of the relationships between variables after controlling for the interrelationships between them. It also shows median differences in net production between groups. In addition, the table shows the percentage of High Performing institutions within each of these groups. Using the combined benchmarking and Report on Giving sample, High Performers are those whose net production revenues fall into the 75th percentile, which is $7.7 million or above.

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[5] The R^2 coefficient is the best way to assess the strength of the model and its variables' predictive power. The coefficient ranges from 0 (no relationship) to 1.0 (indicating a perfect linear relationship). Figures can vary depending on the field of study. While there is no definitive rule, for our purposes, an R^2 value of greater than 30 percent is considered quite strong, reinforcing the reliability of the model.

U.S. Sample, N=285 Organizations			
Outcome Variable: Net Production Returns**			
Overall Strength of Relationship (R^2) = .34			
Model Significance (p value) = .000*			
Influential variable (type)	Individual Impact on Net Production (weak, moderate, strong)	Median Net Production Raised by Group	% of Institutions in the High Performer Group***
Net Patient Revenue ($)			
Less than $178 Million	Moderate Negative	$658,000	9%
More than $600 Million	Moderate Positive	$9,000,000	68%
Total Fundraising Expenses ($)			
Less than $515,000	Strong Negative	$436,000	2%
More than $1.6 Million	Strong Positive	$10,638,000	82%
Average Gift Size ($)			
Less than $125.00	Strong Negative	$582,000	5%
More than $535.00	Strong Positive	$6,500,000	65%
Number of Direct FTE Staff Members (#)			
Fewer than 3 FTE	Strong Negative	$368,000	1%
More than 7 FTE	Strong Positive	$11,000,000	82%
Total Direct FTE Salary Budgets ($)			
Less than $225,000	Strong Negative	$645,000	3%
More than $800,000	Strong Positive	$11,110,000	85%

*Indicates statistical significance of reading. P values range from .000 to 1.0. Values at or below .10 are considered significant.
**Net production has been our go-to measurement of bottom line returns because it encompasses outright gifts of cash, as well as pledges made during the reporting year. Subtracting direct fundraising expenses provides a quick reading of both the efficiency and effectiveness with which those funds were raised.
***High performers are represented by 65 organizations within the sample's 75th percentile in net production revenues, raising $7.7 million in Fiscal Year 2012. Percentages are based on the top and bottom third of the sample only and will not add up to 100%.

As expected, the strongest relationships lie between **net production returns** and **investment in fundraising operations[6].** This is true even when we control for size of the organization (measured by net patient revenue), benchmarking participation, and even total number of gifts.

As we have observed in each year of benchmarking, variables such as *total fundraising expenses, total number of direct FTE staff members, and aggregate direct FTE salaries* are interconnected and play leading roles in the amounts of net production raised in any given year. Though deeply correlated with fundraising investment, average gift size also plays a similarly influential role in determining bottom line returns.

The following bar chart provides a visualization of the increases in net production for each of the total number of direct professionals on staff.

U.S. Interquartile Direct FTE Ranges and Median Net Production Revenue

$ in Millions
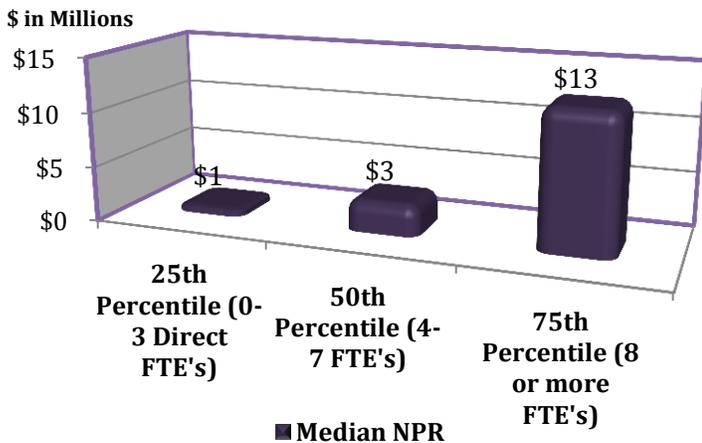
■ **Median NPR**

Data show major increases between the staff size quartiles of FTE professionals. Between the 25th and 50th percentiles, for example, we observe a $2.2 million jump in median net production revenues. Once we get beyond the median point, median gains are even greater ($10 million) for staff sizes of 8 professionals or more. When looking deeper at the data, univariate modeling

reveals an *$815,096 gain for each direct FTE added to the staff. However, this simplified example is highly sample-dependent and cannot be generalized to individual organizations. What's more, the result comes with two additional caveats: the first, realizing a broad standard deviation of $315,000 (which can represent the large level of variation in gains that different types of organizations are likely to observe); the second is that larger gains are going to happen when the staff has already reached critical mass – meaning three existing FTEs.* The latter point is actually demonstrated in the bar chart to the left.

Perhaps most importantly, this exercise **cannot** apply to brand new operations looking to hit the ground running with brand new staff. Indeed, more detailed benchmarking data illustrate that longer FTE tenure, as well as a moderate to strong emphasis on major giving, also play a role in influencing staff success. Net production growth rates, at the levels described above, were associated with median professional tenure of *5-6 years on the job.* Here, the short answer is that the addition of more professional FTEs devoted to raising funds does pay high dividends, particularly when they are primarily focused on activities related to securing major gifts. But with additional years on the job, they are able to increase giving levels by strengthening key donor relationships.

Instinctively, fundraisers know that bottom-line returns grow along with a bigger pool of donors. But there is a much deeper story at play. Qualitative data from the benchmarking data illustrated that, regardless of the size, type, and location of the organization, median market penetration[7] ranges from only .6 percent to .8 percent across all organizations. Regression modeling results show that the strongest determining factor for increasing bottom-line returns is increasing average gift levels (even when controlling for the total number of gifts). This does not mean that all organizations must be situated in millionaire communities (though that surely can help). Instead, data indicate that the total number of direct FTEs on staff makes the real

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[6] Though region was not a significant predictor of net production revenue, the model used proved even more robust for organizations located in the South and Northeast regions of the United States.

[7] This was achieved by dividing the total number of donors to total population across service regions provided on the benchmarking survey.

difference between attracting average gifts of $125-$500 and beyond. This example illustrates that the success associated with achieving critical mass is directly dependent upon a foundation's ability to deploy the requisite number of professionals to: a) effectively represent its marketplace; and, b) build enduring relationships with donors over time. High performers know that solid investments in major gift programming allow organizations to do both of these things.

Median differences between the "high" and "low" fundraising investment groups are perhaps the most meaningful considering they are more "controllable" in nature. Results show a strong positive correlation between each of the investment variables and net production, which suggests that additional investment in total fundraising budget and the allocation of those resources in professional FTEs, and their aggregate fundraising salaries, will yield a higher return of net production.

A good scenario-based example is a community hospital within our sample that is located in the west. Compared to most, they can be considered "large" with net patient revenue in the range of $50 million. They are currently staffed with three direct professional FTEs, earning an average of $42,000 in combined salary and benefits. With low fundraising expenses of $200,000, this hospital very efficiently raised $682,000 in net production revenues. However, they could be

raising more. According to our statistical model, hypothetically adding 3-4 FTEs to their staff, with associated increases in aggregated fundraising salaries, we could expect them to more than double net production revenues within 5-6 years.

Canada Sample

Researchers also assembled the following regression model based on significant correlations for the smaller Canadian cohort of 69 hospitals and systems. In contrast to the larger sample of U.S. organizations, this smaller sample size brings more limitations in both the interpretation and generalizability of results. Regardless of the differences, researchers utilized the very same modeling techniques and handling of variables with significant outcomes.

The results demonstrate that the Canadian model displays a good deal of predictive strength. Like the U.S. group, it is also statistically significant with a p value of .001. This indicates that the results shown below are also not attributed to chance alone. The R^2 is .43, indicating that the variables in the model account for **43 percent** of the observed variation in net production revenue.

Most interestingly, campaign involvement did emerge as a moderate predictor of net production revenues within the Canadian sample. This may be due to both the popularity of the causes, as well as the ability of these organizations to manage campaign-related expenses.

Canadian Sample, N=69 organizations			
Outcome Variable: Net Production Returns			
Overall Strength of Relationship (R^2) = .43			
Model Significance (p value) = .001*			
Influential variable (type)	Impact on Net Production (weak, moderate, strong)	Median Net Production by Segment	% in High Performer Group**
Net Patient Revenue ($)			
Less than $4.8 Million	Moderate Negative	$1,100,000	0%
More than $108 Million	Strong Positive	$4,200,000	29%
Total Fundraising Expenses ($)			
Less than $500,000	Strong Negative	$1,200,000	0%
More than $1,500,000	Strong Positive	$13,000,000	79%
Average Gift Size ($)			
Less than $225.00	Weak Negative	$3,300,000	43%
More than $650.00	Weak Positive	$4,000,000	29%
Number of Direct FTE Staff Members (#)			
Fewer than 3 FTE	Moderate Negative	$1,500,000	0%
More than 5 FTE	Strong Positive	$10,400,000	71%
Total Direct FTE Salary Budgets ($)			
Less than $250,000	Strong Negative	$699,000	0%
More than $500,000	Strong Positive	$15,000,000	79%
Campaign Involvement During Reporting Year			
Yes	Moderate Positive	$5,400,000	33%
No	Moderate Negative	$2,800,000	50%

ǂFigures reported in Canadian dollars.
*Indicates statistical significance of reading. P values range from .000 to 1.0. Values at or below .10 are considered significant.
**High performers are represented by 14 organizations within the sample's 75th percentile in net production revenues, raising $7.9 million in Fiscal Year 2012. Percentages are based on the top and bottom third of the sample only and will not add up to 100%.

In large part, results reflect what we have observed about Canadian organizations throughout the years of benchmarking. First and foremost, data show their ability to consistently do more with less. This fact has driven them to the top of the sample in terms of net production, return on investments, and costs associated with raising these funds. Benchmarking data reveals a commonly strong and long-term emphasis on major gifts activities. At the same time, lower fundraising expenses paired with high net returns also play a key role in increasing and sustaining high performance.

With that said, however, Canadian regression model results continue to support the primacy of the relationships between fundraising investment and net production returns. Mirroring the sample as a whole, the model illustrates strong predictive power of total fundraising budget, the investment in staff, and their compensation. In fact, data show that high performance is inextricably tied to these *wise* investments with up to three-quarters of high performers spending $1.5 million on fundraising, employing five or more FTE professionals, all

while maintaining a strong emphasis on major gifts fundraising.

At least part of the reason for lower expenses is, in fact, smaller staff sizes. Though raising $3.2 million in median net production, the Canadian contingent tends to employ a smaller median of four FTE professionals. The following bar chart illustrates that relationship by displaying median net production raised within each quartile of direct FTE staffing sizes.

Canada Interquartile Direct FTE Ranges and Median Net Production Revenue

$ in Millions
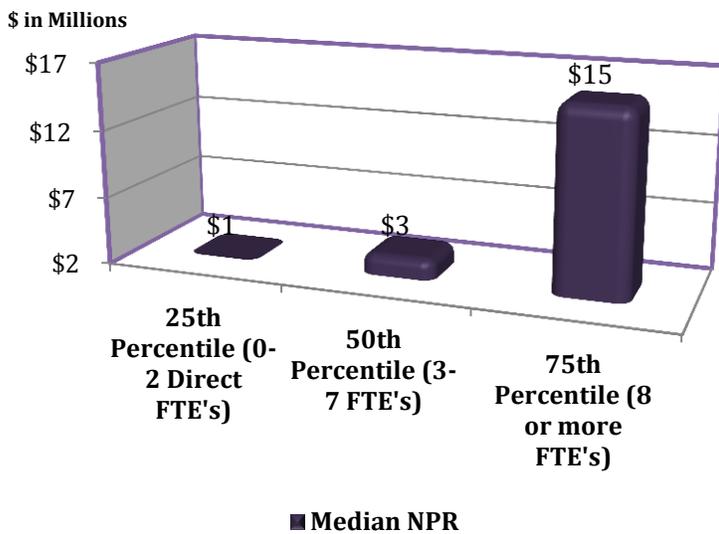
■ **Median NPR**

As observed in the U.S. sample, results show similar increases in net production between the staff size quartiles of FTE professionals. For example, between the 25th and 50th percentiles, there is a notable increase in median net production. This indicates that, once a Canadian foundation reaches a critical mass of two direct fundraisers, their net production revenues grow by a median of $2 million with the addition of 1-5 staff members. The most dramatic increases happen at the uppermost tier of the staffing scale-- with 8 or more professional FTEs. At this level, net production returns make a $12 million leap with the addition of one or more staff members, beyond a base of 3-7.

Deeper analysis of benchmarking data demonstrates that, with smaller staff sizes, Canadians actually achieve a comparatively high

market penetration with a median of 7,000 donors compared to 5,000 reported by U.S. organizations.

So how can Canadian organizations achieve these heights with less? According to a recent study entitled "Charitable Giving by Canadians[8]" it may be due to the fact that fundraisers have an easier time of convincing individuals to support human causes like health care. The report indicates that high donor engagement rates are the norm and likely attributable to a strong and pervasive culture of giving and public service within Canadian society. To illustrate, the author uses 2010 statistics to estimate that *nearly all* citizens aged 15 and over (94%) gave their time, material goods, or a financial donation to some type of charity.

CONCLUSIONS

Chief development officers, and other executives, can use this information to identify and adjust "controllable" factors in a way that makes sense to their organization. While this report has relied on a single fiscal year's worth of data, it is important to note future learning opportunities as well. In fact, this report has uncovered several areas for future analysis, including qualitative variables that may help fill gaps in understanding the impact on net production revenues. Multiple years' data will continue to add confidence to regression findings while posing exciting new learning opportunities to review and study changes from year to year.

In the meantime, we have learned more about what constitutes deeper, more meaningful investment in the fundraising operations of any hospital or health care system. While size accounts for some of the variation in net production revenues, statistical outcomes paired with qualitative data underscore the fact that consistent increases in bottom-line returns are closely correlated with the addition of more professional staff, sustained emphasis on major giving activities, higher salary budgets, and longer tenure support of its mission.

[8] Turcotte, Martin, "Charitable Giving by Canadians" (April 16, 2012). A Component of Statistics Canada Catalogue no. 11-008-X, Canadian Social Trends.

This paper identified budget allocation in the following areas maximizes return:

- **Number of Direct FTE professionals** – consider that this individual factor has a greater ripple effect than we think. Increasing market penetration, building stronger donor relationships leading to larger average gift sizes. All of which increase fundraising efficiency and effectiveness.
    - o For U.S. organizations, optimal staffing levels are identified at **7 or more.**
    - o For Canadian organizations, greater success is tied to levels of **5 or more.**

- **Major Gift Programming** – Well-established major gifts programming increases average gift size tremendously. High Performers know that wise people and programmatic investments lie in sophisticated research programs, major gift initiatives (including well-managed campaigns), planned giving, corporate sponsorship, grant writing, and identification of opportunities for major funding from partners such as foundations, local, state, and federal government agencies.

- **Professional Salaries and Benefits Budgets** – More staff obviously calls for higher salary budgets. However, both qualitative and quantitative data analyzed

for this report illustrate the linkages between professional tenure and compensation.
- o For U.S. organizations, optimal professional salary budgeting is identified at **$800,000 or more** (e.g., for a staff of 7, average salary and benefits would be valued at $114,285).
- o For Canadian organizations, this number is **$500,000** (e.g., for a staff of 5, average salary and benefits would be $100,000).

- **Employee retention** – More staff, focused on major gift activity, means that donor relationships are more genuinely cultivated and sustained. Qualitative results reported herein point to better results when professionals have been on staff for **five or more years.**

- **High Average Gift Sizes** – Naturally, higher average gift sizes means a higher yield in bottom line returns. Larger gifts are directly tied to net production revenues, but it also can be considered a ripple effect of employing and retaining an optimal number of professional staff.
    - o For U.S. organizations, higher success levels are linked with average gift sizes of **$535 or more.**
    - o For Canadian organization, bottom line returns grow for organizations that secured gifts of **$650 or more.**

ASSOCIATION FOR HEALTHCARE PHILANTHROPY

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