

**Real World Graduation: Question 6**

Edward D. Duvall  
25 Nov 2017

Question 6

A person wishes to donate \$100 to a charity. What percentage of the \$100 will actually go to the cause for which the charity was established?

- a) All of it (100%) will go for the cause, because that's what charities are legally required to do
- b) None of it (0%), because all charities are rip-offs
- c) There are always some expenses associated with fundraising, but these are regulated, and charities are required to spend more than 90% of contributions on the cause.
- d) There are always some expenses associated with fundraising, but these are regulated, and charities are required to spend more than 80% of contributions on the cause.
- e) There are always some expenses associated with fundraising, but these are regulated, and charities are required to spend more than 70% of contributions on the cause.

### Answer to Question 6

This is a trick question. None of the answers are correct.

Charities are not required to spend a certain amount on the cause; they are only required to report their revenue and expenses accurately on IRS Form 990. Some charities are very efficient; some are a complete waste of money. A survey [1] in 2004 found that the average fraction actually going to the cause after expenses for a wide range of charities was 84%. There were some very good ones with 100% going to the cause (Brother's Brother Foundation, Children's Hunger Fund, and a few others), while some were very inefficient (William J. Clinton Presidential Foundation at 31%, Philadelphia Museum of Art at 49%, and the Humane Society of the U. S. at 57%). A more recent survey [2] indicates that the Midwest Food Bank, MAP International, and the Billings Food Bank are all very efficient, while the Children's Charity Fund, Firefighters Charitable Foundation, and the Committee for Missing Children are all very poorly run.

So, if you want to evaluate which are the best charities, and whether they can be trusted with your donation, find out how efficient they are at fundraising and what fraction of received donations actually goes to the cause.

[1] William P. Barrett, "America's Most (and Least) Efficient Charities", Forbes Magazine (Forbes.com) 23 Nov 2004

[2] [www.charitynavigator.org](http://www.charitynavigator.org)