

Seven Deadly Delusions

For philanthropic funders

1. Size of donation is what matters most

Impact is affected by a constellation of other factors, including:

- the size and stage of the charity being supported
- the nature of core activities or services being delivered
- the innovation and/or disruption occurring as a result
- the availability and/or diversity of other funding sources for this work

A modest donation can make a massive difference for organisations which are small, and lean, volunteer-led or early life, piloting new services or innovative methodologies, addressing an ‘unappealing’ cause or cohort, or those with little or no other sources of funding.

The same sum is likely to be less transformative for larger charities with longstanding brands, multimillion-dollar turnovers and significant reserves, a substantial and diverse supporter base, or those delivering a constellation of well-established services.

Related: Every gift is good, but small is *especially* catalytic for the [Darin-Cooper family](#), APS clients and advocates for ‘small is beautiful’ philanthropy.

2. It’s hubris to talk about my giving

Many givers worry that if they ‘go public’ with their giving, they’ll be perceived as arrogant, have their motivations interrogated, or be quietly disparaged thanks to ‘Tall Poppy Syndrome’. Often givers are also concerned that if they talk too freely about their giving, they’ll be flooded with requests for support.

These are all legitimate concerns, but let it be known: in our 12 years of operation with almost 1000 clients, APS has never seen these fears come to pass.

Indeed, we have witnessed the converse. When influential people choose to talk about giving with their peers, there can be a positive ‘contagion’ effect. Being prepared to be speak openly about the incredible charities you support, and the joy this brings to you and your family, is a strong reinforcer of universal human values such as generosity, reciprocity, justice, empathy, responsibility and community.

If you’re still not sure, a great place to practice talking about your giving journey is to [engage with your family](#) or close inner circle.

Related: Initially reluctant to talk about his giving, APS client [Geoff Day](#) became more comfortable when he realised its capacity to inspire others.



3. If the charity's communication is poor, I'm out the door

'I gave them a donation, then heard nothing back.'

There are some simple yet effective techniques to prevent miscommunication you're your charitable partners. Consider these three steps for your own giving:

- **Before making a donation: sense-check your expectations**

Are your expectations for communication and reporting commensurate with the size and capacity of the organisation you're supporting? Are they also commensurate with the size of the donation you are planning to make? Take time to discuss with the charity what type and frequency of communication makes sense, for both sides of the partnership.

- **During the grant period: adopt a spirit of curiosity**

After a donation has been made, if a charity's communications aren't quite consistent with your expectations, have an honest conversation with a senior representative of the organisation. Explore what factors might be informing roadblocks in communication: has something unexpected occurred that is affecting the charity's capacity to communicate? Do agreed grant reporting requirements or timelines need to be modified in some way?

- **After the grant period: double-down on capacity**

Many charities are so busy delivering core services, they can struggle with communications, especially if they do not have a dedicated 'donor management' function. If you love their work, consider how you might be able to assist to improve this situation. Could a capacity-building donation help resource or augment this charity's communication function and improve its fundraising capability?

Related: Communication is a two-way exchange, yet the power differential between funders and charities is real. It can be hard to speak truth to power. When APS surveyed a sample of client-supported charities, they identified three key areas of communication: [Three questions charities wish funders would ask them.](#)



4. Cash is king in the social economy

If you ask charities about barriers to growth, the general consensus is: a lack of funding. So yes, cash really is king for charities! It's also true, however, that throwing money at a problem won't necessarily solve it. Charities are often constrained by a nexus of factors affecting capacity, including governance and leadership issues, demanding regulatory frameworks, challenges with impact measurement, unfit-for-purpose systems and processes, workforce retention, volunteer management and changing risk environments.

Accordingly, when APS givers get to know a charity partner well, they often begin considering 'how else can I help with the issues presenting here?' They may embrace more than one of [the 5Ts in philanthropy](#), in recognition that funding is just one value-add a donor can offer charities they care about. While 'beyond funding' support can be highly valuable to charities, givers also need to ensure that any non-monetary form of support being offered is welcome, warranted and something they are well-placed to deliver.

Another discernible shift among APS givers is move beyond a 'grants only' philosophy of partnerships, with clients looking outside their 4-5% minimum annual donation to mobilise the underlying 95% of capital invested in corpus to amplify social impact. This often involves applying a responsible or impact lens applied to some or all of their investments, concessional loans to charity partners, or blended finance initiatives designed to address systemic change in specific areas of community need. This 'cash to capital' mindset shift often unlocks much-needed social risk capital for charity partners.



Related: Watch the [Capital With a Conscience](#) event facilitated by APS Foundation Manager Rachael Rofe with impact investing experts Michael Traill AM, John McMurdo and Julianne Wilkin in 2024.

5. If they can't measure it, they can't manage it.

The adage seems intuitive, but not all social value can (or should) be accurately translated into monetised models.

While some charities can readily analyse the 'return on investment' they offer to donors – using methodologies weighing up costs vs benefits (CBA or CEA), or deploying financial proxies to measure values not traditionally reflected in financial statements (SROI) - much value generated by the charitable sector can be intangible, unmeasurable or even unattributable in its impact.

Prevention is notoriously hard to measure, as is the effect of advocacy. Even traditional charitable activities, such as scholarships or bursaries, struggle to capture the longitudinal ‘ripple effect’ of investing in individuals for other domains of society.

Many charities grapple with impact measurement by:

- articulating a theory of change
- positioning their work within an existing research or evidence base
- measuring outputs, outcomes and impacts, using standardised benchmarking tools (where they exist)
- using data collection tools and platforms that enable meaningful data collection and analysis for service improvement
- building in the feedback of those they seek to serve in the design and delivery of all parts of their work, including evaluation
- sharing their data and insights to improve practice within their sector of operation



For many APS givers, these kinds of indicators are only one small part of how they assess and ascribe value to a charity’s work. Understanding impact is often deeply personal for givers, gauged through qualitative methods including storytelling and case studies, appreciative enquiry, or a deepening sense of authentic partnership over time.

Related: APS can help you [understand your impact as a funder](#), wherever you are in your giving journey. Contact your [advisor](#) or [APS Giving Services](#) if you need support.

6. I only fund direct service delivery

This is akin to commercial investors seeking to invest only in the direct costs of a business. Theoretically possible - but not especially useful. Indirect costs or ‘overhead’ are necessary for any entity’s operations and health, pivotal for direct product development and service delivery.

While it’s prudent to review a charity’s financial statements, understand their cost structure and how particular expenses add value to a charity’s activities, refusing to support indirect costs may inadvertently perpetuate lower capability and effectiveness in the not-for-profit sector.

In the seminal [Paying What It Takes](#) report, Social Ventures Australia (SVA), the Centre for Social Impact (CSI) and Philanthropy Australia demonstrated that not-for-profits often underinvest in critical capabilities, due to a pervasive belief that funders will not provide the full financial support needed to create impact. This leads to a sector starved of the necessary core funding required to create resilient charities, capable of delivering long-term impact on complex social issues.

If you find yourself reluctant to fund overhead, take a moment to unpack [why administration costs](#) are not a good way to assess charitable effectiveness – indeed, NFPs that spend less on indirect costs are not necessarily more effective than those that do not.

Related: Read the journey of APS client [The Metamorphic Foundation](#), which shifted from initial concern about administration costs, to understanding their importance for achieving charitable purpose.

7. Setting up a charity is a good way for me to give

Hasten slowly. APS receives dozens of enquiries annually from members of the public considering establishing a charity to address a perceived gap in community delivery. Most lead to APS introducing them to one or more existing charities whose purposes mimic their own aspirations.

There are already approximately 60,000 registered charities in Australia, ranging from tiny, volunteer-run entities with little or no revenue, to large, federated organisations with complicated business structures. It is a rare cause, cohort or community service that is not already represented within the charitable sector.

Before going too far down the path of establishing your own charity, it's worth reviewing the ACNC's checklist '[Before You Start A Charity](#)'. Given the considerable investment required in establishment and ongoing operations of a charity (governance, compliance, administration and fundraising), it makes sense to avoid reinventing the wheel. There is a good chance your resources might be better deployed supporting an existing organisation or establishing a working partnership for greatest impact.

Related: APS clients have supported more than 3,000 charities in Australia (5% of the NFP sector). Our expert team is connected with thousands more. If you're considering establishing a charity and need an initial chat, the [APS Giving Services team](#) is unaligned, independent and happy to assist.

