What Donors Look for in Your Nonprofit Financials

THOUGHT LEADERS
Kathy Wileczek CPA & Louise Schorn-Smith CPA

Board of Directors Workshop
Join us virtually for nonprofit board governance best practices

Mon, Nov. 1 2021

chescocf.org/virtual-board-trustee
THANKS TO OUR PROMOTIONAL PARTNERS
1. Ensure Legal & Ethical Integrity
2. Build a Competent Board
3. Determine Mission & Purpose; Ensure Effective Planning; Monitor & Strengthen Programs & Services
4. Protect Assets & Provide Financial Oversight
5. Ensure Adequate Financial Resources
6. Enhance the Organization’s Public Standing
7. Select, Support & Evaluate the Chief Executive

BoardSource, https://boardsource.org/ Washington DC
WHAT DO MAJOR DONORS LOOK FOR WHEN CONSIDERING A MAJOR GIFT TO A NONPROFIT?

- How do we define a “major” gift? How much money are we talking about?
- What’s most important to major donors?
- How do major donors discern the financial health of a nonprofit?
- What’s important to donors when it comes to efficiency ratios, revenue and expense trends, and evidence of financial stability? How much is “too rich to give to” and “too poor to give to”?
  - How much in operating reserve should a nonprofit have? Too rich/too poor?
  - If a nonprofit has an endowment, do donors see that as “too rich”, so they won’t give?

WHAT SHOULD THE BOARD PAY ATTENTION TO IN A NONPROFIT’S ANNUAL AUDIT & IRS 990 FILING?

- What should Boards focus on?
- What do donors look for in our IRS990 filings, especially online at Guidestar by Candid?
- How can we monitor, correct, and improve our nonprofit’s Guidestar by Candid data?
What Do Major Donors Look at When Considering a Gift?

- Endorsements/Opinions
- Compare with Other Nonprofits
- Other Program Donors
- Legal Status & Legitimacy
- Mission, Leaders
- Cause
- Financials
- Past Performance
- Expected Impact

@50% of major donors admit they really don't know how nonprofits use their money.
Level 1: Basic Compliance  501 (c)(3) in good standing

Level 2: Performance
  • Constituents served
  • Organizational mission, vision, major programs
  • Performance track record, evaluation & outcomes
  • Relationships, partners & networks
  • Governance & executive leadership
  • External communications
  • Financial health

Sources:
  Site Visits
  Media/PR/Communications
  Community/Sector Feedback
  Audit – IRS 990
Program Service Accomplishments
- Defines the mission of the nonprofit organization and its impact

Reporting on Key Managers and Compensation
- Allows for comparison of similar npo’s salary and compensation levels

Governance Reporting and Policies
- Defines what policies are required, and how they should be documented. Answers the IRS definition of **good governance**

Disclosures – 990 Schedules: *Importance esp. due to COVID adaptations*
- Sch A – Describes how the npo is **tax exempt** and verifies **public support** % over time
- Sch B - List of contributors (names blocked out) indicates diverse community support
- Sch D - Detail of financial information, reconciling between the 990 and financial statements
- Other schedules - Grants, Non-cash contributions

Financial Information
- Overall: use historical information to identify trends & plan for future operations
- Revenue Sources
- Functional Expenses
- Balance Sheet
Where Do Donors See & Use GuideStar Nonprofit Profile Info?

- AmazonSmile  Facebook  JustGive  Network for Good  VolunteerMatch  SalesForce.org
- All major U.S.-based donor-advised funds, such as Vanguard, Fidelity Charitable, etc.
  - 70,000+ private foundations
  - 800+ community foundations
Go online. Look up your own npo & compare to others
https://www.guidestar.org/
info@chescofc.org  Lincoln28$
WRAP-UP: DID WE COVER TODAY’S DISCUSSION AREAS?

- What do major donors look for when considering a major gift to a nonprofit?
  - How do we define a “major’ gift. How much money are we talking about?
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- What should the Board pay attention to in a nonprofit’s annual audit & IRS 990 filing?
  - What should Boards focus on?
  - What do donors look for in our IRS990 filings, especially online at Guidestar by Candid?
  - How can we monitor, correct, and improve our nonprofit’s Guidestar by Candid data?
To register for future Board sessions & obtain prior handouts
https://chescocf.org/virtual-board-trustee

Links to useful articles for nonprofit board leaders
https://chescocf.org/resources/effective/

THANKS TO OUR
DISCUSSION LEADERS & PARTNERS

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<tr>
<th>DATE/TIME</th>
<th>TOPIC</th>
<th>SPEAKERS</th>
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<tr>
<td>11.15.21</td>
<td>3:45-5:30 PM</td>
<td>Individual Donor Fundraising: Lean Into The Trends</td>
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<td></td>
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<td>Corrine Sylvia, CFRE</td>
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