WHAT DONORS LOOK FOR IN NONPROFIT FINANCIALS

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BOARD DUTIES

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
OVERVIEW: 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 donor? How much money are we talking about?
  - What’s most important to major donors?
  - How have COVID & economic shifts impacted major gift donations?
  - How do major donors discern the financial health of a nonprofit?
  - What’s important to donors when it comes to efficiency ratios, revenue & expense trends, & evidence of financial stability? How much is “too rich to give to” & “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?
In 2021, Americans gave $484.85 BILLION to charity.

Where did the generosity come from?*

**Giving by Individuals**
- 67%
- $326.87 billion

**Giving by Foundations**
- 19%
- $90.88 billion

**Giving by Bequest**
- 9%
- $46.01 billion

**Giving by Corporations**
- 4%
- $21.08 billion

*All figures on this infographic are reported in current dollars.

Mega-gifts accounted for $15 billion of this, about 5% of all giving by individuals.

Where did the charitable dollars go?

**Contributions by Destination** (by percentage of the total)

- **27% to Religion**
  - $135.78 billion (increase over 2020)
- **14% to Education**
  - $70.79 billion (decrease from 2020)
- **13% to Human Services**
  - $55.33 billion (increase over 2020)
- **13% to Grant-Making Foundations**
  - $54.26 billion (increase over 2020)
- **11% to Public-Society Benefit**
  - $55.85 billion (increase over 2020)
- **8% to Health**
  - $40.58 billion (increase over 2020)
- **5% to International Affairs**
  - $27.44 billion (flat to 2020)
- **5% to Arts, Culture & Humanities**
  - $23.50 billion (increase over 2020)
- **3% to Environment/Animals**
  - $16.32 billion (increase over 2020)
- **2% to Individuals**
  - $11.74 billion (decrease from 2020)

Gross domestic product increased 10.1%, positively impacting corporate giving.

*Source: Giving USA 2022*
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.

https://learn.guidestar.org/give-to-charity/money-for-good
**What Do Major Donors Look at When Considering a Gift?**

**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 & Nonprofit Sector Feedback
Audit – IRS 990 - GuideStar
1. **What** is an IRS 990?
2. What is the **Board’s responsibility** for the 990?
3. What **information** is contained in the 990?
4. What **changes** can the nonprofit organization make as a result of the information contained in the 990?
5. **Where** is our nonprofit organization’s 990?
6. **Who uses** the 990? For what?
7. What do **donors** look for in our 990, especially online?
8. How does **GuideStar** by Candid get our 990? Why does GuideStar **post** our 990 online? Can **anyone** see our 990 online at GuideStar?
Program Service Accomplishments
- Defines the mission of the nonprofit organization and its impact

Reporting on Key Managers and Compensation
- Allows for comparison of similar npos’ 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
- 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
TRANSPARENCY: EACH NONPROFIT’S IRS 990 DATA IS ONLINE

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
info@chesocof.org  Lincoln28$
Go online. Look up your own npo & compare to others
info@chesco cf.org  Lincoln28$
<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Recent FYE</th>
<th>Subject Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxford Area Neighborhood Services Center</td>
<td>OXFORD, PA</td>
<td>6/30/2020</td>
<td>Human services, Basic and emergency aid, Food aid</td>
</tr>
<tr>
<td>Kennett Area Senior Center</td>
<td>Kennett, PA</td>
<td>6/30/2021</td>
<td>Human services, Special population support, Senior services</td>
</tr>
<tr>
<td>WEST CHESTER AREA SENIOR CENTER</td>
<td>West Chester, PA</td>
<td>6/30/2021</td>
<td>Senior services</td>
</tr>
<tr>
<td>SENIOR ADULT ACTIVITY CENTER OF THE PHOENIXVILLE AREA</td>
<td>Phoenixville, PA</td>
<td>6/30/2021</td>
<td>Senior services</td>
</tr>
<tr>
<td>Brandywine Valley Active Aging</td>
<td>COATESVILLE, PA</td>
<td>6/30/2021</td>
<td>Senior services</td>
</tr>
</tbody>
</table>

Cohort: **ChesCo Senior Centers**

<table>
<thead>
<tr>
<th>No. of orgs</th>
<th>Date Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,338</td>
<td>9/12/2022</td>
</tr>
</tbody>
</table>

### Profitability

<table>
<thead>
<tr>
<th></th>
<th>Oxford</th>
<th>Kennett</th>
<th>West Chester</th>
<th>Phoenixville</th>
<th>Coatesville</th>
<th>Peer Median</th>
<th>Cohort Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted surplus (deficit) before depreciation</td>
<td>$(40,999)</td>
<td>$154,961</td>
<td>$195,463</td>
<td>$315,958</td>
<td>$14,467</td>
<td>$154,961</td>
<td>$38,781</td>
</tr>
<tr>
<td>As a % of expenses</td>
<td>-6.2%</td>
<td>47.0%</td>
<td>26.0%</td>
<td>53.8%</td>
<td>4.0%</td>
<td>26.0%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Unrestricted surplus (deficit) after depreciation</td>
<td>$(76,945)</td>
<td>$117,825</td>
<td>$172,248</td>
<td>$282,308</td>
<td>($28,899)</td>
<td>$117,825</td>
<td>$19,823</td>
</tr>
<tr>
<td>As a % of expenses</td>
<td>-11.0%</td>
<td>32.1%</td>
<td>22.2%</td>
<td>45.5%</td>
<td>-7.1%</td>
<td>22.2%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

### Revenue Composition

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total revenue (unrestricted &amp; restricted)</td>
<td>$887,862</td>
<td>$460,645</td>
<td>$947,688</td>
<td>$859,299</td>
<td>$414,842</td>
<td>$714,067</td>
<td>$5,020,425</td>
</tr>
<tr>
<td>Total revenue, % change over prior year</td>
<td>84.6%</td>
<td>-21.3%</td>
<td>34.2%</td>
<td>30.9%</td>
<td>43.0%</td>
<td>34.3%</td>
<td>54.6%</td>
</tr>
<tr>
<td>Program services revenue</td>
<td>0.5%</td>
<td>5.1%</td>
<td>0.3%</td>
<td>5.3%</td>
<td>3.3%</td>
<td>2.9%</td>
<td>27.8%</td>
</tr>
<tr>
<td>Membership dues</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>0.4%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Investment income</td>
<td>0.7%</td>
<td>2.7%</td>
<td>0.1%</td>
<td>1.1%</td>
<td>0.1%</td>
<td>0.9%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Government grants</td>
<td>10.2%</td>
<td>42.4%</td>
<td>25.9%</td>
<td>47.7%</td>
<td>41.3%</td>
<td>33.5%</td>
<td>31.2%</td>
</tr>
<tr>
<td>All other grants and contributions</td>
<td>81.2%</td>
<td>46.8%</td>
<td>72.8%</td>
<td>45.1%</td>
<td>53.1%</td>
<td>59.8%</td>
<td>30.4%</td>
</tr>
<tr>
<td>Other revenue</td>
<td>7.4%</td>
<td>3.0%</td>
<td>0.9%</td>
<td>0.0%</td>
<td>1.3%</td>
<td>2.5%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

### Expense Composition

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total expenses before depreciation</td>
<td>$665,281</td>
<td>$329,583</td>
<td>$752,402</td>
<td>$587,216</td>
<td>$362,154</td>
<td>$539,327</td>
<td>$4,584,567</td>
</tr>
<tr>
<td>Total expenses, % change over prior year</td>
<td>26.3%</td>
<td>-32.6%</td>
<td>11.5%</td>
<td>-4.6%</td>
<td>-4.4%</td>
<td>-0.8%</td>
<td>105.1%</td>
</tr>
<tr>
<td>Personnel</td>
<td>53.8%</td>
<td>46.3%</td>
<td>41.5%</td>
<td>46.3%</td>
<td>63.5%</td>
<td>50.3%</td>
<td>47.7%</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>4.1%</td>
<td>15.7%</td>
<td>5.8%</td>
<td>1.9%</td>
<td>6.7%</td>
<td>6.8%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>3.4%</td>
<td>6.3%</td>
<td>18.8%</td>
<td>8.1%</td>
<td>11.9%</td>
<td>9.7%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Interest</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Pass-Through</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>All other expenses</td>
<td>38.6%</td>
<td>31.5%</td>
<td>33.9%</td>
<td>44.4%</td>
<td>17.9%</td>
<td>33.3%</td>
<td>30.9%</td>
</tr>
</tbody>
</table>

### capital Structure Indicators

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Liquidity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Months of cash</td>
<td>4.0</td>
<td>11.2</td>
<td>8.9</td>
<td>7.3</td>
<td>7.2</td>
<td>7.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Months of cash and investments</td>
<td>8.4</td>
<td>31.3</td>
<td>8.9</td>
<td>7.3</td>
<td>7.2</td>
<td>8.4</td>
<td>6.2</td>
</tr>
<tr>
<td>Months of est liquid unrestricted net assets</td>
<td>8.4</td>
<td>14.3</td>
<td>5.9</td>
<td>2.8</td>
<td>4.8</td>
<td>5.9</td>
<td>5.1</td>
</tr>
</tbody>
</table>

### Balance Sheet Composition

<table>
<thead>
<tr>
<th></th>
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<th>Peer Median</th>
<th>Cohort Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$222,026</td>
<td>$307,833</td>
<td>$559,840</td>
<td>$166,986</td>
<td>$216,231</td>
<td>$222,026</td>
<td>$198,045</td>
</tr>
<tr>
<td>Investments</td>
<td>$244,643</td>
<td>$552,069</td>
<td>$0</td>
<td>$191,104</td>
<td>$60,792</td>
<td>$191,104</td>
<td>$0</td>
</tr>
<tr>
<td>Receivables</td>
<td>$221,802</td>
<td>$24,305</td>
<td>$19,500</td>
<td>$186,655</td>
<td>$2,667</td>
<td>$195,900</td>
<td>$12,555</td>
</tr>
<tr>
<td>Gross land, buildings and equipment (LBE)</td>
<td>$1,275,459</td>
<td>$1,794,640</td>
<td>$664,333</td>
<td>$1,276,328</td>
<td>$1,363,772</td>
<td>$1,276,328</td>
<td>$491,522</td>
</tr>
<tr>
<td>Accumulated depreciation (% of LBE)</td>
<td>61.8%</td>
<td>60.1%</td>
<td>27.4%</td>
<td>60.2%</td>
<td>12.3%</td>
<td>60.1%</td>
<td>49.2%</td>
</tr>
<tr>
<td>Liabilities (as % of assets)</td>
<td>7.3%</td>
<td>2.3%</td>
<td>10.7%</td>
<td>7.1%</td>
<td>2.2%</td>
<td>7.1%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>$873,683</td>
<td>$1,091,325</td>
<td>$855,500</td>
<td>$644,499</td>
<td>$1,341,219</td>
<td>$873,683</td>
<td>$401,850</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Permanently restricted net assets</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total restricted net assets</td>
<td>$414,125</td>
<td>$480,983</td>
<td>$99,715</td>
<td>$182,405</td>
<td>$42,670</td>
<td>$182,405</td>
<td>$0</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$1,114,808</td>
<td>$1,572,308</td>
<td>$955,215</td>
<td>$826,904</td>
<td>$1,383,889</td>
<td>$1,114,808</td>
<td>$623,372</td>
</tr>
</tbody>
</table>
WRAP-UP: Key Take Aways

- What do major donors look for when considering a major gift to a nonprofit?

- What should the Board pay attention to in a nonprofit’s annual audit & IRS 990 filing?

TO DO:
Go online. Look up your own npo & compare to others
info@chescocf.org Lincoln28$