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The More You Know, The Greater the Impact of Your Giving

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According to the latest edition of *Giving USA*, charitable giving in the U.S. exceeded \$400 billion in 2017, a record. And in each of the four categories covered by the report – giving by individuals, by foundations, by bequest, and by corporations – the numbers were up, continuing recent trends.

As 2019 begins, donors need to start thinking about their giving — and the things they can do to ensure it has impact. One thing they can do is identify organizations most likely to deliver and/or create value for their clients. How?

Here are a few suggestions:

Find organizations whose work aligns with your goals. To ensure your charitable gifts are deployed effectively, head over to a site like [Charity Navigator](#), America's largest independent charity evaluator, for objective ratings designed to help you find charities you can trust. Your research should focus on organizations whose missions align with your own goals and objectives. [GuideStar](#) is another good source of information on nonprofits.

A little Google goes a long way. A simple Google search not only will point you to an organization's website, it can also reveal information about the organization's reputation. Are there reports out there critical or questioning of its work, its leadership, its finances? Media outlets often report on charities that have violated the trust of their donors, like [this report](#) by CNN.

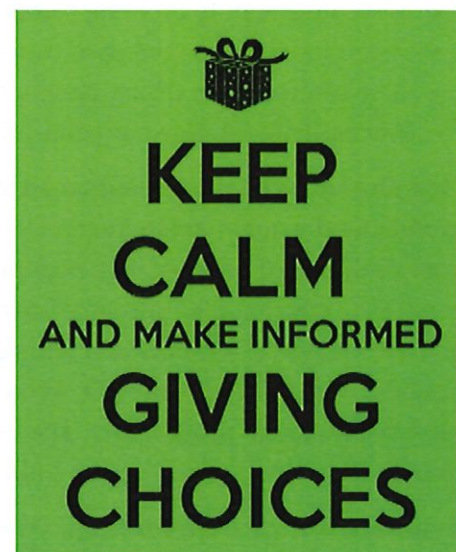
Check the metrics. Ask the following when evaluating the donor-worthiness of an organization:

- Does it rigorously and consistently measure and report its results?
- Do those results make sense?
- Do you believe it is being transparent and honest about its results?

Charity Navigator describes in detail how to [assess a charity's level of transparency](#). Look for statistics and information [like this](#) on the organization's website. Annual reports should be simple to understand and offer some information about the organization's impact. Holding nonprofits accountable for their results is something every donor should do.

How transparent is the organization about its finances? U.S.-based charities with tax-exempt status are required by law to file [federal tax Form 990](#). They're also required to have their finances audited. Good nonprofits should make it easy for you to find and access multiple years of their audited financial statements and tax filings. ([GuideStar](#) is a great place to start.) If you have trouble finding an organization's 990 online, ask it to send you a copy; the speed with which the request is filled will tell you much about the organization's commitment to transparency.

Check an organization's operating and fundraising costs. "Overhead" is the necessary cost of doing business, for



nonprofits as much as for for-profit businesses — it's what enables an organization to keep the lights on, pay its staff, and deliver on its mission. But not all overhead is created equal. Look at a charity's 990 tax returns to determine how much of its budget goes to overhead and fundraising and how much goes to programs and then compare that to the ratio for other organizations doing the same kind of work. The organization's annual report should provide you with this information, but if it doesn't, ask.

Look at the organization's leadership. What do you know about the people who lead the organization? The more you know, the more confident you can be in your giving decisions. A study published in *Ivey Business Journal* identified both personal and organizational traits and behaviors that should define today's nonprofit organizations and leaders, executives and board members alike. They include:

- A commitment to financial stability and responsibility
- A commitment to diversifying and/or expanding service offerings
- A knack for identifying and addressing competitive challenges
- A knack for identifying and addressing operational/effectiveness challenges
- A commitment to building technological capacity
- A commitment to increased transparency and accountability
- A commitment to strengthening alignment with the board
- An ability to develop a pipeline of young, diverse leaders

Can charities recover costs and still be charities? Many charities are able to recover a portion of their costs without sacrificing the quality of their services — an added incentive for donors committed to ensuring the sustainability of the organization and its work. For example, some charities charge their beneficiaries a nominal fee for services, which has the benefit of ensuring that the organization's services are truly wanted while giving beneficiaries more control over the provision of those services. Organizations should always be looking for financially sustainable strategies that are viable beyond the period covered by a donor's gift. My organization breaks down financial sustainability into three buckets: cost recovery, cross-subsidization, and profitability. The benefits in terms of our programs are obvious, enabling them to have greater impact with commensurately less reliance on individual donors.

Evaluate donor dependency. Donor dependency is a measure of how much a nonprofit relies on the contributions of individual donors to fund itself. According to *Forbes*, the average for a small sample it analyzed was 86 percent, meaning that the typical charity in the sample was able to bank 14 percent of its fundraising revenue for the future. If one is searching for a nonprofit that can survive a crisis or economic downturn, a rating below 100 may indicate it has substantial financial reserves or diversified revenue streams that make it more resilient when times get tough.

Look for an entrepreneurial mind-set. Nonprofits have evolved a great deal over the last twenty-five years, and many have adopted best practices from the private sector in an effort to improve their results and maximize the cost efficiency of their operations. The advantages of these kinds entrepreneurial strategies are many.

In short, as you're thinking about your giving in 2019 — and beyond — look for charities and nonprofits that inspire confidence in their ability to deliver innovative, services cost effectively and achieve real, lasting results.

Christopher Purdy is president and CEO of DKT International. From 1996 to 2011, he served as country director of DKT programs in Turkey, Ethiopia, and Indonesia, where he managed the largest private social marketing family planning program in the world. His professional interests include social marketing, global health, and socially responsible capitalism.



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