

What Do The Numbers Say About Your Nonprofit?

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www.nonprofitrisk.org

The Environment

- Interest in what's happening behind the curtain has never been greater. Who's interested?
 - **Current stakeholders:**
 - Participants, funders, members, print/online media, regulatory authorities... who else?
 - **Prospective stakeholders:**
 - Donors, participants, etc.

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What Numbers?

- Incoming receipts; outgoing expenditures; program vs. overhead \$\$
- Participation/pick-up
 - Current numbers
 - Historical numbers
 - Trends?!
- What about effectiveness or impact?!

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www.charity-commission.gov.uk



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Charity requirements and guidance

In this section...

What information must trustees send us this year?

Charity essentials

Charity accounting and reporting

Home > Publications > The Hallmarks of an Effective Charity

CC10 - The Hallmarks of an Effective Charity

(Version July 2008)

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- **D5. Hallmark 5: Financially sound and prudent.** An effective charity has the financial and other resources needed to deliver its purposes and mission, and controls and uses them to achieve its full potential.

In order to demonstrate this, the charity:

- integrates financial planning with wider organisational planning and management, ensuring that funds are available when the charity needs them and are used in the most effective way to the benefit of the charity;
- reviews its fundraising strategies and activities to ensure that they comply with good-practice standards, taking account of any relevant ethical issues;
- is aware of the financial risks involved with existing and new ventures and manages the risk of loss, waste and fraud by having robust financial controls and procedures in place;

- **D6. Hallmark 6: Accountable and transparent.** An effective charity is accountable to the public and others with an interest in the charity (stakeholders) in a way that is transparent and understandable.

In order to demonstrate this, the charity:

- explains in its Annual Report the extent to which it has achieved its charitable purposes in a way that people with an interest in the charity can understand;
- can show how it involves beneficiaries and service users in the development and improvement of its services: the contribution may have been by way of the appointment of beneficiaries as trustees or their involvement through discussion, consultation or user group input;
- has a communications plan which ensures that accurate and timely information is given to everyone with an interest in the work of the charity, including the media, donors and beneficiaries.

Financial Reporting and Nonprofits

- Effort has been focused on improving the quality and consistency of financial reporting by nonprofits.
- Do the primary sources of information on nonprofit finances, (1) audited financial statements and (2) the IRS Form 990, effectively *tell your nonprofit's "story"*?

What's the Risk?

- Stakeholders have "unanswered" questions.
- Stakeholders are unable to understand and properly interpret publicly available information.
- Some leaders may be anxious about how the story is told/interpreted.

Key Concepts

- The public expects

with respect to how your
nonprofit reports the
“numbers.”

What is changing?

- Growing demand for information and transparency;
- Stakeholder connections and potential speed and reach of communications; and
- Departure from reliance on a single data point:
 - percentage of income spent on “overhead”

“In 2009 NONPROFIT X spent only 5% on administration and fundraising (well below the maximum standard of 25% for nonprofits).”

What is Transparency?

- “When we speak of transparency and creating a culture of candor, we are really talking about the free flow of information within an organization and between the organization and its many stakeholders, including the public.”
 - *Transparency: How Leaders Create a Culture of Candor*

Transparency is a Choice

- “Because the term transparency, like courage and patriotism, has the exalted ring of eternal truth, it is easy to forget that transparency is a choice.”
- “Openness happens only when leaders insist on it.”
 - *Transparency: How Leaders Create a Culture of Candor*

Corporate Example

- Whole Foods:
 - “no secrets” policy
 - Posting employee pay
 - CEO John Mackey: “shared fate” philosophy

The New York Times,
November 26, 2010

**“To Help Donors Choose, Web Site
Alters How It Sizes Up Charities”**

[www.nytimes.com/2010/11/27/business/27charity.html
?_r=1&scp=1&sq=charity&st=cse](http://www.nytimes.com/2010/11/27/business/27charity.html?_r=1&scp=1&sq=charity&st=cse)

The Old Way...

- “By focusing on administrative costs, it encouraged donors to steer resources toward organizations pushing everything into the cause rather than investing in people with expertise, new technology and other things that make a nonprofit strong.” - *Sean Stannard Stockton*

More from the article...

- “Over the next three years, Charity Navigator plans to add evaluations of a nonprofit’s accountability and transparency to its ratings, as well as research on its impact and research by other organizations.”

Do You Need to Wait?!

- Let's look at one nonprofit's approach



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Ending Neurofibromatosis Through Research



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ABOUT THE FOUNDATION
LIVING WITH NF
FOR SCIENTISTS
HOW YOU CAN HELP

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Where The Money Goes



Category	Percentage
Research and Medical Programs	65.5%
Public Education and Patient Support	21.9%
Management	7.9%
Fundraising	6.2%

“Standard nonprofit reports, with the great pictures and donor listings, are not enough to get most people comfortable donating a lot of money,” said John Risner, the tumor group’s president. “Most people can’t interpret the tax forms we file, and the audited statements don’t give you enough room to talk about program results.”

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...find the answer here

www.ctf.org

From the CTF website

Mission Statement
Read about the Children's Tumor Foundation's comprehensive approach to improving the lives of individuals and families affected by neurofibromatosis (NF).

Where the Money Goes
Our primary focus is proper stewardship of the funds invested by our supporters. Take a look at the ways in which the dollars donated are turned into real results.

Milestones
NF research has advanced quickly over the last 30 years as CTF has grown into a leading advocate of the disorder. Learn about the history of NF and CTF as we've advanced toward treatments and a cure.

Annual Report
We make the best possible use of invested funds. Browse our Annual Report, Annual Financial Statement, and IRS 990 form and learn about our approach to ending NF.

From the CTF 2009 annual report

\$3.7 million

Amount in follow-on funding returned on the Foundation's initial investment of \$700,000 in the Drug Discovery Initiative.

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Nonprofit Risk Management Center

ANNUAL FINANCIAL REPORT PURSUANT TO SECTION 91.5(b) OF THE NEW YORK STATE CODE OF RULES & REGULATIONS FOR CHARITABLE ORGANIZATIONS

For the fiscal year ended December 31, 2009

CHILDREN'S TUMOR FOUNDATION, INC.
(Exact name of registrant as specified in its articles of incorporation)

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

Overview

We entered 2009 with concern over the economy's impact on our fundraising and operations. After two years of strong growth, we budgeted for a 10% decrease in 2009 revenue. Expense adjustments were made in all areas of our budget, but primarily in public education and patient support. The major components of our revenue continue to be individual contributions, special events and corporate and foundation grants. Special events in particular saw a decline, but the NF Endurance Team was in line with the previous year and consistent with our budget for the year.

While the economy has improved from the lows of late 2008/early 2009 we remain cautious. In our experience, charitable giving is a lagging indicator of economic activity, and for 2010 we are budgeting for a modest increase in growth. Our average donation declined in 2009, but the number of donations increased over 2008. Unlike 2008, this increase in the number of donations did not make up for the decline in the average gift. We are encouraged that the number of gifts continues to grow. To achieve our goals for 2010 we are continuing to expand our national programs such as The NF Endurance Team, Racing4Research, NF Walk, and the Tea Party. We are continuing to increase our online presence through social media such as Facebook, Twitter and others. However, our online efforts to date are focused more on public awareness and education. Evaluating expanded web based giving is a major goal in 2010.

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More... from the same report

B. Explanation of Key Metrics and Other Items

We monitor our financial health with many accounting measurements common to all businesses, i.e. revenue and expense growth, current ratio, long-term commitments etc. We measure our efficiency by using nonprofit industry ratios such as fundraising, program and management expense ratios. All numbers used in the calculations below are from our audited financial statements beginning on page 18.

Fundraising Expense Ratio:	9.7%	Fundraising Expenses/Total Expenses
Program Expense Ratio:	82.4%	Program Expenses/ Total Expenses
Overhead Expense Ratio:	7.9%	Management & Admin Exp/ Total Expenses
Current Ratio	1.6	Current Assets/Current Liabilities
Revenue Growth yr/yr	4.4%	Change in Total Public Support & Revenue 2008-2009
Program Growth yr/yr	1.0%	Change in Total Program Expenses 2008-2009

Our performance in 2009 allowed us to maintain the economies of scale in fundraising and administration expenses that we achieved in 2008. Our budget for 2010 targets our fundraising ratio to remain in the 9-12% range, our overhead ratio to remain stable in the 7-9% range, and our program expenses to continue to exceed 80%.

GuideStar.org



Children's Tumor Foundation
AKA CTF
New York, NY

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Average User Rating: ★★★★★

current ★★★★★

"When our family first learned that our daughter (who was 4 months old at the time) had NF, we were overwhelmed. The internet had precious little accurate information about NF that was not sensational" [Read more >](#)

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Contact Information

Children's Tumor Foundation

Also Known As: CTF

Physical Address: 95 Pine St
16th Fl
New York, NY 10005 3904

Web Address: <http://www.ctf.org>

Blog Address: <http://ctf.org/blog.html>

Telephone: (212) 344-6633

BBB – Wise Giving Alliance

FUND RAISING AND INFORMATIONAL MATERIALS

A fund raising appeal is often the only contact a donor has with a charity and may be the sole impetus for giving. This section of the standards seeks to ensure that a charity's representations to the public are accurate, complete and respectful. To meet these standards, the charitable organization shall:

15. Have solicitations and informational materials, distributed by any means, that are accurate, truthful and not misleading, both in whole and in part. Appeals that omit a clear description of program(s) for which contributions are sought will not meet this standard.

A charity should also be able to substantiate that the timing and nature of its expenditures are in accordance with what is stated, expressed, or implied in the charity's solicitations.

16. Have an annual report available to all, on request, that includes:

- a. the organization's mission statement,
- b. a summary of the past year's program service accomplishments,
- c. a roster of the officers and members of the board of directors,
- d. financial information that includes (i) total income in the past fiscal year, (ii) expenses in the same program, fund raising and administrative categories as in the financial statements, and (iii) ending net assets.

Charity Navigator

Top Ten Lists

- » [10 Most Requested Charities](#)
- » [10 Charities Overpaying their For-Profit Fundraisers](#)
- » [10 Slam-Dunk Charities](#)
- » [10 Celebrity-Related Charities](#)
- » [10 Highly Rated Charities Relying on Private Contributions](#)
- » [10 Charities Routinely in the Red](#)
- » [10 Most Frequently Reviewed Charities](#)
- » [10 Charities Worth Watching](#)
- » [10 Highly Paid CEOs at Low-Rated Charities](#)
- » [10 Inefficient Fundraisers](#)
- » [10 Charities in Deep Financial Trouble](#)

Resources

- **Transparency: How Leaders Create a Culture of Candor**, *by Warren Bennis*
- **Uncharitable: How Restraints on Nonprofits Undermine Their Potential**, *by Dan Pallotta*
- **Begging for Change**, *by Robert Egger*

To Do List...

1. Recognize that stakeholders want "in"
2. Reflect on ways to invite them "inside" and demonstrate transparency



3. Be creative in thinking about your success and impact.
 - How have you leveraged donations or grants?
 - What bold moves have opened up doors?
 - How are you changing lives or changing a community for the better?
4. Invite stakeholders to help shape (and fund) your future.
 - Online survey
 - Funding priorities

5. Rethink how you share information (including numbers) about your impact.
 - ❖ What numbers? How easy to find? What analysis?
 - ❖ Be candid
 - ❖ Be clear and concise (no jargon!)
 - ❖ Remember the range of audiences that will be reading and/or listening
 - ❖ Including current and prospective stakeholders
 - ❖ Highlight special issues (e.g., reserves, need for capital funding, losses)

Next Month's Webinar

2011 SCHEDULE

Register for all 12 webinars and save \$249.

\$459.00 [Register Now](#)

January 5 / 2 p.m.

What's New? ERM, Risk Intelligence and Your Nonprofit

The discipline of risk management continues to evolve and thought-leaders in our industry continue to look for ways to inspire risk awareness, risk assessment and appropriate action. Operational risk management, strategic risk management, enterprise risk management, and most recently, "risk intelligence" are terms that you've probably heard, but may not fully understand. The kick-off first Wednesday webinar for 2011 will explore recent trends in the world of risk management. Attend this program to get our take on how you can begin to adapt and apply enterprise risk management and create a "risk intelligent" nonprofit.

\$59.00 [Register Now](#)



Thank you!

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