

The O'CONNOR DAVIES logo is positioned in the upper left quadrant. It features the name 'O'CONNOR DAVIES' in a bold, dark blue, sans-serif font, with horizontal lines above and below the text. The background behind the logo is a light gray with a subtle grid pattern.

# Assessing Financial Health: A Donor's Perspective

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# Where will they look for info?

Information	Location
<b>*NEW*</b>	
Financial Statements State Single Audit Management Letter	<a href="https://www.appsvcs.opm.ct.gov/Auditing/Home.aspx">https://www.appsvcs.opm.ct.gov/Auditing/Home.aspx</a>
Federal Single Audit Data	<a href="https://harvester.census.gov/fac/dissemin/asp/incompleteSearch.asp">https://harvester.census.gov/fac/dissemin/asp/incompleteSearch.asp</a>
Form 990 – Tax Return	<a href="http://www.guidestar.org">www.guidestar.org</a>
IRS Status	<a href="http://www.irs.gov/Charities-&amp;-Non-Profits/Exempt-Organizations-Select-Check">http://www.irs.gov/Charities-&amp;-Non-Profits/Exempt-Organizations-Select-Check</a>
CT Charitable Registration	<a href="https://www.elicense.ct.gov/">https://www.elicense.ct.gov/</a>
Corporate Status	<a href="http://www.concord-sots.ct.gov/CONCORD/">http://www.concord-sots.ct.gov/CONCORD/</a>

# Charity Navigator

- Assist donors evaluate public charities (501(c)(3)) organizations
  - Contributions > \$500k and total revenue > \$1million
  - At least 7 years of 990's available (not 990EZ)
  - U.S. based
  - Must have fundraising expenses

# Charity Navigator (continued)

- Classify charities by 9 broad categories
  - Animals; Arts, Culture and Humanities; Educations; Environment; Health; Human Services; International; Public Benefit; Religion
  - Each category is broken into several “Causes”
- They rate charities on a scale of 1 to 10 in two broad categories: *Financial Health* and *Accountability & Transparency*
- Information comes from 990 and organization website

# Charity Navigator

## Indicators of Financial Health

- Four (4) *Financial Efficiency Performance Metrics* – Indicators of how well an organization manages its day-to-day finances.
- Three (3) *Financial Capacity Performance Metrics* – How well an organization has sustained programs and services over time and whether it can continue to do so.

# Charity Navigator

## Financial Efficiency

Performance Metric	10	7.5	5	2.5	0
Program Expenses (%)	NA	NA	NA	NA	<33.33
Administrative Expenses (%)	0 - 15	15 - 20	20 - 25	25 - 30	>30
Fundraising Expenses (%)	0 - 10	10 - 15	15 - 20	20 - 25	>25
Fundraising Efficiency (%)	0 - 10	10 - 20	20 - 35	35 - 100	>100

### Notes:

1. Ratings represent “general guidelines”. The metrics are adjusted for organizations classified within certain causes.
2. According to Charity Navigator, 7 out of 10 charities spend at least 75% of their expenses on program services and 9 out of 10 spend at least 65%.
3. Program expenditure percentage is reduced by recurring deficits as a percentage of total expenses.

# Charity Navigator

## Financial Capacity

Performance Metric	10	7.5	5	2.5	0
Primary Revenue Growth (%)	$\geq 7$	NA	NA	NA	$< (-3)$
Program Expense Growth (%)	$\geq 5$	NA	NA	NA	$< (-3)$
Working Capital Ratio	$> 1.0$	0.5 - 1	0.25-0.5	0 - 0.25	$< 0$

### Notes:

1. Primary Revenue Growth and Program Expense Growth are different for each “Cause”. The above metrics represent the typical ranges for the scores indicated.
2. The Working Capital ratings represent “general guidelines”. The metrics are adjusted for organizations classified within certain causes.

**UNITED WAY OF CONNECTICUT, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
Change in unrestricted net assets:		
Revenues, gains and other support:		
Governmental grants and contracts	\$ 12,867,034	\$ 14,406,042
Local United Way revenue	823,651	596,334
Grants and contracts, other	330,427	591,161
Miscellaneous	58,643	35,887
Total revenues, gains and other support	13,889,755	15,628,424
Expenses:		
Program services:		
2-1-1 Health and Human Services	5,570,458	6,277,260
Care 4 Kids	5,788,275	6,205,645
Community Results Center	28,333	101,233
Other programs	236,577	436,869
Total program services	11,623,643	13,020,967
Support services:		
Management and general	2,098,082	2,349,076
Total expenses	13,721,725	15,370,043
Change in net assets	107,230	258,381
Net assets, beginning of year	1,682,542	1,424,261
Net assets, end of year	\$ 1,789,772	\$ 1,682,642

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**23X Statement of Functional Expenses**

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. If other organizations must complete column (A) but are not required to complete columns (B), (C), and (D) check if Schedule O contains a response to any question in this Part IX.

**1** Include amounts reported on lines 6b, 7b, and 10b of Part VIII.

	(A) Total expenses	(B) Program-related expenses	(C) Management and general expenses	(D) Fundraising expenses
Traavel and other assistance to governments and organizations in the United States. See Part IV, line 21				
Traavel and other assistance to individuals in the United States. See Part IV, line 22				
Traavel and other assistance to governments, institutions, and individuals outside the United States. See Part IV, lines 15 and 16				
Traavel and/or for residence				
Retirement of current officers, directors, trustees, and employees	725,804	241,565	484,239	
Salaries and wages	7,044,716	6,232,907	811,809	
Volunteer contributions (include section 401(k) and section 457(b) contributions)	535,796	473,193	62,604	
Employee benefits	1,553,462	1,395,231	158,231	
Travel (non-employees)	551,557	467,407	84,150	
Telephone	38,666	13,440	25,226	
Postage	41,850		41,850	
Printing	21,000		21,000	
Advertising. See Part IV, line 17				
Management fees	1,139,400	1,000,114	137	
Contractual	5,481	4,686		
Professional	169,474	143,124	26,350	
Other	283,465	253,518	29,947	
Entertainment expenses for any federal, state, or local officials, and meetings	745,955	626,899	119,056	
Depreciation and amortization	25,517	20,194	5,323	
Expenses not covered above (List in Schedule O. If line 24f (line 24f amount exceeds 10% of total amount, list line 24f expenses on Schedule O.)	201,923			
<b>24 TELEPHONE</b>	263,235			
<b>25 TRAINING AND DEVELOPMENT</b>	94,279	76,545	17,734	
<b>26 All other expenses</b>	43,153	34,983	8,170	
<b>27 Total functional expenses. Add lines 1 through 24f.</b>	13,782,322	11,681,440	2,098,882	

**UNITED WAY OF CONNECTICUT, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2012**

State Grantor / Pass-through Grantor / Program Title	State Grant Program / CORE-CT Number	Expenditures
Department of Social Services / Choices Program - Care for Risk / Employed Disabled/Section 8 / Choices Program - Children In-home / Pass-through Connecticut Association of Human Services / Financial Literacy Initiative / Total Department of Social Services	11000-20080000-10020 11000-20080000-10020 11000-20080000-10020	\$ 6,817,064
Children's Trust Fund / Community-based Child Abuse and Neglect Prevention / Child Development Initiative/Help Me Grow	11000-20080000-30434	3,168,478
Department of Children and Families / Child Development Training / Community Culture - Emergency Mobile Psychiatric / Total Department of Children and Families	11000-CTF9000-10042	3,080,288
Department of Economic and Community Development / United Way of Connecticut Job Training Program	11000-DCFP1110-20078	205,638
Department of Mental Health and Addiction Services / Network of Care	11000-DCFP1110-16141 11000-DCFP1110-400	7,193
Total State Financial Assistance	12004-E2204000-00021-009 11000-MHAS1000-10020	287,061 11,712
		\$ 11,571,433

# BEYOND CHARITY NAVIGATOR



# Revenue Reliability

- Diversified revenue sources
- Ability to generate recurring dollars
- Ability to predict income with certainty

# Operating Surplus

- Type of surplus – restricted/unrestricted
- Full Cost coverage
  - Covering principal payments on debt
  - Covering maintenance of long term assets

# Net Assets

- Unrestricted or temporarily restricted verses permanently restricted
- Net investment in PP&E

# Financial Statements

- Type of audit opinion
- Concentrations noted
- Commitments in the future
- Going Concern considerations
- Unrecorded liabilities
- Litigation
- Subsequent events

# Form 990 Warnings

- Are there issues with compliance?
- Are the board members independent?
- Has there been any significant diversions of assets?
- Are there concerns on who is being paid large sums of money?
- Are there large disposals of assets?

# Financial Leadership

- Executive Officer
- Financial Officer
- Auditor

# Financial Processes

- Management letter
- Best practices from Form 990
  - Governing body reviewing the form
  - Conflict of interest policy and enforcement
  - Whistleblower policy
  - Document destruction policy
  - Setting compensation
  - Policies and procedures to protect the nonprofit in activities with others



# MAXIMIZING YOUR ASSESSMENT: STEPS YOU SHOULD TAKE NOW!



# Financial Statements

- Always Review Draft of Statements
  - Wording is subjective – suggest changes
  - Allocations between programs
  - Level of detail provided
- Always Review Drafts of Management Letter
  - Wording is subjective – suggest changes
  - Appropriate level of comments?

# Form 990

- Overview
- Programs (part 3)
- Required Schedules (part 4)
- Filing and tax Compliance (part 5)
- Governance (part 6)
- Compensation (part 7)
- Financial Summary (part 1)

# Protecting the Donor's Donation

- Comprehensive Control Responsibilities
  - Establishing the Tone at the Top
  - Risk Assessment (what could go wrong)
  - Control Procedures (how to protect yourself)
  - Information and Communication (sharing)
  - Continuous monitoring (for effectiveness)



**QUESTIONS?**