

FINDING GOOD DONORS

By Jessica Bowman



The key 15 indicators of a 'High
Performing Charity

Produced by

SEEDLING GIVING

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INTRODUCTION

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Philanthropists are increasingly sophisticated in how they choose charities to give to. Gone are the days when they'll give money to just *any* charity.

They are now looking for charities that express their own identity and purpose.

They are insisting that their money makes a difference in a direction that is consistent with their ideology.

Not only that, they are now only giving to the *best*: those that have high standards and deliver on them.

At Seedling Giving, we find high performing charities that align with donor values. We apply a rigorous due diligence process that looks at over 50 indicators of performance to identify the best.

In this book we explore in depth 15 of those indicators across the themes of financial integrity, leadership, effectiveness and donor management. Charities that meet these criteria tend to be attractive to our philanthropists and will typically have greater success at securing donations.

We know that philanthropists are looking for charities that *reflect their identity* as much as the car they choose to drive or the handbag they carry. By operating with integrity and presenting your charity in the best possible light, you can make it easy for them to choose you.



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FINANCIAL INTEGRITY

Philanthropists need assurance that their donation is used as described.

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1. AUDITED FINANCIAL RECORDS

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Serious philanthropists will only donate to charities with audited financial records. The reason for this is obvious - they need to know that a qualified independent third party has reviewed your finances and they are a true reflection of your financial status.

Audited finances contain important information, like:

- if there are any material concerns or risks to your charity operating on an ongoing basis
- if your charity has complied with all relevant fundraising laws
- other important information contained in the auditor's opinion.



Present audited financial records to provide donors with assurance that your charity can be trusted.

2. BREAKDOWN OF EXPENSES & INCOME

Donors want to understand how the charity earns and spends money. Charities that rely heavily on government funding are very different to charities that source their income from donations. Similarly, charities that distribute funds to other charities are different to those that run their own programs.

High performing charities make it easy for donors to understand how they earn and spend money. Donors can read the income statement and quickly grasp:

- The major income sources of the charity (e.g. donations, government funding, service/consulting income)
- The major expense categories of the charity (e.g. program funding, administration, fundraising)

Not only that, high performing charities will categorise finances in a way that is meaningful and consistent with their overarching strategy. They will provide a high level of detail in the financial notes. For instance, donations will be disaggregated across different groups, like bequests and fundraising campaigns. And/or, the specific names of the grants they have received will be listed. They may list core program/service areas and show how much money was spent on each one. It's this kind of detail that provides donors with a strong understanding of the charity's priorities, thereby increasing their confidence in the charity.



Break down earnings and spending into meaningful categories in the notes of your financial records.

3. SPENDING ON THE “CAUSE”

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Philanthropists don't mind if money is spent on quality administration and fundraising. They also don't mind if some money is invested to preserve the financial integrity of the charity. However, they do expect that the majority of funds go directly to the cause.

It is reasonable for charities to spend 10-15% of their income on administration, and about 10% on fundraising. A further 10% can be invested for a rainy day.

However, if less than 60% of income is spent on delivering programs/services, this signals your charity has lost grasp of their true purpose.

Remember, donations are given to make an impact, not to build the charity's cash reserves.



Show donors how the majority of your income (>60%) is used to deliver programs/ services.

4. FUNDRAISING RETURNS ARE MORE THAN 2X THE FUNDRAISING INVESTMENT

Fundraising is necessary for a charity to reliably earn donation income. However, like everything, there is good fundraising and bad fundraising. Philanthropists HATE seeing their donation wasted on glossy brochures and unsolicited phone calls.

High quality charities will invest in fundraising that works; more specifically, fundraising that delivers more than 2 times the investment. The best way to demonstrate this is by showing clearly in your financial report:

- How much you have spent on fundraising
- The income generated from fundraising.



Publish financial results that show your fundraising is effective.

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LEADERSHIP

The values, integrity and performance of a charity depend on its leaders and their incentives.

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5. DESCRIPTION OF THE PEOPLE ON THE BOARD

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A charity is a reflection of its people and culture. The leaders of the charity are instrumental in setting the values, integrity and performance of the charity. Strong leaders unapologetically set the stage for what the charity stands for and how it operates. Weak leaders will shirk this responsibility, and in doing so, unintentionally set up an organisational culture that is malleable and uncertain.

Philanthropists want to support charities that have leaders that they admire, respect and can rely on. High performing charities will actively seek out highly qualified leaders with a personal interest in the charity's cause. The charity will transparently show donors who the leaders are, what they bring to the leadership team, and how long they have been involved in the charity.



Highlight your charity's leaders, their qualifications, accolades and interests to reassure your donors that they are the right people for the job.

6. INVOLVEMENT OF DIRECTORS

Director's need to demonstrate they are leading the charity. Plenty of people will take on a "paper" director role if it doesn't require any work and will improve their credentials. People of integrity, however, will take the role seriously.

Philanthropists quickly understand how invested a board is by reviewing board meetings and attendance. A board that only meets 2 times a year is not as invested as a board that meets 10 times a year. Similarly, if the chair of the board rarely attends meetings, their leadership is questionable.



Publish the meetings that your board attends so your donors know they are taking an active role in leading the charity.

7. DESCRIPTION OF THE EXECUTIVE TEAM

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One of the most important roles of a board is to appoint a high quality executive team. In fact, you know exactly how good a board is by the kind of person they can appoint as CEO.

Philanthropists want to know who the CEO and other executive team members are. They want to see they have the appropriate qualifications and that they have values that are consistent with those of the charity.



Highlight your executive team; their experience, qualifications, interests and accolades to reassure your donors that they are the right people for the job.

8. POLICIES TO AVOID CONFLICTS OF INTEREST


Director's must NEVER use the charity for their own financial benefit. There should not be any doubt of this. If you find yourself justifying why a board member's company secured a contract from the charity, it's too late, the trust has been lost. To repeat: it is NEVER acceptable for a charity's leadership to gain financial benefit from the charity's operations.

How might a director use a charity for their own benefit? Here are some examples we have seen in some Australian charities (don't do this):

- A Chairman's company received \$250,000 from the charity to upgrade their IT system
- A Director's wife was paid \$40,000 a year to manage the charity's social media pages
- A charity leases their office premises from a Director at an undisclosed rate
- A charity's investment portfolio is managed by a Director at an undisclosed rate

Philanthropists don't want to see these kinds of transactions. They want assurance that the charity has policies in place that avoid these conflicts of interest.

What if there's not another option? The director should offer the work on a pro bono or heavily discounted basis. High quality charities secure a significant amount of pro bono work from the firms that their directors sit on. In-kind work offered by the charity's leaders is an extremely good sign that they are genuinely interested in the charity's success.


 *Ensure your charity does not allow board members to benefit financially from the operations of the charity.*

9. DISCLOSURE OF BOARD AND EXECUTIVE PAY

High quality executives that manage a large workforce and that deliver great results should be paid well. To understand if the leadership are being appropriately remunerated, your charity needs to clearly disclose:

- Board remuneration and reimbursements
- Executive remuneration.

Philanthropists like transparency. The clearer you are about who is being paid and how much they are being paid, the harder it is to hide an unreasonably high salary. This improves trust.

 *Disclose board and executive pay.*

PERFORMANCE

Philanthropists like to see that their charity can deliver meaningful results.

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Quality charities will be clear about what they are working to achieve over the next 5 years. They will be precise and specific; goals will be measurable. They will be proud of their strategy and they will stick to it.

Philanthropists like consistency. By undertaking activities that sit outside the strategy, you are deflecting the charity away from their core mission. You can also confuse donors and undermines their confidence in your charity's message. Donors want their charities to report results against the backdrop of their strategic goals. They want to see progress against the strategy.



Publish your strategy.


II. HOW THE PROGRAMS WORK (THEORY OF CHANGE)

It is easy to identify problems, but it's much harder to solve them. High quality charities obsess over finding the best way to solve a problem. They will test different solutions and constantly monitor their success at this. When information reveals that what they are doing isn't working, they will adjust.

Here are some examples:

- A charity that assisted orphanages found out that most of the children had families but the families were struggling to support the children, so the charity transitioned to a model of assisting families to stay together and become self-reliant
- A charity that provided free shoes quickly found that they were destroying local enterprise, so transitioned to a model of collaborating with the local enterprises
- An environmental charity that planted trees found marginal success in their plantings 10 years on, so transitioned to a model of rehabilitation of existing patches of remnant native vegetation.

Philanthropists are impressed by charities that think through the complexities of the problem and use the best available information to solve those problems.

 *Describe how your programs work. If available, provide evidence.*

12. REPORTS THAT SHOW PROGRESS

Philanthropists want to see charities that are winning. High quality charities show that they are achieving their goals by presenting their results next to their targets. This is easier said than done. In order to be able to present meaningful results, the charity needs:

- Clear goals that are agreed on by relevant stakeholders
- Reliable and unbiased ways of measuring those goals.

Philanthropists know this work is hard. They know it's even harder for a charity to report results that don't look as good as they'd hoped. However, when a charity is transparent about their performance, it is a strong indicator that they operate with integrity and can be trusted.

 *Report your progress against pre-defined targets.*

13. EVIDENCE THAT PROGRAMS ARE EVALUATED

High quality charities are constantly improving. They are consistently iterating their programs to build on their strengths. The way they do this is by intimately understanding the parts of their programs/services that work and those that don't.

Philanthropists look for charities that continually evaluate their programs/services and that use the findings to improve. They are impressed by the charities where evaluation is at the heart of their operations and is used to inform future directions.

 *Show how you are evaluating and improving your programs/services.*

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DONOR MANAGEMENT

*Provide ways for donors to emotionally connect with your brand.
Without this, your results and performance can be meaningless.*

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14. BUILDING TRUST

Clear and consistent messaging is vital to building trust with your donors. Importantly donors need to know who you are and what you stand for. They want to be able to emotionally connect with your brand. Provide them with stories and case studies that show the real impact of your work.

Consistency is key. Charities that find a niche and stick to it are easy for donors to connect with. Don't try to be all things to all people. Similarly, keep your purpose simple to prevent donors getting confused about what it is you do and why.

To know if your charity is making it easy for donors to connect with you, consider the following:

- Clarity of purpose and direction - what is your purpose? What direction are you headed? Is this crystal clear to all staff, beneficiaries and stakeholders? How are you different from other similar charities?
- Leadership/team - are the people that guide your charity living and breathing examples of your values? If you're focused on women's rights, are your leaders mostly women? If you're edgy, does the experience of your board reflect that? If you're focused on animals, do you show how board members are also obsessed with animals?
- Branding - how does your brand reflect your values? Are you conservative or disruptive? Are you focused on the local community or is your model scalable and high growth? Donors should be able to get a good feeling for what your charity does and your values by the fonts and images you use on your website.



Embed your purpose and values consistently across your whole charity; most importantly in the brand you present and the people you hire.

14. OPPORTUNITIES TO ENGAGE

Many philanthropists want opportunities to engage with your work. This gives them the opportunity to meet those that work in your charity and to learn first hand about your work. It also gives them a concrete piece of assurance on how their money is being used. In some instances, it can even forge relationships between like-minded people chasing a purpose, something that many people are yearning for.

High quality charities will have a range of meaningful ways to get involved. This may include:

- Volunteering - both skilled and unskilled
- Attending events
- Organised field visits.



Provide opportunities for donors to engage with your charity.

CONCLUSION

Philanthropists increasingly want to give to those charities that capture their own personal values. They also want to only give to the best, and insist that their money makes a real difference in a direction that is consistent with their ideology.

Here Seedling Giving outlines 15 key indicators we look for to identify high performing charities. If your charity meets these standards, you will make it easy for donors to connect with you.



CHECKLIST

Use this checklist to find out if you are a charity that philanthropists will want to donate to.

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Are you a 'High Performing Charity'?

- ✓ Audited financial records are published.
- ✓ Earnings and spending are broken down into meaningful categories in the notes of your financial records.
- ✓ It is clear that the majority of your income (>60%) is used to deliver programs/ services.
- ✓ Financial results show your fundraising is effective.
- ✓ Your charity's leaders, their qualifications, accolades and interests are presented and reassure your donors that they are the right people for the job.
- ✓ The meetings that your board attends are published and show they are taking an active role in leading the charity.
- ✓ Your executive team; their experience, qualifications, interests and accolades reassure your donors that they are the right people for the job.
- ✓ You show how your charity does not allow board members to benefit financially from the operations of the charity.
- ✓ You have disclosed board and executive pay.
- ✓ Your strategy is published.
- ✓ You describe how your programs work and provide evidence(if available).
- ✓ Progress against pre-defined targets is reported.
- ✓ You show how you are evaluating and improving your programs/services.
- ✓ Your purpose and values are embedded consistently across your whole charity; most importantly in the people you hire and the brand you present.
- ✓ There are opportunities for donors to engage with your charity.

ABOUT US

S E E D L I N G G I V I N G

ABOUT JESSICA BOWMAN

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This ebook was written by Jessica Bowman, Co-Founder of Seedling Giving.

Jess is an experienced analyst with a passion for finding great charities. In 2015, she founded The Good Cause Co., the first website in Australia to provide comprehensive, independent reviews of Australian charities. The Good Cause Co. also provided donor services, placing over \$15 million dollars of philanthropic funding.

Jess is a former Director of Social Impact Management Network Australia (SIMNA), was a FYA Young Social Pioneer (2016) and an Australian Government Youth Ambassador for Development (2010). She has a Masters of Science majoring in Environmental Science and Bachelors of Finance majoring in Economics. She has over 10 years experience advising government and multilateral agencies, including the UN and the World Bank.

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ABOUT SEEDLING GIVING

Seedling Giving provides Australians with free one-on-one charity matching, where we learn about an individual's values, passions, life experiences and tailor a bespoke charitable giving opportunity specific for them. We work with Major Donor wanting to place a one-off gift of at least \$5,000.

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GET IN TOUCH!

Seedling Giving is building a panel of 500 charities that will be part of our shortlist. All organisations have to pass through our due diligence and review process.

Registered your interest to be considered [HERE](#).

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Pure hearts, positive impact & kind souls

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