donorperfect

How To Use Data To Manage Your Nonprofit

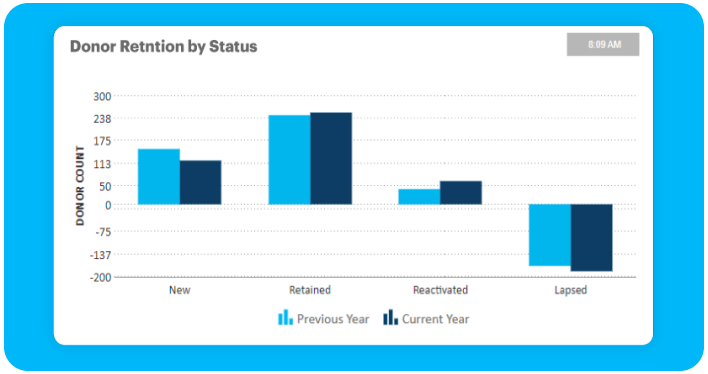
Operate more like a business while staying true to your organization's mission

Take a page from the for-profit sector

Some people don't like to think about running their nonprofit like a business. Nonprofits are different, after all, they have no shareholders and are not 'supposed' to make a profit. But when it comes to managing nonprofit finances, the most successful nonprofits focus on key financial metrics just like the most successful for-profit businesses.

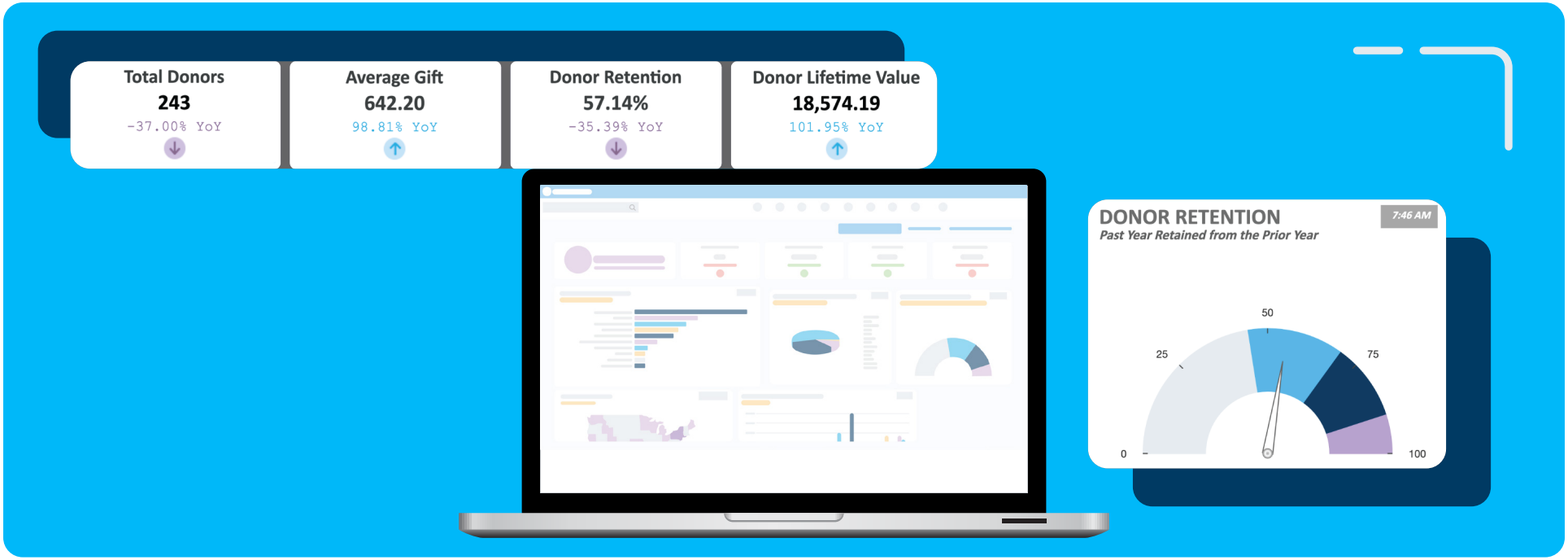
Much of a nonprofit's revenue stream relies on the ability of staff members to capture the hearts and minds of donors. And although fundraisers might not consider themselves in sales, their goal is the same: to make a personal connection that motivates people to support your organization.

Just like a business, the success of your organization depends on making money, so consider taking financial management ideas from your for-profit peers.



This e-book will highlight 3 ways to do just that:

- Key performance metrics every nonprofit should use
- 7 reports to help you grow your nonprofit's financial success
- Using the right tools for the right job: accounting software vs. fundraising software



2 essential business metrics your nonprofit should know:

Managing for a Surplus ("Net Profit Margin")

Calculate this metric by dividing your net profit by your total revenue. It tells you the percentage of your revenue that is a surplus. If you're running a deficit, meaning you are spending more money than you're bringing in, you won't be able to support your mission. You can use the net profit margin percent to help plan future initiatives and set goals for the organization.

Pledge Collection ("Aging Accounts Receivable")

In the nonprofit world, this calculation indicates how well you're doing at collecting donations. Getting a pledge is the first step, but collecting is just as important. Automatic pledge collection can help reduce the amount of donations that get written-off if your nonprofit is unable to collect.

Do what the pros do:

- Schedule reports to be sent to you and your team on a recurring basis
- Keep your board informed with key performance metrics
- Create your own custom reports with snapshots of your data

Performance Metrics for Every Type of Fundraising Initiative

Financial transparency is a big issue these days. Charities are required to report what percent of donations support their mission vs. the amount of donation dollars they use to pay for staff salaries and other administrative expenses. Many donors decide whether to donate to a charity based on that information.

Also, different types of nonprofits need to focus on specific metrics to meet their unique needs. Here's a breakdown of metrics you might want to consider monitoring, depending upon your organization's fundraising objectives.

Fundraising

- Growth in the number of donors, including major donors
- Average donation per donor
- Number of new and lapsed donors
- Number of upgraded donors- those who gave more than last year
- Number of downgraded donors
- Lifetime value of a donor
- Donor retention and attrition percentages

Special Events

- A Special event revenue
- Number of attendees
- Average revenue per attendee
- Average cost per attendee
- Number of new, retained, and lapsed sponsors
- ROI of each event

Membership-Related Revenue

- Number of new, retained, and lapsed members
- Member retention
- Average sales per publication
- Number of members and conference attendees

Cultural Events Such as Museums and Performing Arts

- Number of visitors and ticket sales
- Number of memberships, including new members and retention
- Average ancillary sales per visitor or attendee
- Event Feedback

Alumni Engagement

- Enrollment
- Retention of students
- Graduation rates
- Student to faculty ratios

Some of these metrics may seem obvious. Of course you know how many people attended your last event. But think about your reporting structure. Are you able to generate a report that shows not only the number of attendees, but the average revenue per attendee? Maybe you track the average donation per donor. Determine if you have a report that shows that information over time, allowing you to track seasonal variances.

The key is to think about running your nonprofit like a business. When you do that, you'll find that you can analyze the information you have in different ways, providing even more insight that can help your nonprofit succeed.

7 Reports You Should be Monitoring Regularly – Sandy Rees, CFRE

You can't manage what you don't measure. The trick is to measure things that matter. What really matters? What are the things that will help drive your fundraising forward?

Here are 7 reports you should be running at least monthly and monitoring the results, so you can tweak your fundraising plan accordingly, and stay on track to fully funding your nonprofit's good work.

#1 new donor report

Your donor base is the lifeblood of your fundraising program. Set a goal for the number of new donors you need during the year, then break it down into monthly goals. Watch not only the number of donors, but where they're coming from so you know which marketing and outreach efforts are really paying off.

#2 lapsed donor report

In addition to watching the number of new donors coming in, be sure to monitor the number who are leaking out the other end. Minimizing the number of lapsed donors will mean fewer new donors are needed. Prevent the lapse in the first place with a Lapsed Donor Renewal campaign.

#3 donor retention

Keep a close eye on the number of donors that are giving from one year to the next. As you review the data, look for trends. Are there groups of donors that seem to give at the same time each year? Or maybe in response to an appeal? The more you can learn from your data, the better job you can do raising money.

#4 total revenue by solicitation

Think of everything you do as a solicitation, or campaign. You have a grant solicitation, an appeal solicitation, an event solicitation, etc. Then measure revenue by solicitation. Each month, have a close look at your goals to see if they're on track. It's easier to make adjustments as you go than to get to the end of the fiscal year and try to fix a derailed train.

#5 monthly donors

Check on your monthly donors each month to make sure they're all giving. Think of their donations as pledge payments (because that's what they are). Pull the report each month and call any donors who are a couple of months behind. It's the best way to keep your monthly revenue stabilized and flowing in.

#6 top donors

Each month, ask your donor software to show you who your top 10 donors are. Are there any names on the list that surprise you? Do you need to take steps to love on them this month? What seems to be motivating them to give? Let the data talk to you.

#7 volunteer hours

Most nonprofits can't run without volunteers, and measuring the number of volunteer hours not only tells you the amount of time people are giving, but also gives you an idea of what it would cost if you had to pay for a staff person(s) to cover those tasks. Plus, many donors like knowing that you're using lots of volunteers to get deliver services.

The right tools for the job

FA business uses a Customer Relationship Management (CRM) system to manage its relationships and contacts with its customers. A nonprofit uses a similar tool, often called a Donor Management System, Constituent Management Software, or simply, Fundraising Software.

Fundraising software allows you to manage and analyze data for all of your constituents (donors, volunteers, board members, event attendees, etc.) in a single, unified database. It's more than just managing the numbers - it's about managing the relationships.

With fundraising software, you can track the type of relationships your constituents have to particular organizations, as well as the relationships they may have with one another. For instance, your database is likely to include members of the same family and organizations that employ many of your constituents.

Fundraising software helps you reach the right people with the right message. From generating targeted solicitations to keeping notes on potential major donors, good fundraising software provides the tools for communicating, tracking, and managing your campaigns and results.

Remember, the number one reason why people give money is because they are asked.

If you don't have the right tools to track your constituents, you won't raise more money because you won't ask the right people. Focused solicitations get better results!

The difference between accounting software and fundraising software

Accounting software and fundraising software each serve their own function in the organization. In the hopes of saving money and trying to make things easier, many nonprofits try to use their accounting software like QuickBooks to manage their fundraising needs. And while some accounting products offer some surface-level fundraising tracking, that's like trying to dig a hole with a hammer - it's the wrong tool for the job!

Fundraising software is designed to:

- Allow nonprofits to track and manage relationships with donors and other constituents
- Keep gift records to ensure donors are thanked, receipted, and credited appropriately
- Encourage and enable nonprofits to boost retention with tools that increase and maintain donor engagement

Accounting software is designed to:

- Manage financial records in a manner that follows the Generally Accepted Accounting Principles
- Simplify important financial tasks such as: accounts payable, purchase orders, accounts receivable, payroll and inventory

Accounting software should complement the development and relationship management functions that your fundraising software helps you accomplish. Your accounting package can help with bookkeeping, financial statements, payroll, expense management, and tracking non-donor revenue. All you need is a good interface between the two so the development staff can work with the accounting team more efficiently. Many of the better fundraising software systems offer these interfaces.

Take aways:

The best businesses focus like a hawk on key performance metrics so that they're constantly improving efficiency and increasing profits. Adopting the same techniques will mean more money for your organization, which will help you achieve even more and attract new donors.

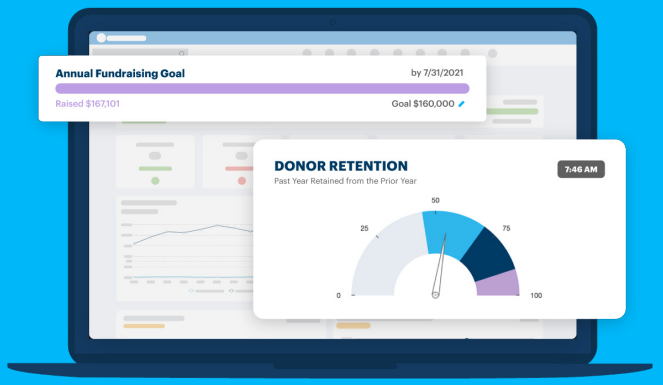
The people who care about your mission will want to give to those that use their money most efficiently and effectively. And the best ways to do that is to have the right tools for the job, such as fundraising software for development that interfaces with accounting software. Combined, these tools can help you easily and efficiently track the key metrics and reports you need to measure your success. The more you measure and adapt, the more you'll be able to grow.

Contributing Authors

Sandy Rees, CFRE, Get Fully Funded

Sandy shows passionate nonprofit leaders how to fully fund their big vision, so they can spend their time changing lives instead of worrying about money. She has helped dozens of small nonprofits go from "nickel-and-dime fundraising" to adding 6 or 7 figures to their bottom line. As a trainer, she shows her students how to find ideal donors, connect with them through authentic messaging, and build relationships that stand the test of time, so that fundraising becomes easy and predictable. Sandy is based in Loudon, TN. Find out more about her fundraising system at www.GetFullyFunded.com.

Jimmy Mo, CPA, Partner, EisnerAmper LLC

Jimmy Mo is a Partner who leads the Not-for-Profit Services Group in Pennsylvania. He has more than 15 years of auditing experience. Jimmy has extensive experience in the not-for-profit and health care sectors, including (but not limited to) experience with the OMB Uniform Guidance (or OMB Circular A-133) audits, museums, cultural organizations, religious organizations, foundations, research and scientific organizations, voluntary health and welfare organizations, educational institutions, higher education institutions, performing arts, professional associations, trade associations, and social service organizations.

Learn how to effectively manage your nonprofit with DonorPerfect Fundraising Software on our website, or call (800) 220-8111.