



Feature Article

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That Thing Called *Transparency*

By Andrea Mills

We all know that one of the tradeoffs to being a nonprofit is the constant need for *transparency*. With the acceptance of tax free status, the federal government requires us to make our financial information available to the public through websites (e.g. Guidestar, Charity Navigator, and others) or in person, upon request.

With transparency comes the forced acceptance of public scrutiny from prospective donors, peers, stakeholders, and the occasional print or television reporter. The last thing any nonprofit wants is to see its profile raised in a highly public venue for all the wrong reasons.

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First, make sure that all members of your organization understand the purpose of the numbers. It is important that all parties can understand and speak about how the organization is represented.

A recent example with one of our clients occurred when a website downgraded them from 4 stars to 3 stars because their fundraising percentage increased. Did the staff for the watchdog group take the time to delve deeper to figure out why? NO! They simply plugged numbers into a spreadsheet and, lo and behold, the spreadsheet said it is time to downgrade. What actually happened was that this organization was doing the right thing. They hired a full-time Development Director during a challenging time when putting additional funds to development was absolutely needed. The downgrade by the watchdog hurt – but not having a Development Director would have hurt more.

Second, understand that your numbers do not reflect your effectiveness.

As more and more nonprofit professionals work towards having the capacity to link costs to efficacy in winning the battle against hunger, poverty, infections and everything else that requires nonprofits to function in the world, the cost allocations, as reflected through functional expenses, do not reflect that today. If administrative costs increase, this does not tell us whether we were able to feed more poor people, eradicate disease or provide affordable housing. What needs to be tracked is whether costs on a yearly basis provide the same services as before. We should ask ourselves: *Is the need for our services increasing, and how does that affect our infrastructure needs for additional people or resources? Likewise, are we actually making strides to fulfill our mission?*



Lastly, understand that the requirements for transparency allow for marketing opportunities.

At times organizations can suffer from being too modest about their accomplishments. Why not toot your own horn and tell the public all of the wonderful things that your organization is doing? There are several places to do this.

The Form 990 asks us to specify our largest program accomplishments on page 2, so use that forum as a way to emphasize your biggest victories. Similarly, in note 1 for the footnotes of the audited financial statements, we are asked to describe our organizations. This is also an opportunity for us to state program accomplishments for the year in a strong way that shows what it is we do for the world.

For nonprofits, transparency is the cornerstone of integrity. But, although it takes some thought and effort, it should not be seen as an undue burden. Through careful understanding, preparation and planning, transparency can become your organization's greatest marketing tool.

For more information on how your organization may better use transparency tools, contact Andrea Mills at AMills@fmaonline.net.