

How to Use Form 990 to Attract More Donors

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Not-for-profit (NFP) or exempt organizations are generally required to file an annual federal form regarding their finances, activities and governance practices. The IRS Form 990 (the 990) is the most commonly filed form by public charities. Given the recent evolution of cloud-based accessibility of the 990, it is crucial for NFPs to ensure they are accurately conveying financial and other information within the framework of this important annual filing.

The advent of the internet in the 1990s provided NFPs with the ability to tell their stories in a different way – not only with quantitative data, but also by means of multimedia content regarding missions and accomplishments designed to reach and emotionally appeal to a wide-ranging audience of potential donors in customized, pictorial and graphic ways.

Donor Appeal

The 990 can be a long document, depending on how many schedules are applicable to the organization and includes a considerable amount of detailed information. Public disclosure requirements mandate that NFPs make their 990 readily available to the public upon request and many organizations post it on their website for ease of compliance. They also make it available via links to third parties, such as Candid (formerly GuideStar) or Charity Navigator, both of which obtain, compile and post filings of the 990 from the IRS as well other data provided by individual NFPs.

Information and ratings by third-party entities play an important role in gaining donor trust, a topic that [Give.org](https://www.give.org) has been researching and reporting on for a number of years through periodic surveys and analysis. The survey results consistently show that an organization's *accomplishments* are typically ranked by donors as the most important indicator of trust, with third-party evaluations following as the second most important factor.

Informed Decisions

Charity Navigator and Candid are the two leading evaluators. Their objectives are to provide information to donors by advancing transparency to help them make informed decisions. Both entities incorporate 990 filings from the IRS and make them available free of charge to the public. Candid relies on NFPs to take ownership of and curate their profiles while Charity Navigator obtains its data from E-filed 990s. In 2021, Charity Navigator completed the initial roll out of its Encompass Ratings System, which reports mission descriptions and other data from 990s filed by nearly 200,000 NFPs.

There are four primary components to an Encompass Score:

- 1) Finance and Accountability
- 2) Impact and Results
- 3) Leadership and Adaptability
- 4) Culture and Community

The Finance and Accountability component is scored from 0-100, based not only on financial ratios, but on governance practices related to annual audits, Board composition, whistleblower policies, Board minutes, conflicts of interest policies, records retention and even whether the NFP's web address is listed. A score of 75 or above indicates that a NFP is effective and transparent in the areas being assessed, qualifying it for a "Give with Confidence" designation on its Charity Navigator profile page.

Evolutionary and Intermingling Ratings

In 2022, Charity Navigator will expand its scoring components to include information on programs and diversity, equity and inclusion (DEI). And perhaps, most importantly, the long-standing Star Ratings will be merged into the Encompass Ratings. The more than 9,000 charities that currently have Star Ratings may want to pay close and active attention to this important change.

Candid continues to evolve as well. Beginning in 2022, the GuideStar Bronze, Silver, Gold and Platinum seals are recast as the “Candid Seals of Transparency.” Candid provides a framework within which NFPs must input and maintain their own information. The progression essentially begins with a simple step of claiming the NFP’s profile and culminates with providing detailed information regarding strategic plans and disclosure of diversity, equity and inclusion (DEI) information. NFPs can even disclose their alignment with one or more of the 17 UN Sustainable Development Goals.

NFPs should be aware that information from their Candid profiles is now being actively utilized by Charity Navigator. The Encompass Score on the Culture and Accountability beacon is entirely driven by whether an NFP has provided sufficient data for the Constituent Feedback and/or DEI sections of their Candid profiles. As of February 2022, roughly 41,000 NFPs have started to actively manage their profiles, with less than half reporting DEI information.

The Impact of Form 990

Cultivating donor trust is intrinsic to fundraising and proper and complete 990 reporting plays a significant role in this regard. The data reported on the 990 is a cornerstone of Charity Navigator’s evolving rating system, upon which other elements such as culture, leadership and impact are layered. The bottom line is this: it is now more important than ever for NFPs to understand how information reported on their 990 can impact how they will ultimately be viewed by the general public.

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