
Good Financial News You Can Use

The Lilly School of Philanthropy has projected that 2021 and 2022 will see positive gains in philanthropy, with a 4.1% increase in 2021 and a 5.7% increase in 2022. Individual/household giving is expected to have a year-over-year increase of 6% in 2021 and 3.9% in 2022. This is in spite of 33% of nonprofit executives expecting a decline in philanthropic giving, according to the CCS Fundraising Survey January Report. However, most of those nonprofits are basing their projections on not being able to host fundraising events.



Furthermore, according to an article in the March 30 Chronicle of Philanthropy, financial experts are also projecting a positive outlook as we head further into 2021 and beyond, based on the following:

- 1) Strong growth in the Gross Domestic Product
- 2) The stock market is near an all-time high and remains relatively unscathed by the pandemic
- 3) Government spending has provided temporary relief for many nonprofits, along with also shoring up states so that support can continue locally
- 4) February's jobless rate was at 6.2%. While this recovery has been a "K" recovery – with many people still struggling to recover, having a large percentage of the workforce that has significantly recovered, bodes well for charitable giving and optimistic projections.

What are Functional Expenses and Why Do They Matter to Nonprofits?

By: Susan Rosati

The IRS requires nonprofits to divide their expenses into three categories that include program, management and general, and fundraising for filing the 990 tax return. Essentially, functional expenses describe the purpose of any expense. This is different as compared to natural expenses, which are based on the type of payment such as supplies or insurance.

Program expenses are the expenses needed to run the core mission of the nonprofit and are usually the biggest group. These are the costs that are delivered through programs or services. They also include direct or indirect program expenses. Direct expense are tied directly to the program, such as staff who deliver your services. Indirect expenses, such as utilities or billing services, are often allocated because they do not tie to any one particular program. Traditionally, donors prefer nonprofits that spend most of their money on programs and do not like funding "overhead." However, during the pandemic we have seen a significant shift away from that perspective as more donors rely they need to support the entire organization if they want their nonprofits to survive and thrive.

Management and general expenses are supporting expenses that cannot directly tie to your programs. These expenses can include insurance, human resource management, or rental space allocated for administration.

Fundraising expenses are those costs incurred raising contributions for the organization. This could include expenses related to fundraising events, direct mailers requesting donations, and wages of fundraising personnel.

It is important that nonprofits understand how to categorize functional expenses so that they are following IRS guidelines. However, there are no specific IRS requirements given on determining them. Nonprofits need to develop a functional allocation plan and document it. If your Executive Director is spending time thinking and planning how to grow a new service to meet a growing need in the community, that should be considered a program expense. However, if the Executive Director is meeting with a donor, that time is fundraising costs. And if time is spent planning a new hire orientation, then that would fall under Management and General Expenses.

Functional expenses are broken down in a matrix on the 990. They are also critical because of the audience reviewing them. Funders, donors, grantors, regulators, board members and the press all look to the 990 functional expenses as a way to understand

how well the nonprofit is spending towards fulfilling their mission. So your organization should pay attention as well as to how your expenses are allocated in order to give the most accurate picture of your organization's investment in your mission and your community.

Perspectives on COVID-19: One Year Later



COVID-19: LESSONS LEARNED

It's hard to believe that a whole year has gone by since the pandemic caused the shutdown in March of last year. So much has changed, and humanity as a whole still has some healing to do. However, we here at Danosky & Associates have reflected on the lessons we have learned in the past year, and how we have grown since the world has changed. Here's what our team

has to say:

Matthew: For me, as it did for many people, the pandemic magnified the lesson that we're all connected and dependent on one another. It's been especially hard for that lesson to come at a time when we couldn't be together in person, but I'm looking forward to reconnecting with all the people I haven't seen in the near future!

Sharon: I was petrified when we went into quarantine on March 13th. I literally watched business disappear. I felt a powerful sense of foreboding and isolation. I react to crisis by taking action – always have – it's my adrenaline response. I remember the next 8-10 weeks were crazy as I pivoted, developed webinars, and tried to curate information that was coming in and get it out to our sector via newsletters. For several months, it was a blur. Now, as I look back – I realize how profound a change this has brought about. I have shifted my business model, recruited new members to our team, found more balance in my life, and have enjoyed my home in a way that I had not done previously. Family ties strengthened, friendships deepened, and new ones came about. And I have become far more aware of my own white advantage and the need to look at my work and relationships from a more inclusive perspective. As difficult as this was – and I never wish to go through anything like this again – I am nevertheless so grateful for all I have experienced and learned.

Jaclyn: It's hard to believe a year has passed since COVID took over our country. One thing I have learned is just how valuable our family, friends, and loved ones are. Not being able to come together for holidays, birthdays, and special occasions has been difficult. Hugs have been replaced by phone calls and zoom sessions. Things that used to be simple, like going to the grocery store or out to eat, no longer are. While we stop and look at the world around us, I cannot help but realize what I used to take for granted. Once this is all over, we will pick ourselves back up and all appreciate each other more than ever before.

Sue: I was never one to take life for granted but the pandemic certainly gave me a whole new perspective on the subject. Life and relationships became much more precious. As our country became divided this past year, even over how to deal with the pandemic, I was gravely concerned but still saw hope. I learned we can get through anything if we put our minds to it. I also learned that being able to pivot quickly during a crisis can really make a huge difference.

Juanita: I remember sitting at work one day arranging the final logistics for the upcoming projects and workshops that were on Danosky & Associates' calendar when Sharon came through the door and announced, "*We need to invest in Zoom.*" My only thought was, "Zoom? What's Zoom?" Sharon was thinking far beyond that day. Her thoughts were months, even years ahead of what would soon be known as the "new normal." That's when my whirlwind began. I quickly learned just about all there was to know about this thing called... "Zoom," and after spending countless hours together, Zoom and I became close friends. Thanks to Sharon's long term vision, Danosky & Associates pivoted to a complete virtual and remote platform in a matter of weeks. There was no stopping me after that. I scheduled standing meetings with family and friends each Saturday and Sunday, which have lasted the entire year. One thing this new normal has taught me is to cherish family and friends and to spend as much time enjoying them as possible. And I also learned that I can pivot with the best of them.

Casey: Reality as we knew it changed in March of last year, and life changed with it. I am so grateful to have been able to experience studying abroad, a college graduation, moving to a new place, spending time with friends and family, celebrating holidays, and going through the seemingly "normal" motions of life before COVID. A year later, it took some personal growth and acceptance, but I don't take any of the little things in life for granted. I have spent a lot of much-needed time discovering a new path in my career, spending time with my newly vaccinated grandmothers, leaving time for hobbies, and living this new life to the fullest. I feel that humanity was given a reality check and we have to choose to grow from this!

SCAFFOLDING FOR THE FUTURE: Danosky & Associates Webinars



- **Friday, April 16, 8:30 - 9:30 AM: Budgeting with Scenario Planning – Hosted by Susan Rosati**

Scenario planning during the budgeting process is a great way to plan for the unknown. Exploring multiple futures with multiple perspectives gives a nonprofit more control over unplanned circumstances. We'll walk you through some key drivers to look at along with a process to follow when developing your scenarios. It doesn't need to be overly complicated and should focus on high importance and high risk. Think of it as a guard rail guiding your nonprofit along so you can focus on your mission.

\$29 for non-members, and FREE for D&A members. Click [HERE](#) to register!

Community Foundation of New Haven Presents: *Creating and Nurturing Diverse Boards*

In conjunction with the Community Foundation of Greater New Haven, Danosky and Associates is honored to present a webinar about the importance of creating and nurturing diverse leadership boards. We have gathered a group of diverse panelists that will offer insight into creating a more diverse, equitable, and inclusive board.

- **Thursday, April 15, 8:30 AM**

If you are interested in attending this webinar, please reach out to admin@danosky.com for the link to join!



Brick By Brick Today: NEW D&A Podcast Alert!

Budgeting with Scenario Planning

Scenario planning is a great way to plan for the unknown. Listen to hear more about some key drivers to look at, along with a process to follow when developing your scenarios.

Listen [HERE!](#)

AFP 2021 Principles of Fundraising Certificate Program



Now in its 13th year, the Principles of Fundraising series continues to provide high-caliber, basic-skills development in the art and science of fundraising for nonprofits.

Created by the Association of Fundraising Professionals (AFP) Connecticut Chapter, the series provides five introductory-level, half-day workshops focusing on theory and practice taught by AFP members who are experts in their respective fields. Workshops are designed to help new and established nonprofit organizations raise money more effectively and efficiently.

Dates & Topics:

Wednesday, April 14, 2021: 9:00 AM to 10:30 AM

#1. Organizing and Running a Successful Development Program

Wednesday, April 21, 2021: 9:00 AM to 10:30 AM

#2. Building a Sustainable Annual Giving Program

Wednesday, April 28, 2021: 9:00 AM to 10:30 AM

#3. Engaging Your Board & Volunteers to Raise Money

Wednesday, May 5, 2021: 9 A.M. to 11 AM

#4. Grants from Foundations and Corporations

Wednesday, May 12, 2021: 9:00 AM to 10:30 AM

#5. The Art of Soliciting Major Gifts

Register [HERE!](#)



D&A NPO Membership Program!

Like what you see in this newsletter? There's a whole lot more where this came from! Become a Danosky & Associates NPO member to gain unlimited access to our library of blogs, webinars, podcasts, articles, and our virtual consultant office hours that will help your nonprofit achieve your vision and fulfill your mission.

Learn new strategies and skills, such as: how to integrate your vision, mission and long-term objectives, generate new systems for innovation, build a stronger board, create a compelling narrative, reach your fundraising goals, and plan financial scenarios; along with more special surprises throughout the year...not to mention you get FREE admission to all future D&A webinars and virtual events!

Click [HERE](#) to learn more about becoming a member!

At Danosky & Associates, we are committed to helping you through these challenging times. If you would like to schedule a complimentary consultation on any of the topics covered in this newsletter, please contact info@danosky.com.

Danosky & Associates is an action-oriented, results-driven consulting firm that builds nonprofit capacity, applied through an equity lens with innovative strategies for an ever-emerging future.

Our Vision:

Every nonprofit will have the capacity to make the world a better place.

Our Mission:

We provide nonprofits the guidance, support and tools necessary to build a better world.

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