

## Questions to ask BEFORE you make your Philanthropic Gift

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The outpouring of support in philanthropic gifts from individuals continues to be steady early in this new year. In fact, according to a recent study by DealAid.org, nearly 72 percent of those surveyed plan to donate to charity this year AND expect to increase the amount they give by almost 14 percent, upping it to a total of \$396, on average.

<https://dealaid.org/research/charitable-giving-covid>.

While many of us might have thought that with the focus on getting a vaccine and ensuring that their loved ones receive the vaccine as well, giving to charity would slow down and take a back seat. The reality is quite the opposite. Giving is predicted to stay strong with small gifts as well as transformational gifts. In the first week of February alone:

- University of Chicago received \$75M to expand the School of Social Service Administration's work.
- College of Holy Cross received \$23.5M to match all new and increased annual gifts supporting financial aid.
- New Jersey Performing Arts Center received \$20M for the endowment.

Whether you plan to continue to support the nonprofits that you have generously invested with in the past or plan to explore new charitable organizations, consider asking the charity these critical questions before you make your philanthropic gift:

1. *Does each board member make a yearly personal gift?*

I am such a stickler for this requirement because if each board member does not personally give to the cause, they are responsible for its fiscal management; why should you? Gone, long gone, are the days that a person's volunteer time counts as their monetary gift. Volunteer time and expertise are so valuable to the organization. Still, each member should be super motivated to give to that cause they have devoted their volunteer time and expertise.

2. *How much money does the organization raise each year, and where does it come from?*

It is too easy to impress that the charity has raised more money than in the past year. Ask the question, "What percentage of your fundraising comes from contributed and investment income?" You need to know how much comes from special events, foundation funding, annual and major gifts, and planned gifts, as well as the spin-off from its endowment and interest income.

Alert flags should go up if the charity is heavy in one or two categories. For example, if the organization raises 80% from special events and 10% from annual funds and 10% from interest income, what happens if the group's events this year do not net their projected goal?

There will be a likelihood that services will be cut, and beneficiaries suffer and/or expenses are cut, and staff is furloughed or laid off. All 501(c) 3 organizations must by law conduct yearly financial audits. Those audits become the source of Form 990 that the charity files and becomes readily available and free to access Guidestar.org. Keep your eye on the revenue sources and make sure there is a balance of ways the nonprofit raises and earns money.

3. *What does the nonprofit's financial portfolio look like?*

It surprises me that many people use other measures to determine if the nonprofit is exercising and monitoring its financial portfolio. Factors like who is the CEO or Board Chair and who is on the Board tend to give a stronger vote of confidence for the nonprofit than actually diving into its performance record. Charities typically create an annual report, now primarily online, that detail how their assets are invested. Some investments may be too conservative or too risky to the donor. Granted, a smaller nonprofit or just getting started will have a much different look than one that has existed for years. It is worth a small amount of time to focus on the charity's financial portfolio before making your gift to give yourself the insurance that their investment strategies align with yours.

At Malvern Bank, we take giving back to the communities we serve very seriously. Through our Community Development Program, we have donated over \$600,000 to local nonprofits and independent schools since 2014. Additionally, through the Malvern Federal Charitable Foundation, we have paid out over \$815,000 in grants to nonprofits and independent schools since 2008. We are proud of our commitment to these organizations.

For more insight on this topic or learn more about Malvern Bank's Community Development Program or the Malvern Federal Charitable Foundation, feel free to contact our SVP of Community Development, Patricia McLennan 610-220-7179 or [PMcLennan@MyMalvernBank.com](mailto:PMcLennan@MyMalvernBank.com).

We would love to start a conversation with you!