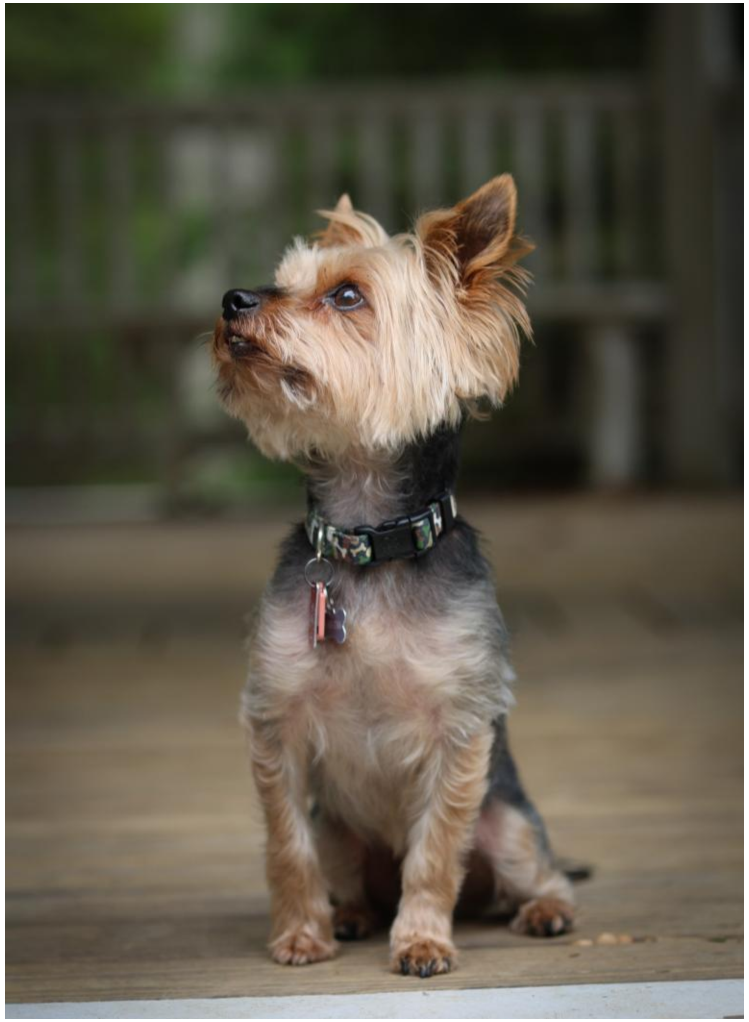

Non-Profit KPIs, Benchmarking and Charity Navigator

NIKKI L WALTON, CPA

JULY 22, 2026

Learning objectives

- Distinguish a metric from a KPI from a benchmark
- Identify core financial, operating, fundraising, program, and governance KPIs
- Benchmark intelligently — right peers, real reference figures, right context
- Right-size the approach for small, medium, and large Pennsylvania nonprofits
- Translate Charity Navigator measures into internal management actions

Why does this matter?

What gets measured gets done

Intentional sustainability

Measures mission effectiveness

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Definition

- KPI = Key Performance Indicators
  - Critical quantifiable indicators of progress toward an intended result
  - Includes setting targets and tracking progress
  - Can and should be iterative
- KPIs can provide:
  - Strategic alignment
  - Accountability and transparency

How to Use KPIs

Good KPIs act like an instrument panel: current status and future direction at a glance

They let leadership pivot earlier when liquidity, donor retention, or demand shifts

They serve five jobs at once: compliance, fundraising, public trust, benchmarking, decision-making

The payoff is faster, better-informed decisions — not just tidier reports

How to Implement KPIs

Metric vs. KPI vs. benchmark

Start with the QUESTION, not the ratio

Every KPI needs four things: owner, target, reporting cadence, action threshold

Metric = raw number; KPI = decision-linked measure; benchmark = peer/context comparison

If no one changes behavior based on the number, it is probably not a KPI

KPIs and Metrics

Use these four questions to organize every metric that follows

1. Are we financially stable enough to keep serving? (liquidity, reserves, margin)

2. Are we funding the mission in a healthy way? (revenue mix, program share, fundraising ROI)

3. Are our people and programs effective? (turnover, unit cost, outcomes)

4. Is governance keeping pace with complexity? (Form 990, policies, board review)

Sizing Framework

Dimension	Small	Medium	Large
Typical budget	Under ~$2M	~$2M-$20M	$20M+
Finance staffing	Bookkeeper + ED	Finance director / controller	Controller + CFO
Reporting depth	Simple monthly dashboard	Trend + department views	Segmented by program/entity
Board cadence	High-level review	Budget-to-actual + variance	Committee-level drilldowns
Benchmark focus	Cash survival	Trends + accountability	Segmentation + governance

Exact cutoffs vary by subsector; complexity matters more than a single dollar threshold.

Peer Selection

Benchmarking only works when the peer group is credible

START WITH MISSION AND BUSINESS MODEL BEFORE SIZE

A CREDIBLE PEER SET IS USUALLY 5–10 COMPARABLE ORGANIZATIONS

FILTER BY SIMILAR SIZE, MISSION, GEOGRAPHY, FUNDING MIX, AND OPERATING MODEL

LAYER IN PENNSYLVANIA REALITIES: REGION, LABOR MARKET, URBAN VS. RURAL, OWNED FACILITIES

AN $8M PITTSBURGH HUMAN-SERVICES AGENCY IS NOT A CLEAN PEER TO AN $8M PHILADELPHIA ARTS GROUP

Core Financial Ratios

Sources: Charity Navigator, BBB Wise Giving Alliance, common CPA-sector guidance

Ratio	What it answers	General benchmark
Current ratio	Can we pay near-term bills?	1.0+ (about 2.0 is strong)
Days cash on hand	Run with no new revenue?	~90 days (3 months) minimum
Operating reserve	Months of unrestricted reserves	3-6 months; grant-reliant orgs higher
Program expense ratio	Share of spending on mission	65% floor; 70%+ typical; 80% strong
Admin expense ratio	Overhead in proportion?	Below 35%
Fundraising efficiency	Cost to raise $1?	Raise $5+ per $1; <$0.25 strong, >$0.50 red flag
Revenue concentration	Dependence on one source	No single source above 30%
Operating margin	Building cushion over time?	Positive; >5% healthy, 1-5% ok, <1% risky

Benchmarks are starting points; report each against a target range and a multi-year trend.

Operating Reserves

- Build up of finance resources without donor restrictions that are available to be used at the discretion of the governing body
- Better manage its cash flow on a day-to-day basis
- Invest when an opportunity presents
- Policy for clarity and consistency

Reserves and Liquidity

Liquidity is where small nonprofits get into trouble fastest

- Measures: liquid unrestricted net assets, months of operating reserves, line-of-credit usage, cash burn trend
- Common reference: 3-6 months of operating expenses; grant/donor-dependent orgs toward the higher end
- Reserve policy should address amount, risk profile, review cadence, and replenishment after a draw
- For PA orgs on state/county contracts, model the spending-to-reimbursement gap

Revenue concentration

Track top donor and top grantor concentration

Watch reliance on one event, one contract, or one funding stream

Benchmark: no single source above ~30% of total revenue; monitor restricted vs. unrestricted mix

High concentration = high fragility. Diversify deliberately, not reactively

Program Spending by Subsector

Program expense ratio = program service expenses / total expenses

Subsector	Program	Management	Fundraising
Education & Research	80%	10%	10%
Human Services	75%	12%	13%
General watchdog floor	65% min	-	-
Recommended target	80%	-	-

The IRS sets no minimum; these are watchdog and sector norms (BBB floor 65%, recommended 80%).

Program KPIs

- Follow the chain: inputs → activities → outputs → outcomes
- Sample KPIs: cost per participant, program completion rate, waitlist conversion, outcome attainment, repeat service need
- Pair outputs with outcomes, quality, timeliness, reach, and equity
- Boards need "how many," "how well," and "what changed" — low cost is not good if outcomes suffer

Fundraising KPIs

- Donor funnel: reach → engaged prospects → first-time → repeat & recurring
- Core KPIs: donor retention, average gift, cost to raise $1, recurring donors, grant renewal, campaign conversion
- Also practical: online gift % and matching-gift capture rate
- Total dollars raised can hide weak donor economics or dangerous concentration

Donor Retention Benchmarks

Retention has declined for five straight years — stewardship is where most orgs leave money on the table

Metric	Benchmark
Overall donor retention	~43% (Fundraising Effectiveness Project, latest)
New / first-time donor retention	~19% (about 4 of 5 never give again)
Repeat donor retention	~59-69%
Donors giving 7+ times	~87%
Top-performing organizations	60%+ overall retention
Cost to retain a donor	~$0.20 per $1 raised
Cost to acquire a donor	~$1.50 per $1 raised (about 7x retention)

AFP Fundraising Effectiveness Project Q4 2024-2025; reference points — track your own trend.

Governance and Organizational-Health KPIs

HR and governance measures are leading indicators

- Finance: liquidity, reserves, surplus/deficit
- Mission: outcomes, reach, service quality
- Donor: retention, acquisition, satisfaction
- People & Board: attendance, turnover, succession, board giving participation
- A balanced scorecard keeps board attention across finance, mission, donor, and people

Board vs Management Dashboards

Same core metrics; different depth and cadence

Board dashboard — 8–12 KPIs max, trend arrows and targets, short narrative, synthesis over raw detail

Management dashboard — deeper drill-down by program/site, cuts by funder and department, operational detail, feeds the board view

Common mistake: handing the board raw detail without synthesis

Dashboards by Organization Size

Small = few measures reviewed consistently; large = segmentation + governance discipline

Cadence	Small	Medium	Large
Monthly	Cash, bills due, payroll coverage, budget-to-actual	Add trend + department views	Segmented by program/entity + restricted funds
Quarterly	Donor concentration, program volume, compliance	Variance analysis, fundraising ROI	Enterprise risk, reimbursement lag
Annually	Reserve target, 990 review, comp reasonableness	Multi-year trend, reserve policy	Committee dashboards, entity-level review

Small orgs: monthly cash visibility is the single most critical view. Do not copy a large-org dashboard you cannot sustain.

Benchmarking Sources

- External: Form 990 data, sector studies & surveys, public charity profiles
- Internal: audited financial statements, annual reports, your own 3–5 year trend
- Compare the organization to itself over 3–5 years before overreacting to one peer snapshot
- Use medians and ranges — not single averages — to avoid outlier skew

Benchmark Interpretation

Trap 1 – Weak current ratio – may be manageable with predictable cash-flow timing and stable borrowing capacity

Trap 2 — High program ratio — not automatically good if infrastructure and capacity are underfunded

Trap 3 — Lower fundraising efficiency — can be temporary — expected during capacity-building years

Benchmarking should inform judgment — not replace it

Form 990 Benchmarking

Recommended in AICPA NFP/GOV benchmarking guidance

- Useful for compensation, revenue mix, governance disclosures, and program narratives
- Free/low-cost sources: IRS EO Business Master File, GuideStar, ProPublica Nonprofit Explorer, Cause IQ
- Supports peer comparison using organizations you already know
- Most organizations already have this data — an immediate client-advisory opportunity

Charity Navigator

- Widely used by donors to assess trust, transparency, and effectiveness
- Ratings affect both discoverability and donor confidence
- Donor journey: discover → vet → give → stay
- Rating touchpoints concentrate at the "vet" stage — exactly where confidence is won or lost

Charity Navigator's Evaluation - Four Beacons

External evaluation is now far broader than the old overhead-ratio conversation.

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Outdated Overhead Myths

Outdated myth — overhead ratio is the whole story; lower overhead always means a better charity

Current reality — ratios are context, not a verdict; donors expect effectiveness, resilience, and transparency

Impact reporting and narrative context now matter alongside the raw numbers

Internal reporting and external trust signals are converging

Mapping Internal KPIs to External Trust Signals

The best dashboard maps internal KPIs to external trust signals

Charity Navigator beacon	Aligns with internal KPIs
Accountability & Finance	Liquidity, reserve coverage, audit results, policy compliance
Impact & Results	Mission outcomes and cost per outcome
Culture & Community	Constituent feedback and equity practices
Leadership & Adaptability	Strategy execution and management depth

Red Flags and Mistakes

Persistent deficits, shrinking reserves, or delayed financial reporting

Overreliance on one revenue source (above ~30%) or high turnover in key roles

Too many KPIs with no priorities; peer comparisons without true comparability

Ratios with no trend, target, or action threshold; board packets that never explain "so what?"

The clean dashboard: prioritized KPIs, credible peers, every ratio paired with trend/target/threshold, a clear narrative

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90-day Implementation Plan

- Month 1 — Define — define strategic questions, identify 10–12 board KPIs, assign owners
- Month 2 — Validate — validate data sources, choose the peer group, set thresholds and cadence
- Month 3 — Build — build the dashboard, test with leadership, revise before board rollout
- Version 1 does not need perfect data to be useful — progress over perfection

Key Takeaways

- Connect mission, liquidity, fundraising, and trust in one view
- Benchmark the right peers and anchor to real figures — 3-6 mo. reserves, 65-80% program, <30% concentration, ~43% retention
- Right-size dashboard depth for small, medium, and large nonprofits
- Understand Charity Navigator's four beacons and map them to internal KPIs
- Best next step: Build a dashboard leadership will actually use every month

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Which three KPIs would change your board conversation the fastest?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: How do you explain being below a benchmark but still strategically healthy?

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Live Content Slide

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Poll: How do you build a defensible peer group when your organization is a hybrid - say a human-services agency that also runs an earned revenue social enterprise?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: If your reserves look healthy on paper but reimbursement timing keeps you cash-strapped, what metric best captures that tension for the board?

Live Content Slide

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Poll: New donor retention runs around 19% - what has actually moved that number in your organizations and what hasnt?

Live Content Slide

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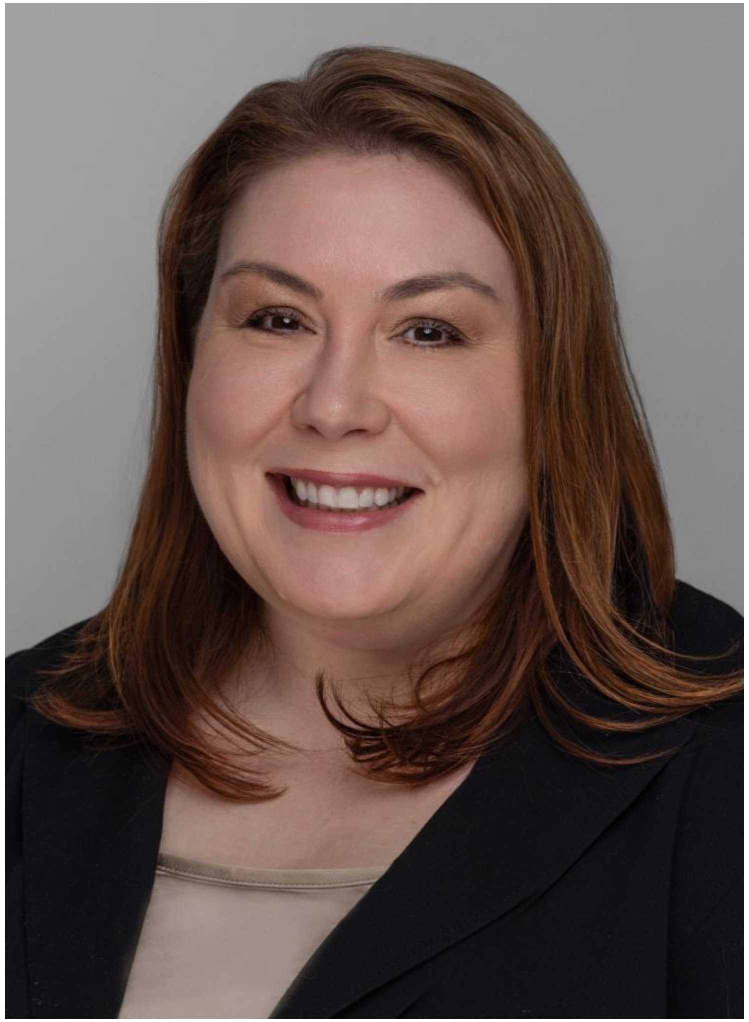
Poll: What single benchmark would you add to your board packet today if you could only choose one?



Thank you!

NIKKI L WALTON, CPA

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