



Run Your Non-Profit Like a Business

May 30, 2023

SCORE: An Overview

SCORE Bucks County mentors: former senior corporate executives, small business entrepreneurs, and consultants

- Average over 25 years of experience
- Represent extraordinary breadth
 - Functions: general management, finance, sales, marketing, IT, and operations
 - Industries: Real estate, retail, pharmaceutical, financial services, nonprofits
 - Stages of business lifecycle: start-ups, emerging growth, mature, turnarounds
 - Business scope: Fortune 100 to small business start-ups
- Most remain active with leading roles in nonprofits, academia, consulting and business

Agenda

Help your Non-Profit Fulfill its Mission

Governance

- Size Makes a Difference
- Annual Reports – 990's
- Board Makeup

Financial

- Basic Financials
- Financial & Management Reporting
- Taxes
- Other Regulatory Matters

Fundraising

- Board Members
- Donor & Recognition
- Grant Writing

Volunteers

Governance

- Size Makes a Difference – As nonprofits grow, basic requirements remain the same, but implementation changes
- IRS recognizes this in its annual reporting requirements – 990N, 990EZ and 990s
- Must file annually—if don't file for 3 years loose exemption; penalty for filing 990-EZ and 990s late
- State filing requirements and the role of the board and its members also evolve with increasing size
- Periodically review and update bylaws

Effect of Size

	SMALL	MEDIUM	LARGE
GROSS RECEIPTS	NORMALLY LESS THAN \$50,000	\$50,000 TO \$200,000	OVER \$200,000
TOTAL ASSETS	LESS THAN \$250,000	LESS THAN \$500,000	OVER \$500,000
ANNUAL REPORT FORM	990-N	990-EZ	990
FILING	ONLINE e-Postcard	ONLINE- 4 Pages + Schedule A	ONLINE-12 Pages + Schedules
ROLE OF BOARD	Workers	Manage Staff	Policy making
	Fundraising	Fundraising	Fundraising
	Governance	Governance	Governance

Governance

- Annual Federal Reports – 990-EZ and 990s
 - Planning Issues Form 990
 - Financial Statements
 - » Separate Program Revenue and Expenses
 - » Very detailed Compensation Schedules
 - » Outside accountant oversight question
 - Board Accountability
 - » Governing Body & Management Section
 - Detailed list of required procedures
 - Executive Compensation, Conflict of Interest
 - Meeting Documentation, and others
 - Open to Public Review
 - » Need to Disclose how they are available
 - » Most Funders review 990 before approving Grants
 - They want to see how the organization is run
 - Both Governance as well as Financially
 - » Most Funders compare Program vs. all other Expenses
 - General Rule is 75-80% should be Program Expenses
 - Page 10 of 990 - Functional Expenses

Governance

- Board Considerations
 - Board Makeup
 - Business Leaders, not Friends
 - First Responsibility of the Board is Fundraising
 - Independent viewpoints
 - Board Responsibility Contract
 - Staggered Board Terms
 - Committed to the mission, not padding their resume
 - More than just a monthly meeting
 - Committees, fundraising, public relations
 - Board Demographics
 - Chairperson- Effective Leader to keep meetings focused
 - Secretary – Detail person who can keep in depth minutes
 - Treasurer – Financial background, Accountant
 - Member – Attorney, for legal guidance
 - Member(s)- Marketing/ Sales types for fundraising & PR

Financial

Non-Profit is your tax status not your Business Plan, the Nonprofit needs to strive for Annual Profitability to ensure the continuation of the Mission.

- Financial Record Keeping & Reporting
 - Good record keeping from the BEGINNING !
 - Excel is not the long-term answer
 - Plan For the future
 - Assume you will grow
 - Multiple programs in the future
 - Remember 990 reporting complexity
- Financial Procedures
 - Monthly
 - Review Bank Statements for activity
 - Enter monthly activity into General Ledger
 - Prepare Current Month and YTD Profit and Loss Statement
 - Prepare Month End Balance sheet
 - Reconcile Bank accounts by Non-Signer- IMPORTANT!
 - Furnish Financial Results to the Board

Financial

- Annual
 - Prepare W-2's for employees and 1099 NEC's for non-employees (if any) by January 31.
 - Prepare W-2 and 1099 NEC Reporting to IRS and State (various dates)
 - File appropriate Form 990 by May 15
 - File PA filings

- Ad Hoc
 - Prepare Program Budgets for Grant requests
 - Prepare actual expenditures for grants received at the end of the grant period even if not required.

- Routine
 - Backup up files etc. to separate storage unit depending on activity
 - Have a copy stored at a different location

Financial

- Management Reporting
 - Management & Board need more than just financials to stay informed of the operation of the organization.
 - Reporting includes:
 - Annual Organizational Budget
 - Total, Program, Fundraising, Administrative Revenue & Expenses with prior year comparison
 - Page 10 of 990 is great example
 - Monthly Reporting of Actual versus Budget for Revenue and Expenses
 - Routine reporting of Program(s) Expenses versus Funding
 - To monitor how realistic the RFPs were.
 - To make future RFP's more effective
 - Many Funders require final reports with breakdown of use of funds.
 - Routine reporting of Grant Writing efforts showing requests, approved, denied and reasons
 - To measure effectiveness and any potential issues for future requests
 - Track each employee's cumulative time allocations so you don't over allocate time.

Financial

Example											
ABC Non Profit											
Grant Control Sheet			Today's date								
Example								Prior Requests			
Funder	Status	Grant Request	Purpose	Grant Period	Date Due	Final report required	Report Due date	Applied Before	When	Approved Y/N	Approved Amount
United Way	Pending	\$ 10,000	Child welfare	4/23 to 3/24	3/31/2023	Y	04/30/24	N		N/A	
Gates Foundation	Denied	\$ 25,000	Child literacy	6/22 to 5/23	4/30/2022	Y	N/A	Y	2016	Y	\$ 5,000
	Not mission related										
Bezos Foundation	Approved	\$ 5,000	Pre K	7/22 to 6/23	5/31/2022	N	07/31/23	N	N/A	Y	N/A

Financial

XYZ Non Profit									
Salary Allocations									
Employee	Annual Salary	Grant #1	Grant #2	Grant #3	Admin.	Fund Raising	Allocated Total	Unallocated Total	
Executive Director	\$ 60,000	\$ 2,500	\$ 3,000	\$ 2,000	\$ 30,000	\$ 22,500	\$ 60,000	\$ -	
Social Worker #1	\$ 35,000	\$ 12,000	\$ 12,000	\$ 10,000	\$ -	\$ -	\$ 34,000	\$ 1,000	
Social Worker #2	\$ 32,000	\$ 16,000	\$ 16,000				\$ 32,000	\$ -	
Social Worker #3	\$ 28,000	\$ 9,000	\$ 14,000	\$ 6,000			\$ 29,000	\$ (1,000)	
Social Worker #4	\$ 28,000	\$ -	\$ 12,000	\$ 14,000			\$ 26,000	\$ 2,000	
	\$ 183,000	\$ 39,500	\$ 57,000	\$ 32,000	\$ 30,000	\$ 22,500	\$ 181,000	\$ 2,000	

Financial

No Surprises!!

- Financial Planning
 - Cash Forecasting
 - Optimum is a 12 Month Rolling Cash Forecast
 - To anticipate any cash issues as opposed to react to them
 - NO Surprises!!
 - If difficult, start with forecasting next four weeks then move to monthly
 - Need to compare actual Results to Forecasts
 - To see what was missed
 - To make future forecasts better

Financial

Cash Flow (12 months)

	ABC Non Profit												Fiscal Year Begins:	Jan-23
	Pre-Startup EST	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Total Item EST
Cash on Hand (beginning of month)		0	0	0	0	0	0	0	0	0	0	0	0	0
CASH RECEIPTS														
Contributions														
Grants														
Fundraising														
TOTAL CASH RECEIPTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash Available (before cash out)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CASH PAID OUT														
Program Expenses														
Purchases (specify)														
Purchases (specify)														
Gross wages (exact withdrawal)														
Payroll expenses (taxes, etc.)														
Outside services														
Supplies (office & oper.)														
Repairs & maintenance														
Advertising														
Car, delivery & travel														
Accounting & legal														
Rent														
Telephone														
Utilities														
Insurance														
Taxes (other)														
Interest														
Miscellaneous														
SUBTOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital purchase (specify)														
TOTAL CASH PAID OUT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Position (end of month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Financial

- Financial Planning (continued)
 - Banking
 - Strive to have a good bank relationship
 - Banks don't want you to come to them just when there are problems
 - Consider a Bank Line of Credit
 - Tailor to the size of the organization
 - For emergencies only
 - Delayed Grant Fundings
 - Particularly with Governmental funding (Federal, State and Local).
 - Potential Federal shutdown
 - PA shutdown a few years ago
 - Other unforeseen circumstances

Taxes

Nonprofits don't need to pay taxes--Right?

WRONG! Most nonprofits are subject to several taxes:

Payroll taxes—if you have employees, you withhold, pay and remit Social Security taxes

Employees and employers each pay 7.65% of covered wages

Funds are remitted monthly or even more frequently; other tax forms to IRS and State

W-2's issued and submitted annually with

Unemployment taxes—501(c)(3) nonprofits are exempt from the Federal Unemployment tax

Liability for State unemployment insurance taxes vary from state to state

- In Pennsylvania 501(c)(3) nonprofits pay a tax or reimburse the fund for benefits charged to their account

Independent Contractor (1099 NEC) Filings

Businesses including 501(c)(3)s are required to issue 1099 NECs to independent contractors receiving \$600 or more per year but don't need to withhold and remit tax payments.

Options for dealing with payroll related taxes

Handle inhouse with bookkeeper or another knowledgeable employee

Include payroll with outside bookkeeping/accounting firm's duties

Use online service linked to bookkeeping software program

Use payroll service such as ADP or Paychex

Taxes

Other Business Taxes

Unrelated Business Income tax—nonprofits are subject to Federal income tax on business activities not related to their stated nonprofit purpose

Can be tricky—admission fees to recital by nonprofit performing charity -- related

Manufacturing and selling commercial product to generate profits for charitable work—unrelated.

- Gray areas—church bookstore, parking lot, coffee house
- Need professional advice if not obvious—perhaps even IRS private ruling

State sales tax—

For a purchases obtain sales tax exemption certificate/number from State after you have IRS determination letter

For sales may need to collect and remit tax

Property tax—may qualify for exemption from property-based taxes if a 501(c)(3). Probably need professional assistance

Other Regulatory Matters

Workman's Comp insurance—requirements vary by state

Pennsylvania requires workman's comp if the organization employs at least one employee who could be injured or develop a work-related disease.

Can buy commercial insurance, pay the State Workers' Insurance Fund or self-insure with State approval

Human Resources Regulations—Minimum wage, overtime, leave, OSHA etc.

May be helpful to obtain services from payroll services firm or other professionals

Prohibited or restricted activities for 501(c)(3) organizations

Supporting or opposing candidates in political campaigns

Lobbying to influence legislation—slippery slope here, some related activities permitted, may need professional advice.

Fundraising

- Board Members
 - Their first responsibility is to Fundraise
 - They should make an annual contribution “meaningful to them”.
 - Many Funders expect 100% Annual Board giving
 - Promote the organization in the community
 - The Board should actively participate in all events
 - Help in event planning
 - Attend the events and actively participate
 - Depending on the event, buy tickets or a table if possible.

Donors & Recognition

Cultivate and Involve Prospects

- Target Market(s) :
 - Who, Where, How to reach them?
 - Not just Money but Exposure/Publicity
 - Increased visibility will convert into increased donations
 - Large Donors (individuals, corporations, Endowments etc.)
 - 80/20 Rule
 - Recognition increases their potential for more giving
 - Small donors
 - Small regular donors may convert to volunteers
 - They need recognition as well, just in a different way.
 - Recognize them at events, etc.
 - Promote the organization in the community
 - The Board should actively participate in recognition
 - Personal thank you letters to large donors
 - Postcards to medium donors

Grant Requests

- Research the Funder
 - Go to their website or Guidestar
 - Do they specifically fund your programs?
 - Where do they fund geographically
 - What size grants do they fund
 - Do they fund new organizations?
 - Low acceptance rate is normal
 - Funded or Reimbursement grant?
- Programs/Projects
 - Fund Present or New Programs Only
 - Funds are generally limited to Direct Program expenses
 - Need to track specific costs
 - General Operating Expense Grants
 - Can be used for any expense
 - Not all funders do these
 - Enlightened Funders understand that Nonprofits have infrastructure needs (computers systems, office space etc.)
 - Reporting Requirements
 - Most funders require detailed interim or final reporting
 - Actual costs incurred versus the RFP
 - Outcomes/Results
 - Important to show actual results to potential Funders
 - Funders want to see a track record of results from grants

Grant Writing

- Typical Grant Proposal
 - Narrative
 - Community Need
 - Detailed Program Description
 - Prior Outcomes/Results
 - Proposed Outcomes/Results
 - Program Budget
 - Supporting Materials
 - Organizational Info (History, Board, etc.)
 - Organization Financials
 - Funder Due Diligence
 - Review 990 or 990EZ
 - Outside Accountant Audit/Review
 - Depending on size
 - This Need versus other Community Needs
 - 100% Board Giving
 - Prior Recipient ?
 - Multi Year grants

Valuable Resources: Grundy Library (Bristol) Non -Profit Resource Center with Grant Database, Guidestar

Volunteers

- Volunteer Recruitment
 - Individuals who feel strongly about your Mission
 - Community Exposure/Publicity
 - Cultivate just like Donors
 - Involve them
 - Events
 - Dialog with them
 - Ask for their help

- Types of Volunteers
 - Help with Program Services
 - Help with Events
 - Planning Committee etc.
 - At the event
 - Administrative help
 - Database, RFP's, Thank you's etc.
 - Many times, it can be done remotely

Finally

Questions??

To request mentoring: <https://score.org/buckscounty>

Follow up questions:

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