

Hosted by **SCORE**  | Bucks County

# Run Your Non-Profit Like a Business

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SCORE BUCKS COUNTY

# About SCORE

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As a resource partner of the SBA, we help small businesses by:



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# Your Presenters

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# Agenda

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Help your  
Nonprofit 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
- Questions

# 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 lose 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

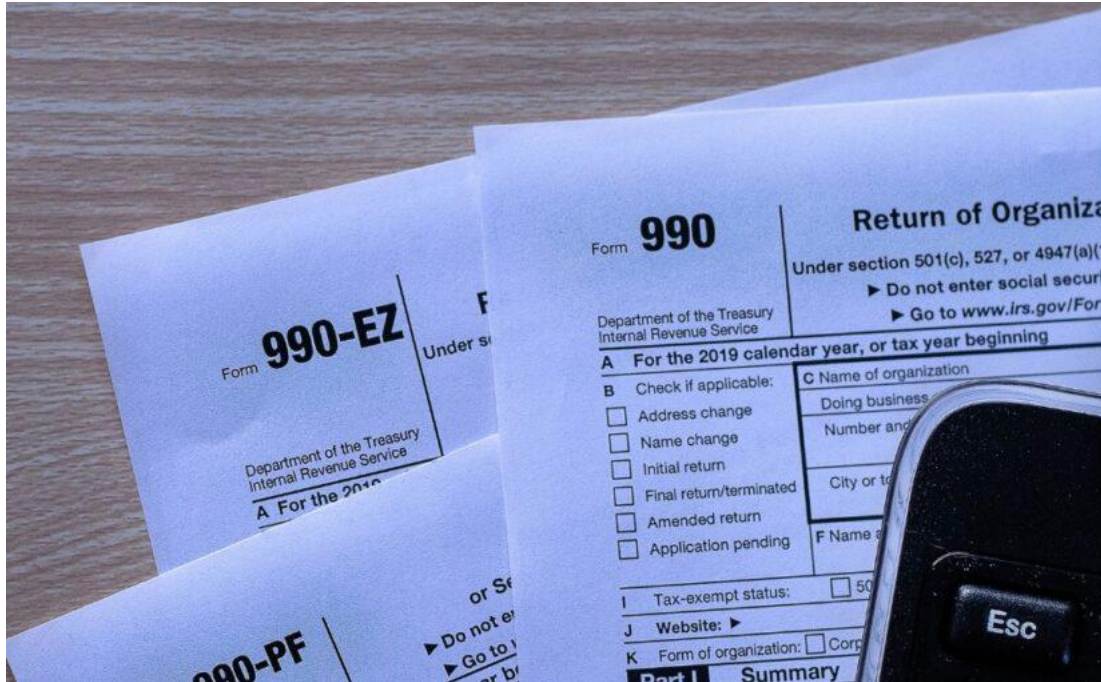


Periodically review and update bylaws

# 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 Functions/Responsibilities
  - Election of directors and officers
  - Fundraising
  - Oversight of operations
  - Strategic Planning
  - Approval of budget including compensation of Executive Director and other senior employees
  - Approval of bylaws, amendments, and other key procedures



# 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 Management—Checks and Balances

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- Many critical tasks involved—need systems to insure integrity
- Key is segregation of duties to provide checks and balances
- Depends on how banking, bookkeeping, etc. done by your nonprofit
  - Traditional approach—paper checks, monthly paper bank statement with canceled check images, etc.
    - Check writer and signer different people
    - Independent review/reconciliation of bank statements
  - Electronic banking—mobile deposit, online bill pay, online statements, etc.
    - Additional person(s) have online access to account, duties, and review responsibilities
- Experience shows importance of separating functions

# Financial

Nonprofit 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

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- 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 Not mission related	\$ 25,000	Child literacy	6/22 to 5/23	4/30/2022	Y	N/A	Y	2016	Y	\$ 5,000	
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

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

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
<b>CASH RECEIPTS</b>														
Contributions														
Grants														
Fundraising														
<b>TOTAL CASH RECEIPTS</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Cash Available</b> (before cash out)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>CASH PAID OUT</b>														
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														
<b>SUBTOTAL</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital purchase (specify)														
<b>TOTAL CASH PAID OUT</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash Position</b> (end of month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0

# Financial

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- 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
  - **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

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- **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



- Potential Sources of Funding
  - Contributions
  - Grants
  - Events
  - Membership Fees
  - Sale of products and/or services

# 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?



# Grant Requests

- 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

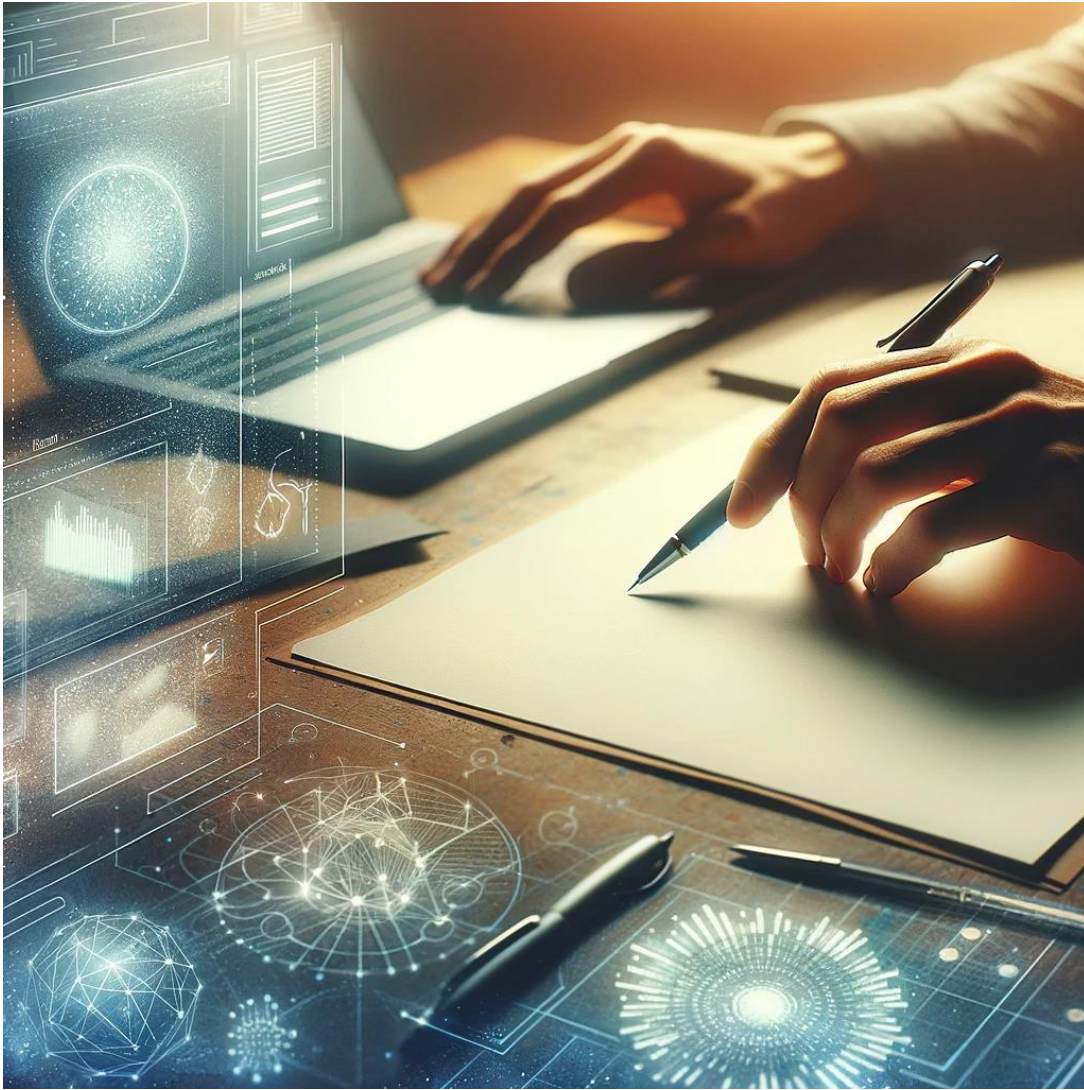


# Grant Writing



- 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

# Grant Writing



- 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

# 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



# Volunteers

- 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



# Questions?

# Helpful Links

- Find SCORE resources for small businesses at [www.score.org/templates-resources](https://www.score.org/templates-resources)
- Find more SCORE live and recorded workshops and courses at [www.score.org/get-business-training](https://www.score.org/get-business-training)
- Book an appointment with a SCORE mentor at [www.score.org/find-mentor](https://www.score.org/find-mentor)



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