


Nonprofit Nuts & Bolts

organizational basics for the nonprofit professional


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Who are you?



Why are you here?



Agenda

- Why does your service– and your being here– matter?
- Boards
- Finance
- Volunteers
- Risk
- Your questions

Bottom Line Take-Aways

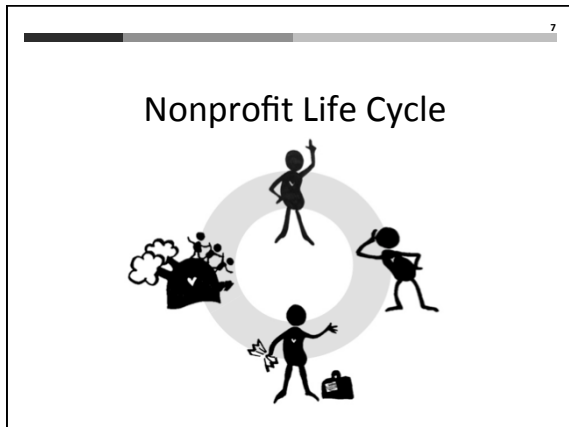
- You have responsibilities to move forward your mission and protect your assets.
- You have opportunities to grow your work through fundraising and effective engagement of volunteers.
- You are part of a community, at home, within our state, and among others working nationally. We are stronger together.

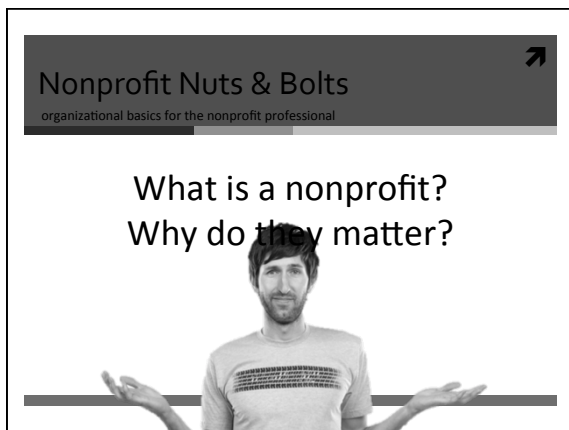
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START WHERE YOU ARE.
USE WHAT YOU HAVE.
DO WHAT YOU CAN.

- ARTHUR ASHE

- ARTHUR ASHE





Three Sectors of the Economy		
Government <ul style="list-style-type: none"> Federal State County City 	For-Profit <ul style="list-style-type: none"> Sole proprietorships LLCs Partnerships Cooperatives Corporations S-Corporations 	Nonprofit <ul style="list-style-type: none"> 501 c 3's: (arts, education, health & human services, environmental, churches, foundations, etc...) Social welfare orgs Membership orgs
CITIZENS	OWNER/SHAREHOLDERS	STAKEHOLDERS

The Ownership Question

- A nonprofit corporation is formed to carry out a public purpose, whether that be religious, educational, charitable, scientific or some other. It is prohibited from acting in a manner that results in private inurement to individuals.
- How can that be? Someone has to own it, right? No, not really. The nonprofit organization is not "owned" by the person or persons that started it. It is a public organization that belongs to the public at-large.
- The parties responsible to operate the organization for the stakeholders are the members of the board of directors.

Nonprofit/Tax-Exempt Organizations

501(c)(3) Public Charities		501(c)(3) Private Foundations	Other Exempt Organizations
Arts, higher education, hospitals, human services & more		<ul style="list-style-type: none"> All must register and file Most rely on investment income generated from their endowments Only 3,000 of 100,000 have staff, but these account for vast majority of assets A small % are "operating foundations," but most are "grantmaking foundations" Most are "family foundations" 	501(c)(4) "Social Welfare" <ul style="list-style-type: none"> 100 or so big NGOs or managed health plans Mix of advocacy groups, civic clubs 501(c)(5) Labor unions, farm bureaus & more 501(c)(6) Business leagues 501(c)(7) Social & recreational clubs 15-20 other small categories include veterans organizations, fraternal organizations, cemetery companies, & credit unions.
Registered with IRS	Gross receipts \$25,000 or more → Filing IRS Form 990 Examples: Hospitals, colleges, human services, museums & more Small (under \$25,000) Examples: Community theaters, neighborhood orgs., new organizations & more Congregations (registration voluntary)		
Unregistered	Two primary categories: <ul style="list-style-type: none"> Very small orgs. (gross receipts under \$5,000) Congregations 		

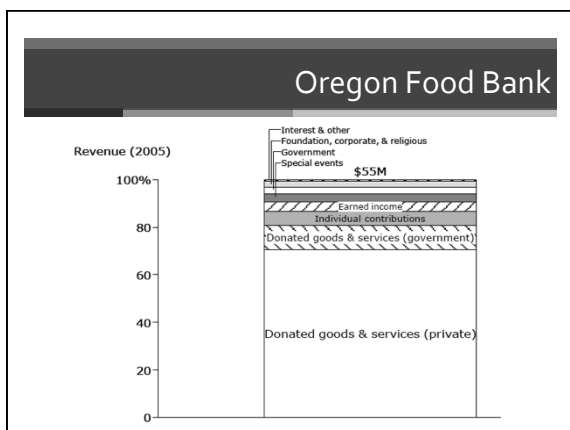
*Graph from the Nat'l Center for Charitable Statistics website: nccsweb.urban.org

How big are we?

- **1,429,801 tax-exempt organizations**, including:
 - 966,599 public charities
 - 96,584 private foundations
 - 366,618 other types of nonprofit organizations, including chambers of commerce, fraternal organizations and civic leagues.
 - (Source: NCCS Business Master File 6/2014)
- In 2010, nonprofits accounted for **9.2% of all wages and salaries** paid in the United States.
(Source: *The Nonprofit Almanac*, 2012)

How big are we?

- In 2012, public charities reported over **\$1.65 trillion in total revenues** and **\$1.57 trillion in total expenses**. Of the revenue:
 - 21% came from contributions, gifts and government grants.
 - 73% came from program service revenues, which include government fees and contracts.
 - 6% came from "other" sources including dues, rental income, special event income, and gains or losses from goods sold.
- (Source: [NCCS Core Files 2012](#))
- 80/20 ratio. How does hunger relief orgs compare?

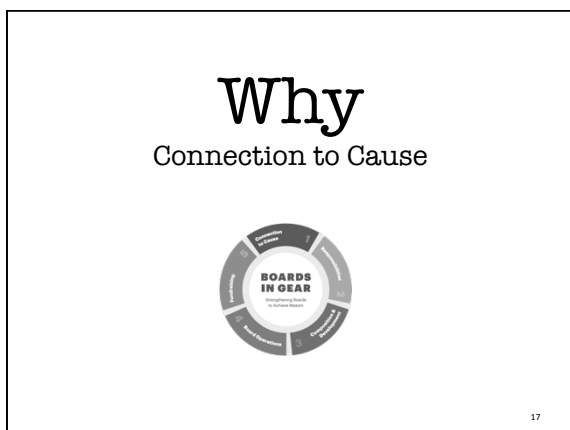



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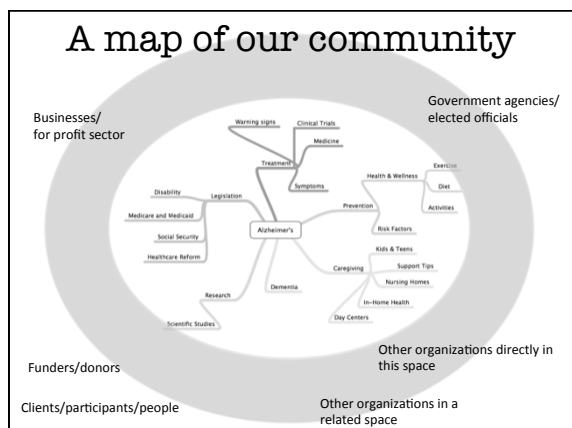
What is governance?
Why does it matter?






Connection to Cause
KNOW

- ✓ Connect mission to the cause
- ✓ Communicate
- ✓ Use advocacy as a tool



Connection to Cause

DOCUMENTS

- ✧ Articles of Incorporation
- ✧ Advocacy plan
- ✧ One-page handout for decision makers on the organization and its impact

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Articles of Incorporation

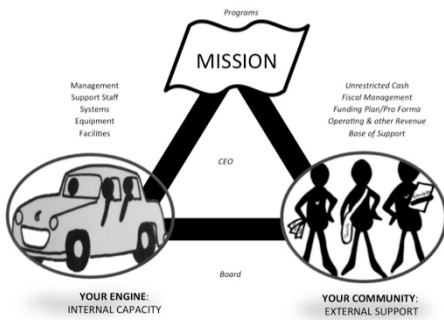
- Filed at inception with Washington's Secretary of State – *establishes a Nonprofit Corporation*
- Specifies:
 - Name
 - Address
 - Purpose / Mission Statement
 - Initial board members
 - Membership
 - Personal liability
 - Dissolution

What Responsibilities



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Nonprofit in Balance




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Responsibilities **KNOW**

- ✓ Individual responsibilities
- ✓ Legal and fiduciary responsibilities
- ✓ Financial responsibilities
- ✓ Risk management

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Responsibilities

KNOW

Duty of Care

Board members will take reasonable care (that of an ordinarily prudent person) when making a decision as a steward of the organization.

Duty of Loyalty

Board members will give undivided attention to the organization when making decisions affecting the organization. The board member will work in the best interests of the organization and not for personal gain.

Duty of Obedience

Board members will be faithful to the organization's mission and governing documents, stewarding funds in a way that honors the public's trust in that organization.

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Stay Up-to-Date with the Secretary of State

Nonprofit and charitable organizations need to register and stay up-to-date with the Office of the Secretary of State.

1 Check which type of organization you are.

1 ☐ **Nonprofit Corporation**

What is it? A private corporation for which no part of the income is distributable to its members, directors or officers. It is formed to benefit the public, a specific group of people, or the membership of the nonprofit.

Examples: Labor union, chamber of commerce, social clubs, business leagues.

Annual Requirements:

- ☐ **What:** Annual Report
- ☐ **When:** Last day of organization's incorporation month. A reminder will be sent to the registered agent at least 30 days prior to required filing date.
- ☐ **Cost:** \$10

2 Your incorporation date: _____

Your annual report filing date: _____

For example, an incorporation date of March 1, 2002 would have an annual report filing date of March 31, 2015. *File online!*

3 **ADD TO CALENDAR**
...and don't forget update address changes if you move or change contact person.

☐ **Nonprofit and Charitable Organization**

What is it? A private corporation for which no part of the income is distributable to its members, directors or officers. It is formed to benefit the public, a specific group of people, or the membership of the nonprofit.

Examples: Labor union, chamber of commerce, social clubs, business leagues.

Annual Requirements:

- ☐ **What:** Annual Report
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- ☐ **Cost:** \$10

☐ **Charitable Organization**
or individuals soliciting on behalf of organizations

What is it? An entity that solicits or collects contributions from the general public in Washington to be used to support a charitable purpose. May or may not be a corporate structure.

In Washington, includes organizations that:

- ☐ Raise at least \$50,000 annually in Washington.
- ☐ Pay anyone to carry out the activities of the organization.

Examples: Education, health, social service, religious, cultural, and scientific organizations. **Examples that are NOT necessarily nonprofit corporations:** Individual fundraisers, out of state organizations, foreign corporations, some associations. Churches may register but are not required.

Annual Requirements:


- ☐ **What:** Annual Renewal
- ☐ **When:** No later than the last business day of the eleventh month after the end of the organization's accounting year. (Earlier reporting welcomed)
- ☐ **Cost:** \$40

More information:
<http://www.sos.wa.gov/corps/>
<http://www.sos.wa.gov/charities/>




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strat·e·gy:
a plan, method, or
series of maneuvers
or stratagems for
obtaining a specific
goal or result.



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 **Responsibilities
DOCUMENTS**

- ✧ IRS Form 1023
- ✧ IRS Determination Letter
- ✧ IRS Form 990
- ✧ Bylaws
- ✧ Articles of Incorporation
- ✧ Secretary of State
 - Corporations
 - Charities
 - Charitable Trusts
- ✧ Board commitment form (annual)
- ✧ Board job description
- ✧ Conflict of interest policy
- ✧ Directors & Officers Insurance policy

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Who

Composition & Development



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Composition & Development **KNOW**

- ✓ Recruitment, selection, orientation and evaluation process
- ✓ Commitment to mission and success of the organization
- ✓ Conflict of interest
- ✓ Positions

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How Operations



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Bylaws

- Filed at inception and submitted to IRS to obtain 501c3 status
- Specifies:
 - Size of the board and how it will function
 - Roles and duties of directors and officers
 - Rules and procedures for holding meetings, electing directors, and appointing officers
 - Board committees
 - Conflict of interest policies and procedures

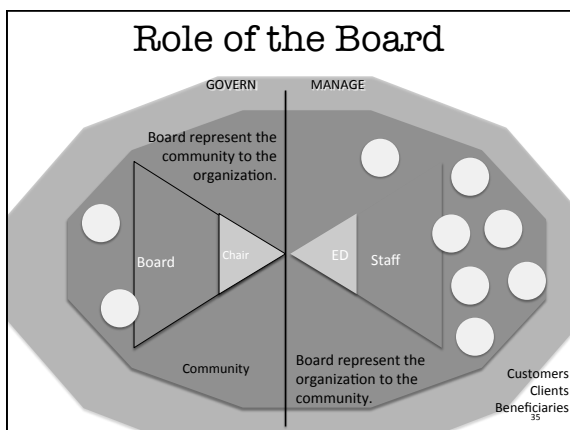
State nonprofit laws usually address nonprofit governance matters. However, you can choose different rules, as long as they don't violate state law and are included in your bylaws.

Operations

KNOW

- ✓ Board meetings
- ✓ Committees
- ✓ Board/staff relationship
- ✓ Board development/evaluation

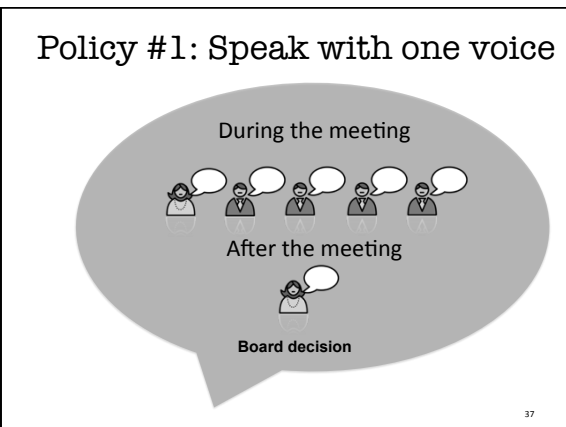
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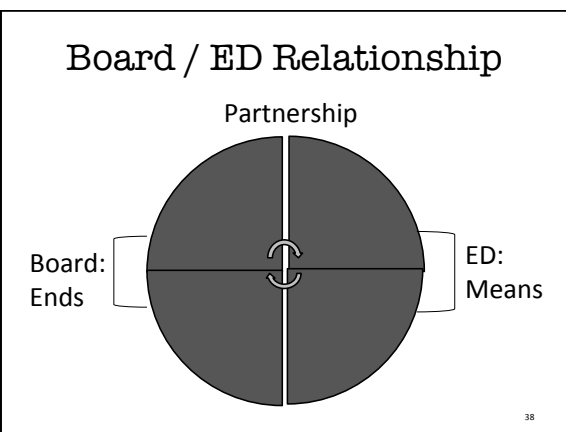


Board vs. Board Members

<p>Together: Govern</p> <p>Strategic thinking</p> <p>Financial & legal oversight</p> <p>Evaluate ED</p> <p>Board self-management</p>	<p>Individually: Support</p> <p>Ambassador to community</p> <p>Raise funds</p> <p>Bring connections</p> <p>Advise ED</p>
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Compass point







Working with Committees

- Extent of Committee's authority should be specified in bylaws
- Executive Director may or may not be on committee with staff members
- Take advantage of committee members' expertise
- When you find you have more experience, take advantage of their advocacy and stakeholder representation roles

Committee are often vehicles for recruiting new board members. Committee members should feel valued.

How Fundraising



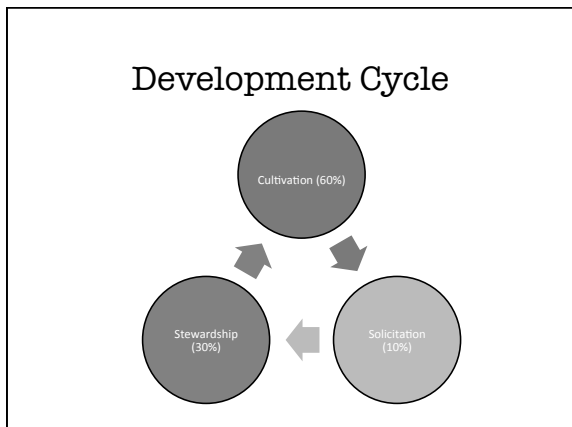
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Fundraising **KNOW**

- ✓ Roles & expectations
- ✓ Planning
- ✓ Communications
- ✓ Systems

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What is finance?
Why does it matter?

Financial Duty of Care

B BALANCE SHEET 	I INCOME STATEMENT 	N NINE-NINETY (IRS FORM 990) 	G GIVING 	O OVERSIGHT
Snapshot	Period of Time	Public Document	Communication	Internal Controls

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Segregation of Duty: Small Nonprofits

What does segregation of duty look like in a small organization? At least two people are involved in financial functions, dividing the tasks of bookkeeping, check signing, and bank statement/credit card statement review. Better, three people are involved. In both cases, the full board receives regular financial reports to make sure that actual expenditures line up with what they approved and are expecting to happen.

TWO PEOPLE + Full Board (Okay if that's all you got)

Person 1: Reconciles bank account, performs bookkeeping functions, writes checks, opens & posts mail

Person 2: Signs checks, completes deposit slip, reviews bank statement for discrepancies



THREE PEOPLE + Full Board (Better)

Person 1: Reconciles bank account, performs bookkeeping functions, writes checks

Person 2: Signs checks, completes deposit slips

Person 3: Manages mail, Reviews bank statement for discrepancies



BOTH CASES

Cash counted by two people

Full board: Reviews Balance Sheet & Income Statement (monthly); 990 (annually)

Volunteers



Volunteers

- According to the IRS, 85% of all charitable nonprofits have no paid staff and are run entirely by volunteers.
- Volunteers are not entitled to compensation (and receiving it can turn them into employees in the eyes of the law).
- In most states volunteers are not covered by workers' compensation insurance which is why some nonprofits elect to purchase "volunteer accident insurance."
- Train, supervise, and evaluate volunteers! Provide a volunteer handbook.

Volunteers

- KEEP RECORDS – miles, receipts, hours, etc.
- If a volunteer provides more than \$250 cash or goods in value, you must provide written acknowledgement.
- Charity must keep records for "reimbursements" so that they are not regarded as compensation.
- Keep track of hours:
- The volunteer time results in the creation or enhancement of a fixed asset, such as volunteer labor to renovate your food bank.
- To be able to complete contract reporting, such as monthly TEFAP reports, requiring number of volunteer hours.
- When applying for a grant or touting the value of your food bank to the community. The number of volunteer hours speaks to the amount of community participation.

Volunteer Handbook and Code of Conduct Outline

INTRODUCTION

OCEAN SHORES FOOD BANK

Service Area
Location and Facilities
OSFB Operation Times
Parking

VOLUNTEERING AT OSFB

Application Process
Volunteer Assignments
BSVP Program
Mirrors
Volunteer Log Book

VOLUNTEER RESPONSIBILITIES

Statement of Ethical Conduct
Basic Rules and Volunteer Code of Conduct
Examples of unacceptable behavior
Confidential Information
Alcohol and Drug Use

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FOOD HANDLING GUIDELINES

Health and Safety Standards
Hand Washing Station and Bathroom Facilities
Repackaging Bulk Foods
Freezers and Frozen Foods
Donated Food and Recall Notices
Food Inspection Guidelines
Food Storage and the Warehouse
Donated Plastic Bags

SAFETY AND SECURITY

Emergency Evacuation
Medical and/or Police Emergencies
Questions

Risk Management



Risk Management

Do you have a plan “B” for any or all of the following?

- Death or injury of a key individual
- Loss of access to the use of facilities and/or equipment
- Disrupted or significantly diminished operations
- Loss of crucial data or information
- Intense public media scrutiny
- Irreparable damage to your organization’s reputation

Insurance

- General Liability
- Volunteer Liability
- Directors and Officers
- Workman’s Compensation or Coverage for Volunteer Injuries
- Protection of Assets (building, equipment, food) – funds to open in another location
- Auto/Truck Insurance
- Employee/ Volunteer Dishonesty (Theft)
- Umbrella

Risk Management

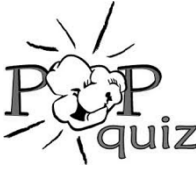
Other Ways of Managing Your Risk

- Hiring – checking references (Volunteers ??)
- Vetting with Background check (all employees and volunteers of a working food pantry or bank)
- Financial – establishing cash reserves, separation of duties (watch out for the “trusted employee!”)
- Data – backing up
- Accidents – ensuring a safe work environment
- Governance – ensure board members are fully trained

Written Policy Statements

- Confidentiality Agreement - Everyone needs one
- Client Grievance Policy – Everyone needs one
- Conflict of Interest - Everyone needs one
- Document Retention and Destruction – Everyone needs one
- Executive Compensation - Not everyone needs one
- Gift Acceptance – Not everyone needs one (could be included in Conflict of Interest)
- Joint Venture and Partnership - Everyone needs one
- Media Spokesperson – Everyone needs one
- Whistleblower Protection – Not everyone needs one

Pop Quiz!



- In a nonprofit organization, who has fiduciary responsibility?
- Who is responsible for strategic planning?
- What is a risk that you should pay attention to?

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