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.

Start where you are. Use what you have. Do what you can. —Arthur Ashe
Nonprofit Life Cycle

![Diagram of Nonprofit Life Cycle]

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What is a nonprofit? Why do they matter?

![Image of Person with Question Marks]

Three Sectors of the Economy

<table>
<thead>
<tr>
<th>Government</th>
<th>For-Profit</th>
<th>Nonprofit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>Sole proprietorships</td>
<td>501 c 3’s: (arts, education, health &amp; human services, environmental, churches, foundations, etc..)</td>
</tr>
<tr>
<td>State</td>
<td>LLCs</td>
<td>Social welfare orgs</td>
</tr>
<tr>
<td>County</td>
<td>Partnerships</td>
<td>Membership orgs</td>
</tr>
<tr>
<td>City</td>
<td>Cooperatives</td>
<td>STAKEHOLDERS</td>
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<tr>
<td></td>
<td>Corporations</td>
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<td></td>
<td>S-Corporations</td>
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</tbody>
</table>
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

<table>
<thead>
<tr>
<th>501(c)(3) Public Charities</th>
<th>501(c)(4) Private Foundations</th>
<th>Other Exempt Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non profit: education, hospitals, human services &amp; more</td>
<td>Small loan (22)</td>
<td>Social welfare</td>
</tr>
<tr>
<td>Non profit: educational, religious, cultural,陨物, &amp; other</td>
<td>Small loan (23)</td>
<td>Social welfare</td>
</tr>
<tr>
<td>Non profit: educational, religious, cultural,陨物, &amp; other</td>
<td>Small loan (27)</td>
<td>Social welfare</td>
</tr>
</tbody>
</table>

*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?

Oregon Food Bank

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What is governance? Why does it matter?
**Why**

Connection to Cause

- Connect mission to the cause
- Communicate
- Use advocacy as a tool
A map of our community

- Businesses/for profit sector
- Clients/participants/people
- Other organizations in a related space
- Funders/donors
- Other organizations directly in this space
- Government agencies/elected officials

Connection to Cause

DOCUMENTS

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

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

Nonprofit in Balance

Responsibilities

- Individual responsibilities
- Legal and fiduciary responsibilities
- Financial responsibilities
- Risk management
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.
strategy: a plan, method, or series of maneuvers or stratagems for obtaining a specific goal or result.

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

Who

Composition & Development
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.
Board meetings
Committees
Board/staff relationship
Board development/evaluation

Role of the Board

Board vs. Board Members

Together: Govern
Strategic thinking
Financial & legal oversight
Evaluate ED
Board self-management

Individually: Support
Ambassador to community
Raise funds
Bring connections
Advise ED

Board represent the community to the organization.
Board represent the organization to the community.
Customers/Client/Beneficiaries
Policy #1: Speak with one voice

During the meeting

Aker

After the meeting

Board decision

Board / ED Relationship

Board: Ends

ED: Means

Partnership

Board and Staff

<table>
<thead>
<tr>
<th>BOARD</th>
<th>STAFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance &amp; Fundraising</td>
<td></td>
</tr>
<tr>
<td>Adherence to articles, bylaws; creation of policies</td>
<td></td>
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<tr>
<td>Financial Oversight</td>
<td></td>
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<tr>
<td>Advocacy</td>
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<tr>
<td>Stakeholder representation</td>
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<tr>
<td>Oversight of Ex. Dir.</td>
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<tr>
<td>Strategic Planning</td>
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<tr>
<td>Operations &amp; Fundraising</td>
<td></td>
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<tr>
<td>Management</td>
<td></td>
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<tr>
<td>Budgeting / Accounting</td>
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<tr>
<td>Personnel</td>
<td></td>
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<tr>
<td>Programs</td>
<td></td>
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<tr>
<td>Evaluation</td>
<td></td>
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<tr>
<td>Strategic Planning</td>
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</tbody>
</table>
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

KNOW

- Roles & expectations
- Planning
- Communications
- Systems
Development Cycle

Cultivation (60%)

Stewardship (10%)

 Solicitation (30%)

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What is finance?
Why does it matter?

Financial Duty of Care
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/reconciliation review. Better three people are involved. In both cases, the full board reviews regular financial reports to make sure actual expenditures line up with what they approved and can be reported to revenue.

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 slips, 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

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 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.
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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