

Nonprofit Fundraising Discover the Power of the Crowd

Nonprofit fundraisers know they have to “go where the money is.” And these days, it seems like a lot of the money is in crowdfunding. Just witness the incredible success of all the recent “ice bucket challenges” and high-profile Kickstarter campaigns.

It’s not overstating it to say that crowdfunding is redefining how nonprofits raise money. In fact, crowdfunding is projected to become up to a \$96 billion industry by 2025.

Here’s how crowdfunding works: Organizations create a specific fundraising event or campaign and set up a page on a crowdfunding website. The nonprofit can accept money using the website’s credit card processor. Supporters and donors are then invited to link off the site and solicit their networks for funds.

That said, it’s important to start out with some perspective. Despite the promise and potential, crowdfunding is not an appropriate tool for every type of fundraising. For example, it usually isn’t effective for general fundraising or annual giving. Instead, crowdfunding works best for funding specific projects or campaigns.

Find the Right Partner

Start by reviewing a number of different crowdfunding sites to see what types of projects are being funded. For example, Kickstarter is a smart



option for nonprofits raising funds for something tangible – a historical society seeking money for a statue or memorial garden, for example.

EventBrite, another popular crowdfunding website, works well for galas, banquets and VIP events. You can promote your event, sell tickets and accept donations online or onsite at your fundraiser using a free mobile app. General purpose crowdfunding sites like CauseVox, Razoo and Causes allow you to create your own fundraising page and easily launch a crowdfunding campaign.

Note that crowdfunding sites typically charge a processing fee for donations, which can vary widely.

Some charge more if a project doesn’t reach its goal, and at least one crowdfunding site withholds funding completely if the fundraising goal isn’t met. As with any fundraising campaign, be sure to add up the costs – including set-up fees, monthly fees and fees for credit card processing – before jumping in.

Also look for a crowdfunding site that not only has plenty of traffic, but also has visitors who are actually making donations. And the site should make it easy to link your fundraising page to social networking sites.

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Does Your Board Really Know the Numbers?

Nonprofit board members have a legal obligation to the organization's fiscal health. Yet, many struggle to fulfill their fiduciary duties related to budgeting, finance and oversight. The culprit is often a fundamental disconnect between the nonprofit and for-profit worlds.

Nonprofit financial statements are a tough read for board members with for-profit backgrounds. They often struggle to comprehend the unique terms and concepts used in nonprofit accounting.



Where the Disconnect Occurs

Unlike a for-profit business, no one “owns” a nonprofit. The goal is not to maximize earnings, but rather to carry out the nonprofit's purpose or mission. So board members need to wrap their heads around some often-unfamiliar concepts such as:

- **Program accounting** — Nonprofits are required to show how money is spent, rather than how much profit was earned. Unlike profit oriented businesses, which use a single set of self-balancing accounts (or general ledger), nonprofits can have more than one general ledger (or fund), depending on their financial reporting requirements. The organization must be able to produce reports detailing the expenditures and revenues for each of the organization's individ-

ual funds, and reports that summarize the organization's financial activities across all of its funds.

- **Revenue and expense recognition** — In the for-profit world, revenue is matched with expenses, and a business's P&L reflects net income or net loss for the year. By contrast, nonprofit financial statements focus on changes in net assets. Donor promises to give are recorded as revenue when the promise is unconditional — without regard to when the monies are received or expended.

This causes revenues to often be reported in a period before they are received or used.

Failure Is Not an Option

In many nonprofit organizations, a finance committee reviews the financial statements in detail and then reports the findings back to the full board. Still, all

board members must have a basic understanding of the organization's financial statements in order to fulfill their fiduciary duty. Specifically, they need to know why these numbers are important and what actions they should take when the financial reporting violates generally accepted accounting principles (GAAP).

Ultimately, executive staff and board leadership must collaborate to make sure that board members are educated and informed regarding financial documents. Consider these ways you can help your board members fulfill their fiduciary duties:

Invest in some board training.

Make sure to cover the basics of reading nonprofit financial statements as part of new board member orientation (consider having existing board members also attend for a refresher).

Also consider inviting your external auditors (your CPAs) to the training session and asking them to provide comments. Then provide ongoing training for your board utilizing webinars, seminars, guides, checklists and other resources.

Prepare for productive meetings.

Make sure that all board members receive your nonprofit's financial statements at least seven days before the board meeting so they have ample time for review. The most effective reports use easily read charts and graphs to present the financial information — for example, a pie chart showing your budget broken down by program.

- **Put it in perspective.** Present your financials in context by utilizing benchmarking data to show how your numbers compare to similar organizations. In the same vein, include trends that compare current financials to previous months.

Another helpful way to present the data is with a 12-month rolling forecast that shows actual figures through the current month and budgeted figures for future months.

- **Utilize KPIs.** Present financial dashboards or flash reports that provide a concise, consolidated view of your organization's key performance indicators (KPIs). This might include the use of operating ratios, such as the ratio of income to expense by program and donor-to-budget ratios.

It's Your Move

Understanding your nonprofit's finances isn't a luxury; it's an imperative — not just for your individual board members, but for the good of your organization and your community. ■

Contact our nonprofit professionals to learn more about establishing impactful financial measures, or for help in understanding what your current financials are saying about your organization's fiscal health.

A Look at Liability

Why Do Nonprofits Get Sued?

Nonprofits get sued for many of the same reasons that for-profit organizations find themselves in court. However, as the Nolo Legal Network notes, there are some unique characteristics of nonprofits that make them especially vulnerable to liability in three specific areas.

1. Contract disputes — To avoid legal fees, nonprofits often cut corners with contracts and agreements. The reality is that any legal agreement you enter into — whether it's for website design or office space — can come back to bite you. A good rule of thumb is to think through everything that could possibly go wrong with a contract and make sure it is addressed in writing.

Vague “form” agreements printed off the Internet can be particularly troublesome. Don't think that you have to accept a generic agreement as is. You're free to cross out sections or add details by writing directly on the document (have both sides initial to acknowledge the changes) or creating an addendum to the agreement. Of course, run everything by a competent attorney. Scrimping here could cost you in the long run.

2. Employment-related claims — A high percentage of lawsuits against nonprofits involve employment-

related issues like wrongful termination, discrimination and wage-and-hour disputes. Nonprofits typically can't afford an HR professional to keep them on track, and shoe-string budgets can lead them to impose on staff in ways that can come back to haunt them.

For example, an employee dedicated to the mission of the nonprofit may consider it to be “taking one for the team” when asked to forego overtime pay or vacation time during a budget crunch. However, employment practices like this can lead to a lawsuit if the employee becomes disgruntled or is fired or laid off.

Becoming familiar with state and federal employment law is a good first step to heading off trouble. Also consider bringing in outsourced HR expertise if your organization has a large staff.

3. Personal injury lawsuits — Tort lawsuits against nonprofits are the classic low-probability, high-impact liability. They don't happen often, but when they do, they can bring an ill-prepared nonprofit to its knees.

Nonprofits engage in plenty of activities that can expose them to claims — from volunteers delivering goods in a donated van to regular activities with children. Here, “personal injury” can range from a physical injury and property damage to emotional distress or damage to a person's reputation. The key is to evaluate your most likely areas of risk and then plan specific ways to minimize those risks and limit your exposure.

Because the risk management issues and insurance requirements of nonprofits are so different from commercial businesses, it's critical to find an insurance agent who has experience working with nonprofits. Then meet with your agent at least once a year to review your coverage — ideally, several months before your policy expires. ■

The Power of the Crowd

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Do Your Part

Crowdfunding is all about creating buzz and excitement as you engage supporters and build a community around your cause. At the core of any effective crowdfunding campaign is a compelling story — typically shared in a two to three minute mix of video and text. Ideally, such a story will elicit a viral response, increasing the reach of your campaign.

It's also important to show some early successes for your crowdfunding campaign. Fundraising consultants recommend running the campaign within your current network of donors, supporters, staff, volunteers and board members several weeks before public rollout. Then hold off on full-scale launch until you've reached 30 percent of your total fundraising goal through your existing network.

Watch Your Liability

It's easy to get caught up in the “shiny and new” nature of crowdfunding. But in the end, it's still fundraising — which requires following traditional charitable solicitation regulations.

In particular, charitable registration requirements can become an issue since a crowdfunding campaign can easily cross state and jurisdictional lines. With that in mind, nonprofits are well advised to review *Social Media and Internet Solicitation Wise Giving Tips*, published by the National Association of State Charity Officials.

General purpose resources include Indiegogo's free *Campaign Field Guide and Cause Handbook* and *How to Plan a Nonprofit Crowdfunding Campaign* from CauseVox.

A well-executed crowdfunding campaign might be just the thing your nonprofit needs to connect with your donors and solicit support more efficiently than ever before. ■



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How to Maximize Community Foundation Giving Days

Giving days hosted by your local community foundation are a great way to turbocharge your fundraising efforts with one high-impact, 24-hour giving blitz.

During “Give Miami Day” or “Chicago Gives”-type events, the community foundation does its part by driving traffic to an official giving day website. Some foundations even give away cash prizes to nonprofits in contests throughout the day. Donors then choose the issues or organizations most important to them and make a secure online donation.

Here are some ways you can maximize these giving day opportunities:

Register on time. Thoroughly complete the registration form. This information will be used to create your

giving day profile, so tell your story and fill out everything requested.

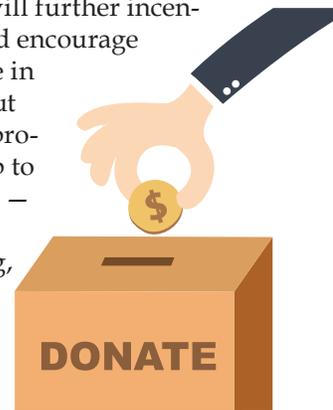
Attend the training. The community foundation will typically provide a toolkit and all the support you need. So don’t miss the kick-off meeting, where you’ll get an overview of the event as well as guidance on goal and strategy planning. There may also be webinars or other training on the mechanics of your giving day.

Craft your message. Build a compelling narrative for the giving day that creates excitement and engagement. Feature your inspiring stories on special landing pages — and crank up the engagement factor with games, activities and contests.

Mind the mechanics. Cross all of your technology t’s by ensuring that

your giving process is clean and simple (and also set up for mobile). Set things up so that an automated thank-you and tax receipt is sent and instant reporting on your progress is available throughout the day.

Prep properly. Use the time before the giving day to cultivate matches and prizes that will further incentivize donors, and encourage pledges to donate in advance. Build out communication programs leading up to the day of giving — including traditional advertising, emails, social media updates and more. ■



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