



STRENGTHENING THE VOICES  
OF CASA STATEWIDE

# FINANCE AND RISK

## TEXAS CASA EXECUTIVE DIRECTORS RESOURCE MANUAL 3



2017 EDITION

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**Baker Professional Writing Services**  
324 Moonlight Ct.  
Cibolo, TX 78108  
979.324.7688  
baker.technical.writing@gmail.com

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# STANDARD 10: FINANCIAL, FACILITY AND RISK MANAGEMENT



**Executive Director Resource Manual  
2017 Edition**





# STANDARD 10: FINANCIAL, FACILITY AND RISK MANAGEMENT

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The CASA/GAL program manages its operations in accordance with generally accepted financial and risk management practices and applicable federal, state and local statutory requirements.

## 10.A. Budgeting

1. The CASA/GAL program has a written budget which guides the management of its financial resources, based on:
  - a. Funding anticipated during the program year.
  - b. Fixed and incremental costs of operating the CASA/GAL program and identification of potentially changing costs and conditions.
2. The budget is reviewed and approved by the governing body prior to the beginning of the fiscal year.
3. The governing body or its designee reviews and approves all deviations (as defined by the governing body) from and revisions to the budget.

## 10.B. Financial Resources

1. The CASA/GAL program follows a written plan for securing and maintaining diversified financial resources adequate to accomplish its established goals and objectives.
2. The CASA/GAL program maintains its tax-exempt status, if applicable.
3. The CASA/GAL program seeks to conserve its financial resources by:
  - a. Taking advantage of benefits allowed tax exempt organizations, when applicable.
  - b. Maintaining sound policies regarding purchasing and inventory control.
  - c. Using competitive bidding, where applicable, in accordance with fiscal policy and law or regulation.
4. The CASA program regularly analyzes:
  - a. Cost of operations.
  - b. Current and potential funding sources.
5. Allocation of funds.
6. Effectiveness in achieving budget objectives.

## 10.C. Financial Reporting and Accountability

1. The CASA/GAL program is accountable to its governing body for prudent financial management.
2. The CASA/GAL program assures that an annual report is developed which includes financial, statistical and service data summary information.
3. The CASA/GAL program annually files the required IRS form 990 in a timely manner which is approved by the governing body or designee.

4. The CASA/GAL program has an independent certified public accountant (approved by the governing body) perform an audit of its financial statements within nine months of the end of the fiscal year and submits the audit to Texas CASA by the state deadline. The audit should conform to generally accepted auditing standards. Additionally:
  - a. The audit must contain a separate schedule of all funds provided under CVC and VOCA contracts and a Statement of Functional Expenses.
  - b. A designated committee or member of the governing body (such as finance or audit review committee) reviews the audit findings and meet with the independent auditor as necessary.
  - c. The auditor's report is reviewed and formally approved or accepted by the governing body and made available for public inspection.
  - d. When a management letter has accompanied the audit, the CASA/GAL program's governing body promptly reviews and ensures that management acts on its recommendations.

#### 10.D. Financial Accounting and Record Keeping

1. The CASA/GAL program receives, disburses and accounts for its funds in accord with generally accepted accounting principles.
2. The CASA/GAL program has written operational policies and procedures with regard to accounting control to which the program adheres. In the case of programs under an umbrella organization, the program adheres to the extent of the program's control. These policies and procedures include:
  - a. Internal financial controls.
  - b. Descriptive chart of accounts.
  - c. Prompt and accurate recording of revenues and expenses.
  - d. Maintenance of a filing system which contains account records and receipts.
  - e. Safeguarding and verification of assets.
  - f. Control over expenditures.
  - g. Separation of duties to the extent possible.
  - h. Handling of and requirements for reserves, endowments and investments.
3. The review and monitoring of the CASA/GAL program's financial management is delegated to its governing body or to the appropriate committee.
4. The CASA/GAL program makes timely payments to the Internal Revenue Service and to other taxing authorities, as required by law.
5. The CASA/GAL program uses a financial management system that ensures the segregation of restricted funds.
6. When the CASA/GAL program has the authority, its policies and procedures require:
  - a. Personnel with financial responsibilities receive orientation to the bookkeeping system and retraining when system changes occur.
  - b. Systems are in place to prevent or to detect fraud or abuses of the system, such as control, use and review of the system by more than one person.
7. The CASA/GAL program's accounting records are kept up to date and balanced on a monthly basis.
8. The CASA/GAL program reconciles bank statements to the general ledger on a monthly basis.



## 10.E. Resource Development

1. The CASA/GAL program's governing body sets policies and exercises control over resource development activities carried out by its staff and volunteers.
2. The CASA/GAL program conducts solicitations of individuals, groups, corporations, and other potential funders in an ethical manner.
3. The CASA/GAL program registers with the applicable state agency to conduct charitable solicitations.
4. The CASA/GAL program provides potential funders with an accurate description of the program, its purpose and services as well as the financial needs for which the solicitation is being made.
5. The CASA/GAL program spends funds for the purposes for which they were solicited, except for reasonable costs for administration of resource development activities.
6. The CASA/GAL program performs a costs-benefits analysis prior to engaging in resource development activities.
7. The CASA/GAL program establishes controls on processing and acknowledging contributions in accordance with applicable laws.

## 10.F. Facility and Workplace Management

1. The CASA/GAL program operates from offices which provide a safe, well-maintained physical environment for its personnel, volunteers and visitors.
2. The CASA/GAL program maintains a work environment for its personnel and volunteers that is conducive to effective performance.
3. The CASA/GAL program's facilities comply with applicable health, fire safety and accessibility codes and regulations.
4. The CASA/GAL program plans for the disposition of property in the event of its dissolution.
5. The CASA/GAL program takes reasonable measures to maintain its equipment and ensure it is used as intended.
6. A CASA/GAL program has a weapons prohibition policy, approved by Texas CASA, stating that individuals are prohibited from possessing any firearm, ammunition, or weapon of any kind in CASA offices or in violation of any state or federal law or regulation. This policy will include:
  - a. Prohibition of firearms, ammunition, or weapons of any kind being carried or transported by CASA volunteers while involved in any CASA related activity.
  - b. Law enforcement agents are exempt from this policy.

## 10.G. Risk Management

7. The CASA/GAL program protects its physical, human and financial resources by evaluating, and preventing or reducing the risks to which they are exposed.
8. The CASA/GAL program has liability protection for governing body, organization, program staff and volunteers through the court, state statute or private insurance coverage.
9. The governing body has responsibility for determining the extent and nature of the liability protection needed for personnel and volunteers, when applicable laws are unclear or silent, and has

a plan for regularly reviewing potential liability to the organization and staff and establishes the necessary protections for preventing or reducing exposure.

10. The CASA/GAL program evaluates and reduces its potential liability by:
  - a. Assigning the risk management function to a person or committee whose job description includes responsibility for risk management policies and activities.
  - b. Ensuring that appropriate bonding, self-insurance, or external coverage is adequate to meet the potential liability of the CASA/GAL program.
  - c. Developing a process to identify risks in terms of their nature, severity and frequency.
  - d. Avoiding risk through loss prevention and risk reduction.
  - e. Evaluating and monitoring the effectiveness of the risk management function.
  - f. Determining how often records checks are required on governing body, staff and volunteers, if more frequently than once every two years.
11. The CASA/GAL program carries worker's compensation insurance and other insurance as deemed necessary based upon evaluation of its risks and protects itself through means such as indemnification, participation in a risk-pooling trust or external insurance coverage.
12. The CASA/GAL program requires all persons with authority to sign checks, handle cash or contributions, or manage funds to be bonded in an amount that equals, at a minimum, the program's combined CVC/VOCA grant awards.
13. The CASA/GAL program informs its board members, officers, staff and volunteers of the amount and type of coverage that is provided on their behalf by the program.
14. The CASA/GAL program annually reviews its insurance coverage with its insurance carrier to ensure adequate coverage.
15. If the CASA/GAL program permits staff/volunteers to transport children the staff/volunteer shall provide to the program:
  - a. Copy of a valid current driver's license.
  - b. Proof of personal automobile insurance. Insurance must be the required state minimum. The programs also secure a motor vehicles division record check and in addition the program has policy and procedures which assure CASA staff/volunteers:
    - i. Obtain permission of the supervisor or director.
    - ii. Obtain permission of the child's legal guardian or custodial agency when transporting a child.
    - iii. Remain knowledgeable about the potential personal risk of liability.
    - iv. Choose to accept the responsibility.

## Section 1

# ACCOUNTING



**Executive Director Resource Manual  
2017 Edition**



# QUICKBOOKS TOOLKIT

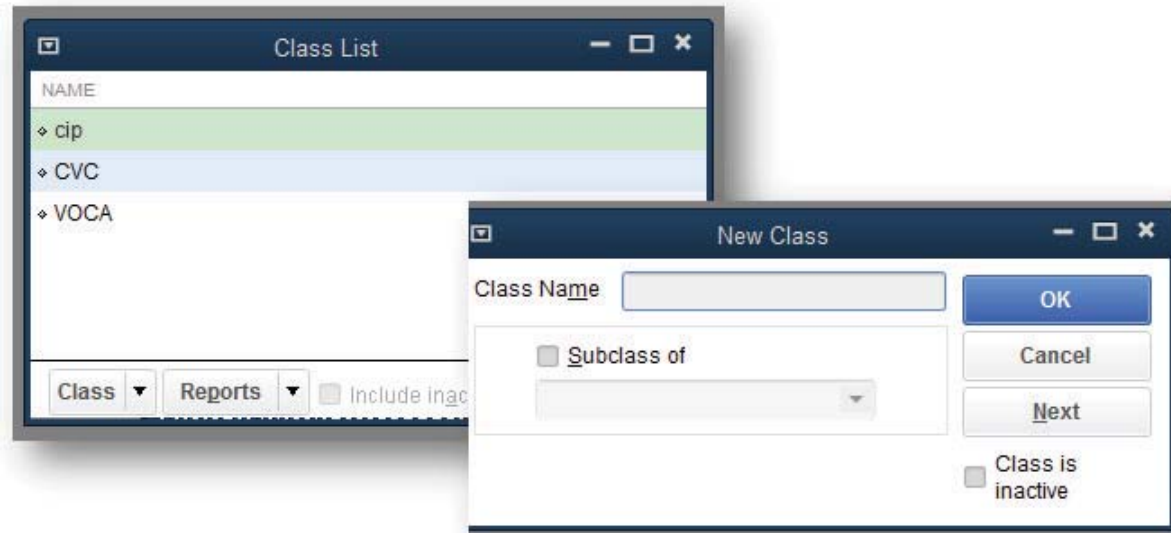
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## QUICKBOOKS KEYBOARD SHORTCUTS

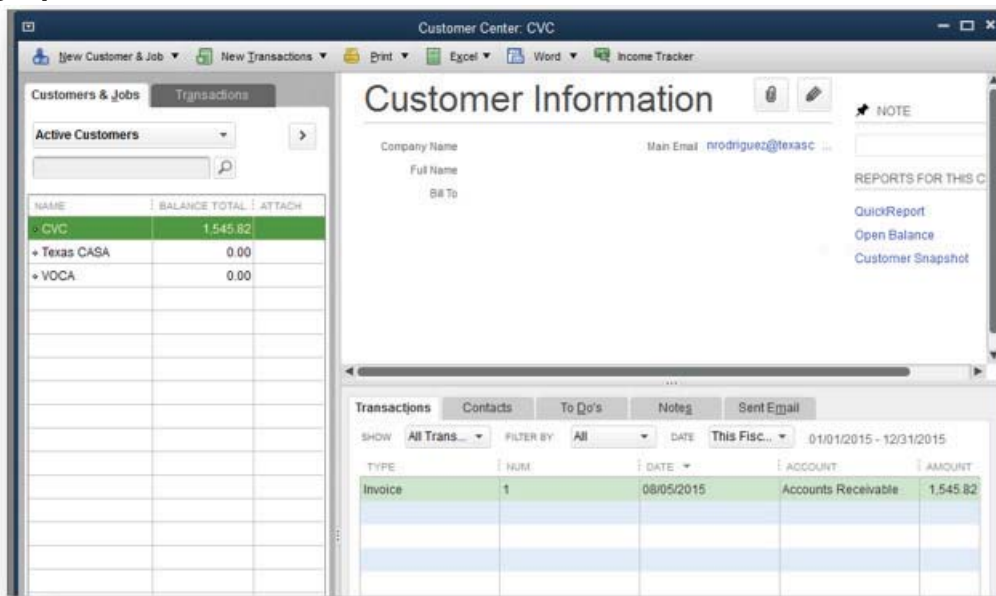
Press This Shortcut:	QuickBooks Does This:
Ctrl+A	Displays the Chart of Accounts window
Ctrl+C	Copies your selection to the Clipboard
Ctrl+D	Deletes check, invoice, transaction, or item from the list
Ctrl+E	Edits transaction selected in the register
Ctrl+F	Displays the Find window
Ctrl+G	Goes to the other side of a transfer transaction
Ctrl+I	Displays the Create Invoice window
Ctrl+J	Displays the Customer:Job List window
Ctrl+K	Displays QuickBooks Service Keys window
Ctrl+L	Open list for current drop-down menu
Ctrl+M	Memorizes a transaction
Ctrl+N	Creates a new <fill in the blank> where <fill in the blank> is whatever is active at the time
Ctrl+P	Almost always prints the currently active register, list, or form
Ctrl+Q	Creates and displays a QuickReport on the selected transaction
Ctrl+R	Displays the Register window
Ctrl+T	Displays the memorized transaction list
Ctrl+U	Use List Item
Ctrl+V	Pastes the contents of the Clipboard
Ctrl+W	Displays the Write Checks window
Ctrl+X	Moves your selection to the Clipboard
Ctrl+Y	Open Transaction Journal
Ctrl+Z	Undoes your last action — usually
Ctrl+1	Displays product information, including statistical information about your QuickBooks company
Ctrl+Insert	Inserts a line into a list of items or expenses
Ctrl+Delete	Deletes the selected line from a list of items or expenses

# QUICKBOOKS REFERENCE GUIDE

## Setting up a Class:



## Setting up a New Customer:





**Checks:**

ANX ACCOUNT 1000 - 1000      ENDING BALANCE 43,033.05

NO. TO PRINT  
DATE 08/04/2015

PAY TO THE ORDER OF Pitney Bowes      \$ 165.00

One hundred sixty-five and 00/100\*\*\*\*\* DOLLARS

ADDRESS  
Pitney Bowes

MEMO Postage meter

Expenses \$165.00    Items \$0.00

ACCOUNT	AMOUNT	MEMO	CUSTOMER J...	BILLA...	CLASS
65030 - Printing and Copying	100.00	Postage Meter July Services	CVC	<input checked="" type="checkbox"/>	CVC
65030 - Printing and Copying	65.00	Postage Meter July Services	VOCA	<input checked="" type="checkbox"/>	VOCA

**Deposits:**

ANX ACCOUNT 1000 - 1000      ENDING BALANCE 43,033.05

NO. TO PRINT  
DATE 08/04/2015

PAY TO THE ORDER OF Pitney Bowes      \$ 165.00

One hundred sixty-five and 00/100\*\*\*\*\* DOLLARS

ADDRESS  
Pitney Bowes

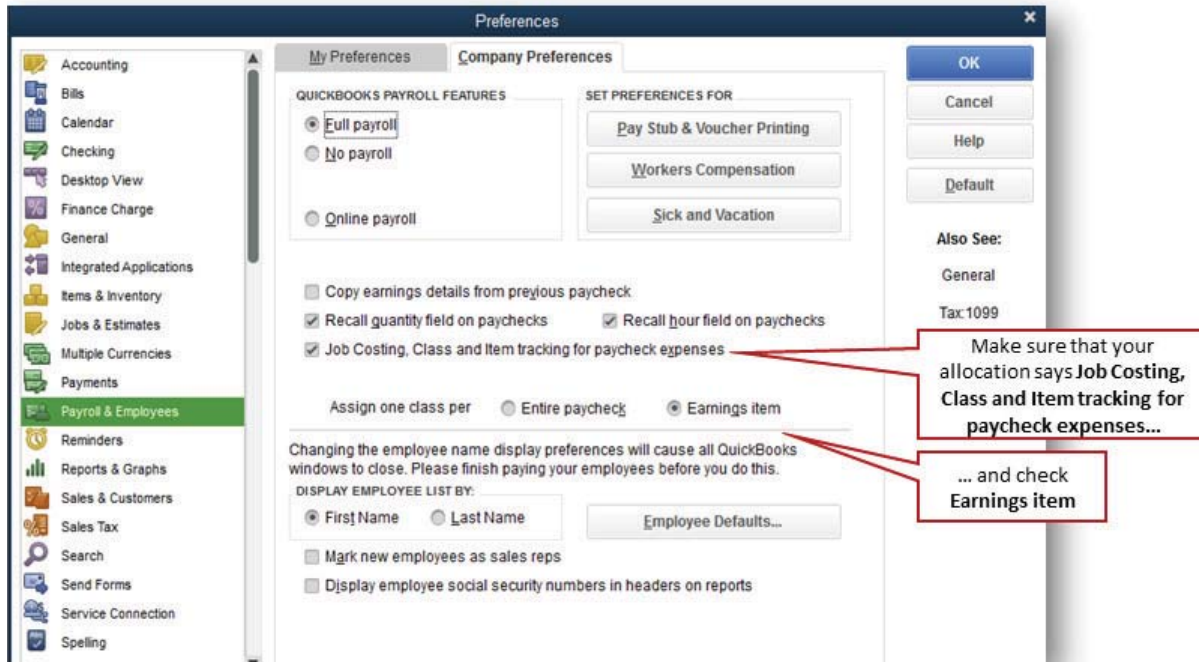
MEMO Postage meter

Expenses \$165.00    Items \$0.00

ACCOUNT	AMOUNT	MEMO	CUSTOMER J...	BILLA...	CLASS
65030 - Printing and Copying	100.00	Postage Meter July Services	CVC	<input checked="" type="checkbox"/>	CVC
65030 - Printing and Copying	65.00	Postage Meter July Services	VOCA	<input checked="" type="checkbox"/>	VOCA

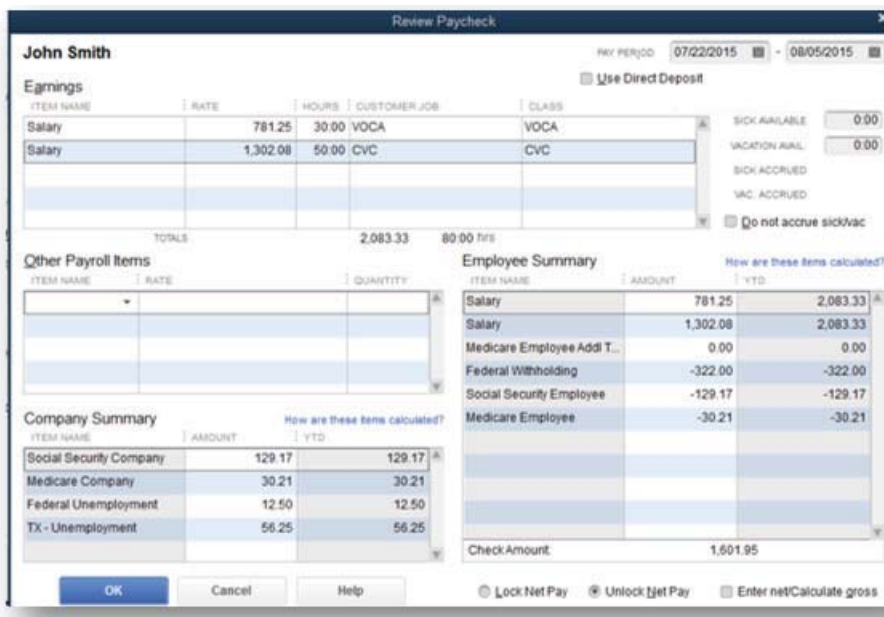
## Payroll Preferences:

- In **Edit/Preferences/Payroll**: Make sure that your allocation says *Job Costing, Class and Item tracking for paycheck expenses* and check *Earnings item*.



## Allocating Salaries to Grants:

- When entering payroll, enter the *hours* that total your salary amount for each *grant*.
- Enter the *Customer/Job* and the *Class* for each line item.



## Creating a New Budget by Class:

1. Company
2. Planning and Budgeting
3. Set up Budgets
4. Create New Budget
5. Enter Year
6. Choose P&L
7. Choose Class
8. Create budget from Zero
9. Start entering budget
10. Use the 'Copy Across' button to copy across total

Budget

FY2016 - Profit & Loss by Account and Class

Current Class: CVC

ACCOUNT	ANNUAL TOTAL	JAN16	FEB16	MAR16	APR16	MAY16
45000 - Investments						
45030 - Interest-Savi...						
46400 - Other Types of...						
46430 - Miscellaneo...						
47200 - Program Inco...						
47230 - Membershi...						
47240 - Program Se...						
60900 - Business Exp...						
60920 - Business R...						
62100 - Contract Servi...	6,000.00	500.00	500.00	500.00	500.00	500.00
62110 - Accounting F...						
62140 - Legal Fees						
62150 - Outside Co...						
62800 - Facilities and ...						
62810 - Depr and A...						
62830 - Donated Fa...						
62840 - Equip Renta...	6,000.00	500.00	500.00	500.00	500.00	500.00
62870 - Property Ins...						
62890 - Rent, Parkin...						
65000 - Operations						
65010 - Books, Sub...						
65020 - Postage, Ma...	2,400.00	200.00	200.00	200.00	200.00	200.00
65030 - Printing and...	3,600.00	300.00	300.00	300.00	300.00	300.00
65040 - Supplies	7,800.00	650.00	650.00	650.00	650.00	650.00
65050 - Telephone, ...	6,000.00	500.00	500.00	500.00	500.00	500.00
65100 - Other Types o...						
65120 - Insurance - ...						
65160 - Other Costs						
66000 - Payroll Expen...	84,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00
68300 - Travel and Me...						
68310 - Conference,...						
68320 - Travel	4,200.00	350.00	350.00	350.00	350.00	350.00

## Memorize Reports to use for RFRs:

1. Reports
2. Company & Financial
3. Profit & Loss by Class
4. Memorize the report for future use (use Memorize icon)
5. Save in Memorized Report Group

## Statement of Activities by Class:

<b>TEXAS CASA, INC.</b>			
<b>Statement of Activities by Class</b>			
January through August 2015			
	CVC	VOCA	TOTAL
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
<b>44500 · Grant Income</b>			
44501 · CVC	30,000.00	0.00	30,000.00
44502 · VOCA	0.00	15,000.00	15,000.00
<b>Total 44500 · Grant Income</b>	<b>30,000.00</b>	<b>15,000.00</b>	<b>45,000.00</b>
<b>Total Income</b>	<b>30,000.00</b>	<b>15,000.00</b>	<b>45,000.00</b>
<b>Expense</b>			
<b>65000 · Operations</b>			
65030 · Printing and Copying	100.00	65.00	165.00
65040 · Supplies	50.00	0.00	50.00
65050 · Telephone, Telecommunicati...	75.00	75.00	150.00
<b>Total 65000 · Operations</b>	<b>225.00</b>	<b>140.00</b>	<b>365.00</b>
<b>66000 · Payroll Expenses</b>	<b>1,320.82</b>	<b>990.64</b>	<b>2,311.46</b>
<b>Total Expense</b>	<b>1,545.82</b>	<b>1,130.64</b>	<b>2,676.46</b>
<b>Net Ordinary Income</b>	<b>28,454.18</b>	<b>13,869.36</b>	<b>42,323.54</b>
<b>Net Income</b>	<b>28,454.18</b>	<b>13,869.36</b>	<b>42,323.54</b>

## Making a Journal Entry:

1. Go to "Company"
2. Make general journal entries
3. Enter account number/debit or credit
4. Enter description or journal entry
5. Enter name if it applies to a customer or vendor
6. Enter class
7. Save and close

DATE: 08/05/2015    ENTRY NO.: 1

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	BIL.	CLASS
47230 · Membersh...	50.00		Reclass membership dues			CVC
65010 · Books, Su...		50.00	Reclass membership dues			CVC
Totals	50.00	50.00				

Buttons: Save & Close, Save & New, Clear

# CHART OF ACCOUNTS SAMPLE

## CHART OF ACCOUNTS: STANDARD 10.D.2.B

ACCOUNT	ACCOUNT TITLE	ACCOUNT TYPE
1010	Operating Account	CASH
1110	Reserve Account	CASH
1210	Grants Receivable	ACCOUNTS RECEIVABLE OTHER
1220	Accounts Receivable -Other	ACCOUNTS RECEIVABLE OTHER
1310	Furniture/Equipment	FIXED ASSETS
2000	Accounts Payable	ACCOUNTS PAYABLE
2014	Donations Payable	ACCOUNTS PAYABLE OTHER
2015	Payroll Payable	ACCOUNTS PAYABLE OTHER
2016	Medical Payable	ACCOUNTS PAYABLE OTHER
2017	Life, LTD & AD&D Payable	ACCOUNTS PAYABLE OTHER
2018	403B Payable	ACCOUNTS PAYABLE OTHER
2019	Workers' Comp Payable	ACCOUNTS PAYABLE OTHER
2020	Payroll Taxes Payable	ACCOUNTS PAYABLE OTHER
2021	SUTA Payable	ACCOUNTS PAYABLE OTHER
2025	Employee Withheld Payable—Other	ACCOUNTS PAYABLE OTHER
2110	Accrued Vacation Payable	OTHER LIABILITIES
3000	Fund Balance	ASSET ACCOUNT
4120	Individual Contributions	REVENUE
4130	CVC Fund	REVENUE
4131	VOCA Fund	REVENUE
4132	OVAG Fund	REVENUE
4133	City/County/CDBG	REVENUE
4140	Corporate Contributions	REVENUE
4150	United Way	REVENUE
4155	Foundations	REVENUE
4160	Fundraising Events	REVENUE
4410	Carry over from Previous Year	REVENUE
4450	National CASA	REVENUE
4460	Other Grants	REVENUE
5010	Salaries	EXPENSE
5020	Contract/Temporary Labor	EXPENSE
5030	Employer Payroll Taxes (FIT/FICA)	EXPENSE
5040	Unemployment Taxes (SUTA)	EXPENSE
5050	Workers' Comp Insurance	EXPENSE
5060	Health Insurance	EXPENSE
5061	Life & Related Insurance	EXPENSE
5070	Retirement Plan Contributions	EXPENSE
5110	Audit Services	EXPENSE



# BALANCE SHEET CHEAT SHEET

---

The balance sheet—also called the Statement of Financial Position—serves as a snapshot, providing the most comprehensive picture of an organization’s financial situation.

## WHY IS THE BALANCE SHEET IMPORTANT?

The balance sheet reports an organization’s assets (what is owned) and liabilities (what is owed). The net assets (also called equity, capital, retained earnings, or fund balance) represent the sum of all the annual surpluses or deficits that an organization has accumulated over its entire history. If it happened in your financial past, the balance sheet reflects it.

The balance sheet also indicates an organization’s liquidity by communicating how much cash an organization has at present and what assets will soon be available in the form of cash. Assets are usually listed on a balance sheet from top to bottom by rank of liquidity (i.e. from most easily turned into cash to those assets most difficult to turn into cash). Understanding liquidity is important to understand how flexible and responsive an organization can be.

## SIX KEY MEASURES

The balance sheet has a lot of valuable information. Our Balance Sheet Cheat Sheet highlights six key measures that are useful for all types of nonprofits. Below is a brief explanation of each of these financial indicators:

- **Days cash on hand** measures liquidity and estimates how many days of organizational expenses could be covered with current cash balances.
- The **current ratio** measures assets that will be cash within a year and liabilities that will have to be paid within a year and can provide an indication of an organization’s future cash flow.
- By filtering out the portion of total net assets that are tied up in fixed assets (i.e. assets that will likely never be converted to cash), the **working capital ratio** measures how much of an organization’s resources are unrestricted and available for current and future use.
- Recognizing **temporarily restricted net assets** and representing them as such in financial statements is crucial so that organizational decision-makers are aware of obligations in the future.
- The **change in unrestricted net assets** indicates if an organization operated the most recent fiscal period at a financial gain or loss. This line is a direct connection with and should be equal to the bottom line of an organization’s income statement (also called a Statement of Activities or profit/loss statement).
- The **debt to equity ratio** measures financial leverage and demonstrates what proportion of organizational debt versus organizational net assets are being utilized to support the organization’s finances.

Some of the ratio calculations require information that can not be found on the balance sheet. A few pieces may need to be found on the income statement or other financial statements.

## OTHER CONSIDERATIONS

Nonprofits vary in size, structure, income reliability, and other financial aspects, which makes it inappropriate to establish a set of standards or benchmarks for most financial ratios. Nonprofit leaders should be able to articulate and understand these calculations and their relevance, as well as monitor selected measures over time to gain an accurate understanding of financial trends. Your organization is heading somewhere—do you know where?

### All Services to All People, Balance Sheet, December 31, 2014

	Unrestricted	Temp.	Total	
<b>ASSETS</b>				
Cash in	65,570		65,570	Days cash on hand: Cash and current investments \$65,570 + \$57,800 + \$26,000 \$878,325* / 365
Checking	57,800	40,000	97,800	
Savings	26,000		26,000	
Investments	51,130		51,130	*Annual cash requirement (\$878,325) can be found using information on the
Accounts Receivable				
Gift Certificates		40,000	40,000	Working capital ratio: Unrestricted net assets - net fixed assets Annual cash requirement / 365 \$282,945 - (\$20,000 + \$609,386 + \$177,300 + \$39,110 - \$181,590 - \$482,662)
Pledges Receivable	17,000		17,000	
Subtotal Current	0	80,000	17,000	Debt to equity ratio: Total liabilities Total unrestricted net assets \$649,961 \$282,945
Assets Prepaid Expense	256,50		0	
Long-Term Pledges	2,20		0	Temporarily restricted assets: Do we have assets obligated
Receivable Land	0		2,20	
Building	10,00		0	
Furniture & Equipment	0		10,00	
Computer Equipment	20,00		20,00	
Accumulated Depreciation	609,38	60,000	0	
Subtotal Long-Term Assets	49,05		49,05	
Total Assets	5		5	
<b>LIABILITIES &amp; NET ASSETS</b>				
ASSETS	5,500		4	Change in unrestricted net assets: Also called net assets: \$27,724
Accounts Payable	26,72		5,50	
Payroll Taxes	0		0	
Payable Deferred	80,00		26,72	
Revenue Accrued	0		0	
Subtotal Long-Term Liabilities	0		80,00	
Total Liabilities	649,961		29,90	
Net Assets				
Net Assets Beginning of Year	255,721	20,00	275,72	
Year Change in Net Assets	27,72	0	1	
Total Net Assets	282,945	60,00	87,22	

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# REPORTING FINANCIAL INFORMATION TO THE BOARD

---

The board of directors of a nonprofit organization has legal responsibility for the organization's work. The board is responsible for short and long-term planning, and they must ensure that systems are in place for administering and effectively using resources and guarding against misuse.

In order to fulfill their responsibilities, board members must be able to rely on financial information that is:

**Accurate:** Information must be reliable and accurate. Resolve any question about the quality of recordkeeping or accounting first.

**Timely:** Information should be available to the board within 2 or 3 months at the latest.

**In context:** Information should be presented in relationship to the history, goals, and programs of the organization.

**Appropriate:** No one-size-fits-all financial report exists. Reports must be designed to communicate information specific to the organization's current circumstances in a format that matches the knowledge level and role of board members.

## WHAT EVERY BOARD NEEDS TO KNOW

Financial reports should be on the agenda at every board meeting. The board should regularly review the organization's:

**Income statement** showing income and expenses for the period compared to budget;

**Balance sheet** showing assets and liabilities;

**Budget**, which should be based on programmatic plans and should be approved annually by the board before the start of the fiscal year.

In addition, once a year the board should review:

- Annual financial report and, if required, an audit report;
- IRS 990 information return.

## PURPOSE DETERMINES FORM

The format and content of reports for the board should be determined by their intended purpose. Four types of reporting are needed by the board:

### 1. **Compliance and information**

The most common purpose of reporting to the board is to:

- Give assurance and verification of how resources are used and ensure operational efficiency and controls;
- Provide accountability to funders, community partners, and the public on the use of funds.

The board should receive:

- Income statement compared to budget;
- Balance sheet;
- Annual review of the audit;
- Verification of timely and accurate filing of IRS 990 and other required reports.

## 2. Evaluation

When the board seeks to:

- Assess effectiveness of activities and use of resources;
- Review administrative systems and controls;
- Measure progress toward goals, including financial, fundraising, and program goals;
- Consider financial information in relation to the mission of organization.

The board should receive:

- Comparisons of actual results to budget and other plans;
- Comparisons to financial and programmatic benchmarks, such as client levels, financial ratios, reserve levels, and costs of services;
- Financial reports in relation to the programmatic activities and needs of the organization.

## 3. Planning

When the board is engaged in planning in order to:

- Project future needs and consider trends, changes, and prospects for the future;
- Develop assumptions for use in future plans.

The board should receive:

- Trend analysis of primary income and expense categories for past 1—3 years;
- Information about the external environment and how it is affecting the organization;
- Financial implications of new programs or management decisions;
- Multiple budget scenarios based on different options under consideration.

## 4. Taking Action

When action is required by the board as a result of changes from previous plans and to:

- Respond to changes, both negative and positive;

- React to changes in external environment;
- Address problems with programs, budget or cash flow.

## ADDITIONAL REPORTING

At times it may be appropriate to provide additional information to the board, such as:

- Cash flow projections;
- Forecasts or periodic updates to the budget when significant changes have occurred affecting finances;
- New budgets may need to be approved by the board;
- Specialized budgets for capital projects or major new initiatives to fully inform the board before making significant commitments.

In times of financial difficulty or crisis, you will need to:

- Provide more detailed information;
- Report more frequently;
- Update forecasts and track against plans;
- Manage cash flow vigilantly.

## PRESENTING INFORMATION TO THE BOARD

- Invest some time in creating a report format for the board using either your accounting software or a spreadsheet program.
- Use summary categories for income and expenses to enable the board to focus on the big picture for decision making rather than micro-managing day to day details.
- Provide a brief narrative along with financial reports. The narrative should highlight significant items and explain variances from plans.
- Every board member needs training on reading and using the financial reports. Provide an annual orientation and review of the report format, major categories, and the key financial factors for the organization.
- The board should receive:
  - Income statement compared to budget and plans;
  - Analysis of the causes of the variances;

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# NONPROFIT FINANCIAL POLICY GUIDELINES AND EXAMPLE

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Developing and adopting a written financial policy is a valuable practice for any nonprofit organization, no matter how small or large. Financial policies clarify the roles, authority, and responsibilities for essential financial management activities and decisions. In the absence of an adopted policy, staff and board members are likely to operate under a set of assumptions that may or may not be accurate or productive. If the idea of creating a financial policy seems daunting, these guidelines for policy development and this basic example may be helpful.

## FIVE ESSENTIALS FOR FINANCIAL POLICIES

The purpose of the financial policy is to describe and document how the board wants financial management activities to be carried out. In order to accomplish this, every financial policy needs to address five areas:

1. Assignment of authority for necessary and regular financial actions and decisions, which may include delegation of some authority to staff leaders
2. Policy statement on conflicts of interest or insider transactions
3. Clear authority to spend funds, including approval, check signing, and payroll
4. Clear assignment of authority to enter into contracts policy.
5. Clear responsibility for maintaining accurate financial records

## DEVELOPING AND APPROVING A FINANCIAL POLICY

This example financial policy is intended to be short and simple to address some of the basic elements of a good policy. Some nonprofits develop more comprehensive and detailed policies that incorporate more specific responsibilities and add more detail. The most important action is to create and adopt a policy that meets your organization's needs.

There are some helpful steps you can take to make the policy as helpful as possible:

- Discuss policy needs with your treasurer and finance committee or executive committee
- Conduct an informal risk assessment
- Draft the financial policy, followed by review and discussion by staff and board leadership
- Present to board for adoption
- Train staff on policy
- Review at least bi-annually
- Clear responsibility for maintaining accurate financial records



## CONSIDERATIONS WHEN YOU START WITH A POLICY TEMPLATE

We offer an example of a very simple financial policy to get you started, but keep in mind that no example will be an exact fit for your organization. Never adopt a policy without a thorough review and consideration of the risks, operations, and structure of your organization.

## FAMILY ADVOCACY NETWORK (FAN) FINANCIAL AND CONTROL POLICIES

### *Philosophy*

The purpose of financial management in the operation of all FAN activities is to fulfill the organization's mission in the most effective and efficient manner and to remain accountable to stakeholders, including clients, partners, funders, employees, and the community. In order to accomplish this, FAN commits to providing accurate and complete financial data for internal and external use by the Executive Director and the Board of Directors.

### *Authority*

- The Board of Directors is ultimately responsible for the financial management of all activities.
- The Treasurer is authorized to act on the Board's behalf on financial matters when action is required in advance of a meeting of the Board of Directors.
- The Executive Director is responsible for the day-to-day financial management of the organization. The Board authorizes the Executive Director to hire and supervise staff and independent consultants, pay bills, receive funds, and maintain bank accounts.
- The Executive Director is authorized to sign checks up to \$2,500. Checks for amounts greater than \$2,500 shall require the signature of the Treasurer or Board Chair.
- The Executive Director is authorized to enter into contracts for activities that have been approved by the Board as a part of budgets or plans. The Board of Directors must authorize any contracts outside of these parameters and all contracts with a financial value greater than \$15,000.
- The Executive Director is authorized to manage expenses within the parameters of the overall approved budget, reporting to the Finance Committee on variances and the reason for these variances.
- The Board of Directors must approve any use of the board designated cash reserve fund.

### *Responsibilities*

The Executive Director shall:

- Account for donor restricted and board designated funds separately from general operating funds, and clearly define the restrictions applicable to these funds.
- Report the financial results of FAN operations according to the schedule established by the Finance Committee, but at least quarterly.

- Pay all obligations and file required reports in a timely manner.
- Make no contractual commitment for bank loans, corporate credit cards, or for real estate leases or purchases without specific approval of the Board.
- Record fixed assets with purchase prices greater than \$500 as capital assets in accounting records. Depreciation of capital assets will not exceed five years for furniture and equipment or three years for computer and other technology equipment.
- Limit vendor credit accounts to prudent and necessary levels.
- Obtain competitive bids for items or services costing in excess of \$5,000 per unit. Selection will be based on cost, service, and other elements of the contract.
- FAN may award the bid to any provider and is not required to accept the lowest cost proposal.

The Board of Directors shall:

- Review financial reports at each board meeting.
- Provide adequate training to members to enable each member to fulfill his or her financial oversight role.

## FINANCIAL TRANSACTIONS WITH INSIDERS

No advances of funds to employees, officers, or directors are authorized. Direct and necessary expenses including travel for meetings and other activities related to carrying out responsibilities shall be reimbursed.

In no case shall FAN borrow funds from any employee, officer, or director of the organization without specific authorization from the Board of Directors.

## BUDGET

In order to ensure that planned activities minimize the risk of financial jeopardy and are consistent with board- approved priorities, long-range organization goals, and specific five-year objectives, the Executive Director shall:

- Submit operating and capital budgets to the Finance Committee in time for reasonable approval by the Board prior to each fiscal year.
- Use responsible assumptions and projections as background, with the general goal of an unrestricted surplus.

## GIFT ACCEPTANCE

FAN will accept stock or other negotiable instruments as a vehicle for donors to transfer assets to the organization. Transfer and recording the value of the asset shall be done in a consistent manner and in compliance with accounting standards. The Executive Director shall sell any stock given to the organization immediately upon receipt by the organization.

FAN shall accept contributions of goods or services other than cash that are related to the programs and operations of FAN. Any other contributions of non-cash items must be reviewed and approved by the Board of Directors before acceptance.

## ASSET PROTECTION

In order to ensure that the assets of FAN are adequately protected and maintained, the Executive Director shall:

- Insure against theft and casualty losses to the organization and against liability losses to Board members, staff, or the organization itself to levels indicated in consultation with suitable professional resources.
- Plan and carry out suitable protection and maintenance of property, building, and equipment.
- Avoid actions that would expose the organization, its board, or its staff to claims of liability.
- Protect intellectual property, information, and files from unauthorized access, tampering, loss, or significant damage.
- Receive, process, and disburse funds under controls that are sufficient to maintain basic segregation of duties to protect bank accounts, income receipts, and payments.
- Use responsible assumptions and projections as background, with the general goal of an unrestricted surplus.

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# INTERNAL CONTROLS QUESTIONNAIRE

## FY17 INTERNAL CONTROLS QUESTIONNAIRE

### Program Name:

Information included in this questionnaire should be an accurate reflection of current practice and should match existing financial policies or procedures. Programs will be required to revise policy, procedure or practice if a discrepancy is found. Please list position titles, **not the names of individuals** (i.e. ED, Treasurer, Vol. Supervisor, and Office Manager).

Which two positions open the mail and record cash or checks received? Title:

Title:

If one of the persons designated to receive and open the mail and record cash or checks received is unavailable, which position serves as backup? Title:

Which two positions review and sign bank deposits? Title:

Title:

Which position is responsible for making bank deposits? Title:

Which **board and staff** positions are approved by the board to sign checks? Title:

Title:

Title:

Title:

Are two signatures required on all checks? If not, what is the limit for one signature? Yes: \_\_\_\_\_ Limit:  
No: \_\_\_\_\_

Which position is responsible for maintaining the books? Title:

Which position serves as backup for maintaining the books? Title:

Which position conducts the initial bank reconciliation? (cannot be responsible for maintaining the books) Title:

Does the person who conducts the initial bank reconciliation receive the bank statement unopened or utilize online access for reconciliation? \_\_\_\_\_ Yes, receives statement unopened  
\_\_\_\_\_ The reconciler utilizes online access

Which position conducts a second bank reconciliation? Title:

Are bank reconciliations conducted monthly? Yes: \_\_\_\_\_

No: \_\_\_\_\_

## FY17 INTERNAL CONTROLS QUESTIONNAIRE

Do accounting records clearly identify the source and application of grant funds?

Yes: \_\_\_\_  
No: \_\_\_\_

What accounting software does your program use?

Does your program utilize credit or debit cards? If yes, which positions have cards issued to them directly?

Yes: \_\_\_\_  
No: \_\_\_\_

Title:            Title:  
Title:            Title:

Which position conducts the reconciliation of credit or debit cards? (cannot have card access)

Title: \_\_\_\_\_

Are credit or debit card reconciliations conducted monthly?

Yes: \_\_\_\_  
No: \_\_\_\_

Do credit or debit cards have both total and individual purchase limits?

Yes: \_\_\_\_ \$\_\_\_\_ individual purchase limit  
No: \_\_\_\_ \$\_\_\_\_ total card purchase limit

## REQUIRED SIGNATURES

\_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
Board President

\_\_\_\_\_  
Date

\_\_\_\_\_  
Board Treasurer

\_\_\_\_\_  
Date

## SAMPLE: FINANCIAL POLICIES AND INTERNAL CONTROLS

The following contains what CASA Program considers to be best practices for procedures and assignment of duties. These recommended procedures will reduce inefficiency and increase program accountability. Even the best-run program will occasionally fall prey to error. When this happens, good internal controls will allow for quick detection and painless correction. Sound internal controls provide peace of mind for program board members and staff and also assure third parties (i.e. donors, grantors) that the program is run effectively.

**Audit.** The CASA Board of Directors will yearly contract with an outside, qualified auditor. The auditor will conduct the annual financial audit beginning in May and will provide a separate schedule for the Texas CASA CVC and VOCA funds as well as a Statement of Functional Expenses. The audit and 990 will be complete and submitted to CASA by August of each year. The CASA Staff will make all records, computer programs, etc. accessible to the auditor.

**Bank Authorization.** At the Annual May Board of Directors meeting and upon election of officers, the CASA board of directors will authorize all bank account and check signers. Dual signatures are required on all checks, and the Executive Director is one of the signers. The Executive Director can also make bank account electronic transfers from one account to the other, but must have one of the above-authorized sign and date the record of transfer. This can be done after the transfer is made and at the time of check signing. The Executive Director must also sign and date the record of transfer.

**Board-Approved Budgets.** The Finance Committee, Board Treasurer and Executive Director are responsible for submitting a yearly budget to the CASA Board of Directors for review and adoption. The budget process will begin in early fall and the draft of the budget will be presented by the Treasurer to the members at the November Board of Directors Meeting. At the December Board of Directors meeting, the members will adopt the final budget. The budget document includes a year to date comparison of income and expenses with a net gain/loss for the current year and a proposed budget of anticipated income and expenses with a net gain/loss for the coming year.

**Daily Mail Pick Up and Cash Receipts.** The ED or designee if ED is not available picks up the mail at the post office box. ED takes unopened mail to the Executive Assistant (EA), and EA opens the mail while in the presence of the Program Liaison (PL). If PL is not available, the EA will open mail in the presence of the Program Director. All cash receipts are stamped "for deposit only" by EA and records these in log of checks/cash received. The EA creates the thank you/receipt and attaches the check or cash to the letter and gives this as well as the log to Executive Director for signature. ED signs the letter, and makes out deposit. ED reconciles deposit to log and signs the log. EA verifies log and deposit match as well as re-calculates deposit and signs the log and copies all checks and deposits and attaches copies to the thank you letter/receipt. All copies including a copy of the deposit are filed in the appropriate files. ED records the deposit in the QuickBooks accounting program and in the Excel Grants/Donations/Fundraisers folder. ED prints a copy of the deposit made in the accounting program and files it in bank book. The EA makes the deposit at the bank and gives the deposit receipt to the ED to file in the bank folder with a copy of the printed receipt from the accounting software. Deposit receipt and printed receipt must match. Any discrepancy will be noted and signed by both ED/EA with explanation of discrepancy. All deposits should be made in a timely manner. Any cash disbursements not deposited on the day they come in are kept in the locked safe in the ED's office. ED and PD have the combination to the safe. The Board President and ED hold an emergency key to the safe.

Several times a year, CASA receives donations during the course of events such as gift wrapping in the mall, booth and events where donation jar is used, fundraising events and other possible public events. All donations will be counted by two CASA staff. Each staff will record the amount collected on a receipt and sign and date. The second staff person will do the same. If during normal operation hours, the donations, the accounting and signatures will be handled in the above stated process. If the donations occur outside of normal operation hours, staff will secure the donations, the accounting and signatures at the CASA office in a locked filing cabinet for EA to record in the above stated process when the office hours resume.

**Cash Disbursements.** The Executive Assistant receives all incoming invoices and presents them to the ED for payment. The ED enters cash disbursements including payroll in the QuickBooks accounting system on a bi-monthly basis. All disbursements are made by check and printed through the QuickBooks program. CASA uses three-part checks. The top part of the check (the check itself) is sent with the original invoice to the vendor. The second part of the check is stapled to a copy of the vendor invoice and filed in the appropriate vendor file. The ED uses the bottom part of the check to hand record the grants the disbursement is allocated to. The ED ties back each disbursement to a grant, fundraiser or donation on an excel spreadsheet. These funds are drawn down with the recording of the disbursement. The ED places the third part of each check in a folder in order with copies of the checkbook register. This book and the blank checks are kept in locked file cabinet in the ED's office. All checks must have two authorized signatures.

**Chart of Accounts/Granting Source Listing.** CASA Program uses the financial software system QuickBooks that provides a chart of accounts, general ledger, income statements, bank reconciliation, and payroll, among other reports. CASA Program also tracks all the grants (usually restricted funds), donations and fundraising events on an excel spreadsheet as mentioned in "V. Cash Disbursements." The EA, Board Treasurer and BT's designee have access to the accounting software. All are provided the password. The ED will notify the BT and designee when ED is taking yearly (or bi-yearly) vacation. The BT and/or designee will have full access to the accounting system and book-keeping duties while the ED is away.

**Payroll.** The Executive Director will enter all employees' information in the payroll system including name, address, monthly wages, deductions, marital status, tax exemptions and any other information as needed. All payroll checks are tracked back to grants, donations and fundraisers in the excel spreadsheet as mentioned in "V. Cash Disbursements."

**Bank Reconciliation.** The Executive Director will notify the Board Treasurer when the bank statements come in. The bank statements will be opened, checked over, signed, dated and reconciled by the Board Treasurer or designee. The reconciled bank statements are then placed in a large envelope and labeled for the month ending. These statements are kept in a locked filing cabinet in the EA's office and made available during the yearly audit. The Board Treasurer and designee if BT so chooses will have access to the on line accounts and will ensure both hard copy and on line accounts reconcile.

**Monthly Financial Reports.** The Executive Director will generate year to date profit and loss and balance sheets on a monthly basis. These reports are given to the Board Treasurer for review. These reports are also presented to the CASA Board of Directors at the monthly board meeting. The Board Treasurer can have access to these reports through the accounting software system at any time.

**Fidelity Bond Coverage.** CASA Program will maintain fidelity bond coverage in addition to its regular bond coverage. The amount will be enough to cover both the CVC (Texas CASA funds) and the VOCA funds combined.

**Conflict of Interest.** CASA Program has a conflict of interest policy that requires staff and board members make full disclosure of any interest they may have in companies doing business with CASA. The policy states that where a staff or board members stands to gain from the program entering into a relationship with a particular business, the contract must be reviewed and approved by the board members not involved in the transaction. CASA staff and board sign this policy.



**Reimbursed Expenses.** Employees using their personal cars for CASA business will be reimbursed at the current rate per mile used by the Internal Revenue Service. A travel reimbursement form must be completed and submitted to the Executive Director for reimbursement. Both employee and Executive Director must sign and date the form. Receipts are required for all reimbursements! Staff receives per diem rates when on CASA overnight business. Attach all receipts to your monthly mileage report and submit at the end of the month. Return airline stubs, hotel receipts, food and rental car receipts. Airline voucher tickets must be approved in advance by the Executive Director. All rental cars must be returned with a full gas tank. CASA may, in its sole discretion, determine whether to reimburse rental agency refueling charges on a case-by-case basis. Airport parking is to be long-term even on one-day trips. CASA may, in its sole discretion, determine whether to reimburse other airport parking fees on a case-by-case basis.

**Credit Card Procedures.** CASA Program has the following credit cards available to staff only for approved budget item purchases:

- Office Depot—credit card limit of \$2,800, individual purchase limit of \$250
- Chase VISA (3 separate cards—same account limit of \$20,000 on account)—individual purchase limit of \$250.
- Home Depot—credit card limit of \$4,000—individual purchase limit of \$250
- Sams Club—limit of \$2,000, individual purchase limit of \$250

ED holds the main VISA account card. ED must have board permission to charge over \$5,000 on the credit card and cards listed above. All credit card payments are reviewed and signed by the ED and Board Officer with two signature checks.

All card users must have permission from the Executive Director to exceed a \$250 purchase. Use of CASA credit cards is a privilege which CASA may withdraw in the event of serious or repeated abused. Any credit card CASA issues to an employee must be used for business purposes only in conjunction with the employee's job duties. Employees shall not use the credit cards for any non-business, non-essential purposes, .i.e for any personal purchase or any other transactions that is not authorized or needed to carry out duties. Employees must pay for personal purchases (transactions for the benefit of anyone or anything other than the company) with their own funds or personal credit cards. If any employee uses a company credit card for personal purchases in violation of this policy, the cost of such purchase(s) will be considered an advance of future wages payable to CASA and will be recovered in full from the employee's next paycheck; any balance remaining will be deducted in full from subsequent paychecks until the wage advance is fully repaid. In addition to financial responsibility and liability for wage deductions, any purchases an employee makes with a company credit card in violation of this policy will result in disciplinary actions, up to and including termination of employment, depending upon the severity and repeat nature of the offense.

The Executive Director maintains one of the Chase Cards, and all other cards are stored in safe and are checked out through the ED or Program Director if ED is not available. The employee making the purchase signs and dates the credit card receipts with an explanations of the purchase and places the credit card receipts in the credit card receipts folder. The credit card is returned at that time to ED or PD who checks the credit card in on the log. The program liaison does not make credit card purchases and reconciles credit card purchases with receipts on credit card invoice once monthly prior to giving to ED for payment. ED reviews and records the payment in accounting software and ties the purchases to grant sources.

With the exception of the CASA Executive Director, CASA employees using the credit cards must have permission from the Executive Director to exceed a \$250 purchase.

From time to time, CASA receives donations of gift cards for training, gifts for our children and general operating procedures. All gift cards will be tracked as followed:

- EA records the gift card, serial number on the gift card tracking sheet which is kept by ED in safe.
- EA returns the gift card and gift card tracking sheet to ED.
- ED files both in safe.

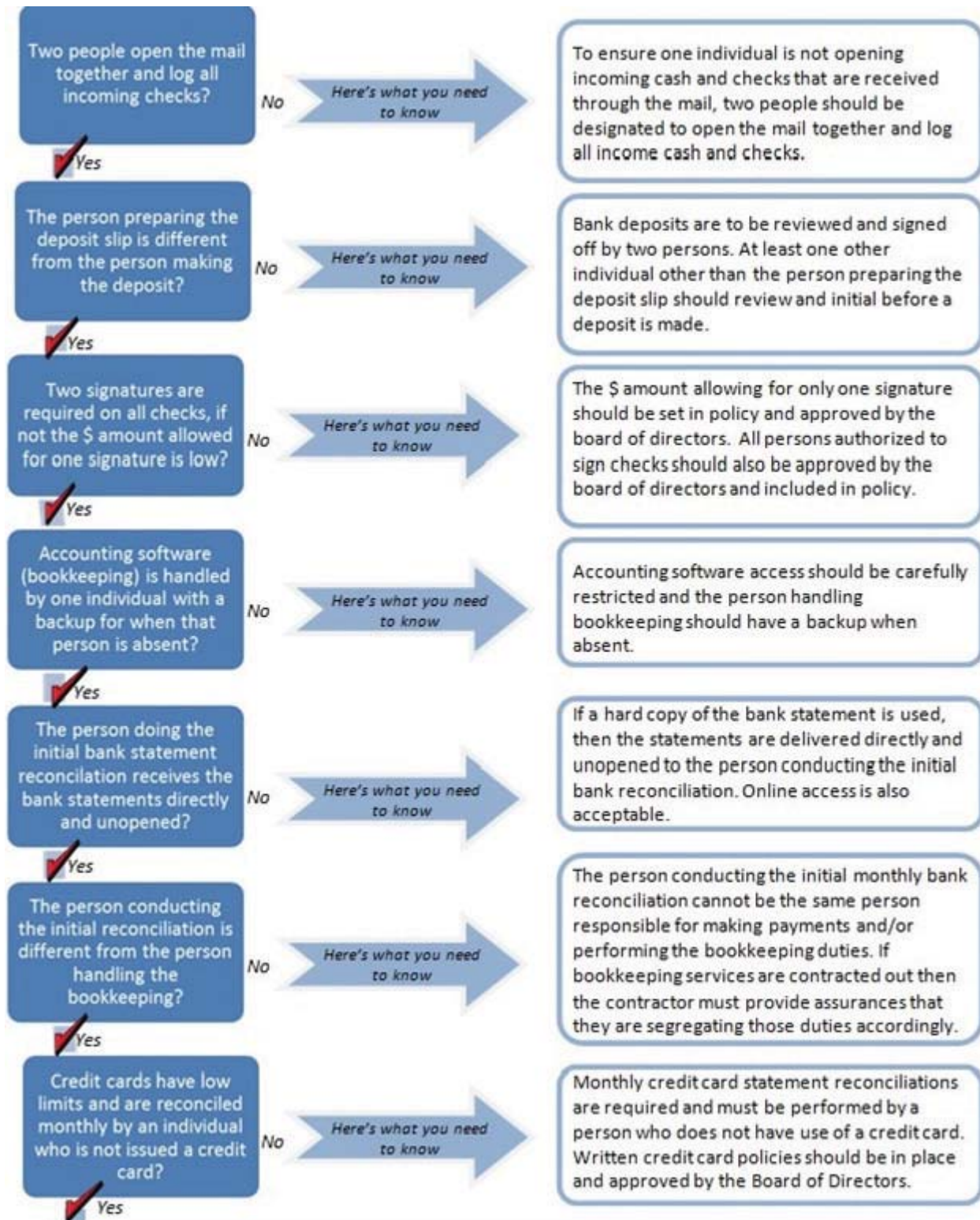
All gift cards are checked out through the ED or PD and must be recorded in the gift card tracking sheet which identifies: the card type, the amount on the card, the serial number, person taking the card, reason for taking the card and date and authorization by ED/PD. The person taking the card must return the card with a copy of the receipt, person's signature on the receipt and reason for the purchase on the receipt to the EA who presents to the ED. Receipts attached with the gift card tracking sheet.

**Destruction of Files.** All financial records are stored in a secure location for a period of no less than 7 years. All state and federal grants are kept per UGUMS standards (three years for VOCA and 4 years for CVC and OVAG). Administrative files should be kept at least three years or at ED's discretion. Personnel files should be kept at least seven years and updated as necessary changes occur. Volunteer files are kept for four years. Case files are kept seven years or until the youngest child on the case turns 21.

**Procedures for Procurement of Equipment.** CASA Program staff will obtain competitive bids when purchasing equipment. Copies of those bids will be maintained in the equipment file and in the grant file if appropriate.

Presented to with changes and approved by the Board of Directors \_\_\_\_\_

## SEGREGATION OF ACCOUNTING DUTIES FLOWCHART



## FIVE INTERNAL CONTROLS FOR THE VERY SMALL NONPROFIT

*Segregation of duties, checks & balances. . . difficult to implement in the organization that has perhaps three or fewer staff, or only a few active board members in an all-volunteer organization.*

1. The first and most important consideration is to **set the control environment**, that is, to let everyone know, from the top down, that there are policies in place and everyone has to follow the policies. In so many organizations the top person makes exceptions for himself or herself about policies, which sets a sloppy or even unethical tone. Then other people don't think they have to follow procedures, either, and they start cutting corners. The top person can't ask for reimbursement for anything for which they don't have a receipt. The management team members must all use time sheets themselves, get approval for travel expenses, have their credit cards scrutinized.

Emphasize the importance of ethics and controls at staff meetings, and demonstrate that everyone follows the rules, all the time.

2. **Define clearly who is responsible for what.** It's very common in small organizations, where not as much needs to be written down, for people to say, "I thought she was going to check the invoice." For example, with invoices: who is responsible for checking the math? Who is responsible for approving the invoice to be paid?
3. **Physical controls.** Lock it up. Computers should be locked to desks, and they should be protected with passwords. Put checks in a locked drawer. Among other abuses, there are too many cases where someone comes in and takes checks from the middle of the checkbook.
4. If there's **cash** involved—such as at a fundraiser or box office at a performance—have two people count all the cash together.
5. **Reconciling the bank statement** is a very crucial step. It's very unlikely that someone is going to steal from you and run away forever. Reconciling the bank statement means that embezzlement can't go on for very long.

Ideally someone other than the bookkeeper (or whoever handles the money) reconciles the bank account from an unopened statement. That's a strong check on the person who handles the money. But in a small nonprofit there may not be a bookkeeper, and there may be only one person who does everything. In these instances, someone else, such as a board member, should receive the unopened bank statement, and look it over before giving it to the bookkeeper or the sole staff person.

There are several controls that are commonly recommended but that you haven't mentioned. Could you comment on them? For example:

**Payroll?** Payroll controls at small organizations are actually easy because everybody knows everybody, so it's harder to create fictitious employees and pay them. The one area for attention is approval of time-sheets for people working on an hourly basis. In these cases someone—who knows what work they did—should review and approve timesheets.

**Two signatures on checks, or on large checks?** This is okay as a policy, as long as you know that banks don't enforce this policy, nor can you hold them liable for a check that goes through with only one signature. Two signatures is a good policy so that someone sees the big checks, but it's more about setting the right tone than about preventing theft.

**The person handling money not allowed to sign checks?** Bookkeepers should not sign checks. But in a really small organization this may not be practical. One approach is to allow the bookkeeper (or the person who handles the money) to sign small emergency checks, for no more than \$100 or \$200. If everybody knows this rule, it helps to set a tone of accountability. And again, it will be caught by the person who does the bank reconciliation.

**Any concluding thoughts?** In even the smallest organization, there can be another person who looks over things periodically, checking whether an expense was too high, was legitimate, whether the payroll taxes were paid. If you combine this with an atmosphere and environment that emphasizes following procedures and high standards of accountability, you still may not be able to prevent theft completely. But you'll prevent honest people from crossing the line, and you'll catch anything before it gets too serious.

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*Author: Carl Ho*

*<http://www.blueavocado.org/content/five-internal-controls-very-small-nonprofit>*



# MAKE GOOD USE OF THE TREASURER & FINANCE COMMITTEE

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*Don't waste these valuable resources.*

Most nonprofit boards place a priority on having an active treasurer and finance committee. Too often, though, these crucial roles turn into nothing more than rote reviews of financial reports and audits. Committee members wonder why they accepted the position—and may even dread the meetings for the dull, unimportant tasks on the agenda.

Fortunately, it's possible to reinvigorate the treasurer's and finance committee's roles so that they play a truly strategic part in oversight, planning, and governance. The first step is to be sure you have a clear understanding of the treasurer's and finance committee's job descriptions. The second is to find the right candidates for the jobs. Here's how to go about it.

## UNDERSTAND THE TREASURER'S JOB DESCRIPTION

The treasurer's responsibilities are spelled out in the organization's bylaws: maintaining accounting records and bank accounts, and reporting financial results to the board. In practice, the task of accounting and banking are usually carried out by the staff. But no matter who does the accounting, the treasurer must be knowledgeable about the organization's financial affairs.

The treasurer's key responsibility is assuring that the board receives accurate and timely financial information and uses it in making decisions. The treasurer is also involved in banking transactions, as an authorized signer for deposit accounts, and in initiating and managing mortgages and loans.

## FIND THE RIGHT TREASURER

A good candidate for treasurer is someone who understands financial information and can communicate it to the board. The treasurer must take the time to learn the particulars of the organization's finances, restrictions, and requirements.

Keep in mind, though, that treasurers shouldn't feel, or be made to feel, that they have sole responsibility for the organization's financial health. Their role is to make sure that the board receives accurate financial information in a timely manner and that the board chair gives ample time and attention to priority financial issues.

A treasurer's work goes beyond financial reports. The treasurer can become the most important financial advisor to the CEO or CFO, offering knowledgeable perspective and guidance. Ideally, the treasurer will present the financial reports at board meetings and highlight important observations or trends for the board to consider.

## UNDERSTAND THE FINANCE COMMITTEE'S ROLE

Finance committees participate in budget planning, recommend fiscal policies, and discuss financial statements in detail. Finance committee members should do more than just look at reports, though. They should use a financial lens to consider the organization's plans and challenges. The best finance committees help the staff and board think through financial questions and develop options.

Not every nonprofit has, or needs, a finance committee. A finance committee isn't needed if the board as a whole can understand the financial information, provide guidance, and make financial decisions efficiently. As an example, nonprofits with just a few, understandable sources of income often don't need a finance committee. A finance committee in this case will be underused, and the members could probably be more helpful in another role. On the other end, a finance committee may be crucial for nonprofits with many complex funding sources including grants, contracts, and fees for service, or for organizations that frequently use loans, bonds, or other financing. Without a finance committee, such organizations risk having important financial decisions made without sufficient governance-level input.

## RECRUIT MEMBERS FOR THE COMMITTEE

While finance committee members need to understand financial reports, don't assume that only accountants, bankers, and businesspeople are qualified. Financial language can be learned, so consider asking board members with a good understanding of the organization's programs and community to be on the finance committee. Such people often bring fresh viewpoints and creative ideas. Be sure to provide training on the financial basics as soon as they join the committee.

## MAKE THE COMMITTEE WORK

Some common obstacles for finance committees:

- **The board assumes** that the finance committee will take care of all financial matters and therefore doesn't carry out its financial responsibility.
- **Finance committee meetings dwell on details** with no higher-level analysis or discussion.
- **The treasurer's and finance committee's responsibilities** are unclear.
- **The board treasurer and the staff financial manager** have a poor working relationship.
- **Finance committee members don't understand** the organization's key financial factors.

A finance committee without clear goals will get stuck on reviewing financial reports focusing on details rather than the big picture. After recruiting strong members to the committee, it's a shame to assign them low-level work that the treasurer could complete without a committee. A sampling of agendas for a high-level finance committee includes:

- **Develop key guidelines** and assumptions before budget planning begins.
- **Analyze trends** in income sources.
- **Discuss changes** in types and reliability of income.
- **Hold in-depth discussions** of factors that will influence budgets for the next three years.
- **Review and discuss** the organization's financial policies. Are these policies adequate in light of the organization's size, complexity, and life-cycle stage? This review requires more than applying simplistic "best practices" from another organization.
- **Evaluate the pros and cons** of buying vs. leasing a new facility and the impact on cash flow, capital campaign needs, depreciation, and costs of ownership.

A more engaged finance committee will require a different role for the CFO or finance director — one that may not be as easy as working with a more perfunctory committee. The payoff in the quality of review, understanding, and financial governance will be worth it.



For the committee to work well, the finance committee chair and CEO or CFO need to invest time in planning meetings, setting goals and expectations for the committee, and preparing good information for discussion. These activities will help inform board members when it comes time for them to make the final financial decisions.

## RESOURCES

- Robinson, Bridget, "Financial Stability: An Impossible Dream?", *Nonprofit World*, Vol. 15, No. 3.
- Ruiz, Rosemarie, "Are You Fulfilling Your Financial Trust?", *Nonprofit World*, Vol. 17. No. 1.

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*Author: Kate Barr (kbarr@nonprofitsassistancefund.org, 612-278-7182) is executive director of Nonprofits Assistance Fund, a nonprofit community development organization that helps build financially healthy nonprofits, offering workshops and providing financing for working capital, cash flow, equipment, and facilities projects (www.nonprofitsassistancefund.org). She earned her master's degree from Hamline University, where she currently teaches a nonprofit management course.*

*These resources are available at [www.snpo.org/members](http://www.snpo.org/members). Also see Learning Institute programs on-line: Board Governance ([www.snpo.org/li](http://www.snpo.org/li)).*

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*5820 Canton Center Road, Suite 165, Canton, Michigan 48187*

*734-451-3582 • [www.snpo.org](http://www.snpo.org)*

# CHECK RECEIPT LOG SAMPLE

## CHECK RECEIPT LOG

MONTH/YEAR: \_\_\_\_\_

DATE	FROM	AMOUNT	CHECK #	INITIALS #1	INITIALS #2	RECEIVED BY:

# CREDIT CARD POLICY

---

All corporate credit cards are the property of CASA and authorized user(s) shall take the necessary precautions to ensure the safekeeping of the card. The Executive Director will be the only persons authorized to use the card.

- The credit card will always be in the possession of the Executive Director or stored in a secured location in the office.
- The limit on the credit card is \$5,000.

**NOTE:** *Individual limits listed or have signed procedure with each listed.*

- Reconciliations are conducted by the Bookkeeper and Board Treasurer monthly or more often if deemed appropriate by either the ED or Board Treasurer. In the absence of the Board Treasurer, another board member with an approved bank account signature on file must review and reconcile expenditures. Reconciler is not an authorized user of the credit card.
- Corporate credit cards may not be used for personal expenditures of any kind.
- No cash advances are allowed.
- Payments on a corporate credit card account must be made based on receipts.
- Receipts are required for any expense. Confirmation statements, shipping receipts or similar reports may be used to document telephone orders or fax orders. Items lacking a receipt are subject to required repayment by the charging individual.
- Expenditures will be reviewed for validity and accuracy by the Executive Director and the Board Treasurer prior to being paid.
- Any irregularities should be reported to the Board Treasurer, in confidence.
- Concerns on the part of program staff or any other party should first be brought to the Executive Director's attention. If the problem is not resolved, he or she should report the irregularities to the Board Treasurer.
- Any card used by CASA will be acquired at the lowest fee and interest structure possible.
- The outstanding balance on the credit card used by CASA will be paid in full each month.

# CREDIT CARD PROCEDURE

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The Executive Director is responsible for authoring issuance of corporate credit cards. Credit cards will be safeguarded at all times, and all transactions will be only for proper purposes and supported with documentation. The cardholder must notify the Executive Director in the event that the card is lost or stolen.

The cardholder will keep the original receipt and submit it to the Executive Director. Each monthly billing cycle, the (person responsible for reconciliation) will reconcile the expense detail from the original receipt to the credit card billing statement.

As of (Date), the purchase limit for \_\_\_\_\_ (name) \_\_\_\_\_ is \_\_\_\_\_ (individual \$amount)\_\_\_\_\_.

X \_\_\_\_\_ Date \_\_\_\_\_

By signing the above I state that I have read and understand the credit card policy and procedure for CASA Program.

# CHECK REQUEST FORM

When working with an accountant or bookkeeper who handles check writing for the program, a best practice is to provide accurate and precise documentation in order to avoid delay or confusion. All requests must have supporting documents such as; order forms, registration forms, invoices, contracts, W9 forms if applicable, etc. All requests need to have the original document that is to be mailed with the check attached. A copy of the document, invoice, registration forms, order forms, contracts, etc. need to be attached also. All checks will be mailed out directly to the payee/vendor from the Bookkeeper, accountant, or Accounts Payable Department. Any exceptions to this will need to be approved.

## ORGANIZATION NAME

<input type="checkbox"/> <b>Internal Check Request</b> Date check is needed _____ <input type="checkbox"/> Mail to vendor <input type="checkbox"/> Return to person requesting	<input type="checkbox"/> <b>Credit / Debit Card Transaction</b>	<b>Approved by:</b> _____ Paid Date      Check #
--	---	--

*Invoice, Receipt, or Other Back-Up Documentation must be attached.*

*Attach Ck Voucher when paid.*

Date of Purchase	Expense Account	Amount	Notes of Explanation MEMO	Grant / Customer - Job	Class
<b>Total Requested:</b>					

# NONPROFIT FINANCIAL MATTERS CHECKLIST

This checklist can help nonprofit staff and board evaluate the strength of your organization's finances.

Date: \_\_\_\_\_

Filled out by: \_\_\_\_\_

	Strong	Adequate	Weak	Don't know	Comment
Formal annual budgeting process					
Budget developed by month (not just by year)					
Computerized accounting/budgeting/reporting systems					
Board mechanism for reviewing monthly financial statements					
Financial projections are completed each month starting at least 6 months into budget year					
Ability of organization to monitor and manage cash flow					
Ability of organization to pay accounts payable within 30 days					
Financials are reviewed in the subsequent month or at worst 2 months out					
Operating cash reserve of at least 2 months					
Annual financial audit (with management letter) by CPA					
Board system for reviewing audit					
System of internal controls—Formal financial policies & procedures in place					
Payroll tax deposits made when due					
Ability of organization to manage debt repayment of notes/loans outstanding					
Banking relationship is clear and strong (check signers, credit cards, lines of credit, etc.)					
Investment and endowment policies in place					
System for segregating and tracking restricted cash					

	Strong	Adequate	Weak	Don't know	Comment
Adequate staff in relation to financial/business tasks					
Experience of staff in relation to job responsibilities					
Staff's understanding of financial systems					
Maintain an adequate cash reserve					
All management staff review monthly financial statements (budget vs. actual)					
Board review of Form 990					
Timely filing of Form 990					
Timely filing of payroll tax documents					
Bank reconciliations are completed & reviewed monthly					
Adequate insurance coverage is in place & reviewed annually					

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# TWELVE GOLDEN RULES OF NONPROFIT FINANCE

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Nonprofit organizations impact communities and individuals by delivering services, providing advocacy, and building community. Behind the scenes, powerful missions, innovative programs, and passionate staff and volunteers are supported by financial activities and decisions. Healthy nonprofit organizations employ financial management practices that build stability and flexibility both today and in the future.

- 1. Budgeting:** Budgets matter because they provide the financial information to support all planning. Effective budgets are realistic, using sound assumptions and clear accountability to achieve those assumptions.
- 2. Program Costs:** Financial decisions rely on good information. It is essential that organizations understand the real costs of their programs in order to make decisions about fundraising needs, contract terms, and program expansion or modification.
- 3. Diverse Funding Sources:** While it sounds good, diversifying funding sources isn't easy, and isn't necessarily a smart move. Different types of income require different systems, structures, relationships, and communications.
- 4. Overhead Costs:** Nonprofits are required to account for functional expenses—program services and general/ administration & fundraising (or overhead). While lower overhead expenses may sound better to donors, this emphasis is destabilizing and unsustainable. Make the case by reframing from “overhead” to “infrastructure.”
- 5. Cash Flow:** Day to day, cash in the bank to pay the bills often matters more than any financial statement or long-term plan. Cash flow can be monitored and managed with a few basic management tools.
- 6. Financial Information:** To be an effective leader, encourage everyone to develop financial literacy. This includes learning the terminology, understanding and using financial reports, and asking lots of questions. Good information is provided by trained and respected staff and professionals.
- 7. Financial Responsibility:** Responsibility for making financial decisions and carrying out financial activities is shared throughout an organization. Responsibility needs to be supported with good information, frequent communication, and appropriate authority.
- 8. Operating Reserves:** Every nonprofit needs to have some cash in reserve in order to respond to an unexpected downturn or opportunity. Is there a golden number that every organization should maintain, and how can a nonprofit build reserves?
- 9. Accountability and Transparency:** Between the IRS, Attorney General, foundations, and donors, everyone is demanding information and answers about how nonprofits receive and use financial resources. This trend is accelerating and many nonprofits choose to make accountability an important organizational value.

- 10. Financial Integrity:** As public charities, nonprofits can expect to be held to a high standard of integrity and honesty in all financial activities. While policies, job descriptions, and internal controls help to maintain this integrity, they are built on the foundation of mission, values, and leadership.
- 11. Responding to Financial Problems:** Sometimes things go wrong—contracts are lost, fundraising plans flounder, and expenses skyrocket. Responding to financial problems requires strong leadership, good communication, creative planning, and decisive action.
- 12. Interdependence:** Financial management connects to every aspect of a nonprofit—governance, planning, programs, evaluation, on and on. Keeping everything connected is what financial leadership is all about.

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# FINANCIAL MANAGEMENT SELF-ASSESSMENT

Nonprofit financial health is not a matter of endowment balances or grant size. Even nonprofits with large budgets must manage their resources in order to provide services effectively and remain accountable to the public. Financially healthy nonprofits of all sizes are committed to a culture of accountability and financial management best practices. Use this checklist to assess your organization’s financial management practices and identify areas for improvement. This self-assessment is based on Nonprofits Assistance Fund’s Characteristics of Financially Healthy Nonprofits.

	Strong	Good	Weak but Improving	Weak, Not Improving	Unknown
1. Board members clearly understand their roles and responsibilities for financial health					
2. Board receives and reviews complete financial information at every meeting					
3. Computerized accounting/recordkeeping system is maintained					
4. Qualified and knowledgeable staff or volunteers are responsible for accounting records					
5. All staff understand their responsibilities regarding the financial systems					
6. A process is in place to develop a well-considered and realistic budget					
7. Budget is reviewed by the board and approved before the fiscal year begins					
8. Organization routinely budgets for an unrestricted operating surplus					
9. Financial reports are prepared in an accurate and timely manner					
10. Staff and board regularly compare financial results to budgets					
11. Organization regularly monitors and projects cash flow and plans for adequate cash balances					
12. Appropriate reserves or cash balances are maintained (minimum 30 days)					
13. System is maintained for tracking restricted or designated funds					
14. Payroll tax deposits are made when due					
15. Organization is able to pay bills and make loan payments when due					
16. Written financial policy includes responsibility and authority for financial decisions					
17. Adequate and appropriate internal controls are in place and maintained					
18. System is maintained for compliance with all required legal and funder reporting					

- 19. Annual financial audit (or comparable annual review) is completed and reviewed by board
- 20. Board and staff regularly review short-term and long-term plans and goals


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## Section 2

# BUDGET



**Executive Director Resource Manual  
2017 Edition**





# 10 STEP ANNUAL BUDGETING CHECKLIST

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A budget is a planning tool that reflects an organization's programs, mission, and strategic plan. Typically the budgeting process should begin at least three months before the end of the fiscal year to ensure that the budget is approved by the board of directors before the start of the new year.

1. Determine timeline
  - Set target date for board approval
  - Allow time for each step and for review and discussion
  - Approve before beginning of fiscal year
2. Agree on goals
  - Prioritize program delivery goals
  - Set organizational financial goals
  - Clarify annual goals from strategic plan
3. Understand current financial status
  - Review current year income and expense compared to budget
  - Forecast to the end of the year
  - Analyze and understand any variances
4. Agree on budget approach
  - Assign roles and responsibilities
  - Agree on authority to make decisions
  - Agree on how much uncertainty can be included (how many unknowns)
5. Develop draft expense budget
  - Determine costs (expenses) to reach program goals
  - Determine costs to reach organizational and strategic goals
6. Develop draft income budget
  - Project income based on current fundraising and revenue activities
  - Project new income based on new activities
7. Review draft budget
  - Verify that the draft meets program and organizational goals
  - Review and discuss all assumptions
  - Make adjustments, based on goals and capacity, to match income and expenses
  - Review final draft for all goals and objectives
8. Approve budget
  - Present to any committees as needed

- Present to the board for approval

**9.** Document budget decisions

- Create a consolidated budget spreadsheet and file
- Write down all assumptions

**10.** Implement budget

- Assign management responsibilities
- Incorporate into accounting system
- Monitor and respond to changes as needed

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# NONPROFIT BUDGETING PROCESS

## NAF Financial Foundations

Practical financial information for nonprofit managers and boards from Nonprofits Assistance Fund

### The Nonprofit Budgeting Process

A budget is a plan that identifies the financial resources required to achieve programmatic objectives. Once constructed, this plan assists staff and board in managing the organization both programmatically and financially throughout the year.

Establishing a schedule of key action and decision points in the process allows adequate time for information gathering and decision making. How long the process should take and who should be involved varies depending on the management style and complexity of the organization. Typically the budgeting process should begin at least four months before the end of the fiscal year to ensure the budget is approved by the Board before the start of the new year.

#### THE BUDGETING PROCESS

##### Step 1: Planning the Process

- Identify who will coordinate the budgeting process and which staff, board members and committees need to be involved;
- Agree upon key definitions, assumptions and document formats;
- Set timelines and key deadlines;
- Determine and schedule any training or key meetings.

##### Step 2: Communicating about the Process

- Clearly communicate responsibilities, expectations and deadlines to everyone involved;
- Explain and distribute forms and assumptions.

##### Step 3: Programmatic Goal Setting

- Determine program goals and objectives;
- Project staffing requirements and salary and benefit assumptions based on program goals;
- Get board agreement on goals and assumptions.

##### Step 4: Information Gathering

- Research and gather information about income and expenses based on program goals and assumptions;
- Construct budget details by program;
- Communicate regularly to avoid duplication of effort and to share information and assumptions.

#### KEYS TO A SUCCESSFUL BUDGETING PROCESS

1. Clearly identify programmatic objectives that are aligned with the mission and strategic plan.
2. Determine the financial resources needed and available to achieve program goals.
3. Involve staff and board members in the process to improve accuracy of information and commitment to the plan.
4. Document! Don't rely on memory. Write down assumptions and formulas. This will be very important in managing the budget throughout the year.
5. Customize your process. The steps each organization takes will be somewhat different.

##### Step 5: Compilation and Revision

- Have one person compile all information, review it for consistency and redistribute to everyone involved;
- Leave plenty of time for review and revisions.

##### Step 6: Committee Review

- Have the finance committee and other appropriate staff and board committees review a budget draft and key assumptions;

(Continued on back)

## Example

### BUDGET PREPARATION SCHEDULE

July/August

**Step 1: Planning the Process**

Executive Director meets with financial staff and finance committee to plan budgeting process and set timelines. Budget worksheet and template formats updated.

September

**Step 2: Communicating about the Process**

Staff meeting held to communicate process, responsibilities and deadlines to all participants. Report made to board about process, timelines and assumptions.

**Step 3: Programmatic Goal Setting**

Board and committees review strategic goals and identify priorities;

Staff meet within programs/departments to brainstorm and plan for programmatic goals for next year.

September/October

**Step 4: Information Gathering**

Managers draft program or department budgets based on plans and assumptions.

November

**Step 5: Compilation and Revision**

Designated coordinator compiles information to prepare an initial organizational budget draft. Managers review and revise initial draft.

**Step 6: Committee Review**

Finance committee meets to review budget draft and assumptions and make recommendations.

December

**Step 7: Final Approval**

Board meeting held and budget proposal and programmatic and fundraising assumptions are presented for approval.

December/January

**Step 8: Implementation and Management**

Staff meeting held to discuss budget, program goals and timelines for new year.

(Continued from front)

- Be sure to allow enough time between committee meetings and the final approval deadline to address questions and recommendations and make revisions.

**Step 7: Final Approval**

- Distribute information to the board prior to the board meeting, including budget draft, program goals and other supporting information;
- Have program and development committees play a role in making an informative presentation to the board based on the opportunities, challenges and resources behind the budget numbers;
- Have the finance committee or treasurer present the budget proposal to the board.

**Step 8: Implementation and Management**

The real work begins once the budget is approved:

- Communicate budget, program goals and timelines for the next year to staff;
- Review actual income and expense compared to the budget on a monthly basis;
- Update and revise the budget as there are changes during the year. Depending on the significance of changes, the board may need to approve revisions.

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NAF Financial Foundations provides a brief overview of complex financial management issues. For assistance assessing your organization's specific situation and determining appropriate strategies, contact NAF about our customized financial assistance.

NAF offers:

- ⇒ Practical financial advice and assistance
- ⇒ Financial management workshops
- ⇒ Loans for working capital, equipment and facilities, program expansion and other uses



**For more information and assistance:**

Nonprofits Assistance Fund  
2801- 21st Avenue South, Suite 210  
Minneapolis, MN 55407

Phone: 612.278.7180 Fax: 612.278.7181

Email: [info@nonprofitsassistancefund.org](mailto:info@nonprofitsassistancefund.org)

[www.NonprofitsAssistanceFund.org](http://www.NonprofitsAssistanceFund.org)

# SAMPLE EXPENSE REPORT

CASA Program				
FY: September 1 - August 31				
Bd approved 08/06				
Line Item Budget:	FY 2017	February '17 or report period	Year-to-Date	Balance Remaining
<b>Personnel</b>				
Executive Director	43,750	3,646	21,867	21,883
Program Director	34,000	2,833	17,000	17,000
Volunteer Coordinator	30,000	2,500	15,000	15,000
Volunteer Coordinator	30,000	2,500	15,000	15,000
Volunteer Coordinator	24,400	2,500	9,345	15,055
Secretary/Receptionist	21,000	1,665	10,636	10,364
Grant Writer	9,600	800	4,800	4,800
<b>Personnel Total</b>	<b>192,750</b>	<b>16,444</b>	<b>93,648</b>	<b>99,102</b>
<b>Fringe</b>				
Health Benefits	19,302	1,258	9,713	9,589
Payroll Taxes	14,746	1,723	7,740	7,006
Employee Incentives	1,840		1,600	240
Texas Unemployment Insurance	532		68	464
Workers Compensation	850		842	8
<b>Fringe Total</b>	<b>37,270</b>	<b>2,981</b>	<b>19,962</b>	<b>17,308</b>
<b>Contractual</b>				
IT Fees	4,000	250	2,500	1,500
Certified Public Accountant Fees	600			600
Financial Audit Fee	2,600		1,800	800
Legal Fees	donated			donated
<b>Contractual Total</b>	<b>7,200</b>	<b>250</b>	<b>4,300</b>	<b>2,900</b>
<b>Travel &amp; Training</b>				
Local mileage reimbursement	4,000	415	2,363	1,637
CASA Staff Travel and Training	3,940	303	3,939	1
Volunteer Training	1,900	714	1,579	321
<b>Travel &amp; Training Total</b>	<b>9,840</b>	<b>1,431</b>	<b>7,881</b>	<b>1,959</b>
<b>Equipment</b>				
Copier	2,000	188	1,073	927
Computers	1,000		990	10
<b>Equipment Total</b>	<b>3,000</b>	<b>188</b>	<b>2,063</b>	<b>937</b>
<b>Supplies &amp; DOE</b>				
Office Supplies	3,600	238	2,202	1,398
Building Maintenance/Expense	7,000	452	5,822	1,178
Building Renovation	9,000		8,961	39
Mortgage	18,444	1,539	9,200	9,244
Program Costs	3,200	16	1,697	1,503
Child Abuse Materials	1,200		250	950
Newsletter/printing costs	2,000		700	1,300
Postage	1,825	88	979	846
Utility/Gas Costs	7,000	322	3,370	3,630
Telephone	3,000	239	1,534	1,466
Cellular/Wireless Service	1,750	150	840	910
Internet Service	450	37	222	228
<b>Supplies &amp; DOE Total</b>	<b>58,469</b>	<b>3,080</b>	<b>35,777</b>	<b>22,692</b>
<b>Other: Building Acquisition</b>				
Summer camp for CASA kids				0
Christmas Toy Drive	525		524	1
Emancipation/Graduation Showers	3,460			3,460
Director's, Comprehensive, Fidelity Insurance	2,200			2,200
Fundraising Events	15,000	312	1,837	13,163
Appreciation Dinner	800	100	100	700
Indirect Costs (pass through funds, dues)	2,600	490	2,218	382
Advertisement costs	7,000	800	1,300	5,700
Interest/expense on loans, bank account	50	4	16	34
<b>Other Total</b>	<b>31,635</b>	<b>1,706</b>	<b>5,996</b>	<b>25,639</b>
<b>Total Budget</b>	<b>340,164</b>	<b>26,080</b>	<b>169,628</b>	<b>170,536</b>
<b>February '17 Starting Balance</b>	<b>64,763</b>			
<b>Revenue:</b>				
Grants:	20,155			
Private Found.	1,733			
Texas CASA	2,466			
CDBG	5,373			
VOCA	3,174			
OVAG	3,425			
Private Found.	2,811			
United Way	1,173			
Fundraising Events (golf tourn., dinner/art auction):	6,275			
Restricted Donations:				
Rental Income:	800			
Donations:	150			
<b>Total Revenue</b>	<b>92,143</b>			<b>92,143</b>
<b>Total Expenses</b>				<b>26,080</b>
<b>February Revenue:</b>	<b>92,143</b>	<b>February Ending Balance</b>		<b>66,063</b>

# MANAGING CASH FLOW

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While standard nonprofit financial reports—the budget, income statement, and balance sheet—provide important management information, these statements alone do not tell whether there is enough cash on hand to pay for an unexpected heating repair, to take on a new program opportunity, or even to cover payroll next month. For this, effective cash flow management is essential.

## WHY MANAGE CASH FLOW

Every organization experiences ups and downs in cash flow because the timing of when money is received often doesn't match when payments are due. Common causes of cash flow shortages are:

- Timing of donations and grants
- Reimbursement-based contracts
- Timing of disbursement, such as advance payments
- Changes in revenue sources or payment schedules
- Operating with a deficit (expenses exceed revenue)
- Unexpected or unplanned events

The cost of these shortages can be very high, including:

- Late fees, penalties, and finance charges
- Damaged relationships with vendors and contractors
- Lost opportunities for new mission-building activities
- Time spent worrying about and trying to resolve cash flow problems after they occur.

## WHEN TO MANAGE CASH FLOW

While cash flow management is always a useful tool, it is particularly important to diligently manage cash flow when your organization is undergoing significant financial changes, such as:

- Developing and implementing new programs
- Recovering from or facing deficits
- Adding or cutting back on programs or staff
- Experiencing changes in sources and structure of funding

By understanding cash flow and planning ahead, we can avoid problems and shortages, provide stability to our organizations, and take advantage of opportunities to purchase capital assets and build organizational capacity. Managing cash flow is not a one-time activity. Projections should be updated and reviewed regularly. The frequency will depend on how closely the organization's cash flow needs to be monitored.

## HOW TO MANAGE CASH FLOW

The earlier you anticipate cash flow issues, the easier it is to address them. The most effective way to manage cash flow is to develop and maintain cash flow projections that look forward 12 months.

Nonprofits Assistance Fund has developed a cash flow projection template, an Excel spreadsheet that can be downloaded at [www.nonprofitsassistancefund.org](http://www.nonprofitsassistancefund.org). The template provides a general framework with built-in calculations. As with all financial reports, the usefulness of cash flow projections hinges on the accuracy of the information used.

- When developing projections:
- Start with an accurate cash balance
- Base projections on realistic budget assumptions
- Reflect the expected timing of receipts and payments, don't just divide by 12
- Pay particular attention to when you expect to receive grants and use conservative assumptions for unidentified grant funds
- Be careful about including grants that are restricted for use in a future time period
- Check your payroll schedule (remember, if you have biweekly payroll there will be two months a year when you must pay three payrolls)
- Note any lump sum payments, such as payments for insurance, printing, payroll taxes, etc.

Once you have a cash flow projection, you are then able to:

1. Plan the use of cash
2. Prepare to avoid problems
3. Respond to changes and adjust plans

## CASH FLOW MANAGEMENT STRATEGIES

When you anticipate cash flow shortfalls, there are a number of strategies that can help prevent them. As a first step, assess whether the cash flow shortfall is a problem with timing or is an indication of a deficit. The strategies used to solve the cash flow problem should match the source of the shortfall.

### 1. Manage the timing

Speed up receipt of income:

- Negotiate earlier receipt of grants or contract revenue
- Shorten the terms you allow for accounts receivable
- Improve collection efforts for past due receivables
- Introduce new payment options, i.e. credit cards or automatic payments

Slow Down Payments

- Accelerate or expand fund drives
- Break lump sum payments into smaller, more frequent payments
- Delay new programs or events

- Delay staff additions and/or salary increases
- Borrow on a line of credit or bridge loan

## 2. Manage the amounts (deficits)

Increase cash receipts:

- Increase fees and prices
- Increase services that generate revenue
- Raise additional or emergency funds
- Rent out or sublet excess space
- Sell under-used assets

Reduce cash disbursements:

- Scrutinize expenses for temporary or permanent reductions
- Solicit in-kind goods and services to replace budgeted items
- Reduce staff salaries or hours, or layoff staff
- Close facilities or reduce programs or services

## HOW TO AVOID CASH FLOW PROBLEMS

- Develop realistic, well-considered budgets each year
- Consistently operate with the goal of a surplus of income over expenses
- Build internal cash reserves over time
- Plan early and often
- Be aware of cash flow and budget assumptions and react to changes
- Maintain good relationships with vendors, contractors, and bankers
- Slow down payments:
- Delay significant expenditures
- Negotiate longer terms with vendors

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# OPERATING RESERVE POLICY

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**Purpose.** The purpose of the Operating Reserves policy for **Texas CASA** is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization.

The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure.

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of **Texas CASA** for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve policy will be implemented in concert with the other governance and financial policies of **Texas CASA** and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

## DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The currently suggested target minimum Operating Reserve Fund is equal to **one month (currently \$200,000)** of average operating costs.

The amount of the Operating Reserve fund target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee/Board of Directors, and included in the regular financial reports.

## ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. The Reserve will be funded and available in cash or cash equivalent funds.

## FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

## USE OF RESERVES

Use of the Operating Reserves requires three steps:

- 1. Identification of appropriate needs for reserve funds.** The CEO and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the

availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

- 2. Authority to use operating reserves.** The CEO will submit a request to use Operating Reserves to the Finance Committee of the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment and all options considered. The organization's goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target- minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Finance Committee will approve or modify the request and authorize transfer from the fund.
- 3. Reporting and monitoring.** The CEO is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the CEO will maintain records of the use of funds and plan for replenishment. The CEO will provide regular reports to the Finance Committee of progress to restore the fund to the target minimum amount.

## RELATIONSHIP TO OTHER POLICIES

Texas CASA shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund.

# CHARACTERISTICS OF FINANCIALLY HEALTHY NONPROFITS

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Every director and board member of a nonprofit would like to have a large endowment, reserve cash in the bank, and a surplus at the end of every year. Unfortunately, most of us know that this might be a dream instead of reality. Without these tangible signs of financial strength, how can you know if your organization is financially healthy?

Financial health is about more than just reserves and endowment balances. Having a large budget or complex accounting system doesn't always result in good management and long-term success. Just as our personal health depends on our behavior, so the financial health of a nonprofit depends on management behavior—policies and practices.

Even though there may be occasional deficits, or periods of tight cash flow, the following characteristics are good signs that your organization will be financially healthy over the long-term.

1. Board of directors and management hold themselves responsible for long-term stability in both programs and financial performance.
2. Board members understand their roles and responsibilities in financial matters.
3. A realistic and well-considered budget is prepared and approved by the board.
4. Budgets are prepared in tandem with planning for programs and operating needs.
5. Management and board are committed to managing with the goal of an operating surplus each year.
6. Consistent, accurate, and timely financial reports are prepared and analyzed by qualified individuals.
7. Management and board monitor financial results as compared to the budget and modify programs and activities in response to variances.
8. Management realistically plans and monitors cash flow so as to be able to meet obligations.
9. Financial policies are in place that establish, or have specific plans to establish, an operating reserve to finance cash shortfalls and program growth.
10. Policies are established for major financial decisions and adequate and appropriate internal controls.
11. Management is committed to compliance with all required legal and funder reporting.
12. The board and management regularly review short-term and long-term plans and develop goals and strategies for the future.

Download Nonprofits Assistance Fund's Financial Management Self-Assessment to review how your organization is doing.

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## Section 3

# GRANTS



**Executive Director Resource Manual  
2017 Edition**



# HOW TO WRITE AN EFFECTIVE GRANT PROPOSAL COVER LETTER

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Although the guts of your grant proposal will take up most of your time and energy, don't short change your cover letter. Attention to the finer points of putting the proposal package together can make or break a funding request. Don't turn off your funder with a sloppy cover letter.

Mim Carlson and Tori O'Neal-McElrath, authors of *Winning Grants, Step by Step*, point out that the cover letter should:

- introduce your organization to the correct person;
- assure the funder that this project has the support of your board of directors;
- and state what you are asking for...how much and for what.

## WHEN DO YOU INCLUDE A COVER LETTER?

Use a cover letter for proposals to corporations and foundations, but not for federal or state grant applications. Those funders only want what they ask for. They rarely ask for a cover letter.

## ATTRIBUTES OF A GOOD COVER LETTER

Your cover letter should be:

- brief
- get to the point quickly
- should not only repeat the information that is in the proposal
- should tell the reader how well you understand the funder and how your grant fulfills the funder's requirements

Beverly A. Browning, the author of *Grant Writing for Dummies*, suggests that you write the cover letter after you've completed the entire proposal, and when you are in a reflective mood. Browning says:

"As you consider your great achievement (the finished funding request), let the creative, right side of your brain kick in and connect your feelings of accomplishment to the person who will help make your plans come true."

## FORMATTING YOUR COVER LETTER

Follow these basics, and you can't go wrong:

1. **Use your organization's letterhead.** Put the same date on the cover letter that is on the completed grant application. That is the date you will send the grant proposal to the grantor. Using the same date makes all the documents in your proposal package consistent.

2. For the inside address (goes at the top of the letter) use the foundation or corporate contact person's name and title, followed by the funding source's name, address, city, state, and zip code. Double check this information with a telephone call or an email. Such information changes frequently, so make sure you have the current name and address. Also, when you submit an electronic grant application, you may not know a particular name.
3. In your salutation, use "Dear" plus the personal title (Mr., Ms., Mrs., Dr., Messrs., etc.), followed by the last name. It is critical that you address the letter to a particular person. Call the foundation or corporate office to make sure you have the right person and the right personal title. These details may seem unimportant, but they do matter.
4. Your first paragraph should be short and focused. Introduce your organization (its legal name) and tell the funder how much money you are requesting and why. Include a sentence or two about what your organization does, and then include one research-based point that shows there is a need for what your organization does.
5. Write one or two more brief paragraph. State your project's purpose and how it fits with the funder's mission or funding priorities. Include the fact that your board of directors fully supports the project.
6. End your letter with a summarizing paragraph. Add what this funding partnership can mean for your project's target audience. You might want to include an invitation for a site visit as well.
7. Use a closing such as "Sincerely."
8. The letter should be signed by the executive director or the board president, or both. Below the signature, type the signer's first name, middle initial, last name, and job title. Although the ED or board president should sign the letter, do include the contact information for the best person to answer questions at the end of the last paragraph.
9. At the bottom of the letter, include the word, "ENCLOSURE" (in all caps).

## HOW LONG SHOULD THE COVER LETTER BE?

Most experts suggest that you limit your cover letter to one page with three or four paragraphs. Since the reader has an entire proposal to plow through, you don't want to make him or her impatient by having to read a long cover letter.

The tone and specifics of your cover letter may vary depending on whether you've been invited to submit a full proposal after submitting a Letter of Inquiry (LOI), or if this proposal is your organization's first approach to this particular foundation.

## SAMPLE COVER LETTER

Mary Smith, PhD  
Program Officer  
Community Foundation  
4321 Common Lane



Some City, YZ 55555

Dear Dr. Smith:

The Some City Senior Center respectfully requests a grant of \$50,000 for our Senior Latino Community Outreach Pilot Project.

As the largest senior center in Any County, serving over 450 seniors every day, we are aware of the changing demographics in our service area. And we are committed to growing and adapting our center to meet emerging needs. The Senior Latino Community Outreach Pilot Project will allow us to pilot a one-year effort to determine if our center can effectively:

- provide comprehensive access to health and social services to seniors in the Latino communities served by our center, and
- raise and fully integrate the cultural competency of the board, staff, and volunteers of the Some City Senior Center.

Our board of directors is enthusiastic about this program and eager to launch it so we can become the most inclusive and culturally competent center for seniors in all of our communities that need these services. Should we find at the end of our pilot year that this program is, in fact, successful, our board has committed to including a portion of the project's yearly expenses into our annual operating budget so that the program becomes an integral part of our core services.

Through this project, the Center will become the primary referral given by Health Access Latinos, Families of Any County, and three community clinics within a fifteen-mile radius of our center. We will also accept referrals of Spanish-speaking seniors from any other community agency in our immediate service area.

Thank you for your consideration of our request. I will follow up with you in the next week to answer any questions you might have, as well as to learn whether we might meet with you to discuss the merits of our proposal. Meanwhile, should you have any questions, please feel free to contact Connie Jones, our Director of Development, at (555) 555-5555, x555, or [cjones@scsc.org](mailto:cjones@scsc.org).

Sincerely,

Jane Lovely

Executive Director

ENCLOSURE

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## 3 WAYS TO MESS UP YOUR COVER LETTER

1. **Writing too much.** A cover letter is not a dissertation, nor is it a full proposal. Keep it short and to the point. Tip: Have someone else read it. Do they understand it?
2. **Using big words.** If you've been to graduate school, you learned to write in a complicated way. Don't do that here. You're not trying to impress someone with your erudition. You only want to state your case as simply as possible. If you don't know when you're overcomplicating your writing, use an app such as Hemingway. It will tell you when your sentences are hard to read and when you are too wordy.

- 3. Making Grammatical Mistakes.** If you're not sure of your grammar, don't take chances. Use the grammar check in WORD, and, also run your draft through an app such as Grammarly. There is a free version, but the paid version goes well beyond the typical basic grammar check.

## RESOURCES:

- *Storytelling for Grantseekers*, Second Edition, Cheryl A. Clarke, Jossey-Bass, 2009, Buy from Amazon.
- *Winning Grants Step by Step: The Complete Workbook for Planning, Developing and Writing Successful Proposals*, 4th Edition, Tori O'Neal-McElrath, Jossey-Bass, 2008, Buy from Amazon
- *Grant Writing for Dummies*, 5th Edition, Beverly A. Browning, Wiley, 2014. Buy from Amazon
- <https://www.thebalance.com/how-to-write-a-cover-letter-for-your-grant-proposal-2501949>

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*Author: Joanne Fritz*

*Updated February 03, 2017*

# HOW TO WRITE A SUCCESSFUL EXECUTIVE SUMMARY FOR YOUR GRANT PROPOSAL: WHERE YOU HOOK THE READER

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## WHAT IS AN EXECUTIVE SUMMARY?

Because the executive summary will be one of the first things a reviewer reads, make sure that it persuades her to continue reading your grant proposal and then delivers, quickly, the basics of what you are asking for.

Here is where you convince the grant reviewer that your proposed program is necessary, and help her understand the urgent need for the program and the results you expect from it.

Also, you must convince the reviewer that your organization has the expertise to accomplish this important task.

After the *cover letter*, which first makes the connection between the funder's interests and your grant proposal, the summary may be the hardest part of the proposal to write because it demands both completeness and brevity.

You must explain the main points of the entire proposal as simply as possible. At the same time, you must make it interesting to read, so that your proposal will stand out from all the others a reviewer might see on a typical day ([See what reviewers look for](#)).

## LASER FOCUS ON THESE POINTS

- Identify the key points in each section of your proposal and include only those points in the summary.
- Highlight the key points that you know are important to the funder. Which ones match the funder's interests? (Have you chosen this funder well?)
- Be consistent. Don't introduce new information at this point. Only use information that has already appeared in some part of your proposal.
- Use these questions to flesh out your summary:
  - What does your organization do? What is its mission? Identify yourself clearly.
  - What are the proposed program's title, purpose, and who will it help? Describe the specific need you're meeting and the project's objectives.
  - Why is this project important? What problem does it solve or remediate?
  - What will the project accomplish? And how will you recognize success?
  - Why should your organization do this program (as opposed to any other group)? Summarize your competencies and experience.
  - How much will the total project cost? How much are you asking from this funder? How will this project be funded in the future? Do you have partners or grants from other funders?
- Make sure the summary is brief. Try for no more than one page with 4-6 paragraphs.

- Thank the funder for considering your request.

## SAMPLE EXECUTIVE SUMMARY

The Some City Senior Center was established as a 501(c)(3) organization in 1994 by a group of six seniors ages 60 to 82 who wanted to create a place with activities and support services that would cater to the specific needs of seniors. The Center addresses the health, social, recreational, and logistical needs of the elderly population in four cities. We are the largest senior center in Any County and serve more than 450 older adults each day through a wide variety of programs. Our mission is to help seniors improve and maintain a healthy and independent lifestyle and to maximize their quality of life.

We are conscious of the changing demographics in our center's service area and are committed to growing and adapting our center to meet the emerging needs. The Senior Latino Community Outreach Pilot Project will provide comprehensive access to health and social services to the seniors in the Latino communities served by our center.

Program objectives include ensuring that a minimum of 75 Spanish-speaking seniors with Type II diabetes maintain stabilized blood sugar levels for three consecutive months; increasing by 50% the number of monolingual Spanish-speaking seniors who access the services of our center for the first time within the grant period; engaging a minimum of 50 Latino seniors in our new healthy Mexican food cooking class; and increasing our referrals of Latino seniors from the community clinics and partnering nonprofit organizations specifically serving the Latino community by 50% within the grant period. After the pilot phase of the program has been completed, we are committed to phasing in access to our center's other programs.

The Center plays a vital role in the lives of seniors in Some City, Valley Vista, Grove Beach, and Hill Viejo as evidenced by our 92% approval rating from our clients in 2007. These four cities account for 30.8% of Any County's total senior population (which is 15.2% of the county's total population). Our four-city service area has a rapidly growing older adult population, which has nearly doubled since 2000 and is expected to double again over the next two decades. Nearly 50% of our seniors are living below the federal poverty line, and it is estimated that cumulatively, Latino seniors--both bilingual and monolingual--make up an ever-growing segment of total senior population in our service area.

We believe that this project will introduce our center and services to an extremely underserved senior population. As a result, we anticipate a rise in Type II diabetes self-management, fewer seniors who have no medical home, increased diversity among our clients to reflect the changing demographics of the cities we serve, and improved quality of life for those clients.

The total cost of implementation of our Senior Latino Community Outreach Pilot Project is \$190,000. Of this amount, \$140,000 has already been committed from both county and city governments and other funders. Your investment of \$50,000 will complete the funding we need to fully implement this pilot project, and we are excited about the prospect of partnering with you. Thank you for your consideration of our request.

\*Reprinted with permission from *Winning Grants Step by Step*, Third Edition, 2008, Jossey-Bass, 2008

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*Author: Joanne Fritz*

*Updated May 14, 2017*

# HOW TO WRITE A NEEDS STATEMENT FOR YOUR GRANT PROPOSAL

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When you begin writing your grant proposal, you might want to start with the needs statement. That's because it answers the question: What is the need that my organization will address with this project?

*Winning Grants Step by Step*, by Carlson and O'Neal-McElrath, provides a wonderful outline to preparing an effective needs statement. The authors say that the needs statement should **convince the funder** that your project meets a **critical societal need**.

Using both facts (*quantitative data*) and stories (*qualitative data*), an excellent needs statement grabs your funder's interest.

## WHAT DOES A NEEDS STATEMENT INCLUDE?

- The need you address must clearly relate to your nonprofit's mission and purpose.
- It should focus on the people you serve, rather than your organization's needs.
- It should be well supported with evidence such as statistics, expert views, and trends.
- It must directly connect to, and support, your organization's ability to respond to that need.
- It must be easy to understand. Use the **KISS principle** (keep it sweet and simple).
- It should avoid circular reasoning, a common error in grant proposals. The Foundation Center defines circular reasoning as claiming that the absence of your solution as the actual problem. Then your solution is offered as the way to solve the problem. For example, "The problem is that we have no senior center in our community. Building a senior center will address the problem."

## HOW TO WRITE THE NEEDS STATEMENT

*Winning Grants* provides these suggestions for writing your needs statement:

1. Use statistics that support your argument.
2. Use comparative statistics and research. Citing a community that did something similar to your proposal and its beneficial results makes a strong case for your proposed actions.
3. Quote authorities on your topic. Include names and the sources so the information can be verified.
4. Document all your data. If you collect information from the Internet, be sure the websites you reference are reputable, and the links are current.
5. Use stories, but anchor those stories in hard facts. A winning need statement includes both stories and facts.
6. Make it urgent. Help the funder understand why the funding is critical now.

**Resource Associates**, a grants consultancy, has these caveats for grant writers working on a needs statement:

- Make double sure that the needs you address are aligned to the funder's goals

- Sort out the main problem you will address; don't get sidelined by small, contributing problems.
- Make sure your data is the most recent. Use up-to-date census numbers, for instance, to provide a snapshot of your community.
- Paint a picture that speaks to the heart of your story and the people you're trying to help. Use the data to support that human story.
- Perhaps the best way to understand a need statement is to look at a successful one. Here is a sample needs statement from Winning Grants Step by Step.

## SAMPLE NEEDS STATEMENT

The need for the Breast Cancer Prevention Project is great.

The American Cancer Society estimates that 203,500 new cases of invasive breast cancer are expected to occur among women in the United States in 2002. Of that number, 5,345 will be in Every County. In comparison, of Each state's 48 counties, the second highest incidence rate is projected to be in Big County, with 1,850 new cases. Similarly, Every County leads the state in deaths anticipated from breast cancer in 2002 (with 1,160), with Big County again a distant second (with 395 anticipated deaths).

Women who have breast cancer and who are employed may lose or need to leave their jobs or take significant amounts of time off for treatment, resulting in a lack of a source of income. Or they may find their incomes drained by the costs of health care. They may also lose their health insurance, custody of their children, or their housing because of discrimination or recurrent hospitalization.

Some women stay in abusive relationships to keep their insurance; even if a woman has access to coverage, many insurers will not cover a breast cancer survivor for up to ten years after recovery. Many of the women we serve have been diagnosed with Stage IV cancer, meaning that they do not have ten years, nor will they recover. The illness itself, plus weeks or months of treatment, often causes women to become fatigued, depressed, and malnourished. The need for preventive outreach and early detection is clearly great.

The groups targeted for outreach through this project are among the most underserved women for health education services: women of color, homeless women, and lesbians, all of whom are low-income and aged 40 and over.

The causes of breast cancer are not entirely known. Risk factors include heavy exposure to radiation, excessive alcohol consumption, poor nutrition, lack of exercise, stress, smoking, exposure to hormones, aging, family or personal history of breast cancer, and race. Also, according to the Breast Cancer Fund, hundreds of scientific studies have drawn links between cancer and exposure to toxic chemicals found in the environment. Furthermore, scientists have identified two specific genes that are important in the development of breast cancer.

Women who are homeless do exhibit several of these risk factors because of their living situations, including alcohol and drug abuse, which is common. Lesbian women may receive inadequate health care because of poor treatment from providers who are uncomfortable with them. Immigrant women of color who do not speak English well may be afraid to seek health care if they are undocumented. For these reasons and more, the project is crucial to the women of this community.

If the project were not undertaken, low-income Port Beach—area women at risk for developing breast cancer would not be able to receive — in their communities — health education and prevention services designed to minimize their risk. Since the women we serve are low-income, including some

who are homeless, they have limited access to similar resources that may be available in other areas. The fact that SAK's House goes directly into shelters means that we reach women who would ordinarily not access health education services, those who are at highest risk for serious health problems.

\*Reprinted with permission from *Winning Grants Step by Step*, Third Edition, 2008, John Wiley & Sons, Inc.

## RESOURCES:

- *Storytelling for Grantseekers*, Second Edition, Cheryl A. Clarke, Jossey-Bass (Buy from Amazon)
- *Winning Grants Step by Step: The Complete Workbook for Planning, Developing and Writing Successful Proposals* 4th Edition by Tori O'Neal-McElrath (Buy from Amazon)
- *Grant Writing for Dummies*, Beverly A. Browning, Wiley. (Buy from Amazon)
- *Back to How to Write a Grant Proposal*. <https://www.thebalance.com/how-to-write-a-need-statement-for-your-grant-proposal-2501959>

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*Author: Joanne Fritz*

*Updated May 29, 2017*

# HOW TO WRITE GOALS AND SMART OBJECTIVES FOR YOUR GRANT PROPOSAL: VISION AND REALITY

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The goals and objectives section of your **grant proposal** can make or break your request for funding. This section of your proposal describes what your organization hopes to accomplish with your project. It also spells out the specific results or **outcomes** you plan to achieve. You'll have to convince your funder, such as a foundation, that your goal embodies a worthy vision and that you can realistically achieve your objectives.

## WHAT IS A GOAL?

A goal is a broad statement of what you wish to accomplish. Goals are:

- big and broad, even visionary
- general intentions
- intangible
- abstract
- hard to measure

A goal is really about the ultimate impact or outcome that you hope to bring about. Link the goals of your grant proposal back to your **need statement**. To more effectively “hook” grant reviewers, use visionary words in your goals. Try terms such as decrease, deliver, develop, establish, improve, increase, produce, and provide.

## WHAT IS AN OBJECTIVE? AND HOW DO YOU MAKE THEM SMART?

A goal is only as good as the objectives that go with it. The objective represents a step toward accomplishing a goal. An objective is:

- narrow
- precise
- tangible
- concrete
- measurable

Beverly A. Browning, in her *Grant Writing for Dummies*, suggests using the **S.M.A.R.T. method** of writing your objectives. Make them **Specific, Measurable, Attainable, Realistic, and Time-bound**.

According to Mim Carlson and Tori O'Neal-McElrath, in *Winning Grants*, you should keep the following in mind when preparing your objectives:

- State your objectives in quantifiable terms.
- State your objectives as outcomes, not process.



- Objectives should specify the result of an activity.
- Objectives should identify the target audience or community that you plan to serve.
- Objectives need to be realistic and something you can accomplish within the grant period.

Here is an example of a goal and its matching objective:

**Goal:** Decrease the degree of malnutrition among young children in the southwest region of Baltimore. (note the vision of this goal . . . it's what you hope to accomplish)

**Objective:** By the end of year one, provide 125 mothers in the southwest area of Baltimore with a 2-hour training program that will provide health and nutrition information. (notice how this SMART objective is specific, measurable, attainable, realistic and time-bound).

(Optional) **Evaluation Method:** Instructors will track the number of mothers who receive the training, when they received it, and where.

## MORE TIPS FOR WRITING GOOD GOALS AND OBJECTIVES

Carlson and O'Neal-McElrath, in *Winning Grants*, suggest you keep the following in mind as you write your goals and objectives for your grant:

- Tie your goals and objectives directly to your need statement.
- Include all relevant groups and individuals in your target population.
- Always allow plenty of time to accomplish the objectives.
- Do not confuse your outcome objectives for methods.
- Figure out how you will measure the change projected in each objective. If there is no way to measure an objective, it needs to be altered or dropped.
- Don't forget to budget for the evaluation (measurement) of your objectives.

Not sure how many objectives you should have for each goal? Aim for at least 2-3, but don't worry if you need much more. Your project may have many steps involved in achieving a particular goal. Just keep in mind that each objective must be measurable to be included. The quality of that measurement will impress your grant reviewers more than the sheer number of objectives.

Evaluation of an objective can take many forms, from simply counting people who received your service, to surveys that ask people to report actions or feelings after having received the service, to tests administered to measure changes (particularly applicable in a medical setting).

Think about whether you need **quantitative** or **qualitative information**.

The first counts things, the second explores experiences and feelings. You may need both types of information, depending on your objective. Be sure you understand the differences between *outcomes*, *inputs*, *outputs*, and *results*.

Many proposal writers include an evaluation element, spelling out how the results of each objective will be measured, under each objective. I've included one in the example of goal and objective above.

Take plenty of time to write your goals and objectives. Their quality could make the difference in convincing your funder to provide money for your project or turning down your request.

## RESOURCES:

- *Storytelling for Grantseekers*, Second Edition, Cheryl A. Clarke, Jossey-Bass, 2009 (Buy from Amazon)
- *Winning Grants, Step by Step*, Third Edition, Mim Carlson and Tori O'Neal-McElrath, Jossey-Bass, 2008 (Buy from Amazon)
- *Grant Writing for Dummies*, 5th Edition, Beverly A. Browning, Wiley, 2014. (Buy from Amazon)
- *The Happy Fundraiser* has an excellent chart for writing goals and objectives. <https://www.the-balance.com/writing-goals-for-grant-proposal-2501951>

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*Author: Joanne Fritz*

*Updated May 21, 2017*

# HOW TO WRITE THE METHODS SECTION OF YOUR GRANT PROPOSAL

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Once the **goals and objectives** of your grant proposal are in place, you need to walk your grant proposal reader through the methods you will use to achieve those goals and objectives.

Carlson and O'Neal-McElrath, authors of *Winning Grants: Step by Step* suggest following these guidelines for describing your project's methods.

- Firmly tie your methods to the proposed program's objectives and needs statement.
- Link them to the resources you are requesting in the proposal budget.
- Explain why you chose these methods by including research, expert opinion, and your experience.
- List the facilities and capital equipment that you will use in the project.
- Carefully structure activities so that the program moves toward the desired results. Include a timeline.
- Include information about whom the program will serve and how they will be chosen
- Write this section as though the reader knows nothing about your nonprofit or the program you're proposing. Don't think of this as “dumbing” it down, but rather as making it crystal clear.

Once the methods section has been written, look at it again and ask these questions:

- Do the methods flow logically from the need statement and your goals and objectives?
- Have you accurately presented the program activities you will develop?
- Did you explain why you chose these particular methods or activities?
- Is there a timeline that makes sense?
- Have you made it clear who will perform particular activities?
- Given the resources you expect to have, are these activities feasible?

Once you have provided a comprehensive, transparent, and useful methods component for your grant proposal, you should move on to the **evaluation component**.

## SAMPLE OF METHODS COMPONENT

There are several ways a methods section can be written but a bulleted list after each objective works well. Here is an example:

To achieve the objectives for our Senior Latino Community Outreach Pilot Project, Some City Senior Center will employ the methods outlined below. We have confidence in these methods, as they have been tested and proven successful by two of our fellow nonprofit organizations whose client populations are Latino: Health Access Latinos in Some City and the XYZ Community Clinic in Valley Vista.

Representatives of both organizations served as advisers to us as we developed this pilot project. We have also prepared a detailed timeline, included in the appendixes to this proposal.

## Objective One

Ensure that a minimum of 75 Spanish-speaking seniors with Type II diabetes who complete our disease management classes maintain stabilized blood sugar levels for three consecutive months.

### Methods

- Some City Senior Center will hire a program assistant and a full-time bilingual nurse who specializes in chronic disease management. Establish an outreach committee co-chaired by two of our Latino and/or Spanish-speaking board members that include diverse community representation (geography, race, ethnicity, gender, and occupation).
- The bilingual nurse and program assistant will adapt the center's current diabetes self-management classes, including classroom tools and materials, to make them linguistically and culturally appropriate for Spanish-speaking seniors.
- The bilingual nurse and program assistant will develop the protocols for testing and tracking program participants for three consecutive months after completing the classes.
- Staff will develop a formal referral system and feedback mechanism between our center and all appropriate community agencies to provide referrals to our Spanish-speaking diabetes management classes.
- Staff will hold weekly Spanish-language diabetes self-management classes.
- Staff will track participants' progress on a weekly basis for three months following completion of the classes.
- The program assistant will formally chart the progress of each participant.

\*Modified and reprinted with permission from *Winning Grants, Step by Step*, Third Edition, Mim Carlson and Tori O'Neal-McElrath, Jossey-Bass, 2009.

## RESOURCES:

- *Storytelling for Grantseekers*, Second Edition, Cheryl A. Clarke, Jossey-Bass, 2009 Buy from Amazon
- *Winning Grants, Step by Step*, Third Edition, Mim Carlson and Tori O'Neal-McElrath, Jossey-Bass, 2013 Buy from Amazon
- *Grant Writing for Dummies*, 4th Edition, Beverly A. Browning, Wiley, 2014. Buy from Amazon

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*Author: Joanne Fritz*

*Updated June 22, 2016*

# HOW TO PREPARE A GRANT PROPOSAL BUDGET FOR A NONPROFIT

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For many grant writers, who sail through most of their proposals easily, the budget can be a nail biter.

However, knowing some basic principles of writing grants, such as how to present the costs of your project, can make writing a grant less stressful.

## BUDGET PREPARATION FOR GRANTS

Present your **grant proposal budget** in a way that will make an excellent impression on the **grant reviewer**.

- Print it on a new page
- Align figures correctly
- Double-check your figures
- Include column headings, such as Budget Category, Requested Funds, Local Contributions, and Project Total

Organize your budget so it is easy to read and understand. Have another person look at your budget. Can he or she understand it? If not, go back to the drawing board.

## DIRECT COSTS FOR GRANTS

Direct costs for your grant are perhaps the most important part of your grant's budget. They are the funds you are asking from the funding source. Direct costs usually include:

### ***Personnel***

If your program requires that you cover staff costs, include that salary under the category "personnel."

If you are hiring new employees, determining the actual salary can be tricky. One place to start is by checking with similar organizations to find out what they are paying program employees in similar positions.

Indicate whether or not a salary is an annual one or an hourly wage.

If hourly, show the breakdown of hours and weeks, such as \$10.00 per hour X 40 hours per week X 52 weeks = \$20,800)

### ***Fringe Benefits***

Fringe benefits are those taxes and benefits that the employer must pay for an employee. Based upon gross salary, they typically average around 25 percent, depending on the size of your nonprofit and its benefits package.

Fringe benefits that are required by law include:

- **FICA** (Social Security and Medicare),
- **FUTA** (Federal Unemployment Taxes/Insurance),
- **SUTA or SUI** (State Unemployment Taxes/Insurance), and
- **Worker’s Compensation** (on-the-job accident insurance).

Other benefits include medical insurance and paid sick leave. When listing fringe benefits in your budget, be sure to note “Standard Government Fringe Benefits Package as Required by Law,” in case a reviewer does not know what fringe benefits include.

## ***Travel***

Many times travel can be included in the proposal’s budget. While travel expenses are a heavily scrutinized item, there are ways to get them approved.

Make sure to provide precise formulas and documentation for why travel is necessary. Include the cost of a plane ticket, the cost of a hotel per night and the number of nights you will be staying, and a food allowance. Use realistic but conservative figures,

## ***Equipment***

Funders often scrutinize the purchase of equipment. To help them understand equipment costs, give them documentation of the program need for the equipment.

Equipment costs should be well defined and include specifications. For example, you might include a high-speed copier system to reproduce reports and other documents for committees, staff members, and volunteers.

You should explain how the copier will help administer the program.

## ***Supplies***

Funders qualify or define supplies in different ways. Always check with the funding source before including this section. Explain how the supplies assist in running the program. Also, break down supplies into categories such as general office supplies, educational and training supplies, and computer supplies.

## ***In-Kind Contributions***

In-kind contributions are goods or services donated to the organization. These services/contributions can often be used as matching funds by many funding sources. Examples of contributions in kind include:

- corporate volunteers and pro-bono professional services
- use of a building and utilities
- advertising
- donation of computers, or other tech resources
- transportation

Base the value of these services or goods on their "market value." For example, a volunteer working in an unskilled position would be calculated at minimum wage dollar value.

To indicate this in a budget, you might include a formula such as five volunteers X \$xxx hourly X 5 hours per week X 36 weeks = \$xxxx. In-kind contributions can impress reviewers as they provide evidence that your program enjoys community support.

## ***Indirect Costs for Grants***

Indirect costs for your grant ("overhead") are costs for administration and facilities, such as:

- Building costs
- Insurance
- Utilities
- Trash pickup, professional cleaning services, etc.

Sometimes a percentage of total indirect costs can be reimbursed by a funding source but only if an indirect cost rate has been negotiated and approved by the grantor.

Before including any indirect costs category in your budget, make sure you thoroughly read the RFP (request for proposal) and the grant guidelines. Those resources will tell you whether or not indirect costs apply to this grant program.

<https://www.thebalance.com/the-basics-of-preparing-a-budget-for-a-grant-proposal-250195>

*Used by permission.*

*Author: Heidi J. Kramer*

*Updated December 30, 2016*

# PUTTING IT ALL TOGETHER

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If you're submitting a proposal by mail, put everything together with your cover sheet and a cover letter.

You may need to have your CEO and the Board President sign the cover sheet or letter. You do not need a fancy binder, but it should all be neatly typed and free of errors.

Online grant applications have become quite popular with many funders. If you submit an online grant application, read these tips for doing it right.

## **Many readers ask where they can find examples of grant proposals.**

We have samples of proposal sections scattered throughout this article. Plus we recommend several books that have samples as well.

The most comprehensive collection of grant samples may be the Foundation Center's Guide to Winning Proposals. It has 35 grant proposals that were funded. Each sample includes a critique.

The Foundation Center also has an online collection of sample grants, letter proposals, and letters of inquiry submitted by its users on the Sample Documents page of its website.

## **ADDITIONAL MATERIALS**

Funders are likely to want the following:

- IRS letter proving that your organization is tax-exempt.
- List of your board of directors and their affiliations.
- Budget for your current fiscal year.
- Budget for your next fiscal year if you are within a few months of that new year.

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<https://www.thebalance.com/how-to-write-a-grant-proposal-2501980>



# YOUR GRANT'S BACKGROUND SECTION: 15 POINTS TO INCLUDE

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Grant applications almost always include a request for you to: "Share the mission, primary goals and recent accomplishments of the organization." Your answer to this question offers an excellent opportunity for you to establish your organization's credibility and worth. When your application includes appropriate information, concepts and milestones, your reader learns about your organization's capacity to undertake and successfully complete the proposed activity. When the answer you give also, demonstrates how your organization is an outstanding leader in your field, you enhance your chances for funding in competitive settings.

Often, writers find it challenging to cover all the information they wish to convey in the space allocated for an answer. To help with the task, I've compiled a list of important points I frequently include. For your grant application, select the items from this list that show your organization in the best light. That is, write to demonstrate your organization's leadership, credibility and worth. (In all cases, include any specifics requested by the donor.)

1. Mission and year founded
2. The year you obtained your tax exempt 501(c)(3) status and other milestones
3. The location(s) of your physical facility, plus building and expansion plans
4. The range of programs you provide, especially those related to your request
5. Your geographic service area
6. The number you serve each year and service trends
7. The demographics of those you serve
8. Information about your board, advisory groups and their activities
9. New activities and staff, i.e., executive director change
10. Your latest awards and recognitions
11. Quotations from clients and community leaders about your excellent service
12. An explanation of how your goals and activities overlap with the funder's goals and interests
13. Several future goals
14. Details on how these goals relate to this proposal (they should!)
15. Why you are seeking funds now.

# 10 PLACES TO LOOK FOR GRANT FUNDING

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Before you get down to business writing grant requests, you first have to search for and qualify potential grant funding opportunities. Knowing who's funding your type of organization, who's funding in or near your location, and the range of their grant awards (past and present) is critical.

Following are several tips that can help you zero in on the right opportunity quickly:

1. Sit down with your work associates and ask these questions: Who are our corporate vendors? What bank or credit union processes our payroll? What local funders have given us money or in-kind contributions in the past five years? Do we still have a good relationship with these funders? Can we approach them again for funding support? After you have some answers, start taking action.
2. Call and make an appointment to visit every bank in your town, city, village, and county. There's hidden money everywhere — even at your local banks. Find out who heads up the trust department (typically a trust officer) at each institution. Trust officers manage trust accounts for living and dead money-giving individuals and families. These trusts are often not highly advertised sources of grant money. Ask and get some guidelines for finding them and applying to them for grants.
3. Stroll over to the nearest large public or university library to access the Foundation Center's Foundation Directory Online. This is your public-access, free-of-charge source for researching foundation and corporate funding sources.
4. Network with other grant writers to find out about their funding resource subscriptions. Ask what works and check out these additional possibilities.
5. Head down to your city and county economic development agencies to find out about any public monies available (contracts or grants) for your project.
6. If you have a community foundation in your county, call to get an appointment to meet with someone there to ask about the possibility of applying for capacity building funds for your organization. With a capacity building grant, you can contract with qualified consultants for grant writing, fundraising, board training, and volunteer coordination services.
7. Don't forget to call your governor's office and ask about state agency grant funding and other monies that may be available for your organization or business.
8. Attend all public events where the "who's who" crowd will be gathered and hand out business cards. Just make sure your agency's mission and contact info are on the card!
9. Prepare and distribute a press release to all local and regional media announcing that you have a project in need of funding.
10. Most importantly, call your congressional team members to let them know more about your organization and its need for grant funding. Ask if they can start to track any federal bucks that fit your needs.

## 9 TIPS FOR WRITING EFFECTIVE GRANT PROPOSALS

To make your grant writing stand out from other proposals and get your grant funded, you have to know how to write grant applications effectively. Do some research for your specific grant proposal and incorporate the following guidelines to spin written magic:

1. Use a storytelling approach (with supporting statistics) in such a compelling way that the reader can't put down your application until she makes a positive funding decision. Make them cry!
2. Incorporate a case study of a real client your organization has served. Of course, change the name for confidentiality reasons. Show a real need of a real person.
3. Take advantage of online dictionaries and thesauruses to expand your command of new words and capture the grant decision maker's attention.
4. Write to government funding agencies and request (under the Freedom of Information Act) copies of funded grant applications. Use these documents as examples of how to write an award-winning grant application.
5. Research proven best practices for your proposed solutions and incorporate language from the experts.
6. When you find best practices, look for the evaluation results of previously implemented programs similar to yours. Know what works and what doesn't work before you write your proposed solution.
7. Eliminate multiple drafts from your writing habits because the most creative and "wow" words are often the first words you type.
8. Hire a proofreader or editor (or a college student) to read your writing and clean it up. Don't have any money? Ask a trustworthy and capable co-worker or friend.
9. Write in short, hard-hitting sentences. Long-winded sentences almost always lose the reader.

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*Author: Beverly A. Browning*

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# TEXAS CASA GRANTS

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## VICTIMS OF CRIME ACT (VOCA) DISTRIBUTION FORMULA

Formula Description: PENDING CHANGES

### Base amount

\$20,000 per program

\$2,500 per program serving 3 or more counties

### 45% of the balance of funds

A program's share or % of the total children served statewide multiplied by 45% of the balance of funds.

### 45% of the balance of funds

A program's share or % of active volunteers statewide multiplied by 45% of the balance of funds.

### 5% of the balance of funds

Each program with 70% compliance gets an equal share.

### 5% of the balance of funds

Each program's % of kids served in their service area is converted to a decimal point. All the decimals are added up. Each program then received a % of the 5% of the balance of funds as determined by their % of the total of the decimals.

**NOTE:** *The total amount for each program is labeled the formula amount ("FA").*

### *Operation of the 5% loss cap:*

Compare the FA with 95% of the prior year entitlement ("95% amount"). If the FA is less than 95% amount, entitlement is set at the 95% amount. *In the event the current state grant amount is less than the prior year state grant amount, the prior year entitlement for each program, for purposes of the formula, shall be reduced by the same percentage the current year state grant amount is reduced when compared to the prior year state grant amount.*

1. If FA is equal to or greater than 95% amount but no more than 105% of the prior year entitlement, the entitlement is set at FA.
2. If FA is greater than 105% of prior year entitlement, the program receives 105% of prior year entitlement plus:
3. All programs in this category share whatever remaining funds by determining the % of increase above the prior year each program in this category would receive under the FA, convert the % to a decimal point, total all the decimal points, determine each program's share or % of this total and applying that percentage to the remaining funds.

For new programs, the grants review committee shall determine a fair amount based on the new program's anticipated placement of volunteers, past practice and impact on the formula.

(Adopted: Texas CASA Board of Directors June 28, 2008.)

## FY 2017 CVC FUNDING FORMULA DESCRIPTION

**#1 Base Amount** for all programs = \$25,000

\$25,000 x 72 programs: **\$1,800,000 statewide total.**

**#2 Multi-County Allocation:** If serving 2 or more counties, then a flat \$3,000 per outlying county will be part of the formula calculation. There are 48 programs eligible during FY 17 representing a total of 141 counties for a **statewide total of \$423,000.**

**#3** each local program will receive an **allocation amount based on the # of children served by a volunteer in TMC or PMC cases.** If a program counts court ordered services as children served, then those cases must be handled in the same or similar manner as PMC cases.

Available allocation: \$8,966,803—\$1,800,000 (#1)—\$423,000 (#2) = **\$6,743,803**

- How to determine my local program's portion of the \$6,743,803:
- # of children served by volunteers from the most current 21 month period (9/1/14 to 5/31/16) as a percentage of the total number statewide
- Example: Local Program # of Children = 100

Statewide Total # of Children = 10,000

Local Program Share = .01

$\$6,743,803 \times .01 = \$67,438$

*To determine the full CVC formula allocation for each program:*

**Take #1** Amount (Base)

**Plus #2** Amount (Multi-County, if applicable)

**Plus #3** Amount (Children Served by a Volunteer)

= FY 2017 CVC Allocation

**\*Special Notes to CVC Allocation:**

- There is a 5% Cap on the amount that a program can lose in comparison to each program's current FY 2016 CVC grant award.
- There is a 10% Cap on increase a program can gain in comparison to each program's FY 2016 grant award.

**Other Notes:**

- The Loss and Gain Caps could be adjusted each fiscal year depending on any possible cuts or increases by the Legislature or the Health and Human Services Commission (HHSC).

- CVC Formula will be fully implemented in FY 2020 with no caps.

Also CVC funds will be available for all local programs to apply competitively for program growth. This includes programs requesting a continuation of growth funding and those who did not receive FY 16 Growth Funds, but want to apply for the first time. For FY 2017 this amount is \$1.5 million.

# REQUEST FOR REIMBURSEMENT (RFR) SAMPLE

## (EXAMPLE) Texas CASA

### CVC or VOCA Monthly Expense Summary Sheet for September, 2015

	Actual Gross Monthly Salary	\$\$ Charged to Grant	Actual % of Salary
<b><u>Personnel (show budgeted % of time):</u></b>			
Salary - Executive Director @ 50 %	5000.00	2500.00	50%
Salary - Program Director @ 75%	3,750.00	2812.50	75%
Salary - Volunteer Trainer (PSVT) @ 40 %	2,500.00	1000.00	40%
<b>Total:</b>		<b>\$6,312.50</b>	
<b><u>Fringe Benefits</u></b>			
Fringe - ED @ 50 %	480.00		
Fringe - Program Director @ 75%	450.00		
Fringe -Volunteer Coordinator @ 40%	250.00		
<b>Total:</b>	<b>\$1,180.00</b>		
<b><u>Contractual (attach invoice copies):</u></b>			
Audit		\$2,000.00	
<b>Total:</b>		<b>\$2,000.00</b>	
<b><u>Travel:</u></b>			
Local Case Mileage 1500 x \$ .575 rate =		\$862.50	
<b>Total:</b>		<b>\$862.50</b>	
<b><u>Equipment (attach invoice copies):</u></b>			
Computers (2) @ \$750 at 50%		\$750.00	
<b>Total:</b>		<b>\$750.00</b>	
<b><u>Supplies:</u></b>			
Training Supplies (PSVT)		\$327.00	
<b>Total:</b>		<b>\$327.00</b>	
<b><u>Direct Operating Expenses:</u></b>			
Telephone		275.00	
CVC Training Registration Fees		300.00	
<b>Total:</b>		<b>\$575.00</b>	
<b>Total Request for the Month</b>		<b>\$12,007.00</b>	

<b>(VOCA Only) Total In-Kind Match:</b>	<b>\$4,899.50</b> *
# of Volunteer Hours 210 x Rate/Hour \$ 18 =	<b>\$3,780.00</b>
# of Volunteer Miles 500 x Rate/Mile \$ .575 =	<b>\$287.50</b>
Rent =	<b>\$832.00</b>
Other =	
*Please show calculation of how your program arrived at the in-kind match amount.	

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<b>Board Treasurer (or Designated Alternate)</b>	<b>Date</b>
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# DESIGNATION OF CHANGE IN OFFICIALS FORM

## Designation of Grant Officials Change Form

Email to [grants@texascasa.org](mailto:grants@texascasa.org)

As a condition of receiving grant funds from Texas CASA, you are required to provide and keep current the name and contact information for the executive director, president and treasurer of your organization. If there is a change in the name or contact information of any of these individuals you are required to notify Texas CASA within 10 business days of the change using this form. You are also required to provide a sample signature of any new official as provided on this form.

A. **SELECT All** that apply for these change(s):                     Official      or       Address/Phone/Fax/Email

**B. ENTER Local CASA's information**

1. <b>Provide the Grant Number(s) affected by these changes (VOCA, CVC, Swalm, WFACE, 421):</b>	
2. <b>Legal Name of the Organization:</b>	3. <b>Effective Date of Change:</b>

**C. ENTER the change(s) for the Executive Director:**  Mr.  Ms.  Dr.  Judge  Other

Executive Director Name	Signature of Executive Director
Official Mailing Address	E-Mail Address
Daytime Telephone & Extension	Fax Number

**D. ENTER the change(s) for the Board President:**  Mr.  Ms.  Dr.  Judge  Other

Board President Name	Signature of Board President
Official Mailing Address	E-Mail Address
Daytime Telephone & Extension	Fax Number

**E. ENTER the change(s) for the Board Treasurer:**  Mr.  Ms.  Dr.  Judge  Other

Board Treasurer Name	Signature of Board Treasurer
Official Mailing Address	E-Mail Address
Daytime Telephone & Extension	Fax Number

**F. Additional Designee for Financial Reports:** As an additional condition of the grant the treasurer is required to sign any request for grant funds submitted to Texas CASA. Our rules, however, allow the treasurer to delegate this responsibility to either a fellow board member or a staff member with direct responsibility for the preparation of reimbursement requests. **The treasurer cannot delegate this responsibility to the Board President or the Executive Director.** This does not relieve the treasurer of responsibility for the accuracy of requests and treasurer should ensure procedures are in place and followed to ensure accuracy. Unless requested otherwise by the treasurer, financial information prepared by Texas CASA in connection with requests for grant funds will be sent to the delegated individual.

Designee Name (Please Print)	E-Mail Address	Position & Telephone Number
Signature of Designee		Signature of Board Treasurer

Revised – July 19, 2016



## FAQS

### Q & A for “REQUESTS FOR REIMBURSEMENT” RFR (Expense Allocation) Form

1. Q: Is the Board President or ED authorized to sign RFR’s?  
A: No. Only the Board Treasurer or an approved Alternate Designee on file at Texas CASA can sign RFR’s.
2. Q: Who can be an Alternate Designee?  
A: Anyone other than the Board President and ED, such as another board member or office staff person.
3. Q: How does one become an Alternate Designee?  
A: A “Designation of Grant Officials Change Form” must be completed and submitted to Texas CASA.
  - It must be signed by the Board Treasurer and the Designee.
  - The form is available on the Texas CASA ODM website in the Library (GRANTS folder).
4. Q: What needs to happen if there is a Board Treasurer change?  
A: A “Designation of Grant Officials Change Form” must be completed, signed by the new Treasurer and submitted to Texas CASA. We will make the change on our website.
  - If there is a change in the President or ED, a “Designation of Grant Officials Change Form” must be completed, signed and submitted to Texas CASA.
  - Local program must go to Texas CASA’s ODM website in the Library (GRANTS folder) to retrieve the form.
  - Only one “Designation of Grant Officials Change Form” is needed for all your grants, with all current grant numbers at the top of the form.
5. Q: May I get my grant funds up front before expending any funds?  
A: No. Grant funds are reimbursed to local programs on a cost reimbursement basis.
6. Q: How do I get reimbursed and what do I need to send to Texas CASA?  
A: You must logon to Texas CASA’s ODM website and complete, sign (treasurer or alternate) and submit the RFR for your grant.
7. Q: Do I need to send anything else with the RFR to get reimbursed?

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- A: Yes. You must send a Summary Sheet outlining expenditures claimed on the RFR.
- Copies of invoices for Contractual and Equipment purchases are also required.
8. Q: Should I report Cash Match and/or In-Kind Match at the end of the grant period?
- A: No. Cash and/or In-Kind Match must be reported to Texas CASA during the grant period on the RFR requesting funds.
9. Q: Should I request funds or report Cash Match and/or In-Kind Match on items that are not in my approved budget?
- A: No. You must contact Texas CASA by e-mail, fax, or letter to request a grant adjustment to amend your current budget to include those items. Texas CASA will make a determination as to the allowability of your request.
10. Q: Should I request grant funds for Travel without being specific?
- A: No. Travel requests must be explained in detail.
- Example: If the request is for mileage, you must include the number of miles traveled x the rate your agency follows.
  - This rate cannot exceed the federal rate for travel, as per federal and state Travel Guidelines.
11. Q: Where can I find a list of allowable and unallowable charges to grants?
- A:
- VOCA - Logon to [www.texascasaresources.org](http://www.texascasaresources.org) and click on Grants, then click on Forms.
  - CVC – Logon to [www.ctkodm.com/texascasa.org](http://www.ctkodm.com/texascasa.org), click on Library, click on GRANTS, then click on CVC Expense Eligibility Guidelines
12. Q: What is the 10% Rule for grants?
- A: A program may reallocate up to 10% of its budget between any previously requested categories except equipment.
- Any changes to equipment, any reallocations affecting categories for which funds were not previously requested, or any redistribution of funds by more than 10%, must first receive Texas CASA approval.
  - The ED of the program must detail on the form what change has been made and for what reason.
  - The form must then be signed by the program’s ED and financial officer.
- 13 Q: May I fax the RFR’s to Texas CASA?
- A: Yes. RFR’s can be faxed or scanned and emailed to Texas CASA.

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# ENDOWMENTS

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Creating an endowment may be an important strategy to set aside funds for the future, and can be a hallmark of financial sustainability. However, creating an endowment is not the right approach for every nonprofit, so it is important to understand what the advantages may be, and also what the administrative and fiduciary requirements are in order to properly maintain an endowment over time.

To start, what exactly are “endowments?” Endowments may generally be described as assets (usually cash accounts that are invested in equities or bonds, or other investment vehicles) set aside so that the original assets (known as the “corpus”) grow over time as a result of income earned from interest on the underlying invested funds. The corpus may also be added to over time. Endowments are commonly used by large institutions, such as universities and hospitals, but also may play a role in any charitable nonprofit’s financial management strategy.

- **“Endowments”** are not the same as **“reserve funds”**—An “endowment” implies that some or all of the use of the endowed assets are restricted in some way. Most endowments are designed to keep the principal corpus intact so it can grow over time, but allow the nonprofit to use the annual investment income for programs, or operations, or purposes specified by the donor(s) to the endowment.
- **Managing Restricted Funds:** This guidance takes the mystery out of “restricted,” “unrestricted,” and “temporarily restricted” funds, and gives nonprofit leaders guidance on properly recording and managing contributed income and assets (Nonprofit Assistance Fund).

The corpus of an endowed fund is generally not used to fund annual operating expenses. Instead, the goal of most organizations with endowments is to allow the corpus to grow without withdrawals so that the underlying corpus increases in value over time, and the interest earned is available every year for the stated purpose of the endowment. (Of course, one of the stated purposes of an endowment could be to use the interest to “contribute to the annual operating revenue of the organization.”)

When an endowment is created there are generally guiding documents—such as a trust instrument, or other written documentation of donor intent—or simply a corporate resolution by the board of directors—that establish the endowment and express the guidelines. The guiding documents may literally restrict the use of the endowed funds (referred to as a “restriction”).

- For example, the guiding documents may provide that interest earned each year may be used only for certain specified purposes.
- If the donor(s) does not articulate a specific purpose, the board of directors may express how the investment income may be used in a corporate resolution.

## WHAT TO CONSIDER BEFORE CREATING AN ENDOWMENT

- A nonprofit with an endowment may send a signal to the community and donors that the organization is thinking long-term and building assets for its own future sustainability.
- On the other hand, there are some endowments that are so very large (millions and millions of dollars) that the public may wonder why the organization doesn’t spend the funds on current needs.

- The growth of the endowment and the amount of income each year that is available to the nonprofit will depend on how well the underlying investments perform. The nonprofit's board of directors may not want full responsibility for oversight of the fund's market performance. In such cases nonprofits generally choose to hire a professional investment firm/money manager to recommend investment vehicles and provide administrative support for the invested funds.

## QUESTIONS TO ASK

- Is there an immediate need for funds or is there a more compelling need for putting assets into a less liquid form and growing those assets for future use?
- How much will it cost the nonprofit annually to manage the endowment, either on its own (bank fees, etc.) or through a professional fund manager/investment manager?
- Is the board of directors comfortable creating a restriction on the use of the assets, or should there be more flexibility in the permitted use(s) of the annual income? How will restrictions, if any, be documented?
- Will having an endowment make it challenging for the nonprofit to raise annual gifts, by creating a perception that there is not an ongoing need for annual contributions?

## PRACTICE POINTERS

- Nonprofits with endowments generally also have an **investment policy** to govern how the endowed assets will be invested.
- Withdrawing money from the corpus is sometimes referred to as "invading the corpus." This is generally prohibited, absent specific authorization from the board to do so.

## RESOURCES

- Should Your Nonprofit Build an Endowment? (Nonprofit Quarterly)
- Endowment Gift Planning Brochure (Albany University)
- Video on Endowment Funds (Investopedia)
- Endowments Definition (Investopedia)
- Ensuring your nonprofit's investment policy works from end-to-end (Guest post)
- The Truth About Endowments (Chronicle of Philanthropy)
- Successful Endowment Fundraising (The Fundraising Authority)
- Endowment for a Rainy Day (Stanford Social Innovation Review)

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*Published on National Council of Nonprofits (<https://www.councilofnonprofits.org>)*

*Source URL: <https://www.councilofnonprofits.org/tools-resources/endowments>*

# FUND DEVELOPMENT PLAN TEMPLATE

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## INTRODUCTION

Describe the purpose for the plan and the group that was involved in plan development.

## MISSION STATEMENT

State your organization’s mission statement.

## FUNDRAISING PLAN GOALS

List your fundraising goals. These might include the following.

- Establish a culture of fundraising that involves board, staff, and volunteers.
- Increase annual fundraising revenue to \_\_\_\_ (dollar amount) by \_\_\_\_ (date.)
- Diversify the donor base to obtain larger donors and multi-year donors resulting in \$\_\_\_\_ in revenue.
- Diversify revenue from fundraising to include an increase of \$\_\_\_\_ (dollar amount) in donations from individual donors.
- Upgrade \_\_\_\_ current donors to 20% larger gifts.
- Generate \_\_\_\_ new donors.
- Retain 80% of current donors.
- Diversify the revenue base to include \_\_\_\_\_ (dollar amount) or \_\_\_\_% from private foundations.
- Diversify the revenue base to include \_\_\_\_\_ (dollar amount) or \_\_\_\_% from community corporations.
- Diversify the revenue base to include \_\_\_\_\_ (dollar amount) or \_\_\_\_% from county(ies) served.
- Establish a targeted goal of \_\_\_\_\_ (dollar amount) or \_\_\_\_% of the budget from state/federal grants. (ex: not to exceed 50%)
- Establish goals specifically related to program sustainability, such as:
  - a goal of \_\_\_\_\_ (dollar amount) or \_\_\_\_% of the budget for a reserve amount of operating funds (ex: 3 months of operating expenses, 25% of the budget)
  - targeted number of funding streams (ex: 12)
  - targeted amount \_\_\_\_\_ or \_\_\_\_% of budget from any one funding source (ex: no one funding source will be greater than 25% of the revenue budget)
  - plan to restrict number of grant renewals (ex: not applying for a foundation grant every 4th year to demonstrate the program’s ability to replace funding from any source)
  - establish a target # \_\_\_\_ of new grants to identify and write each year

## SOURCES OF FUNDING

Outline specific sources of funding to reach your target revenue goal.

	FY2017 actual	% of total	FY2018 Projected	% of total	Target 2019	% of total
<b>Earned Income</b> <ul style="list-style-type: none"> <li>• Rental</li> <li>• Merchandise</li> <li>• Contracts</li> <li>• Other</li> </ul> <p style="text-align: right;"><b>TOTAL</b></p>						
<b>Fundraising</b> <ul style="list-style-type: none"> <li>• Private foundations/ Grants</li> <li>• Individual donors</li> <li>• Events</li> <li>• Corporate/ business underwriters</li> <li>• Civic/Church groups</li> <li>• Annual campaign</li> <li>• Other</li> </ul> <p style="text-align: right;"><b>TOTAL</b></p>						
<b>State/Federal Grants</b> <ul style="list-style-type: none"> <li>• TX CASA CVC</li> <li>• TX CASA VOCA</li> <li>• OVAG</li> <li>• CDBG</li> </ul> <p style="text-align: right;"><b>TOTAL</b></p>						
<b>County</b> <ul style="list-style-type: none"> <li>• as GAL</li> <li>• jury fees</li> <li>• license plate fees</li> <li>• other</li> </ul> <p style="text-align: right;"><b>TOTAL</b></p>						

	FY2017 actual	% of total	FY2018 Projected	% of total	Target 2019	% of total
Other revenue						
<b>TOTAL</b>						
<b>TOTAL REVENUE</b>						

## CASE FOR SUPPORT/KEY MESSAGES

Outline the primary reasons for donors/ the community to support your organizations. Use data, stories to outline the benefits your organization brings to clients and the community.

### Key Strategies

Here are some examples:

#### **Strategy 1: Create a culture of fundraising.**

- Conduct board, staff and fundraising committee training.
- All board members have agreed to an assignment.
- Board, volunteers & staff develop prospect lists.
- Routine fundraising reports to board at every Board meeting.
- Expand committee infrastructure in fundraising by recruiting volunteers from Friends of CASA, donors, and community partners.
- Create a fundraising notebook for every committee member.
- Provide a pledge agreement to every Board member and committee member.

#### **Strategy 2: Further develop fundraising infrastructure.**

- Establish a fundraising budget.
- Develop fundraising materials including fact sheets and gift range chart.
- Upgrade the fundraising database and tracking system.
- Secure computer and printer to handle software.
- Strengthen Fund Development Committee through a revised committee description, role descriptions for the members, and training.
- Establish fundraising policies and procedures.
- Establish templates: cover letters, acknowledgement letters, and proposals.
- Develop the website to support fundraising.
- Set up PayPal payment option on website.

- Hire part-time coordinator as funding permits.

***Strategy 3: Increase visibility and “case for support” to the community.***

- Establish a “story bank” of success stories, testimonials and photos.
- Conduct community presentations.
- Systematically feed stories to the local media.
- Consistently “tell the story” through the newsletter, website, presentations, events, house parties, and media stories.
- Develop a PowerPoint presentation or video to support presentations; have the families tell the story
- Train speakers on consistent talking points that accompany the PPT

***Strategy 4: Increase donations from individual donors.***

- Conduct 12 week campaign beginning May 2016 focused on individual donors.
- Campaign elements:
  - Develop prospect lists with contact information
  - Merge lists; committee members select who they’d like to approach
  - Train “askers” on how to make appointments and conduct meetings
  - Team of two conducts each donor meeting.

***Strategy 5: Cultivate friends and nurture donor relations through special events.***

- Hold XXX Event in August for 100 people
- Hold a Gala in April for 500 people
- Schedule a series of mail outs

***Strategy 6: Generate grant funding for equipment, projects, and other needs that aren’t covered in the routine operating budget.***

- Research and identify grant opportunities.



## Sample-- Fundraising Calendar 2018

	Jan	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
<b>May Campaign</b>												
• Develop prospect lists			X	X								
• Train team			X	X	X							
• Prepare presentation materials and handouts.			X	X								
• Conduct donor contacts				X	X	X						
<b>Letter campaign</b>									X			
• Event Planning						X	X	X	X			
<b>Event—August</b>								X				
• Grant research		X	X			X	X	X				X
<b>Commissioner’s Court (County)</b>					X							
• Event Planning		X	X						X	X	X	
<b>Event-April</b>				X								
<b>Newsletter</b>												
<b>Thank you calls</b>	X	X	X	X	X	X	X	X	X	X	X	X
<b>Year end appeal</b>										X	X	X
<b>Grants</b>												
• United Way			X									
• CVC							X					
• VOCA						X						
• OVAG								X				
• CDBG			X									
• Meadows					X							

## FUNDRAISING BUDGET: SAMPLE

Printing (fact sheets, brochures, other) & Postage	\$3,000
<b>XXX Event</b>	<b>\$10,000</b>
<ul style="list-style-type: none"> <li>• Venue</li> <li>• Printing</li> <li>• Postage</li> <li>• Food</li> <li>• Beverages</li> </ul>	
<b>Mailings (4 per year)</b>	<b>\$800</b>
<b>Gala Event</b>	<b>\$15,500</b>
<ul style="list-style-type: none"> <li>• Performer</li> <li>• Accommodations</li> <li>• Reception</li> <li>• Venue</li> <li>• Advertising</li> </ul>	<ul style="list-style-type: none"> <li>\$8,000</li> <li>\$1,000</li> <li>\$4,500</li> <li>\$1,500</li> <li>\$500</li> </ul>
<b>Training</b>	<b>\$500</b>
<b>Infrastructure**</b>	
<ul style="list-style-type: none"> <li>• Website</li> <li>• Database</li> <li>• Video</li> </ul>	
<b>Fundraising Coordinator (.5 FTE)</b>	<b>\$30,000</b>
<b>TOTAL BUDGET</b>	<b>\$59,800</b>

Assumptions

\*\*Infrastructure expenses for website, database development, and video production have been captured in the marketing budget.

# GRANT BUDGET REVISION FORM

CITY and PROGRAM NAME: \_\_\_\_\_

GRANT NUMBER: \_\_\_\_\_

\*\*\*\*\* PLEASE LIST CHANGES BY LINE ITEM UNDER EACH CATEGORY \*\*\*\*\*

	ORIGINAL AMOUNT	REVISED REQUEST	VARIANCE
<b>A. PERSONNEL:</b> List below the title for each position, along with the percentage charged to the grant. (Example: ED - 25% of \$40,000 = \$10,000)	\$ _____	\$ _____	#VALUE!
_____			
_____			
<b>B. FRINGE*:</b> List below the title for each position, along with the percentage charged to the grant. (Example: ED - 25% of \$8,000 fringe = \$2,000) *The percentage of fringe may not exceed the percentage of salary.	\$ _____	\$ _____	#VALUE!
_____			
_____			
<b>C. CONTRACTUAL:</b> List full price of contractual services along with percentage charged to the grant. (Example: Bookkeeping \$1000 @ 45% = \$450)	\$ _____	\$ _____	#VALUE!
_____			
_____			
<b>D. TRAVEL:</b> Mileage should not exceed the current federal rate.	\$ _____	\$ _____	#VALUE!
_____			
_____			
<b>E. EQUIPMENT*:</b> List equipment to be purchased and the percentage charged to the grant. (Example: Computer \$1000 @ 50% = \$500)	\$ _____	\$ _____	#VALUE!
_____			
_____			
<b>F. SUPPLIES:</b> Include paper, postage, etc. (No food or beverages)	\$ _____	\$ _____	#VALUE!
_____			
_____			
<b>G. DIRECT OPERATING EXPENSES:</b> Rent, utilities, registration fees, etc.	\$ _____	\$ _____	#VALUE!
_____			
_____			
<b>TOTAL:</b> First two columns should each total grant award amount; third column should zero out.	\$ _____	\$ _____	\$ _____

Please provide a detailed justification for the grant revision request - *attach additional pages if necessary.*

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

\*Equipment guidelines included in the state's Uniform Grant Management System at [www.governor.state.tx.us/divisions/stategrants/guidelines/files/UGMS012001.doc](http://www.governor.state.tx.us/divisions/stategrants/guidelines/files/UGMS012001.doc)

\_\_\_\_\_  
 Board Treasurer  
 (or approved designee)

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Executive Director

\_\_\_\_\_  
 Date



## Section 4

# FUNDRAISING



**Executive Director Resource Manual  
2017 Edition**



# 7 TIPS FOR MAKING THE MOST OUT OF YOUR FUNDRAISING ASKS

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Making an ask is the penultimate act of a development professional. It's the final step of what is often a long process, complete with identifying and cultivating prospects, doing research, getting people involved, and planning the final approach.

Asks are the fundraiser's stock in trade, yet they can also cause anxiety, because in many cases so much is riding on each ask. As development professionals, we know that our organization's ability to carry out its mission is directly tied to our ability to ask for... and receive... financial support from donors.

Today, we present 7 tips for making the most out of your fundraising asks. Before you get started with the list, be sure to read our recent article: [How to Ask Anyone for Anything](#).

- 1. Know Your Prospect.** First and foremost, before making any ask (and particularly a major ask), know your prospect. What is his or her background? How were they introduced to your organization? What other organizations do they support? What is their general financial situation?

Research your prospects well, and elicit information as part of the cultivation process. The better you know your prospect, the better your chances are of moving them towards a gift.

- 2. Connect Your Ask with Your Prospect's Interests.** As you research your prospect, try to figure out what his or her key interests are, and how you might align those interests with the needs of your organization. Donors generally have a couple of key charitable interests, and it is up to you to try to connect your donor's interests with your non-profit's mission and needs.

For example, if you are fundraising for a homeless shelter, and your prospect's key interest is in helping lift children out of poverty, you may be able to craft a gift proposal that allows the donor to fund the nutritional and medical needs of the children at your shelter. Similarly, if you are working with a prospect who is interested in clean energy and you are fundraising for a church, the prospect may be interested in helping you lower your energy bills by funding solar panels on the roof.

Be creative, but as you seek ways to align donor's interests, be sure you are filling your organization's actual needs, and not just creating new work for your non-profit.

- 3. Know What You are Asking For.** Before you make an ask, know what you are asking for. This may seem obvious, but I have seen many development pros go into asks not really sure of what they were hoping to accomplish, other than trying to score a major gift.

If you need for a \$100,000 general operating gift, and the donor has that potential, then ask for it. If you want funding for your school's drama program, and the donor seems interested in the arts, ask for \$25,000 to fund your efforts. Know how much you are asking for, and how it will be used.

- 4. Have a Fall Back Plan.** What if the donor says no? What if they say, "not right now, but maybe next year?" Is that a loss? Not necessarily. With a good fall back plan, you can turn that no into an "eventual yes." Go into your ask knowing what you will say if the donor says no. Find a way to keep the donor engaged or get him or her even more involved (perhaps as a volunteer or advisor) so that the next time you ask... the answer will be "yes!"

- 5. Practice.** I've been doing fundraising asks for more than a decade, yet I still practice before going in to see a prospective donor. Practicing (not memorizing... practicing) helps you feel more confident in your approach... and as we all know, confidence matters. Because each donor is different, each ask is different. Spend 5 minutes rehearsing in the car before you go in. It will make a big difference.
- 6. Keep it High Energy.** When making an ask, keep your conversation high energy. Don't be a downer, sitting meekly in your prospect's office, fiddling your thumbs. Be excited about your mission. Talk passionately about what a difference this gift will make. Tell stories, elicit tears, be a forceful advocate for your non-profit organization.
- 7. Cast a Big Vision.** Donors like to get invested in causes bigger than themselves... we all do. Make sure you show your prospects the big picture of what your school, church, or charity is trying to do. Cast a big... huge... amazing vision about what you are trying to accomplish and why. Quantify your results, project what you can do with this gift, and make your prospect see what a life-changing experience it will be being involved with your organization.

*Used by permission.*

*Author: Joe Garecht*

<http://www.thefundraisingauthority.com/individual-fundraising/7-tips-for-fundraising-asks/>



# CASA PROGRAM SPECIAL EVENTS IN TEXAS

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## ***Standard 10.B.1.***

Special events require thoughtful planning, creativity and committed board and staff. CASA programs across Texas host a variety of such events to raise money, awareness and to recruit volunteers. The following list includes brief event descriptions and the names of CASA programs that have hosted these events in the past.

**Program Anniversary Celebrations.** Anniversaries provide an opportunity to update the public about the work of the CASA program. Programs have also used anniversaries to revive relationships with people who helped CASA in the past. Sponsors may cover costs so that event attendance and meals are free.

- Advocates for Children, Inc., Houston
- CASA of Collin County, McKinney
- CASA of the Coastal Bend, Corpus Christi
- CASA of the High Plains, Pampa
- CASA of the South Plains, Lubbock
- Child Advocates of Montgomery County, Conroe
- Dallas CASA

**CASA 5K Runs.** These running events raise money, promote CASA and help recruit volunteers in the community.

- Advocates for Children, Inc., Orange
- Amarillo Area CASA
- CASA of Cameron and Willacy Counties, Brownsville
- CASA of Central Texas, New Braunfels
- CASA of the Coastal Bend, Corpus Christi
- CASA of Deep East Texas, Nacogdoches
- CASA of the Highland Lakes Area, Kingsland
- CASA for KIDS, Paris
- CASA of McLennan and Hill Counties, Waco
- CASA of the Pines, Lufkin
- CASA of the South Plains, Lubbock
- CASA of Southeast Texas, Beaumont
- CASA of Tarrant County, Fort Worth
- CASA of Travis County, Austin
- CASA of Trinity Valley, Athens

- CASA of Walker, San Jacinto and Trinity Counties, Huntsville
- CASA of Wise and Jack Counties, Decatur
- Child Advocates CASA of Red River, Wichita Falls
- Child Advocates of Montgomery County, Conroe
- Child Advocates San Antonio
- East Texas CASA, Longview
- Golden Crescent CASA, Victoria
- Lone Star CASA, Rockwall
- Voices for Children-CASA of the Brazos Valley, Bryan

**Casas for CASA/Parade of Playhouses.** Local volunteer groups build children’s playhouses for display in the community and either raffle or auction them. Playhouses often follow a theme and can be elaborate creations that attract a large amount of media attention and publicity.

- CASA of Bastrop County, Bastrop
- CASA for KIDS, Paris
- CASA of the South Plains, Lubbock
- CASA of Southeast Texas, Beaumont
- CASA of Tarrant County, Fort Worth
- Child Advocates of Montgomery County, Conroe
- Dallas CASA

**Giving Tuesday (#GivingTuesday).** Giving Tuesday is an annual online campaign that encourages individuals and organizations to donate to charities around the world after Thanksgiving, Black Friday and Cyber Monday.

- CASA Child Advocates of Montgomery County, Conroe
- CASA of El Paso
- CASA for the Cross Timbers Area, Stephenville
- CASA for Kids of South Central Texas
- CASA of Northeast Texas, Texarkana
- CASA of Travis County, Austin
- CASA of Wise & Jack Counties, Decatur
- Child Advocates, Inc. Houston
- Child Advocates San Antonio

**And Justice is Served.** Celebrity servers wait on tables of their friends, family and colleagues at this dinner or lunch event. CASA programs enlist law enforcement officials, judges, politicians or other community celebrities to serve as waiters.

- Brush Country CASA, Kingsville

- CASA of Bastrop County, Bastrop
- CASA of Deep East Texas, Nacogdoches
- CASA for Kids of East Texas, Tyler
- CASA of Southeast Texas, Beaumont
- Fannin County Children’s Center, Bonham
- Lone Star CASA, Rockwall

**Pulling for Kids Skeet Shoot Tournaments (also called “Aim High for Kids”).** Programs secure revenue through sponsorships and team registrations at these sporting clay tournaments.

- CASA of Denton County, Denton
- CASA of Johnson County, Cleburne
- CASA of North Texas, Gainesville
- CASA of Wise & Jack Counties, Decatur
- Child Advocates, Inc., Houston
- Voz de Niños, Laredo

**Golf Tournaments.** Always popular, tournaments typically feature teams of four. Programs secure revenue through sponsorships, team and individual registration, and mulligan (a second chance to play) sales.

- Amarillo Area CASA
- CASA of Collin County, McKinney
- CASA of Ellis County, Waxahachie
- CASA of Travis County, Austin
- Dallas CASA
- Golden Crescent CASA, Victoria

**Champion for Children.** These events recognize volunteers, donors and community members.

- CASA of Denton County, Denton
- CASA of the South Plains, Lubbock
- Dallas CASA—Champion of Children

**Galas.** Glamorous evenings feature dinner, entertainment, silent and/or live auctions, and an appeal.

- CASA of Collin County, McKinney
- CASA of Denton County, Denton
- CASA of Ellis County, Waxahachie
- CASA of Grayson County, Sherman
- CASA of Travis County, Austin

- CASA of Tarrant County, Fort Worth
- Children’s Advocacy Center of Tom Green County, CASA

**Home Tours.** Home tours may take place at the holidays or anytime of the year. The CASA program sells tickets or is a beneficiary of ticket sales.

- CASA of the Pines, Lufkin
- Child Advocates Fort Bend, Rosenberg

### **Other Events**

#### ***Holiday Events***

- CASAtume, A Halloween party fundraiser, Amarillo Area CASA
- CASA Christmas Angels, CASA for the Highland Lakes, Kingsland

#### ***Texas-Themed Dinner and Dances***

- Boots & BBQ, CASA for the Highland Lakes, Kingsland
- Cowboys for CASA, CASA of North Texas, Gainesville

#### ***Miscellaneous***

- Trampoline Dodgeball Tournament, CASA of the South Plains, Lubbock
- Car Show, Lone Star CASA, Rockwall
- CASA Garage Sale, CASA of Ellis County, Waxahachie
- Angels of Hope Fashion Show and Luncheon, Child Advocates, Inc., Houston
- Cattle Call, CASA of Trinity Valley

# FUNDRAISING CALENDAR

2017 Fundraising Calendar -

	Fundraising Activity	Costs	Staff Hours/Vol Needed	Est. Income	Net Income	Results from 2016	Goal Alignment	Other Resources/Notes
<b>Q1</b>								
January								
February								
March								
<b>Q2</b>								
April								
May								
June								
<b>Q3</b>								
July								
August								
September								
<b>Q4</b>								
October								
November								
December								
<b>Total</b>					\$0.00			

# PLANNING AN ANNUAL GIVING CAMPAIGN: 7 STEPS TO SUCCESS

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As most nonprofits already know, planning an annual giving campaign is no easy feat.

Annual fund campaigns are perhaps the most comprehensive and extensive efforts that organizations have to plan out. They take a lot of time, money, and strategy.

However, while planning might be a challenge, *annual campaigns are extremely important to the success of your organization.*

As a refresher, the annual campaign refers to nonprofit's ongoing fundraising effort. The two main goals are to raise money to cover the organization's operational expenses and to build deeper donor relationships.

Annual campaigns are not just important; they're usually also necessary. Having an annual giving program in place allows your organization to raise the money you need to stay up and running while you run more targeted fundraising campaigns.

Even more importantly, because they're more drawn out, annual giving campaigns provide your organization with a stewardship opportunity that wouldn't otherwise be there. Without running up against the clock to meet an immediate goal, you can take the time to develop deeper and more personal donor relationships.

When donors feel personally connected to your nonprofit, they're more likely to become recurring givers, and thus, be of more value to your organization.

As such, all organizations should be implementing annual giving campaigns. To make the planning process a little less intimidating, we broke it down into 7 steps, including:

1. Set a goal and budget.
2. Establish a team.
3. Create a timeline.
4. Analyze your donor database.
5. Launch your campaign.
6. Thank your donors.
7. Track your progress and keep improving.

Hopefully, by the time you're done reading our guide, you'll feel much more confident in planning your own annual fund campaign!

## 1. **Set a goal and budget.**

In order to be successful, all campaigns must work toward something! The first step to planning any campaign will be to set a goal.

Luckily, it should be pretty straightforward to set a fundraising goal for your campaign. At the very least, you'll need to raise enough to cover your operational expenses.

Setting a goal for donor stewardship, on the other hand, will be a bit trickier. Since these goals won't be as quantifiable, they'll be a little harder to pin down.

To help you set a specific goal, let's first list out the more general goals that nonprofits seek to achieve with their annual campaigns. They include:

- Forming deeper, more personal donor-nonprofit relationships.
- Improving donor retention rates.
- Tracking donor giving habits.
- Increasing donor engagement and participation.
- Identifying major donor prospects.

Think of the ways your organization can narrow down these broad goals to make them realistic for your organization.

*While it will probably be difficult to set a quantifiable goal, you should try to make your goal as measurable as possible.* This way, it will be much easier to track your progress throughout the campaign.

Now, you'll need to set a budget.

Because your campaign will be drawn out over an extended period of time, it's important to allocate your resources to every effort of the campaign in advance. You would never want to get too far into your campaign only to realize that you didn't have enough funds to see it through!

*Having clear parameters for your campaign will ensure that it stays on track. Set a goal and budget from the very beginning for the best chance of success!*

## 2. **Establish a team.**

With an effort as lengthy as an annual giving campaign, it can be all-too-easy for the campaign to fade into the background as your staff focuses on more immediate efforts.

*Make sure you avoid this mistake by establishing an annual fund team!*

Having a team in place ensures that there will always be someone at your organization focused on your annual campaign and making a concerted effort to work toward these goals.

*The three main components of an annual campaign are donor outreach and stewardship, special events, and direct asks.*

At the very least, you'll need someone to spearhead each of these efforts, as well as someone to market the campaign. You'll also most likely need to employ a **major gift officer**, since about 60% of your annual fund will be made up of major gifts (more on this later).

The rest of your team will depend on which strategies your organization hopes to implement throughout the campaign.

*Just make sure you have a diverse and dedicated team on your side to help you meet your annual fund goals!*

## 3. **Create a timeline.**

Now that you have a talented team on your side, it's time to start thinking more specifically about the phases of your annual campaign and the strategies that will fall into each.

As we touched on in the last section, annual campaigns are broken down into three main stages: donor stewardship and outreach, events, and direct asks.

*You'll want to plan for each stage by creating a tentative timeline.* This will help you both market your campaign and allocate your resources.

The annual campaign timeline will vary from organization to organization, but there are some universal patterns.

Typically, stewardship and outreach will be an ongoing effort. In order to build relationships and establish trust with your donors, you have to contact them frequently throughout the campaign.

Once they get a little further down the timeline, many organizations begin putting on special events. These events allow you to take the relationships you've begun building to the next level by establishing a face-to-face rapport. These events will likely require a specific event timeline of their own.

The direct ask comes last. Most organizations choose to make year-end appeals for two reasons:

1. They'll have had the most time to build donor relationships, and
2. Because it's the closing of the fiscal year for tax purposes, the end of the year is the most lucrative time for giving. In fact, about 30% of your annual fund gifts will be made in December.

*While the exact makeup of your annual campaign will depend on your organization, following this general structure should bring you the best results!*

#### **4. Analyze your donor database.**

You won't be able to meet your annual fund goal without the help of your donors!

Start identifying your prospects by analyzing your donor database. You'll need to determine whether or not you already have enough prospects in your base who can give gifts at the level you need to meet your annual fund goal.

To do this, first start by calculating the arithmetic of fundraising.

The arithmetic of fundraising is a mathematical formula that helps nonprofits calculate the number of gifts they need at each quality to achieve their goals.

*The formula looks a little something like this:*

- Around 60% of the annual fund will come from major gifts (here defined as the top 10% of gifts).
- The next 15-25% of funds will come from mid-sized gifts (the next 20% of gifts).
- The remaining gifts (about 70%) will cover the 15-25% of funds needed to make the goal.

Once you've calculated the arithmetic of fundraising, you can start analyzing your base to determine whether or not you have enough donors to give at each of these levels.

*The best indicator of future giving will be past giving, so analyze your base with the following questions in mind:*



- How many donors do we have that give on an annual basis?
- How frequent are their gifts? Do any of them give more than once a year?
- For how long have they been giving to our organization?
- How much are these donors giving?
- Have these donors ever upgraded their gifts? If not, did our organization make a concerted effort to encourage upgrading?
- What other campaigns have donors given to in the past?

While it will be impossible to predict exactly how many donors will give and what level they'll give at, these questions should give your organization a rough estimate.

You should also begin getting to know more about each of your donors. Look closely at each prospect's profile to gain insights into your donors' affinities, interests, and past giving habits.

With this knowledge, you can begin establishing the individualized stewardship and solicitation strategies that will result in better fundraising!

*When you analyze your donor database before launching your campaign, you'll be better equipped to reach both your fundraising and stewardship goals.*

## 5. Launch your campaign!

Your initial planning is done, and it's now time to launch your annual giving campaign!

As we discussed earlier, most campaigns have three major phases:

- Donor stewardship and outreach
- Special events
- Direct asks

Let's go into more detail with each to give you a better idea of what they look like and why they're important to the overall success of the campaign.

- **Stewardship and outreach.** Donor stewardship will be the most complex, and arguably the most important, phase of your annual campaign.

During this stage, you'll focus on reaching out to your donors and engaging them with your organization so you can form deeper relationships with them, and thus, increase the number of recurring donors in your base.

Recurring givers are the most valuable donors for nonprofit organizations. On average, recurring donors will give about twice as much as major gift donors throughout their relationship with the organization.

*In other words, the efficacy of your donor stewardship strategies will have big implications for the success of your fundraising, both for this campaign and in the future.*

You'll want to establish the best donor relationships possible to get the most value out of your base.

The best way to do this is to consistently reach out to your donors throughout the annual campaign and provide them with opportunities to interact with your organization beyond just donating, such as:

- Volunteering with your organization.
- Attending an event.
- Participating in a peer-to-peer fundraising campaign.
- Subscribing to your email or text list.
- Following your social media pages.
- And more!

*For the best chance of success, you should target each donor with individualized outreach strategies that take into account their interests and preferences.*

If you keep your communications frequent, varied, and relevant there's no reason why your donors shouldn't become loyal supporters of your organization!

- **Special events.** Special events are another major component of annual giving campaigns.

*Events technically fall under the umbrella of stewardship.* In addition to allowing your organization to raise more funds, they're also an excellent opportunity for interacting with donors in person.

The chance to interact face-to-face can really help you establish the trust that results in more valuable donor relationships.

The type and number of events you incorporate into your annual event will depend on your organization and donor base. While many organizations choose to host one big annual event, others opt to host many smaller ones throughout the campaign.

Just make sure to plan out a tentative event schedule before the start of the campaign.

It should be as definitive as possible, but you'll still want to leave a little room to accommodate for the unknown schedules of donors and volunteers.

Need a little help planning your event? Check out *Booster's Guide to Planning a Fundraising Event*.

- **Direct asks.** The direct ask will be the peak of your annual campaign.

*During this phase, you'll leverage the donor relationships you've built throughout the campaign to raise the rest of the funds needed to meet your goal.*

Again, the way you structure your direct asks will depend entirely on your organization and the makeup of your donor base.

Most organizations will make multiple appeals. For example, you could first mail your donors a letter, follow up with an email, and then target some with a personal phone call.

Just keep in mind that, as with stewardship, direct asks should take into account each individual's unique relationship with your organization.

For more on asking for donations, go to this link: <https://doublethedonation.com/asking-for-donations/>.

Implement good stewardship practices, appealing special events, and tactful solicitation strategies to make the most out of your annual giving campaign.

## 6. Thank your donors.

Stewardship isn't over once the asks are made and the funds are in your bank account.

The whole point of your annual campaign is develop more valuable and meaningful donor relationships, so don't let all of your hard work go to waste!

*The first step to maintaining these relationships is to thank your donors.*

You should send personalized (and timely!) thank-you notes to each donor who contributed to your campaign. While you can send thank-yous through any number of channels, the biggest contributors probably warrant a handwritten letter or personal phone call.

You might also want to include donation receipts with your thank-you letters. Donation receipts are often required by law, and many donors will want them to claim charitable tax deductions.

*Properly acknowledging your donors extends good stewardship beyond the confines of your campaign. When your donors feel appreciated, they're more likely to keep contributing to campaigns in the future.*

For some thank-you note best practices, check out Qgiv's article!

## 7. Track your progress and keep improving.

Congratulations! You've officially made it to the end of your annual campaign.

However, that doesn't mean that you should just call it a day and let the campaign fade into your memory.

Since you'll be making the annual giving campaign a staple of your fundraising, *it's important to look back on your strategies to track your progress and see where there might be room for improvement.*

The main thing you'll want to consider, of course, is how well you did at reaching your goals. While it's pretty straightforward to determine if you reached your fundraising goal, assessing your stewardship goals might be a little more difficult.

*Here are some of the factors you can consider to help you determine how your stewardship strategies stacked up:*

- If your donor retention rate increased and by how much.
- If your donor acquisition rate increased and by how much.
- How many lapsed donors were made active again.
- How many recurring donors upgraded their gifts.
- The amount of new constituent data you collected.
- The number of people who volunteered.
- And more.

*If you find that you didn't do as well at one of your goals as you would have hoped, think about how you can adjust your strategies to see better results next time. When you look toward improving, your annual campaigns will only get better and better!*

*Used by permission.*

*Author: Dora Kalesi 30/06/2016*



# Fundraising Letters: 12 Templates for Nonprofits and Individuals

# Thanks for downloading Fundly's fundraising letter templates!

*We hope that these twelve templates will help you raise more money and awareness for your cause, project, event, or nonprofit.*

If you need even more help raising funds, consider starting a Fundly campaign.

Go to <https://fundly.com> to set up your free crowdfunding campaign. Upload photos and videos, tell your story, and start reaching out to your friends, family members, and peers to ask them for donations. It's fun, easy, and most importantly, free to get started!

**This resource will take you through twelve different fundraising letter templates that you can customize and use to ask for all types of contributions.**

The templates are as follows:

Fundraising Letters for Nonprofits	Donation Request Letters for Individuals
Fundraising Letter for General Donations..... 03	General Donation Request Letter .....12
Fundraising Letter for Sponsorships..... 04	Corporate Donation Request Letter .....13
Fundraising Letter for Volunteer Time ..... 05	Sponsorship Request Letter .....14
Fundraising Letter for Corporate Donations ..... 06	Invitation to a Fundraising Event .....15
Fundraising Letter for Auction Items..... 07	
Sponsorship Acknowledgement Letter ..... 08	
Sponsorship Levels Document..... 09	
Sponsorship Proposal Cover Letter ..... 11	

We hope that these templates will bring you fundraising success!

Don't forget to supplement your efforts and [start your free Fundly account](#) today.

Happy fundraising!

— *The Fundly Team*

## Fundraising Letter for General Donations

Date

Your Name

Your Organization's Name

Street

City, State ZIP

Dear [Donor's Name],

[Begin with an emotional appeal. A success story or a narrative that tugs on your donors' heartstrings hooks your readers. Keep it short, though!]

Our community/nation/world is facing [problem(s) your organization is trying to fix]. While we are actively [insert current solutions your organization is attempting], we need **your** help to make our efforts go even further!

You can help us [solve the problem you're trying to fix]. **Your support is crucial to our efforts to [solve the problem].**

If you're able, we'd love it if you could make a donation of [amount] to help us achieve our mission and [solve problem].

Thank you in advance for your contribution. Your donation will go toward [insert effort, accomplishment, or project].

Here are the ways you can make a donation:

- Make a donation online at [URL]
- Call us at [phone number]
- Send a check in the pre-stamped envelope we've included (no cash, please!)
- Text [keyword] to [text-to-give phone number]

Thank you again!

Sincerely,

[Signature of an organizational leader]

[Typed name of organizational leader]

P.S. [End with an update about an upcoming event, volunteer opportunity, or other information]



www.fundly.com

## Fundraising Letter for Sponsorships

Date

Your Name

Your Organization's Name

Street

City, State ZIP

Dear [Donor's Name],

Our annual/biannual/monthly event, [name of event] will take place on [date] at [location]. Our theme this year is [insert theme], and we're looking to raise [insert fundraising goal].

**We can't meet our goal without the help of people/companies like you/yours.**

That's why I'm writing to you. Would you consider making a donation of [amount] to help sponsor our event? By giving to [name of event], you'll be able to help us [accomplish goal, assist members of our community, save lives, etc. Be as specific as possible here].

**In appreciation of your anticipated donation, we would like to offer you** [incentive. Again, be as specific as possible here].

We hope that we can count on your help to make this year's event one of our best yet!

Please include your donation in the self-addressed and stamped envelope included in this letter or come by our offices at [address] to make a contribution.

Thank you in advance for your sponsorship! We hope to see you at [name of event]!

Sincerely,

[Signature of an organizational leader]

[Typed name of organizational leader]

P.S. [End with an update about an upcoming event, volunteer opportunity, or other information]

## Fundraising Letter for Volunteer Time

Date

Your Name

Your Organization's Name

Street

City, State ZIP

Dear [Volunteer's Name],

**This is not a fundraising letter!** There, now that's out of the way.

We aren't writing to you to ask you for money. Instead, we'd like to invite you to be a part of our upcoming volunteer day on [date] at [location].

**We'll be [explain what will occur during your volunteer day], and we could really use your help!**

If this sounds like fun to you, just fill out the information portion at the bottom of this letter and mail it back to us in the self-addressed and stamped envelope we've included.

Thank you for your interest in being a part of our volunteer team. Thank you in advance for your donation of time, energy, and service.

Sincerely,

[Signature of an organizational leader]

[Typed name of organizational leader]

P.S. [End with an update about an upcoming event or other information]

-----

Name: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Available Times: \_\_\_\_\_

Volunteer Interests: [list out several options for volunteers to choose from]

- Helping with check in
- Passing out food and water
- Helping with safety and security
- Passing out flyers or other materials
- Other





www.fundly.com

## Fundraising Letter for Corporate Donations

Date

Your Name

Your Organization's Name

Street

City, State ZIP

Dear [Full Name],

As a leader at your company/small business owner/CSR manager, you understand the need for [solutions to a problem that your nonprofit is trying to solve].

Our organization, [insert name of nonprofit], is actively trying to create solutions and solve the problems that our community is facing.

But our efforts to [solve the problem] won't reach their maximum effectiveness unless we have the backing of the entire community.

### **That's why I'm writing to you!**

We're looking to [host an event, reach a fundraising goal, etc.], and we would appreciate it if you could donate [amount or in-kind donation].

I'd love to sit down with you to discuss this further. You can reach me directly at [phone number] or [email address].

I look forward to hearing from you soon. Thank you in advance for your generosity and support!

Sincerely,

[Signature of an organizational leader]

[Typed name of organizational leader]

P.S. [End with an update about an upcoming event, volunteer opportunity, or other information]

## Fundraising Letter for Auction Items

Date

Your Name

Your Organization's Name

Street

City, State ZIP

Dear [Donor's Name],

Our annual auction [formal name of event] is coming up on [date] at [location]. Last year we raised [amount] thanks to the generosity of our bidders and people like you who donated items to our auction.

This year, we're hoping to raise [amount] to [solve issue, start project, etc.]. For our annual auction, we rely on donated items to help us keep our costs low. That way, more money can go toward [project or cause].

Would you consider donating an item to our auction? We are specifically looking for [items that your organization wants to feature].

Here are our guidelines for auction items:

- Market value must be greater than [amount]
- Items must be new or gently used
- Items must be in keeping with the auction theme [when applicable]
- [Insert other guidelines your organization has]

If you have merchandise or an item that fits these guidelines, please fill out the attached information slip and send it back to us in the self-addressed and stamped envelope we included. Someone will be in touch with you within [number of days] to discuss your contribution!

Thank you in advance for your generosity.

Sincerely,

[Signature of an organizational leader]

[Typed name of organizational leader]

P.S. [End with an update about an upcoming event, volunteer opportunity, or other information]

-----  
Name: \_\_\_\_\_ Item(s): \_\_\_\_\_ Phone #/Email: \_\_\_\_\_



## Sponsorship Proposal Cover Letter

Date

Your Name

Your Organization's Name

Street

City, State ZIP

Dear [CEO/CSR Manager/Business Owner/etc.],

[Open with a description of your organization. Give some brief background including your mission, vision, and how you serve your community.]

We are hosting our [event name] on [date] at [location]. Last year's event was such a huge success that we decided to host the event again!

In the past, this event has raised [amount] and has [list out specific accomplishments using statistics and figures].

This year we're hoping to raise even more! Our goal is [amount], and we were hoping that you could help us reach that goal.

By becoming one of our corporate sponsors, you'll be able to [list out projects that corporate donations could help accomplish].

We've also listed out some of the incentives and perks that your company can enjoy should you decide to become one of our corporate sponsors (see attached Sponsorship Levels Document). Regardless of the amount you choose to give, your company name will be included in our event program and you'll be included in the press release that we'll publish on our website.

We're accepting cash donations as well as in-kind donations of goods or services. Feel free to make a contribution that you're comfortable with.

See the attached Sponsorship Levels Document to find the giving level that's right for your company. If you're ready to make a donation, please tear off the perforated section of the following document and send it back to us in the self-addressed envelope we've enclosed.

I'd like to thank you in advance for your generosity. Please don't hesitate to contact me directly at [phone number] or [email] if you have any questions.

Sincerely/All the best/etc.,

[Your printed name]

[Your title]

[Your signature]

## Sponsorship Levels Document

{Note: Tailor this document to fit your organization's particular needs and the benefits that you can offer your corporate sponsors.}

### Bronze Sponsorship Level

[insert donation amount or in-kind donation equivalent]

- Company name, logo, and sponsorship level included in all event programming and/or promotional materials [promotional materials might include flyers, pamphlets, t-shirts, or other merchandise].
- Company included on "Partner's Page" on nonprofit's website for 1 year
- Social media shout out a week after the event has ended
- Four tickets to the event
- [List out any other perks or benefits that your nonprofit can offer]

### Silver Sponsorship Level

[insert donation amount or in-kind donation equivalent]

- Company name, logo, and sponsorship level included in all event programming and/or promotional materials [promotional materials might include flyers, pamphlets, t-shirts, or other merchandise].
- Company included on "Partner's Page" on nonprofit's website for 2 years
- 5 social media shout outs a week after the event has ended
- Six tickets to the event
- Booth/table space at the event
- [Number] of advertisements in [media type] for [amount of time] (estimated value = [amount])
- [List out any other perks or benefits that your nonprofit can offer]

### Gold Sponsorship Level

[insert donation amount or in-kind donation equivalent]

- Company name, logo, and sponsorship level included in all event programming and/or promotional materials [promotional materials might include flyers, pamphlets, t-shirts, or other merchandise].
- Company included on “Partner’s Page” on nonprofit’s website for 3 years
- Ongoing social media shout outs for 1 month after the event has ended
- Ten tickets to the event
- VIP booth/table space at the event
- [Number] of advertisements in [media type] for [amount of time] (estimated value = [amount])
- A live shout out/acknowledgement during the event
- [List out any other perks or benefits that your nonprofit can offer]

---

Please indicate your preferred sponsorship level, fill out the rest of this form, and mail it back in the self-addressed envelope we’ve included.

Name and Position: \_\_\_\_\_

Company Name: \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

**Select a Sponsorship Level:**

Gold

Silver

Bronze

## Sponsorship Acknowledgement Letter

Date

Your Name

Your Organization's Name

Street

City, State ZIP

Dear [CEO/CSR Manager/Business Owner/etc.],

We did it! During [event name] (and thanks to your generous donation!) we were able to raise [amount] for [cause, project, etc.].

I can't tell you how much all of us at [nonprofit name] appreciate your contribution to our event. Thanks to your donation of [amount], we'll be able to [list out specific goals, objectives, etc.].

I also wanted to let you know that we'll be [hosting volunteer event, opening up our nonprofit's doors for tours, having a board member spot open up soon, etc.]. We'd love to extend an invitation to you [and/or your employees] to participate in this opportunity! Our current corporate sponsors have all enjoyed developing a stronger partnership with our organization, and I'm hoping you'll do the same.

If you or anyone at your company is interested in supporting our nonprofit's cause further, please don't hesitate to give me a call at [phone number] or email me at [email address].

Thank you again!

[Your printed name]

[Your title]

[Your signature]

## General Donation Request Letter

Date

Your Name

Your Organization's Name (when applicable)

Street

City, State ZIP

Dear [Donor's Name],

My name is [your name] and I am [describe your position/situation/background]. I am looking to raise [amount of money] to help me pay for [project/expense/cause/etc.].

[Include information about why the cause or project is important to you and how it could potentially impact the reader or those you serve].

**I'm writing to you to ask you to support me and my [cause/project/etc.]. Just a small donation of [amount] can help me [accomplish task/reach a goal/etc.]**

Your donation will go toward [describe exactly what the contribution will be used for].

**[When possible, add a personal connection to tie the donor to the cause. For example, if you're raising money to help build a school in a developing country and you're writing to a teacher, emphasize the fact that everyone deserves a quality education].**

Thank you in advance for your contribution. You have no idea how much it means to me to have your support.

Here are the ways you can make a donation:

- Make a donation online at [URL of your crowdfunding campaign]
- Send a check in the pre-stamped envelope I've included (no cash, please!)
- Come to my fundraising event on [date] at [location] [when applicable]

Thank you again!

Sincerely,

[Signature of author]

[Typed name of author]

## Sponsorship Request Letter

Date

Your Name

Your Organization's Name (when applicable)

Street

City, State ZIP

Dear [Donor's Name],

My name is [your name] and I am [describe your position/situation/background]. I am looking to raise [amount of money] to participate in [nonprofit's name and the name of the event].

[Include information about why the cause or project is important to you and how it could potentially impact the reader or those you serve].

So far I've raised [amount], but I need just a little more to hit my goal.

**That's why I'm writing to you! Will you support me and my [cause/project/etc.]? Just a small donation of [amount] can help me [accomplish task/reach a goal/etc.]**

Your donation will go toward [describe exactly what the contribution will be used for].

**[When possible, add a personal connection to tie the donor to the cause. For example, if you're raising money that will go toward cancer research and the recipient of your letter is a cancer survivor, highlight that connection].**

If you'd like to participate in or attend [name of the event], it will be held on [date] at [location]. Visit [nonprofit's URL] to learn more!

Thank you in advance for your contribution. You have no idea how much it means to me to have your support. Here are the ways you can make a donation:

- Make a donation online at [URL of your crowdfunding campaign]
- Send a check in the pre-stamped envelope I've included (no cash, please!)
- Come to my fundraising event on [date] at [location] [when applicable]

Thank you again!

Sincerely,

[Signature of author]

[Typed name of author]

P.S. If you want to buy any event merchandise, here's the link [link to nonprofit storefront]



## Invitation to a Fundraising Event

Date

Your Name

Your Organization's Name (when applicable)

Street

City, State ZIP

Dear [Donor's Name],

My name is [your name] and I am [describe your position/situation/background]. I am looking to raise [amount of money] to [complete a project/participate in an event/support a cause/etc.].

[Include information about why the cause or project is important to you and how it could potentially impact the reader or those you serve].

To support my fundraising efforts, I've decided to host an event! [Describe the event and give details].

**I'm writing to invite you to this event! It will be held on [date] at [location].**

[Provide any extra details concerning attire, theme, or age limits].

All of the money that I raise during the event will go toward [describe exactly what the contribution will be used for].

If you'd like to attend [name of the event], please respond by [date]. I've included an RSVP card in this letter for you to fill out and send back to me.

If you'd like to support even more by helping me plan and prepare this event, please get in touch with my by giving me a call at [phone number] or emailing me at [email address].

Thank you in advance for your contribution! Your support means the world to me!

Sincerely,

[Signature of author]

[Typed name of author]

# GENERAL FUNDRAISING ASSESSMENT

## GENERAL FUNDRAISING

Indicator	Met	Needs Work	N/A
1. Funds are raised in an ethical manner for activities consistent with the organization's mission and plan.			
2. The Board of Directors and organization staff are knowledgeable about the fundraising process and the roles in the organization.			
3. The organization's Board of Directors has established a committee charged with developing, evaluating and reviewing fundraising policies, practices and goals.			
4. The committee is actively involved in the fundraising process and works to involve others in these activities.			
5. The Board of Directors, executive director and committee supports and participates in the total fundraising process, including project identification, cultivation, solicitation and recognition.			
6. The fundraising program is staffed and funded at a level consistent with fundraising expectations.			
7. There is direct communications and relationship between information services or marketing, accounting and other administration support functions to assist in the fundraising needs and efforts.			
8. The organization is accountable to donors and other key constituencies and demonstrates their stewardship through annual reports.			

## USING AN OUTSIDE FUNDRAISER

Indicator	Met	Needs Work	N/A
1. The organization meets the nonprofit standards of the state charities review council (if one exists in the state, e.g., the Minnesota Charities Review Council provides standards for Minnesota's charitable nonprofits).			

Indicator	Met	Needs Work	N/A
2. If the organization chooses to use outside professional fundraisers, several competitive bids are solicited. Each prospective outside fundraiser's background and references are checked.			
3. The organization makes legal, mutual agreed upon, signed statements with outside professional fundraisers, outline each parties' responsibilities and duties, specifying how the contributed funds will be physically handled, and to guarantee that the fees to be paid are reasonable and fair.			
4. The organization has verified that the contracted fundraiser is registered as a professional fundraiser with the Attorney General and all filings necessary have been made before the work commences. (Registration requirements are dependent on state requirements.)			
5. The fundraising committee or appropriate representatives from the Board of Directors reviews all prospective proposals with outside professional fundraiser and reviews and accepts all agreements before they are signed.			
6. If the outside professional fundraiser plans to contact potential donors directly, the organization must review the fundraising materials (e.g., public service announcements, print or broadcast advertisements, telemarketing scripts, pledge statements, brochures, letters, etc.) to verify their accuracy and to ensure that the public disclosure requirements have been met.			
7. The organization properly reports all required information regarding use of outside professional fundraisers, amount of funds raised and the related fundraising expenses as required by state and federal governments. The gross amount of funds raised by the contracted fundraiser is reported on the organization's financial statement. The fees and costs of the campaign must be reported on the statement of functional expenses.			

*Used by permission of Greater Twin Cities United Way.*



## Section 5

# REPORTS



**Executive Director Resource Manual  
2017 Edition**



# FISCAL MANAGEMENT ACTIVITIES CALENDAR

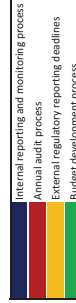
	January	February	March	April	May	June	July	August	September	October	November	December
<b>Fiscal Year End:</b>												
Prepare/circulate fourth quarter and preliminary year-end results to Finance/Audit Committee												
Annual update of fiscal policies & procedures manual, incorporating investment policies												
Final close of accounting records for prior fiscal year												
Field work for annual audit begins												
Prepare/circulate first quarter operating results to Finance/Audit Committee												
Draft of audit report and auditor's recommendations for improvements to system of internal controls is circulated to Finance/Audit committee for comments												
Audit firm meets with Finance/Audit committee to discuss draft audit report as well as management letter												
Management prepares a "management response" to the management letter												
Audit and management letter are issued as "final," incorporating management's response												
Draft of form 990 is circulated to Finance/Audit committee as well as Director(s) of Programs and Director of Development for comments												
Form 990 or extension request due to IRS by the 15th of the month												
Annual update of personnel policies and procedures manual, incorporating legal oversight												

Internal reporting and monitoring process  
 Annual audit process  
 External regulatory reporting deadlines  
 Budget development process



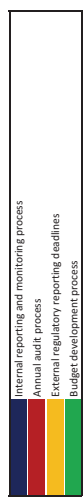


Fiscal Year End:



	January	February	March	April	May	June	July	August	September	October	November	December
Prepare/circulate second quarter operating results to Finance/Audit committee							Internal reporting and monitoring process					
Perform annual insurance coverage review (or alternate date based on policy renewal cycle)							Internal reporting and monitoring process					
Filing of Form 5500- Return of organization's pension plan, if applicable (Last day of 7th month after the end of the plan year)							Budget development process					
Prepare mid-year budget revision for current fiscal year based on actual results for first and second quarters							Budget development process					
Mail form 1099 to any unincorporated entity who provided services to the organization during prior calendar year and received \$600 or greater in non-employee compensation. May be prepared by payroll processing firm or in-house (January 31).												
Mail Form W-2 to all employees working for the organization in the prior calendar year.												
Second extension request for Form 990 to IRS, if applicable (15th of the month)								Budget development process				
File Form 1096 (transmittal) and supporting 1099's with the IRS. May be prepared by payroll processing firm or in-house (February 28)												
File Forms W-3 and W-2s with Social Security Administration for employees working for the organization in the previous calendar year. May be prepared by payroll processing firm or in-house (February 28)												
Obtain Financial/Audit committee approval of mid-year budget revision for current fiscal year.												
Begin next fiscal year budget process: Identify Budget Director and Budget Timetable; gather information necessary to develop expense and revenue budget for the next fiscal year.												
Assemble draft budget for next fiscal year, incorporating fiscal and program personnel									Internal reporting and monitoring process			
Final deadline for audit conducted under OMB Circular A-135, if applicable												





Fiscal Year End:	January	February	March	April	May	June	July	August	September	October	November	December
Review draft budget with senior management; incorporate comments and recommendations										Green		
Prepare/circulate third quarter operating results to Finance/Audit Committee										Dark Blue		
Circulate draft budget and budget narrative to Finance/Audit Committee; incorporate comments and recommendations											Green	
Selection/reconfirmation of audit firm for the next fiscal year											Red	
Final extension deadline for Form 990 due by the 15th of the month											Yellow	
Send budget package to Board of Directors; Board meets to approve budget for next fiscal year												Green
Update cash flow templates for coming 12-month period and present to board as part of budget package												Green
Incorporate next fiscal year's board-approved budget into organization's accounting system												Green
Finance/Audit Committee engages audit firm and holds a planning meeting												Red
Prepare all necessary year-end closing accruals and expense analysis												Dark Blue

# Reporting Financial Information to the Board

---

The board of directors of a nonprofit organization has legal responsibility for the organization's work. The board is responsible for short and long-term planning, and they must ensure that systems are in place for administering and effectively using resources and guarding against misuse.

In order to fulfill their responsibilities, board members must be able to rely on financial information that is:

- **Accurate:** Information must be reliable and accurate. Resolve any question about the quality of recordkeeping or accounting first.
- **Timely:** Information should be available to the board within 2 or 3 months at the latest.
- **In context:** Information should be presented in relationship to the history, goals, and programs of the organization.
- **Appropriate:** No one-size-fits-all financial report exists. Reports must be designed to communicate information specific to the organization's current circumstances in a format that matches the knowledge level and role of board members.

## WHAT EVERY BOARD NEEDS TO KNOW

Financial reports should be on the agenda at every board meeting. The board should regularly review the organization's:

- Income statement showing income and expenses for the period compared to budget;
- Balance sheet showing assets and liabilities;
- Budget, which should be based on programmatic plans and should be approved annually by the board before the start of the fiscal year.
- In addition, once a year the board should review:
  - Annual financial report and, if required, an audit report;
  - IRS 990 information return.

## PURPOSE DETERMINES FORM

The format and content of reports for the board should be determined by their intended purpose. Four types of reporting are needed by the board:

### *Compliance and information*

The most common purpose of reporting to the board is to:

- Give assurance and verification of how resources are used and ensure operational efficiency and controls;
- Provide accountability to funders, community partners, and the public on the use of funds.

The board should receive:

- Income statement compared to budget;
- Balance sheet;
- Annual review of the audit;
- Verification of timely and accurate filing of IRS 990 and other required reports.

## ***Evaluation***

When the board seeks to:

- Assess effectiveness of activities and use of resources;
- Review administrative systems and controls;
- Measure progress toward goals, including financial, fundraising, and program goals;
- Consider financial information in relation to the mission of organization.

The board should receive:

- Comparisons of actual results to budget and other plans;
- Comparisons to financial and programmatic benchmarks, such as client levels, financial ratios, reserve levels, and costs of services;
- Financial reports in relation to the programmatic activities and needs of the organization.

## ***Planning***

When the board is engaged in planning in order to:

- Project future needs and consider trends, changes, and prospects for the future;
- Develop assumptions for use in future plans.

The board should receive:

- Trend analysis of primary income and expense categories for past 1—3 years;
- Information about the external environment and how it is affecting the organization;
- Financial implications of new programs or management decisions;
- Multiple budget scenarios based on different options under consideration.

## ***Taking Action***

When action is required by the board as a result of changes from previous plans and to:

- Respond to changes, both negative and positive;
- React to changes in external environment;
- Address problems with programs, budget or cash flow.

## ADDITIONAL REPORTING

At times, it may be appropriate to provide additional information to the board, such as:

- Cash flow projections;
- Forecasts or periodic updates to the budget when significant changes have occurred affecting finances;
- New budgets may need to be approved by the board;
- Specialized budgets for capital projects or major new initiatives to fully inform the board before making significant commitments.

In times of financial difficulty or crisis, you will need to:

- Provide more detailed information;
- Report more frequently;
- Update forecasts and track against plans;
- Manage cash flow vigilantly.

## PRESENTING INFORMATION TO THE BOARD

- Invest some time in creating a report format for the board using either your accounting software or a spreadsheet program.
- Use summary categories for income and expenses to enable the board to focus on the big picture for decision making rather than micro-managing day to day details.
- Provide a brief narrative along with financial reports. The narrative should highlight significant items and explain variances from plans.
- Every board member needs training on reading and using the financial reports. Provide an annual orientation and review of the report format, major categories, and the key financial factors for the organization.
- The board should receive:
  - Income statement compared to budget and plans;
  - Analysis of the causes of the variances;
  - Multiple scenarios based on the different options under consideration.

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# THE BOARD'S ROLE IN REVIEWING FORM 990: A CHECKLIST

All tax-exempt organizations must report annually to the IRS on their financial and other activities — including their governance activities. They do this by filing a Form 990, Return of Organization Exempt from Income Tax.

Many organizations provide a CPA or legal counsel with the pertinent information and then rely on him or her to complete the form. Regardless of who completes the form, however, all organizations should ensure that the chief executive and either the board chair or the chair of the audit (or finance/audit committee) committee examines it closely prior to filing. As fiduciaries, all board members also should be familiar with it. In Part VI, Section A of the form, the IRS asks whether the board receives a copy and what its review process is.

To help your board review the completed form, BoardSource provides the following checklist pertaining to governance. If your board members flag any of the items on the checklist, address them before filing the form with the IRS. When reviewing the form, keep the following in mind:

- **Is it accurate?** Form 990 serves as introduction to your organization and is reviewed by the IRS, your constituents, donors, and the media. You do not want to share inaccurate information.
- **Are you meeting legal requirements?** The IRS recognizes your tax-exempt status. Form 990 allows the IRS to verify that your organization meets the expectations and deserves its special status.

“No” answers may raise red or yellow flags in the eyes of the IRS. They may lead to a heightened audit profile. Are there justified reasons for your “no” answers? Have you explained the reasons sufficiently in Schedule O?

- **Have you done your due diligence in justifying various interdependencies and relationships among your insiders or individuals or entities with which your organization does business?**
- **Are those who are compensated for services truly earning their compensation?** Familiarize yourself with the IRS’s intermediate sanctions and safe harbor clauses and follow them to protect yourself and your organization.

YES NO

## LIST OF BOARD MEMBERS

The IRS requires you to list the names and titles of all board members and officers, whether or not compensation is provided. Have you done so and is the information correct?

## LIST OF BOARD MEMBERS

The IRS requires you to list the names and titles of all board members and officers, whether or not compensation is provided. Have you done so and is the information correct?

## NUMBER OF VOTING MEMBERS

The IRS wants to know the size of your decision-making body/board. Do not include ex-officio non-voting members in this number. If your chief executive is a voting member, you must add him or her to this number. Is this number correct?

### **INDEPENDENCE OF BOARD MEMBERS**

The IRS wants to ensure that your voting board members are independent as it pertains to three conditions: 1) No compensation as an officer or employee of the organization; 2) No (or less than \$10,000) compensation as a contractor to the organization or a related organization; 3) No other financial transactions directly with the organization or a related organization or to a family member with the organization or a related organization. Are your board members independent?

### **COMPENSATION OF BOARD MEMBERS, OFFICERS, AND KEY EMPLOYEES**

Compensation is of primary concern to the IRS. Above all, it wants to ensure that no tax-exempt organization is involved in private inurement, undue or excessive remuneration for services not provided, or that decisions related to financial transactions are made by insiders who have a conflict of interest in the outcome.

Do your board members serve as volunteers without compensation? If they are compensated, is it reported? If you compensated any former board members more than \$10,000, did you report it? After five years, one is no longer a "former board member."

Have you reported any "key" employees\* earning more than \$150,000? (Your CEO and COO are not key employees; they are considered officers of the organization.)

Have you reported any non-key employees earning more than \$100,000?

If you compensated any independent contractors more than \$100,000, have you reported it? If you compensated any former officers or any former key employees more than \$100,000, did you report it?

### **COMPENSATION PROCESS**

The IRS focuses on the process of determining compensation for the chief executive and other key individuals.

Is your board adhering to the intermediate sanctions' safe harbor clauses? Do you rely on comparable data when setting compensation?

Do independent individuals approve the compensation for top management?

Does the board keep accurate and contemporaneous records of how it makes compensation decisions?

### **LOANS**

The IRS wants to ensure that the board is an independent body that makes decisions for the good of the organization without weighing in personal benefits.

Did the organization refrain from providing loans, grants, or other financial assistance to board members, officers, or key employees?

### **DELEGATION OF AUTHORITY**

If your board delegates part of its authority to an executive or similar committee, have you described the composition of this group and the scope of its authority in Schedule O?

If any board decisions are subject to approval by members, stockholders, or other persons, have you reported this?

**BOARD PRACTICES**

Did your board members refrain from engaging in direct or indirect campaign activities on behalf of or in opposition to candidates for public office or engage in lobbying?

Did the board and each committee with authority to act on behalf of the board contemporaneously document the meetings held or written actions undertaken during the year?

Does the organization have members, stockholders, or other persons who may elect one or more members of the board, and if so, is it reported?

**BOARD POLICIES**

Do you have a written conflict-of interest (COI) policy, are board members and key staff required to disclose interests that could lead to conflict, and are these situations monitored and enforced? Do you share your COI policy (as well as your governing and financial statements and Form 990) with the public?

Does the organization have a written whistleblower policy and document retention and destruction policy?

Did the organization make any significant changes to its articles of incorporation or bylaws since the prior Form 990 was filed and, if so, are they explained in Schedule O?

Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

**FINANCES**

Are any assets held in term, permanent, or quasi-endowments reported?

Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP?

Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?

Are any non-cash contributions to the organization valued more than \$25,000 — or any contributions of art, historical treasures, or other similar assets, or qualified conservation contributions — reported?

Is any unrelated business income of \$1,000 or more reported?

If the organization invested in, contributed to, or participated in a joint venture or similar arrangement with a taxable entity during the year, has the organization adopted a written policy or procedure requiring the organization to evaluate its participation under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such an arrangement?

**MISSION AND PROGRAMS**

Have you accurately and succinctly described your mission?

If you made any significant changes to your programs — adding, ending, or altering how you deliver your programs — have you explained them in Schedule O?

Have you accurately described the achievements for your three largest program services by revenue?

If you have chapters, branches, or affiliates, do you have written policies and procedures governing their activities to ensure consistency with the organization?

### **\*WHO IS A KEY EMPLOYEE? A KEY EMPLOYEE MEETS THE FOLLOWING TESTS:**

- Received annual compensation in excess of \$150,000.
- Has responsibilities, powers, or influences over the organization that are similar to that held by an officer (e.g., CEO, CFO, COO) or a board member.
- Manages a discrete segment or activity that represents 10 percent or more of the organization's activities, assets, income, or expenses.
- Has or shares the authority to control or determine 10 percent of the organization's capital expenditures, operating budget, or compensation for employees.
- Is one of the top 20 employees who pass the \$150,000 and responsibility tests.

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# IRS FORM 990

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IRS Form 990, entitled “Return of Organization Exempt from Income Tax,” is a report that must be filed each year with the Internal Revenue Service (IRS) by organizations exempt from Federal income taxes under section 501 of the Internal Revenue Code, and whose annual receipts are more than \$25,000 a year. It is an information return and not an income tax return since the organizations that file it do not pay income taxes.

The IRS 990 provides a snapshot of the financial health and expenditures of an organization at a specific time. Its data is most useful for examining the evolving health and financial practices of an organization over a period of time.

## WHEN TO FILE

You must file Form 990 by the 15<sup>th</sup> day of the 5<sup>th</sup> month after your program’s accounting period ends (May 15<sup>th</sup> for a calendar-year filer). If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day.

## WHAT ARE ACCOUNTING PERIODS?

- **Calendar year:** A calendar year accounting period begins on January 1 and ends on December 31.
- **Fiscal year:** A fiscal year accounting period should normally coincide with the natural operating cycle of the organization. It is established by the organization for accounting purposes.
- **Short period:** A short accounting period is a period of less than 12 months, which exists when an organization first commences operations, changes its accounting period, or terminates.

## WHO IS RESPONSIBLE FOR COMPLETING IRS FORM 990?

Although an accountant or attorney may prepare the return, the organization’s executive director and Board President sign the return and are ultimately responsible for its accuracy.

## KEY INFORMATION ON FORM 990

### *Part I—Revenues, Expenses, and Changes in Net Assets or Fund Balances*

Part I details sources of revenue and summarizes an organization's expenditures:

- Line 1a, Direct Public Support—contributions received directly from individuals and foundations.
- Line 1b, Indirect Public Support—contributions received through federated fundraising campaigns such as the United Way.
- Line 1c, Government Contributions (Grants)—contributions from federal, state or local governments that are considered to provide a direct benefit to the general public. These contributions are distinct from monies received from government contracts for services.

- Line 13, Program Services Expenses—expenses incurred by an organization while performing its tax-exempt activities.
- Line 14, Management and General Expenses—expenses related to the day-to-day operation of an organization. Included are items such as personnel, accounting, and legal services, general insurance, and office management.
- Line 15, Fundraising Expenses—costs of soliciting the contributions reported on Lines 1a, 1b, and 1c.
- Line 18, Excess (or deficit) for the year—this information seems to show how much more an organization took in than it spent.

## ***Part II—Statement of Functional Expenses***

Part II shows expenditures by category and major function (program services, management and general, and fundraising).

## ***Part III—Statement of Program Service Accomplishments***

In Part III an organization describes the activities performed in the previous year that justify the organization's tax-exempt status. In this section, an organization is asked to state its primary exempt purpose, and to describe in detail its four costliest programs.

## ***Part IV—Balance Sheets***

Part IV details an organization's assets and liabilities. Assets are the economic resources that an organization has at its disposal. Liabilities are the outstanding claims against those assets. The amount by which assets exceed liabilities is found in Line 73 = Total Net Assets or Fund Balances. Also note Lines 48c (Pledges Receivable) and 49 (Grants Receivable). These can give provide insight into the amount of income that was reported on Line 1d, but was not available for spending during the year.

The net assets are divided into three categories:

- Line 67, Unrestricted Assets—assets currently available for an organization to fulfill its tax-exempt purpose. For example, land, buildings, and equipment bought with unrestricted funds fall into this category.
- Line 68, Temporarily Restricted Assets—assets currently available for use, but only for specific purposes indicated by the donor, or as part of an implicit promise by the organization.
- Line 69, Permanently Restricted Assets—assets with donor-imposed restrictions that do not expire.

## ***Part V—List of Officers, Directors, Trustees and Key Employees***

Part V lists those people who are responsible in whole or in part for the operations of an organization. Entries should include titles and compensation, if any. A “key employee” is essentially an employee who exerts a significant influence on an organization's finances or activities.

## ***Part VI—Other Information***

This section contains a number of questions regarding the operations of an organization during a past year.

## ***Part IX—Information Regarding Taxable Subsidiaries***

Information to complete if your nonprofits owns all or part of a for-profit business.

### ***Bottom of Page 6***

An officer of the organization should sign the Form 990. This signature indicates, under penalty of perjury, that the signing officer believes the return to be “true, correct, and complete.”

## ***Schedule A, Part I—Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees***

Organizations are only required to complete this section if they have employees whose compensation is greater than \$50,000. Note that employees already listed on Part V of the Form 990 need not be listed again here.

## ***Schedule A, Part II—Compensation of the Five Highest Paid Independent Contractors for Professional Services***

Organizations complete this section only if they have paid an independent contractor more than \$50,000.

Find complete instructions for the latest IRS Form 990 at: <http://www.irs.gov/instructions/i990/index.html>



## Charitable Contributions

Substantiation and  
Disclosure Requirements



Publication 1771 (Rev. 3-2016) Catalog Number 20054Q Department of the Treasury Internal Revenue Service [www.irs.gov](http://www.irs.gov)

**Are you an organization that receives contributions of \$250 or more?**

or

**Are you an organization that provides goods or services to donors who make contributions of more than \$75?**

or

**Are you a donor who makes contributions to a charity?**

IRS Publication 1771, *Charitable Contributions—Substantiation and Disclosure Requirements*, explains the federal tax law for organizations, such as charities and churches, that receive tax-deductible charitable contributions and for taxpayers who make contributions.

The IRS imposes recordkeeping and substantiation rules on donors of charitable contributions and disclosure rules on charities that receive certain quid pro quo contributions.

- Donors must have a **bank record** or **written communication** from a charity for any monetary contribution before the donors can claim a charitable contribution on their federal income tax returns.
- Donors are responsible for obtaining a **written acknowledgment** from a charity for any single contribution of \$250 or more before the donors can claim a charitable contribution on their federal income tax returns.
- Charitable organizations are required to provide a **written disclosure** to a donor who receives goods or services in exchange for a single payment in excess of \$75.

1

More on recordkeeping, written acknowledgments and written disclosures is addressed in this publication. The rules in this publication do not apply to a donated motor vehicle, boat or airplane if the claimed value exceeds \$500. For information on vehicle donations, see IRS [Publication 4302](#), *A Charity's Guide to Vehicle Donation*, and IRS [Publication 4303](#), *A Donor's Guide to Vehicle Donation*.

For information about organizations that are qualified to receive charitable contributions, see IRS [Publication 526](#), *Charitable Contributions*. Publication 526 also describes contributions you can (and cannot) deduct, and it explains deduction limits. For assistance about valuing donated property, see IRS [Publication 561](#), *Determining the Value of Donated Property*.

## Recordkeeping Rules

### Requirement

A donor cannot claim a tax deduction for any contribution of cash, a check or other monetary gift unless the donor maintains a record of the contribution in the form of either a bank record (such as a cancelled check) or a written communication from the charity (such as a receipt or letter) showing the name of the charity, the date of the contribution and the amount of the contribution.

### Payroll Deductions

For charitable contributions made by payroll deduction, the donor may use a pledge card prepared by or at the direction of the charitable organization, along with one of the following documents:

- a pay stub,
- Form W-2, Wage and Tax Statement, or
- other employer-furnished document that shows the amount withheld and paid to a charitable organization.

If a donor makes **a single contribution of \$250 or more by payroll deduction**, the pledge card or other document from the organization must also include a statement to the effect that the organization does not provide goods or services in whole or partial consideration for any contributions made to the organization by payroll deduction.

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Each payroll deduction amount of \$250 or more is treated as a separate contribution for purposes of the \$250 threshold requirement for written acknowledgments.

## Written Acknowledgment

### Requirement

A donor cannot claim a tax deduction for any single contribution of \$250 or more unless the donor obtains a contemporaneous, written acknowledgment of the contribution from the recipient organization. An organization that does not acknowledge a contribution incurs no penalty; but, without a written acknowledgment, the donor cannot claim the tax deduction. Although it's a donor's responsibility to obtain a written acknowledgment, an organization can assist a donor by providing a timely, written statement containing:

1. the name of organization
2. the amount of cash contribution
3. a description (but not the value) of non-cash contribution
4. a statement that no goods or services were provided by the organization in return for the contribution, if that was the case
5. a description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution

6. a statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits (described later in this publication), if that was the case

It isn't necessary to include either the donor's Social Security number or tax identification number on the acknowledgment.

A separate acknowledgment may be provided for each single contribution of \$250 or more, or one acknowledgment, such as an annual summary, may be used to substantiate several single contributions of \$250 or more. There are no IRS forms for the acknowledgment. Letters, postcards or computer-generated forms with the above information are acceptable. An organization can provide either a paper copy of the acknowledgment to the donor, or an organization can provide the acknowledgment electronically, such as via an email addressed to the donor. A donor shouldn't attach the acknowledgment to his or her individual income tax return, but must retain it to substantiate the contribution. Separate contributions of less than \$250 will not be aggregated. An example of this could be weekly offerings to a donor's church of less than \$250 even though the donor's annual total contributions are \$250 or more.

### Contemporaneous

Recipient organizations typically send written acknowledgments to donors no later than January 31 of the year following the donation. For the written acknowledgment to be considered contemporaneous with the contribution, a donor must receive the acknowledgment by the earlier of:

- the date on which the donor actually files his or her individual federal income tax return for the year of the contribution; or
- the due date (including extensions) of the return.

3

### Goods and Services

The acknowledgment must describe goods or services an organization provides in exchange for a contribution of \$250 or more. It must also provide a good faith estimate of the value of the goods or services because a donor must generally reduce the amount of the contribution deduction by the fair market value of the goods and services provided by the organization. Goods or services include cash, property, services, benefits or privileges. However, there are important exceptions:

**Token Exception** — Insubstantial goods or services a charitable organization provides in exchange for contributions do not have to be described in the acknowledgment.

Good and services are considered to be insubstantial if the payment occurs in the context of a fund-raising campaign in which a charitable organization informs the donor of the amount of the contribution that is a deductible contribution, and:

1. the fair market value of the benefits received does not exceed the lesser of 2 percent of the payment or \$106,\* or
2. the payment is at least \$53,\* the only items provided bear the organization's name or logo (for example, calendars, mug or posters), and the cost of these items is within the limit for "low-cost articles," which is \$10.60.\*

*\*The dollar amounts are for 2016. Guideline amounts are adjusted for inflation. See [IRS.gov](https://www.irs.gov) for annual inflation adjustment information.*

Free, unordered low-cost articles are also considered to be insubstantial.

**Example of a token exception:** If a charitable organization gives a coffee mug bearing its logo that costs the organization \$10.60 or less to a donor who contributes \$53 or more, the organization may state that no goods or services were provided in return for the \$53 contribution. The \$53 is fully deductible.

**Membership Benefits Exception** — An annual membership benefit is also considered to be insubstantial if it is provided in exchange for an annual payment of \$75 or less and consists of annual recurring rights or privileges, such as:

1. free or discounted admissions to the charitable organization’s facilities or events
2. discounts on purchases from the organization’s gift shop
3. free or discounted parking
4. free or discounted admission to member-only events sponsored by an organization, where a per-person cost (not including overhead) is within the “low-cost articles” limits

**Example of a membership benefits exception:** If a charitable organization offers a \$75 annual membership that allows free admission to all of its weekly events, plus a \$20 poster, a written acknowledgment need only mention the \$20 value of the poster, since the free admission would be considered insubstantial and, therefore, would be disregarded.

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**Intangible Religious Benefits Exception** — If a religious organization provides only “intangible religious benefits” to a contributor, the acknowledgment does not need to describe or value those benefits. It can simply state that the organization provided intangible religious benefits to the contributor.

What are “intangible religious benefits”? Generally, they are benefits provided by a tax-exempt organization operated exclusively for religious purposes, and are not usually sold in commercial transactions outside a donative (gift) context. Examples include admission to a religious ceremony and a de minimis tangible benefit, such as wine used in a religious ceremony. Benefits that are not intangible religious benefits include education leading to a recognized degree, travel services and consumer goods.



## Unreimbursed Expenses

If a donor makes a single contribution of \$250 or more in the form of unreimbursed expenses, for example, out-of-pocket transportation expenses incurred to perform donated services for an organization, then the donor must obtain a written acknowledgment from the organization containing a:

- description of the services provided by the donor
- statement of whether the organization provided goods or services in return for the contribution
- description and good faith estimate of the value of goods or services, if any, that the organization provided in return for the contribution
- statement that goods or services, if any, that the organization provided in return for the contribution consisted entirely of intangible religious benefits (described earlier in this publication), if that was the case

In addition, a donor must maintain adequate records of the unreimbursed expenses. See [Publication 526, Charitable Contributions](#), for a description of records that will substantiate a donor's contribution deductions.

**Example of an unreimbursed expense:** A chosen representative to an annual convention of a charitable organization purchases an airline ticket to travel to the convention. The organization doesn't reimburse the delegate for the \$500 ticket. The representative should keep a record of the expenditure, such as a copy of the ticket. The representative should obtain from the organization a description of the services that the representative provided and a statement that the representative received no goods or services from the organization.

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### Examples of Written Acknowledgments

- "Thank you for your cash contribution of \$300 that (organization's name) received on December 12, 2015. No goods or services were provided in exchange for your contribution."
- "Thank you for your cash contribution of \$350 that (organization's name) received on May 6, 2015. In exchange for your contribution, we gave you a cookbook with an estimated fair market value of \$60."
- "Thank you for your contribution of a used oak baby crib and matching dresser that (organization's name) received on March 15, 2015. No goods or services were provided in exchange for your contribution."

The following is an example of a written acknowledgment when a charity accepts contributions in the name of one of its activities:

- Thank you for your contribution of \$450 to (organization's name) made in the name of its Special Relief Fund program. No goods or services were provided in exchange for your contribution."

## Written Disclosure

### Requirement

Donors may only take a contribution deduction to the extent that their contributions exceed the fair market value of the goods or services the donors receive in return for the contributions; therefore, donors need to know the value of the goods or services. An organization must provide a written disclosure statement to a donor who makes a payment exceeding \$75 partly as a contribution and partly for goods and services provided by the organization. A contribution made by a donor in exchange for goods or services is known as a quid pro quo contribution.

**Example of a quid pro quo contribution:** A donor gives a charitable organization \$100 in exchange for a concert ticket with a fair market value of \$40. In this example, the donor's tax deduction may not exceed \$60. Because the donor's payment (quid pro quo contribution) exceeds \$75, the charitable organization must furnish a disclosure statement to the donor, even though the deductible amount doesn't exceed \$75.

A required written disclosure statement must:

- inform a donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of money (and the fair market value of property other than money) contributed by the donor over the value of goods or services provided by the organization
- provide a donor with a good-faith estimate of the fair market value of the goods or services

An organization must furnish a disclosure statement in connection with either the solicitation or the receipt of the quid pro quo contribution. The statement must be in writing and must be made in a manner that is likely to come to the attention of the donor. For example, a disclosure in small print within a larger document might not meet this requirement.

### Exception

A written disclosure statement is not required:

- where the goods or services given to a donor meet the "token exception," the "membership benefits exception" or the "intangible religious benefits exception" described earlier
- where there is no donative element involved in a particular transaction, such as in a typical museum gift shop sale

### Penalty

A penalty is imposed on charities that do not meet the written disclosure requirement. The penalty is \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing. An organization may avoid the penalty if it can show that failure to meet the requirements was due to reasonable cause.

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## Further Information

**written acknowledgment** — Detailed rules for contemporaneous written acknowledgments are contained in Section 170(f)(8) of the Internal Revenue Code and Section 1.170A-13(f) of the Income Tax Regulations. The “low-cost article” rules are in Code Section 513(h)(2).

**written disclosure** — Detailed rules for written disclosure statements are contained in Code Section 6115 and I.T. Regulations Section 1.6115-1. The penalty rules are contained in Code Section 6714.

**IRS publications** — Order publications by calling the IRS at (800) 829-3676. Download IRS publications at [www.irs.gov](http://www.irs.gov).

**IRS customer service** — Telephone assistance for general tax information is available by calling IRS customer service toll-free at (800) 829-1040.

**EO customer service** — Telephone assistance specific to exempt organizations is available by calling IRS Exempt Organizations customer account services toll-free at (877) 829-5500.

**EO website** — Visit Exempt Organizations website at [irs.gov/eo](http://irs.gov/eo).

**EO Update** — Subscribe to IRS Exempt Organizations' [EO Update](#), a regular email newsletter with information for tax-exempt organizations and tax practitioners who represent them.

**StayExempt** — An IRS interactive web-based training program covering tax compliance issues confronted by small and mid-sized tax-exempt organizations.

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# CHARITABLE ORGANIZATIONS— SUBSTANTIATION AND DISCLOSURE REQUIREMENTS

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The Internal Revenue Code applies substantiation requirements for donors, and disclosure requirements for charitable organizations, in connection with charitable contributions. For a detailed discussion of the substantiation and disclosure requirements for charitable contributions, see:

- **Publication 1771**, *Charitable Contributions: Substantiation and Disclosure Requirements*
- **Required Disclosures** (online mini-course)

## SUBSTANTIATION OF CONTRIBUTIONS

A donor can deduct a charitable contribution of \$250 or more only if the donor has a written acknowledgment from the charitable organization.

The donor must get the acknowledgement by **the earlier of:**

1. The date the donor files the original return for the year the contribution is made, or
2. The due date, including extensions, for filing the return.

The donor is responsible for requesting and obtaining the written acknowledgement from the donee.

A donor cannot claim a deduction for any contribution of cash, a check or other monetary gift made on or after January 1, 2007, unless the donor maintains a written record of the contribution.

See *Substantiating Charitable Contributions*

## CHARITY AUCTIONS

Donors who purchase items at a charity auction may claim a charitable contribution deduction for the excess of the purchase price paid for an item over its fair market value.

## SUBSTANTIATING NON-CASH CONTRIBUTIONS

Additional substantiation requirements generally apply to contributions of property. Charitable organizations can help their contributors by providing the required substantiation.

## QUID PRO QUO CONTRIBUTIONS

A charitable organization must provide a written disclosure statement to any donor of a quid pro quo contribution over \$75.

## VEHICLE DONATIONS

Additional substantiation and disclosure rules may apply when a donor contributes a vehicle to a charitable organization and claims the value of the vehicle is more than \$500. See Publication

4302, *A Charity's Guide to Vehicle Donations*, Publication 4303, *A Donor's Guide to Vehicle Donations*, and the IRS Video Portal for more information.

Life Cycle of a Public Charity

Page Last Reviewed or Updated: 21-Apr.-2017

# AUDIT SERVICES LETTER

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Date

Address Block

Dear

**OUR NONPROFIT** invites **COMPANY** to submit a proposal for the preparation of its yearly audited financial statements and related filings for a three-year period beginning with the 20XX fiscal year ending XXX XX. Our organization [does / does not] require a federal single audit. The audit of OUR NONPROFIT's financial statements must be performed in accordance with generally accepted auditing standards.

OUR NONPROFIT is a 501(c)(?) organization. [Include any related organizations and a description of the relationship.] The mission of OUR NONPROFIT is XXXXXXXXXXXX. Programs include:

OUR NONPROFIT serves XXX clients each year with funding from grants, contracts, and fees. We receive government funding from XXX agency—if applicable. We have XX employees located in XX office(s). Our annual revenue has ranged between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ over the past \_\_\_\_ years.

OUR NONPROFIT requires the following services:

1. Annual financial statement audit.
2. Federal Single Audit (*if applicable*).
3. Preparation of IRS form 990
4. Preparation of Charitable Organization Annual Report for the Minnesota Attorney General
5. Management letter

All of the above must be completed within XX days of the end of each fiscal year, in order for our Board to review each document prior to its submission to the appropriate recipients. In addition, OUR NONPROFIT requires that a meeting of the auditors and selected OUR NONPROFIT board and staff members be held to discuss a draft version of the financial statements and that the auditors meet at least yearly with the Board of Directors' [finance/audit] committee.

All proposals must include:

- a. Evidence of the firm's qualifications to provide the above services;
- b. Background and experience in auditing nonprofit clients;
- c. The size and organizational structure of the auditor's firm;
- d. Statement of the firm's understanding of work to be performed, including tax and non-audit services;
- e. A proposed timeline for fieldwork and final reporting;

- f. Proposed fee structure for each of the three years of the proposal period, including whatever guarantees can be given regarding increases in future years, and the maximum fee that would be charged;
- g. Describe your billing rates and procedures for technical questions that may come up during the year, or whether these occasional services are covered in the proposed fee structure;
- h. Names of the partner, audit manager, and field staff who will be assigned to our audit and provide biographies.
- i. A copy of your firm's most recent peer review report, the related letter of comments, and the firm's response to the letter of comments; and
- j. References and contact information from at least XX comparable nonprofit audit clients.

Your proposal must be received by XXXXX. Send your proposal to me at OUR NONPROFIT, address. The [finance/audit] committee will review all proposals at their XX meeting and make a recommendation regarding the choice of auditors to the full board of directors in XX.

If you have any questions or would like further clarification of any aspect of this request for bid, please contact me at XXX-XXX-XXXX. I look forward to receiving your proposal.

Sincerely,

XXX

Encl: OUR NONPROFIT audit report and Form 990 for last fiscal year.

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# GETTING READY FOR THE AUDIT CHECKLIST

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## The Nonprofit Audit Guide Getting Ready for the Audit Checklist

### 1. Assemble in one location all:

- Journals that detail the organization's business transactions and affected accounts
- Ledgers for the fiscal year being audited
- Bank statements and canceled checks
- Payroll records and tax returns showing withholding for employees
- IRS Form 1099s for independent contractors and consultants
- Tax returns (990, 990-T)
- Invoice and paid bills (receipts)
- Receipts for credit card transactions

### 2. Have organized and readily available all:

- Corporation or organizational documents
- Policies related to financial management and controls
- Tax exemption letters
- Board or committee meeting minutes
- Grant proposals, commitment letters and contracts with funding sources
- Final reports submitted to funders
- Contracts with vendors
- Leases
- Equipment maintenance agreements
- Insurance policies (office contents, professional liability, etc.)

### 3. Reconcile all bank accounts

### 4. Prepare:

- Trial Balance (a report at the end of the accounting period that ensures debts equal credits)
- Accounts receivable schedule
- Accounts payable schedule
- Depreciation schedules
- Expense account analyses requested by your auditor
- Schedules of prepaid expenses for upcoming fiscal year
- List of fixed asset additions and dispositions
- Investment activities

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## Section 6

# GENERAL RISK MANAGEMENT ISSUES



**Executive Director Resource Manual  
2017 Edition**



# FINANCIAL OVERSIGHT ASSESSMENT

Indicator	Met	Needs Work	N/A
1. The organization follows accounting practices which conform to Texas CASA standards.			
2. The organization has systems in place to provide the appropriate information needed by staff and board to make sound financial decisions and to fulfill Internal Revenue Service requirements.			
3. The organization prepares timely financial statements including the Balance Sheet [or statement of financial position) and Statement of Revenue and Expenses [or statement of financial activities!] which are clearly stated and useful for the board and staff.			
4. The organization prepares financial statements on a budget versus actual and/or comparative basis to achieve a better understanding of their finances.			
5. The organization develops an annual comprehensive operating budget which includes costs for all programs, management and fundraising and all sources of funding. This budget is reviewed and approved by the Board of Directors.			
6. The organization monitors unit costs of programs and services through the documentation of staff time and direct expenses and use of a process for allocation of management and general and fundraising expenses.			
7. The organization prepares cash flow projections.			
8. The organization periodically forecasts year-end revenues and expenses to assist in making sound management decisions during the year.			
9. The organization reconciles all cash accounts monthly.			
10. The organization has a review process to monitor that they are receiving appropriate and accurate financial information whether from a contracted service or internal processing.			
11. If the organization has billable contracts or other service income, procedures are established for the periodic billing, follow-up and collection of all accounts, and has the documentation that substantiates all billings.			
12. Government contracts, purchase of service agreements and grant agreements are in writing and are reviewed by a staff member of the organization to monitor compliance with all stated conditions.			
13. Payroll is prepared following appropriate State and Federal regulations and organizational policy.			

Indicator	Met	Needs Work	N/A
14. Persons employed on a contract basis meet all Federal requirements for this form of employment. Disbursement records are kept so 1099's can be issued at year end.			
15. Organizations that purchase and sell merchandise take periodic inventories to monitor the inventory against theft, to reconcile general ledger inventory information and to maintain an adequate inventory level.			
16. The organization has a written fiscal policy and procedures manual and follows it.			
17. The organization has documented a set of internal controls, including the handling of cash and deposits, approval over spending and disbursements.			
18. The organization has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified dollar amounts.			
19. All expenses of the organization are approved by a designated person before payment is made.			
20. The organization has a written policy related to investments.			
21. Capital needs are reviewed at least annually and priorities established.			
22. The organization has established a plan identifying actions to take in the event of a reduction or loss in funding.			
23. The organization has established, or is actively trying to develop, a reserve of funds to cover at least three months of operating expenses.			
24. The organization has suitable insurance coverage which is periodically reviewed to ensure the appropriate levels and types of coverages are in place.			
25. Employees, board members and volunteers who handle cash and investments are bonded to help assure the safeguarding of assets.			
26. The organization files IRS form 990's in a timely basis within prescribed time lines.			
27. The organization reviews income annually to determine and report unrelated business income to the IRS.			
28. The organization has an annual, independent audit of their financial statements, prepared by a certified public accountant.			
29. In addition to the audit, the CPA prepares a management letter containing recommendations for improvements in the financial operations of the organization.			

Indicator	Met	Needs Work	N/A
30. The Board of Directors, or an appropriate committee, is responsible for soliciting bids, interviewing auditors and hiring an auditor for the organization.			
31. The Board of Directors, or an appropriate committee, reviews and approves the audit report and management letter and with staff input and support, institutes any necessary changes.			
32. The audit, or an organization prepared annual report which includes financial statements, is made available to service recipients, volunteers, contributors, funders and other interested parties.			
33. Training is made available for board and appropriate staff on relevant accounting topics and all appropriate persons are encouraged to participate in various training opportunities.			

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# NONPROFIT SELF-ASSESSMENT OF FINANCIAL MANAGEMENT



## NONPROFIT FINANCIAL MANAGEMENT SELF ASSESSMENT TOOL

### I. FINANCIAL PLANNING/BUDGET SYSTEMS

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
1. Organization has a comprehensive annual budget which includes all sources and uses of funds for all aspects of operations.				
2. All grant or contract budget agreements with funders are incorporated into the comprehensive annual budget.				
3. All grant or contract budget proposals are reviewed by fiscal staff before submission to funders.				
4. Program managers play an active role in the development of budgets for programs under their direction.				
5. A board committee has a detailed understanding of the annual budget and plays a significant role in directing the use of unrestricted funds.				
6. The full board formally authorizes the annual budget and revisions to the budget.				
8. The organization has integrated meaningful consideration of financial issues into any strategic planning processes it undertakes.				

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
9. The organization has a capital budget and multi-year plans for major maintenance and replacement of facilities and equipment.				
10. The fiscal planning process includes continuous assessment of risks and identification of insurance coverage needs and appropriate risk management procedures.				
11. Risk assessment includes: general liability, professional liability, product liability, fire, theft, casualty, workers compensation/occupational safety, board and officer liability, vehicle operation, fraud and dishonest acts.				

## II. EXECUTION

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
1. The organization has written policies and procedures for fiscal operations including procedures for processing payroll, purchases, accounts payable, accounts receivable, etc.				
2. Written policies and procedures are reviewed and revised regularly.				
3. Actual processing activities are consistent with written policies and procedures.				
4. The concept of separation of duties is implemented to the greatest extent feasible within the limitations of the size of the organization staff.				

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
a. Authorization functions for purchasing, signing checks, adjusting accounts, and extending credit are not performed by individuals who also perform recording functions such as disbursements and/or receipts, maintaining accounts receivable records, or cash handling functions such as receiving and depositing funds or preparing checks.				
b. Review and verification functions such as reconciliation of the bank statement to the record of cash receipts and disbursements are not performed by individuals who also prepare checks, record checks, receive funds and prepare bank deposits, and/or record receipts.				
5. Payroll policies and procedures are clearly documented and consistently followed.				
a. Written authorization is required for all new hires and pay rate changes.				
b. Written timesheets are prepared by all employees, signed by the employee, and approved in writing by the employee's direct supervisor.				
c. Forms W-4 and I-9 are obtained and retained for each employee.				
d. Policies regarding overtime, vacation time, sick leave, holiday pay, and other leaves with or without pay are written clearly, and reviewed regularly for compliance with state and federal law.				



	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
e. All fringe benefit plans are documented and in compliance with IRS and Department of Labor requirements. The proper tax treatment for all benefits and compensation arrangements has been determined and documented.				
f. Responsibility for maintaining fringe benefit records in accord with governmental requirements has been clearly assigned and records are reviewed regularly.				
6. Written purchasing policies clearly identify the purchasing authority of each staff position, and establish appropriate dollar limits for purchasing authority at each level.				
7. There are clear procedures for review of and authorization to pay all vendor invoices.				
8. Written policies and procedures for charging and collecting fees are followed consistently and reviewed regularly.				
9. Cash handling policies and procedures are well-documented and are tested periodically.				
a. All checks are restrictively endorsed upon receipt.				
b. Receipts are given for all cash transactions and donors/clients are informed that they should receive a receipt for all cash payments. Pre-numbered, multi-copy, customized receipts are used.				
c. A receipts log is maintained by the person responsible for opening the mail.				

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
d. Cash reconciliation sheets are maintained by all individuals responsible for accepting cash. All cash counts are initialed by the individual preparing the initial count and the individual receiving the cash for further processing.				
e. Post dated checks are not generally accepted, and if accepted, are secured carefully.				
f. All disbursements are made by check except for small purchases made through a Petty Cash fund.				
g. All unused check stock is carefully secured.				
h. Bank reconciliation is performed by someone who neither makes bank deposits nor prepares checks.				

### III. RECORDING

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
1. A complete written chart of accounts provides appropriate account titles and numbers for Assets, Liabilities, Net Assets, Revenues, and Expenses.				
2. The Chart of Accounts clearly establishes the programs or functions which will be distinguished and the funding sources and/or distinct funds which will be tracked.				

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
3. The Chart of Accounts utilizes the same line item categories and the same program or function distinctions which are utilized in the comprehensive annual budget and the budgets for individual contracts or grants.				
4. Accounting policies and recording procedures are clearly documented in the written fiscal policies and procedures.				
5. Appropriate computer software and hardware is utilized to perform recording functions.				
6. Appropriate electronic and physical security procedures are utilized to protect the integrity of computerized accounting records.				
7. All accounting records are backed up daily. Back-up media are stored in a secure area away from computer equipment.				
8. Back-ups of accounting data are stored off-site at least monthly.				
9. Detailed records of client fees and/or grants and contracts receivable are maintained and reconciled to the general ledger receivables balances.				
10. All contributions are recorded in the accounting records. If more detailed records are maintained by staff responsible for fund development, the fund development and accounting records of contributions are reconciled monthly.				
11. All general ledger balance sheet accounts are reconciled at least quarterly. All cash, payroll liabilities, and accounts receivable control accounts are reconciled monthly.				

#### IV. REPORTING

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
1. Monthly financial statements are available no later than the end of the following month (i.e. April 30th statements are available no later than May 31st).				
2. Monthly financial statements include a Balance Sheet as well as a Statement of Activities and Changes in Net Assets.				
3. In organizations with multiple programs, statements of the expenses of each distinct program are prepared monthly.				
4. In organizations which receive restricted funds, separate statements of revenue and expenses are prepared for each funding source.				
5. All revenue and expense statements (for the whole organization, for specific programs, and for specific funding sources) include the current month's activity, the fiscal year to date activity, and a comparison to the year to date or annual budget by line item.				
6. The excess (deficit) of support and revenue over expenses (net income) is reconciled to the change in fund balance between the beginning and ending of the accounting period.				

## V. MONITORING

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
1. The executive director and the program managers review the monthly financial statements carefully.				
2. The fiscal manager highlights unusual items and identifies potential problems in notes to the financial statements shared with the executive director and board committee or full board.				
3. A board committee or the full board reviews the monthly financial statements carefully.				
4. The board or a board committee selects an independent CPA to conduct an annual audit or review. The board determines whether the organization should have an audit or a review, and whether or not the audit must be conducted within the guidelines of OMB A-133, as required for organizations receiving over \$300,000 in federal funds or recommended for organizations receiving more than \$100,000 each from more than one federal source.				
5. The board or a board committee reviews auditor's report, including any management letters, and reports on internal controls and compliance with governmental law and regulation.				
7. The board and executive director continually review the organization's financial statements to determine whether:				
a. The use of the organization's resources is consistent with the organization's mission and priorities.				
b. The organization is solvent, i.e. has assets in excess of its liabilities.				

	Don't Know	Inadequately Achieved	Partially Achieved	Fully Achieved
c. The organization has adequate cash and other liquid assets to meet its current obligations and assure its continuing ability to pay its employees, taxing authorities, and vendors on time.				
d. The organization is observing and documenting its observance of all restrictions imposed by funders and donors.				
8. The board and executive director are aware of the IRS requirements for maintaining tax exempt status and continually evaluate organization's activities, use of funds, record keeping, and IRS reporting to assure compliance with all requirements.				

# FRAUD AWARENESS RECOMMENDATIONS: IMPORTANCE OF INTERNAL CONTROLS

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Fraud is a difficult subject to address as no one wants to think that an employee is capable of or would even consider defrauding its organization. Nonprofits are especially susceptible to the loss of reputation if they fail to adequately safeguard their funds. This can have a devastating impact on a program's ability to raise public and private funds and serve the children in the community.

Unfortunately, employee fraud has occurred at six local CASA programs in our state over the past five years. In response to this occurrence, listed below are some key elements to consider in protecting your organization against fraud.

## WHAT IS FRAUD?

Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain. **The most common type of fraud that affects nonprofit organizations is misappropriation of assets, which is the theft or misuse of an organization's assets, usually involving the theft of cash. Fraud most often occurs where there is a lack of internal controls, or where there are internal controls but they are not monitored or enforced.**

Small organizations are even more susceptible to misappropriation of assets because the control of assets is in the hands of only a few people and it is more difficult to segregate responsibilities among employees. When one person has control over cash disbursements and there are poor internal controls in place, the situation creates a golden opportunity for fraud.

## WHY DOES FRAUD HAPPEN?

There are usually three factors present before someone commits fraud or embezzles: motivation, opportunity, and rationalization, otherwise known as the "fraud triangle". **Motivation** is a key factor leading to fraud. Employees with financial problems or pressures as well as those with drug, alcohol, gambling or marital problems are much more likely to commit fraud. **Opportunity** is another factor and involves the perception that the person will not be caught. This is usually because the organization has weak internal controls which provide the opportunity. **Rationalization** is the third factor and is usually the one that keeps people from committing fraud. This is the process that justifies the crime. If a person feels unappreciated or underpaid then he or she may rationalize that it is okay to take from the organization.

## KEY WAYS TO REDUCE THE RISK OF FRAUD

Here are some key internal controls that will help reduce the risk of fraud:

1. Have internal control and accounting procedures in writing and have them regularly reviewed by the governing board. Distribute the written procedures to employees so that each one is fully aware of the process. Be clear with employees that your organization has zero tolerance for fraud.
2. Segregation of accounting/financial duties is critical. Your organization's finances should not be controlled by a single individual. Do not allow one employee to handle deposits, check writing, and then perform the monthly bank reconciliations. A best practice would be to have a staff person depositing checks, the Executive Director doing the accounting books, and the Board Treas-

sure performing the initial monthly bank reconciliation. You could also flip the first two and have the Executive Director depositing checks and a staff person doing the books. Regardless, the organizations accounting duties should be clearly described in your procedures and there should be no deviations from actual practice and written procedures.

3. Screen job applicants thoroughly before hiring. Verify past employment, references, and education. Run a credit check on prospective employees who will be handling finances. People with financial difficulties are more prone to fraud. In order to do this, you are legally required to notify the job applicant in writing that a credit report will be requested. You will also need to receive the applicant's written consent.
4. Bank statements and canceled checks should be mailed directly to the person designated to perform the bank reconciliations each month. This person should look out for missing checks, checks issued out of sequence, unknown payees, checks that appear to have been altered, and checks not signed by authorized signatories. Bank statements should be reconciled monthly and the printed statements should be compared with the on-line statements on a regular basis. Consider assigning several board members to make irregular in-person visits to your bank to check the current account balances. Also, make arrangements with the bank to prohibit automatic electronic bank drafts unless specifically approved in writing by the program's Executive Director and Board Treasurer. Note: If the local CASA program mentioned above had done a comparison between the printed and on-line bank statements, they would have seen that the balances did not match. The perpetrator was intercepting the bank statements and physically altering them to hide the automatic debits/drafts she was making to the program's bank account as well as the deposits she was taking cash from.
5. Limit the issuance of business credit cards. If your program has credit cards, then ensure that your name or designated employee's name is on the card, not just your program's name. Also keep a low limit on the credit cards and check the balance regularly and reconcile credit card statements each month.
6. Require all checks above a nominal amount to have two signatures. Never sign a blank check and avoid signature stamps. Use a "for deposit only" stamp on all incoming checks to prevent employees from cashing them. Do not allow checks written to cash and eliminate petty cash funds.
7. Make the bookkeeper take a vacation each year. Persons who may be partaking in fraudulent financial activity usually do not take time off because they are afraid someone will catch on. Ensure staff is cross-trained to handle the program's accounting duties. Consider scheduling the bookkeeper's vacation at the end of the month so that another person closes the books and can note any problems.
8. Protect all accounting documents by locking away check stock, invoices, and critical account information. Update signature cards and systems access whenever personnel or procedures change.
9. Hire a third party auditor to audit your books at least once a year. A surprise, unscheduled audit can be beneficial as it could minimize an employee's fraudulent actions. If you have concerns or there are warning signs that you may have employee fraud, then request a special fraud audit instead of the usual overall financial audit. Note: Your state and federal grants with Texas CASA require annual audits that are due nine months after your fiscal year ends.

If you have questions concerning your internal controls or have additional suggestions on this subject that you feel would be beneficial for other programs, please contact Glenn Brooks at [gbrooks@texascasa.org](mailto:gbrooks@texascasa.org).



# NONPROFIT EMBEZZLEMENT: MORE COMMON AND MORE PREVENTABLE THAN YOU THINK

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“I was on the board of a national social justice organization for three years. The Development Director discovered that the “external-auditor-turned-internal-accountant” had been embezzling funds by stealing checks and using the “stamp signature” of the CEO. The day after it was discovered, the accountant shot and killed himself. He had also been embezzling from a church he volunteered for. The lesson I walked away from this tragic scene with was this—as a board member did I do everything I could to prevent embezzlement? Why did I hesitate in saying anything when staff suggested it was a good idea to hire our auditor for internal work because ‘he knew us so well?’” --Blue Avocado reader who asked to remain anonymous

Embezzlement—fraud committed by employees and volunteers—is especially painful in community nonprofits. Not only is real damage done to our organization, but we feel that our cause has been betrayed by someone we trusted and liked. We worry that donors and grantmakers will be less likely to give us money if they hear about it. And because embezzlement is so often kept quiet in nonprofits, we might think that we are the only ones to experience it.

What are some of the most common types of nonprofit embezzlement and how to deal with them?

- **Theft of property, such as computers, cameras, art.** Prevention steps: Lock it up. As it used to say (maybe still does) on the musical instrument cage at the Grateful Dead's rehearsal space, “Locks keep honest people honest.”
- **Theft of organizational checks.** Another Blue Avocado reader told us that the CEO of a small foundation where she's on the board would leave a few blank checks in the safe before going on vacation. The CFO used them to pay for his OWN vacations, recording them in the accounting system as other, legitimate expenses: \$300,000 worth. Prevention steps: Never have any blank, signed checks. Lock up checks. Have someone other than a check-signer physically open the bank statements and reconcile them, every month. Purchase fidelity bond insurance.
- **Thefts of checks from donors or members:** One community nonprofit, usually known by its acronym (let's say “ABC”) had a staff person taking donor checks made out to ABC, depositing them in a business account she had opened with the same acronym, and using organizational letter-head to send thank-you notes to the donors. The donors had canceled checks and thank-you notes: who's to know? Discovered at \$60,000. Prevention steps: Have two people physically open the mail together, recording incoming checks. In fundraising letters or membership renewal forms, ask donors and others to write out your organization's whole name on their checks.
- **Thefts of cash from special events:** Prevention steps: Insist that everyone use a shared cash box or boxes throughout the event rather than their own pockets or envelopes until the end. Create an atmosphere of integrity by counting the cash box. Keep an eye out, and don't hesitate to say, “Hey, I know it's faster to make change out of your own pocket (like you just did) and turn it in later, but we're supposed to use the cash box--it's a pain but we'd better do it.”
- **Improper checks or signature cards signed by a busy executive director or board member who doesn't look while signing them.** If you are that exec or board member, you can't be expected to scrutinize each check and know from memory whether the check is appropriate and for the right amount. But you CAN: Make sure there is an invoice attached to each check, and an authorization signed by a designated staff member. Initial the authorization to demonstrate that you've seen it, and so that un-initialed documents can't be substituted for the ones you saw. Occasion-

ally pick out a large check and phone the relevant staff person to make sure the expense was authorized; not only is this a good check but word that you did so will quickly spread.

- **Payments to fictitious employees, un-authorized raises, and non-submission of payroll taxes.** Because payroll involves substantial funds it is a tempting place for theft, and because it involves so much detail it is often overlooked as such a place. Even small organizations should use a payroll service and have a copy of the payroll register sent directly to the treasurer.

## ANOTHER STORY

"I was a middle manager of an organization where we discovered, after the CFO left, that the CFO had embezzled \$33,000. He had opened up a bank account in the agency's name at a local bank where he knew the employees. He told the ED and the board that he needed to re-do the signatures for an existing account; filled in the card where they should sign, and marked that only one signature (his) was needed to write checks. When the embezzlement came to light, the board refused to report this to the police or the insurance company. They were afraid they would be blamed."—Blue Avocado reader

## EMBEZZLEMENT MYTHS

Five common (but unstated) myths about embezzlement in community nonprofits are:

- "It hardly ever happens to nonprofits so we don't have to worry that much." (Actually, it is more common than you think because it is so often kept quiet.)
- "Mrs. X is the most dedicated, honest, sweetest person I've ever met." (Funny thing is that the only people who steal are people we trust. That's because if we didn't trust someone, we wouldn't give him or her the easy opportunity to steal.)
- "Everyone who works here is really a good person." (In my direct experience with people who have embezzled from nonprofits, they had all convinced themselves that they were "just borrowing the money temporarily," making up in a small way for perceived under-paid work, or fulfilling the organization's mission: "the mission is to help families and this is helping my family." In other words, people who do bad things don't think of themselves as bad . . . and as a result, don't come across to others that way either.)
- "We don't have enough staff to have financial controls." Try these: In an all-volunteer organization, don't have the treasurer be a check-signer, and have a copy of the bank statement given to the board president every month. In a one-staff person organization, have the bank statement reconciled monthly by a board member. If you have an audit, insist that he or she recommend controls in writing.
- "Audits catch embezzlement and fraud." (Actually, auditors explicitly state that an audit is neither designed to find fraud, nor an assurance that there was none. Auditors DO catch embezzlers, and having an audit may deter embezzlers, but they can't guarantee that they will do so. In particular, it's very hard to catch fraud that involves two employees acting in collusion, or a junior person going along (either knowingly or unwittingly) with a senior person's misdeeds.

## ONE MORE STORY

"I was one of the ones [board members] who wanted to keep [the embezzlement] quiet. I was afraid it would affect donors. But then on one of the conference calls where we were discussing how to deal with it, someone said, 'If someone broke into your house and stole \$250,000, wouldn't you report it to the police?' We ended up reporting it, and also issuing a statement about what happened and what we were doing to correct the situation. It was fine."—Blue Avocado reader

## LASTLY

Embezzlement is a more common and bigger issue than we may think. In the for-profit sector, it's estimated that 7% of gross revenue is lost to employee fraud (Association of Certified Fraud Examiners report). (Imagine if we budgeted 7% of our budgets for fraud loss!)

Embezzlement not only hurts an organization, it hurts the people it serves and the community that supports it. We can't expect to prevent it 100%, but a few simple steps can reduce its likelihood substantially. But perhaps the most important step is to set an atmosphere and climate of accountability. I'll never forget the time when, as a PTA treasurer, I offered to reimburse a parent volunteer for \$6.40 without a receipt. I thought I was being nice, but her face fell. I realized that I had sent a message—the wrong message—about accountability and ethics. Since then, as a volunteer, board member, nonprofit executive director and Blue Avocado editor, I've worked hard (not always perfectly) to set a tone of financial controls and accountability, and thus a tone of ethics and accountability to our constituencies.

*Used by permission*

*Author: Jan Masaoka*

<http://www.blueavocado.org/content/nonprofit-embezzlement-more-common-and-more-preventable-you-think>

# PUTTING AGREEMENTS IN WRITING

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Mark Twain is credited with the observation that “oral contracts aren't worth the paper they're written on.” Twain exaggerates, but his exaggeration contains wisdom. Most agreements need not be in writing to be legally enforceable. As experience has repeatedly demonstrated, though, unwritten contracts can cause unnecessary headaches.

Putting an agreement in writing serves several goals. First, a written contract provides an indisputable, although not necessarily unambiguous, record of the agreement. The law gives great weight to written, signed, documents. You may remember the terms clearly, but will the other party? Will you always be around?

Second, the process of committing an agreement to writing forces both parties to be clearer about the agreement. Reaching a meeting of the minds at the contract stage reduces legitimate disagreements later about what each party is supposed to do. Third, whether you are making a purchase or offering to provide goods or services, a written contract can protect your interests. But, it can also ruin your organization. Keep that in mind when you're preparing to sign a contract you haven't read or don't understand!

## KEY CONTRACT ELEMENTS

The items listed below are common for service contracts. The list is not exhaustive, however. A lawyer familiar with the subject matter of the contract can provide more specific guidance.

- Scope of Work
  - What is to be done?
  - Where?
  - Who is responsible for what?
  - Who decides whether the work is satisfactory?
  - Is a specific person to do the work?
- Deadlines and Duration
  - When is the work due?
  - When is payment due?
  - Are interim dates important?
  - Is the contract to end on a certain date?
  - Are these dates flexible?
- Money
  - How much will it cost?
  - Is the price fixed or variable?
  - If variable, are there controls: maximum amount, approval for large or unanticipated expenses, receipts required?
- Will funds be advanced?

- Will penalties be imposed for lateness or nonperformance and, if so, are there exceptions for good cause?
- Record Keeping and Reporting
- Who is responsible for record keeping and reporting, including financial information?
- How long are records to be kept?
- Do funders--the federal government is especially picky--require particular records or reports?
- Will the confidentiality of sensitive records be adequately protected?
- Rights to Work Products
- Who holds the copyright of any resulting publication?
- What rights does each party have to information collected under the contract?
- Liability Protections
- Is the contractor to carry liability insurance?
- Workers compensation?
- Will a certificate of insurance be provided?
- Should either party agree to indemnify the other?
- Dispute Resolution
- Which state's law will govern?
- Where can a lawsuit be filed?
- Are disputes to be submitted to mediation or arbitration?
- Will the loser pay the winner's attorney's fees?
- Legal Compliance
- Is unlawful discrimination clearly prohibited?
- Will verification be provided of mandatory licenses and certifications? Federal grants and contracts may penalize you for a subcontractor's failure to comply with certain rules.
- Contracting Process
- Does the contract prohibit oral side agreements?
- What are the amendment provisions?
- How can you get out of the contract?
- Can the contract be immediately suspended for good cause?
- What happens when the contract ends?

*Used by permission. This article is excerpted from the Nonprofit Risk Management Center's popular handbook, "No Surprises: Controlling Risks in Volunteer Programs."*

# RISKY BUSINESS: WHY ALL NONPROFITS SHOULD PERIODICALLY ASSESS THEIR RISK

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Many for-profit companies consider a comprehensive risk assessment to be a critical part of their overall risk management process. Regrettably, some not-for-profit organizations do not take the time to perform a risk assessment for a variety of reasons: some do not understand or appreciate the benefits of such an exercise; some believe they adequately understand their risk profile; or some may feel they lack the resources to adequately perform the job.

This article provides a framework that all not-for-profit organizations can use as a starting point to implement a periodic risk assessment.<sup>[i]</sup> It describes the goals of a risk assessment, identifies the nature of the broad risks facing many organizations, suggests a proposed approach, and offers suggested steps to mitigate and control the risks. While the mechanics of a risk assessment may be undertaken by staff or consultants, the role of the board in understanding, evaluating, and assessing risk cannot be understated. It is executive leadership and the board that must set the appropriate tone, understand the dynamics of risk for any given organization, and articulate a clear philosophy on an organization's approach to risk.

## GOALS OF RISK ASSESSMENT

Nonprofit organizations face different types of risks than for-profit companies, but the goals of a risk assessment should be similar:

- To identify, analyze and prioritize legal/ethical misconduct and compliance risks specific to the operations and culture of the organization;
- To provide a basis for possible compliance, training and ethics programs;
- To refine or develop risk mitigation and monitoring strategies;
- To identify areas where deeper internal reviews would be warranted; and
- To develop a benchmark for ongoing risk assessment and measurement of the effectiveness of mitigation steps that may be taken.

## WHO SHOULD UNDERTAKE RISK ASSESSMENT

A comprehensive risk assessment can be done by staff if competent to do so or by outside consultants, such as a law or accounting firm. Even if staff is capable of performing the risk assessment, there is value to having outsiders perform this task occasionally. This assures a fresh perspective is brought to risk evaluation and allows all parts of the organization to be evaluated without any potential for the self-interest of staff to color the assessment. These benefits must be weighed against the additional costs of an outside review. A useful compromise is to have an outside reviewer evaluate the work of staff at the end of the process, or to consult with staff during the process. Some outside firms will undertake a risk assessment pro bono, while others may discount fees.

## ONE METHODOLOGY FOR IN-HOUSE RISK ASSESSMENT

A risk assessment should identify a broad parameter of risks within specific categories, analyzing the probability of occurrence and the severity of impact. It should also identify mitigating factors to vari-

ous risks and suggest a process for tracking or monitoring risk. All of these steps require the exercise of judgment based on knowledge of the organization. In general, this process is as much art as science.

## 1. Identify Risks

Step one is to carefully consider the types of risks faced by the organization. Think broadly and do not constrain yourself to solely legal risks. Risks can be broadly conceptualized into two categories: risks an organization should usually seek to avoid (what I will refer to as “threat risks”), and the risk of failure, which an organization may choose to embrace. Threat risks can result in fines, penalties, liabilities or even loss of tax exemption and can be operational, legal, financial, or related to the investments of the organization.

Risks of failure include the risk that an underlying program objective or strategy may not succeed or that the investment or financial performance necessary to sustain the organization cannot be achieved. For many nonprofit organizations, particularly foundations, failing to embrace risk in their programs or grants may result in a cautious, unimaginative organization. Foundations, in particular, have the freedom to take risks that other types of organizations or government may be unable or unwilling to take. An organization may wish to adopt a risk philosophy that articulates how it views the risks it will embrace and how it approaches threat risks.

This article focuses primarily on threat risks. It is important, however, for an organization conducting a risk assessment to recognize the different types of risks and their attendant consequences. Ultimately, in assessing any action or inaction that carries risk, an organization must balance the benefits to be achieved against the downside. An organization may also consider adopting a risk management philosophy that would entail, among other things, defining the risk appetite of the organization, determining how to implement a comprehensive risk management process, and building the process into the many facets of the organization.

Incorporating an agreed upon framework regarding risk management into the DNA of an organization helps align the balance between risk and reward, reduces the potential for unwelcome surprises, permits better planning and response time, enhances the ability to take advantage of opportunities, and more effectively allows the organization to make decisions as to how and where to use scarce resources.

Most nonprofit organizations will share the same type of broad risks that can be generally described as follows:

- Internal or external fraud
- Misuse of assets
- Inadequate monitoring or understanding of investments
- Incomplete, unreliable or improperly reported information
- Damage to reputation caused by a variety of potential factors
- Violation of legal requirements
- Government investigations or audits

Within these broad categories there are a host of specific risks that should be considered and analyzed. A listing of many of these risks can be found [here](#). Of course, not all of these risks will apply to every organization.

## 2. Talk to Other Staff

A useful risk assessment will include discussions with staff at varying levels of and in different areas of the organization. Staff members interviewed should be asked to identify what they see as the principal areas of risk within their areas, how the risk is currently addressed or mitigated, and ideas for more effectively addressing or mitigating the risks.

Particular care and attention should be paid to those risks that have a higher likelihood of occurrence and a more significant impact. Those that are less likely to occur but still would have significant impact should also be carefully reviewed.

## 3. Rate the Risk to Assess Likelihood and Severity of Impact

In assessing the likelihood of a particular risk occurring, the following factors might be considered:

- Your organization’s culture and ethics;
- Ongoing compliance;
- Policies;
- Internal controls;
- Workforce awareness and knowledge;
- History; and
- Employee intent.

There are different methodologies and charts that can be used to present the risk assessment and which one you choose is dependent on your organization’s needs, culture, and sophistication.

The following scale may be useful in categorizing the probability of a risk’s occurrences

Likelihood	Description
Almost Certain	Highly likely, this event is expected to occur.
Likely	Strong possibility that an event will occur and there is sufficient historical incidence to support it.
Possible	Event may occur at some point—typically, there is history to support it.
Unlikely	Not expected but there is a slight possibility it may occur.
Rare	Highly unlikely, but it may occur in unique circumstances.

A judgment on the severity of impact can be made using the following scale: Minor, moderate or severe—or some combination thereof. In assessing the severity of a particular risk, the following factors might be considered:

- Possible fines and civil or criminal penalties;
- Impact on the manner and ability of the organization to continue to operate;
- Impact on the reputation of the organization;
- Impact on employees and possible loss of employees; and



- Costs of compliance.

#### 4. Take Steps to Address or Mitigate Risk

There are steps any organization, regardless of its size or sophistication, can take to address or mitigate risks. These steps are outlined below.

**Segregate duties.** It is important that duties regarding oversight of assets, reporting, and payments be segregated so that there are sufficient checks and balances to protect against one party or department orchestrating a fraud or misusing assets. For example, a department that orders purchases, whether computer equipment or other goods, should not control all aspects of the procurement. There should be an independent department or person checking the purchase and making the payment in accordance with policies and controls instituted by the organization. For many smaller organizations, this can be a challenge, as they might feel they lack the people power to differentiate functions. Nevertheless, establishing segregation of duties to some degree, even if that means using outside resources, is critical to the prevention of fraud.

**Set payment controls.** Payment controls are the first cousin to segregation of duties. The greatest mischief or fraud often arises from a lack of adequate payment controls where one party or department has the ability to shield payments from other departments or parties. Payment controls can include requiring two signatures on checks as an appropriate reconciliation process. Accounting firms can be helpful in suggesting the appropriate controls for the nature of the specific organization. What might be appropriate for a large private foundation with a robust finance department may not be practical for a small nonprofit organization. Yet, in each case, there should be thoughtful consideration of an appropriate control over payments, keeping track of inventory, reimbursements for travel and expenses, and similar matters.

**Conduct due diligence and legal review.** With respect to most transactions, contracts or investments, an organization must perform adequate due diligence and ensure that there has been legal review of contracts or other agreements. Whether the organization is a grantmaking organization, a provider of services or has varying levels of investments, each organization should have agreed upon protocols in place for what they believe is adequate due diligence and legal review. Due diligence checklists for investments, grants and vendors are available from a variety of sources.

**Conduct audits (external and internal).** In addition to an annual audit of financial statements, even the best set of controls or processes should be subject to periodic review and audit. The use of an independent outside firm to perform periodic audits on specific processes or controls is advised, but even an internal review is better than doing nothing.

**Implement and follow strong internal policies.** An ad hoc approach to risk management is almost always doomed to failure. A well governed institution should at least have the following policies in place (and should periodically review the implementation of compliance with these policies): conflicts of interest, whistleblowers, payment controls, a code of ethics, and zero tolerance for sexual or other harassment.

**Set the right tone at the top.** No risk control environment can succeed in the long run if the leaders of the organization—senior staff and the board—do not reflect high ethical and professional behavior. The board of an organization must maintain vigilant oversight of the organization directly or

through committees with specific roles and responsibilities. Committee charters should be strongly considered to be clear about roles and responsibilities.

For most organizations, compliance and risk management starts at the top, with the executive and the board. The tone set by top management and the board will permeate the organization. If the president or board does not show respect for the law, compliance and risk management through their actions and words, a culture of compliance and strong ethical practices will not grow.

**Avoid complacency.** Even well-run organizations need to avoid complacency and the notion that bad things only happen to other organizations. No matter the size of the organization, periodic risk assessments are one way for boards and upper management to walk the walk of risk management and to avoid complacency. If your organization hasn't done one recently or at all, now is the time to implement one. Hopefully this article and related resources will give you the tools to start.

## THE MARK OF GOOD NONPROFIT STEWARDSHIP

The notion of performing a comprehensive risk assessment may seem daunting to many organizations, but it is an integral part of the responsibility of the stewards of any charitable organization. Each organization should undertake an assessment that fits its size, sophistication, and needs. Hopefully, this article offers guidance to allow any organization to initiate, continue, or improve its own risk assessment process.

[i] There are many resources and proposed approaches for risk assessment in the for-profit corporate context. These are not so easily transferable to nonprofits in many cases. An organization will have to adapt proposed approaches to its particular circumstances.[ii] See "Framework For Conducting Effective Compliance and Ethics Risk Assessments" (Association of Corporate Counsel / Corpeia, Inc. 2008). This is a useful reference and methodology for approaching a risk assessment.

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*Author: Joshua Mintz*

*Joshua Mintz is the vice president and general counsel of the John D. and Catherine T. MacArthur Foundation. The views expressed herein are his own and not necessarily the views of the MacArthur Foundation.*

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# SUMMARY OF CASA PROGRAMS WITH MISUSE OR MISAPPROPRIATION OF FUNDS

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The following is a brief description of the misuse or misappropriation of funds that have occurred with five local CASA programs over the past four years. Also described are the steps that each has taken since the detection of the misuse to help prevent re-occurrence.

**Local Program # 1.** In 2007 a local program discovered over \$79,000 missing from its' bank account when executive director checked the on-line bank statement and noted the balance was significantly different from the paper bank statement. Further investigation uncovered that the administrative assistant was making unauthorized agency credit card charges and then using electronic debits from the agency checking account to pay down the balances on a regular basis during fiscal years 2006 and 2007. The employee was covering her trail by receiving the bank statements first and then skillfully doctoring the bank statement to omit her illegal withdrawals/payments. She carefully opened and re-sealed the bank statements without detection and the doctored statements looked authentic. None of the misused funds were determined to be grant funds administered by Texas CASA.

After this theft the program implemented the following steps to help prevent a re-occurrence: (1) a regular/periodic check of the on-line bank statement is made by the executive director; (2) the bank statement is delivered directly to the board treasurer unopened and his or her review includes comparing the balance to the on-line statement and (3) all employees are required to take 40 hours of consecutive annual leave which increases the opportunity for any interception or tampering of documents to be detected while that person is on leave.

**Local Program # 2.** In 2009 a local CASA program found that their executive director was filing false travel claims and being reimbursed for travel that did not actually take place. As a result there was over \$7,800 in illegal travel payments made and the program repaid Texas CASA \$1,997 in CVC funds. The executive director was claiming to have visited certain child placements and filed travel reimbursements for the visits; however, it was learned when CPS raised questions about discrepancies in one particular case that some placements, in fact, were not actually visited by the executive director as claimed.

After this problem was discovered the following steps were implemented: (1) a new form was created that has to be signed by the placement being visited and includes signature, address and phone number lines so that the executive director or board can call to verify the visit and (2) the executive director has to approve all staff's mileage and the Board President has to sign off on all executive director travel.

**Local Program # 3.** In 2009 a local CASA program found that their executive director was misappropriating at least \$8,300 in funds. She was forging the board treasurer's signature a number of checks, most of which were for fraudulent transactions, including reimbursements to herself for travel that did not actually occur and for items that were either not supported by an invoice or had a falsified invoice. On several transactions she withdrew large amounts of money from the bank through a money order payable to herself. The checks to the bank had the forged signature of the board treasurer. The auditor has determined that funds administered by Texas CASA were not involved with this misappropriation.

The program has implemented the following steps to help protect itself from a re-occurrence: (1) changed the signature requirement that no one can sign a check for themselves unless it is after a

second party has approved the expense and signed the check and a third party is not available, (2) require that there are three different positions assigned to handle (a) deposits (Executive Director), (b) the Quick Books (Executive Assistant) and (c) the monthly bank reconciliation (Board Treasurer); and (3) are providing more training and education to all staff and Board about board and staff roles and responsibilities.

**Local Program #4.** In February 2011 a local CAC/CASA program suspected the executive director was misusing funds for travel and for “client needs”. The office manager noted that there were a lot of expenses for client needs that appeared to be very questionable. It turned out they included reimbursement to the ED for furniture, clothes and other items that were not client related. It was also uncovered that the ED had billed and been reimbursed for a trip to San Diego that included expenses for 5 staff; however, the staff reported that they had not taken any such travel. This all led to further investigation and the suspected misuse included numerous reimbursements to the ED that were not substantiated with appropriate documentation or receipts as well as for items and travel that were not related to their programs.

The ED obtained the funds through the issuance of approximately 71 checks, all of which were co-signed by the ED. It is reported by the program that the ED had a number of blank checks pre-signed by another staff person. The ED used these checks to pay herself back for these charges or to directly pay off her personal credit card accounts. The program required two signatures on all checks, but allowed it to be the ED and another staff person. It was also noted that the program’s written accounting procedures called for the board treasurer to do the monthly bank reconciliations; however, they were actually being performed by the executive director. The ED; therefore, maintained their QuickBooks (with no backup or access by anyone else) and did the bank reconciliations.

In August 2011 the former ED was indicted on six counts of theft involving programs that received federal funds. The indictment alleges the former ED “embezzled, stole or obtained by fraud” almost \$250,000 from the organization from 2005 to 2010.

When the program suspected possible fraud, they put the ED on administrative leave and called an emergency Board meeting. They named an acting executive director. They contracted with a certified fraud auditor to come in to conduct a forensic audit of their books. The program also notified all key stakeholders involved with the program. When the auditor reported back their findings, they turned over the forensic audit to federal authorities.

Since this all came to light the program has taken additional steps to address the problems. They have restructured their internal controls to ensure that two people are involved with their QuickBooks (one principal and one backup). They now require that the bank statements are given to the board treasurer unopened so they can do the initial monthly bank reconciliation. Checks are still signed by two persons but are restricted to the executive director and the board’s executive committee members. No pre-signing of checks is allowed. The program has contracted with an independent accountant to provide training and technical assistance to their program staff and in particular their new ED and operations manager. The accountant will educate and assist them on accounting principles, QuickBooks, cost allocation plans for contracts, segregation of duties, etc.

**Local Program #5.** In June 2011 a local program discovered evidence that made it appear that their executive director was paying off credit cards with program funds that involved the purchase of personal items. The ED had taken out a number of credit cards in the name of the program, but they were apparently being used for personal purchases. Most of the credit card payments were for under \$500 and program procedures allowed the ED to sign for all checks under that amount. The ED had the only access to the program’s accounting books. The program had no procedures

addressing credit cards and some on the Board were not even aware that the program had credit cards or debit cards.

Their Board hired a certified fraud auditor to come in and do a forensic audit. They immediately removed the ED from all bank accounts and canceled all credit cards they could identify that were opened in their name.

# TRANSPORTATION POLICY SAMPLE

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The **CASA program** Board of Directors have approved the following policy to allow CASA Staff to transport CASA children. CASA Staff must have insurance and valid driver's license on file and they must adhere to the following strict guidelines:

## GUIDELINES FOR TRANSPORTING CHILDREN

1. CASA Staff shall not transport a child/children until they have been assigned to a child's case for a minimum of **60 days**. This gives adequate time to get to know the child or children, review their special needs and mental situation and review all case documents.
2. Prior to transporting CASA children, CASA Staff must consult and get written permission from:
  - a. CASA Program Director or Executive Director
  - b. CPS Caseworker
  - c. Foster parent or caregiver
  - d. If the child is placed at a Residential Treatment Center (RTC), the child's therapist must provide approval **prior to each transport** to determine the child's mental stability.

Granting approval for a Staff person to transport a foster child will be determined on a case-by-case basis. The Executive Director or Program Director may consider the following factors in the determining whether a CASA Staff person can transport a child:

- the CASA Staff person's driving record
- the functioning level of the child
- if the child has serious behavioral issues
- if the child has been the victim or perpetrator of sexual abuse
- the relationship between the child and the CASA Staff person
- the flight risk of the child
- the ability to build rapport with the child through activities that do not require transportation.

If approval is given prior to transporting, the staff person must complete a training provided by CASA program, as well as sign a written agreement regarding the conditions of transportation. The authorization to transport a child must be re-evaluated annually, although the Executive Director and/or Program Director reserves the right to evaluate transportation of a child at any time and can withdraw approval when deemed necessary. If approval is withdrawn, the volunteer or staff must immediately STOP transportation of the child(ren).

3. CASA Staff may transport children for CASA related casework purposes and to build rapport with the child. CASA Staff do not transport children for placement or for doctor's appointments. CASA Staff do not transport children for visits with the parents, but they may transport children to sibling visits.
4. CASA Staff may not transport the child outside of the county in which the child resides without prior approval from the Program Director or Executive Director.

5. CASA Staff should NEVER be alone with a CASA child in a non-public situation. Don't park the car in secluded area and remain in the car alone with any CASA child(ren).
6. Only the CASA Staff and if approved, the CASA Volunteer assigned to the case will be allowed to transport the child unless a second adult is necessary, which must be approved by the Program Director or the Executive Director.
7. Drivers and Passengers: CASA Staff shall abide by all applicable state traffic laws, and be fully fit to drive, observing over-the-counter and prescription medicine guidelines.
  - CASA Staff must maintain confidentiality, so a staff persons' friend, spouse, any other adult or child not affiliated with the CASA program cannot ride in the car while the staff person transports the child(ren).
  - The driver and all passengers must be seated and restrained in compliance with state law statutes.

NEVER leave a child alone in car for any reason.

8. Under no circumstances is CASA Staff permitted to take a child into a Staff Person's home, the home of a relative or friend, or to places that are not suitable for children. CASA Staff should never take a child into the birth parent's home.

Examples of appropriate places would be: the park, a restaurant, a movie theater, a shopping venue or to an outing.

**CASA Volunteers are NOT allowed to have a child overnight, no matter the location.**

9. A transportation log must be kept by the CASA Staff to document all places visited, mileage and time spent. These transportation logs are reviewed by Program Directors on a monthly basis.
10. Any questionable or inappropriate behaviors or infractions must be reported to the Program Director immediately. Failure to do so may result in termination from the program.
11. When in doubt about any action or activity involving a CASA child, always ask the Program Director or the Executive Director of CASA program.
12. CASA Staff must always observe confidentiality.

**Special note:** Always remember you can never promise not to tell something told in confidence if it needs to be divulged to proper authorities.)

13. CASA Staff must always observe prudent and conservative behavior with CASA children).
14. **Never** allow a CASA child to drive a CASA Staff Person's vehicle.
15. CASA Staff must never have a weapon in their vehicle while transporting CASA children).
16. *Prior to transporting the child, CASA Staff MUST review his/her plans in transporting a CASA child and receive final approval from the Program Director or Executive Director.*

#### 17. Accidents or Incidents:

An **accident** means that a staff member or another person with them, in the course of CASA business, was injured while performing official duties of the agency.

An **incident** means that something occurred, in the course of performing CASA business that is of a critical nature or caused serious concern but was not resulted in injury.

When an accident or incident occurs, the staff person needs to immediately report it to the Program Director or the Executive Director the nature of the accident or incident which occurred

and the time when the accident or incident occurred. The chain of command to report accidents or incidents is:

**Staff Accident/Incident Occurs**

1. If a Medical Emergency, seek Medical Attention immediately. Carry identification for staff and for the child at all times during transportation.
2. Staff notifies Program Director immediately
3. Program Director notifies Executive Director, Child Protective Service Worker/Supervisor and the Child's Caregiver immediately.
4. Staff documents the accident or incident in Staff personnel file and in child's case file.

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*Author: CASA of West Texas 2017*



# DOCUMENT RETENTION POLICY SAMPLE

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## PURPOSE OF THIS TOOL

Certain federal laws prohibit the destruction of certain documents. Not-for-profit organizations should have a written, mandatory document retention and periodic destruction policy. Policies such as this will eliminate accidental or innocent destruction. In addition, it is important for administrative personnel to know the length of time records should be retained to be in compliance.

## DOCUMENT DESTRUCTION

The Document Retention and Destruction Policy identifies the record retention responsibilities of staff, volunteers, members of the board of directors, and outsiders for maintaining and documenting the storage and destruction of the organization's documents and records.

The organization's staff, volunteers, members of the board of directors, committee members and outsiders (independent contractors via agreements with them) are required to honor the following rules:

- Paper or electronic documents indicated under the terms for retention in the following section will be transferred and maintained by (fill in the blank based on the organization's practices);
- All other paper documents will be destroyed after three years;
- All other electronic documents will be deleted from all individual computers, data bases, networks, and back-up storage after one year;
- No paper or electronic documents will be destroyed or deleted if pertinent to any ongoing or anticipated government investigation or proceeding or private litigation (check with legal counsel or the human resources department for any current or foreseen litigation if employees have not been notified); and
- No paper or electronic documents will be destroyed or deleted as required to comply with government auditing standards (Single Audit Act).

## RECORD RETENTION

The following table (adapted from the National Council of Nonprofits) indicates the minimum requirements and is provided as guidance to customize in determining your organization’s document retention policy. Because statutes of limitations and state and government agency requirements vary from state to state, each organization should carefully consider its requirements and consult with legal counsel before adopting a Document Retention and Destruction Policy. In addition, federal awards and other government grants may provide for a longer period than is required by other statutory requirements.

Type of Document	Minimum Requirement
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank reconciliations	2 years
Bank statements	3 years
Checks (for important payments and purchases)	Permanently
Contracts, mortgages, notes, and leases (expired)	7 years
Contracts (still in effect)	Contract period
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years
Deeds, mortgages, and bills of sale	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	2 years
Employment applications	3 years
Expense analyses/expense distribution schedules	7 years
Year-end financial statements	Permanently
Insurance records, current accident reports, claims, policies, and so on (active and expired)	Permanently
Internal audit reports	3 years
Inventory records for products, materials, and supplies	3 years
Invoices (to customers, from vendors)	7 years
Minute books, bylaws, and charter	Permanently
Patents and related papers	Permanently
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	Permanently
Withholding tax statements	7 years

## RESOURCES

- National Council of Nonprofits [www.councilofnonprofits.org](http://www.councilofnonprofits.org)
- BoardSource Record Retention and Document Destruction Policy—Download 4 Samples (E-Policy Sampler) [www.boardsource.org/Bookstore.asp?Type=epolicy&Item=1071](http://www.boardsource.org/Bookstore.asp?Type=epolicy&Item=1071)
- Independent Sector [www.independentsector.org/issues/sarbanesoxley.html](http://www.independentsector.org/issues/sarbanesoxley.html)
- AICPA Management of an Accounting Handbook—2003 and IRS Appendix Document [www.cpa2biz.com/AST/Main/CPA2BIZ\\_Primary/PracticeManagement/PracticeAdministration/PRDOVR~PC-090407/PC-090407.jsp](http://www.cpa2biz.com/AST/Main/CPA2BIZ_Primary/PracticeManagement/PracticeAdministration/PRDOVR~PC-090407/PC-090407.jsp)
- Guide to Record Retention Requirements in the Code of Federal Regulations: Contact the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402-9325 or from CCH, Inc. at [www.onlinestore.cch.com](http://www.onlinestore.cch.com)

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## Section 7

# INSURANCE



**Executive Director Resource Manual  
2017 Edition**



# A VIOLATION OF TRUST: FRAUD RISK IN NONPROFIT ORGANIZATIONS

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The risk of fraud is a serious concern for all types of enterprises, but fraud can be particularly damaging to a nonprofit organization, for which a damaged reputation can have devastating consequences.

## THE COSTS OF FRAUD IN NONPROFIT ORGANIZATIONS

According to the most recent global fraud study by the Association of Certified Fraud Examiners (ACFE), the typical organization loses an estimated 5 percent of its annual revenue to fraud. While fraud in nonprofit organizations resulted, on average, in a smaller net loss than fraud in commercial enterprises, the nonprofits in the study reported a median loss of \$100,000—an 11 percent increase from the previous study and a significant loss to any charitable organization.

Beyond the immediate financial loss, however, an even greater potential cost of fraud to nonprofit organizations is the reputational damage that can occur. Because most nonprofits depend on support from donors, grantors, or other public sources, their reputations are among their most valued assets. In addition, fraud in nonprofit settings often garners unrelenting negative media attention.

## VULNERABILITY TO FRAUD

Nonprofits can be particularly attractive targets for fraudsters. Executives who are passionate about their agencies and their missions are naturally trusting of others who share their interest- or who pretend to. Moreover, board members and executives who are dedicated and talented in their particular fields may not be well versed in financial issues and internal controls.

In addition, nonprofits of all sizes may have only limited resources available to address internal controls. This makes them vulnerable to an employee who could recognize this lack of controls and use it as an opportunity to commit fraud.

As the Center for Audit Quality has noted, “fraud cannot occur unless an opportunity is present. Opportunity has two aspects: the inherent susceptibility of the [organization’s] accounting to manipulation, and the conditions within the [organization] that may allow a fraud to occur.” In addition, the opportunity for fraud is also affected by an organization’s culture, a factor that is often overlooked.

The very nature of some nonprofits also makes them tempting targets. Many nonprofits distribute grants, scholarships, awards, or other types of financial aid to outside agencies or individual recipients. This opens yet another door for potential abuse or misappropriation and requires even more oversight to make sure funds are not being misappropriated. In addition, nonprofits tend to have large amounts of cash and checks coming in from various sources, making them vulnerable to skimming (when an employee accepts payment from an outside party but does not record the sale and instead pockets the money) or cash larceny (when an employee steals cash and checks from daily receipts before they are deposited in the bank).

Struggling agencies also frequently experience relatively high staff turnover, making training and adequate segregation of duties more difficult. Finally, many nonprofits depend heavily on volunteers and other community members, which can further complicate efforts to establish or maintain internal controls. It is important to remember that internal controls provide only reasonable—not abso-

lute—assurance that the objectives of an organization will be met. As a result, no organization, even one with the strongest internal controls, is immune to fraud.

## HOW FRAUD OCCURS AND WHY

While nonprofit organizations present particular temptations to fraudsters, the actual fraud schemes they might face are common to all types of organizations. Fraud schemes in nonprofits can include check fraud, embezzlement, ghost employees, expense fraud, misappropriation of funds for personal use, fictitious vendor schemes, kickbacks from unscrupulous vendors, and outright theft of cash or assets—to name a few.

One area in which nonprofit organizations seem particularly vulnerable is billing schemes, in which an employee fraudulently submits invoices to obtain payments he or she is not entitled to receive. According to the most recent ACFE survey, billing schemes were among the most common fraud methods in the cases studied for the 2012 report.

Billing schemes often involve the creation of a shell company. In such a fraud, a dishonest employee sets up a fake identity that bills for good or services the organization does not receive. In some instances, goods or services may be delivered but are marked up excessively, with the proceeds diverted to the employee.

Other scams include pay-and-return schemes that cause overpayments to legitimate vendors. When an overpayment is returned, it is embezzled by the employee. Another favorite is simply ordering personal merchandise that is inappropriately charged to the organization.

Common warning signals or red flags of potential billing fraud include but are not limited to:

- Invoices for unspecified or poorly defined services
- Unfamiliar vendors
- Vendors that have only a post-office-box address
- Vendors with company names consisting only of initials (many such companies are legitimate, of course, but fraudsters commonly use this naming convention)
- Sudden increases in purchases from one vendor
- Vendor billings issued more often than once a month
- Vendor addresses that match employee addresses
- Large billings that are broken into multiple smaller invoices that will not attract attention
- Internal control deficiencies such as allowing a person who processes payments to approve new vendors

These warnings or red flags can be organized into four general categories:

### *Data*

- Transactions conducted at unusual times of day, on weekends or holidays, or during a season when such transactions normally do not occur
- Transactions that occur more frequently than expected — or not frequently enough
- Accounts with many large, round numbers or transactions that are unusually large or small



- Transactions with questionable parties, including related parties or unrecognized vendors

### ***Documents***

- Missing or altered documents
- Evidence of backdated documents
- Missing or unavailable originals
- Documents that conflict with one another
- Questionable or missing signatures

### ***Lack of Controls***

- Unwillingness to remediate gaps
- Poor “tone from the top”
- Inconsistent or nonexistent monitoring controls
- Inadequate segregation of duties
- Lax rules regarding transaction authorization
- Failure to reconcile accounts in a timely manner

### ***Behavior***

- Financial difficulties or generally living beyond one’s means
- Divorce, family problems, or addiction problems
- Past employment-related or legal problems
- An unusually close association with vendors or recipients of grants or services
- Control issues and a general unwillingness to share duties
- Refusal to take vacations
- Irritability or defensiveness
- Complaints about inadequate pay
- Complaints about lack of autonomy or authority

It is also worth noting that fraud is not about obstruction; rather, it is about deception, deflection, and persuasion. When fraudsters or white-collar criminals are profiled, they often are found to be anxious, secretive, moody, hot-tempered, friendly, outgoing, and passionate. They often are good salespeople and will say what people want to hear in order to build rapport and gain trust. Moreover, often there are other warning signs or red flags hidden in plain sight...such as living beyond one’s means, having financial difficulties, maintaining an unusually close association with vendors, or exhibiting excessive control issues, which generally will not be identified by traditional internal controls. It is important to maintain a healthy level of skepticism and always remember that trust is a professional hazard; if you do not verify information, you could become a victim.

## IMPLEMENTING CONTROLS

As with all risk issues, the ultimate responsibility for identifying gaps and developing fraud controls rests with management. To meet this responsibility, management should avoid complacency and not assume that if fraud occurs “the auditors will catch it.” Although having an annual audit is a good anti-fraud control, by the time an audit uncovers a fraud scheme, it is usually too late to prevent the financial and reputational damage that will follow.

Most board members and executives of nonprofits do not think as fraudsters do, which is a good thing. Unfortunately, this can make it difficult for them to develop controls that help reduce their organizations’ exposure to fraud risk. A critical step in the process of developing an effective fraud risk management program is assessing the board’s own skills and capabilities and deciding where professional help is most needed. The board is ultimately responsible for oversight of the organization’s risk management efforts, which senior management is then charged with carrying out.

## ANTI-FRAUD PRINCIPLES

Here are some important principles to keep in mind as you work to refine the anti-fraud control policies at your nonprofit:

- Form an effective and empowered audit committee or equivalent. One of the most important attributes of the audit committee is complete independence from management. In addition, the committee should be authorized to hire outside counsel and other advisers to assist it in discharging its responsibilities. Although your circumstances may warrant a larger committee, a committee of three to five members is generally workable and optimal for most nonprofits. At least one audit committee member should be a financial expert, but individuals with nonfinancial skills and expertise are also needed to provide additional perspective.
- Establish and enforce a system of effective controls. Combinations of internal and cultural controls form the core of an anti-fraud program. Internal controls limit opportunities to hide the fraud trail and can discourage all but the most arrogant fraudsters. Common tools include security and access controls, such as dual authority or monetary authorization limits, as well as audits, inspections, and transaction monitoring. The recent ACFE survey pointed out that the presence of anti-fraud controls is notably correlated with significant decreases in the cost and duration of occupational fraud schemes.
- Establish the right tone from the top. Mere mechanical compliance with internal controls can still leave the organization vulnerable, which is why the attitude and actions of management are so important. Actively and visibly promoting a culture of integrity and ethics will embolden honest employees to put a stop to fraud. Most organizations find that a strong ethical environment encourages self-policing, thereby increasing the level of oversight far beyond what internal control methods alone provide.
- Provide a clear process for reporting suspicious behavior. Over the years in which the ACFE has been conducting its global fraud studies, the most effective means of detecting fraud has always been tips. In the most recent study, tips were responsible for uncovering nearly three times as many frauds as any other form of detection such as management reviews, surprise inspections, audits, or surveillance devices. While some nonprofits use a third-party hotline service for reporting suspicions about fraud, creating a culture where employees know that the nonprofit’s reputation and mission depend on their willingness to report suspicions of fraud is less costly and may be equally effective.

- Develop a response plan in case deterrence fails. In spite of everyone’s best efforts, fraud still can occur. In many cases, the initial reaction of executives or board members is to confront the suspected fraudster outright or, if there is doubt, to begin collecting paper or electronic evidence. All too often, these are exactly the wrong things to do and could compromise an organization’s ability to prosecute. Confronting a suspected fraudster without adequate evidence is not only awkward and legally dangerous; it can also alert the suspect to cover his or her tracks. On the other hand, surreptitiously examining computer links and email archives could compromise the evidence and imperil the integrity of a formal investigation, making conviction and recovery more difficult. To avoid these various unintended consequences, nonprofit organizations should develop appropriate strategies in advance to deal with specific types of fraud or other misconduct. The protocol for dealing with an employee suspected of cheating on an expense report is different from that for an executive involved in a conflict of interest.
- Confront the issue openly and directly. Perhaps the most common impulse when fraud is detected is to dismiss the offender, limit the damage, and hope the story can be kept quiet. This too is likely to fail. Eventually, word of the fraud gets out and the associated rumors are likely to be exaggerated, causing even more reputational damage than would have been done if the board had simply been forthright.

## A COMBINATION OF DETERRENCE AND DETECTION

As important as it is to respond quickly to fraud, avoiding the situation in the first place is the best plan of all. Although it is unrealistic to expect to completely eliminate the risk of fraud, the governing board and executives in a nonprofit organization can take effective steps to minimize the risk.

By establishing an environment in which ethical behavior is expected, closing gaps in internal controls, and developing a proactive fraud identification and response program, nonprofits can significantly reduce the financial and reputational risks associated with fraud.

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*Authors: Jonathan T. Marks, CPA, CFF, CITP, CFE, and Pete A. Ugo, CPA*

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*204 South King Street, Leesburg, VA 20175 703.777.3504*

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# THE KINDS OF INSURANCE YOUR NONPROFIT SHOULD CONSIDER

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Small nonprofits are small businesses, even if their primary objective is not to create a profit. As such, proper insurance coverage is vital to protecting the people and assets that help the nonprofit fulfill its vision.

While no two nonprofits are alike and not every nonprofit will need the same insurance, there are five types of insurance policies that nonprofits should consider.

Engaging an insurance professional and going through the underwriting process is stressful enough.

The following coverage descriptions should give you a head start and vocabulary to make more informed decisions.

## DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES LIABILITY INSURANCE:

D&O is the coverage most nonprofits ask about first. Executive directors and board leaders sometimes assume D&O is the catch-all coverage to protect the leadership against any and every lawsuit.

In truth, D&O (which, in the nonprofit world, often comes packaged with employment practices liability) is more of a management liability coverage. It protects the board and leaders and organization against lawsuits brought for 'wrongful acts.'

Policies define 'wrongful acts' differently, but, in essence, a wrongful act is a leadership team's breach or neglect of fiduciary obligations. The employment practices piece brings in coverage for EEOC (U.S. Equal Employment Opportunity Commission) claims or other claims involving sexual harassment and discriminatory practices.

D&O policies vary by company. You'll want to review to make sure the policy does what you want it to do. When in doubt, make a beeline for the policy's definition of Wrongful Act and its list of exclusions. If you see an exclusion that makes you nervous, ask your agent how to get that exclusion covered either through a different company's D&O or a different type of policy altogether.

D&O excludes claims involving bodily injury, property damage, professional services errors, auto liability, workers compensation, or abuse and molestation (among many others). The fact that the D&O is limited to management and board fiduciary issues makes the general liability and related policies critical to nonprofits.

## GENERAL LIABILITY INSURANCE:

Companies often include three types of coverage in a general liability package. To make things simple for nonprofits, most insurance providers include the following in the liability insurance proposal:

- General Liability
- Professional Liability
- Abuse and Molestation Liability

**General liability** is the policy that addresses bodily injury or property damage claims. General liability also includes defense for personal and advertising injury claims, such as copyright infringement.

If you want to rent space, gain a contract, get funding, have a special event, or work in partnership with another organization, you will most likely be asked to provide proof of general liability insurance.

**Professional liability** covers an organization for services that could be considered professional in nature, whether you employ licensed professionals or not. If you have a mentoring, educational, life skills, counseling, or case management exposure at all, then professional liability is a necessary consideration.

Many insurance companies will not allow nonprofits to purchase general liability without also buying professional liability. A basic general liability policy doesn't cover advice, referral, counseling, mental health therapy, medical services, or any similar activities.

**Abuse and molestation liability** provides defense and, if required, claim settlement funds for lawsuits involving abuse and molestation incidents. These claims can be a result of accusation from a client regarding an employee, volunteer, or contractor act of abuse. They can also result from negligent supervision that results in client or student abuse or molestation incident.

These claims are usually explicitly excluded on the general and professional liability policies. If you serve youth, seniors, developmentally disabled, or otherwise are charged with helping a disadvantaged population, you should consider this coverage.

## WORKERS COMPENSATION OR ACCIDENT INSURANCE:

These coverages are important because they address injuries to your human assets—your employees and your volunteer workforce. Workers comp laws vary widely by state. You, as an employer, should research your state's laws to determine what is required.

Workers compensation pays medical expenses, disability, and death benefits for injured workers. Volunteer accident insurance pays for minor injuries to volunteers who are donating their time and expertise to your cause.

Volunteer injuries can be addressed by a standard general liability policy (unless there's an additional volunteer exclusion added). Still, the volunteer accident policy can help protect your general liability from claims experience by picking up minor volunteer mishaps.

General liability will not provide coverage for injuries to employees.

## PROPERTY INSURANCE

Many small nonprofits do not have much in the way of business property. That said, some of the worst claims I've seen have been property related: pipes bursting in an office, windstorm, fire, hail damage, theft, and vandalism. If you have any property that is key to your organization, please keep property insurance in mind.

## AUTO INSURANCE

Even if your nonprofit does not own a vehicle, consider including hired/non-owned auto coverage. If you own a car, you need a commercial auto policy.

Non-owned auto liability provides some liability protection for the organization when someone uses his or her vehicle for activities related to the nonprofit: running errands, transporting clients, etc.

Hired auto liability provides liability protection when the organization rents a vehicle.

As we all know, auto insurance is probably the most used insurance coverage out there. Auto accidents happen all the time. Consider your options when you talk to your agent.

**Employee Dishonesty:** Also known as crime coverage or crime bonds, employee dishonesty helps replace funds stolen by an employee. Many municipal contracts or foundation grants require nonprofits to have this coverage in place. Often, this type of fraud is perpetrated over a longer period and, when discovered, causes major distrust issues between a nonprofit and the community.

The coverage itself helps replace the stolen funds. But more importantly, the risk management policies you have to put in place to get the coverage will help protect you from such an event happening.

**Cyber Liability:** This coverage is getting a lot of buzz these days with the many commercial data breaches. Nonprofits can easily experience cyber theft too. Human service nonprofits have a greater risk than they realize.

Donor data, employee data, confidential client data, and more can be accessed on a nonprofit's computer servers, desktops, and laptops. We've had some claims where social workers have their laptops stolen. What type of information might a thief have access to if she takes your laptop? The coverage also addresses paper document exposures.

## FINAL THOUGHTS AND RECOMMENDATIONS

Once you find an insurance agent to work with, review all of your exposures with her. She can help uncover gaps in your coverage or recommend other relevant insurance policies.

Don't avoid getting a full proposal out of fear of cost. Getting quotes does not bind you to purchase. But in the end, it will help your leadership team to make the most well-informed decision.

*Disclaimer: The information on this site is for guidance, ideas, and assistance only. When in doubt, always seek legal counsel or assistance from State, Federal, or International governmental resources.*

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*Insurance for Nonprofits: 5 Ways to Find the Right Coverage and Agent By Brett Cohrs, Hamby & Aloisio*

# FREQUENTLY ASKED QUESTIONS: TYPES OF INSURANCE

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## What is Commercial General Liability Insurance?

Commercial General Liability, or “GL” insurance, is often the first type of insurance a nonprofit will purchase because it provides coverage for a wide range of acts or offenses that result in bodily injury or personal injury, advertising injury or property damage to a third party. The most common occurrence under this sort of policy is what people refer to as “slip and fall” cases or “negligence” cases that result in injury.

What does Property Insurance typically cover?

Property insurance protects the physical assets your nonprofit owns—such as computer and office equipment, your facility(ies) and furniture, fixtures, buildings and property used in connection with your nonprofit’s programs.

## What insurance covers embezzlement or theft?

Insurance that addresses the risk of insider theft is referred to by various names. The coverage is frequently referred to as “Crime Coverage,” “Employee Dishonesty Coverage” or “a Fidelity Bond.” Many nonprofits purchase this coverage as part of a package policy that addresses other property exposures. It is also possible to obtain the coverage as a standalone policy.

## What is Non-owned/hired auto insurance?

This type of insurance is for coverage in situations where your employees or volunteers are driving vehicles that are NOT owned by the nonprofit while engaged in the nonprofit’s business or their work for the nonprofit. The purpose of this policy is to provide what is known as “excess coverage” because the insurance of the owner of the vehicle will be primary. If there is an accident that results in injury that exceeds the limits or is not covered by the insurance of the vehicle’s owner, there is a possibility that the nonprofit will be sued. Non-owned/hired auto insurance is to provide coverage to protect the nonprofit should such a situation arise.

## Our volunteers are not covered under our workers compensation policy. Can we get insurance for our volunteers?

Nonprofits can purchase “volunteer accident insurance” which provides coverage for injuries to volunteers. Volunteers may also elect to cover themselves under their homeowners’ umbrella policy, but many volunteers do not do so, and many nonprofits would rather have insurance available to assist volunteers in the event of injury or accident. Others do not purchase insurance but instead set aside a reserve fund for such purposes.

## Why would we need Umbrella Coverage?

Umbrella coverage generally provides higher liability limits than are offered under other policies that a nonprofit may have and therefore serves to increase the limits of liability on existing coverages. The umbrella policy kicks in when the limits of liability on other policy(ies) have been exhausted. Nonprofits that face the risk of high dollar losses may wish to consider supplementing their existing coverage with an umbrella policy.



### What should we look for in an insurance agent or broker?

Your nonprofit's insurance agent or broker should be your advocate in finding the best insurance coverage to meet your organization's needs, and also to work with your insurance carriers if there is a claim to ensure that the nonprofit receives prompt attention and assistance as well as the coverage provided by the various policies you purchase. Because the nonprofit world is different from most commercial businesses, you should look for a broker or agent who is experienced in working with nonprofits, one who has access to insurance carriers that offer special insurance products designed just for nonprofits, and one who is responsive to your inquiries and offers your nonprofit resources to help keep you up to date with the latest risk management tools and techniques. Insurance agents and brokers should be willing to meet with senior staff to explain the insurance policies, identify exclusions and suggest alternative policies for the nonprofit's consideration. They should also be willing to make a presentation or report to the board of directors annually on changes in coverage or the insurance buying environment that will impact the nonprofit's insurance program. The nonprofit's insurance professional should be enlisted to help educate the board as well as help the nonprofit continually evaluate whether the insurance program is adequate, and the costs appropriate.

### What types of insurance do we need?

Answering this question is where your insurance professional comes in. S/he can help you assess the organization's risks and inform you about policies that are specific to certain types of exposures. At a minimum most nonprofits should consider:

- **Property insurance** covers the repairs to or replacement of essential property, such as offices owned by the nonprofit and equipment used in programs.
- **Commercial general liability** policies address claims alleging bodily injury or property damage. Slips, trips and falls are the most common claims covered by CGL policies.
- **Commercial auto, automobile liability and non-owned automobile insurance** address the exposures associated with use of owned, rented and borrowed vehicles.
- **Directors' and Officers' Liability** insurance addresses claims alleging wrongful management decisions by the volunteer and staff leaders of the nonprofit. The most common claim filed under a D&O policy alleges wrongful employment practices.
- **Workers compensation** insurance, which is required if the nonprofit has any employees.
- **Crime Coverage** addresses the financial risks of fraud and embezzlement by an insider.
- **Specialized computer coverage** addresses the possible loss of data or equipment (such as laptops) that is not generally covered in regular property insurance policies.
- **Business Interruption** coverage pays for out-of-pocket expenditures, such as renting temporary office space, in the event that something occurs to make it impossible to carry on the normal business of the nonprofit.

Your nonprofit's activities and programs may be far flung—in many states, in foreign countries, or just across town. Your specific exposures will determine what types of insurance your organization needs. Often nonprofit managers believe that simply purchasing insurance eliminates risk. Insurance is a means of transferring some of the financial consequences of a risk to another party. Simply purchasing insurance doesn't reduce the likelihood of a mishap, nor does it eliminate many aspects of nonfinancial risk to a nonprofit. The Nonprofit Risk Management Center is a nonprofit resource center that does not sell insurance but is available to answer your questions about insurance via phone



(202-785-3891) or email as well as to conduct a risk assessment or comprehensive review of your nonprofit's insurance program.

### What internal controls do we need?

Every nonprofit's practices and activities are unique so there may be policies and practices that are essential for an all-volunteer organization and others that make more sense for a nonprofit with several bookkeeping staff members. As a baseline, boards should consider adopting the following internal controls:

- Specific authority for who signs checks, and for what amount
- Specific authority for who deposits checks
- Separation of the duties for persons who open mail, and log in checks and those who deposit the checks in the bank
- Cash control policies to determine how cash on hand should be accounted for and maintained (where, by whom, who has access?)
- Specific authority for who may open bank accounts in the nonprofit's name and who has signing authority for accounts
- A policy prohibiting the use of the nonprofit's EIN number for any reason other than a business reason authorized by the CEO/Executive Director

Additional resources on financial risk management are available through the web site of the Non-profit Risk Management Center.

### What steps should we take to ensure that only authorized employees of the nonprofit may deposit and withdraw funds?

The key is to limit the number of people with decision-making authority for financial transactions, and adopt a procedure for the approval of all financial transactions. A corporate resolution should be passed by the board to assign banking authority to certain individuals who will have access to the organization's bank accounts. The resolution should specify the position, such as "Assistant Treasurer" rather than designate individuals by name, so that a change of individuals holding the office will not be inconsistent with the resolution. When the officers change, the bank will require a new signature card, signed by the new individual holding the office named on the resolution.

### What is the best way to create an atmosphere that is hostile to fraud?

The atmosphere and environment of your nonprofit should exude a culture of competence and integrity.

- Start with a "Code of Conduct" or "Code of Ethics" that reinforces the expectation that everyone will be honest. Start with the application for employment: include a "truth clause" ("I certify that the responses on this application and that I provide during the hiring process are truthful, and not misleading, and I understand that if my responses are later found not to be so I may be terminated from employment.")
- Adopt procedures that restrict the personal use of the nonprofit's postal meter and office equipment; implement policies requiring authorization of cash receipts/deposits and reimbursement for expenses only with documentation, and enforce these policies.
- Control physical access to cash, computers, and valuable property/equipment.

- Engage your outside accountant in assisting you with recommendations well before the audit process and keep the board informed of steps staff is taking to secure all assets from theft and embezzlement.
- Finally, if questionable activities are uncovered or alleged, fully investigate suspected fraud. The second building block in the process is the commitment to fully investigate all suspected fraud. Potential offenders must understand that their actions will be subject to intense scrutiny and that, when appropriate, evidence concerning the fraud will be turned over the appropriate authorities.

### What are the basics of a safety policy?

Awareness, reporting and prompt action! Employees and volunteers, and even clients/customers, should be trained so that they are alert to safety concerns and know where to report unsafe conditions or other concerns. After the nonprofit has been alerted to a safety issue, prompt remedial action, and documentation of all of the above, is essential. Training should include everyone—even board members, who may be on-site and in the position to report an unsafe condition. Finally, if there is a safety issue that results in harm or injury, there should be a policy to determine who at the nonprofit is the appropriate spokesperson, and a “lessons learned” evaluation to devise procedures and policies that will help avoid similar occurrences in the future.

- The web site of the Nonprofit Risk Management Center has a free online Workplace Safety Tutorial that can be completed 24/7.
- The web site of the Nonprofit Risk Management Center has a free online Workplace Safety Toolkit for employees and volunteers that can help you set up a workplace safety program. The toolkit allows you to print out sample forms and provides links to detailed information on special topics, such as bloodborne pathogens, AEDs, and workplace stress.

### Is it possible to get insurance to cover volunteers who help out at various events? We are renting a venue for a fundraiser and one of the conditions of using the space is that we provide insurance for volunteers in the event they are injured while putting up decorations and assisting with the event.

The type of coverage you are looking for is “Volunteer Accident Coverage,” which can be purchased to provide a safety net for your volunteers. The coverage is excess over existing health insurance coverage, so if a volunteer suffers an injury and they have their own personal health insurance, their own coverage would apply first. If they are uninsured and hurt while volunteering, the volunteer accident coverage would apply.

### Will a D&O Policy help my organization? My nonprofit has failed to do the following: (1) remit taxes to the state and IRS; (2) remit collected medical insurance premiums to the carrier in a timely manner which has caused insurance to lapse on four occasions; (3) mismanaged a government grant.

If the D & O policy is not in place, you may have a very difficult time obtaining insurance, even at a high premium, to cover these known problems. If you don't disclose them on your application, they will undoubtedly not be covered because of that failure. If you do have a D & O policy in place, review your policy and consult immediately with your broker. Most D & O policies will not cover failure to pay taxes or other tax liabilities. Some exclude coverage for failure to obtain or maintain insurance, which might exclude the failure to pay for medical insurance. The policy may cover claims for mismanagement, as long as it was not simply a contractual default and did not involve self-dealing

or personal profit, or fall within one of the other standard exclusions. In any case, it sounds like it is time to talk with a lawyer who can help you get out of this mess.

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*<http://www.nonprofitrisk.org/advice/faqs/insurance2.shtml>*

# FIDELITY BOND SAMPLE

## FIDELITY BOND

Standard 10.G.6.



### COMMERCIAL CRIME POLICY DECLARATIONS

Administrative Office  
1400 American Lane  
Schaumburg, IL 60196

This policy issued by:  Fidelity and Deposit Company of Maryland Policy No. CCP 0065680 03  
 Colonial American Casualty and Surety Company  
 (a stock insurance company)

Named Insured and Mailing Address:  
TEXAS CASA INC  
1501 W ANDERSON LN, SUITE B-2  
AUSTIN TX 78757

Producer Name and Address:  
ANCO INS SERVICES OF BRYAN  
1111 BRIARCREST DR  
PO BOX 3889  
BRYAN, TX 77805

Policy Period: From 05/31/2012 to 05/31/2013 at 12:01 A.M. Standard Time at your mailing address shown above.

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS AND CONDITIONS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

#### INSURING AGREEMENTS, LIMITS OF INSURANCE AND DEDUCTIBLE

INSURING AGREEMENTS	LIMIT OF INSURANCE Per Occurrence	DEDUCTIBLE AMOUNT Per Occurrence
1. Employee Theft	\$ *	\$
2. Forgery Or Alteration		
3. Inside The Premises -- Theft of Money and Securities		
4. Inside The Premises -- Robbery Or Safe Burglary Of Other Property		
5. Outside The Premises		
6. Computer Fraud		
7. Funds Transfer Fraud		
8. Money Orders And Counterfeit Paper Currency		
If Added By Endorsement, Insuring Agreement(s)	\$	\$

If "Not Covered" is inserted above opposite any specified Insuring Agreement, such Insuring Agreement and any other reference thereto in this policy is deleted.

\*Policy Premium is payable: \$ 1,436.00 at inception; \$          1st Anniversary; \$          2nd Anniversary

\*Includes Taxes and/or Surcharges

#### ENDORSEMENTS FORMING PART OF THIS POLICY WHEN ISSUED:

CR 00 22 05 06    CR 25 08 03 00    CR 02 47 02 03    U-CR-116-A 01 02    U-CR-126-A 05 03

CANCELLATION OF PRIOR INSURANCE ISSUED BY US: By acceptance of this Policy you give us notice canceling prior policy or Bond Nos. CCP 0065680 02 the cancellation to be effective at the time this Policy becomes effective.

COUNTERSIGNED: \_\_\_\_\_ (Date) By: \_\_\_\_\_ Authorized Representative

IN WITNESS WHEREOF the Company has caused this policy to be signed by its president and secretary but this policy shall not be valid unless completed by the attachment hereto of a declarations page countersigned by a duly authorized representative of the Company.

Attest

Secretary

By

President

U-CR-D-101-A CW (Ed. 01/03)

RJH 06/04/12

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\* A fidelity bond that covers *at minimum* the amount of funding a program receives from CVC & VOCA grants should be secured and renewed each fiscal year