

MARKS PANETH

ACCOUNTANTS & ADVISORS

MARKS PANETH NONPROFIT AGENDAS OCTOBER 2014: STRATEGIES AND SOLUTIONS FOR CONTINUING TO GROW YOUR NONPROFIT ORGANIZATION

CAPITAL CAMPAIGNS PREPARING FOR SUCCESS

The fictional City Theatre Guild has been a staple of its community's arts scene for 40 years. A large volunteer force produces shows, the shows routinely sell out, and supporters contribute adequately to an annual fundraising campaign.

But looking to the future, the theatre guild sees a major obstacle. The nonprofit has outgrown the one-room schoolhouse it uses for productions and can neither produce the large-scale shows it would like nor accommodate the range of activities it envisions. Further, the former schoolhouse will soon need major repairs.

Rather than renovate, the organization has chosen to construct a new theatre building that will allow it to significantly expand its operations. The board has estimated building costs at \$5 million, and it realizes that a capital fundraising campaign will be necessary.

Start with a commitment

Committing to a capital campaign isn't easy. Fear that people won't donate in a stagnant economy can cause nonprofits to hesitate to ask for additional funds. But when a dedicated group grabs on to this opportunity to expand and grow, it's time to start planning.

It's no surprise that a massive effort to raise money for a new building, costly equipment or an endowment is called a "campaign." For a successful plan designed to produce a particular result, a capital campaign calls for strategic preparation and skillful implementation.

The campaign might span three or more years. Campaign workers typically raise funds through direct mail, e-mail solicitations, direct solicitations, special events and other traditional and creative maneuvers.

Appoint a leader

You'll need a leader to head the campaign and direct the group. Look to your current and past board members and the greater community to find someone with the right qualifications. You want to find someone who:

- Has a fundraising track record,
- Knows your geographic area and local issues,
- Will be fully committed to the cause,
- Has a possible network of strong supporters that can be tapped into,
- Can motivate others, and
- Has time for regular planning sessions and fundraising activities.

As you search for the right individual, consider those with a personal reason to make the campaign a success. For example, a bank president from immigrant roots might be just the person to lead a capital campaign for English as a Second Language program. Or a community leader who's a former stay-at-home mom might be motivated to head a campaign for a women's job-training organization.

Line up the troops

The City Theatre Guild knows it must assemble a small army of volunteers for its campaign. It will look to its current and past board members, producers, directors, actors, stagehands, and so on — in other words, its volunteer base. It also will draw from its staff, knowing that it can't rely on volunteers to do all the work.

As you assess *your* "troops," you might see a need to hire additional staff, such as a professional fundraiser and administrative personnel. Seek a mix of talents and personal qualities among your volunteers, staff and new hires. Include energetic individuals with strong people skills.

Guide your team

To ensure your staff and volunteers are focusing on the most promising donors, start by identifying a large group — say 2,500 individuals — to solicit for donations. Draw your list from past donors, area business owners, board members, volunteers and any other likely prospects. Then narrow that list to the 250 largest potential donors and talk to them first. Secure the large gifts before pursuing anything under \$1,000.

Most people don't like asking other people for money. So it will be necessary to train team members on how to solicit funds. Don't expect your solicitors to wing it; instead, provide them with scripts aimed at particular types of donors.

Take tips from professional telemarketers when giving feedback to team members. For example, tape phone call solicitations, play them back and critique interactions with potential donors. Does their approach and tone of voice match up to the professionalism and enthusiasm you require?

Execute key operations

Your campaign plan should include goals, a timeline, a budget, a compelling message and ways to chart donations and measure success. Here are some tips:

Goals and successes. Make sure that your key constituents are on the same page about your vision for the campaign and the primary strategies for getting there. Break down your overall goal into smaller objectives and celebrate reaching them. Regularly report gifts, track your progress toward reaching your goal, and measure the effectiveness of your activities. See "Measuring your capital campaign's success."

Campaign message. Craft your message carefully. Here's where a professional fundraiser, experienced with capital campaigns, might come into play. Potential donors must see your organization as capable and strong, but also as the same group they've championed for years. Additionally, instead of focusing on what donations will do for your not-for-profit; show potential donors the impact on their community.

Initial launch — and beyond. Fundraising wisdom holds that you shouldn't go public with your campaign until you've secured a significant amount of "lead gifts" from major donors. The recommended percentage varies, with organizations commonly waiting until 50% to 60% of their fundraising goal is reached before announcing the campaign. As the campaign progresses, publicly recognize your donors. For example, list them on your website and in your newsletter and thank them at public events.

The long haul. Because of the high level of funds being sought, capital campaigns often stretch over three years or more. To keep the momentum going, you'll want to mix up your fundraising tactics and events. Plan some events that attract media attention, such as a 5K walk-run, a gala ball or a silent auction. Keep the campaign fun and the activities varied. Now is the time for your team to use its imagination.

Success is rarely achieved overnight

Pace yourself and strive for good timing as you pull out all the stops. Be consistent and stay on track, but remain flexible to take advantage of opportunities as they arise.

Measuring your capital campaign's success

You'll want to measure the return on your investment (ROI) and establish other metrics to gauge your capital campaign's progress. Measure ROI for individual fundraising efforts such as phone call solicitations, events and direct mail campaigns.

Here are some useful ratios:

- Number of identified prospects / target number of prospects to identify,
- Percentage of past donors who contribute / target percentage of past donors who'll contribute, and
- Dollar amount actually rose from a certain activity or during a specific time period / goal for that campaign activity or time period.

Your financial advisor can help you refine your metrics and devise a plan for analyzing and following up on results.

A WINDOW TO YOUR WORLD: YOUR ANNUAL REPORT IS A MIGHTY COMMUNICATIONS TOOL

The end of the year is the time when organizations put together their annual reports. If you're thinking "so much work and so little payoff," consider this: The annual report is your organization's No. 1 communications tool. What other vehicle has the potential to favorably impress new and prospective donors, volunteers, community partners, sponsors, board members, lending institutions, clients — and the media? But putting together an effective report is no slam dunk. You'll need to start with the basic elements, and add creativity along the way.

Covering the bases

Most nonprofit annual reports consist of several standard sections. The *board chair's letter* is typically an executive summary of the pages that follow. Because your annual report may be the best chance you have to tell the complete story about your organization, this letter should provide an overview of your activities, accomplishments and anything else worth highlighting.

The *directors and officers* are the face of your organization. Listing these individuals can have a big impact on potential donors. Make sure all names, professional affiliations and designations are accurate.

Highlighting financial information

The annual report's financial information can be detailed or an abbreviated version with a synopsis that quickly gets to the heart of the matter. If included, your full audited financial statements will have the following sections:

- The *independent auditor's report* states the CPA firm's opinion about whether your nonprofit's financial statements were prepared in accordance with Generally Accepted Accounting Principles.
- A *Statement of Financial Position* presents your organization's assets, liabilities and net assets as of the last day of the fiscal year.
- A *Statement of Activities* records revenues earned and expenses incurred during the year (grouping expenses in the categories of "program," "fundraising and "management and general").
- A *Statement of Cash Flows* shows the sources and uses of cash and cash equivalents for the year.
- *Footnotes* expand on financial statement items such as revenue recognition, valuation of assets, leasing arrangements, commitments and debt.

Want to make your financial information easier to understand? Use simple graphs and diagrams to highlight specific points. If you choose not to include financial statements in your annual report you should include a statement that says: "*Audited financial statements for the year ended June 30, 20XX have been audited by "Your CPA Firm LLP" and are available upon request*"

Describing your accomplishments

The *Description* is the other major section of your annual report. Here's where you can — and should — get creative.

First, explain your organization's mission and goals and strategies for reaching those goals. Then, describe who benefits from your organization's services and how they contribute to the entire community. Conveying your nonprofit's accomplishments educates the public about the work you've done.

So that your report does justice to this work, consider including such elements as client testimonials to let those you've helped tell the story in a personal way. Or create a timeline that enables readers to see the progress you've made toward a long-term goal.

While this section should be clear and concise, there's nothing wrong with using imaginative language. Metaphors can make otherwise mundane subjects vivid and interesting. A unifying theme can tie it all together.

Making it visually arresting

Your annual report should be as visually pleasing as it is interesting to read. Engaging photos, creative layouts and eye-catching graphics can go a long way toward that goal. For example, use a pie chart or other visual to show your organization's allocation of funds between programs, fundraising and administrative expense — or to break down your incoming funds.

Make sure your graphic designer has experience with annual reports — preferably those of nonprofits — and understands the values and image your organization wants to convey. Keep in mind that many people will view the report via your website, so the online document must be as easy to read and navigate as a printed copy.

Remembering the purpose

An effective annual report will help your organization reach the transparency that's expected among your varied audiences. It's also your single best chance to show the world your organization's level of professionalism and to share its success at meeting its mission.

PICK THE RIGHT TOPIC FOR YOUR BOARD RETREAT

It's time to start thinking about your annual board retreat, getting your leaders together and sharing some quality time. Do you have a topic for this year's retreat — one that's fresh and vital to your organization? Here are five suggestions for a subject likely to prompt meaningful discussion.

- 1. *Reaching a younger donor base.*** Is your not-for-profit doing all it can to add younger supporters to the fold, a move that will help ensure the sustainability of your organization? Explore what fundraising techniques and recruiting methods work best with younger individuals. Also, evaluate your social media program.
- 2. *Risk management.*** What are the biggest risks facing your organization? Are they associated with your donor base, endowments, financial investments, a succession plan for top talent, volunteers or something else? Pinpoint your risks and determine whether they're being properly monitored by particular individuals in the organization.

3. Program evaluation. With many nonprofits recovering from big fluctuations in fundraising, public funding and the need for services, it may be time to take a hard look at your programs. Which programs should be created, grown or discontinued? How can you benchmark program performance and evaluate the results?

4. Financial reporting. What financial information about the organization would your board members like to see that they don't currently receive? How would they use that information? Consider including a session on how to read your financial statements.

5. Employee morale. What can the board do to make a difference? Consider salary and benefits as well as "fringe benefits," such as remote employment, a casual dress code or other perks. Also factor in promotions and the path to management positions, as well as providing employees with meaningful work commensurate with their experience.

NEWS FOR NONPROFITS: SHORTER APPLICATION FORM FOR TAX-EXEMPT STATUS NOW AVAILABLE

Small charities applying for 501(c)(3) tax-exempt status may now use a shorter application form that's expected to ease the process. The new Form 1023-EZ, available on IRS.gov, is three pages long, compared with the standard 26-page Form 1023 that larger organizations must use. Most nonprofits with gross receipts of \$50,000 or less and assets of \$250,000 or less are allowed to use the EZ form, which must be filed online. The IRS says that as many as 70% of all applicants seeking 501(c)(3) tax-exempt status may qualify to use the form.

Does your blog have the blahs?

Your nonprofit's blog should be a spirited communication tool that keeps your constituents involved with the organization and attracts new supporters. But, like people, blogs sometimes tire. Here are four ideas for invigorating your blog:

- Create "infographics" that show statistics about your organization or research on the population you serve.
- Assemble a slide show of some of the individuals who receive your services — a picture says a thousand words.
- Make a video depicting a constituent's success story.
- Devise "top 10" lists: for example, "10 ways supporters can assist your organization."

Always be on the lookout for fresh ideas. Carry a notebook and jot down thoughts that come up during conversations with staff, volunteers and donors.

Council urges government to fix contracting problems

A report from the National Council of Nonprofits offers governmental bodies more than 12 suggestions for correcting problems reported in contracting agreements with nonprofits. *Toward Common Sense Contracting: What Taxpayers Deserve* responds to an Urban Institute and National Council collaborative project revealing ongoing issues with contracts, including late or less-than-promised payments, arbitrary caps on reimbursement and indirect costs. Suggestions include prompt payment and contracting laws and an electronic repository to reduce redundancy in the application process. The 56-page report is available at <http://www.councilofnonprofits.org/files/downloads/toward-common-sense-contracting-what-taxpayers-deserve.pdf>.

SPOTLIGHT ON MARKS PANETH

Nonprofit Survey

Our *Nonprofit Pulse: Leadership Survey from Marks Paneth* will launch soon. Our inaugural survey is targeted to chairpersons, presidents, treasurers, CEOs, executive directors, CFOs and development directors and aims to take the pulse of the nonprofit community – issues, attitudes and perceptions that are on your mind. So please watch your inbox and take our confidential survey – your responses will be anonymous. And we'll be sure to share the results with you. Thank you for your participation.

Marks Paneth Partner Re-elected to AICP East Board of Directors

[Richard Stern](#), Partner, has been re-elected to serve as a member of the Association of Independent Commercial Producers (AICP) East Board of Directors. He was first elected in 2012 and will serve another two-year term. The Association of Independent Commercial Producers (AICP) represents companies that specialize in commercial production as well as the businesses that support them.

New York State and City Residency Rules Create Tax Traps for the Unwary

Are you a resident of New York State for tax purposes? Under NYS Tax Law Section 605(b), a resident is defined as someone who maintains a “permanent place of abode” and spends more

than 183 days of the tax year in New York. But a recent case has redefined “permanent place of abode” for the purposes of determining statutory residency – and taxpayers and their counsel need to be careful: City and state residency rules remain complex and continue to lay many tax traps for the unwary. [Click here](#) to read a recent article by [Steven P. Bryde](#), Tax Principal, that was originally published in *The Metropolitan Corporate Counsel*.



NYC Real Estate Expo

Marks Paneth will be a sponsor of the 6th Annual NYC Real Estate Expo, which will be held at the Hilton Hotel on November 6. We will also be launching the next *Gotham Commercial Real Estate Monitor* survey at the expo. Please [click here](#) for more information about the expo.

Global Tax Insights

Morison International (MI), the global association of leading independent accounting and consulting firms of which Marks Paneth is a member, has published the latest issue of [Global Tax Insights](#). It is made up of contributions from MI member firms and includes country focus articles, technical updates and international tax cases. If you have any questions, please contact one of our [tax professionals](#).

MEET OUR LEADERSHIP TEAM

	
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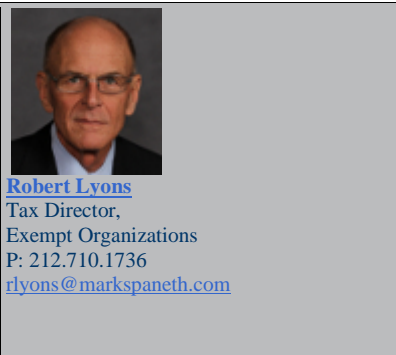


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If you have questions, please contact any member of the Nonprofit and Government Services leadership team listed above. In addition, more information on the [Marks Paneth Nonprofit and Government Services Group](#), as well as all of the firm's services and industries, can be found at www.markspaneth.com.

HONORS AND AWARDS

Marks Paneth was again voted a 'Top Three Best Forensic Accounting Provider' in 2014 by readers of the *New York Law Journal*. Ours is the only firm to be ranked among the top three firms in the category of forensic accounting every year since the survey began in 2010.



About Marks Paneth

Marks Paneth LLP is a leading, regional professional services firm offering a wide range of accounting, auditing, tax, consulting, restructuring, bankruptcy and advisory services as well as litigation and corporate financial advisory services to domestic and international clients. [Click here to learn more.](#)

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