

MARKS PANETH

ACCOUNTANTS & ADVISORS

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

BOARD MEMBER FUNDRAISING: HOW TO DEVELOP RAINMAKERS

In a law firm, a person who brings in new business — and, thus, revenue — is called a rainmaker. Nonprofits have their own counterpart: a fundraiser (the person, not the event). And this is one of the responsibilities belonging to the board of directors.

Successful fundraisers, like rainmakers, are not born, but made. Turning board members into effective fundraisers takes commitment and a full-fledged strategy.

It comes with the job

Some new board members find the concept of approaching friends, business contacts and strangers for money, even for a worthwhile cause, to be unappealing. They may even feel that it's beneath them to "beg" and think this task should fall to staff. But, in one way or another, raising funds should involve everyone in an organization, especially board members, who often have contacts and respect in the community.

Before they even accept the position, let board members know that fundraising will be one of their responsibilities. One not-for-profit stated it this way in a recent newspaper article: "We are looking for new board members to support our strategic planning, including fundraising, to help build a sustainable future for the organization." The nominating committee, if you have one, should look for candidates with fundraising experience or potential, as well as influence among different populations.

Orientation is key

Board orientation is a good time to educate new members about the organization's mission, goals, programs and financial needs. It's also the time to let them know how fundraising fits into the picture.

One nonprofit, for example, shows new board members a short film about its capital campaign to raise money for a new community center. The orientation ends with a tour of the new building. There, the board members see firsthand some of the activities that serve the community: from English language classes to the well-stocked food pantry.

Your organization should have a written document that describes board member responsibilities and includes fundraising as one of them. If your nonprofit expects board members to give annual donations themselves, as many organizations do, that also should be stated.

Training and support are essential

Once board members take office, there are a number of things a nonprofit can do to educate and support their fundraising role. Here are some ideas to consider.

Establish a fundraising committee. This will make fundraising an official and ongoing part of the job, and will likely attract the members who are most confident and interested in fundraising.

Develop a mentoring system. Senior board members who have a knack for fundraising can steer junior board members in the right direction. They can share insights and tactics that have worked well for them. The new members should understand that they're not being asked to "trespass" on their relationships.

Give them a script. Let's say that your organization is having a fundraising drive and it includes telephoning past contributors. Prepare a script for board members that thanks contributors for their past support, explains how the new funds will be used and describes how the activities or project ties to the nonprofit's mission.

Look for training opportunities. Many consultants and some nonprofits offer training in fundraising and gifting-related topics. Board members need to fully understand the many types of monetary and nonmonetary donations that supporters can make. Many books and articles are available on these topics at low or no cost.

Recognize successes. Everyone likes a well-deserved pat on the back. Be sure to recognize board members' fundraising accomplishments. Opportunities include writing a congratulatory note after a particularly strong fundraising achievement and recognizing laudable efforts at public events and board meetings.

An investment that pays off

A nonprofit benefits when its board members are successful at fundraising. Make sure that your board members have the skills and tools they need to "make it rain."

IS YOUR NONPROFIT READY TO PASS THE BATON?

Baby boomer nonprofit leaders continue to retire in vast numbers nationwide. Does your organization have key people who are nearing retirement? If so, is there a concrete plan to replace them? A succession plan can be the difference between a nonprofit carrying on its mission without interruption and its operations grinding to a halt.

Choosing a strategy

Three approaches to succession planning are common among nonprofits, and one may best fit your needs. The *strategic leader development* approach focuses on identifying talented individuals who have, or are capable of developing, skills to carry on your organization's goals *before* the top executive or another key person has left. As soon as a successor is identified, the executive director (ED) should begin delegating some leadership duties to this individual. This approach gives the ED time to train and assist the incoming leader until he or she can competently handle the new duties.

Preparing for an emergency

Emergency succession planning emphasizes continuing to achieve the organization's goals and carry out its mission after an unforeseen event, such as death or disability. In preparation, the top executive or executives should develop a list of their duties and step-by-step details on fulfilling them. They should ask themselves: How was I trained for this position? How have my responsibilities changed over time? What did I learn later that I wish I'd known from the start?

Board members should be involved in any type of succession planning, but especially in emergency planning, because they're obliged to see that the organization is competently led without interruption. A small nonprofit, even if it has limited capacity for strategic planning, should have an emergency succession plan for its ED.

Planning for a "defined departure"

A *defined departure* plan is appropriate when the key person has announced his or her retirement one to two years in advance. The goal is to build leadership strength: The key person wants to know that the organization can function well after his or her retirement, and the nonprofit requires the same degree of assurance. Setting a target departure date with the board of directors is typically the first step because it prompts those involved to develop a timeline.

No matter which approach you use, consider forming a succession planning committee if more than one key person eventually will be replaced. This will allow members of the organization with various types of expertise to provide feedback in the areas most affected by the departures.

It's also important to document the succession plan. Although it might take some time away from other duties now, it could prevent a host of problems later.

Transitioning leadership

Having both individuals work at the same time is one of the most effective ways to transition duties. Consider: Your ED announces nine months in advance that he will be retiring, and your succession plan names a successor. While the two work together, have the successor assume some of the ED's duties, such as creating the organization's policies, reviewing financial reports and meeting with key people from your community. Gradually shift more work from the ED to the successor.

If the successor isn't already in the organization, consider hiring him or her a few months before the targeted transition date. To make the process run smoothly, again it's important that the two individuals work together. The successor, for instance, might be unfamiliar with your ED's work with the board of directors. So hands-on training by the exiting leader would be helpful.

The role of key person insurance

There is another step your nonprofit can take to prepare for an ED's unanticipated departure. *Key person insurance* can protect an organization in the event of a sudden death or disability. This type of plan can help ensure that the nonprofit's operations and mission are still carried out without major disruptions due to the loss of a key employee.

For example, let's say the ED — suddenly disabled by heart surgery — had been the nonprofit's chief administrator *and* its primary fundraiser. Temporarily hiring two individuals with these critical skills is likely to be more expensive than the cost of finding a permanent replacement. But key person insurance proceeds could provide for this while the search is underway.

Start today

In the scheme of everyday activities, putting together a succession plan for your top executive may end up on the back burner. Don't let it happen. Charting the future of your nonprofit's leadership is too important of a responsibility to be left to circumstance.

Tools to choose

If you find yourself struggling over how to start a succession plan, you can find numerous free or low-cost planning toolkits online, as well as others that are more costly. Many of them will walk you through the process step by step. Some also offer templates and worksheets to help you keep track of goals and tasks and gauge timelines.

Some websites to check out include the Foundation Center (<http://www.foundationcenter.org>), National Council of Nonprofits (<http://www.councilofnonprofits.org>) and BoardSource (<https://www.boardsource.org/eweb>). Your financial advisor also can assist with your final plan.

NONPROFITS GOING GLOBAL

Many nonprofits today look beyond US borders to boost revenue. They recruit members, sell products, promote conferences and solicit donations. Before you “raise your flag” in a foreign country, though, take stock. Here are five areas to research before putting both feet in the water.

1. *The market for your services and products.* Before investing funds, make sure that the need for your nonprofit’s services or products is robust enough to justify the costs of doing business in the target country. What will the competition be like? A specialized teachers’ association, for example, may find no counterpart in that country, but a burgeoning number of teachers who are hungry for specialized information. Ample market research is essential before making a decision.

2. *Laws and regulations.* Of course, you’ll need to be aware of relevant laws and regulations before penetrating the target country. And if you plan to sell products or services there, investigate sales and tax issues thoroughly first. If the country engages in free trade, it may be easy enough to do business there. But if the country isn’t a party to a free trade agreement, high tariffs or taxes might scare you away. Consult with your legal and financial advisors as you chart your business plan. Foreign activities also may require analysis to ensure that your contributors retain their tax deductions and that you don’t jeopardize your organization’s own tax-exempt status.

3. *Relationships.* Strong relationships are at the heart of any not-for-profit’s success. And your understanding of the target culture will be a key to that goal. Setting up an advisory committee in the United States, which includes expatriates, is one way to develop insights into your new market.

If English isn’t the spoken language in the target country, it may be advantageous to bring your own translator during your initial visits — ideally someone from the advisory committee or elsewhere in your organization. This person should understand the nuances of the other culture, and also have your interests in mind. During your visits, be ready to learn from the local residents. They are the experts on their turf.

4. *Representation.* Opening up membership to individuals in other countries is often the first global step of a membership organization. If you go this route, use your advisory committee to discuss the needs and interests of the target country, and for ideas about translating published materials for the new members. Some organizations hold seminars and conferences in target countries and even open offices to establish roots.

If you appoint a member from the target country to your board, be willing to accept different approaches to issues. Board meetings usually continue to be held at US headquarters. A board portal (collaborative software) will allow your board members to securely access board documents from any location. And Skype can be used to visually include the new member at meetings.

5. Currency exchange. What is the value of the US dollar compared to the currency of the target nation? If US currency is weak, it could work to your advantage in selling products and services. But, naturally, a strong dollar here will go further in all your business transactions in that country, such as leasing property or compensating foreign staff.

There's also the practical issue of how potential customers will pay for your goods and services, or make donations. Many nonprofits now use PayPal to handle foreign payments, which can all be made in US dollars. The online payment company provides a discount on their processing rates for donations to qualifying charities. Additionally, some accounting software can address various currencies and make the necessary conversions.

NEWS FOR NONPROFITS

A Laudable Donor “Thank You” Project from Down Under

Ingenuity is often more important than budget when executing a worthwhile project. Take the Australian charity One Girl, which focuses on the education and economic empowerment of girls in Sierra Leone. Last fall, One Girl's top executive told staff she wanted more than 200 unique, personalized thank-you videos for all of the nonprofit's major supporters and donors. Staff got about one month — and no budget — to accomplish the goal.

Four weeks later, the organization had 216 unique videos to deliver, via YouTube, to individuals who donated more than \$500 or raised over \$600 in a fundraising campaign, and to teams that raised over \$1,000.

How did they do it? They:

- Developed a spreadsheet of people who should receive a video, entering personalized text for each person,
- Created five video templates that could be reused,
- Recruited 17 volunteer video editors, which gave each editor roughly a dozen videos to customize, and
- Sent supporters e-mails with links to the customized videos.

You can see the videos on YouTube at <http://www.youtube.com/user/onegirlaustralia/videos>.

Would you be ready for a cap on donations?

President Obama's proposed budget for fiscal 2015 proposes capping the tax deduction for charitable donations at 28%. It states that the limit would affect only the top 3% of families.

Although there may be little chance of the budget being passed by Congress, nonprofits should nonetheless start thinking about what would happen if tax reform involving charitable deductions materializes. Are there steps your nonprofit could take to minimize the impact? Having a plan is better than being caught "empty-handed."

Employees need information on retirement plan options

Do your employees know enough about their retirement plan options to feel confident making investment decisions? According to a recent survey, many Americans (33% of those surveyed) aren't familiar with investment options in their plans. And more women (37%) than men (29%) feel inadequately informed about plan options. Younger employees, Gen Y — those born from the early 1980s to the early 2000s — feel the least informed; 43% say they are unfamiliar with their plan's options.

According to TIAA-CREF, a financial services organization that sponsored the survey, employees familiar with their investment options are almost twice as likely to save the recommended minimum of 10%–14% of their annual income for retirement.

SPOTLIGHT ON MARKS PANETH

Marks Paneth Names New Partner

We are pleased to announce that [Michael W. Hurwitz](#), CPA, MST, has been promoted to Partner in the Real Estate Group. He joined the firm last year as an Executive Consultant. He has more than 25 years of experience and is very knowledgeable about real estate tax matters. He has worked for both public and private real estate investment trusts (REITs). He is an adjunct professor at New York University's Schack Institute of Real Estate, where he teaches partnership taxation and other related real estate tax topics. He is an active participant in NAREIT.

Marks Paneth Partner Elected to Board of EPC of New York City

[Laura E. LaForgia](#), CPA, MST, a Partner in the firm's Tax Practice, has been elected to a three-year term on the Board of Directors of the Estate Planning Council (EPC) of New York City. She will be a Director of Accounting. The EPC is an interdisciplinary organization for professionals involved in estate planning.

Marks Paneth: A Commitment to Social Responsibility

At Marks Paneth, integrity, caring, leadership and teamwork are part of our core values. We are committed to social responsibility and to having a positive impact on the communities in which we live, work and do business as well as on our profession. The firm and our professionals are actively involved in a wide range of programs and charitable organizations. Our partners and principals serve on the boards of more than 50 nonprofit organizations. We also have one of the region's leading Nonprofit and Government Services practices.

The firm was recently honored for our community involvement and as part of that tribute, [a short video](#) was created. We encourage you to watch it to learn more about who we are.

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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 2013 by readers of the *New York Law Journal*. Ours is the only major regional firm to be ranked among the top three firms in the category of forensic accounting for four straight years.



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