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Budget cuts: Don't make internal controls one of them

These days, most nonprofits are tightening their budgets to ensure that they're operating as cost effectively as possible. If you're among them, be careful not to throw the baby out with the bathwater. Certain items should never be neglected just to save a little money today — and one of the most important is adherence to internal controls.

RIPE FOR TEMPTATION

Good governance is a critical, nonnegotiable responsibility — for nonprofits and for-profits alike. But it may be even more important now, when many employees and volunteers are under increased financial pressure and your organization may have fewer people “minding the store” due to budget and staff cuts.

Financial stress and greater opportunity could tempt even longtime, trusted staff members to misappropriate your organization's funds



or property. So it's essential to have — and maintain — strict controls to minimize that temptation.

Maintain policies for financial outlays, such as requiring dual signatures on checks over a certain amount.

WATCH WHAT COMES IN . . .

Receiving money — whether it's cash donations from a fundraiser, routine receivables or investment interest — is an important job that should never be overlooked or undersupervised. Your internal controls policy should specify that no one person should have sole responsibility for tasks such as opening the mail, recording incoming payments and making bank deposits.

Maybe you're a small organization that's shorter staffed than usual and have only one person available in your accounting department to perform these duties. Then enlist the help of an employee from another department, a trusted board member or even an outside accounting service to provide the necessary checks and balances.

. . . AND WHAT GOES OUT

Inflows aren't the only area of significant fraud risk. You also need to maintain policies for financial outlays, such as requiring dual signatures on checks over a certain amount. In fact, you may want to lower your current threshold of expenses or payments that trigger review or a co-signature and perform more random check audits.

Many fraud perpetrators write unauthorized checks that are just under the review limit. And first-time offenders are likely to start small before they try to get away with bigger schemes.



If you ask a staffer from elsewhere in the organization to assist your accounting department temporarily or part-time, be sure to provide him or her with the full training you'd give a new employee. Don't assume all employees already know your internal control procedures.

Now is also an excellent time to conduct a refresher course for managers who may be

asked to authorize expenditures when the manager who usually does it is out of the office.

BENEFIT FROM OUTSIDE ASSISTANCE

With budgets tight, you may have considered eliminating outside bookkeeping, accounting or audit help and bringing these tasks in-house. But consider the bigger picture. In many cases, outsourcing provides you with expertise you don't already have.

Additionally, asking outside professionals to look into your books and interact with your staff is one of the best ways to prevent fraud. A third-party audit of your transactions can pick up on irregularities that staffers overlook. And like an alarm system sign in the window of your home, auditors' mere presence may deter those who are thinking about skimming a little off the top.

PENNYWISE ISN'T GOOD ENOUGH

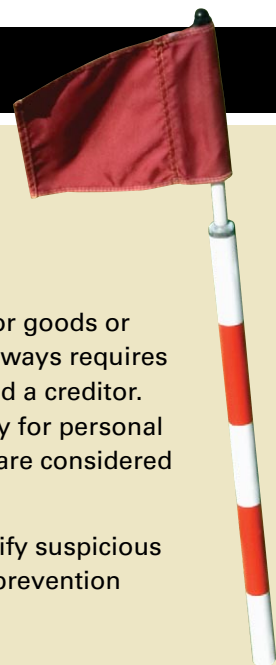
Effective internal controls must include both preventive policies and regular maintenance and reviews to ensure your organization is following them. So when you scour your budget for costs that could be cut to save money in the short term, recognize that some shortcuts actually cost you in the long term — in fraud losses and damage to your nonprofit's reputation. *

Red flags for nonprofit "creditors"

The Federal Trade Commission's (FTC's) red flag rules for fighting identity theft are now scheduled to take effect on Nov. 1. Although the rules don't apply to most nonprofits, they do cover many nonprofit health care organizations and other charities the FTC considers "creditors."

The FTC's definition of "creditor" includes nonprofits that regularly defer payment for goods or services, or provide goods or services and bill customers later. But a provider that always requires payment at the time of service (even if it accepts credit cards) wouldn't be considered a creditor. The rules apply only to creditors with "covered accounts" — accounts used primarily for personal and family purposes and designed to permit multiple payments — or accounts that are considered highly vulnerable to identity theft.

If your nonprofit is subject to the rules, you must perform a risk assessment to identify suspicious patterns, practices and activities, and then develop and implement an identity theft prevention program. Your CPA can help ensure you follow the FTC's guidelines.



Write a grant proposal like you mean it

If you've applied for a grant recently, you probably already know that it's harder than ever to get one. As investment portfolios have dramatically declined in value and donations have dried up, grant-making organizations have had to scale back the amounts they can award to deserving applicants. At the same time, more budget-strained nonprofits are dipping into this smaller pool of funds.

Sloppy grant proposals are rarely successful, but they're even less likely to hit their mark now. If you haven't brushed up on your grant proposal-writing skills recently, here's a refresher course.

KNOW YOUR GRANT-MAKER

Just as you'd research potential employers before applying for a job, you should get to know grant-making organizations before you ask for their support. Familiarize yourself with the prospective grant-maker's primary goals and objectives, the types of projects it has



funded in the past, and its grant-making processes and procedures.

Knowing these details will enable you to determine whether your programs are a good fit with the grant-maker's mission. If they aren't, you'll save yourself the time and effort of preparing a proposal. If they are, you'll be better able to tailor your proposal to your audience.

FOCUS ON THE ESSENTIALS

Every grant proposal has several essential elements, starting with a single-page executive summary. Your summary should be succinct, using only the number of words necessary to define your organization and its needs. You also must include a statement of need that provides an overview of the program you're seeking to fund and explains why you need the money for your program. Other pieces include a detailed project description and budget, an explanation of your organization's unique ability to run this program, and a conclusion that wraps up the proposal and briefly restates your case.

It's also essential to support your proposal with facts and figures, but don't forget to include a human touch by telling the story behind the numbers. Your organization, for example, may provide after-school activities for 500 at-risk children every year. You can augment this statistic with a glimpse of the population you serve, including descriptions of typical clients or testimonials from the community.

ATTEND TO THE DETAILS

It may sound obvious, but too many nonprofits neglect this critical piece of advice: If you hope to win a grant, follow application instructions to the letter. This means not missing deadlines — including submitting all required documentation

on time — and ensuring that your submission is error-free. Don't commit common mistakes such as leaving off signatures, exceeding page or word limits, making math errors, or using excessive industry jargon.

Support your proposal with facts and figures, but don't forget to include a human touch by telling the story behind the numbers.

No detail is too small; missing one could mean the difference between getting the grant and being turned down. Review the guidelines as soon as you receive them so that if you have any questions you can contact the grant-making organization well in advance of the submission deadline. Once you've completed your proposal, check and double-check it for mistakes

and omissions. It's well worth the hour or so the task can take.

In fact, to accomplish all of these steps for a winning proposal, give yourself a generous time budget. Researching the grant-maker, collecting current facts and statistics about your organization, composing a compelling story about your work and proofreading your proposal all take more time than you probably think they do. Above all, don't leave grant proposal writing to the last minute.

TRY AND TRY AGAIN

Even if you do everything right, you may not get the grant. Should this occur, consider contacting the grant-maker to learn why you didn't and see if they'll offer any tips for strengthening your next application. The important thing to remember is that getting a grant takes work, and the more effort you put into improving your grant proposal-writing skills, the more success you'll likely find. *

6 ways to keep board members focused in unfocused times

With increasing financial and other pressures on nonprofits, your board needs to be focused and engaged like never before. But the reality is that board members may be facing challenges in all areas of their lives — including their commitment to your organization. Downsizing and other workplace changes could mean they're taking on more responsibilities or are even in job search mode. They may also face greater financial pressure at home.

So when board members meet to go over an in-the-red budget, their stress levels are already



likely to be high. Fortunately, by making just six adjustments to your organization's normal routine, you can help maintain your board's productivity.



COUNT THE WAYS

1. Acknowledge pressures. Start your improved board productivity plan by formally recognizing that economic realities have changed over the course of the past year. In addition to keeping board members fully apprised of your organization's financial situation and short-term outlook, open a discussion about how donors, members, suppliers and board members are faring. They'll appreciate the fact that you recognize they have many things going on in their lives besides your organization.

2. Agree on what's really important. Now's a good time to take a hard look at what you want to accomplish, and what you *need* to accomplish, and to acknowledge that there's a difference between the two. For example, do you really need to break last year's attendance record at this year's gala, or would a solid — but not historic — turnout be achievement enough? Get your board to focus on what's truly important and set aside overly ambitious objectives and extraneous projects for the time being.

3. Be willing to change. Look for opportunities to break habits that no longer serve your board's best interests. If, for example, board meetings held during work hours have become a burden for attendees, consider switching to an early morning, after-work or weekend meeting time.

Or switch from in-person meetings to teleconferences every other session.

4. Get organized. The more you can prepare your board members for meetings — particularly meetings in which decisions loom or you need their undivided attention — the better the outcome. Always get meeting materials to members several days in advance. And when asking them to make a decision, perform the initial research and offer them a limited number of options, rather than a blank box. Also, be vigilant about starting and ending meetings on schedule so you don't waste board members' time.

5. Talk one-on-one. Invite board members for lunch individually and ask them if they want or need to be doing anything differently during these difficult economic times. Don't ask specific questions, such as whether they'll be able to maintain their level of monetary support, but let them know that your door is open to discussion and adjustments in their commitments.

6. Say thank you. For the price of a box of thank you cards, some stamps and an hour of your time, you can remind your volunteer leaders that you appreciate them, that they play an important role in meeting your nonprofit's mission and, perhaps most important, that you don't take their participation for granted. If a handwritten note isn't your style, pick up the phone.

Be vigilant about starting and ending meetings on schedule so you don't waste board members' time.

VALUE YOUR BOARD

When you're willing and able to adjust for changing economic circumstances, it tells your board that you value their contributions and recognize that they have lives outside of your organization. In fact, you may make your organization one of the few stress-free areas of their lives! *

Why you should take social networking seriously

Blogs are for frustrated writers. Facebook is where kids post party pictures. YouTube broadcasts stupid animal tricks. And Twitter is something for Oprah, Ashton and other members of the celebrity chattering club. If you're nodding in agreement to any of those statements, it might be time to update your opinions of social media outlets — and how nonprofits can make use of them.



SOCIAL MEDIA 101

The reality is that many nonprofits are using social media. If you're not part of this group, you're missing the boat on a no- to low-cost way to spread your message, engage your audience and gain new followers quickly and efficiently. Worse, you're turning your back on younger audiences for whom social networks may be the only media they routinely engage with. You may even seem out of touch to increasingly Web-savvy older generations.

New social networks pop up every day, but nonprofits new to this world may want to start with some more established media:

Blogs. One of the oldest forms of social networking, blogs are frequently updated Web sites that offer information, perspective or anything else you want to communicate in a news blurb or article form. When set up to accept comments, blogs can work as two-way communication vehicles. Sites like <http://blogger.com>

and <http://wordpress.com> offer free templates and hosting.

Twitter: This relative newcomer is often referred to as a microblog because it limits posts (or “tweets”) to 140 characters. Organizations often use Twitter to make short, timely announcements, link to items of interest on the Web or provide running commentary on live events (<http://twitter.com>).

Facebook: Creating and maintaining a fan page on Facebook (<http://www.facebook.com>), with organization information, links and photos, can give your followers an easy way to stay connected.

YouTube: Anyone can upload video footage to YouTube, but a recently launched nonprofit channel gives charitable organizations a corner to call their own. Located at <http://www.youtube.com/nonprofits>, it offers access, advice and the ability to accept donations via Google Checkout.

WHAT ARE YOU WAITING FOR?

If all of this seems overwhelming, just pick one tool to start. Researching how similar nonprofit organizations are using the Web can help you choose the most effective vehicle for your audience.

Also consider your own technical expertise. Sites like Twitter and Facebook tend to be more user-friendly for beginners. Blogs, on the other hand, benefit from some knowledge of HTML and can require set-up support — particularly if you want to customize a standard template or host your own blog. A college-age intern can be a tremendous help in getting your blog off the ground.

So no more excuses. The best way to launch a social media campaign is to just dive in. *

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- ◆ General ledger accounting
- ◆ Functional accounting
- ◆ Fixed asset accounting
- ◆ Internal controls
- ◆ Outsourcing

AUDITS

- ◆ Financial audits
- ◆ Compliance audits
- ◆ A-133 audits

FINANCIAL MANAGEMENT

- ◆ Lease/purchase
- ◆ Budget assistance
- ◆ Cost allocation
- ◆ Financing
- ◆ Board of director assistance

INFORMATION REPORTING

- ◆ Tax-exempt applications
- ◆ Federal Form 990
- ◆ Unrelated business income
- ◆ Lobbying compliance
- ◆ Contribution issues
- ◆ For-profit subsidiaries

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- ◆ Computer hardware and software selection & support
- ◆ Network support
- ◆ Strategic planning
- ◆ Human resources
- ◆ Policy development

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