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Op-eds
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The proof is in documenting donor gifts

News for Nonprofits

Sassetti
CERTIFIED PUBLIC ACCOUNTANTS

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6 tips for developing spectacular board members

Your nonprofit board is like the helmsman of a ship, steering it out of dangerous waters and toward strategic decisions. But preparing new board members to forge ahead — and excel at the job — takes navigation.

Here are six tips for getting new board members up to speed and keeping them on the right course:

1. Orient them to your organization. Board members need to understand your nonprofit. What's your mission, who are your stakeholders and what services do you provide? Are there strategic goals in place? A formal orientation is an opportunity to give new members a foundation on which to perform. It's also a chance to define board vs. staff responsibilities.

Be sure to highlight the organization's continuous strides for excellence, and set the standards high. Consider requiring *every* new board member to spend at least a full day at your nonprofit during peak service-delivery hours, observing staff and volunteers serving clients.

2. Orient them to the board itself. If your board has a formal governing policy, present it to the new members. Let them know your basic expectations, such as board meeting preparation and attendance, committee participation and outside work required (researching new topics for board consideration, following up on decisions made, fundraising and so on). Inform them of the board's committee structure, and make sure they know the responsibilities of board committees. Inform them of their role in strategic planning, budgeting and evaluation of the executive director.

Additionally, provide new members with an honest assessment of the organization's finances and funding prospects, and alert them to any pending crises or upcoming challenges. Consider assigning them a mentor (a senior board member) for the first year.

3. Give them a specialty. Whether it's the finance, audit, fundraising or program committee, a special assignment will give your new board members a defined focus which, in turn, invites strong performance. Let them choose where they want to put their energy, but steer them to a committee that matches their skill sets and experiences. For example, a retired English as a Second Language teacher might be a good match for a literacy organization's program committee, or a banker for the board's finance committee.

4. Set performance targets. Prepare a job description for individual board members after they've chosen their standing committee. Include a description of that committee's responsibilities as well as general board duties. For instance, do board members need to read all staff handouts before meetings or raise a certain amount of money each year? Also keep attendance records for board and committee meetings for each member, and track their major accomplishments — a checklist is a handy tool.

Let board members choose where they want to put their energy, but steer them to a committee that matches their skill sets and experiences.

5. Evaluate performance. The responsibilities outlined for a new board member (in the job description) and the board member's actual performance may not jibe. But if a member accepts the responsibilities, he or she must also accept the accountability that comes with them. Your organization should know when, and how, to fire board members, if needed.

The board itself, not staff, should evaluate how board members have performed before their terms expire. Members can take a look at the checklist that's been prepared and compare it to the board member's job description. The board (and the board members themselves) can note any special accomplishments that may have been overlooked. Then, a tough decision must be made — to either reappoint or not reappoint a board member for another term.

Remember, sometimes accomplishments on a checklist don't tell it all. For example, if a board member has been consistently disruptive during his or her term, the board might not want to invite that person for a repeat performance even if the checklist looks great.

6. Develop a continuing education program. A standing board committee can be responsible for not only identifying new board candidates but also choosing continuing education opportunities. This will give your board members a vehicle for staying up to date by, say, attending a program on significant Form 990 changes or new regulations. Clear goals, a plan to achieve those goals and appropriate funding will be the keys to the program's success. ❋

Who's got the talent?

Someday, your organization's board chair will likely step down or, per your bylaws, it will be time to rotate the position. So, start thinking of a replacement before that happens.

The board (via its nominating committee) and staff should pinpoint a board member (or two) who's a strategic thinker who focuses on the nonprofit's mission, vision and long-term goals. Working well with your management team and being able to effectively represent the organization in the community are other requirements.

It's up to your organization to ensure these members get the exposure and training needed to someday step up to the No. 1 board post. Give them the chance to participate in a wide variety of committees, task forces and advisory boards.

Some organizations require a progression through the officer ranks as a way to prepare the next board president for the role. This progression allows service with the executive committee to ease the transition. Establishing a "chair elect" or a "past chair" position on the board also can aid the transition.

Op-eds

Spread the word for free

Do you lament that your nonprofit's budget has no room for a full-scale media campaign to spread your message throughout the community? If so, take heart: You can reach your community by authoring savvy "op-eds" (short for "opposite the editorial page") in your area newspaper and it won't cost you a cent.

WRITING FOR YOUR MARKET

Despite rumors to the contrary, newspapers still have enormous reach — particularly in small and midsize markets where many local papers are actually increasing their readership. And they usually welcome op-ed submissions from community members.

But a local paper's willingness to accept outside opinion pieces doesn't give you the green light to submit a recycled speech or fundraising brochure. To be effective, your op-ed needs to be written specifically for its audience and medium.

Familiarize yourself with the paper's style, tone and target reader and learn its submission requirements, such as word count. It's also a good idea to e-mail or call the publication's op-ed editor to assess his or her interest before writing your piece. This way, you won't waste time writing something the editor won't publish.

SHARPENING YOUR FOCUS

When drafting an op-ed, laser-like focus is critical because you need to gain both the editor's approval and the readers' attention. In your first sentence, name the issue you want to address — preferably a hot-button topic or one readers are familiar with (for example, pending legislation) — and assert a clear opinion about it.

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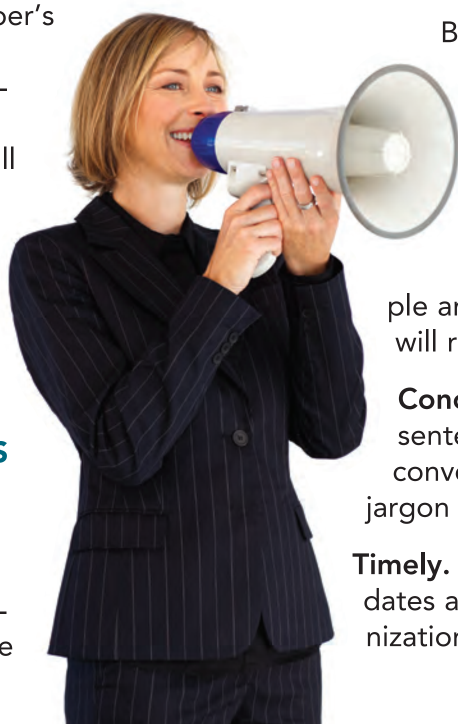
In the body of the piece, provide support for your position, such as statistics and a summary of how your organization is addressing the issue. Close the op-ed with a brief restatement of your position and a call to action for readers. Finally, consider asking a community leader or other local hero to sign the article — even more support for your cause.



But that's just the bare bones. To engage readers and influence public sentiment, your piece needs to be:

Local. Even if you're talking about a national issue, frame it with references to local people and institutions that readers will recognize.

Concise and readable. Use short sentences, common words and a conversational style. Avoid industry jargon and academic writing styles.

Timely. Submit pieces close to election dates and legislative votes your organization hopes to influence, or prepare pieces to run during "awareness" dates such as Earth Day or Breast Cancer Awareness Month, or anniversaries related to your cause.

Controversial. Op-eds are intended to start or continue conversations and shouldn't, therefore, be wasted on neutral positions. So take a firm stand that will get people talking without insulting or maligning opposing opinions.

Remember, emotional "evidence" is as important as statistics, surveys and case studies. Share your nonprofit's success stories — and the heartbreaking failures that have influenced your positions. These are more likely to ignite reader interest in your nonprofit than dry scientific or financial data alone.

TAKING ACTION

Getting an op-ed piece published in the local newspaper is an effective way to get the word out and win public support — especially if you don't have much of a budget for public relations. So, get behind a keyboard and draft an important message for everyone to see. ❋

The proof is in documenting donor gifts

Are you complying — down to a "T" — with the IRS requirements for acknowledging charitable contributions from your donors? If not, the IRS could disallow your donors' deductions. This risk is amplified by two recent U.S. Tax Court rulings.

IMPROPER RECEIPT, BAD TIMING

In *Durden v. Commissioner*, a church had received $25,171 in contributions from a married couple. The taxpayers had canceled checks documenting these 2007 donations, and the church sent them a written acknowledgment of receipt. But whether or not the taxpayers had received any goods or services in exchange for their contributions wasn't mentioned in the acknowledgment. The IRS requires such a statement, so it disallowed the taxpayers' deduction.

The taxpayers then obtained a second receipt from their church, stating that they hadn't received any goods or services in exchange for their donations. The second receipt was dated June 21, 2009, and the IRS rejected it for failing to meet the "contemporaneous" requirement.

The taxpayers appealed the IRS decision. Concluding that the couple had "failed strictly or substantially to comply with the clear substantiation requirements of Section 170(f)(8)," the Tax Court upheld the IRS's disallowance of the deduction.

NO QUALIFIED APPRAISAL

In *Mohammed, Sr. v. Commissioner*, the taxpayer had donated real property he valued at more than $15 million. The IRS — and ultimately the Tax Court — disallowed the deduction because the taxpayer had failed to obtain a qualified appraisal. An experienced real property appraiser, the taxpayer had prepared the appraisal himself, even though he was both donor and recipient of the property.

The Tax Court found that the resulting appraisal could not be considered qualified due to the taxpayer's personal involvement in the transaction. In its opinion, the court stated, "We recognize that this result is harsh. … But the problems of misvalued property are so great that Congress was quite specific about what the charitably inclined have to do to defend their deductions, and we cannot in a single sympathetic case undermine those rules."

THE SUBSTANTIATION RULES — A REVIEW

In order for a charitable contribution to be eligible for a deduction on a donor's income tax return, the donor must follow what are known as the IRS "substantiation rules." These requirements vary with the nature and amount of the donation, but they clearly state that, if a taxpayer fails to meet the substantiation and recordkeeping requirements, no deduction will be allowed.

For cash gifts of under $250, a canceled check or credit card receipt is generally sufficient substantiation. If, however, any goods or services were provided in exchange for a cash gift of $75 or more, the charity must provide a contemporaneous written acknowledgment including a description and good-faith estimate of their value.

For cash gifts of $250 or more, as well as noncash gifts, the rules generally also require a contemporaneous written acknowledgment from the charity, which must include:

- The donor's name,
- The amount of cash or a description of the property contributed (separately itemized if one receipt is used to acknowledge two or more contributions),
- A statement explaining whether or not the charity provided any goods or services in consideration, in whole or in part, for the gift, and
- If goods or services were provided, a description and good-faith estimate of their value.

If the only benefit the donor received was an "intangible religious benefit," this must be stated. If the nonprofit provides goods or services of "insubstantial value" (such as address labels or other small incentives in a fundraising campaign), these needn't be taken into account.

The requirements for noncash donations, depending on the size, also may include undergoing a qualified appraisal (using a qualified appraiser) before completing Form 8283 and attaching the appraisal. Before you accept such donations, it may be wise to confirm with donors that they know about the requirements and have obtained an appraisal if necessary.

Certain types of deductions, such as expenses for volunteer services and donations made through payroll deduction plans, have different substantiation requirements.

PROTECTING DONORS

If it's been awhile since you reviewed your procedures connected to the IRS substantiation requirements, take time to do it now. Your supporters are much more likely to remain loyal if their donations are recognized by the IRS. ❋

NEWS FOR NONPROFITS

ANNUAL SURVEY NAMES BEST NONPROFIT EMPLOYERS

Do you want to see how your organization holds up against the nonprofits that employees like best? The 2013 "Best Nonprofits To Work For," a yearly competition conducted by *The NonProfit Times* and Best Companies Group, is available to peruse at thenonprofittimes.com — just type in "best nonprofits to work for 2013" to find the link.

The confidential survey ranks nonprofits according to how their employees rated them in areas such as leadership and planning, role satisfaction, and work environment. Caring about employees and offering flexible benefits were among the traits common to the best-rated organizations. ❋

HEALTH CARE "PLAY OR PAY" DELAYED UNTIL 2015

Many employers — including nonprofits — will enjoy a one-year respite from a significant provision of the 2010 health care act: shared responsibility, also known as "play or pay." The provision will take effect Jan. 1, 2015, rather than Jan. 1, 2014, as originally scheduled. The deferral was announced in July.

Under the play-or-pay provision, "large" employers that don't offer a "minimum value" of "affordable health coverage" to their full-time employees will risk a penalty if just one full-timer receives a premium tax credit for purchasing individual coverage through one of the new affordable insurance exchanges. "Large" employers have 50 or more full-time employees — or a mix of part-timers and full-timers that's "equivalent" to 50 or more full-timers.

If you are a large employer, you now have more time to determine whether your coverage meets the requirements and, if it doesn't, to consider whether to adjust coverage to comply or risk the penalties. Keep in mind that additional IRS guidance is expected.

If you're a smaller organization, be aware that, beginning in 2014, an enhanced version of the health care coverage tax credit may be available to reimburse your nonprofit for up to 35% of the health care premiums you pay.

Contact your CPA if you have questions on how these changes will affect your nonprofit. ❋

EMBEZZLEMENT SCAM LINKED TO MAINTENANCE CONTRACTS

A former mechanic, with authority to approve some maintenance contracts, recently pled guilty to stealing $1.1 million from the Woodruff Arts Center, the Atlanta area's largest cultural center. He faces a possible prison term of 41 to 51 months. According to prosecutors, the employee used bogus invoices and kickbacks from a vendor to steal from the center over several years.

One way to thwart this type of embezzlement is for the executive director to co-approve invoices — particularly large ones. And do a little digging to make sure expenses and the vendors providing the services are legitimate. ❋

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ABOUT SASSETTI LLC

Our firm was originally founded by Frank L. Sassetti in 1921. For more than 90 years, the firm has provided creative and proactive tax, accounting and audit services to its diverse client base.

Today, Sassetti LLC's clients consist of a broad range of family-owned businesses, SEC regulated companies, employee benefit plans and not-for-profit organizations. Our goal is to maximize business effectiveness and cost-efficiency, and to help clients understand the ever-changing complex accounting and tax rules.

Our staff of 25 experienced professionals strive to understand your needs, propose solutions and deliver timely and cost effective products.

EXPERIENCE COUNTS

For more information on how we can help your organization, contact Jeff Schroeder at **(708) 386-1433** or email **Schroeder@sassetti.com**. We look forward to speaking with you!!