



## Good Financial Management and Fundraising Notes

From the NBN Academy Course on May 17, 2018, 6:00 p.m.

### Panelists:

- Kimberly Malone, Chief Financial Officer at the Planning Council
- Ann Bolen, President of the East Ocean View Civic League

### **I. Good Financial Management General Principles.**

- Organize around purpose and make finances match the purpose/mission.
- Think like a big organization concerning accountability. Be every bit as accountable for \$100 as \$1 million. The same laws (for accountability) that apply to businesses apply to non-profits.
- Accurate and timely record keeping is important.
- Evaluate financial needs. Write out expenses and income. Monitor where money is going. It is important to see it on paper and be able to analyze finances.
- Maintain a budget and use discipline to stay within it.
- Keep a separate bank account for the organization. Keep finances separate from personal spending. To open an organization bank account, an EIN (Employee Identification Number) can be obtained by calling the IRS.
- Minimize cash. Reimbursing individuals by check after submitted receipts for organization expenses is preferable to giving cash in advance. Keep cash locked up.
- Keep controls to the extent possible. Separate duties. No one person should have control over all pieces of the financial process. The person writing checks should be different from the person reconciling the account and different from making deposits.
- Track volunteer hours. This can be helpful for grants that require match funding. In most cases, in-kind match is just as acceptable as a cash match.
- Evaluate whether to apply to the IRS for a 501(c)(4) designation. Organizations with \$5000 or more in gross annual receipts will be treated as a taxable entity regardless of the organization's mission and should consider filing for a 501(c)(4) designation for an income tax exemption. Organizations with the 501(c) designation are required to file an annual form. For small organizations, it may just be a post-card.
- Be as transparent as possible. Overcommunicate rather than under-communicate.
- Track everything you do and analyze whether is achieving the greater good and is sustainable.
- Be aware of federal, state and local laws such as permits, sales and use tax, yard sale permits, Health Department permits, etc.
- Contact a professional before getting in over one's head. Professionals will usually offer some level of free advice.

## II. East Ocean View Example

- Board members are elected every two years but are staggered. Officers are elected every year.
- EOV makes a budget based on the previous 3 years with approximately 30 lines. Their treasurer happens to be a CPA.
- Expenses include the utility costs for the community garden, welcome packets (\$350 per year), \$750 per quarter to print the newsletter.
- They support 3 neighborhood charities including a food program for youth in the after-school program at the local community center.
- EOV has its 501(c)(4) designation which allows tax deductions by businesses but not individuals. It qualifies them for grants and discounts from businesses. They have applied for and received several grants, including a shoreline restoration grant.
- Their budget is presented to their membership one month in advance of a vote.
- Their bylaws clearly state the Treasurer's responsibilities.
- Income from dues is approximately \$1250 per year. Income from newsletter ads is about \$4500 per year. Dues are \$25 per family.
- A three person panel audits their books at the end of the year. Two are board members not related to the finances and one general member.
- The board makes many financial decisions. An agenda for the general membership meeting is set by the board the week before. Paid membership is required for voting at least one month prior to a vote. Members in good standing are given white cards in which to vote.
- Businesses are allowed to be members and introduce their business.
- One street with a cul-de-sac did a huge yard sale and donated the proceeds.
- They collected \$10 from individuals for custom license plate. Not obtaining a sufficient number, they advertised an offer to refund the money for six months. Unclaimed funds were transferred to the general fund.