FROM VISION TO REALITY

A Guide To Launching a Successful Nonprofit Organization
CHAPTER ONE: GETTING STARTED
CHOOSING A STRUCTURE: AN OVERVIEW OF THE INCORPORATION AND TAX-EXEMPTION PROCESSES

So you want to start your own community-based organization? One of the first things you’ll need to decide is whether to incorporate, and, if you choose to do so, whether to seek tax-exempt status. You may decide to do one, both or neither, depending on what type of organization you hope to create, and how you plan to operate it.

Not all purposes are best served by becoming incorporated or applying for tax exemption. For example, many charitable organizations never become officially registered nonprofits. They choose to operate informally because they see their work as being short-term and finite, because they do not want to be responsible for the reporting requirements of official entities, because the work they do does not require large amounts of money, or for any of a number of other reasons.

While choosing not to incorporate seems like the easiest path—no papers to complete and minimal levels of accountability to anyone outside of the group—it is potentially the most dangerous to individual members. By incorporating, an organization becomes a separate legal entity that exists outside of the individuals running it. This protects the organization’s leadership from being held personally liable for the organization’s obligations. It also allows the organization to open bank accounts, lease property, and enter into service relationships with other businesses.

When deciding whether or not to incorporate, you should also consider the work you would like to pursue and how best to enhance and contribute to the network of organizations that’s already out there. Perhaps another group is engaged in activities similar to those your group seeks to address, and the best approach would be to work with that other organization rather than to incorporate a new one. Perhaps your work can be done most effectively within a less formal structure, with fewer requirements and restrictions.

Only incorporated organizations can apply for a tax-exempt ruling from the Internal Revenue Service. If you apply for a tax-exempt ruling and are approved, in most situations your organization’s income will not be taxed. The most common type of tax-exempt nonprofit organization is what the I.R.S. classifies as a 501(c)(3) “charitable organization”. The chief advantage of this classification is what’s known as tax-
deductible status. This frees your funders—including private foundations as well as individual donors—from paying taxes on the money they donate to your organization. Without this tax exemption, most private foundations and corporate funders will not contribute to your group.

In reality, you can be considered for some grants even without becoming tax-exempt. To do so, you will need to develop a fiscal-sponsor relationship. This means that a group that is both tax-exempt and works in an issue area similar to yours will receive the grant money and then pass it on to your organization. The fiscal sponsor has all the legal and financial responsibility for the funds. You should know that fiscal sponsors often charge a fee, which comes right out of the grant.

While your group has some clear advantages as an incorporated, tax-exempt entity, it also takes on certain responsibilities:

Because they do not pay income taxes, tax-exempt nonprofit organizations do not file tax returns. Instead, they file annual information returns (I.R.S. Form 990) with the Internal Revenue Service and two state agencies to ensure the continuation of the organization’s incorporation and tax-exempt status. Depending on the size of the organization’s budget, reviewed or audited financial statements may need to accompany I.R.S. Form 990. (See the Financial Management chapter for more details.)

Nonprofit organizations have no owners. Therefore, the income of the organization cannot be distributed among officers or members except in the form of compensation for services rendered—that is, as wages or salaries.

If the organization ceases to function, the corporation must be dissolved through an official legal process.

The organization must comply with the purposes identified in the incorporation document and must file for an amendment should those purposes change.

Turning your organization into an incorporated nonprofit entity with tax-exempt status and to which contributions are tax deductible is a two-step, nine- to 12-month process. First, the group must incorporate as a nonprofit organization with the state. Next, the organization must file for tax-exempt status with the Internal Revenue Service.

BEFORE YOU READ ON TO FIND OUT HOW TO INCORPORATE, DECIDE WHETHER OR NOT YOU SHOULD:

- Are you going to be collecting sums of money from members or the community to carry out activities—money for which you will assume responsibility and possible tax liability?
- Are you going to be conducting activities or offering a service where there is a possibility that someone might get hurt—and might not be covered by an individual insurance policy (e.g. car or homeowner’s)?
- Is this project a group effort, emerging from the thoughts and actions of a number of people, rather than just one?
- Are you unable to find an organization with which you are comfortable collaborating and under whose auspices your group might carry out its work?

If you answered yes to these questions, then you probably want to make the effort to form a corporation.
INCORPORATING YOUR ORGANIZATION

If you determine that your organization would function most effectively as an incorporated entity, the next step is to prepare your application. The process of incorporation is relatively straightforward, but it does require a good amount of thinking and planning. Although you can do much of the work yourself, it is recommended that you seek the guidance of an attorney who is familiar with incorporation procedures to assist you in preparing the required legal documents, your Articles of Incorporation and Corporate Bylaws, and your application for tax exemption.

The first step in the process is having a clear idea of the mission and goals of your organization (see the program planning section of this chapter). The other main steps include:

- Obtaining all relevant documents from the Secretary of State
- “Reserving” a name for your organization with the Secretary of State
- Preparing your Articles of Incorporation and Corporate Bylaws
- Filing your Articles of Incorporation

OBTAINING ALL RELEVANT DOCUMENTS FROM THE SECRETARY OF STATE

You should contact your state’s Secretary of State to request all the required materials and forms for nonprofit incorporation. In New York State, you can request these materials from:

N.Y.S. Department of State
41 State Street
Albany, NY 12231-0001
(518) 474-0050

If you have access to the Internet, you can download most of the materials from the Department of State’s Web site: www.dos.state.ny.us/corp/nfpfile.html.

The materials should include the following items:

- A Certificate of Incorporation form for a nonprofit and instructions on completing it
- The nonprofit-corporation statutes that detail the requirements for forming and operating a nonprofit in your state
- Instructions for checking the availability of a corporate name and instructions on reserving a name
- A list of fees for filing all the necessary forms
- Instructions for post-incorporation activities, such as making amendments and changing your corporate address

The text of the New York State Not-for-Profit Corporation Law, which outlines the laws and requirements related to the operation of a nonprofit in New York, is available by writing to your local state Senate office. In New York, it can also be downloaded from the N.Y. State Senate Web site: http://leginfo.state.ny.us:82 INDEX1.html.

RESERVING A NAME FOR THE ORGANIZATION

Next, you should select a name for your organization. Before you settle on a name, you must make sure that it is not being used by another incorporated organization. (If the name you choose is the same as or similar to another corporate name, the Secretary of State may reject your application.)

In New York, you can check the availability of a corporate name by sending a request to the N.Y.S. Secretary of State with a $5 fee for each name submitted. You can also check the following Web site: http://wdb.dos.state.ny.us/ corp_public/corp_vwdb.corp_search_inputs.show.
You should also consult the New York State Not-for-Profit Corporation Law, or your state’s equivalent, to be sure that the name you have chosen conforms to your state’s statutes on names.

Once you have picked an appropriate name, reserve it with your state’s Secretary of State.

In New York, the Application for Reservation of Name allows an individual or existing corporation to reserve a corporation name for use at a later date. The completed Application for Reservation of Name should be filed with your state’s Secretary of State along with the filing fee, which is around $10.

Filing this application will reserve a name for 60 days (and can be extended for up to two additional 60-day periods if an extension is filed before the previous period ends). Reserving a corporate name before you file for incorporation allows you the time to develop your Articles of Incorporation and Corporate Bylaws.

You may want to consider registering a domain name once you have reserved a name for your organization. This domain name will be the online identity for your organization for your Web site and email addresses. You may find out if the domain name you desire for your organization is available at a website such as www.networksolutions.com.

PREPARING YOUR ARTICLES OF INCORPORATION AND CORPORATE BYLAWS

ARTICLES OF INCORPORATION

One of the most important parts of the incorporation process is developing your Articles of Incorporation.

The Articles of Incorporation (also known in New York State as a Certificate of Incorporation) is a document that establishes your organization as a legally recognized entity. It includes such information as the name and purpose of the organization, as well as an acknowledgment of the laws and guidelines with which the organization must comply in order to be an incorporated, nonprofit entity. At least one person who will be legally responsible for the conduct of the organization must sign the document. You will also need to identify a minimum number of initial Board members. In New York, this minimum number is three, but requirements vary from state to state.

Corporations fall under the supervision of at least one state agency from which they must obtain written approval in order to become incorporated. For example, day-care centers need the approval of the Department of Social Services, while a substance-abuse facility might require the consent of a number of state agencies, including the Office of Alcohol and Substance Abuse Services and the Department of Health. You can ask these agencies for advice about the language used in your Articles of Incorporation, in order to ensure that your request is approved.

Because your Articles of Incorporation must comply with the nonprofit statutes of your state, you should carefully follow all the instructions provided by your Secretary of State, and you should seek the advice of an attorney before filing. Keep in mind that if you intend to file for tax-exempt status, the Articles of Incorporation must also include specific state and federal exemption language.

In New York, the state offers the following forms and related instructions as guides to what the Articles of Incorporation must include:

Form DOS-1510 should be used if you do not intend to file for tax-exempt status. (Not a likely choice for most of you reading this book. If you’ve decided to take the time to incorporate, you are probably planning to apply for tax-exempt status as well.)
Form DOS-1511 should be used if you anticipate applying to the Internal Revenue Service and the N.Y.S. Department of Taxation and Finance to obtain tax-exempt status.

CORPORATE BYLAWS

The Articles of Incorporation describe how your group will be organized; Corporate Bylaws lay out how it will be run.

Corporate Bylaws are the rules, processes, and definitions governing the operation of your organization. The Bylaws you create will detail the rules and procedures for such matters as electing officers and directors, holding meetings, handling money, keeping corporate records, and conducting other business affairs. There are various sample templates available to help you get started, including New York State Forms DOS-1510 and DOS-1511, as mentioned above. We’ve also included a template in the chapter on Boards of Directors. If you choose to draft the Bylaws yourself, an attorney familiar with nonprofit law should review them.

In New York State, Corporate Bylaws need not be filed along with the Articles of Incorporation, but they must be adopted in order for your organization legally to begin operations. Once the Bylaws have been adopted, they must be made available to anyone who requests them. In addition, the bylaws should be submitted along with the application for tax exemption.

For convenience—as you will likely need to consult many of the same forms and experts to assist you with both processes—and to ensure that your group is ready to begin to operate as soon as it is able, we recommend that you create both your Articles of Incorporation and your Corporate Bylaws at the same time.

FILING YOUR ARTICLES OF INCORPORATION

File your Articles of Incorporation with the Secretary of State according to the instructions provided by your state. Any required consents or approvals must be attached, along with a filing fee that was $75 in New York at publication time.

After you have filed your Articles of Incorporation, the Secretary of State will respond with either a Certification of Incorporation or a letter detailing any problems with what you filed. When your Articles of Incorporation are properly filed and accepted by the Secretary of State, your organization will be legally recognized as a nonprofit corporation.

You may contact the New York Department of State at (518) 473-2492 if you have any specific questions about your plans to file for nonprofit incorporation.

APPLYING FOR TAX EXEMPTION

While the incorporation process occurs at the state level, the tax-exemption process starts at the federal level—with the Internal Revenue Service. The most common type of tax-exempt nonprofit organizations—“charitable organizations”—are often referred to as “501(c)(3)” organizations because they qualify for tax-exempt status under section 501(c)(3) of the I.R.S. Code.

To be a tax-exempt organization as described in section 501(c)(3) of the I.R.S. Code, your group must meet several criteria. It must be organized and operated exclusively for the purposes outlined in that section of the code—educational, religious, or charitable, for example. The group’s earnings cannot go to enrich any individual or shareholder (except in the form of wages). It may not influence legislation as a “substantial part of its activities” and may not participate at all in campaign activity for or against political candidates.
The application and instructions to apply for exemption from income taxes are contained in I.R.S. Package 1023. These must be filled out after your organization becomes incorporated at the state level. The main part of the application requires you to write a narrative about your organization’s work, answer questions concerning your activities and operations, identify what type of exemption you are requesting, and provide financial data in the form of a budget and a Statement of Financial Position (see the Financial Management chapter for more information on these items). You must also enclose a copy of your organization’s Bylaws if you’ve adopted them, your federal employer identification number if you have one (or an application for that number using Form SS-4), and a list of your Board of Directors (at least three people). Usually, a $375 filing fee must accompany the application, but organizations with small budgets may qualify for a lower fee.

Applying for tax exemption is a very detailed and exacting process, particularly if your organization has not been operating for more than three years. It is strongly advised that you seek the assistance of an attorney or an accountant in preparing the application. And don’t be surprised if your application is returned to you for correction or clarification.

Other helpful information can be found in the following I.R.S. publications:

- Publication 557, Tax-Exempt Status for Your Organization
- Publication 598, Tax on Unrelated Business Income of Exempt Organizations
- Publication 578, Tax Information for Private Foundations and Foundation Managers

These are available on the Internet at www.irs.ustreas.gov.

You can expect to wait six to nine months before the I.R.S. approves your application for tax-exempt status. At that time, you will receive a letter of determination from the I.R.S. stating that your organization has received provisional approval for a period of approximately five years. If during that time frame you demonstrate that the organization has been conducting its activities in an appropriate manner, permanent tax-exempt status should be granted.

If you would like to contact the I.R.S. for more information, call (800) 829-3676 to order forms and informational pamphlets. If you have access to the Internet, you can download all the necessary forms from the I.R.S. Web site, www.irs.gov.

The beginning steps of starting a nonprofit organization may be difficult. However, stick to your efforts; they will eventually pay off.
BUILDING YOUR PROGRAM: DESIGNING, BUDGETING, AND ASSESSING ITS IMPACT

Program planning is the process through which an organization defines its target audience and the need it will address; identifies how it will respond to this need; and develops a plan for providing its services that includes activities and projected costs.

Many organizations CRE has worked with over the years have managed to develop strong programs without ever going through a systematic program planning process. Most of these groups simply started addressing a need that they observed in their neighborhood, finding volunteers to implement the work and then revising their program as they gained experience and began to get informal feedback from their participants.

There are advantages to going through a more formal planning process, however. Even long-established groups can benefit from doing so, particularly if they are interested in developing a new program or refo- cusing an old one.

Program planning can help an organization:

- Clearly define its audience and problem to be addressed
- Define the goal of the program
- Set program objectives
- Select appropriate activities for meeting those objectives
- Develop ways to assess whether or not the program is working
- Identify the resources that are needed to implement the program
- Raise funds and write effective proposals

Ideally, program planning is a group process. Gathering a team and working together enables the organization to benefit from different perspectives, allows the group to understand and agree upon the program plan in advance, and creates an opportunity to distribute the work to be done. For a new organization, this means gathering everyone who will be involved, including those the organization hopes to serve. For an older organization, Board members, volunteers, consumers and staff members should all play key roles on a program planning team. In either case, the more people you can enlist to help create your program plan, the stronger it will be.

Program planning takes time and energy, but its benefits can be time-saving in the end. This section will take you through the program planning process step by step, offering examples and providing a list of resources to assist you.

The steps outlined in this section are:

- Defining whom you want to serve
- Understanding what your target audience needs
- Designing your program, including goals, objectives, and activities
- Assessing your program’s success
DECIDING WHAT KIND OF PROGRAM TO OFFER

DEFINING YOUR TARGET AUDIENCE

Ask yourself: “Whom are we going to serve?” If your answer contains the words or phrases “everyone,” “anyone who asks,” or “people in need,” this section is for you.

How do you define exactly what population your organization will try to reach? Sometimes your target audience more or less defines itself. For example, a group of refugees from Sierra Leone got together and began working with other refugees from Sierra Leone to help the latter group obtain refugee status, and to offer them support once they were released from Immigration and Naturalization Service (I.N.S.) detainment. This organization had no trouble defining its target audience: refugees from Sierra Leone in or recently released from I.N.S. detainment centers in New York City. This group’s leaders chose an issue with which they had particular experience, and an audience which they were uniquely qualified to address.

Have you already defined your audience? If not, as you try to do so, here are some questions to keep in mind:

- What populations are affected by the problem you want to address?
- What populations have you worked with?
- What populations are you best able to serve?
- If you already have a program, what populations do you currently serve?

Keep fine-tuning until you have identified a fairly specific group. If you cast your net too widely—for example, if you identify your target population as “all refugees in New York City”—you will dilute your potential impact and possibly your ability to attract funding.

UNDERSTANDING WHAT YOUR TARGET AUDIENCE NEEDS

DEFINING THE NEED

You can identify the need you will address in two ways:

- Informally, by conducting focus groups, administering surveys, and talking to community leaders and others such as teachers and religious leaders who work with the same target population.

- Formally, by conducting a needs assessment, which involves gathering the types of information mentioned above, as well as studies or articles documenting the problem, and then analyzing the services available to the target audience to determine whether the need you propose to address is truly unmet.
WHY DO A NEEDS ASSESSMENT?

In plain language, a needs assessment will help you determine whether your proposed work is truly necessary. It is important to know this before you begin: Fundraising is a challenge under any circumstances, but it will be impossible if your organization does not address a real need that other groups do not. A needs assessment is an opportunity to ask yourself (as others will ask you later): Why now, and why you?

The purpose of a needs assessment is to:

- Understand the extent of the problem. In the Sierra Leone example, a needs assessment allowed the group to determine how many refugees from Sierra Leone are experiencing the need identified, and whether there are specific sub-groups—men or youth, for example—that are more affected than others.
- Gather information about all the services that are available to your target population.
- Identify the gaps in the services available to your target population.

A needs assessment is also a great opportunity to involve current or potential program participants in the planning process. Ask them about their needs and about what gaps they see in the services available to them. This will help you design a program that is truly responsive to your target population.

Whether your data collection is formal or informal, at the end you should be able to answer four questions:

- What do the individuals who are part of your target community identify as their key needs?
- What needs are not being met by other organizations serving this target population?
- Does the need you have identified fit within your organization’s mission or statement of purpose as captured in your incorporation papers?
- Do you have within your group the skills, experiences, and connections to the target audience that will enable you to address this need effectively?

In the case of the Sierra Leone group, many of the organization’s leaders were themselves refugees from Sierra Leone and/or mental-health professionals who had insight into the needs of this population.

Use the following chart to guide you through the process. The completed chart should be used to inform your group’s choices about its programs and to form the basis of its case statement for funding (see the Fundraising chapter for more information on case statements).
## Needs Assessment Worksheet

1. **Describe Your Target Audience**, including such characteristics as race and ethnicity, socio-economic status, location, dominant language proficiency, and any other information that might help present a clear picture. Census data and the community profiles published by community boards, local officials, school boards, and others are likely to be helpful. *(see the resources section at the end of this chapter for other ideas.)*

2. **Identify any themes emerging from the qualitative data** you have gathered from focus groups, interviews, surveys, and group members’ own personal experiences, if relevant.

3. **Cite empirical data**, including reports, statistics, and other evidence you have compiled to document need.

4. **Identify any resources already available to the community** to address this need and/or to augment the work your group is proposing to do. The United Way, umbrella groups such as the Human Services Council of New York, agencies funding in a given area (such as the Department of Health), local officials, members of your target community, and other nonprofits can all be good sources of information on what services are available to the community you plan to serve. Review the list to determine service availability: Is your target audience receiving the services you believe are necessary? Are there barriers to accessing those services—price, language, location, hours of operation, hostility of staff (to active drug users for example), or a waiting list?

   **What gaps in service delivery do you see, if any?**

5. **List your group’s skills and experiences.** How do they relate to the gaps identified? Is there any overlap? Is there an obvious area of focus?

6. **Can the group agree on a course of action at this point?** Is there further information needed? If not, then...

7. **Describe the need your program will address.**
We’ve been assuming, OK hoping, that this has been a group effort. If not, stop here and present your work to current Board members, volunteers, and community residents, whose support you will need to make this program a reality.

DEFINING YOUR PROGRAM GOALS, OBJECTIVES, AND ACTIVITIES

GOALS

Now that you have identified the target population and the need you will address, it is time to begin planning the program you will deliver. The first step in doing this is to identify the overall goal of your program.

Goals are general statements about the long-term changes that your program seeks to make in its target population.

Goals provide direction for your program and should be consistent with your organization’s larger purpose. For example, the goal of the Sierra Leone group is to provide services to refugees from Sierra Leone in New York City, in order to enable them to have stable and secure lives.

OBJECTIVES

Objectives are specific, action-oriented statements that lay out what you plan to do to in an effort to meet your goals.

The goals of the group described above are to help make the lives of refugees from Sierra Leone in New York City more stable and secure. Their specific objectives are:

- To provide legal services to (insert number) detainees to help refugees through the immigration process.
- To provide mental-health counseling to (insert number) former detainees to help them adjust to living in New York City.
- To refer (insert number) former detainees to job counseling and placement services to improve their chances for obtaining stable employment.

Note the action words—the verbs “provide” and “refer”—in the example above. Other common action words found in objectives include “teach,” “train,” “employ,” and “distribute.”

Looking at what other organizations have done can help you set realistic objectives. You can also ask experts in the field to review your objectives, to help ensure that they are both on target and achievable.

In summary, to develop your program objectives, describe the actions you intend to take, and explain how those actions will help move the program toward its goals.

TRY WRITING A FEW OBJECTIVES OF YOUR OWN.
ACTIVITIES

Identifying proposed program activities is often where an organization has the most experience. When choosing your program activities, consider the following question:

Which activities will realistically help you meet your program objectives?

In the example provided, one of the group’s objectives was to refer refugees to job counseling and placement services in order to help them find stable employment. Appropriate activities for meeting this objective would include identifying job counselors and matching them with clients.

SEE IF YOU CAN IDENTIFY SOME ACTIVITIES THAT MIGHT HELP YOU MEET THE PROGRAM OBJECTIVES YOU OUTLINED ON THE PREVIOUS PAGE.

If you remember nothing else about goals and objectives, remember that OBJECTIVES are how you will meet your GOALS; ACTIVITIES are how you will meet your OBJECTIVES.
Now that you’ve made these critical decisions regarding your program, summarize them using the following worksheet. The completed worksheet can be used to inform your case statement, proposals or other materials needed to recruit volunteers or cultivate prospective funders. (See Chapter 2: Fundraising for details.)

**PROGRAM DESIGN WORKSHEET**

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<th>WHAT ARE THE MAJOR OBJECTIVES OF THE PROGRAM?</th>
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<th>WHERE WILL THESE ACTIVITIES TAKE PLACE? ON WHAT SCHEDULE? DAY, EVENING, WEEKENDS? WILL PARTICIPANTS NEED TRANSPORTATION?</th>
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<th>WHO WILL IMPLEMENT THESE ACTIVITIES? PAID STAFF OR VOLUNTEERS? HOW WILL THEIR WORK BE COORDINATED? WHO WILL HANDLE THE ADMINISTRATIVE DETAILS?</th>
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<th>HOW WILL YOU GET THE WORD OUT ABOUT THIS PROGRAM AND RECRUIT PARTICIPANTS?</th>
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<th>IF NECESSARY, WITH WHOM WILL YOU COLLABORATE IN ORDER TO IMPLEMENT YOUR PROGRAM? HAVE YOU SECURED THE NECESSARY PERMITS (FOR THE USE OF FACILITIES) OR PERMISSION SLIPS (FOR YOUNG PEOPLE)?</th>
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SKETCHING OUT A BASIC PROGRAM BUDGET

Once you have designed your program, you will be ready to develop a program budget. To figure out what expenses will be associated with your program, estimate how much you think you will spend in each of the following categories over the course of one year. Feel free to add other categories as needed, but keep it realistic: Start-up organizations often create budgets that are far too large to raise in their first attempt. Comparing your budget to the budget of a similar organization is a good way to find out whether your estimates are on the mark.

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<th>BUDGET ITEMS</th>
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<td>SALARIES AND BENEFITS OF STAFF MEMBERS</td>
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<td>OFFICE SUPPLIES AND EQUIPMENT</td>
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<td>PROGRAM MATERIALS</td>
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<td>COST OF PROMOTING PROGRAM AND RECRUITING CLIENTS</td>
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ASSESSING YOUR PROGRAM’S SUCCESS

While you are working on designing your program, you should also be thinking about how you plan to evaluate it. Not having an evaluation strategy can hurt your funding prospects (many funders require some discussion of an evaluation plan in the proposal), and the longer you put off developing evaluation measures and establishing data-collection mechanisms, the harder it will be to do so. So as you are thinking about what you want to do, keep asking yourself, “How will we know if our program is doing what we set out to do?”

There are two types of evaluation: internal self-assessment and outside evaluation. Even when conducting an internal self-assessment, it is best to hire an outside evaluation expert to facilitate the process. However, if hiring an outside evaluator is not an option, an organization can still gather useful information and get a sense of its progress by following the steps outlined in the section below. Conducting your own program assessment will allow you to report on your achievements and improve your program while you work to raise the money to support more in-depth evaluation activity. Your eventual goal should be to hire an evaluation specialist to help you institute a formal program-assessment system.

*Additional program-evaluation resources are included at the end of this chapter.*

CONDUCTING YOUR OWN PROGRAM ASSESSMENT

Very simply, a program assessment is conducted to figure out whether or not a program had the desired effect. Did the activities performed cause the desired change? Did the program affect its participants, or the environment? If an organization is willing to look at both its successes and its shortcomings, it will be more likely to make effective program changes when needed. Also, knowing what’s going on at other organizations in similar fields of work will allow you to learn from their experiences as well as your own.

Conducting a successful self-assessment is a six-step process:

1. **Begin with Clear Program Objectives**

   Take the time to identify the objectives that will best enable the organization to realize its goals. Make sure you have a clear understanding of how they will achieve the desired results. You should have developed a set of objectives as part of the previous exercises. Revisit them with an eye toward what type of change they are intended to create. Will they result in a change in economic conditions, behavior, attitude, or knowledge? Or will the change be an increase in access to services?

   The Sierra Leone Project has three objectives: to provide legal services to detainees to help them through the immigration process; to provide mental-health counseling to former detainees to help them adjust; and to refer former detainees to job-counseling and placement services to improve their chances of obtaining stable employment. These objectives are how the organization hopes to improve the lives of refugees from Sierra Leone in New York City—the organization’s goal. By referring clients to job-training programs, the group is working toward a change in access to services that could help lead to employment; by providing counseling, the group hopes to improve the mental state of participants, creating a change in attitude.

2. **Define Program Outcomes**

   Once you’ve identified your program objectives, you can begin to develop realistic anticipated outcomes. Outcomes are the concrete targets an organization sets for itself. Identifying projected outcomes will allow you to determine whether your program is (or is not) making real progress toward its goal.

   For example, one of the Sierra Leone Project’s objectives is to provide mental-health counseling to refugees
in order to help them adjust. One of the group’s desired outcomes—a measurable step along the way toward fulfilling this objective—is to improve the self-esteem and confidence of 50 percent of the clients who receive counseling services for one year. Another of the project’s projected outcomes is for 100 percent of detainees to receive legal assistance within one year of detention—a giant step toward meeting their objective of providing legal services to detainees in order to help them through the immigration process.

Desired outcomes should be revised as a group makes progress, and they can be projected for the short or long term. For example, the Sierra Leone Project for refugees may expect to have all the refugees in I.N.S. detention centers released and employed within three years (long-term outcomes), but may expect to see measurable improvements in mental-health status and access to legal services within the first year (short-term outcomes).

3. Collect Program Data

Most organizations keep records of their program activities. Generally, groups track the number of clients they enroll or serve, and the frequency with which they hold events and offer services. This information allows an organization to show funders and others that it is implementing the program as planned.

At the Sierra Leone Project, the staff kept track of their mental-health programs by recording the number of clients requesting individual counseling, demographic information about those clients, the number and length of counseling sessions held, and the duration of each counseling engagement. By doing so, the project was able to report that, in a six-month period, each one of 50 refugees received two hours of individual counseling per week.

4. Gather Feedback

Often, program participants and/or staff members can offer important feedback about how a program is going, or how it could be improved. Does your program have a regular way of asking clients about their experience with the program? Is there an opportunity for staff members to talk freely about what is or is not working? Common feedback mechanisms include surveys, individual interviews, group interviews, and observations. A useful rule of thumb is that a group should try to collect information from three different sources—say, a survey of clients, a focus group composed of other people in clients’ lives, such as teachers or family members, and an interview with the staff person involved in the program. Hearing from three different places that your program is succeeding or having a problem will give your findings more validity.

The Sierra Leone Project gathered feedback of different kinds at several different levels. Every three months, the staff compared their progress against the projected outcomes and the program’s objectives. The team discussed relevant issues, stumbling blocks, and successes. Staff members reported on clients’ progress in improving their confidence, and in obtaining jobs and legal assistance. Annually, a meeting was held with clients, who shared their experiences with the program. The executive director met with the attorneys twice a year to discuss progress with individual legal cases. Upon completion of the program, each participant filled out an evaluation survey.

5. Survey the Field

Find out what other organizations are doing. Connect to umbrella groups in your field. Are other organizations facing problems similar to those faced by your program staff members? How have they decided to address those issues? Are your program goals similar to those of other organizations? How are they collecting information on program outcomes? Are they willing to share their data-collection tools?

In their efforts to survey the field, the Sierra Leone Project’s staff attends a quarterly meeting of immigrant programs, subscribes to a national journal, and attends an annual conference.
6. Analyze the Information and Make Necessary Adjustments

Review all the information you’ve collected and see how your program’s progress stacks up to your program objectives: Are you achieving what you set out to do? If not, why not? Are some activities getting better feedback or results than others? This will help you to determine what’s working and what isn’t, and will allow you to propose appropriate adjustments to your program.

At the Sierra Leone organization, the program director, staff members, and some participants annually reviewed notes from their quarterly meetings, notes from the meeting with program participants, and the director’s program observations. This allowed different perspectives to be discussed and led to suggested changes that the program director might not have otherwise considered. For example, clients mentioned that they would like to take an English as a Second Language (E.S.L.) class to be better prepared for job interviews. The project decided to respond to this need by searching for an appropriate, locally based E.S.L. program for its clients.

The flowchart that follows illustrates how all these steps come together for another group, The Employment Readiness Project. (We thought we would give you a break from the Sierra Leone example.)

The Employment Readiness Project’s purpose is to help low-income upper Manhattan residents obtain the skills they need to find jobs. The project’s strategy is both to increase participants’ confidence about looking for work, and to teach them how to identify job openings and apply for work. The project offers workshops on resume-writing and job-interview skills, conducts individual job-counseling sessions, and makes referrals to internships and job-training programs. This is the project’s program planning chart.
You may be wondering why the Employment Readiness Project’s outcomes do not include job placements. Given their limited resources, this project is designed as a pre-employment program. The activities are focused on helping participants obtain the skills (interviewing), tools (resume) and confidence needed to get jobs. Upon completing the program, individuals are referred to job placement and training programs.

Compared to the time and tasks involved in completing the steps in this chapter, the five chapters that follow will be a breeze. We know it may have felt a bit overwhelming at times and you may have had to fight the urge to skip ahead, but by taking your time and following the steps outlined, you’ve set the ground work for an effective program, a program whose foundation will match the ideals you originally had when you decided to start a nonprofit. Now, to the next task—identifying prospective funding sources and preparing appropriate materials for their consideration.
# PROGRAM PLAN SUMMARY WORKSHEET

At this point, you should be able to succinctly answer the questions on the worksheet below. The completed worksheet will provide you with a summary of your new program for use in proposal writing and other fundraising activities, organizational planning, and orientation of new Board members and volunteers. If you are unable to answer one or more of the questions below, go back and look at the relevant sections and accompanying assignments again.

<table>
<thead>
<tr>
<th><strong>WHO IS YOUR TARGET AUDIENCE?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WHAT IS THE PROBLEM OR NEED THAT YOUR PROGRAM WILL ADDRESS WITH THIS AUDIENCE?</strong></td>
</tr>
<tr>
<td><strong>WHAT KEY POINTS DID YOU DISCOVER IN CONDUCTING YOUR NEEDS ASSESSMENT?</strong></td>
</tr>
<tr>
<td><strong>WHAT ARE THE GOALS OF YOUR PROGRAM?</strong></td>
</tr>
<tr>
<td><strong>WHAT ARE THE OBJECTIVES OF YOUR PROGRAM?</strong></td>
</tr>
<tr>
<td><strong>WHAT ACTIVITIES WILL YOU IMPLEMENT TO MEET YOUR PROGRAM GOALS AND OBJECTIVES?</strong></td>
</tr>
<tr>
<td><strong>DOES YOUR PROGRAM FIT WITHIN YOUR ORGANIZATION’S MISSION?</strong></td>
</tr>
<tr>
<td><strong>HOW WILL YOU EVALUATE YOUR PROGRAM?</strong></td>
</tr>
<tr>
<td><strong>WHAT RESOURCES WILL YOU NEED TO IMPLEMENT YOUR PROGRAM?</strong></td>
</tr>
<tr>
<td>SPACE</td>
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<tr>
<td>STAFF</td>
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<tr>
<td>VOLUNTEERS</td>
</tr>
<tr>
<td>EXPERTISE</td>
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<tr>
<td>OUTREACH PLAN</td>
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<tr>
<td>MATERIALS</td>
</tr>
<tr>
<td>OTHER</td>
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<tr>
<td><strong>WHAT ARE THE ESTIMATED COSTS OF:</strong></td>
</tr>
<tr>
<td>SPACE</td>
</tr>
<tr>
<td>STAFF</td>
</tr>
<tr>
<td>OUTREACH PLAN</td>
</tr>
<tr>
<td>MATERIALS</td>
</tr>
<tr>
<td>OTHER</td>
</tr>
<tr>
<td><strong>WHAT IS YOUR ESTIMATED YEARLY PROGRAM BUDGET?</strong></td>
</tr>
<tr>
<td><strong>HOW DO YOU PLAN TO RAISE THE MONEY FOR THIS PROGRAM?</strong></td>
</tr>
</tbody>
</table>
RESOURCES

INCORPORATION AND TAX EXEMPTION

Lawyers Alliance for New York. Contact by phone: 212-219-1800. For an administrative fee and filing costs, this group will assist with the incorporation and tax-exemption processes. Focused on New York City-based efforts looking to address the causes or effects of poverty.

PROGRAM DEVELOPMENT


NEEDS ASSESSMENT

GENERAL

Community Resource Exchange, www.crenyc.org. Toolbox on fundraising and other management topics and links to other resources.


“Community District Needs,” Department of City Planning. Contact by phone: 212-720-3300. Has general information by community district on demographics, people on public assistance, housing characteristics, race, age, day-care and senior centers, and a statement of needs.

The United Way of New York City, www.unitedway.org. Contact by mail: 2 Park Avenue, New York, NY 10016; or phone 212-251-2500. An umbrella group for many human-services organizations.

Substance Abuse and Mental Health Services Administration, www.samhsa.gov/statistics/statistics.html. Has national information on alcohol and drug use, related emergency department episodes, and the substance abuse treatment program. Also has drug abuse data by state.


City Limits magazine, www.citylimits.org. Publishes New York City-focused articles, both timely and forward-thinking. Offers digestible statistics and links to other helpful resources.


Census Bureau, www.census.gov. In addition to national information, has state and county estimates on population, gender and race. Also has information from the 1990 Census on educational level, housing characteristics, income, and poverty, as well as business statistics.
City of New York, www.ci.nyc.ny.us/home.html. Offers links to individual city agencies. The Web sites of many agencies, such as the Department of Health, the Administration of Children Services, and the Department of Juvenile Justice, contain data on the populations they serve.

“The Service Atlas”, The New York City Nonprofits Project, www.nycnonprofits.org. Lists over 6,000 nonprofit organizations in New York City which provides direct services - everything from day care centers to museums. And you can search by address, zip code, neighborhood, or other geographic areas.


H.I.V./AIDS RELATED


MODEL PROGRAMS

Forum for Youth Investment, www.forumforyouthinvestment.org. Committed to increasing the quantity and quality of services available for youth. The Community and Youth Development Series offers a number of examples of successful youth leadership development programs.

Bailey House, www.baileyhouse.org. AIDS service organization specializing in developing housing for people with AIDS. Housing effort has been independently evaluated and found to be effective in helping people with H.I.V. remain healthy for longer periods of time.


EVALUATION


CHAPTER TWO: FUNDRAISING
When you think about your organization’s work, your mind probably jumps immediately to the community you want to help and the services you want to provide. But whether your goal is serving food to the hungry, helping battered women find shelter or educating people about H.I.V., nothing you do is more integral to your organization’s mission than fundraising.

People who work at nonprofit organizations sometimes set up a dichotomy in their minds between fundraising and the organization’s “real work.” This is a serious mistake. Fundraising is like the work that goes on behind the scenes at a play: Your audience doesn’t see it, but it is absolutely vital to the success of the enterprise. Without it, you will wind up turning away the very people you have set out to help. So while we won’t promise to make you love fundraising, we do hope that as you work through this chapter you begin to appreciate the art.

Much of the fundraising advice available assumes that you have an active, functioning Board, a program with a track record you can point to, some funding, and a staff to support your fundraising efforts. But what if you are starting a brand-new group, without these systems or structures in place?

Hundreds of thousands of thriving nonprofits were once where you are today. To start fundraising from scratch, they:

- Developed a strong case statement
- Determined the best ways to fund their organization
- Decided whom to approach, and how
- Formulated a fundraising plan

This chapter will take you through these steps to help you bring in your first dollars and start you thinking about how to fund your organization into the future.

First, however, you should understand a few things about the landscape in general—such as where the money that supports the nonprofit sector comes from.

The government (local, state and federal) is by far the largest entity supporting the nonprofit sector in this country. Over the past 20 years, the government has given over responsibility for many public-sector functions to the nonprofit sector. Funding followed—not enough to provide all the services needed, we think most would agree—but enough that that government is now responsible for 36 percent of all dollars in the sector.

Lagging way behind at 10 percent is the contribution of the private sector, which includes donations and grants from individuals (including bequests), foundations, and corporations. Within the private sector, individuals give 80 percent of the total funds, a number that has held pretty constant for more than 10 years.

Finally, 54 percent of funding for nonprofits is generated by the nonprofit organizations themselves, in earned revenue or commercial ventures (think Girl Scout cookies). An analysis by the American Association of Fundraising Counsel of the increase in commercial-venture activity among nonprofits shows that segments of the nonprofit sector that lost government dollars over the last decade (youth organizations, for example) have sought to compensate by turning to entrepreneurial ventures.
The following chart illustrates the breakdown:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Sector</td>
<td>10%</td>
</tr>
<tr>
<td>Commercial Ventures</td>
<td>54%</td>
</tr>
<tr>
<td>Government</td>
<td>36%</td>
</tr>
</tbody>
</table>

American Association of Fundraising Counsel, 2001

Now that you know where the money comes from, you must learn how to access the right resources for your particular organization.

PRESENTING A POLISHED PITCH: DEVELOPING A STRONG CASE STATEMENT

The core element of any successful fundraising or development program is your group’s case statement. A case statement is a brief document, no more than two pages or so, that makes your “case”: It explains why potential funders (institutional or individual) should support your organization. A case statement informs your proposals or appeal letters to donors. To build a strong claim for funding, an organization typically tries to answer the following questions in its case statement:

- Why does our agency exist?
- What are the specific problems that we have taken on, and who will benefit from our work?
- What methods will we use to combat these problems?
- What resources do we have that will help us achieve our objectives, such as staff, Board leadership, volunteers, community alliances and other support?
- How much money will be needed to meet our goals? Where does our financial support come from now?

If you have gone through the program-planning process and conducted a needs assessment (see the program planning section of Getting Started, p. 19.), many of the answers to these questions will already be at hand. For example, the question “Why does our agency exist?” is really just another way of asking “What audience and need will our agency address?” The question “What methods will we use to combat these problems?” can be answered easily if you have already outlined clear objectives and identified related activities. And if you have created a preliminary budget (see Financial Management, p. 95), you’ll know exactly how much money you anticipate needing to meet your goals.

Another approach to developing a case statement is to try to anticipate—and answer—the questions potential donors are most likely to ask.

Your first large donations will come from people or institutions acting on faith, making an investment in
your group based on your vision and your case statement. To raise their confidence (and your own), sup-
port your case statement with reasonable projections of your budget and income. Be prepared to answer
questions such as, “What will you do if you can’t raise all the money that you need?” Show that you’ve
already begun the process of researching and contacting potential funding sources. By listing who’s
already contributed money, materials and time, you will show those early donor prospects that others have
already given your project a stamp of approval.

Your completed case statement should be used as the basis for all your fundraising and recruitment
material, including proposals, invitations to join the Board, and letters to founding donors. This ensures
that everyone in the organization is conveying the same basic message to those they contact.

SELECTING THE RIGHT SOURCES: DETERMINING THE BEST
WAYS TO FUND YOUR ORGANIZATION

A community-based organization’s first contributions are rarely financial. They come in the form of time, energy,
meeting space or expertise donated by friends, family members, former co-workers and neighbors. These initial
contributors form a preliminary support network upon which an organization can begin to build. So begin a
“resource” list of all the people who have expressed interest in some aspect of your work. What might each per-
son contribute to helping you get started—goods or services, networking, monetary support, even child care?

Within this same group will be the organization’s very first donors. Although you may begin with a core of
very modest donors, some of them will go on to reach out to their own networks to help raise money for
your new organization. In addition, these first contributors will show that you have a base of community sup-
port, which will in turn help leverage larger contributions from businesses and grant-making institutions.

There are hundreds of ways for a nonprofit group to raise money, but most sources of funding will fit into
one of three basic categories: government funding, charitable contributions, and earned income. Charitable
contributions can be further broken down into two large subcategories: foundation grants, and donations
from individuals, businesses, faith-based institutions and federated giving programs such as the United Way.

Here, in a nutshell, is an overview of the various funding sources available to nonprofit organizations,
and the advantages and challenges of raising money from each type:

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>ADVANTAGES</th>
<th>CHALLENGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDIVIDUALS</td>
<td>LARGEST SOURCE OF PRIVATE GIVING</td>
<td>REQUIRES SIGNIFICANT ASSISTANCE FROM THE ORGANIZATION’S BOARD AND VOLUNTEERS</td>
</tr>
<tr>
<td></td>
<td>ONGOING RESOURCE THAT CAN BE EXPANDED OVER TIME</td>
<td>INITIAL AMOUNTS RAISED WILL PALE IN COMPARISON TO POTENTIAL FOUNDATION OR GOVERNMENT GRANTS</td>
</tr>
<tr>
<td></td>
<td>“ONCE A GIVER, ALSO AN ADVOCATE”</td>
<td>REQUIRES ABILITY TO KEEP TRACK OF, AND RELATE TO, MANY INDIVIDUALS MAKING CONTRIBUTIONS</td>
</tr>
<tr>
<td></td>
<td>VOLUNTEERS ARE ALREADY COMMITTED TO THE CAUSE AND ARE THEREFORE LIKELY TO MAKE FINANCIAL CONTRIBUTIONS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DONATIONS FROM INDIVIDUALS HELP DEMONSTRATE BROAD-BASED SUPPORT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MOST FLEXIBLE OF ALL FUNDING SOURCES</td>
<td></td>
</tr>
<tr>
<td>SOURCE</td>
<td>ADVANTAGES</td>
<td>CHALLENGES</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| FAMILY FOUNDATIONS            | * Sources of large sums of money  
  * Distribute funding at award of grant and at six-month mark  
  * Maintain accessible, professional staffs  
  * Offer clear guidelines and a process for applying  
  * Board volunteers can help with application process, but are not always key  
  * Specific to small family foundations  
  * Not fussy about format  
  * May provide long-term support for pet causes | * Application process may take a long time  
  * More difficult to access through personal influence  
  * Proposals are simpler than government grants  
  * If proposal is rejected, organization may have to wait one year before reapplying  
  * With few exceptions, fund for three-year cycles, regardless of how well organization performs  
  * Specific to small family foundations  
  * Few accept unsolicited proposals |
| COMMUNITY FOUNDATIONS         | * Much like large family foundations  
  * Staff may be sufficient to handle application process | * Most money is earmarked for specific organizations and/or issues. Only a small percentage of funds are unrestricted and available to the average organization |
| CORPORATIONS/CORPORATE FOUNDATIONS | * No term limits to grants like those set by foundations  
  * Can be source of large sums of money  
  * May provide ongoing support (in smaller amounts)  
  * Often maintain an accessible, professional staff  
  * Volunteer involvement on the part of corporation employees  
  * Often guarantees funding  
  * Organizations may be able to access money through the marketing side as well as through corporate charitable-giving programs  
  * May offer free space for events, access to equipment, or other in-kind donations | * Average grant is fairly small, $500 to $5,000; atypical grants of $25,000 or more are usually tied to a long-term relationship  
  * Require demonstrated financial responsibility and organizational skills, i.e. up-to-date financial statements and audits  
  * Organization must meet specific guidelines  
  * Unlikely to contribute if they are not headquartered locally, or if they do not have a public consumer base |
| FEDERATED GIVING PROGRAMS (UNITED WAY AND OTHERS) | * Steady source of money  
  * Clear process  
  * Professional grant-making staff | * Generally don’t fund startup organizations  
  * Primarily interested in direct-service organizations  
  * Membership process is very lengthy  
  * May entail restrictions on fundraising from other sources  
  * Very time-consuming, as must wait for results of annual appeal |
| FAITH-BASED ORGANIZATIONS     | * Often looking for projects involving members of a congregation | * Tend to focus efforts solely on services aimed at their faith community  
  * Can be fairly conservative in nature |
To find the right combination of fundraising vehicles for your agency, consider the following questions:

- **How much time will it take?** Applying for funding from large institutions can take three to nine months. Organizing community events may take two to six months. A current donor may be asked for and give a major gift in a matter of weeks.

- **How much money will you have to spend up front?** You can spend thousands of dollars in deposits for space rental, catering, etc., for a special event before you’ve raised a dime. Or, if you apply for a government grant, they are often paid on a reimbursement basis, which means you have to run the program, incur expenses, and then submit invoices, called vouchers, for payment. In cases such as these, it is important to take cash flow into account.

- **How much money will you clear after expenses, and what else might be gained from the time and money spent?** Some fundraising methods will net fewer dollars, but may result in more relationships, visibility, and leadership experience, which will lead to much more money later on.

- **How many people must be involved in the effort in order to make it successful?** Generating proposals is usually handled by key staff members, while awards dinners, ad books, and major donor programs may require staff and Board members to coordinate dozens of volunteers.

- **Is this the best way to raise funds from the targeted donors?** Does this method fit with what you know about the potential donors’ interests, patterns and capacity to give?

- **Is the timing right?** Some dates or seasons may be better than others for certain types of fundraising. For example, early September probably isn’t a good time to involve parents who are getting their kids ready for school, unless the fundraising vehicle has a direct link to that activity, such as a trip to the outlet malls to buy school clothes.

- **What skills are needed to carry out this plan?** Will the staff or Board members need training or other support?

- **Is this a manageable risk?** Especially the first few times you try something, you may be learning the hard way. Is there a way to lessen the impact if your chosen method isn’t successful?
Review the different types of funding your organization might pursue. Can your group of core supporters help you reach out to any of these prospective donors? Over the long term, you’ll want to invest time in building a variety of fundraising skills and a network of relationships with individuals in the funding world. To get started, however, focus on raising funds from sources already within your range.

The following chart offers a breakdown of how a typical startup organization might assess its various funding options. A blank chart follows for your use.

**SAMPLE FUNDING SOURCE ASSESSMENT**

<table>
<thead>
<tr>
<th>FACTORS TO CONSIDER</th>
<th>INDIVIDUALS</th>
<th>FOUNDATIONS</th>
<th>CORPORATIONS</th>
<th>FEDERATED GIVING PROGRAMS</th>
<th>FAITH-BASED ORGANIZATIONS</th>
<th>GOVERNMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOCUMENTS NEEDED TO REQUEST FUNDING FAIRLY EASY TO ASSEMBLE</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>FINANCIAL TERMS FAVORABLE TO EMERGING ORGANIZATION OR ORGANIZATION WITH LIMITED RESOURCES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>MAYBE, IF YOU DON’T HAVE ACCESS TO OTHER CORPORATE DOLLARS</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>TIMING OF POTENTIAL GRANT OR DONATION FAVORABLE TO ORGANIZATION</td>
<td>MAYBE</td>
<td>MAYBE</td>
<td>MAYBE</td>
<td>NO</td>
<td>MAYBE</td>
<td>MAYBE</td>
</tr>
<tr>
<td>ORGANIZATION HAS PRIOR KNOWLEDGE OF OR CONNECTION TO FUNDING SOURCE</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>SOURCE OPEN TO FUNDING STARTUP OR EMERGING ORGANIZATION</td>
<td>YES (CLOSE FRIENDS AND FAMILY)</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>MAYBE, IF CONNECTED TO A FAITH-BASED INSTITUTION OR LED BY SOMEONE OF THE SAME FAITH</td>
<td>NO</td>
</tr>
<tr>
<td>ORGANIZATION HAS STAFF/VOLUNTEER TIME AND SKILLS TO MEET REPORTING REQUIREMENTS AND/OR OTHER POST-GRANT OR POST-DONATION RESPONSIBILITIES</td>
<td>MAYBE, DEPENDING ON NUMBER OF DONORS</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
</tbody>
</table>
# FUNDING SOURCE ASSESSMENT WORKSHEET

<table>
<thead>
<tr>
<th>FACTORS TO CONSIDER</th>
<th>INDIVIDUALS</th>
<th>FOUNDATIONS</th>
<th>CORPORATIONS</th>
<th>FEDERATED GIVING PROGRAMS</th>
<th>FAITH-BASED ORGANIZATIONS</th>
<th>GOVERNMENT</th>
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<tr>
<td>DOCUMENTS NEEDED TO REQUEST FUNDING FAIRLY EASY TO ASSEMBLE</td>
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<td>FINANCIAL TERMS FAVORABLE TO EMERGING ORGANIZATION OR ORGANIZATION WITH LIMITED RESOURCES</td>
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<tr>
<td>TIMING OF POTENTIAL GRANT OR DONATION FAVORABLE TO ORGANIZATION</td>
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<td></td>
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<td></td>
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<tr>
<td>ORGANIZATION HAS PRIOR KNOWLEDGE OF OR CONNECTION TO FUNDING SOURCE</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOURCE OPEN TO FUNDING STARTUP OR EMERGING ORGANIZATION</td>
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<td>ORGANIZATION HAS STAFF/VOLUNTEER TIME AND SKILLS TO MEET REPORTING REQUIREMENTS AND/OR OTHER POST-GRANT OR POST-DONATION RESPONSIBILITIES</td>
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A WORD ABOUT EARNED INCOME

When most people think of fundraising, they think of donations and grants. But over half the growth in nonprofit revenue over the past 25 years has been achieved through earned income. Income-generating activities include:

- Selling donated merchandise, or having merchandise such as candy, T-shirts, or second-hand items sold by volunteers
- Collecting fees for services, such as admission charges, course tuition, or counseling or medical fees paid by the individual or through a contract with a third party (such as Medicaid)
- Earning interest, usually on funds set aside as an endowment and invested in the stock market
- Renting out office space or equipment
- Establishing a full-fledged business, such as operating a thrift shop or publishing books

Nonprofit agencies, by definition, can’t use the proceeds of these activities to benefit individuals or interests outside the agency’s educational or charitable purposes. Because 501(c)(3) organizations generally don’t have to pay property, corporate income or sales taxes, the I.R.S. is very strict about not allowing non-profits to compete with for-profits. Funds may be taxable as “unrelated business income” if they are earned through activity that isn’t directly related to your stated charitable or educational goals.

However, few community-based nonprofits will earn substantial enough amounts through business ventures to worry about risking their tax exemptions. Accountants typically define “substantial” as more than 15 percent of an organization’s time or total income. When that percentage moves closer to 25 to 30 percent, you will have to review the formal relationship between the business and your nonprofit, and consider establishing a separate entity to run the business.

There isn’t enough space here to explain the tax law in detail, and court rulings and new regulations lead to frequent changes. An experienced attorney or auditor can talk to you about the relevant state and federal laws, differentiate between taxable and tax-exempt activities, and tell you how to minimize any taxes you might have to pay. You can refer to I.R.S. Publication 598, “Tax on Unrelated Business Income of Exempt Organizations” (800-TAXFORM, or www.irs.gov), for an overview of the issues.

The fact that there may be legal or tax implications shouldn’t keep you from considering how your agency might diversify its funding base through earned income. There are a number of benefits to generating a portion of your income yourself:

- Sales and fees are ways to raise funds from people who might not give you an outright donation or grant, and who may or may not be interested in your cause, but who want to buy a product.
- The need to market your product builds community awareness of your group.
- You can be more self-reliant in times of financial uncertainty and budget cuts.
- In addition to generating income for your programs, a business venture can provide opportunities for your clients or constituents to develop skills and earn income. For example, you might hire homeless people to staff your business, or use the opportunity to teach a marketable skill to ex-offenders.

Of course, there are some risks involved in investing a nonprofit’s funds in a business venture as well. The less the business has to do with the mission, the less your Board and staff members will be equipped to manage it. It may take years before the enterprise turns a clear profit, and when it does people may think that since you’re visibly earning money, you no longer need outright donations. But all of these problems can be anticipated or overcome if the potential benefit to your organization is greater than the potential risk.
SETTLING ON A FUNDING STRATEGY: DECIDING WHOM TO APPROACH, AND HOW

Because this book is aimed primarily at new and emerging organizations, this section will focus on raising money from individuals and foundations. We will focus on individuals because they contribute the largest percentage of total private funding dollars to the sector, and because of the role they play in helping an organization begin to build a case for funding from other sources. As for foundations, which account for a much smaller portion of the total funds nonprofits receive, as a group they are more amenable to funding emerging organizations than are corporations or the government (although getting the first grant will still be a challenge); the staff and systems required to manage a couple of foundation grants is minimal compared to what it takes to manage funds from other sources; and foundation dollars are much less restricted, particularly compared to government funds.

However, all of the potential sources identified in the section above, including earned income where feasible, should be part of the funding vision you build toward over time, and you should work toward exploring and tapping as many of those sources as possible, to make your organization as financially strong and healthy as it can be.

RAISING MONEY FROM INDIVIDUALS

We’ll say it once more: The vast majority of all money donated to nonprofits by the private sector comes from individuals. Yet many organizations fail to pursue this type of funding simply because they, like most of us, don’t like to ask people for money. Fundraising guru Kim Klein, an organizer at heart, is most articulate on this subject. She traces our reluctance ask for money to cues we receive from the broader culture, where talking about, or asking for, money is taboo, and to things we pick up from our respective traditions and upbringing. However, she maintains—as do we at CRE—that it is our responsibility to raise the funds we need on behalf of the communities we care about, so that we can continue to work toward social justice and social change. We know it’s hard, but keep in mind a few points:

- You may never get over your distaste for asking for money, but you can minimize your reluctance by recognizing that you are not begging—that is, you are not asking for something for nothing. You are doing the work that donors care about and want done but cannot do themselves.
- Average people—not the very wealthy—give the most money to nonprofit organizations, and all of us know average people.
- Developing a donor base is essential to effective organizing. It helps build a broad base of support from within the community most committed to the issue you care about, and it puts a consistent flow of flexible resources within your control.

Looking for an example of successful fundraising from individuals? Look no further than your local religious institution. Why do they succeed? They ask; they ask often; and no gift is too small. In addition to being good role models for this type of fundraising, churches, synagogues, mosques and other faith-based institutions are also potential sources of funding for secular community-based organizations. Many are connected to regional, national and even international structures that have grant-making programs similar those found at traditional foundations. Examples include the Minority Group Self-Determination Fund of the United Methodist Church; the U.S. Catholic Campaign for Human Development; and the Jewish Fund for Justice.
You can try a number of different methods for raising money from individuals. Face-to-face appeals, personal phone calls, and personal letters have been found to be the most effective.

**FACE-TO-FACE APPEALS**

Meeting with someone face to face is the most effective method of getting a donation from an individual. You can expect about half the people you ask to give you a donation, and half of those to give you less than the amount requested. We know this method is difficult, but getting over the fear of asking lies partly in understanding that people are not rejecting you personally when they say no, and partly in understanding that you are doing this work on behalf of an organization or cause to which you’re committed. Finally, you should define success in terms of whether or not you asked, not whether or not someone gave, because if you ask enough people, eventually you will raise the funds you need.

**PERSONAL PHONE CALLS**

Almost as effective as the face-to-face appeal is a personal phone call from someone to a prospective donor whom she or he knows. The strength of this method is that it is quick and easy—as simple as picking up the phone and talking to friends and acquaintances. You can reach a lot more people in a lot less time than you could if you had to schedule face-to-face meetings with all of them, while still doing so in a very personal manner. Plus, the return rate for this method is generally high. The main weakness is that, since you are not in the donor’s physical presence, he or she cannot write a check on the spot, which means you simply have to hope that he or she will follow through on his or her commitment. You can improve the effectiveness of this method by sending a follow-up letter that includes a coupon for the donor to return with his or her check. This letter should be sent immediately after the call. While phone calls are most effective when people from the organization are speaking to prospective donors they know, you can also achieve a relatively high success rate by using a mutual acquaintance’s name as a reference.

**PERSONAL LETTERS**

Another way to raise funds from individuals is to have the people fundraising for your organization write letters to prospective donors they know. Sending out personal letters allows you to reach a significant number of people in a personal manner, but it is yet another step away from direct contact. This method tends to be easier for those who are afraid to talk to their contacts and ask them for money directly; however, the same thing that makes it easier for them—the distance—could turn off a friend or associate who might expect a more direct appeal. This approach can be improved by following the letter with a phone call, especially if the prospect is close to you, in order to keep the letter from feeling like too much of a deviation from your usual exchanges.

Many organizations do annual fundraising appeals through the mail, sending letters to hundreds of supporters. Usually, these lists are built by asking Board members, staff members and others familiar with the organization for names and addresses of people who might be willing to contribute. You can increase the probability that someone will respond to a fundraising letter by personalizing it—hand-addressing the envelopes and having someone known to the person hand-write a short message on the letter, for example.

**DEVELOPING AN APPEAL LETTER**

Requesting donations by mail generally works best if a personal letter is written by someone known to the recipient. If there is a personal connection, the writer can write about her or his experience with the organization, which makes for quite a compelling message. Almost as good is a personal note to the recipient written on a more generic letter asking for support. If you decide to do a larger, less personal appeal, use a mail-merge computer program to personalize the letter (i.e., try to avoid the “Dear Friend” opening). Finally, expedite the person’s ability to give by including a return envelope, and a response card such as the one on the next page.
SAMPLE APPEAL LETTER

July 22, 2002

Jane Smith
123 Broadway
Brooklyn, NY 11230

Dear Ms. Smith,

At least 70 percent of New York City’s 15-year olds admit to having tried drugs, or to using drugs regularly! Most research shows that peer pressure toward this type of behavior begins as early as 10 and that parents, often the best weapon against this scourge aside from peers who embody an anti-drug message, are ill-prepared or unwilling to address this issue.

The Good Organization was founded to bring positive alternatives to New York’s youth. Today, in addition to facing a multitude of other social problems, young people are confronted by drug dealers on almost every street corner. A recent study by the Academy of Educational Development indicated that 70 percent of high-school sophomores admitted to having tried drugs, while more than one-third of these youngsters admitted to regular substance abuse.

The Good Organization operates an after-school program for adolescents in Bushwick, Brooklyn. One of its hallmarks is a peer-mentoring program that dispatches trained young people to help other youngsters avoid the pressures at school and on the streets to turn to drugs. In the past year we have:

• trained 50 young people to act as peer mentors;
• worked with 500 teens, helping them learn to deal with the growing drug-abuse problem and encouraging them to join in the recreational activities offered by The Good Organization; and
• convinced 500 teens to sign pledges stating that they will not try drugs.

Our goal for the coming year is to expand to other areas of North Brooklyn. Your support will help us to hire more peer educators to get the job done. Please send $25, $50, $100, or whatever you can.

Sincerely,

Mark Justice
Executive Director

P.S. Please write your check now—your support is more important than ever.
SAMPLE THANK-YOU LETTER

July 22, 2002

Harriet Jones
99 Happy St.
New York, NY 10099

Dear Ms. Jones:

On behalf of the entire Good Organization, I wish to express sincere thanks for your generous gift of $50 on July 17, 2002. Donations from concerned people such as yourself are what allow our work to continue. In recent months, the support of people like you has allowed us to accomplish great things for our community. For example:

• We prevented the city from closing rundown public housing, which we will refurbish ourselves in order to keep needed homes in the community.

• At our annual summer clean-up, 30 people came out to help erase graffiti and pick up garbage in the neighborhood.

The Good Organization plays a vital role in maintaining, developing and advocating for the community. Without the generous support of donors like you, our organization would not be able to continue to do this important work.

Our plans for the near future include continuing our “Cleaner Streets, Safer Homes” campaign. We expect 50 people to be housed in renovated developments in the next three months. Your contribution will help us make this happen. Once again, thank you so much. The Good Organization and those we serve look forward to your continued support.

Sincerely,

Angela Change
Executive Director

P.S. Look for your invitation to our December event.

If a donor makes a contribution of greater than $250, she will need to furnish proof of tax-deductibility to the I.R.S. when filing her tax return. This proof usually comes in the form of a letter from the organization indicating the value or amount of the contribution, and stating that the donor received no goods or services in exchange for her contribution. If the donor did receive some goods or services—say, dinner, or cocktails at a reception—then the cost of those goods or services must be subtracted from the donation to determine the tax-deductible amount.

You can address this issue by including the necessary language directly in your thank-you letter. For example:

“On behalf of the entire Good Organization I wish to express sincere thanks for your gift of $300. For your records, we received your check on May 5, 2002, and no goods or services were provided by The Good Organization in exchange for this contribution.” Or “Thank you so much for your generous support of our summer event. For your records, we received your check of $5,000 on Aug. 2, 2002, for two tickets, of which the fair market value of goods or services provided was $25 per person.”
SPECIAL EVENTS

This fundraising method involves inviting prospective donors to some sort of gathering at which they are fed, entertained and solicited for funds. Special events often do more public-relations work than actual fundraising: Although some events make money, many do not. However, events are a great way to add to your prospect list (always make sure to record the names and addresses of those who attend your events so that you can solicit them for funds afterward). Use the fact that those who attended learned something about your organization and, hopefully, had a good time, even if they did not give at the event. For example, consider writing attendees a letter that reminds them of the event and asks for a contribution.

The weaknesses of this method are cost and time. In addition to the out-of-pocket costs associated with special events—invitations, postage, site rental, food and entertainment, for example—the amount of staff and volunteer time special events divert from the program and from other types of fundraising is tremendous. One failed big event for an organization in one year can be devastating. If you do decide to hold a special event, keep these tips in mind:

- Start small.
- Seek in-kind donations whenever possible for necessities such as space, invitations, and food.
- Be sure to follow up with those who attended.

CLOSING THOUGHTS

Here are some general suggestions for pursuing funds from individuals:

- Have the Board Chair or Chair of the Fundraising Committee ask each of the Board members to make a financial pledge to the organization.
- Have donation envelopes or a can for donations at every event.
- Establish an informal speakers bureau. Have Board members or clients go out and speak on behalf of your organization, and ask the host for an honorarium or to “pass the hat” around to the audience at the event.
- Ask local businesses to contribute materials or other goods or services, such as food or printing.
- Include a request for contributions in your newsletter or brochure.
- Invite allies to a house party with a low ticket price.
- Establish a schedule for sending those on your mailing list updates on your achievements, and send letters seeking donations at least once or twice a year (spring and fall mailings are typical).
- Consider starting a membership program, allowing supporters to join your organization for a fee, or a pledge program, in which donors commit to making regular contributions over a period of time.

Remember, it may take a year or two of trial and error before you begin to raise significant amounts of money, so start now! Your group needs to become accustomed to approaching community members on your behalf, and your potential donors need to be aware of your work and of your need for support. One of the keys to a consistent community fundraising program is getting everyone used to a schedule: You may have a party in the spring, a walkathon in the summer, a membership drive in the fall, and a major donor campaign at the end of the year. Along the way, make sure to recognize everyone’s hard work, to celebrate your accomplishments, and to keep careful records so that you can adjust and improve your methods over time.

RAISING MONEY FROM FOUNDATIONS

When people in the nonprofit sector think of fundraising, they often think about raising money from foundations. It’s not hard to see why: Foundation grants are convenient to have. They can fund whole
programs or staff salaries. You don’t need a crowd of people to raise a large amount of money—one person, assisted by other staff members or volunteers, can write several proposals for hundreds of thousands of dollars. Foundation grant proposals aren’t generally as complex as government grant applications, and the reporting requirements are usually more informal.

However, there are some drawbacks. Foundations tend to favor project requests and are reluctant to make general operating support grants. And while an individual, a company, or a family foundation might support you indefinitely, most foundations operate on a three-year cycle—meaning you are dropped from their portfolio after that period of time, regardless of your organization’s performance. An organization can manage fairly well for three to five years with funding from the most likely foundations, and then find it is “cycled out” of those funding prospects—leaving it scrambling to begin diversifying its funding base.

The vast majority of all grant-making foundations are private foundations, such as the New York Foundation, which give away the interest they earn on an endowment—a large sum of money generally invested in the stock market.

There are four basic types of foundations:

- **Independent foundations** are funded by individuals or through family endowments. There are thousands of independent foundations, which range from the largest foundations in the world, such as the Bill and Melinda Gates Foundation, to small family foundations that make modest grants to educational or community institutions with which they have personal relationships. Only 3,000 independent foundations have staff to review proposals and reach out to potential applicants.

- **Corporate foundations** are funded by a single company through an endowment and/or annual donations, but they are legally and financially separate entities. Decisions are made by a Board of Directors that is often composed of high-ranking company officials, but grant-making may also be handled by local representatives of a very large company. The grants corporate foundations make are usually related to the corporation’s products and activities, and are usually given to groups based in communities where the company operates.

- **Operating foundations** generally support only a few institutions, in addition to performing research projects and operating their own programs. The Fund for the City of New York is a local example. They run an incubator program, provide technical assistance and, in addition, they make some grants.

- **Community foundations** raise money from hundreds of donors. A traditional community foundation, such as the New York Community Trust, gives to a wide range of groups in a certain geographic area. Others, such as the Ms. Foundation, define their “community” by issue or constituency, not geography.

So what do foundations look for when considering a grant? The first criteria are nearly always geographic, based on where you and your constituency are located. Unless you’re fundraising for a national or regional organization, or the nature of your group’s work is highly specialized, it makes sense to start with local funders and then gradually widen your outreach to others who specify that they fund your neighborhood, city, or state. The farther you go afield—and especially once you begin to tap national funders—the more competition you will encounter. This will require you to distinguish your work from the work of hundreds of agencies with missions similar to yours.

Corporate foundations are not the same as company-sponsored giving programs. In-house giving programs are handled by the corporation’s management structure. Employee matching-gift programs and contributions to the local chapter of the United Way are common examples of company-sponsored giving programs.
Funders will also look for the following before making a grant:

- Similarities between your organization’s mission and theirs
- Evidence of your program’s strength and credibility
- Assurance that you are knowledgeable about your work, and that you’ve chosen the best way to address the problems you’ve identified
- A clear plan of action that is likely to lead to the results you’ve promised
- A budget that matches the details of your written plan

Patience is definitely a virtue when pursuing foundation dollars. Cultivating a relationship with a foundation staff member (typically called a program officer) takes time, and the proposal-review process can last six months to a year—assuming you do not receive an immediate rejection. If you are seeking foundation grants, fundraising planning (outlined later in this chapter) is not simply suggested—it’s a must.

RESEARCHING FOUNDATION PROSPECTS

WHERE TO LOOK

How do you arrive at a list of prospective foundation funders? Just as you would go to a dictionary to find the definition of a word, you begin to research funders by consulting the appropriate references.

The premier resource for this purpose is the Foundation Center. Headquartered in New York City, with cooperating collections across the country, the Foundation Center offers directories, a searchable computer database, and other research information. Some of these materials are available on its Web site, www.fdncenter.org, which also offers background information on philanthropy and the nonprofit world in general, as well as links to hundreds of other useful references.

The Foundation Center’s CD-ROM and written directories—including the comprehensive Foundation Directory, which lists all foundation grants made across the country—are indexed in several different ways: by the names of foundation officers and trustees, by geographic area served, by type of support (i.e. annual campaigns, emergency funds, general purposes, renovation projects, seed money, etc.), by subject area, and by foundation name.

If you work within a specific field of activity, your initial search time can be significantly reduced by looking in the Grant Guides, also published by the Foundation Center, each of which focuses on one subject area. These guides cover such issues as aging; alcohol and drug abuse; children and youth; matching and challenge support; minorities; and women and girls.

Of course, the Foundation Center is not the only place to research potential funding sources. The Grantseekers Guide is another valuable desk reference that any Executive Director or development officer should own (it is fairly inexpensive). It is similar to the Foundation Directory in that foundations can be looked up by issue area or by name. The funders are divided into two types: national and regional. The format makes a lot of sense, and the guide is easy to read. The Grantseekers Guide also begins with a series of articles, written by authorities in the field, on alternative funding sources and strategies for approaching them.

Even the most recent edition of a reference book can quickly become outdated, so your research should be supplemented with periodicals—publications and newspaper columns that cater to the needs of
grant-seekers like yourself. One such publication is the monthly Nonprofit Times, which offers news and feature articles on nonprofits. Free subscriptions are sometimes available to qualifying nonprofit directors. Another useful publication is the bi-weekly Chronicle of Philanthropy. It highlights news and runs features on fundraising, philanthropy and nonprofit management issues. (Both publications also have Web sites.) Regular scans through these and similar publications may yield funding prospects you might not otherwise have considered.

Other resources include daily newspapers, which often have columns relating to nonprofits. For example, there is a reporter who regularly writes on nonprofits and foundations for the Metropolitan section of The New York Times. Newspapers frequently offer interesting information about foundations, and they can help you identify the “hot issues” of the moment. The business section of general interest newspapers or periodicals focused on the corporate business world, i.e. the Wall Street Journal or Crain’s, offer useful insights as well.

Fundraising requires the efforts of the entire staff, not just the Executive Director. One of the easiest and most exciting ways to involve the staff is for them to attend—or for you to take them to—the “Meet the Grantmakers” series convened by the Foundation Center and the New York Regional Association of Grantmakers (NYRAG). The advantage of going to these events is that you get a picture of what foundation and corporate funders are actually interested in giving money for, and what they like to see in proposals—straight from the horse’s mouth. At these meetings, go up and introduce yourself to the foundation or corporate representative. Listen for clues about what they want to fund in the coming years. Ask questions to determine whether or not your program fits in with what they are interested in funding.

Local nonprofit support agencies, such as the United Way, or regional associations of grant-makers may also provide directories and technical assistance; if these agencies have mailing lists, ask to be put on them. Other ways to find potential funders include networking with other agencies like your own (or finding out who funds them); staying abreast of written material and Web sites that cover your field; and asking friendly funders for advice. You can also ask your Board members and supporters for ideas and contacts.

MAKING THE INITIAL LIST OF PROSPECTS

Before you open your first reference book, however, brainstorm a list of “keywords” that describe your work. For example, the Asian/Pacific Islander Coalition on H.I.V. and AIDS, an organization dedicated to educating and advocating for New York City’s Asian and Pacific Islander communities on issues related to H.I.V. and AIDS, might come up with a list that includes keywords such as AIDS, Asians, minorities, gays and lesbians, health, health services, advocacy, disadvantaged, and drug abuse, to name a few.

Next, take the list of keywords and use them in conjunction with one of the guides mentioned above to compile a list of foundations funding the subject areas (e.g. AIDS, health services, minorities) in which your organization works. Focus your list by flagging those names that appear under more than one relevant subject area and eliminating any foundations that do not serve your geographic area.

NARROWING DOWN THE LIST

Once you have completed your preliminary list, begin narrowing it down by checking into each foundation in more detail. Some things to look for include:

Giving Limitations

Look up each foundation on your list and check its giving limitations. If a foundation’s giving limitation
states “no grants for publications,” and you’re seeking funding to produce a brochure on proper diet for children with AIDS, cross that foundation off your list.

**Average Grant Size**

The next step is to look at each foundation’s average grant size. This will help you eliminate a good number of inappropriate sources. For example, if your organization’s budget is $50,000, it would not be wise to approach a foundation with an average grant size of $100,000. Don’t waste time with funders who will not entertain proposals from small nonprofits with small operating budgets.

**Purpose and Activities**

Just because a particular foundation is listed under AIDS and pediatrics doesn’t mean it is an automatic match for a pediatric AIDS group. The purpose and activities section of the directory can give you a clearer picture of whether or not the foundation is right for the organization. If the purpose and activities section specifies giving to AIDS organizations serving children in rural locations, then a New York City-based nonprofit should not apply.

**GETTING TO KNOW YOUR TOP TARGETS**

By this time, your list should consist of about a dozen or so foundation names, all of which sound promising. The next step is to contact all these prospects and ask for their annual reports and funding guidelines, or to seek out this information on their Web sites. Once you have a foundation’s annual report, look carefully at the list of recent grantees. Are the groups similar to yours in structure and in the scope of services provided? If so, you’re on the right track. If the groups are obviously much larger than yours, that particular foundation could be a long shot. Another strategy is to look for the names of groups you know, and then call them up and ask them how they approached a given foundation. Sometimes they are willing to share.

Approach is important. Just as you would approach individual donors according to their personalities, you should do the same with foundations. Reading a foundation’s annual report or Web site is a good place to start, since this information is developed by the foundation itself and will tell you much more about its style and interests than will a reference such as the Foundation Directory. As a starting point, it is always wise to make sure that the foundation’s philosophy or its main area of interest as described in its annual report coincides with yours. In fact, a foundation’s annual report is probably the best place to find hints on how to approach a funder. For example, to decide how much money to request, refer to the list of grantees and look at the amount each one received. Figure out the average amount given to groups similar in size to yours, and ask for that much.

Once you have completed your preliminary research, consolidate all of the information you have gathered on the most promising prospects, and indicate what action or actions should be taken next, as shown on the chart below. A blank chart follows, for your use.
## SAMPLE PAGE FROM COMPLETED FOUNDATION PROSPECTS CHART

<table>
<thead>
<tr>
<th>FOUNDATION</th>
<th>INTERESTS</th>
<th>TYPES OF SUPPORT</th>
<th>APPROACH/RECOMMENDED AMOUNT</th>
<th>ADDITIONAL INFO/SAMPLE GRANTS</th>
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<tbody>
<tr>
<td><strong>KAREN L. ROSA</strong>&lt;br&gt;VICE PRESIDENT AND EXECUTIVE DIRECTOR&lt;br&gt;THE ALTMAN FOUNDATION&lt;br&gt;521 FIFTH AVENUE, 35TH FLOOR&lt;br&gt;NEW YORK, NY 10175</td>
<td>PROGRAMS BENEFITING TALENTED DISADVANTAGED YOUTH; SOCIAL-WELFARE PROGRAMS PROVIDING LONG-TERM SOLUTIONS FOR NEEDS OF DISADVANTAGED</td>
<td>PROGRAM DEVELOPMENT</td>
<td>SEEK $20,000 TOWARD YEAR-ROUND AFTER-SCHOOL PROGRAM</td>
<td>PARENTS TO PARENTS/ALUMNI ADVISORY: $40,000&lt;br&gt;PROJECT REACH YOUTH BROOKLYN: $75,000 FOR AFTER-SCHOOL PROGRAM&lt;br&gt;BROOKLYN CHILDREN’S MUSEUM: $100,000 FOR AFTER-SCHOOL PROGRAM</td>
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<tr>
<td><strong>MRS. SARANE H. ROSS</strong>&lt;br&gt;PRESIDENT&lt;br&gt;BARKER WELFARE FOUNDATION&lt;br&gt;P.O. BOX 2&lt;br&gt;GLEN HEAD, NY 11545</td>
<td>CHILD WELFARE AND YOUTH AGENCIES; THE ENVIRONMENT</td>
<td>GENERAL SUPPORT</td>
<td>SEEK $5,000 IN GENERAL SUPPORT&lt;br&gt;WRITE TWO-PAGE LETTER OF INQUIRY ASKING IF WE CAN SUBMIT FULL PROPOSAL FOR CONSIDERATION&lt;br&gt;NEXT DEADLINE: AUG. 1</td>
<td>BOYS CLUBS OF N.Y.: $25,000&lt;br&gt;PARKS COUNCIL: $20,000&lt;br&gt;ARTS CONNECTION: $25,000&lt;br&gt;N.Y.C. OUTWARD BOUND: $10,000</td>
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<tr>
<td><strong>TRUSTEES</strong>&lt;br&gt;THE LOUIS CALDER FOUNDATION&lt;br&gt;230 PARK AVENUE, ROOM 1525&lt;br&gt;NEW YORK, NY 10169</td>
<td>“TO PROMOTE EDUCATIONAL, PHYSICAL AND PERSONAL DEVELOPMENT OF CHILDREN AND YOUTH IN GREATER NEW YORK...PRIORITY IS GRANTS THAT PROVIDE OPPORTUNITY FOR CHILDREN TO ACCESS MEANINGFUL NON-SCHOOL-HOUR PROGRAMMING...THAT STIMULATES ASPIRATIONS...”</td>
<td>CAPITAL, GENERAL, PROGRAM DEVELOPMENT</td>
<td>SEEK $20,000 IN GENERAL SUPPORT&lt;br&gt;WRITE TWO-PAGE LETTER OF INQUIRY ASKING IF WE CAN SUBMIT FULL PROPOSAL FOR CONSIDERATION&lt;br_MAYBE TRY AFTER-SCHOOL FOCUS</td>
<td>JACOB RIIS NEIGHBORHOOD CENTER: $42,500 FOR COMPUTER LAB&lt;br&gt;PHIPPS COMMUNITY DEVELOPMENT CORP.: $30,000 FOR AFTER-SCHOOL YOUTH AND FAMILY PROGRAMMING&lt;br&gt;ALL HALLOWS SCHOOL: $20,000</td>
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# FOUNDATION PROSPECTS CHART

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- Foundation: 
- Interests: 
- Types of Support: 
- Approach/Recommended Amount: 
- Additional Info/Sample Grants:
DEVELOPING A PROPOSAL

Once you have identified the foundations you plan to approach, you must develop your basic grant proposal—the document upon which those foundations will base their decisions about whether or not to fund your group. A proposal typically outlines a plan for your program or organization that spans a given period of time, usually a year. A good proposal includes a rationale for why the organization is needed, an explanation of what it does (or hopes to do, if a startup) and a description of what more could be done with a grant from the foundation. The proposal should be tailored to the particular interests and application processes of your strongest prospects.

There are two basic types of proposals: project proposals and general operating support proposals. In a project proposal, the grant request is focused on a particular program within an organization, and all of the deliverables and projected expenses in the proposal must relate to that project. A request for general support, on the other hand, describes both administrative and programmatic goals and objectives for the year, and requests funds toward any organizational activity within that period. Your proposal should reflect the type of support you are requesting.

Almost as important as the proposal is the site visit. This is where a foundation staff person visits your organization to see your program in action. If you don’t have a program to show, make sure you have Board members and other volunteers around, as well as members of the constituency you are trying to serve. This will help you demonstrate the progress you have already made—for example, you might show the program officer the space you hope to rent, and introduce him or her to some of the young people you have been meeting with to discuss the program’s design. Many a potential grant has been blown during what should be a great opportunity to showcase the organization and its leadership.

There is no single proposal format accepted by all foundations. In New York, many foundations accept the New York/New Jersey Area Common Application Form. In addition, the National Network of Grantmakers, a group of progressive funders from around the country, has developed a format that all of its members have agreed to accept. What follows is CRE’s step-by-step guide to completing the New York/New Jersey Area Common Application Form.

THE NEW YORK/NEW JERSEY COMMON APPLICATION FORM

The New York/New Jersey Common Application Form was developed by foundation and corporate members of the New York Regional Association of Grantmakers (NYRAG) to help New York nonprofit organizations save time in the grant application process. This comparatively simple, user-friendly form is a useful tool in the hunt for funding, whether you’re new to foundation fundraising or have many years of experience.

Prior to the creation of the common application form, each foundation required the use of its own separate, individualized proposal format. As of this writing, more than 60 foundations accept the Common Application Form. Grantseekers can now craft one thoughtful, thorough proposal for submission to several funders that accept the format.

A note of caution: While the application form does standardize one piece of the fundraising puzzle, it does not standardize the process of foundation giving. You will still need to carefully research the interests, guidelines, and deadlines of each prospective foundation.
On the next couple of pages is the most recent version of the NY/NJ Common Application Form downloaded from NYRAG’s website, along with NYRAG’s brief instructions. On page 90, you will find a list of funders who accept the form. If the foundation to which you plan to direct this request is not listed, call them directly to see if they’ve been added to the list recently, or for information on how to apply if they have their own format.

Finally, on page 62 you will find CRE’s section-by-section guide to the Common Application Form, which is intended to explain what should be included in each section, with examples and notes. The examples are provided to help you think about your own responses and should not be used verbatim.

As you go to write your proposal, remember that you are telling the story of your community and your work. This includes the issues and challenges you confront, and what you want to do about them. Let your organization’s voice be heard, let your community’s aspirations be known, and invite potential funders to join you in your vision.
New York/New Jersey Area Common Application Form

The foundations and corporations that developed this common application form hope it will help nonprofit organizations in the New York/New Jersey area save time in the grant application process. Please note the following important points:

- Every funder has different guidelines and priorities.
- Every funder has different deadlines and timetables.
- Any funder that has agreed to accept this application may request additional information at any stage in their application process.

Before submitting this application to a potential funder, you need to check to see whether your project or program matches their published interests. Information about individual grant programs is available from each funder, and at The Foundation Center’s New York library, 79 Fifth Avenue (between 15th and 16th Streets), 2nd Floor, New York, NY 10003, and its cooperating collections in the greater New York tristate metropolitan area.

Instructions

- Please type and single-space all proposals.
- Please answer all of the questions in the order listed.
- Please use headings as provided.
- Please submit only one copy.
- Please do not include any materials other than those specifically requested at this time.
- Please do not send videotapes.
New York/New Jersey Area Common Application Form

Cover Sheet

(Please feel free to make copies of this form or generate this one-page cover sheet on your computer.)

Date of application: ________________________________

Name of organization to which grant would be paid. Please list exact legal name.

______________________________

Purpose of grant (one sentence):

______________________________

______________________________

Address of organization: ________________________________

______________________________

Telephone number: _______ Fax: _______ E-mail: _______

Executive director: ________________________________

Contact person and title (if not executive director): ________________________________

Is your organization an IRS 501(c)(3) not-for-profit? (yes or no): ________________________________

If no, please explain: ________________________________

Grant request: $______________

Check one:

General support ________

Project support ________

Total organizational budget (for current year): $______________

Dates covered by this budget (mo/day/year): ________________________________

Total project budget (if requesting project support): $______________

Dates covered by project budget (mo/day/year): ________________________________

Project name (if applicable): ________________________________
New York/New Jersey Area Common Application Form
Grant Proposal Format

I. PROPOSAL SUMMARY: one-half page, maximum
Please summarize in a short paragraph the purpose of your agency. Briefly explain why your agency is requesting this grant, what outcomes you hope to achieve, and how you will spend the funds if a grant is made.

II. NARRATIVE—Five pages maximum.
A. Background—Describe the work of your agency, addressing each of the following:
   1. A brief description of its history and mission.
   2. The need or problem that your organization works to address, and the population that your agency serves, including geographic location, socio-economic status, race, ethnicity, gender, sexual orientation, age, physical ability and language.
   3. Current programs and accomplishments. Please emphasize the achievements of the recent past.
   4. Number of paid full-time staff; number of paid part-time staff; number of volunteers.
   5. Your organization’s relationships — both formal and informal — with other organizations working to meet the same needs or providing similar services. Please explain how you differ from these other agencies.

B. Funding Request—Please describe the program for which you seek funding.
   1. If applying for general operating support, briefly describe how this grant would be used.
   2. If your request is for a specific project, please explain the project including:
      • A statement of its primary purpose and the need or problem that you are seeking to address.
      • The population that you plan to serve and how this population will benefit from the project.
      • Strategies that you will employ to implement your project.
      • The proposed staffing pattern for the project, and the names and titles of the individuals who will direct the project.
      • Anticipated length of the project.
      • How the project contributes to your organization’s overall mission.

C. Evaluation—Please explain how you will measure the effectiveness of your activities. Describe your criteria for a successful program and the results you expect to have achieved by the end of the funding period.
New York/New Jersey Area Common Application Form
Grant Proposal Format

III. ATTACHMENTS—Please label all attachments to correspond to the bold-faced, capitalized items below.

A. Financial Information—Please provide the dates that each document covers.
   1. Your MOST RECENT FINANCIAL STATEMENT, audited if available. This statement should reflect actual expenditures and funds received during your most recent fiscal year.
   2. Aligned side by side on the same page, your OPERATING EXPENSE BUDGETS for the current and most recent fiscal year.
   3. Aligned side by side on the same page, A LIST OF foundation and corporate SUPPORTERS and all other sources of income, with amounts, for your current and most recent fiscal year.
   4. Please list the foundations, corporations, and other SOURCES that you are SOLICITING FOR FUNDING and, to the best of your knowledge, the STATUS OF YOUR PROPOSAL with each.

If project funding is requested:

   5. A CURRENT EXPENSE BUDGET FOR THE PROJECT. List each staff line separately and include % of time spent on project. Indicate the specific uses of the requested grant, if possible.
   6. A list of all SOURCES OF INCOME toward the project, actual and prospective with amounts.

B. Other Supporting Materials
   1. A list of your Board of Directors, with their affiliations.
   2. A copy of your most recent IRS letter indicating your agency’s tax exempt status, or, if not available, an explanation.
   3. One-paragraph resumes of key staff, including qualifications relevant to the specific request.
   4. Your most recent annual report, if available.
   5. No more than three examples of recent articles about, or evaluations of, your organization, if available.
PUTTING YOUR BEST FOOT FORWARD: CRE’S GUIDE TO THE COMMON APPLICATION FORM

THE COVER SHEET

The cover sheet is fairly straightforward—name, address, contact person, amount requested, and a one-sentence description of the purpose of the grant. However, since this page will summarize your entire request, we advise that you leave it for last.

The questions on this page are the same basic ones that any funder will ask. This is the introduction to your overall presentation, and based on the information you provide here the reader will decide:

- Whether you are a nonprofit agency or are using a fiscal sponsor
- Whether or not your program falls within the guidelines and priorities of the foundation or corporation
- Based on the budget information you provide, whether you are the right size (some foundations only fund large organizations while others only fund small, grassroots community groups)
- Whether or not your grant request is within the range that the foundation generally awards

I: PROPOSAL SUMMARY

We find it is easier to do the summary at the end as well. The application asks that you explain the following:

The purpose of your agency: Something like this: We were founded to help young people realize their potential as positive citizens; or We were founded to protect a community garden; or We were founded to create a safe haven for battered women. It would also make sense to include when the organization was founded and the size of your current operating budget. That might be two sentences.

Why your agency is requesting this grant: State clearly what you will use the money for. We are requesting $30,000 from the New York Foundation to enable us to hire an organizer to enhance our current advocacy work on health-care reform; or We are requesting $15,000 from the Altman Foundation to extend the hours of service of our job-training program; or We are requesting $45,000 from the RAMJAC Corporation to add a bilingual counselor to our battered-women’s program.

What outcomes you hope to achieve: Briefly explain what outcomes you hope to accomplish with the requested dollars. Continuing with the job-training example: We hope to reach 50 more young people over the next program year and, given our 80 percent job-placement rate, to help 40 of them find jobs.

How you will spend the funds if a grant is made: Finally, you are expected to indicate how you would spend this money. You could say: We plan to spend the money on hiring more staff; or We plan to increase the time availability of existing staff, or We plan to begin an organizing campaign; or We will spend $20,000 on staff, and the remaining $10,000 on printing our new brochure.

The request sentence is important. Each foundation has a set of funding priorities. If you don’t know what they are, stop and go back to the research process. This one sentence can significantly hurt or help your chances of obtaining a grant.

To answer the question of how you would spend the money, try thinking ahead to what your first investments or expenses would be if the project got funded. You can list three or four things: additional staff salaries and benefits, an increase in the phone or utility bill, increased rent for a larger space. The more specific you are, the more convincingly you will show that you have done the planning required to run the project. A proposal to expand the hours of a job-training program might list a job developer and an additional computer as two expenses the grant could cover.
This whole section should only be a half-page long. It is also your first opportunity to make a good impression. In fact, it is vital that you do make a good impression here—which means no typographic or grammatical mistakes. In our opinion, neatness counts.

II: THE NARRATIVE

In this section we will go through the outlined proposal format, repeat what the application says (in bold), comment under each point, and offer examples (in italics).

A. BACKGROUND - DESCRIBE THE WORK OF YOUR AGENCY, ADDRESSING EACH OF THE FOLLOWING TOPICS:

1. A brief description of its history and mission.

Do not go on and on here. Just indicate how long you have been around, describe as specifically as possible how you got started, and explain why you exist. For example: We came into existence in 1989 after five women in our community began meeting to discuss what they could do about the lack of an after-school program in the neighborhood. The mission (or purpose) of our organization is to help homeless children handle the stress of being in school and being homeless.

2. The need or problem that your organization works to address, and the population that your agency serves, including geographic location, socio-economic status, race, ethnicity, gender, sexual orientation, age, physical ability, and language.

Again, don’t ramble on. First, you want to state what need you’re addressing. Let’s stay with the example above: This organization exists because 10,000 children attending school in our district (School District 200) are homeless, and at a recent School Board meeting we became aware that those children were dropping out at a rate of 40 percent. We didn’t want their temporary homeless condition to impact the rest of their lives in this way. The goal of Kids Teaching Kids is to find a way to help these homeless children stay in school and continue to learn. We also wanted the school district to recognize that these students had special needs at this point in their young lives, and to provide additional services to meet those needs.

Then you should add some information about the characteristics of the population you serve: We work with youngsters from among the 10,000 homeless young people who are temporarily housed at one of the two major shelters in Staten Island. Our efforts are aimed at children enrolled in elementary school. Ninety percent of the children are minority, and 60 percent of them primarily speak Spanish. There is an even distribution of boys and girls.

(For ideas on where to find information and statistics about the community or neighborhood you have targeted, refer to the Resources section of the Getting Started chapter.)

If you can’t gain access to such data, you may use quotes and charts from newspaper articles or other published materials that describe your neighborhood. Make sure you attribute the information to a source, and include the date of print. If all else fails, you can use anecdotal information, such as: We’ve all lived here for most of our lives, and we agree that crime has never been worse. We now see crime being committed openly in the middle of the afternoon (muggings, car theft, etc.).

If you are working with people who have problems that are not related to their socio-economic situation, such as battered women or the elderly, you will have to explain that even though they are not desperately poor, their current life situation is such that they need your help. For example: A battered woman may come from a nice house, but while she is in hiding she has very few resources; or An elderly person with a good pension can be just as lonely as one without.

When you explain current programs, avoid silly abbreviations or acronyms that don’t mean anything to the funder. An example: *Our H.K.S.I.S. (Homeless Kids Stay In School) program...* Use clear, straightforward, simple language to describe your work.

Back to our example: *We offer three programs. The first is an after-school program at P.S. 1994, where the most homeless children in the city are enrolled. We help the children with homework, provide a snack, and help work out their problems with the school if necessary. The second is run from our main site, on Central Broadway, where we have created a database which, through a network of nonprofit allies, enables us to follow young people who are relocated to other neighborhoods. We attempt to link these youngsters to services in their new communities and to give them a sense of consistency. Finally, we have a counselor who operates full time from our office. She is bilingual in Spanish and English, and works with 25 young people a week; these young people continue to see her for as long as it takes them to develop the coping skills they need. Informally, our staff also maintains a birthday list, and we send the children cards and small gifts donated by local merchants.*

Last year we worked with 100 young people. *We did this at the low cost of $7 per child—itsel itself a major accomplishment. However, we are most proud of having raised the awareness of the local school board about the needs of these children. Recently, the school board appointed a special task force to look for ways to expand our efforts.*

4. Number of paid full-time staff, number of part-time staff, number of volunteers.

*Since the organization was founded, all the job-training work has been carried out by the four volunteer Board members and a paid Executive Director.*

5. Your organization’s relationships—both formal and informal—with other organizations working to meet the same needs or providing similar services. Please explain how you differ from these other agencies.

Formal relationships are those in which your organization has an agreement with another group or groups. This would include relationships in which one group acts as the other's fiscal agent, those in which your group and another are collaborating on a joint project, and those in which your group shares office space with another organization. Just state the name of the group, and be clear about what the relationship is.

Informal relationships include cases in which your organization is a member of a coalition, or has a history of working with another group or groups on an annual street fair or another community effort. If there is another organization in your community that does what you do, you must explain in this section how your work is different from theirs. By this, we do not generally mean the size of the program. You may differ in your ability to work with a certain language or ethnic group, or you may have a more comprehensive, or more specific, program. *Do not use this as an opportunity to complain about another organization.*

B. FUNDING REQUEST

Before you go through this section, it is important that you know whether you are seeking general support or project funding. Make sure you understand the difference. You also need to see whether or not the foundation to which you are applying even gives general support grants; many foundations only give grants for project funding.

A general support grant is a one that supports the overall work of the organization. CRE, for example,
gets general support grants from several funders; that money goes into our general operating fund, and can be used for expenses such as rent and other space costs, to cover part of the salaries and fringe benefits of staff members, or to purchase equipment or furniture. On the other hand, in the past we operated a special project that involved working with parents associations in schools. The money we raised for that effort was restricted to that project. Although a small percentage of a project grant can go toward overhead costs, most of it must be applied to costs specific to that project.

The confusion comes in when you are a small or new organization. Since you are probably engaged in only one activity, you might consider yourself to be a project. But foundations think of a project as something that has a beginning, a middle and an end, and is only one part of the organization’s work. If you are seeking a general support grant for your organization, you are generally looking for ongoing support for the core work of your group. If the “project” you’re doing is long-term, and is the main or only part of the organization’s work, then you should seek general support funding.

For example:

Say a small women’s center in Brooklyn, with a budget of $75,000, seeks funding from the New York Community Trust. The organization works with low-income immigrant women in a poor Brooklyn neighborhood, and in their first year they are requesting funding to start building a G.E.D. program. This may sound like a project, but they should actually request general support funding, because this work is the organization’s only activity, they intend this work to be ongoing, and they will build on this work to create a permanent, community institution.

Suppose, on the other hand, this is an adult-education program of the Manhattan Multi-Service Organization, which has been around for 25 years and has decided to start a project in Brooklyn to serve poor, immigrant women by helping them get their G.E.D.s. They have an operating budget of $1,000,000, and they are seeking $75,000 to fund the Brooklyn project. Because this activity is only one part of their overall work, and because the money is being requested to begin a new project that is related to but not currently a part of the organization’s ongoing work, this organization should request project funding.

Get the difference?

For the funding request section, answer either Question 1 (for general support funding) or Question 2 (for project funding).

1. If applying for general operating support, briefly describe how this grant would be used.

The following few paragraphs provide an example of how you might structure your answer.

We seek general support funding to enable us to expand our paid staff and pursue the programmatic goals we have established for 2001. Specifically, we are requesting a grant for $25,000 from J.P. Morgan. These funds will support our expansion in staffing to include full-time compensation for our President, the Program Coordinator (who has been donating her time), and a to-be-hired Counselor/Outreach Worker who will assist the Program Coordinator in all areas of our program work.

Our programmatic goals for 2002 include:

- Expanding the after-school program to P.S. 1995, the school in the area with the next-highest concentration of homeless children
- Expanding our network of service providers by identifying and approaching 10 more community-based organizations that can help ensure continuity for homeless children when they are relocated
• Increasing the number of young people who have access to our counselors. Until now, the Program Coordinator has been serving as a counselor, but the addition of a Counselor/Outreach Worker will expand our capacity in this regard.

• Coordinating periodic special events that are open both to the homeless children and their families, as well as to a limited number of friends they would like to invite.

2. If your request is for a specific project, please explain the project including:

   • A statement of its primary purpose and the need or problem that you are seeking to address.
   • The population you plan to serve and how this population will benefit from the project.

   In this section, you should spell out whom your clients are and how your services benefit them. In the example above, homeless children will have more access to counseling services because of the organization's work—an obvious benefit. In earlier examples, helping immigrant women getting their G.E.D.s also obviously qualifies. There are some cases in which the benefit is harder to pin down. In those instances you can think about how you will know if a person is better off because of your project, and say that plainly. A person might be more active in his or her child’s school; discuss a newspaper article with you; develop a network of friends; be on her or his way to getting a G.E.D.; speak more often and more confidently in English; or whatever you actually think will indicate progress.

   • Strategies that you will employ to implement your project. This section is your opportunity to explain exactly how you are going to accomplish what you’ve set out to do. You could organize your response in the form of a timetable showing whom will do what when, or you could give a more general response: We will rent space from P.S. 1978 and recruit volunteer teachers. Working with local churches and neighborhood schools, we will conduct outreach to immigrant women who could benefit from our G.E.D. program. We will enroll 20 women in two evening G.E.D. classes.

   • The proposed staffing pattern for the project, and the names and titles of the individuals who will direct the project. In this section you should indicate who will be involved, what the reporting relationships are and what percentage of each person’s time will be spent on the project.

   • Anticipated length of the project. You should keep in mind that foundations usually fund for one year. Renewals are usually possible, but they are by no means guaranteed.

   • How the project contributes to your organization’s overall mission. The project should enhance, strengthen, or in some way connect with your mission or overall purpose.

C. EVALUATION – PLEASE EXPLAIN HOW YOU WILL MEASURE THE EFFECTIVENESS OF YOUR ACTIVITIES. DESCRIBE YOUR CRITERIA FOR A SUCCESSFUL PROGRAM AND THE RESULTS YOU EXPECT TO HAVE ACHIEVED BY THE END OF THE FUNDING PERIOD.

Evaluation is tough, but there are some common ways to measure effectiveness. You can quantify things. For example: By the end of the first quarter, we expect to have served 18 families; or By the end of the first quarter, we expect to have held 32 classes; or By the end of the first quarter, we expect to have surveyed 20 blocks.

However, that will only indicate whether or not you are working, not whether or not you are seeing any results or having any positive impact on your clients. You should use these indicators if your program or project lends itself to them, but you may have to go further. Take some time and think: What indicators would you use to judge your work in terms of concrete results, concrete improvements in your clients’ lives? One strategy might be to identify what your goals and objectives are for the year, and then to interview some of your clients at the end of the year to find out how you did. Here are some examples of how results might be measured and described:
• Advocacy efforts can sometimes be measured in such currency as the number of meetings your organization has had with legislators and/or policymakers. Evidence of your impact might include any coverage of your issue in the papers, or any mention of your position at a public hearing or by an official in a speech. A letter from an official that says she or he is considering your issue or idea is also an indication that you are making an impression. The ultimate impact, of course, is to have input regarding a new policy or piece of legislation.

• Youth development programs can sometimes measure effectiveness via changes in young people’s attitudes, as demonstrated through before-and-after situation analyses. For example: Before she took part in this program, Kate was never able to make eye contact with anyone; today in class she volunteered to explain her poem.

• If you are raising funds to start a new program, your success might be evaluated in very concrete ways: hiring staff members, setting up an office or creating a financial-management system as you’d planned, for example.

Remember, all of the information in this section must be contained within five pages. Don’t go over that page limit or you might be considered “non-responsive.”

III. ATTACHMENTS - PLEASE LABEL ALL ATTACHMENTS.

It can be very frustrating to discover that, after all that effort has been put into completing a top-notch proposal, finding the attachments is yet another chore. To avoid having to run around collecting these documents every time a proposal is submitted, CRE recommends they be kept in a folder labeled “Proposal Attachments,” which should be readily accessible to the person or people most often doing the proposal writing.

Don’t forget to label the attachments with the boldfaced, capitalized words in each section (i.e. section A.1. should be labeled MOST RECENT FINANCIAL STATEMENT). The creators of the Common Application Form would not have added this reminder unless they meant it. It makes the documents easier to identify, and anything you can do to make the proposal easier to read is a point in your favor.

A. FINANCIAL INFORMATION

1. Your MOST RECENT FINANCIAL STATEMENT, audited if available. This statement should reflect actual expenditures and funds received during your most recent fiscal year.

OK. If you had an audit completed for the last fiscal year, good. Label it, and you are done with this section. If not, prepare a financial statement for your organization (not just for this project) that shows all the money you received that was applied to the last fiscal year, and your actual expenses for that fiscal year.

An audit is a financial statement for your organization prepared by a certified public accountant. To prepare this statement, the auditor performs a number of tests on your accounting procedures and internal controls. For example, he or she will follow a check from beginning to end—from the invoice to the check authorization to the sending out of the check and marking the invoice paid with a date and check number. You must have an independent audit if you receive over $75,000 in income per year. Your audit should be completed in a reasonable period of time after the close of your fiscal year. An unaudited financial statement can be done by a good Bookkeeper. If you are required to have an audit and you haven’t had one, you should offer some explanation and indicate when it will be done. In the meantime, you should prepare, and present to the funder, an unaudited financial statement.
Unaudited financial statements can take a variety of forms. Here is a basic format you can follow:

## THE GOOD ORGANIZATION - MOST RECENT FINANCIAL STATEMENT

### Jan. 1, 2001 to Dec. 31, 2001

<table>
<thead>
<tr>
<th>INCOME</th>
<th></th>
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<tbody>
<tr>
<td>FOUNDATIONS</td>
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<tr>
<td>CORPORATIONS</td>
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</tr>
<tr>
<td>GOVERNMENT</td>
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<tr>
<td>DONATIONS</td>
<td>$15,000</td>
</tr>
<tr>
<td>FEES/SALES</td>
<td>$7,500</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONNEL EXPENSES (P.S.)</td>
<td></td>
</tr>
<tr>
<td>SALARIES</td>
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</tr>
<tr>
<td>CONSULTING FEES</td>
<td>$8,000</td>
</tr>
<tr>
<td>FRINGE BENEFITS</td>
<td>$27,720</td>
</tr>
<tr>
<td><strong>SUBTOTAL P.S.</strong></td>
<td>$167,720</td>
</tr>
<tr>
<td>OTHER THAN PERSONNEL SERVICES (O.T.P.S.)</td>
<td></td>
</tr>
<tr>
<td>RENT AND UTILITIES</td>
<td>$18,000</td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>$1,200</td>
</tr>
<tr>
<td>INSURANCE</td>
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</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>$6,000</td>
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<tr>
<td>EDUCATION MATERIALS</td>
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<tr>
<td>TELEPHONE</td>
<td>$5,400</td>
</tr>
<tr>
<td>POSTAGE</td>
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</tr>
<tr>
<td>PRINTING</td>
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<tr>
<td><strong>SUBTOTAL O.T.P.S.</strong></td>
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<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$209,920</td>
</tr>
</tbody>
</table>

| INCOME OVER EXPENSES | $5,580 |
2. Aligned side by side on the same page, your OPERATING EXPENSE BUDGETS for the current and most recent fiscal year.

Remember, we are talking about overall financial information for your organization, not the project. We can give you an idea of how it might look, but you have to create your own budget lines. In our sample, we are presuming a calendar year as the fiscal year.

*Note: Make sure you label the documents and each column of your budgets. Have someone double-check the numbers to be sure they add up.*

<table>
<thead>
<tr>
<th>THE GOOD ORGANIZATION - OPERATING EXPENSE BUDGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>PERSONNEL SERVICES (P.S.)</td>
</tr>
<tr>
<td>EXECUTIVE DIRECTOR</td>
</tr>
<tr>
<td>ASSISTANT DIRECTOR</td>
</tr>
<tr>
<td>PROGRAM COORDINATOR</td>
</tr>
<tr>
<td>OUTREACH WORKER</td>
</tr>
<tr>
<td>OUTREACH WORKER</td>
</tr>
<tr>
<td>ADMINISTRATIVE ASSISTANT</td>
</tr>
<tr>
<td>TOTAL SALARIES</td>
</tr>
<tr>
<td>CONSULTING FEES</td>
</tr>
<tr>
<td>FRINGE BENEFITS @ 23%</td>
</tr>
<tr>
<td>SUBTOTAL P.S.</td>
</tr>
<tr>
<td>OTHER THAN PERSONNEL SERVICES (O.T.P.S.)</td>
</tr>
<tr>
<td>RENT AND UTILITIES</td>
</tr>
<tr>
<td>TELEPHONE</td>
</tr>
<tr>
<td>EQUIPMENT AND MAINTENANCE</td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
</tr>
<tr>
<td>PRINTING AND PHOTOCOPYING</td>
</tr>
<tr>
<td>EDUCATIONAL MATERIALS AND CONDOMS</td>
</tr>
<tr>
<td>WORKSHOPS AND MEETINGS</td>
</tr>
<tr>
<td>STAFF DEVELOPMENT</td>
</tr>
<tr>
<td>TRAVEL</td>
</tr>
<tr>
<td>POSTAGE</td>
</tr>
<tr>
<td>AUDIT</td>
</tr>
<tr>
<td>INSURANCE</td>
</tr>
<tr>
<td>SUBTOTAL O.T.P.S.</td>
</tr>
<tr>
<td>TOTAL EXPENSE BUDGET</td>
</tr>
</tbody>
</table>
3. Align side by side on the same page, A LIST OF foundations and corporate SUPPORTERS and all other sources of income, with amounts, for your current and most recent fiscal year.

This is straightforward, but make sure that the lists are accurate. If a foundation or corporation gave you funds in one fiscal year but you are spending it over two, show how it is being divided, or pro-rated. Other sources of funding might be community events, interest on a bank account or private donations (if you’re lucky). Again, make sure the totals are right and that everything is properly labeled.

### THE GOOD ORGANIZATION - LIST OF SUPPORTERS

<table>
<thead>
<tr>
<th>FOUNDATIONS</th>
<th>CURRENT PERIOD (PROJECTED)</th>
<th>PRIOR PERIOD (ACTUAL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDS MEMORIAL FUND</td>
<td>$1,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>AMFAR</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>DIFFA (DESIGN INDUSTRIES FOUNDATION FOR AIDS)</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>JOYCE MERTZ-GILMORE FOUNDATION</td>
<td>$20,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>NEW YORK CITY AIDS FUND</td>
<td>$30,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>TOTAL FOUNDATION SUPPORT</td>
<td>$76,000</td>
<td>$55,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CORPORATIONS</th>
<th>CURRENT PERIOD (PROJECTED)</th>
<th>PRIOR PERIOD (ACTUAL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRISTOL MEYERS-SQUIB</td>
<td>$5,000</td>
<td>$3,500</td>
</tr>
<tr>
<td>JPMORGANCHASE</td>
<td>$5,000</td>
<td>$4,500</td>
</tr>
<tr>
<td>CITIBANK/CITICORP</td>
<td>$4,500</td>
<td>$3,500</td>
</tr>
<tr>
<td>CON EDISON</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>EAST RIVER SAVINGS BANK</td>
<td></td>
<td>$500</td>
</tr>
<tr>
<td>PFIZER INC</td>
<td>$15,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>PHILIP MORRIS</td>
<td>$15,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL CORPORATE SUPPORT</td>
<td>$45,500</td>
<td>$23,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INDIVIDUAL CONTRIBUTIONS</th>
<th>CURRENT PERIOD (PROJECTED)</th>
<th>PRIOR PERIOD (ACTUAL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DONATIONS</td>
<td>$20,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>EVENTS</td>
<td>$12,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL CONTRIBUTIONS</td>
<td>$32,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>TOTAL SOURCES OF SUPPORT</td>
<td>$153,500</td>
<td>$93,000</td>
</tr>
</tbody>
</table>

4. Please list the foundations, corporations, and other SOURCES that you are SOLICITING FOR FUNDING and, to the best of your knowledge, the STATUS OF YOUR PROPOSAL with each.

The trick here is to be able to make judgements about your “status.” It is best to be frank. You can indicate status of a proposal by citing certain facts, such as “Preparing submission for March 1 deadline,” or
“Submitted and pending.” You might also indicate when you will be likely to know whether or not your proposal has been accepted—i.e. when the foundation’s Board is meeting. Beyond that, add other categories where appropriate, such as “Committed,” “Renewal,” “Likely,” and “Longshot.” When you list your possible funders, you will probably see that the total dollar amount you intend to request is more than the cost of the project. This is because—if you’re smart—you are asking for many more grants than you are likely to get. Community groups often worry about what will happen if all the grants come in and they wind up with too much money for the project. Don’t worry about it. It isn’t likely to happen, and if by some strange chance it does, you can probably just expand the program. Funders are mostly concerned about organizations not meeting their budgets, not about groups exceeding them.

Your chart might look like the following:

<table>
<thead>
<tr>
<th>SOURCES SOLICITED FOR FUNDING</th>
<th>COMMITTED</th>
<th>SUBMITTED</th>
<th>TO BE SUBMITTED</th>
<th>RENEWAL</th>
<th>LIKELY</th>
<th>LONGSHOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEW YORK FOUNDATION</td>
<td>$10,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BARKER WELFARE FOUNDATION</td>
<td>$10,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROBIN HOOD FOUNDATION</td>
<td>$15,000</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHILD WELFARE FUND</td>
<td></td>
<td>$5,000</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>PINKERTON FOUNDATION</td>
<td></td>
<td>$10,000</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

If project funding is requested:

5. A CURRENT EXPENSE BUDGET FOR THE PROJECT. List each staff line separately and include % of time spent on project. Indicate the specific uses of the requested grant, if possible.

A project budget will often include a percentage of staff members’ time. For example, a Project Director may estimate that he or she will spend 40 percent of his or her time over a given period working on that project. Items that are specific to the project, such as printed materials, T-shirts, translators or fees for a field trip, should also be listed. Often organizations donate “in-kind” services to projects. You can show that on the project budget in a special column.

In-kind, or non-monetary, contributions are probably most important at the beginning of an organization’s life. Free office space, a donated computer or volunteer labor used in lieu of salaried staff members can enable the leadership of a new organization to offer a program earlier than they might have been able to otherwise. Established organizations relying heavily on volunteer labor (God’s Love We Deliver, Gay Men’s Health Crisis, and the Girl Scouts are well-known examples) can provide services worth twice as much as their cash budgets would otherwise allow. It is important to try to assess the value of the donated time, equipment, rent, and services your organization receives to convey the full value.
Sometimes, a project includes an “overhead” (or indirect) cost, covering some general fiscal and administrative expenses incurred by the sponsoring organization. Overhead rates typically range from 6 percent to 15 percent of the overall budget. There is no particular set rate for overhead, but whatever percentage you choose must be defensible. You can figure out a reasonable overhead figure by adding up your non-programmatic administrative costs (i.e. expenditures that are incurred agency-wide and which cannot be directly attributed to the provision of your services) and dividing by the total budget of your organization. (See the Multiple-program Budgeting section of the Financial Management chapter for a more detailed explanation of overhead rates.)
6. A list of all SOURCES OF INCOME toward the project, actual and prospective, with amounts.

This section is similar to section III. A.3, “A List of Supporters.” The differences here are that you should only report income for the specific project, and the list should indicate all sources of income for the project (not just foundation and corporate support). There should be two columns, one for actual revenue and one for prospective revenue.

<table>
<thead>
<tr>
<th>THE GOOD ORGANIZATION - SOURCES OF INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 1, 2001 to Dec. 31, 2001</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FOUNDATIONS</th>
<th>ACTUAL</th>
<th>PROSPECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDS MEMORIAL FUND</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMFAR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIFFA (DESIGN INDUSTRIES FOUNDATION FOR AIDS)</td>
<td>$15,000</td>
<td></td>
</tr>
<tr>
<td>JOYCE MERTZ-GILMORE FOUNDATION</td>
<td>$20,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL FOUNDATION SUPPORT</td>
<td>$35,000</td>
<td>$11,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CORPORATIONS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BRISTOL MEYERS-SQUIB</td>
<td>$5,000</td>
<td></td>
</tr>
<tr>
<td>JPMORGANCHASE</td>
<td></td>
<td>$5,000</td>
</tr>
<tr>
<td>CITIBANK/CITICORP</td>
<td>$4,500</td>
<td></td>
</tr>
<tr>
<td>PFIZER INC</td>
<td></td>
<td>$15,000</td>
</tr>
<tr>
<td>TOTAL CORPORATE SUPPORT</td>
<td>$9,500</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INDIVIDUAL CONTRIBUTIONS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DONATIONS</td>
<td>$3,000</td>
<td></td>
</tr>
<tr>
<td>EVENTS</td>
<td></td>
<td>$2,000</td>
</tr>
<tr>
<td>TOTAL CONTRIBUTIONS</td>
<td>$3,000</td>
<td>$12,000</td>
</tr>
</tbody>
</table>

| TOTAL SOURCES OF SUPPORT                    | $47,500| $45,000     |

B. OTHER SUPPORTING MATERIALS

1. A list of your Board of Directors, with affiliations.

That's pretty obvious. Remember to label this document as well.

2. A copy of your most recent IRS letter indicating your agency’s tax exempt status, or, if not available, an explanation.
If you are not yet tax-exempt, you may have a fiscal agent. If so, you should supply a copy of their I.R.S. designation letter, as well as a letter from that agency stating that they agree to be your fiscal agent. If you are tax-exempt but can’t find the letter, show that you wrote to the I.R.S. to request a duplicate. When any necessary document is missing, say that you will forward it as soon as you get it, and then remember to do it.

3. One-paragraph resumes of key staff, including qualifications relevant to the specific request.

This section might include one paragraph on your Board Chair as well.

4. Your most recent annual report, if available.

5. No more than three examples of recent articles about, or evaluations of, your organization, if available.

If you are supplying news clippings, organize them on 8 1/2 x 11 paper, and label them with the source and date. Don’t attach whole newspapers with a note to “see Page 6.”

Now go back to the summary and the cover page, and fill them in.

**Last words of advice**

Read over the document for typos.

If possible, have another person read over the document for consistency. If something is mentioned in the project (such as a bus trip), make sure it is represented in the budget. Make sure that the project or program is an appropriate response to the problem you presented. Make sure your description fits within the five pages allotted for the narrative. Go back over the directions and make sure you’ve complied with them all: Is your application single spaced? Are questions answered in the order listed? Did you use the headings and sub-headings provided? Have you included all of those materials asked for, and no others?

**REPORTING ON GRANTS**

Applying for a grant is just the first step. Once you begin to receive grants, doing the work well and reporting on it in a timely fashion will be the way in which you develop long-term relationships with funders.

Just as different donors require different applications, they also require you to report to them in varying formats. The same group that has developed the New York/New Jersey Area Common Application Form has developed a standardized report form, which is accepted by more than 30 foundations. What follows is a copy of the New York/New Jersey Area Common Report Form and CRE’s step-by-step guide to completing it.

**THE NEW YORK/NEW JERSEY COMMON REPORT FORM**

The New York/New Jersey Common Report Form helps simplify the process of reporting on grants, just as the Common Application Form streamlines the grant application process. Funders that accept the Common Application Form may not, however, accept the Common Report Form, so be sure to check with each individual foundation. In addition, remember that every funder still has its own deadlines for submitting reports.
Like our annotated Common Application Form, this section provides sample responses intended to help you think about your own. Do not copy them word for word.

As of July 1, 2001, the New York Regional Association of Grantmakers Web site (www.nyrag.org) listed the funders who had agreed to accept the New York/New Jersey Area Common Report Form (they are listed at the end of this chapter on page 90). If the foundation to which you must report is not included, check with them to see if they have recently decided to accept the form.
New York/New Jersey Area
Common Report Form

The purpose of the Common Report Form (CRF) is to help nonprofit organizations in the New York/New Jersey area to save time in grant reporting. The CRF follows closely the format of the New York/New Jersey Area Common Application Form. If several funders have given your organization support for a particular project, only minor changes in the report information will need to be made for each funder. Please note the following important points:

› Every funder has different report deadlines and timetables.

› The list of funders who will accept reports in this format continues to grow. If a funder is not on the list, call to confirm that the funder will accept it.

› Any funder that has agreed to accept this report form may request additional information at any stage in their reporting process.

Instructions

› Please type and single-space all reports.

› Please answer all of the questions in the order listed.

› Please use headings as provided.

› Please submit only one copy.
New York/New Jersey Area
Common Report Form Cover Sheet

(Please feel free to make copies of this form or generate this one-page cover sheet on your computer.)

Funder receiving report:__________________________________________________________

Name of organization completing report. Please list exact legal name: __________________________________________________________

Address of organization:________________________________________________________

_________________________________________________________________________

Telephone number:____________________________________________________________

FAX number:__________________________ E-mail address:__________________________

Executive Director:____________________________________________________________

Contact person and title (if not executive director):________________________________

Have there been any changes to your organization’s IRS 501 (c)(3) not-for-profit status since your request for this grant? (yes or no):__________________________ If yes, please explain:________________________________________________________________________

Project name or brief project description:________________________________________

________________________________________________________________________

Check one: General operating_____ Project support_______ Other (please specify)________

Grant amount: $__________________________ Grant Period: from_____________ to_____________

Date of report:__________________________ Report due date:__________________________

Dates covered by this report: from_____________ to_____________

Check one: This is an interim report_______ This is a final report_______
New York/New Jersey Area Common Report Format

I. NARRATIVE---Two to five pages.

A. If reporting for a general operating grant, please address the following:
   - Organizational and/or programmatic achievements and setbacks; significant board and/or staff changes.
   - How you measured the effectiveness of your activities; what you learned; and how you used or will use this information.

B. If reporting on a specific project grant, please address the following:
   - The project description and how the project relates to your organization’s mission.
   - The project’s goals and the success you had in meeting them. Have the project’s goals been modified in any way? Describe the population served and how that population was affected by the project. How were other stakeholders affected? Any problems your organization faced when implementing this project, and how you resolved or attempted to resolve them.
   - How you measured the effectiveness of your project; what you learned; and how you used or will use this information. Were there any unexpected results, positive or negative?
   - Any changes in the original staffing pattern for the project.
   - Any significant changes in your organization while implementing this project.

II. FINANCIAL

A. If reporting on a general operating grant, please submit the following:
   - Your organization’s statement of income and expenditures for the year in which the grant was used.

B. If reporting on a specific project, please submit the following:
   - Your organization’s statement of income and expenditures for the year in which the grant was used.
For final reports, please provide project income and expenditure information compared to the approved project budget. If there are any major discrepancies, please explain.

For interim reports, please provide project income and expenditures-to-date compared to the approved project budget. If there are any major discrepancies, please explain.

A list of all sources of income for the project with amounts.

C. Financial Attachments:

- Most recent audited financial statements, if not already provided.
- Most recent annual report, if not already provided.

III. ATTACHMENTS (optional)

- Publications, educational materials, news articles, videotapes, or other relevant materials about your organization or the funded project.
PUTTING YOUR BEST FOOT FORWARD:  
CRE’S GUIDE TO THE COMMON REPORT FORM

THE COVER SHEET

The cover sheet for the Common Report Form is even more straightforward than the one for the Common Application Form. It asks you to provide the funder with the contact information for your organization and news about any change in your nonprofit status, and to make clear what type of grant you are reporting on as well as whether this is a final or interim report.

I: THE NARRATIVE

We will follow the outline provided in the form, with the text of the form itself in bold.

A. IF REPORTING FOR A GENERAL OPERATING GRANT, PLEASE ADDRESS THE FOLLOWING:

- Organizational and/or programmatic achievements and setbacks; significant board and/or staff changes.

Since your grant was not for any specific program (given that you received general operating support), this is your opportunity to provide the funder with any news about your organization. Though of course you will want to emphasize your accomplishments, it is important not to conceal any problems you have had. This is important both because the funder relies upon your honesty, and because the foundation may be able to offer you assistance or advice. As with the application form, try not to go on at length. You don’t want to make the reader search for important information buried amid a page of less important details.

- How you measured the effectiveness of your activities; what you learned; and how you used or will use this information.

For this section, you can refer back to the evaluation section of your grant application, where you explained how you would measure the effectiveness of your activities. For example, if you said in your application that you hoped to tutor 100 children in the first quarter of the grant year, in the report you would let the funder know whether or not you met that goal. If you did not, you should offer a thoughtful explanation—preferably one that suggests (if you can do so honestly) that you will do better in the next period.

In addition, you may have had other thoughts about your evaluation criteria since you received the grant. Of course you should describe those as well, and share any lessons you have learned from your work during the grant period.

B. If reporting on a specific project grant, please address the following:

- The project description and how the project relates to your organization’s mission.

Here you should be able to draw on what you said in your application. Refer to the section in which you described your project, as well as one on “How the project contributes to your organization’s overall mission.” If anything, the answer in this report should be briefer than the one you gave in your application.

- The project’s goals and the success you had in meeting them. Have the project’s goals been modified in any way? Describe the population served and how that population was affected by the project. How were other stakeholders affected? Any problems your organization faced when implementing this project, and how you resolved or attempted to resolve them.
This is the core of your report to the funder, because this is where you make clear how successful you have been in using the grant you received. You will also explain how your goals have changed, if they have, since you received your grant. Below is an example of how you might respond to this section:

With the grant from the AAA Foundation, Nature’s Children planned to create after-school programs at four parks in Queens, at which children would learn about the environment and their responsibility for it through science and crafts projects, planting efforts, and cleanup work in their park. We recruited children through park volunteer groups, as well as through nearby schools.

The response to that recruitment effort caused us to modify our plan. At ABC Park, the level of interest was such that we decided to expand the program in that area, with two groups of 20 children each; by contrast, at XYZ Park there was little interest, and so we did not launch our program there. This has allowed us to reach the same number of children with this grant, though in fewer locations. We hope next year to have funding for additional sites, and plan to research the level of interest more thoroughly before settling on those sites.

We have successfully launched our program at the three remaining parks, serving children who qualify for federal lunch assistance in public schools. We have benefited from great cooperation from the schools and, in fact, a science teacher from a nearby school conducts one of our programs. The park volunteer groups are also very interested, and have helped us (as volunteers) when we have undertaken planting or cleanup efforts in the parks.

- How you measured the effectiveness of your project; what you learned; and how you used or will use this information. Were there any unexpected results, positive or negative?

You may remember that, in your application, you explained how you would “measure the effectiveness of your activities.” In this section, you should apply those measures of success to what you have actually done. If you have fallen short of your objectives, provide a thoughtful explanation as to why this was the case, and offer your plans for improving your effectiveness in the future. This is an opportunity to show the funder that you are really thinking about what you are doing, and are willing to learn from any mistakes. For example, Nature’s Children might report as follows:

Our objective was to open our programs by Sept. 15. That opening was delayed, however, in 123 Park, because of a mistake in hiring. We accepted applications for teaching positions from people who had no other employment, even though we were offering only 10 hours of work each week. One of the teachers we had hired quit one week before the program was to begin, because he received an offer of full-time employment elsewhere. In the next season of our program, we will be alert to this possibility.

Another program might use this section to explain:

We knew that in our neighborhood the need for a senior day-care center was tremendous, and so we aimed to serve 100 seniors a day in our borrowed space at a church. What we had underestimated, however, was that inadequate public transportation was a tremendous obstacle to participation. We had to redirect our energies toward recruiting volunteer drivers who could bring our seniors to our center and return them home later in the day. Because of this, we have so far been able to attract only about 40 participants each day. As a result, improving client access to transportation will be one of our main priorities in the near future, and this may include seeking support for a part-time transportation coordinator.

- Any changes in the original staffing pattern for the project.

In this section you will describe any staffing changes relating to the project funded, and briefly explain them.
• Any significant changes in your organization while implementing this project.

This question reflects the funder's interest in keeping up with your agency and its evolution. You might talk about changes in your Board if they are other than routine, your need to move to new space, or a strategic planning retreat that will alter your direction in a meaningful way. This is another chance to engage the reader's interest in your organization's well-being, and to indirectly court continued attention and support.

II: FINANCIAL

A. IF REPORTING ON A GENERAL OPERATING GRANT, PLEASE SUBMIT THE FOLLOWING:

• Your organization's statement of income and expenditures for the year in which the grant was used.

Below is a sample income and expense statement:

<table>
<thead>
<tr>
<th>INCOME</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FOUNDATIONS</td>
<td>$50,000</td>
</tr>
<tr>
<td>CORPORATIONS</td>
<td>$21,000</td>
</tr>
<tr>
<td>GOVERNMENT</td>
<td>$125,000</td>
</tr>
<tr>
<td>DONATIONS</td>
<td>$20,000</td>
</tr>
<tr>
<td>FEES/SALES</td>
<td>$5,000</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>$221,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONNEL EXPENSES (P.S.)</td>
<td></td>
</tr>
<tr>
<td>SALARIES</td>
<td>$130,000</td>
</tr>
<tr>
<td>CONSULTING FEES</td>
<td>$7,500</td>
</tr>
<tr>
<td>FRINGE BENEFITS</td>
<td>$27,300</td>
</tr>
<tr>
<td>SUBTOTAL P.S.</td>
<td>$164,800</td>
</tr>
</tbody>
</table>

| OTHER THAN PERSONNEL SERVICES (O.T.P.S.)      |          |
| RENT AND UTILITIES                           | $18,000  |
| EQUIPMENT                                    | $2,000   |
| INSURANCE                                    | $2,400   |
| OFFICE SUPPLIES                              | $5,500   |
| EDUCATION MATERIALS                          | $2,550   |
| TELEPHONE                                    | $5,300   |
| POSTAGE                                      | $3,200   |
| PRINTING                                     | $2,000   |
| SUBTOTAL O.T.P.S.                            | $40,950  |
| TOTAL EXPENSES                               | $205,750 |

| INCOME OVER EXPENSES                         | $15,250  |
B. IF REPORTING ON A SPECIFIC PROJECT, PLEASE SUBMIT THE FOLLOWING:

- Your organization’s statement of income and expenditures for the year in which the grant was used.

This submission would look exactly like the example above. Remember that the foundation needs to see an overview of your total organizational budget, even though they may only fund a project.

- For final reports, please provide project income and expenditure information compared to the approved project budget. If there are any major discrepancies, please explain.

To comply with this request, you must provide two sets of information. First, you must include your original project budget, which you submitted as part of your application proposal, and which was approved by the foundation when they made the grant. Your project budget might look like this:

### THE GOOD ORGANIZATION - PROJECT BUDGET

**Jan. 1, 2002 - Dec. 31, 2002**

<table>
<thead>
<tr>
<th>INCOME</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AMFAR</td>
<td>$10,000</td>
</tr>
<tr>
<td>NEW YORK CITY AIDS FUND</td>
<td>$30,000</td>
</tr>
<tr>
<td>CON EDISON</td>
<td>$1,000</td>
</tr>
<tr>
<td>JPMORGANCHASE</td>
<td>$5,000</td>
</tr>
<tr>
<td>PFIZER INC</td>
<td>$15,000</td>
</tr>
<tr>
<td>PHILIP MORRIS</td>
<td>$15,000</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>$76,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONNEL EXPENSES (P.S.)</td>
<td></td>
</tr>
<tr>
<td>PROJECT DIRECTOR</td>
<td>$45,000</td>
</tr>
<tr>
<td>CONSULTING FEES</td>
<td>$5,000</td>
</tr>
<tr>
<td>FRINGE BENEFITS</td>
<td>$9,450</td>
</tr>
<tr>
<td>SUBTOTAL P.S.</td>
<td>$59,450</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER THAN PERSONNEL SERVICES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RENT AND UTILITIES</td>
<td>$5,000</td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>$2,000</td>
</tr>
<tr>
<td>INSURANCE</td>
<td>$300</td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>$650</td>
</tr>
<tr>
<td>EDUCATION MATERIALS</td>
<td>$2,600</td>
</tr>
<tr>
<td>TELEPHONE</td>
<td>$2,500</td>
</tr>
<tr>
<td>POSTAGE</td>
<td>$500</td>
</tr>
<tr>
<td>PRINTING</td>
<td>$3,000</td>
</tr>
<tr>
<td>SUBTOTAL O.T.P.S.</td>
<td>$16,550</td>
</tr>
</tbody>
</table>

| TOTAL EXPENSES                | $76,000 |
Second, to demonstrate how you have actually used the grant towards the project, you must include the original project budget (same as above) alongside a column showing actual expenditures for the project year. This allows you and the foundation to compare the original budget against what actually has been spent. Include a brief explanation of any major discrepancies between what you originally projected and what was actually spent. We suggest the following format:

### THE GOOD ORGANIZATION - PROJECT INCOME AND EXPENSE STATEMENT

**Jan. 1, 2002 - Dec. 31, 2002**

<table>
<thead>
<tr>
<th></th>
<th>BUDGET</th>
<th>ACTUAL</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMFAR</td>
<td>$10,000</td>
<td>$10,000</td>
<td>0</td>
</tr>
<tr>
<td>NEW YORK CITY AIDS FUND</td>
<td>$30,000</td>
<td>$30,000</td>
<td>0</td>
</tr>
<tr>
<td>CON EDISON</td>
<td>$1,000</td>
<td>0</td>
<td>$1,000</td>
</tr>
<tr>
<td>JPMORGAN CHASE</td>
<td>$5,000</td>
<td>0</td>
<td>$5,000</td>
</tr>
<tr>
<td>PFIZER INC</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$-5,000</td>
</tr>
<tr>
<td>PHILIP MORRIS</td>
<td>$15,000</td>
<td>$15,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>$76,000</td>
<td>$75,000</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

|                  |         |         |          |
| **EXPENSES**     |         |         |          |
| PERSONNEL EXPENSES (P.S.) |         |         |          |
| PROJECT DIRECTOR | $45,000 | $33,750 | $11,250  |
| CONSULTING FEES  | $5,000  | $5,000  | 0        |
| FRINGE BENEFITS  | $9,450  | $7,088  | $2,362   |
| **SUBTOTAL P.S.**| $59,450 | $45,838 | $13,612  |
| OTHER THAN PERSONNEL SERVICES (O.T.P.S.) |         |         |          |
| RENT AND UTILITIES | $5,000  | $5,000  | 0        |
| EQUIPMENT        | $2,000  | $2,000  | 0        |
| INSURANCE        | $300    | $300    | 0        |
| OFFICE SUPPLIES  | $650    | $250    | $400     |
| EDUCATION MATERIALS | $2,600  | $3,000  | -$400    |
| TELEPHONE        | $2,500  | $1,000  | $1,500   |
| POSTAGE          | $500    | $200    | $300     |
| PRINTING         | $3,000  | $1,500  | $1,500   |
| **SUBTOTAL O.T.P.S.** | $16,550 | $13,250 | $3,300   |
| **TOTAL EXPENSES** | $76,000 | $59,088 | -$16,912 |

<table>
<thead>
<tr>
<th></th>
<th>BUDGET</th>
<th>ACTUAL</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME OVER EXPENSES</strong></td>
<td>0</td>
<td>$15,912</td>
<td>-$15,912</td>
</tr>
</tbody>
</table>

- For interim reports, please provide project income and expenditures-to-date compared to the approved project budget. If there are any major discrepancies, please explain.
We suggest using the same format for interim reports as for final reports (see above). For interim reports, however, you will be presenting information about the first several months of the grant period. Each foundation will specify when they expect an interim report; it may be at six months, but you should check carefully for each grant.

- A list of all sources of income for the project with amounts.

In the examples above, sources of income are detailed as part of your income and expenditures reporting. You may also present this information separately. In either case, be sure to list all your supporters with the amounts you have actually received, and include any other income (from fees, events, donor appeals) that your organization has actually earned during this period.

<table>
<thead>
<tr>
<th>THE GOOD ORGANIZATION - SOURCES OF INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOUNDATIONS</strong></td>
</tr>
<tr>
<td>AMFAR</td>
</tr>
<tr>
<td>NEW YORK CITY AIDS FUND</td>
</tr>
<tr>
<td><strong>CORPORATIONS</strong></td>
</tr>
<tr>
<td>CON EDISON</td>
</tr>
<tr>
<td>JPMORGANCHEASE</td>
</tr>
<tr>
<td>PFIZER INC</td>
</tr>
<tr>
<td>PHILIP MORRIS</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
</tr>
</tbody>
</table>
E. FINANCIAL ATTACHMENTS:

- Most recent audited financial statements, if not already provided.

If your organization had an audit completed for the last fiscal year, label it, and you are done. If your organization did not have an audit, provide your most recent unaudited financial statement.

### THE GOOD ORGANIZATION - MOST RECENT FINANCIAL STATEMENT (UNAUDITED)
*Jan. 1, 2001 to Dec. 31, 2001*

<table>
<thead>
<tr>
<th>INCOME</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FOUNDATIONS</td>
</tr>
<tr>
<td></td>
<td>CORPORATIONS</td>
</tr>
<tr>
<td></td>
<td>GOVERNMENT</td>
</tr>
<tr>
<td></td>
<td>DONATIONS</td>
</tr>
<tr>
<td></td>
<td>FEES/SALES</td>
</tr>
<tr>
<td></td>
<td>TOTAL INCOME</td>
</tr>
<tr>
<td></td>
<td>$55,000</td>
</tr>
<tr>
<td></td>
<td>$23,000</td>
</tr>
<tr>
<td></td>
<td>$115,000</td>
</tr>
<tr>
<td></td>
<td>$15,000</td>
</tr>
<tr>
<td></td>
<td>$7,500</td>
</tr>
<tr>
<td></td>
<td>$215,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PERSONNEL EXPENSES (P.S.)</td>
</tr>
<tr>
<td></td>
<td>SALARIES</td>
</tr>
<tr>
<td></td>
<td>CONSULTING FEES</td>
</tr>
<tr>
<td></td>
<td>FRINGE BENEFITS @ 23%</td>
</tr>
<tr>
<td></td>
<td>SUBTOTAL P.S.</td>
</tr>
<tr>
<td></td>
<td>$132,000</td>
</tr>
<tr>
<td></td>
<td>$8,000</td>
</tr>
<tr>
<td></td>
<td>$27,720</td>
</tr>
<tr>
<td></td>
<td>$167,720</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER THAN PERSONNEL SERVICES (O.T.P.S.)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RENT AND UTILITIES</td>
<td>$18,000</td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>$1,200</td>
</tr>
<tr>
<td>INSURANCE</td>
<td>$2,400</td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>$6,000</td>
</tr>
<tr>
<td>EDUCATION MATERIALS</td>
<td>$2,600</td>
</tr>
<tr>
<td>TELEPHONE</td>
<td>$5,400</td>
</tr>
<tr>
<td>POSTAGE</td>
<td>$3,600</td>
</tr>
<tr>
<td>PRINTING</td>
<td>$3,000</td>
</tr>
<tr>
<td>SUBTOTAL O.T.P.S.</td>
<td>$42,200</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$209,920</td>
</tr>
</tbody>
</table>

| INCOME OVER EXPENSES                    | $5,580                                                           |
• Most recent annual report, if not already provided.

If you have an annual report, send it in, but many newer organizations do not publish fancy annual reports (and are not expected to). If you publish newsletters, those are a good substitute.

III: ATTACHMENTS (OPTIONAL)

• Publications, educational materials, news articles, videotapes, or other relevant materials about your organization or the funded project.

If you choose to attach other materials, make sure they offer relevant information that the funder cannot find elsewhere in the report. Such materials might include positive media reviews of your work, letters of support from peer organizations, and (abbreviated) examples of materials developed for the project, such as a published curriculum or training manual.

PUTTING IT ALL TOGETHER: FORMULATING A FUNDRAISING PLAN

Now that you’ve analyzed your options, perhaps settling on foundations and individual donors, it’s time to begin to create a fundraising plan. The document should identify each potential funding source, the amount to be requested, the planned method of approach, deadlines, if any, the person who is responsible for pursuing a given source, and any current connections to the organization that might be useful in securing funding.

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>STRATEGY/PROJECTED REVENUE</th>
<th>DEADLINE</th>
<th>WHO IS RESPONSIBLE</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEW YORK FOUNDATION</td>
<td>PROPOSAL $50,000</td>
<td>NOV. 1</td>
<td>EXECUTIVE DIRECTOR</td>
<td>NO DIRECT CONNECTION TO ORGANIZATION, BUT FOUNDATION IS FRIENDLY TO STARTUPS.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$30,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEUTSCHE BANK</td>
<td>LETTER $5,000</td>
<td>NONE</td>
<td>BOARD MEMBER</td>
<td>BOARD MEMBER IS AN EMPLOYEE OF DEUTSCHE BANK; GUARANTEED MONETARY CONTRIBUTION</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>TED MURRAY</td>
<td></td>
</tr>
<tr>
<td>HOUSE PARTY</td>
<td>SPECIAL EVENT $10,000</td>
<td>MARCH</td>
<td>FUNDRAISING</td>
<td>BOARD/STAFF NEED TO GENERATE INVITATION LIST IMMEDIATELY</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>COMMITTEE</td>
<td></td>
</tr>
<tr>
<td>FEES</td>
<td>$5,000-$7,000</td>
<td>NONE</td>
<td>EXECUTIVE DIRECTOR/ TUTORS</td>
<td>NEED SYSTEM FOR BILLING ON SLIDING SCALE</td>
</tr>
</tbody>
</table>

Obviously, a chart like the one above would summarize the much more detailed plans needed to carry out an event, seek a grant, or set and collect fees for a particular service. The person or committee responsible for each task would be charged with mapping out an appropriate strategy, and the details of that
plan would be shared with others in the organization for refinement and implementation.

The Board should approve the funding plan at the same time that it approves the budget for the year and should receive updates, at least quarterly, on the progress against the plan, so that they can help the staff make any necessary adjustments.

The Executive Director, designated Board members and others in the organization should also factor into their day-to-day schedules the need to cultivate some of the sources on this list or other prospects with a view toward approaching them for funding in the future. Many organizations use databases to gather information about each source. Such information generally includes:

- Institution name (if appropriate)
- Contact person/title
- Address, telephone number, and e-mail address
- Interests
- Method of approach (proposal, letter of inquiry, employee match)
- Last contacted/result
- Reporting deadline (if appropriate)
- Notes (any other helpful information, e.g. any special connection to the organization, a contact person’s birthday, or the name of a donor’s significant other)

Unless your organization starts out with thousands of donors to be entered, the database need not be fancy fundraising software—a generic program modified to suit your needs will do. (See the Technology chapter for more on databases.)

As your organization grows, so will the need for a more sophisticated plan and system. Future plans will need to capture information about committed funding versus potential funding opportunities, as well as reporting deadlines. Eventually, you will want to reach the point where your organization is fundraising for the year ahead and working to raise more money than projected expenses. Your long-term goal should be to build up a bank balance, both as a hedge against loss of funding and as a pot of money from which you can draw to launch a new initiative on your own.

**SHOULD BOARDS FUNDRAISE?**

In a word, yes. Agreeing on the best role for the Board of Directors to play in fundraising is the source of perennial tension in many nonprofits. Few people join Boards looking for opportunities to fundraise, but Board members should recognize that they have a special responsibility for the financial health and accountability of an organization. As a body, your Board must ensure that your organization has a fundraising strategy that is in line with your group’s projected spending. In addition, each Board member can and should be an advocate for your group within the greater community, and should make a financial contribution to the organization in an amount that’s significant for him or her.

There are many other ways that Board members can support fundraising. Board members can:

- Join the Fundraising or Development Committee
- Participate in a visit to a foundation
- Help write proposals, or research and follow up with funding institutions
- Ask businesses for donations and in-kind contributions
- Talk to friends about your group’s work and ask them to support it, or invite them to special events
- Contribute professional skills, such as photography or printing
Begin a series of conversations about the Board’s role in fundraising, emphasizing the following points:

- To build a solid fundraising program, your group needs to raise money from many sources, including the community.
- Government and foundation funders see financial support from your constituency as a sign that your work is necessary and appreciated.
- If you describe your work as grassroots, then you need to be able to show some level of accountability to and validation from your constituency.
- If the agency’s own leadership and constituents can’t be convinced to support the organization, why should outsiders choose to do so?
- A diversified fundraising program can’t be built solely by the Executive Director or the Executive Director and a Board Fundraising Committee. All staff and Board members must be committed to bringing in resources to support the organization’s mission. (That is not to say that staff members should be required to donate, but they should help with fundraising activities and events; promote the agency within their own networks; and participate in foundation site visits.)

You can invite Board members from a similar organization to speak with your Board about how their Board took on a leadership role in fundraising. Because most people’s primary objection to fundraising is based on their fear of asking for money, consider hosting a training session on the subject.

One of the keys to an agency’s success is its commitment to diversifying its sources of income and incorporating a variety of fundraising vehicles into its plans. But not all fundraising methods are feasible or appropriate for every organization. Over-reliance on any one income “stream,” particularly foundation or government proposals, can be dangerous to the long-term health of your group. Foundations have arbitrary rules about how long you’ll be funded (such as “three years and you’re out”). Government funding can be cut severely, due to politics, the economy and other reasons. If the lion’s share of your income is based on the decisions of individuals at a few institutions, your income stream can quickly turn into a trickle.

Each year, try adding a new facet to your fundraising plan. If you’re committed to taking small risks and continually evaluating your development strategies, over time you’ll find yourself making the most of a healthy mix of fundraising vehicles.

Finally, don’t worry if you don’t grow to love fundraising. Ask successful Executive Directors or Board members, and they will tell you that they don’t particularly like fundraising—some of them even hate it. What makes them successful is that they are too committed to counseling young people, researching new AIDS treatments, or housing battered women to let that stop them.
FUNDERS WHO ACCEPT THE COMMON APPLICATION FORM

The following funders have agreed to accept the New York/New Jersey Area Common Application Form. Before sending an application to any of the funders listed, be sure to check for their specific requirements. Some of the funders below may require preliminary, additional, or supplementary information.

Altman Foundation
The Bay Foundation
The Boehm Foundation
Mary Owen Borden Foundation
The Robert Bowne Foundation
The Louis Calder Foundation
The Clark Foundation
Daphne Foundation
Design Industries Foundation
Geraldine R. Dodge Foundation
Jean & Louis Dreyfus Foundation, Inc.
Foundation for Child Development
Fund for the City of New York
Edwin Gould Foundation for Children, Inc.
William T. Grant Foundation (Youth Service Grants only)
Stella and Charles Guttman Foundation, Inc.
Charles Hayden Foundation
William Randolph Hearst Foundations
The Charles Evans Hughes Memorial Foundation, Inc.
The Hyde and Watson Foundation
The IBJ Foundation, Inc.
Jewish Fund for Justice
KeySpan Foundation
Lavalle Fund for the Blind
Long Island Community Foundation
The MCJ Foundation
The Medco Foundation
Merrill Lynch & Co. Foundation, Inc.
Joyce Mertz-Gilmore Foundation
Morgan Stanley Foundation
MONY Foundation
NEC Foundation of America
The New York Community Trust
New York Foundation
Non-Profit Computing (NPC)
Norman Foundation, Inc.
North Star Fund
Jessie Smith Noyes Foundation
One to One Foundation
Oristano Foundation
Pfizer Inc
The Philanthropic Collaborative
The Pinkerton Foundation
The Prospect Hill Foundation
The Prudential Foundation
The Robin Hood Foundation
Helena Rubinstein Foundation
SISB Community Foundation
The John Ben Snow Foundation, Inc.
The Stone Foundation, Inc.
Taconic Foundation, Inc.
The Teagle Foundation Incorporated

The Tides Foundation
Tiger Foundation
Trinity Grants Program
Unitarian Universalist Veatch Program at Shelter Rock
U.S. Trust Company of New York
Victoria Foundation
Vivendi Universal Fund
The Laura B. Vogler Foundation, Inc.
The Joseph Leroy and Ann C. Warner Fund
The Westchester Community Foundation

Other funders are reviewing the form. Be sure to ask the organization you are applying to whether they accept the New York/New Jersey Area Common Application Form.

For updates please visit www.nyrag.org.

FUNDERS WHO ACCEPT THE COMMON REPORT FORM

The following funders have agreed to accept the New York/New Jersey Area Common Report Form. Before sending a report to any of the funders listed, be sure to check for their specific requirements. Some of the funders below may require preliminary, additional, or supplementary information.

Altman Foundation
The Bay Foundation
The Boehm Foundation
Mary Owen Borden Foundation
The Robert Bowne Foundation
Bristol-Myers Squibb Foundation, Inc.
The Louis Calder Foundation
The Clark Foundation
Eisman Foundation for Children
Foundation for Child Development
Fund for the City of New York
William M. & Miriam F. Meehan Foundation
Stella and Charles Guttman Foundation, Inc.
Charles Hayden Foundation
William Randolph Hearst Foundations
The Charles Evans Hughes Memorial Foundation, Inc.
The Hyde and Watson Foundation
The IBJ Foundation, Inc.
Jewish Fund for Justice
KeySpan Foundation
Lavalle Fund for the Blind
Long Island Community Foundation
The MCJ Foundation
The Medco Foundation
Merrill Lynch & Co. Foundation, Inc.
Joyce Mertz-Gilmore Foundation
Morgan Stanley Foundation
MONY Foundation
NEC Foundation of America
The New York Community Trust
New York Foundation
Non-Profit Computing (NPC)
Norman Foundation, Inc.
North Star Fund
Jessie Smith Noyes Foundation
One to One Foundation
Oristano Foundation
Pfizer Inc
The Philanthropic Collaborative
The Pinkerton Foundation
The Prospect Hill Foundation
The Prudential Foundation
The Robin Hood Foundation
Helena Rubinstein Foundation
SISB Community Foundation
The John Ben Snow Foundation, Inc.
The Stone Foundation, Inc.
Taconic Foundation, Inc.
The Teagle Foundation Incorporated

The Tides Foundation
Tiger Foundation
Trinity Grants Program
Unitarian Universalist Veatch Program at Shelter Rock
U.S. Trust Corporation Foundation
The Laura B. Vogler Foundation, Inc.
The Joseph Leroy and Ann C. Warner Fund
The Westchester Community Foundation

For updates please visit www.nyrag.org.
RESOURCES

Community Resource Exchange, www.crenyc.org. Toolbox on fundraising and other management topics and links to other resources.


Training video, Grassroots Institute for Fundraising Training (GIFT). Contact by phone: 303-455-6361; or e-mail: generalinfo@grassrootsinstitute.org. Priced on a sliding scale based on your organization’s annual budget.


“GRANT$ource NYC,” New York City Office of the Mayor, www.ci.nyc.ny.us/html/grants/pdf/grantsource.pdf. This weekly publication provides a good introduction to the range of grants available to local groups.


CBO Funding Calendar, www.batf.net/funding.htm. Contact by phone: 718-783-0883 x124; fax: 718-783-0244; or e-mail: communityresources@batf.net. This monthly calendar lists sources of funding for nonprofits serving people with H.I.V./AIDS in New York City. The calendar is provided by mail, e-mail and fax at no charge.

“The Special Events Toolbox,” Cause Effective, www.causeeffective.org. Contact by phone: 212-643-7093; or e-mail: info@causeeffective.org. Covers all the essentials of planning, executing and evaluating successful special events, from setting objectives and developing a realistic budget to choosing the appetizers.


“Religious Funding Resource Guide,” Resource Women. Contact by phone: 202-832-8071; or e-mail: rswnn@aol.com. This resource guide enables nonprofit and other social-change groups that are not religiously based to identify sources of support from religious organizations. Provides a list of funding sources as well as guidelines, applications and grant lists.

General Board of Global Ministries, the United Methodist Church, http://gbgm-umc.org/mission_programs/cim/1.14/index.cfm. The Ministries with Women, Children, and Families program of the Community Ministries Unit helps congregations and church-based outreach ministries identify and access appropriate sources of funding to reach out to women and families in crisis.

The Episcopal Church, U.S.A., www.episcopalchurch.org/uto/grantslist.html. Provides a listing of grants awarded by the church’s United Thank Offering program, as well as information on how to apply for a grant.


The ePhilanthropy Foundation, www.ephilanthropy.org. Seeks to foster the ethical use of the Internet for philanthropic purposes. The ePhilanthropy Foundation provides educational services via conferences and seminars, printed materials, and over the Internet. The Web site also offers helpful links to other organizations providing resources on fundraising on the Internet.

The Foundation Center, www.fdncenter.org. Provides a directory of foundations as well as the latest information on fundraising training courses.

“Federal Register,” National Archives and Records Administration, www.access.gpo.gov/su_docs/aces/aces140.html. This official daily government publication allows for an online search of current federal funding opportunities.
CHAPTER THREE: FINANCIAL MANAGEMENT
Once you’ve created a program and raised the money to run it, you must begin the less glamorous but no less crucial task of managing the organization’s resources.

A good financial-management system involves three interrelated parts: budgeting, bookkeeping, and reporting. You must have all three of these elements in place or your system will break down. For example, you may think you can develop an extremely accurate budget that predicts how your organization’s income will be spent, but unless you also have a bookkeeping system that can reflect what actually happened, you will have no idea how accurate your budget is, or if, in fact, you have overspent it. Unless the budget is regularly compared with reality and adjusted to reflect any changes, it becomes a useless tool.

Similarly, having a top-notch accounting system that provides detailed reports will mean nothing without a budget and a cash-flow projection to guide your organization’s spending. Current financial statements report on past spending, which is important, but these statements cannot forecast the future financial needs of the organization.

It is far easier to keep track of your organization’s finances properly in the first place than it is to face the repercussions of filing late and inaccurate reports, or of accumulating debt by spending more money than the organization has received. Setting up sound bookkeeping procedures in the beginning, and being aware of local and federal government reporting requirements early on, will help you avoid time-consuming problems down the line.

In this section, we outline the basic elements involved in setting up a sound financial-management system. Using as an example a fictitious group, The Good Organization, we will build a budget, lay out the requirements for a bookkeeping system, discuss how to handle petty cash transactions, and explain how to read financial reports. We will also review the legal reporting requirements for nonprofits and employers.

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Establishing solid budgeting, bookkeeping and reporting systems will help to ensure that your organization is ready to be audited when the time comes. An audit is a detailed review of an organization’s books and financial statements, conducted by a certified public accountant. Its purpose is to determine the organization’s financial position at the close of the fiscal year; to assess the organization’s overall financial health; to verify the accuracy in the recording of the organization’s financial data; and to determine if the record-keeping procedures meet accounting standards. New York State law requires nonprofit organizations with incomes over $150,000 to submit an independent audit along with their annual information return to the Office of Charities and Registration of the New York Department of State. Organizations with an income between $75,000 and $150,000 must submit a review conducted by a certified public accountant, a less extensive examination of an organization’s finances.
CREATING A FINANCIAL PLAN: BUDGETING FOR YOUR ORGANIZATION

One of the most basic tools for managing your organization’s finances is a budget—a written assessment of how much money it will take to run your organization or program over a given amount of time (usually a year), as compared to the amount of income and resources you expect to have available during that period.

There are several steps in the budget-preparation process. Broadly speaking, these include:

- Outlining what you plan to accomplish over the coming year, and how you plan to achieve those goals
- Evaluating what resources (human and material) you already have available, and what additional resources you will need to carry out your plans
- Reviewing what funds are available, and deciding how you will obtain whatever additional funds are needed

Before a final budget is completed, it may go through several drafts and revisions. For this reason—and because more input is likely to make your budget more specific, and therefore more useful—budget preparation is best tackled by a team.

Your completed budget should not be filed away in a drawer. It is a living, working document to be used, reviewed and modified when necessary. You should consult your budget every time a decision to spend or allocate funds is to be made, in order to ensure that the resources are available to cover the expense. The regular and proper use of your budget will keep your organization from overspending and will help ensure that funds are truly being allocated according to the organization’s priorities.

The section below includes some worksheets to help you start to develop your own budget and explains how these worksheets can serve as the foundation for an official budget that you can present to funders, Board members and other interested parties.

In the following examples, we have assumed that The Good Organization is starting its first project. Since the group does not have enough money to hire a full-time staff, its organizational budget looks very much like a project budget.

DEVELOPING AN EXPENSE BUDGET

The first step in developing an expense budget is to decide what time period your budget will cover. When deciding what fiscal period to use, consider whether your program has a natural beginning point. For example, an after-school program may choose Sept. 1 to start its fiscal year, whereas a summer arts program might want its year to start July 1.

A group’s 12-month fiscal year is generally chosen during the incorporation process and reported to the I.R.S. on the organization’s application for tax exemption. This does not mean, however, that you must stick with the time frame you initially established if it no longer makes sense for your organization. For information on how to change your organization’s fiscal year, contact the I.R.S. at www.irs.gov or call 800-829-1040.
Next, you must begin to contemplate what costs are likely to be associated with running your program. An expense budget is divided into two major sections: Personnel Services (P.S.) and Other Than Personnel Services (O.T.P.S.).

**Personnel Services** appear first in the budget and include all expenses related to the staff, such as salaries and benefits. Professional fees for auditors, bookkeeping services and other consultants are also often included in the Personnel Services section of the budget.

(Note: The I.R.S. has very specific guidelines for determining who is and who is not a consultant. Make sure that you refer to their guidelines before hiring anyone in a consulting capacity. To learn more, visit the IRS Web site at www.irs.gov or call 800-829-1040 and request a copy of the brochure “Employee or Independent Contractor.”)

**Other Than Personnel Services** includes all expenses not related to personnel, such as rent, printing and office supplies.

Below is a description of the program The Good Organization wants to create:

We will form four discussion groups for girls ages 13-18. Each group will be composed of eight to 10 girls, and will meet after school once per week for two hours. Teens will be involved in selecting the discussion topics; arranging for any guest participants; promoting the session; developing any materials needed for the session; and assisting an adult counselor in facilitating the discussion. The discussion groups will be held year-round.

**ASSESSING PERSONNEL EXPENSES**

**WAGES AND SALARIES**

The Good Organization employs a part-time, salaried program coordinator who works 20 hours per week. In addition, it will hire two adults to lead two discussion groups each. They will be part-time employees, paid on an hourly basis, each working eight hours per week. This includes four hours for each workshop—two for leading the discussion and two for preparation and follow-up.

**CONSULTING AND OTHER PROFESSIONAL FEES**

The Good Organization pays a bookkeeper to prepare quarterly financial statements, as well as a fee to a grant writer.

On the next page is a summary of their wage, salary and consulting costs:
For salaried employees, the last column (“Cost per year”) is simply the annual salary, as these employees receive a set amount of money regardless of the number of hours worked. For hourly employees and consultants paid on a weekly or monthly basis, the cost per year must be calculated. For example, for Counselor 1, the cost per year is $15/hour (the hourly rate) X 8 hours per week (the number of hours per week the person will work) X 52 weeks (the number of weeks in a year).

**BENEFITS**

The other costs of having employees come from a category known as “fringe benefits.”

There are two types of benefits: statutory (required) and optional.

The following statutory benefits must be paid for all employees:

**Social Security/FICA** This a 15.30 percent tax. The employer must pay 7.65 percent of each employee's salary to the I.R.S. The same amount is also withheld from each employee's paycheck and is paid to the I.R.S.

**Unemployment Insurance** Employers must pay for New York State Unemployment Insurance for each employee. For new groups, the rate is 4.4 percent of the first $8,500 paid to each employee. Rates increase if an organization has a history of laying off and/or firing employees. For organizations outside New York State, check with your state's Department of Labor.

Nonprofit organizations are exempt from paying federal unemployment tax.

### WAGES, SALARIES, AND PROFESSIONAL FEES

*July 2002 - June 2003*

<table>
<thead>
<tr>
<th>EMPLOYEE</th>
<th>SALARY OR HOURLY RATE</th>
<th>HOURS PER WEEK</th>
<th>WEEKS PER YEAR</th>
<th>COST PER YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRODUCTION COORDINATOR</td>
<td>$15,000/YEAR</td>
<td>N/A</td>
<td>N/A</td>
<td>$15,000</td>
</tr>
<tr>
<td>COUNSELOR 1</td>
<td>$15/HOUR</td>
<td>8</td>
<td>52</td>
<td>$6,240</td>
</tr>
<tr>
<td>COUNSELOR 2</td>
<td>$15/HOUR</td>
<td>8</td>
<td>52</td>
<td>$6,240</td>
</tr>
<tr>
<td>TOTAL SALARIES</td>
<td></td>
<td></td>
<td></td>
<td>$27,480</td>
</tr>
<tr>
<td>CONSULTANT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRANT WRITER</td>
<td>$1,500/YEAR</td>
<td>N/A</td>
<td>N/A</td>
<td>$1,500</td>
</tr>
<tr>
<td>BOOKKEEPER</td>
<td>$400/MONTH</td>
<td>N/A</td>
<td>12</td>
<td>$4,800</td>
</tr>
<tr>
<td>TOTAL CONSULTING FEES</td>
<td></td>
<td></td>
<td></td>
<td>$6,300</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>$33,780</td>
</tr>
</tbody>
</table>

For salaried employees, the last column (“Cost per year”) is simply the annual salary, as these employees receive a set amount of money regardless of the number of hours worked. For hourly employees and consultants paid on a weekly or monthly basis, the cost per year must be calculated. For example, for Counselor 1, the cost per year is $15/hour (the hourly rate) X 8 hours per week (the number of hours per week the person will work) X 52 weeks (the number of weeks in a year).
Workers’ Compensation/Short-term Disability Insurance These help to cover the salary of any employee who is injured on the job. The rates vary depending on the size of the organization. New organizations can expect to pay an amount equivalent to 1 percent of total salaries for Workers’ Compensation and .5 percent of salaries for Short-term Disability Insurance.

Contact the following state offices for more information about obtaining the forms for statutory benefits.

**Unemployment Insurance**
Unemployment Insurance Division
New York State Department of Labor
P.O. Box 1589
Albany, NY 12201-1589

**Workers’ Compensation and Disability Insurance**
State Insurance Fund
199 Church Street
New York, NY 10007

Other optional benefits that can also be provided to employees include: health insurance, dental insurance, death benefits, pension plans, long-term disability insurance, and 403(b) retirement plans. You will have to decide what types of coverage to offer and which employees will qualify for benefits (i.e., will only full-time, salaried employees receive coverage? What about part-time, salaried employees? What about hourly workers?) The costs for these benefits will vary depending on what you choose.

An insurance broker can help you identify appropriate policies. *(For a detailed discussion of employee benefits, see the Human Resources chapter.)*

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Once your organization becomes an employer, in addition to providing the fringe benefits outlined above, it must file quarterly and annual payroll reports, and pay taxes withheld from employees’ paychecks to the I.R.S. and New York State. Many organizations find it efficient to hire a payroll service company to generate paychecks and prepare reports. Payroll service companies will also prepare the quarterly unemployment reports required by the Department of Labor. For more information on payroll and related reports required by the state and the I.R.S., see the chart at the end of this chapter.

The Good Organization is only required to pay fringe benefits for its one salaried employee. The following chart shows how The Good Organization calculated its fringe-benefit expenses:

<table>
<thead>
<tr>
<th><strong>FRINGE BENEFITS</strong></th>
<th><strong>RATE</strong></th>
<th><strong>CALCULATION</strong></th>
<th><strong>TOTAL COST</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOCIAL SECURITY</strong></td>
<td>7.65% OF TOTAL SALARIES</td>
<td>.0765 x $27,480</td>
<td>$2,102.22</td>
</tr>
<tr>
<td><strong>UNEMPLOYMENT INSURANCE</strong></td>
<td>4.4% OF FIRST $8,500 PAID EACH EMPLOYEE</td>
<td>.044 x $25,500</td>
<td>$1,122.00</td>
</tr>
<tr>
<td><strong>WORKERS’ COMPENSATION</strong></td>
<td>1% OF TOTAL SALARIES</td>
<td>.01 x $27,480</td>
<td>$274.80</td>
</tr>
<tr>
<td><strong>DISABILITY INSURANCE</strong></td>
<td>.5% OF TOTAL SALARIES</td>
<td>.005 x $27,480</td>
<td>$137.40</td>
</tr>
<tr>
<td><strong>HEALTH INSURANCE</strong></td>
<td>$210/MONTH FOR EACH PART-TIME SALARIED EMPLOYEE</td>
<td>$210/MONTH x 12 MONTHS x 1 EMPLOYEE</td>
<td>$2,520.00</td>
</tr>
<tr>
<td><strong>TOTAL FRINGE BENEFITS</strong></td>
<td></td>
<td></td>
<td>$6,156.42</td>
</tr>
</tbody>
</table>
It is important to make sure that the cost of your fringe benefits is in line with your personnel costs. The cost of fringe benefits expressed as a percentage of total salaries is referred to as a company's fringe-benefit rate. To calculate the fringe-benefit rate, divide the total cost of fringe benefits by the total of all salaries.

\[
\frac{\text{Total fringe benefits}}{\text{Total salaries}} = \text{Fringe-benefit rate}
\]

If your organization offers optional benefits such as health insurance, a reasonable fringe-benefit rate is 20 to 25 percent.

**ESTIMATING NON-PERSONNEL EXPENSES**

As we mentioned above, the other category of expenses is Other Than Personnel Services (O.T.P.S.). These expenses include all other costs related to your organization, such as rent, utilities, program supplies and photocopying expenses.

Let’s take as an example the case of The Good organization's discussion-group program. This program will require a space to meet in, promotional materials to attract participants, maybe money to pay special speakers, maybe money to pay for the girl’s transportation, maybe food during the meetings. So far, the organization has received space from a multi-service youth organization in the neighborhood. The rent, utilities and telephone provided by the multi-service youth organization are considered an in-kind contribution. The Good Organization has agreed to contribute some money for office supplies, and equipment rental.

The Good Organization may construct the following O.T.P.S. expense budget worksheet:

<table>
<thead>
<tr>
<th>EXPENSE CATEGORY</th>
<th>CALCULATION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>RENT AND UTILITIES (IN-KIND)</td>
<td>1,000 SQUARE FEET X $5 PER SQUARE FOOT PER YEAR</td>
<td>$5,000</td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>FAX MACHINE = $500; COMPUTER &amp; PRINTER = $1,500</td>
<td>$2,000</td>
</tr>
<tr>
<td>TELEPHONE (IN-KIND)</td>
<td>$50 PER MONTH X 12 MONTHS</td>
<td>$600</td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>$25 PER MONTH X 12 MONTHS</td>
<td>$300</td>
</tr>
<tr>
<td>POSTAGE</td>
<td>CHRISTMAS MAILING: $.37 X 500 = $185</td>
<td>$425</td>
</tr>
<tr>
<td></td>
<td>$20 PER MONTH X 12 MONTHS</td>
<td></td>
</tr>
<tr>
<td>PRINTING</td>
<td>CHRISTMAS MAILING AND OTHER NOTICES</td>
<td>$400</td>
</tr>
<tr>
<td>FOOD FOR DISCUSSION GROUPS</td>
<td>$20 PER WEEK X 52 WEEKS</td>
<td>$1,040</td>
</tr>
<tr>
<td>PROGRAM SUPPLIES/ MATERIALS</td>
<td>$20 PER MONTH X 12 MONTHS</td>
<td>$240</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td></td>
<td>$200</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$10,205</td>
</tr>
</tbody>
</table>
The next step is to consolidate the Personnel Services and Other Than Personnel Services worksheets into an expense budget. Notice that the expense budget includes much less information than the worksheets.

### DEVELOPING A REVENUE BUDGET

The second part of budgeting for your organization is figuring out what your prospects are for raising money to cover your expenses. This income might come from fees charged to your clients, donations from individuals, grants from foundations and corporations, government contracts, fundraising events or other sources.

To develop a revenue budget, speculate about potential sources and the amounts of revenue you might receive from them. Next, figure out how likely it is that you will receive the revenue.

Let’s turn back to our example. The Good Organization created the worksheet on the following page to analyze its potential sources of income.

- **The first column lists the source of funding.**
- **The second column lists money that has already been committed.** The Good Organization has confirmed that each source will contribute the amount of revenue indicated, including in-kind contributions.
- **The third column lists revenue that the organization is likely to receive.** For instance, the $5,000 from the Sister Fund is the second part of a three-year grant cycle. The Good Organization has to submit a proposal to the foundation to get this second block of funding, but they will likely receive the

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**THE GOOD ORGANIZATION - EXPENSE BUDGET**

*July 2002 - June 2003*

<table>
<thead>
<tr>
<th>Personnel Services (P.S.)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GROSS SALARIES</td>
<td>$27,480</td>
</tr>
<tr>
<td>CONSULTING FEES</td>
<td>$6,300</td>
</tr>
<tr>
<td>FRINGE BENEFITS</td>
<td>$6,156.42</td>
</tr>
<tr>
<td><strong>Subtotal P.S.</strong></td>
<td>$39,936.42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Than Personnel Services (O.T.P.S)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RENT AND UTILITIES</td>
<td>$5,000</td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>$2,000</td>
</tr>
<tr>
<td>TELEPHONE</td>
<td>$600</td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>$300</td>
</tr>
<tr>
<td>POSTAGE</td>
<td>$425</td>
</tr>
<tr>
<td>PRINTING</td>
<td>$400</td>
</tr>
<tr>
<td>FOOD</td>
<td>$1,040</td>
</tr>
<tr>
<td>PROGRAM SUPPLIES</td>
<td>$240</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td>$200</td>
</tr>
<tr>
<td><strong>Subtotal O.T.P.S.</strong></td>
<td>$10,205</td>
</tr>
</tbody>
</table>

**Total Expenses**

$50,141.42
money if they performed well during the first year. The revenue expected from the Christmas mailing, the bake sales and the benefit dinner is also listed in the “likely” column, because the organization held similar fundraising campaigns the previous year and was able to raise a comparable amount of money.

The fourth column lists money that might come to the organization, but is not very likely to be received. For instance, the organization submitted a proposal to the New York Community Trust. They have never before applied, nor have they established a relationship with a program officer, so they are not at all sure that they will receive the grant. They have also decided to try to raise money by sponsoring a benefit dinner this year. Since they have never tried this method of raising money before, they are not sure how much money they can expect. Therefore, they put that potential revenue in the “possible” column.

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>COMMITTED</th>
<th>LIKELY</th>
<th>POSSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOUNDATIONS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HAYDEN</td>
<td></td>
<td>$15,000</td>
<td></td>
</tr>
<tr>
<td>SISTER FUND</td>
<td></td>
<td>$5,000</td>
<td></td>
</tr>
<tr>
<td>NEW YORK COMMUNITY TRUST</td>
<td></td>
<td></td>
<td>$10,000</td>
</tr>
<tr>
<td>NORTH STAR</td>
<td></td>
<td>$5,000</td>
<td></td>
</tr>
<tr>
<td>TILDEN FUND</td>
<td></td>
<td>$5,000</td>
<td></td>
</tr>
<tr>
<td>CORPORATIONS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPMORGANCHASE</td>
<td></td>
<td></td>
<td>$1,500</td>
</tr>
<tr>
<td>CITIBANK</td>
<td></td>
<td></td>
<td>$2,000</td>
</tr>
<tr>
<td>VERIZON</td>
<td></td>
<td></td>
<td>$3,000</td>
</tr>
<tr>
<td>OTHER</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHRISTMAS MAILING</td>
<td></td>
<td></td>
<td>$5,000</td>
</tr>
<tr>
<td>BAKE SALES</td>
<td></td>
<td></td>
<td>$1,000</td>
</tr>
<tr>
<td>HOUSE PARTIES</td>
<td></td>
<td></td>
<td>$3,000</td>
</tr>
<tr>
<td>BENEFIT DINNER</td>
<td></td>
<td></td>
<td>$3,000</td>
</tr>
<tr>
<td>IN-KIND DONATIONS (RENT, UTILITIES, AND TELEPHONE)</td>
<td>$5,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$35,600</td>
<td>$15,500</td>
<td>$13,000</td>
</tr>
</tbody>
</table>
The following is a revenue budget for The Good Organization based on the projections listed on the revenue worksheet on the previous page. Notice that only revenue listed in the “committed” or “likely” columns is included in this budget.

### THE GOOD ORGANIZATION - SOURCE OF REVENUE WORKSHEET

*July 2002 - June 2003*

<table>
<thead>
<tr>
<th>FOUNDATIONS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HAYDEN</td>
<td>$15,000</td>
</tr>
<tr>
<td>SISTER FUND</td>
<td>$5,000</td>
</tr>
<tr>
<td>NORTH STAR</td>
<td>$5,000</td>
</tr>
<tr>
<td>TILDEN FUND</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CORPORATIONS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>JPMORGANCHASE</td>
<td>$1,500</td>
</tr>
<tr>
<td>CITIBANK</td>
<td>$2,000</td>
</tr>
<tr>
<td>VERIZON</td>
<td>$3,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CHRISTMAS MAILING</td>
<td>$5,000</td>
</tr>
<tr>
<td>BAKE SALES</td>
<td>$1,000</td>
</tr>
<tr>
<td>HOUSE PARTIES</td>
<td>$3,000</td>
</tr>
<tr>
<td>IN-KIND DONATIONS (RENT, UTILITIES, AND TELEPHONE)</td>
<td>$5,600</td>
</tr>
</tbody>
</table>

| TOTAL                | $51,100  |

Next, the expense budget must be compared with the revenue budget. Generally, organizations try to list their revenues and expenses on one page in order to give themselves and outsiders a clear picture of the organization’s finances.

Comparing income with expenses will clearly show whether or not your organization has a balanced budget, or even a surplus—which is not only appropriate, it is advisable for a nonprofit organization.

The following page shows The Good Organization’s budget. Upon initial review, the finances look good—that is, the organization is projecting slightly more revenue than will be needed to cover projected expenses. But it is important to remember that not all the budgeted income is committed. If the JPMorgan Chase or Sister Fund proposals are rejected, the organization will run a deficit.

At this point, an organization must ask itself a few questions:

- How much risk are we willing to undertake?
- Are there other possible sources of revenue we can explore?
- Are there expenses that could be cut? (In the case of The Good Organization, could the program coordinator lead some of the discussion groups instead of a second counselor?)
Once these questions are answered, the organization's budget team can revise the budget to reflect any changes. Remember that your budget is a work in progress. It is important to periodically revisit the projections you have made and make adjustments where necessary.

Following the sample organizational budget on the next page, you will find blank worksheets to aid you in developing your own organizational budget.

As a Board member, how should you look at a budget? Start by performing a few simple calculations to make sure the numbers add up correctly. Then start asking questions: Does income equal or exceed expenses? Has the budget grown since last year? Are there any new expenses? Are there any new sources of revenue? Ask as many questions as necessary to be certain you understand what the report is saying. Understanding the budget numbers and how they were calculated will help you monitor the organization's financial affairs.
### THE GOOD ORGANIZATION - SAMPLE ORGANIZATIONAL BUDGET

**July 2002 - June 2003**

#### INCOME

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HAYDEN</td>
<td>$15,000</td>
</tr>
<tr>
<td>SISTER FUND</td>
<td>$5,000</td>
</tr>
<tr>
<td>NORTH STAR</td>
<td>$5,000</td>
</tr>
<tr>
<td>TILDEN FUND</td>
<td>$5,000</td>
</tr>
<tr>
<td>JPMORGANCHASE</td>
<td>$1,500</td>
</tr>
<tr>
<td>CITIBANK</td>
<td>$2,000</td>
</tr>
<tr>
<td>VERIZON</td>
<td>$3,000</td>
</tr>
<tr>
<td>CHRISTMAS MAILING</td>
<td>$5,000</td>
</tr>
<tr>
<td>BAKE SALES</td>
<td>$1,000</td>
</tr>
<tr>
<td>HOUSE PARTIES</td>
<td>$3,000</td>
</tr>
<tr>
<td>IN-KIND DONATIONS (RENT, UTILITIES, AND TELEPHONE)</td>
<td>$5,600</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>$51,100</td>
</tr>
</tbody>
</table>

#### PERSONNEL SERVICES (P.S.)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROSS SALARIES</td>
<td>$27,480</td>
</tr>
<tr>
<td>CONSULTING FEES</td>
<td>$6,300</td>
</tr>
<tr>
<td>FRINGE BENEFITS (@ 23%)</td>
<td>$6,156</td>
</tr>
<tr>
<td><strong>SUBTOTAL P.S.</strong></td>
<td>$39,936</td>
</tr>
</tbody>
</table>

#### OTHER THAN PERSONNEL SERVICES (O.T.P.S.)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>RENT AND UTILITIES</td>
<td>$5,000</td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>$2,000</td>
</tr>
<tr>
<td>TELEPHONE</td>
<td>$600</td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>$300</td>
</tr>
<tr>
<td>POSTAGE</td>
<td>$425</td>
</tr>
<tr>
<td>PRINTING</td>
<td>$400</td>
</tr>
<tr>
<td>FOOD</td>
<td>$1,040</td>
</tr>
<tr>
<td>PROGRAM SUPPLIES</td>
<td>$240</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td>$200</td>
</tr>
<tr>
<td><strong>SUBTOTAL O.T.P.S.</strong></td>
<td>$10,205</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES (P.S. + O.T.P.S.)</strong></td>
<td>$50,141</td>
</tr>
</tbody>
</table>

#### PROJECTED NET/LOSS

$959
Use the following budget worksheet to calculate your personnel expenses. Add or omit categories where appropriate.

<table>
<thead>
<tr>
<th>EMPLOYEE</th>
<th>SALARY/PAY RATE</th>
<th>CALCULATION</th>
<th>TOTAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYEE 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMPLOYEE 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMPLOYEE 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMPLOYEE 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMPLOYEE 5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL SALARIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOCIAL SECURITY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNEMPLOYMENT INSURANCE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WORKERS’ COMPENSATION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DISABILITY INSURANCE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HEALTH INSURANCE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL FRINGE BENEFITS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOOKEEPING SERVICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AUDITOR</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONSULTANTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL PERSONNEL SERVICES</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Use the following worksheet to calculate your costs related to Other Than Personnel Services. We have left some blank lines for you to add in other expenses related to your program.

<table>
<thead>
<tr>
<th>EXPENSE CATEGORY</th>
<th>CALCULATION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>RENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UTILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TELEPHONE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>POSTAGE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRINTING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOOD FOR DISCUSSION GROUPS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROGRAM SUPPLIES/MATERIALS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRAVEL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONFERENCE FEES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROGRAM EQUIPMENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL OTHER THAN PERSONNEL SERVICES</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Use the following worksheet to project your organization’s own sources of revenue.

### SOURCES OF REVENUE WORKSHEET

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>COMMITTED</th>
<th>LIKELY</th>
<th>POSSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOUNDATIONS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CORPORATIONS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INDIVIDUALS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GOVERNMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUSINESSES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMMUNITY INSTITUTIONS</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From these expense and income worksheets, you can create an organizational budget. When listing sources of revenue, include only those items that are either committed or likely. When listing expenses, include only the budget item and the final cost, not the calculations.

**ORGANIZATIONAL BUDGET WORKSHEET**

<table>
<thead>
<tr>
<th>PERIOD COVERED:</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME</td>
</tr>
<tr>
<td>TOTAL INCOME:</td>
</tr>
<tr>
<td>PERSONNEL SERVICES (P.S.)</td>
</tr>
<tr>
<td>GROSS SALARIES</td>
</tr>
<tr>
<td>CONSULTING FEES</td>
</tr>
<tr>
<td>FRINGE BENEFITS [@ 20-25%]</td>
</tr>
<tr>
<td>SUBTOTAL P.S.</td>
</tr>
<tr>
<td>OTHER THAN PERSONNEL SERVICES (O.T.P.S.)</td>
</tr>
<tr>
<td>RENT AND UTILITIES</td>
</tr>
<tr>
<td>EQUIPMENT</td>
</tr>
<tr>
<td>TELEPHONE</td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
</tr>
<tr>
<td>POSTAGE</td>
</tr>
<tr>
<td>PRINTING</td>
</tr>
<tr>
<td>FOOD</td>
</tr>
<tr>
<td>PROGRAM SUPPLIES</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
</tr>
<tr>
<td>SUBTOTAL O.T.P.S.</td>
</tr>
<tr>
<td>TOTAL EXPENSES (P.S. + O.T.P.S.)</td>
</tr>
<tr>
<td>PROJECTED NET (LOSS)</td>
</tr>
</tbody>
</table>
MULTIPLE-PROGRAM BUDGETING

The sample budgeting worksheets and final budget in the previous sections are for a group that runs only one program—all the revenue earned goes to support their discussion groups for teenage girls. As The Good Organization grows and adds more programs, it will begin to receive restricted funds designated for individual projects. It will also continue to receive unrestricted funds that can be used for overall general operating expenses.

Once your organization begins to receive restricted funds that can be applied only to specific programs or projects, it will become necessary to begin using a multiple-program budget format. Building a consolidated or multiple-program budget is a bit like working on a giant jigsaw puzzle. You need to make sure that all the project budgets fit into your overall organizational budget.

There are three additional steps involved in budgeting for multiple projects: allocating program expenses among the various projects, budgeting for projects with a program year other than your fiscal year, and allocating administrative expenses to the various projects.

ALLOCATING PROGRAM EXPENSES AMONG VARIOUS PROJECTS

In creating your project budgets, you will need to indicate what percentage of each staff person’s time will be dedicated to each project, and you’ll need to break down your O.T.P.S. expenses by project as well. Once you have constructed all your project budgets, you should lay them out next to your total organizational budget to make sure the numbers add up. For instance, one staff person may work on several different projects. When you add up the percentages of that person’s time that are listed in all the project budgets, they should not add up to more than 100 percent. If they do, you need to adjust the budgets to correct this error. Lining up the project budgets with your overall organizational budget will also help you to figure out which items in your budget are not covered by any projects and must therefore be paid for using unrestricted funds. Expenses not covered by project funds should be included in the “Administration” column of the consolidated budget. (See the Sample Consolidated Budget at the end of this section.)

BUDGETING FOR PROJECTS WHEN THE PROGRAM YEAR DIFFERS FROM YOUR FISCAL YEAR

Often organizations receive revenue from a funder for a 12-month period that doesn’t match their fiscal year. For example, The Good Organization’s current fiscal year runs from July 2002 to June 2003, but they received a contract that runs from April 2003 through March 2004. Only three months (or one-fourth) of the contract will occur during the group’s 2002-2003 fiscal year. Therefore, The Good Organization must prorate the money in that contract, counting only one-fourth of the value of the contract as revenue during the 2002-2003 fiscal year. The remaining value of the contract will be considered income for the 2004-2005 fiscal year.

ALLOCATING ADMINISTRATIVE EXPENSES

Once your group begins to run more than one program, the question of overhead or shared costs becomes important. Overhead expenses are those that cannot be easily attributed to a program or project because they are shared by all the programmatic activities of the organization. These expenses, although not direct costs, are nonetheless necessary for the successful operation of a project. The salaries of the Executive Director and Bookkeeper, for example, are often considered administrative expenses. But without an Executive Director running the agency, raising funds, supervising the staff and coordinating programs, an individual program could not be run successfully. Similarly, a project needs a Bookkeeper to record, track and report on the project’s income and expenses.
Some grantmakers allow organizations to submit a project budget that includes an indirect rate, or overhead rate, which eliminates the need for you to distribute shared cost across individual projects. When using an indirect rate as part of your budget to a prospective funder, the expenses directly related to running the project are listed, and the indirect cost are included on one list as a percent of project expenses. Some grant makers set the allowable overhead rate, while others are more flexible and allow the grantee to determine the rate. The indirect rate needs to be annually recalculated to adjust for changes in an organization’s budget.

If a funder does not allow the use of an overhead rate, you will have to carefully allocate a percentage of your shared costs to each project. Although itemizing individual overhead expenses on each project budget is somewhat cumbersome, it is important to try to do so as accurately as possible.

To determine your own overhead rate, also known as an indirect rate, you must first divide all expenses into two groups: direct expenses and indirect shared expenses. Next, divide the total of all your indirect expenses by the total direct expenses to determine your overhead percentage rate. For example if your group has a total of $3,000 in shared expenses and runs three different projects that combine to equal $15,000, their indirect rate would be calculated as follows:

\[
\text{Indirect Rate Calculation} = \frac{\text{Total Indirect Expenses}}{\text{Total Direct Expenses}} = \frac{3,000}{15,000} = .20, \text{ or } 20\%
\]

Once you have an indirect rate, the shared costs can be distributed to each project. Multiplying each project’s total cost by 20% will give you its share of indirect expenses.
Below is a detailed consolidated budget for the Good Organization. Note the shared costs have been moved from shared costs and distributed to each project based on the indirect rate. The shared cost column does not need to be included in the final version of the budget.

<table>
<thead>
<tr>
<th>THE GOOD ORGANIZATION - SAMPLE CONSOLIDATED BUDGET</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOTAL</td>
</tr>
<tr>
<td></td>
<td>EXPENSES</td>
</tr>
<tr>
<td>PERSONNEL SERVICES (P.S.)</td>
<td></td>
</tr>
<tr>
<td>GROSS SALARIES</td>
<td>$60,000</td>
</tr>
<tr>
<td>FRINGE BENEFITS (@ 23%)</td>
<td>$13,800</td>
</tr>
<tr>
<td>CONSULTING FEES</td>
<td></td>
</tr>
<tr>
<td>GRANT WRITER</td>
<td>$3,000</td>
</tr>
<tr>
<td>BOOKKEEPER</td>
<td>$6,000</td>
</tr>
<tr>
<td>SUBTOTAL P.S.</td>
<td>$82,800</td>
</tr>
<tr>
<td>OTHER THAN PERSONNEL SERVICES (O.T.P.S.)</td>
<td></td>
</tr>
<tr>
<td>RENT AND UTILITIES (IN-KIND)</td>
<td>$8,000</td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>$550</td>
</tr>
<tr>
<td>TELEPHONE (IN-KIND)</td>
<td>$1,000</td>
</tr>
<tr>
<td>OFFICE SUPPLIES</td>
<td>$700</td>
</tr>
<tr>
<td>POSTAGE</td>
<td>$700</td>
</tr>
<tr>
<td>PRINTING</td>
<td>$700</td>
</tr>
<tr>
<td>FOOD</td>
<td>$2,000</td>
</tr>
<tr>
<td>PROGRAM SUPPLIES</td>
<td>$1,500</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td>$500</td>
</tr>
<tr>
<td>SUBTOTAL O.T.P.S.</td>
<td>$15,650</td>
</tr>
<tr>
<td>TOTAL EXPENSES (P.S. + O.T.P.S.)</td>
<td>$98,450</td>
</tr>
<tr>
<td>INDIRECT COSTS @ 40%</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL DIRECT AND INDIRECT COSTS</td>
<td>$98,450</td>
</tr>
</tbody>
</table>

Indirect Rate Calculation = \[ \frac{(\text{Total Indirect Expenses})}{(\text{Total Direct Expenses})} = \frac{28,130}{70,320} = 40\% \]
CASH-FLOW PROJECTIONS

Once you have assembled a budget for the year, it is important to determine when the anticipated funds are expected to come in to the organization, and when they will need to be spent. Developing a cash-flow projection will help you report how income and expenses will likely be distributed over the course of a year. By using this information, you can help to ensure that you always have enough cash on hand to pay your bills.

Expenses will not be evenly distributed during the year. Payroll and rent must be paid monthly, but other types of expenses—the cost of printing a manual or purchasing new office equipment, for example—will undoubtedly mean large expenditures in some months and not in others. And while some benefits such as Social Security and health insurance are paid for on a monthly basis, the payments for other benefits, including Unemployment Insurance, Short-term Disability Insurance, and Workers’ Compensation insurance, are made once per year.

Similarly, revenue will come into your organization irregularly throughout the year. For instance, foundation grants are usually received in one lump sum, while government grants may be paid out monthly, based on vouchers submitted. Special fundraising events may bring in large sums of money all at once.

On the following page is a summary cash-flow projection for The Good Organization. The first column lists the general revenue and expense categories that were included in the budget. The 12 months of the fiscal year are listed across the top of the chart. The first row indicates the “beginning cash balance”—that is, the actual amount of cash available in all the organization’s bank accounts at the beginning of each fiscal year.

In the column headed “July 2002,” The Good Organization listed all the revenue it expected to receive and all the expenses it expected to pay out during the month of July. To arrive at the ending cash balance for July 2002, they used the following formula:

\[
\text{Beginning cash balance} + \text{Cash in} - \text{Cash out} = \text{Ending cash balance}
\]

The ending cash balance from the month of July is entered as the beginning cash balance in the column titled “Aug. 2002.”

In general, a cash-flow analysis will help you identify if and when your organization will run into cash-flow difficulties. If you anticipate a cash shortage, there are a number of ways to address the problem: You could obtain a “bridge” loan, delay payments to vendors, change the dates of fundraising events, or work with funders to negotiate a more favorable payment schedule.

In our sample cash-flow analysis for The Good Organization, we see that during the month of August the organization anticipates a shortage of cash. If it is able to delay paying a few bills until the grant from North Star is received, it will be able to get through the tight period.

If your cash-flow analysis shows a steady decline in your balance, or if it shows a negative cash balance for a number of months, you may have more than a cash-flow problem. Re-examine your budget to ensure that you still have sufficient anticipated revenue to cover your total expenses for the year. If you find that you do not, adjust your fundraising plans and/or your current rate of spending to avoid running a deficit.
KEEPING TRACK OF YOUR ORGANIZATION’S MONEY: BOOKKEEPING BASICS

Regardless of the size of your group or who does its bookkeeping, your organization is ultimately responsible for presenting an accurate account of how the money it receives is spent. Establishing sound fiscal management and bookkeeping practices from the start will make it easier to report to the Internal Revenue Service and to funders, and will help you prepare for your annual audit. It will also allow you to monitor your organization’s finances carefully and to safeguard your group against fraud or mismanagement.

A sound bookkeeping system requires both good record-keeping and adequate internal controls.

Good record-keeping includes retaining back-up documentation from all financial transactions: deposit slips, copies of paid bills, time sheets and so forth. These documents are important because they provide the data for financial reports and audits.

Good internal controls are basic bookkeeping procedures that, if followed, produce a system of checks and balances that discourages fraud and the misappropriation of funds. One important internal control is to keep financial responsibilities spread out among staff members, so that one person is not responsible for all financial activity. In short, a good internal-control system assumes that no one can be trusted.

Some basic record-keeping procedures and crucial internal controls are briefly described below, followed by a section on managing petty cash—an especially tricky bookkeeping area for many organizations. By following these procedures, your organization will be taking steps to safeguard its funds and to assemble the information a Bookkeeper or accountant will need to produce accurate financial reports.
RECORD-KEEPING

DOS AND DON’TS

Do pay all payroll withholding taxes. When your organization becomes an employer, you become an agent of the I.R.S. Yes, you’ll be working for them by withholding federal, state and city taxes from each employee’s paycheck. These taxes must then be reported and paid to the I.R.S.

This is probably the one area that causes new organizations the most trouble. We have seen too many groups decide to delay paying the I.R.S. the taxes withheld from employees’ checks until more money comes in. However, withholding taxes are not a resource to be used by an organization. The I.R.S. will charge interest and penalties for late payments, and, worse than that, we’ve seen the I.R.S. seize bank accounts and padlock doors to ensure the government gets the money it is owed.

As mentioned earlier, we recommend that you use a payroll service to handle employee payments and payroll reports. You can also authorize the payroll service company to make the withholding tax payments on your behalf.

Do keep copies of documentation verifying expenses. Keep copies of all bills and receipts. Record on the bill the date it was paid, the initials of the staff person approving the payment, the amount paid, the check number, and the type of expense (phone, program supplies, etc.). File paid bills by vendor and year paid.

Do keep copies of documentation verifying income. Photocopy all checks and letters accompanying income received by your group. Attach the photocopies to the relevant bank deposit slip. File by the year the income was received.

Do record checks and deposits, and balance the checkbook. This sounds so obvious, but many groups fail to keep track of their checkbook balance, and instead just hope or assume they will have enough money to handle their expenses. Record the amount deposited and keep a record of checks written. Also record any bank fees paid and interest earned.

After you receive a bank statement, reconcile the checkbook. This simply entails comparing the bank’s balance with your checkbook’s balance. The major difference is usually due to outstanding checks—that is, checks that have been written but have not yet been cleared by the bank. The steps involved in balancing your checkbook are often clearly outlined on the back of your bank statement.

Don’t use credit cards, and cut up bank debit cards. Pay as many expenses as you can by check. Establish accounts with local vendors so that you can be sent an invoice to pay by check. Don’t forget to provide proof of your tax-exempt status to save on local sales taxes. If cash is absolutely required to make a payment, follow the petty cash procedures outlined in the next section. As your organization gets larger, you may need to consider getting a credit card to pay travel and certain other expenses. However, a decision to acquire a credit card for your organization should be done only with the approval of the Board of Directors.
Some groups use credit cards to pay bills when the checkbook balance is low, then find themselves without enough money to pay off the credit card company—and stuck with high-interest payments.

OTHER THOUGHTS ON RECORD-KEEPING

Eventually, you may wish to consider computerizing your bookkeeping system. Computers help make the most of staff time, allowing you to manipulate data easily and to produce reports quickly. Even if your organization is relatively small, if it receives restricted funds from multiple sources with varying fiscal years it might be in greater need of a computerized system than an organization with a larger budget but with fewer restricted funding streams.

Although introducing a computerized system can boost productivity, it will not solve bookkeeping or accounting problems, nor will it generate accurate reports by itself. Look to computerization only after you have established a sound bookkeeping system. Otherwise, you will learn first-hand the meaning of the adage “garbage in, garbage out.”

Also, keep in mind that your bookkeeping needs will continue to change as your organization does, so the software you select should be flexible enough to accommodate growth. Consult both computer experts and anyone currently using the software you are considering. Pay close attention to what people say about the learning curve: The Bookkeeper position is one that will turn over periodically; you want to protect against a protracted loss of time during these transitions.

Another time- and labor-saving option is to use an outside automated payroll service. An automated payroll service magically reduces your payroll preparation time from hours at the calculator to minutes over the phone. Even better, payroll companies can directly make tax-withholding payments on your behalf, and they assume the liability for late payments. At about $1,500 per year for small- to medium-sized organizations, many nonprofits find automated payroll services worth the expense, especially when they factor in costs such as the Bookkeeper’s salary and fringe benefits, and the escalating I.R.S. penalties for late withholding-tax payments and/or incomplete or late reports.

INTERNAL CONTROLS

DOS AND DON'TS

Do rip out the lower right-hand corner, including the signature line, on all voided checks.

Do keep unpaid bills together, and periodically prepare a list of all unpaid expenses for review by your Board of Directors.

Don’t have the same person write the checks and balance the checkbook. This makes it way too easy for an unethical person to write a couple of extra checks to pay for a Caribbean vacation.

Don’t have the person who records and makes deposits also balance the checkbook.

Don’t ever sign blank checks. Yes, it is a good internal control to have more than one person sign checks, but if this means one person ends up signing a blank check because the two people are never around at the same time, don’t do it. A blank signed check is an open invitation for someone to withdraw a little extra cash for him or herself.
STAFFING PATTERNS FOR EFFECTIVE INTERNAL CONTROLS

You may be wondering how your organization can distribute financial tasks to assure adequate internal controls. This can be particularly difficult for small volunteer-run organizations. Each organization will assign responsibilities differently, according to its specific needs. The following chart offers some common models that can serve as starting points for your own structure.

Some small organizations choose to have financial transactions handled by staff members, but the bookkeeping and accounting done by an outside accountant on contract. Larger organizations typically keep all financial functions on staff, although even some very large organizations work with contract accounting services.

When your organization is ready to hire someone to do the books, you’ll want to have sufficient checks and balances in place to ensure that she or he does not have complete control over your organization’s finances.

The person or people who handle your group’s finances will have two major tasks: to organize and record financial data, and to provide useful financial information. At a minimum, you’ll want the Bookkeeper to provide regular and accurate financial reports, including Statements of Activities and Statements of Financial Position, as described on pages 125-130. Make sure you receive the following monthly:

- An income and expense report that compares actual activity against the budget
- A summary of unpaid bills, checkbook balances, and projected sources of revenue

<table>
<thead>
<tr>
<th>TASK</th>
<th>VOLUNTEER GROUP</th>
<th>SMALL ORGANIZATION (FIVE FULL-TIME STAFF MEMBERS, INCLUDING ONE ADMINISTRATIVE ASSISTANT; MONTHLY ACCOUNTING DONE BY OUTSIDE CONTRACT ACCOUNTANT)</th>
<th>MID-SIZED ORGANIZATION (FIFTEEN FULL-TIME STAFF MEMBERS, INCLUDING FULL-TIME BOOKKEEPER)</th>
<th>LARGER ORGANIZATION (THIRTY FULL-TIME STAFF MEMBERS, INCLUDING FULL-TIME FINANCE MANAGER, FULL-TIME BOOKKEEPER, HALF-TIME ACCOUNTING CLERK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEN MAIL, STAMP CHECKS</td>
<td>PRESIDENT OR PERSON WHO RECEIVES MAIL</td>
<td>RECEPTIONIST</td>
<td>RECEPTIONIST</td>
<td>ACCOUNTING CLERK</td>
</tr>
<tr>
<td>MAKE OUT DEPOSIT VOUCHER</td>
<td>TREASURER OR VOLUNTEER IN CHARGE OF FUNDRAISING</td>
<td>BOOKKEEPER</td>
<td>ACCOUNTING CLERK</td>
<td>ACCOUNTING CLERK</td>
</tr>
<tr>
<td>TAKE DEPOSIT TO BANK</td>
<td>TREASURER OR VOLUNTEER IN CHARGE OF FUNDRAISING</td>
<td>ADMINISTRATIVE ASSISTANT</td>
<td>BOOKKEEPER</td>
<td>BOOKKEEPER</td>
</tr>
<tr>
<td>RECORD DEPOSIT IN BOOKS</td>
<td>TREASURER OR VOLUNTEER WHO KEEPS FINANCIAL RECORDS</td>
<td>ADMINISTRATIVE ASSISTANT RECORDS IN CHECKBOOK; CONTRACT ACCOUNTANT PREPARES DISBURSEMENT JOURNAL</td>
<td>BOOKKEEPER</td>
<td>BOOKKEEPER, REVIEWED BY FINANCE MANAGER</td>
</tr>
<tr>
<td>RECEIVE BILLS IN MAIL</td>
<td>PRESIDENT; MOST BILLS SUBMITTED BY VOLUNTEERS AT MEETINGS FOR REIMBURSEMENT</td>
<td>ADMINISTRATIVE ASSISTANT</td>
<td>BOOKKEEPER</td>
<td>ACCOUNTING CLERK</td>
</tr>
<tr>
<td>Task</td>
<td>Small Organization</td>
<td>Mid-Sized Organization</td>
<td>Larger Organization</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------------</td>
<td>------------------------</td>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>Authorize bills for payment</td>
<td>Treasurer</td>
<td>Administrative Assistant if General Invoice; People in Charge of Specific Areas May Authorize Payment in Their Areas</td>
<td>Department Heads May Authorize Payments in Their Areas</td>
<td>Department Heads Authorize Payments Before Check Preparation</td>
</tr>
<tr>
<td>Make out checks</td>
<td>Treasurer</td>
<td>Bookkeeper</td>
<td>Bookkeeper</td>
<td>Accounting Clerk</td>
</tr>
<tr>
<td>Signs checks</td>
<td>Treasurer and President</td>
<td>Executive Director</td>
<td>Executive Director</td>
<td>Finance Manager or Executive Director</td>
</tr>
<tr>
<td>Other possible signatories</td>
<td>Vice President, Secretary</td>
<td>Other Management Staff, Board Officers</td>
<td>Other Management Staff, Board Officers</td>
<td>Other Management Staff, Board Officers</td>
</tr>
<tr>
<td>Prepare payroll</td>
<td>No Payroll</td>
<td>Administrative Assistant Calls Payroll in to Payroll Service</td>
<td>Bookkeeper Calls Payroll in to Payroll Service</td>
<td>Bookkeeper Prepares Payroll for Review by Finance Manager</td>
</tr>
<tr>
<td>Record checks in checkbook</td>
<td>Treasurer</td>
<td>Administrative Assistant Fills Out Check Stubs; Contract Accountant Prepares Journal</td>
<td>Bookkeeper</td>
<td>Bookkeeper</td>
</tr>
<tr>
<td>Reconcile bank statements</td>
<td>Treasurer</td>
<td>Board Treasurer</td>
<td>Department Manager</td>
<td>Accounting Clerk; Reviewed by Finance Manager</td>
</tr>
<tr>
<td>Prepare monthly financial reports</td>
<td>Treasurer</td>
<td>Contract Accountant</td>
<td>Bookkeeper</td>
<td>Finance Manager</td>
</tr>
<tr>
<td>Complete quarterly payroll tax returns</td>
<td>No Payroll</td>
<td>Contract Accountant or Payroll Service</td>
<td>Payroll Service</td>
<td>Finance Manager</td>
</tr>
<tr>
<td><strong>TASK</strong></td>
<td><strong>VOLUNTEER GROUP</strong></td>
<td><strong>SMALL ORGANIZATION</strong></td>
<td><strong>MID-SIZED ORGANIZATION</strong></td>
<td><strong>LARGER ORGANIZATION</strong></td>
</tr>
<tr>
<td>----------</td>
<td>---------------------</td>
<td>------------------------</td>
<td>---------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>MONITOR BUDGET, PROPOSE CHANGES</td>
<td>TREASURER</td>
<td>EXECUTIVE DIRECTOR</td>
<td>BOOKKEEPER WITH EXECUTIVE DIRECTOR</td>
<td>FINANCE MANAGER</td>
</tr>
<tr>
<td>PRESENT FINANCE REPORTS TO BOARD</td>
<td>TREASURER</td>
<td>EXECUTIVE DIRECTOR</td>
<td>EXECUTIVE DIRECTOR</td>
<td>FINANCE MANAGER</td>
</tr>
<tr>
<td>PROJECT AND MANAGE CASH FLOW</td>
<td>TREASURER</td>
<td>ADMINISTRATIVE ASSISTANT MAY PREPARE</td>
<td>BOOKKEEPER WITH EXECUTIVE DIRECTOR</td>
<td>FINANCE MANAGER</td>
</tr>
<tr>
<td>DEVELOP INVESTMENT POLICY</td>
<td></td>
<td>EXECUTIVE DIRECTOR AND TREASURER</td>
<td>FINANCE MANAGER AND EXECUTIVE DIRECTOR PROPOSE TO FINANCE COMMITTEE AND THEN TO THE BOARD</td>
<td></td>
</tr>
<tr>
<td>MEET WITH AUDITOR</td>
<td>NOT AUDITED</td>
<td>IF AUDITED, EXECUTIVE DIRECTOR AND ADMINISTRATIVE ASSISTANT, CONTRACT ACCOUNTANT</td>
<td>BOOKKEEPER WITH EXECUTIVE DIRECTOR AND TREASURER</td>
<td>FINANCE MANAGER, TREASURER</td>
</tr>
<tr>
<td>PREPARE INITIAL DRAFT OF BUDGET</td>
<td>BOARD OFFICERS TOGETHER</td>
<td>EXECUTIVE DIRECTOR</td>
<td>EXECUTIVE DIRECTOR WITH HELP FROM BOOKKEEPER</td>
<td>FINANCE MANAGER</td>
</tr>
<tr>
<td>APPROVE BUDGET</td>
<td>BOARD OF DIRECTORS</td>
<td>BOARD OF DIRECTORS</td>
<td>BOARD OF DIRECTORS</td>
<td>BOARD OF DIRECTORS</td>
</tr>
<tr>
<td>PREPARE AND FILE ANNUAL FORMS, INCLUDING I.R.S. FORM 990</td>
<td>USUALLY TOO SMALL TO FILE</td>
<td>CONTRACT ACCOUNTANT</td>
<td>AUDITOR</td>
<td>FINANCE MANAGER</td>
</tr>
</tbody>
</table>

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MANAGING YOUR PETTY CASH ACCOUNT

The management of petty cash is a source of trouble for many organizations. This section describes what petty cash is, what it should and should not be used for, and how to manage your petty cash system to avoid potential pitfalls.

In theory, all the expenses of an organization should be paid by check. Writing checks is one of the simplest ways to build your organization’s paper trail, because it allows you to pay your bills and document the transaction at the same time.

Unfortunately, you cannot use a check for every expense. At some point, the organization will need to purchase small items such as stamps or tokens for which it may be difficult to use a check; a vendor will refuse to accept a check for a small transaction, or at all; or an unanticipated expense will leave no time to draft a check. In these situations, you will need to dip into your petty cash box.

When setting up a petty cash system, your first impulse may be to write a check for $50, spend that amount, and then write another check for $50. More than likely, however, not every penny of the first $50 will be spent, leaving an odd amount of change unaccounted for. Over time, that small amount of change can add up to a substantial amount of money.

A petty cash fund should be set up so that each penny can be easily accounted for. A good petty cash system also provides the organization with a paper trail that is similar to that provided by a check payment system. Back-up documentation—that is, receipts—for the expenses paid with petty cash should always be provided, and each petty cash expense should be charged to a specific budget category.

Before establishing a petty cash account, you must set a maximum for petty cash expenditures. Depending on the size of your organization, this amount may vary between $20 and $30 for each petty cash transaction. Larger amounts should be paid for by check. Petty cash should not be seen as an emergency fund for unplanned activities, nor should it be used as a substitute for check requests.

How much money should your group put into your petty cash fund? You’ll want to have enough petty cash available so you don’t have to replenish the fund too often, but you don’t want so much cash in the office that people begin using the fund for regular expenses. Start with $100, and see if this is enough cash to cover a month’s worth of expenses.

SETTING UP A PETTY CASH FUND

Get a cash box, preferably one with a lock. The box should be kept out of sight in a safe place.

Purchase petty cash vouchers, or make your own. You will find sample vouchers at the end of this section.

Decide how big the fund should be. The petty cash fund should be large enough to cover incidental expenses for about one month, but small enough to be an acceptable loss for the organization in the case of theft. Most groups elect to work in increments such as $25, $50, $100, or $150.

Write the first check to open the account. You can make the check out to “Cash,” “Petty cash,” or in the name of the person who will be responsible for the funds, such as the Bookkeeper, Treasurer, or
Office Assistant. One person should be responsible for disbursing and accounting for petty cash, but should not have the power to write checks to replenish the account. This allows for greater accountability and control over the petty cash fund.

You can categorize this first check as “Petty cash” in your checkbook or in a cash-disbursements journal. Think of this first check as a transfer from the organization’s main checking account to a smaller cash account.

**Release petty cash funds.** When someone in the organization needs to make a purchase with petty cash funds, she or he should make a request to the petty cash monitor for an amount that will cover the anticipated expense. Once the purchase has been made, the person who made the request should submit to the monitor a completed petty cash voucher, the receipts for each item purchased, and the remaining change. If more money was spent than was originally requested, the individual should be reimbursed for the difference. Receipts should be stapled to the petty cash voucher for the organization’s records.

**Account for all the petty cash funds.** Periodically, you will want to confirm that you can account for all petty cash funds. The sum of all of the petty cash vouchers plus the amount of cash remaining in the box should be equal to the amount originally deposited in the petty cash fund—at all times.

\[
\text{Vouchers} + \text{Remaining cash} = \text{Total petty cash fund}
\]

The following example puts the steps above into practice:

The Good Organization has opened a petty cash fund by writing check #101 in the amount of $100 on Jan. 1.

On Jan. 7, an outreach worker needs to buy cups, plates and soda for a client meeting. She approaches the Bookkeeper and requests $15 in petty cash—the amount she believes she will need to buy the supplies. The Bookkeeper gives the outreach worker the money, leaving $85 in the petty cash box.

The Bookkeeper makes a note of the $15 withdrawal by placing a memo in the box that indicates the amount withdrawn, the date, and the name of the person who has received the money. The outreach worker signs this receipt.

The outreach worker returns with the supplies. She spent $2.29 on cups, $2.75 for the plates, $4.99 for the soda and $3 for subway tokens to travel to and from the store. In total, she spent $13.03. She has receipts for the cups, plates and soda. Since there is no receipt for the tokens, the outreach worker creates a receipt by writing down the date, the number of tokens she purchased, the reason for the expense and the total amount spent. She initials this receipt and then attaches it and all of the others to a completed petty cash voucher, which looks like this:

<table>
<thead>
<tr>
<th>PETTY CASH VOUCHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>DATE: 1/7/02</td>
</tr>
<tr>
<td>PAY TO: MARIA FULANA</td>
</tr>
<tr>
<td>FOR: $2.29 - CUPS, $2.75 - PLATES, $4.99 - SODA &amp; $3.00 - TOKENS FOR CLIENT MEETING</td>
</tr>
<tr>
<td>TOTAL: $13.03</td>
</tr>
<tr>
<td>SIGNATURE:</td>
</tr>
</tbody>
</table>
The outreach worker gives both the completed voucher and the change of $1.97 to the Bookkeeper. The Bookkeeper returns the change to the cash box, signs the voucher and removes the outstanding cash memo from the box.

The box now contains one voucher for $13.03 and $86.97 ($85.00 + $1.97) in cash. Added together, they total $100, the original amount of the fund.

Again: \( \text{Vouchers} + \text{Remaining cash} = \text{Total petty cash fund} \)

**RECONCILING THE PETTY CASH FUND**

At the end of the month, or as you run out of petty cash, you will need to reconcile and record all of your petty cash transactions before you write a replenishment check. The reconciliation process is crucial, because it enables you to catch errors or unexplained losses in a timely manner.

To reconcile your petty cash fund, simply:

**Count the money in the cash box.**

**Total the voucher amounts.** Again, the amount in the cash box plus the voucher totals should equal the original amount of the fund.

**Prepare a voucher summary.** First, total up all the vouchers paid out. Next, break down each voucher by budget category, and fill out a petty cash voucher summary like the one below. Total the expenses itemized on the summary, and compare that number to the total of all the vouchers paid out, to make sure you did not miss or double-charge any item. Then attach the individual vouchers with their receipts to the voucher summary.

<table>
<thead>
<tr>
<th>DATE</th>
<th>VOUCHER #</th>
<th>PROGRAM SUPPLIES</th>
<th>OFFICE SUPPLIES</th>
<th>TRAVEL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAN. 7</td>
<td>1</td>
<td>$10.03</td>
<td></td>
<td>$3.00</td>
<td>$13.03</td>
</tr>
<tr>
<td>JAN. 19</td>
<td>2</td>
<td>$13.99</td>
<td>$58.00</td>
<td>$3.00</td>
<td>$74.99</td>
</tr>
<tr>
<td>JAN. 31</td>
<td>TOTAL</td>
<td>$24.02</td>
<td>$58.00</td>
<td>$6.00</td>
<td>$88.02</td>
</tr>
</tbody>
</table>

**Prepare a petty cash reconciliation statement.** Once the vouchers have been verified, all the money must be accounted for. The total from the vouchers plus the cash remaining in the box should equal the original amount of the petty cash fund. The following is an example of a petty cash reconciliation statement.
As you can see, the voucher total ($88.02) plus the remaining cash ($11.98) equals the original petty cash fund amount of $100.

*Note: The closing cash balance of $11.98 becomes the opening petty cash balance for the next period.*

### REPLENISHING THE PETTY CASH FUND

After you have reconciled the petty cash transactions for the previous period, the reconciliation should be reviewed by a second party, after which the petty cash fund can be replenished. To do so, the responsible party would write a check **IN THE AMOUNT OF THE VOUCHER TOTAL FOR THE PREVIOUS PERIOD**. In our example, the check would be written for $88.02, **NOT FOR $100**. This amount brings the fund total back up to $100, the amount originally used to set up the account.

The replenishment check should be charged to the budget categories summarized in the voucher summary—not to petty cash. The breakdown should be recorded in the check’s memo area and on the check stub. In our example, the check for $88.02 is disbursed as follows: $58 for office supplies, $24.02 for program supplies and $6 for travel. The budget detail on the voucher summary and check stub allows the organization to keep track of petty cash expenses accurately. Attaching the voucher summary and petty cash reconciliation to the check request provides the necessary back-up documentation for the check.

It is a good idea to begin preparing the voucher summary and reconciliation when petty cash funds are halfway spent, instead of waiting until the last penny is spent to request a replenishment check. This will ensure that you always have petty cash funds available when you need them.

### CLOSING TIPS

How cash is managed in an organization is a key indicator of a group’s overall financial health. The cash accounts are the first items an accountant examines at audit time. A large number of checks with no supporting documentation will immediately attract an auditor’s attention, because they suggest that a significant amount of cash cannot be accounted for. If nothing else, you should keep in mind the following:

- **Try to have no more than one person disbursing and accounting for the petty cash.** The more people who have access to the petty cash, the more likely you are to find discrepancies.

- **Do a reconciliation each time you need to replenish the petty cash account.** Our experience has been that if you skip the reconciliation step, you will find that a few minor discrepancies can quickly add up to significant losses. Since a good petty cash fund lasts about a month, a once-a-month reconciliation schedule is ideal.

- **Attach the petty cash voucher summary and reconciliation to the request for replenishment funds.** The voucher summary, attached receipts and the reconciliation are proof that all funds have been properly accounted for.
Feel free to photocopy and use the petty cash voucher and voucher summary forms provided here. The forms are simple and clear, and can be easily understood by a new petty cash monitor.
MONITORING YOUR GROUP’S FISCAL STATUS: INTERNAL AND EXTERNAL REPORTING

INTERNAL REPORTING

Once you have developed a budget outlining what your organization’s anticipated income and expenses will be for the year, and you have performed a cash-flow analysis to project how the money will flow in and out, you will need a way to evaluate how your actual expenses and revenue compare to your projections.

In order to accurately evaluate the financial health of your organization, you will need to know how to read and understand two types of financial reports: a Statement of Activities (also known as an Income
A Statement of Activities reports on the income and expenses of an organization during a single budget period, usually one year. At the end of the year, this statement indicates whether or not the organization ran a surplus or a deficit during the period. It does not report on any financial activity from previous budget periods.

The Statement of Financial Position reports on assets—what is owned by the organization—and liabilities—what is owed by the organization. It gives a picture of the organization’s overall financial situation to date, including the effects of previous years’ financial activity. Any surpluses or deficits from previous fiscal years will be reflected in the numbers presented on the Statement of Financial Position.

The two statements are connected by one item that appears on both: the net assets. On the Statement of Activities, the net assets for the year are what remain after income is subtracted from expenses. If the resulting figure is negative, the organization has a deficit (or “net loss”) for the year. If the resulting figure is positive, the organization has a surplus (or “net income”) for the year. At the end of each year, the surplus or deficit amount is added to the net assets amount that appears on the Statement of Financial Position. The new total reflects the cumulative net assets of the organization.

The net assets figure that appears on the Statement of Financial Position reports on the end result of an organization’s history of running surpluses or deficits. If the net assets figure is positive on the Statement of Financial Position, an organization has a cumulative track record of running at a surplus of income over expenses. If, on the other hand, the net assets figure is negative, the organization has not been able to bring in enough revenue over time to cover all its expenses.

**Board members should pay particular attention to financial reports, regularly asking themselves, Is income enough to cover expenses? If the answer is no, the next question should be: Is there enough time in the year (six months or more for foundation grants) to raise the money to make up the difference? If the answer is no again, it’s time to cut costs.**

**READING A STATEMENT OF ACTIVITIES OR BUDGET VARIANCE REPORT**

Statements of Activities can be used during the year to help you evaluate how your actual expenses and income compare to the budget you originally projected. A Statement of Activities that compares the budget to actual activity is often called a Budget Variance Report, and will include three columns of numbers: the projected budget, the actual income received or expenses paid to date, and the variance between the two. The variance column can either show the numerical difference between the budget and the actual numbers, or it can show a percentage of the budget used and/or received to date.

If the leaders of The Good Organization decided to review the organization’s finances midway through the year, they might produce the Budget Variance Report on the following page.
# The Good Organization - Budget Variance Report

**July 2002-June 2003**

## Income

<table>
<thead>
<tr>
<th>Source</th>
<th>Projected Budget</th>
<th>Actual To Date</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hayden</td>
<td>$15,000</td>
<td>$7,500</td>
<td>50%</td>
</tr>
<tr>
<td>Sister Fund</td>
<td>$5,000</td>
<td>$2,500</td>
<td>50%</td>
</tr>
<tr>
<td>North Star</td>
<td>$5,000</td>
<td>$1,500</td>
<td>30%</td>
</tr>
<tr>
<td>Tilden Fund</td>
<td>$5,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>JPMorgan Chase</td>
<td>$1,500</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Citibank</td>
<td>$2,000</td>
<td>$2,000</td>
<td>100%</td>
</tr>
<tr>
<td>New York Community Trust</td>
<td>0</td>
<td>$5,000</td>
<td>120%</td>
</tr>
<tr>
<td>Verizon</td>
<td>$3,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Christmas Mailing</td>
<td>$5,000</td>
<td>$6,000</td>
<td>120%</td>
</tr>
<tr>
<td>Bake Sales</td>
<td>$1,000</td>
<td>$500</td>
<td>50%</td>
</tr>
<tr>
<td>House Parties</td>
<td>$3,000</td>
<td>$1,500</td>
<td>50%</td>
</tr>
<tr>
<td>In-Kind Donations (Rent, Utilities, and Telephone)</td>
<td>$5,600</td>
<td>$2,850</td>
<td>51%</td>
</tr>
<tr>
<td>Total Income</td>
<td>$51,100</td>
<td>$29,350</td>
<td>57%</td>
</tr>
</tbody>
</table>

## Personnel Services (P.S.)

<table>
<thead>
<tr>
<th>Category</th>
<th>Projected Budget</th>
<th>Actual To Date</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROSS SALARIES</td>
<td>$27,480</td>
<td>$13,740</td>
<td>50%</td>
</tr>
<tr>
<td>Consulting Fees</td>
<td>$6,300</td>
<td>$2,400</td>
<td>38%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>$6,156</td>
<td>$3,078</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Subtotal P.S.</strong></td>
<td>$39,936</td>
<td>$19,218</td>
<td>48%</td>
</tr>
</tbody>
</table>

## Other Than Personnel Services (O.T.P.S)

<table>
<thead>
<tr>
<th>Category</th>
<th>Projected Budget</th>
<th>Actual To Date</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent and Utilities</td>
<td>$5,000</td>
<td>$2,850</td>
<td>57%</td>
</tr>
<tr>
<td>Equipment</td>
<td>$2,000</td>
<td>$2,000</td>
<td>100%</td>
</tr>
<tr>
<td>Telephone</td>
<td>$600</td>
<td>$300</td>
<td>50%</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>$300</td>
<td>$400</td>
<td>133%</td>
</tr>
<tr>
<td>Postage</td>
<td>$425</td>
<td>$200</td>
<td>47%</td>
</tr>
<tr>
<td>Printing</td>
<td>$400</td>
<td>$400</td>
<td>100%</td>
</tr>
<tr>
<td>Food</td>
<td>$1,040</td>
<td>$390</td>
<td>38%</td>
</tr>
<tr>
<td>Program Supplies</td>
<td>$240</td>
<td>$120</td>
<td>50%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$200</td>
<td>$100</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Subtotal O.T.P.S.</strong></td>
<td>$10,205</td>
<td>$6,760</td>
<td>66%</td>
</tr>
<tr>
<td><strong>Total Expenses (P.S. + O.T.P.S.)</strong></td>
<td>$50,141</td>
<td>$25,978</td>
<td>52%</td>
</tr>
</tbody>
</table>

## Surplus/Deficit

<table>
<thead>
<tr>
<th>Category</th>
<th>Projected Budget</th>
<th>Actual To Date</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surplus/Deficit</strong></td>
<td></td>
<td>$959</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$3,372</td>
<td></td>
</tr>
</tbody>
</table>
As a staff member or Board member reviewing this Budget Variance Report, you should ask the following questions:

- **Was the statement prepared on a cash or an accrual basis?** Cash-based accounting means that expenses are recorded when paid and income is recorded when deposited. Let us say, for instance, that the organization receives and deposits a one-year foundation grant six months into its fiscal year. The group intends to spend that money over 12 months. Using a cash-based accounting system, the total amount of the grant would be recorded as income for the current fiscal year, even though only half of that grant is earmarked for the current year. Also, under a cash-based system, unpaid bills would not appear as expenses. In short, a report based on a cash system could overstate income and understate expenses.

Accrual-based accounting, on the other hand, records income when it is earned and expenses when they are incurred. Expenses are put on the books when the bills and invoices are received. In the case of a grant that comes in the middle of the fiscal year, only half of it would count as revenue for that fiscal year. The rest would be deferred and counted as revenue in the next fiscal year. As a result, reports prepared on an accrual basis provide a more accurate picture of the organization’s finances.

- **Are actual income and expenses in line with the budgeted projections?** You can tell if your revenue and expenses are keeping pace with your projections by looking at the last column of the report: the percentage of the budget used. The Good Organization’s Budget Variance Report covers six months (one-half of their budget period). Therefore, they should have raised about 50 percent of the money they anticipated raising, and they should have spent about 50 percent of the money they expected to spend. Any large variance from 50 percent is cause for concern and should be explained.

- **Is the rate of spending similar to the rate at which the organization is receiving income?** Look at the percentage of total income that has been received thus far, and compare it to the percentage of total expenses. If the percentage of income is smaller than the percentage of expenses, the organization is probably running a deficit. If this deficit is unplanned or cannot be explained, corrective measures should be taken to reduce spending and increase revenue if possible. If less than 50 percent of the projected income is raised, has less than 50 percent of the expense budget also been used?

- **Are there any large variances between the budgeted and actual figures reported?** When sources of revenue have produced less money than anticipated, what explains the variance? Is the money still expected? When will the money come? If the organization has not yet raised its total budget, are there any other sources that might make up the difference?

When expenses have been greater than expected, what explains the variance? Were these one-time expenses that will not recur for the rest of the year? Is this high rate of spending expected to continue? Have there been any unexpected expenses? Is spending unexpectedly low in any budget area?

Once these questions have been answered, you may need to adjust your budget to reflect the actual circumstances.
INTERPRETING A STATEMENT OF ACTIVITIES

When one looks at The Good Organization’s Statement of Activities, a few figures give cause for concern. On the income side, several foundation grants have been smaller than expected. Some projected foundation revenue has not come in at all. The Board should find out whether or not these proposals are still pending, and whether or not these grants are likely to be received. On the expense side, several categories, including equipment, office supplies and postage, are running over budget. The Board should find out why. Maybe a large equipment purchase occurred at the beginning of the year and no other equipment will be purchased for the remainder. But maybe these budget items are simply costing more than expected, in which case the budget must be adjusted accordingly.

Once these questions have been answered, the next step is to evaluate the organization’s projected financial picture for the next six months. At this point, given the fundraising prospects they have identified, The Good Organization will not be able to raise enough money to cover expenses. In light of this, the Board needs to figure out some relatively quick ways to raise more funds, or it must decide how to trim costs.

READING A STATEMENT OF FINANCIAL POSITION

Statements of Financial Position report on an organization’s assets, liabilities and the difference between the two, which is known as the fund balance. These statements include items that do not necessarily appear on the annual Statement of Activities, such as the amount of cash an organization has in the bank.

As explained earlier, the Statement of Financial Position also reports on the organization’s net assets. If an organization has had surpluses over the years, its net assets figure will be positive. If, however, deficits have been accumulated over time, the net assets figure will be negative—which means the organization does not have enough money to pay off its liabilities.

As a Board or staff member, you should understand the significance of each item that appears on the Statement of Financial Position, and you should know what questions to ask about each to get a full financial picture.

A sample Statement of Financial Position for The Good Organization appears at the end of this section. Reading it should prompt the following questions:

**What are the organization’s assets?**
Does the organization have a lot of cash in the bank? If so, should some of the money be put into interest-bearing accounts? The Good Organization has some investments—are they performing adequately? Is there enough cash to pay the outstanding bills?

**What are the organization’s liabilities?**
Does the organization owe a lot of money? To whom is the money owed? When will it be paid? Is the organization current with all withholding-tax payments due to the I.R.S.? If not, as a Board member you should request that withholding-tax payments appear on a separate line on the Statement of Financial Position, so that you can follow the status of money owed to the I.R.S. more easily in the future.

Organizations often receive contract money long after the expenses the funds are supposed to cover have been paid. In that case, once the organization has fulfilled its end of the contract, the amount owed—also known as a receivable—is recorded on the financial statement to indicate that the income has been earned. As a Board or staff member, you should know who owes the organization money and how long it has been owed. Other questions to ask include: When is the money likely to be received? Will it be soon enough to pay any outstanding liabilities?
The Good Organization reports $10,000 in deferred revenue—that is, revenue that has been received but not yet earned. From which foundation or contract did the money come? When will it be earned and recognized as income? Since the $10,000 has not been earned, does the report show that the $10,000 is still in the bank and has not been spent on something else? If the money is not in the cash account, was that grant money used to cover a grant or contract that has been late in coming in to the organization? Has this situation been documented in the books?

What are the organization’s net assets?
Is the net-assets figure positive or negative? Does factoring in the current period increase or decrease the balance? How are budget projections likely to affect the net-assets figure? Has the net-assets figure always been positive, reflecting a history of surpluses? Or has the organization had a more inconsistent history, ending one year with a huge surplus that provided a cushion for those years in which the organization operated at a deficit? Looking at financial statements from previous years will help to answer these questions.

### THE GOOD ORGANIZATION - STATEMENT OF FINANCIAL POSITION

*As of May 30, 2002*

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH AND CASH EQUIVALENTS</td>
<td>$15,300</td>
</tr>
<tr>
<td>INVESTMENTS</td>
<td>$3,400</td>
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<tr>
<td>ACCOUNTS RECEIVABLE</td>
<td>$2,000</td>
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<tr>
<td><strong>SUBTOTAL ASSETS</strong></td>
<td><strong>$20,700</strong></td>
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</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
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<tr>
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<td>$2,672</td>
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<tr>
<td>DEFERRED REVENUE</td>
<td>$10,000</td>
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<tr>
<td><strong>SUBTOTAL LIABILITIES</strong></td>
<td><strong>$12,672</strong></td>
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<table>
<thead>
<tr>
<th>NET ASSETS</th>
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<tbody>
<tr>
<td>NET ASSETS AS OF 5/30/02</td>
<td>$2,308</td>
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<tr>
<td>CURRENT YEAR SURPLUS</td>
<td>$5,720</td>
</tr>
<tr>
<td><strong>NET ASSETS AT END OF PERIOD</strong></td>
<td><strong>$8,028</strong></td>
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</table>

| **TOTAL LIABILITIES + NET ASSETS** | $20,700 |

### EXTERNAL REPORTING

Organizations with employees are required to withhold federal, state and local taxes from their employees’ checks. In addition, Social Security/FICA tax payments must be made on behalf of employees. Reports on the amounts withheld and amounts paid must be submitted to the I.R.S. and New York State quarterly. Below is a list of payroll and related reports. For additional information and copies of the forms, go to the I.R.S. Web site, at [www.irs.gov](http://www.irs.gov).
## CALENDAR OF ADMINISTRATIVE DUE DATES

### PAYROLL AND RELATED REPORTS

<table>
<thead>
<tr>
<th>NAME OF FORM</th>
<th>FORM #</th>
<th>DUE DATE</th>
<th>EXPLANATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTERNAL REVENUE SERVICE REPORTS</td>
<td></td>
<td></td>
<td>FOR MORE INFORMATION FOR TAX-EXEMPT ORGANIZATIONS, GO TO: <a href="http://WWW.IRS.GOV/BUS_INFO/EOIINDEX.HTML">WWW.IRS.GOV/BUS_INFO/EOIINDEX.HTML</a></td>
</tr>
<tr>
<td>WAGE AND TAX STATEMENT</td>
<td>W-2</td>
<td>TO EACH EMPLOYEE BY JAN. 31</td>
<td>REPORTS ANNUAL WAGES AND TAX WITHHOLDING FOR CALENDAR YEAR</td>
</tr>
<tr>
<td>TRANSMITTAL OF INCOME AND STATEMENTS</td>
<td>W-3</td>
<td>TO THE I.R.S. BY FEB. 28</td>
<td>COVER SHEET USED TO SUBMIT W-2s TO THE I.R.S.</td>
</tr>
<tr>
<td>EMPLOYEE'S WITHHOLDING ALLOWANCE CERTIFICATE</td>
<td>W-4</td>
<td>KEPT ON FILE BY EMPLOYER</td>
<td>ENABLES EMPLOYER TO WITHHOLD CORRECT AMOUNT OF STATE AND CITY TAX FROM AN EMPLOYEE’S PAYCHECK</td>
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<tr>
<td>REQUEST FOR TAXPAYER IDENTIFICATION NUMBER AND CERTIFICATION</td>
<td>W-9</td>
<td>KEPT ON FILE BY EMPLOYER</td>
<td>ENABLES EMPLOYER TO OBTAIN CORRECT ADDRESS AND TAXPAYER I.D. NUMBER FOR EACH INDEPENDENT CONTRACTOR</td>
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<tr>
<td>MISCELLANEOUS INCOME</td>
<td>1099</td>
<td>TO EACH INDEPENDENT CONTRACTOR BY JAN. 31</td>
<td>REPORTS PAYMENTS OVER $600 MADE TO NON-EMPLOYEES</td>
</tr>
<tr>
<td>ANNUAL SUMMARY AND TRANSMITTAL OF U.S. INFORMATION RETURNS</td>
<td>1096</td>
<td>TO THE I.R.S. BY FEB. 28</td>
<td>COVER SHEET USED TO SUBMIT 1099s TO THE I.R.S.</td>
</tr>
<tr>
<td>EMPLOYER'S QUARTERLY FEDERAL TAX RETURN</td>
<td>941</td>
<td>TO THE I.R.S. BY JAN. 31, APRIL 30, JULY 31 &amp; OCT. 31</td>
<td>QUARTERLY REPORT OF WAGES, FEDERAL INCOME TAX WITHHELD, AND TAX PAYMENTS MADE</td>
</tr>
<tr>
<td>NEW YORK STATE REPORTS</td>
<td></td>
<td></td>
<td>FOR MORE INFORMATION ON THE FOLLOWING, SEE PUBLICATION NYS-50 OR GO TO <a href="http://WWW.STATE.NY.US">WWW.STATE.NY.US</a></td>
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<tr>
<td>QUARTERLY COMBINED WITHHOLDING, WAGE REPORTING AND UNEMPLOYMENT INSURANCE RETURN</td>
<td>NYS-45</td>
<td>TO NEW YORK STATE BY JAN. 31, APRIL 30, JULY 31 &amp; OCT. 31</td>
<td>QUARTERLY REPORT OF WAGES, NEW YORK STATE AND CITY INCOME TAX WITHHELD, AND TAX PAYMENTS MADE</td>
</tr>
<tr>
<td>EMPLOYEE'S WITHHOLDING ALLOWANCE CERTIFICATE</td>
<td>IT-2104</td>
<td>KEPT ON FILE BY EMPLOYER</td>
<td>ENABLES EMPLOYER TO WITHHOLD THE CORRECT AMOUNT OF STATE AND CITY TAX FROM AN EMPLOYEE’S PAYCHECK</td>
</tr>
<tr>
<td>RETURN OF TAX WITHHELD</td>
<td>NYS-1 MN</td>
<td>CONTACT THE NEW YORK STATE DEPARTMENT OF STATE FOR FILING FREQUENCY AND DUE DATES</td>
<td>TO PAY THE NEW YORK STATE AND CITY TAXES WITHHELD FROM EMPLOYEE PAYCHECK</td>
</tr>
</tbody>
</table>
**OTHER REPORTS**

<table>
<thead>
<tr>
<th>NAME OF FORM</th>
<th>FORM #</th>
<th>DUE DATE</th>
<th>EXPLANATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTERNAL REVENUE SERVICE REPORTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INFORMATION RETURN/ ORGANIZATION EXEMPT FROM INCOME TAX</td>
<td>990</td>
<td>FIFTEENTH DAY OF THE FIFTH MONTH AFTER ORGANIZATION’S FISCAL YEAR ENDS</td>
<td>ORGANIZATIONS WITH INCOME OVER $25,000 MUST FILE. REPORTS FINANCIAL INFORMATION AS WELL AS PROGRAM ACTIVITIES. PENALTY: $10 PER EACH DAY LATE UP TO $5,000 MAXIMUM. THREE MOST RECENT 990s MUST BE AVAILABLE FOR PUBLIC INSPECTION</td>
</tr>
<tr>
<td>APPLICATION FOR EXTENSION OF TIME TO FILE CERTAIN EXCISE, INCOME INFORMATION AND OTHER RETURNS</td>
<td>2758</td>
<td>ON OR BEFORE DUE DATE FOR FORM 990</td>
<td>EXTENDS DEADLINE FOR UP TO TWO MONTHS</td>
</tr>
<tr>
<td>NEW YORK STATE OFFICE OF ATTORNEY GENERAL, CHARITIES BUREAU</td>
<td></td>
<td></td>
<td>FOR MORE INFORMATION ON CHARITIES BUREAU FORMS AND BROCHURES, GO TO <a href="http://WWW.OAG.STATE.NY.US/CHARITIES/FORMS/CHARINDEX.HTML">WWW.OAG.STATE.NY.US/CHARITIES/FORMS/CHARINDEX.HTML</a></td>
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<tr>
<td>ANNUAL FINANCIAL REPORT</td>
<td>CHAR 497</td>
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<td>ORGANIZATIONS WITH INCOME OVER $25,000 MUST FILE. PENALTY: $10 PER EACH DAY LATE UP TO A MAXIMUM OF $1,000</td>
</tr>
</tbody>
</table>

Tax-exempt organizations are required to file annual information returns with both the I.R.S. and New York State. New York State requires that the return be accompanied by an annual audit prepared by a certified public accountant for organizations with income over $250,000. For groups with income over $100,000 but under $250,000, the information return must include a C.P.A. review. (See box on page 95 for more information.)

Sound financial practices are the foundation from which your organization will be able to build and progress towards fulfilling its vision its goals. Having the ability to create realistic budgets, record accurate financial activity and report timely against your budget will not only give you confidence but will enable you and the organization to earn the trust of key stakeholders—volunteers, board members, funders—and perhaps most important, the community your organization was founded to serve and represent.
RESOURCES

Community Resource Exchange, www.crenyc.org. Toolbox on boards of directors and other management topics and links to other resources.


Nonprofit Genie, www.genie.org. Site posts info a board development, financial management, fundraising and strategic planning. Also provides reviews of books on nonprofit management topics, leaders and grantmakers’ expert opinions and links to other websites of interest.

The Internal Revenue Service, www.irs.gov. You can obtain numerous publications from the IRS as well as your local and state governments:

#557 - Tax Exempt Status for your organization
#15, Circular E - Employer’s Tax Guide
Form #990 and Instructions - Return of Organizations Exempt from Income Tax
Schedule A and Instructions - Supplementary Information attached to Form 990
#561 - Determining the Value of Donated Property
#526 - Charitable Contributions
#598 - Tax on Unrelated Business Income of Exempt Organizations
CHAPTER FOUR:
BOARD OF DIRECTORS
“WHO ARE THESE PEOPLE WHO KEEP INTERFERING WITH OUR WORK?” AN INTRODUCTION TO THE BOARD OF DIRECTORS

Boards of Directors are often referred to as the price paid for tax exemption. From a legal perspective, this is true: In exchange for the ability to receive tax-exempt revenue and corporate legal protection, the law requires that corporations be governed by Boards of Directors that will help to ensure that the public’s interests are being served.

A Board of Directors is a hard structure to make work and work well. It is made up of volunteers and, like any group of volunteers, its members have other priorities and commitments that must often take precedence over your organization. Unlike other volunteers, however, they have legal and fiscal responsibility for the organization they govern. Boards of Directors are also often composed of people who do not know each other very well, but who nonetheless have to work and lead together.

Nonetheless, Boards can be powerful allies for a community organization. Board members can often take on organizational tasks or identify resources that staff members simply do not have the time or skills to address. And while ensuring legal and fiscal compliance to the I.R.S., Department of Labor or a particular funder’s mandates is obviously an important responsibility, the Board’s most important role, particularly in community-based organizations, is to represent the interests of the community—the people the organization was established to serve—and to be good stewards of the resources garnered in the name of “the people.”

Unfortunately, there is no blueprint for creating a dynamic, effective Board that works well for your organization. Personalities, skills and situations differ from organization to organization, so what works for one Board may not work for another. In addition, a Board of Directors is not static: Your organization’s needs, the mix of Board members and the Board’s leadership will evolve over time, and you will have to respond to those changes—which means that Board building or development work is never really done.

The information and worksheets presented in this section offer some general guidelines on how to make your Board of Directors work best for you. The first part of the chapter defines the basic responsibilities of Board members and Board officers. It also introduces a set of sample Bylaws (found on page 155) and some questions to consider before developing your own. The second part presents a framework for identifying, recruiting and orienting Board members, and also discusses how to keep Board members active and involved. Finally, the third part describes what should occur at the first organizing meeting of the Board, and gives some suggestions for setting agendas, taking minutes and using committees.

What Boards need most of all is a leader—whether Executive Director or Chair—who is focused on maximizing each individual’s time and talents. If we wrote a commercial about building an effective Board, it would say: “You too can have the Board you always dreamed of—if you work at it and work at it and work at it...”
BASIC RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Typical responses we hear when we ask the question “Who are the Board of Directors and what role do they play?” include:

- “Big name” people who can give and attract money
- Friends and family members who can help out when needed
- People who sign their name on official documents but who aren’t expected to do anything (the worst scenario for everyone concerned—the organization winds up with a Board that does no work, and the Board members wind up with liability, but no input)
- Folks who are prone to interfering and meddling in things they know nothing about

An organization’s Board of Directors often faces differing expectations and pressures at three levels. Staff members want Board members to raise lots and lots of money and otherwise stay out of the way. Funders, policymakers and others to whom the organization is accountable want the Board to serve as an oversight body, and to assume legal and fiscal responsibility. And Board members themselves are often primarily interested in an organization’s programs—which are probably what drew them to the group in the first place.

A Board’s responsibilities actually cover all of the above: Boards are supposed to help ensure that organizations have the resources they need, but they’re also supposed to evaluate program and staff performance, and assume primary fiduciary responsibility for the organization. The staff’s challenge is to keep Board members engaged enough so that they are willing to raise money and to pursue their legal and fiscal obligations diligently.

Although they share the same basic responsibilities, every Board is different, and the role a Board plays within its organization can vary dramatically, depending upon the size, complexity and maturity of the organization, and upon the skills, talents and will of the individuals involved.

One of the Board’s most essential jobs is to define (and continually redefine) its role in relation to others in the organization—particularly in relation to the Executive Director. Because a group’s circumstances and needs change over time, as do the players involved at Board and staff levels, the Board must periodically adjust its role.

A few examples may help to illustrate what we are talking about.

The group of people who come together to found an organization may eventually become the Board of Directors. This group of founders frequently wears multiple hats associated with forming the organization, delivering services, raising money to support the work, and doing the millions of other things that are part of launching a nonprofit. Struggles frequently arise when the first paid staff person is hired. Suddenly, the Board needs to separate its role from the responsibilities of the staff person. Things can be particularly confusing when the first hired staff person is also one the founding Board members. That is what happened at the organization described below:

An immigrant women’s organization was begun by a group of seven women who themselves, on a voluntary basis, ran a domestic violence hotline, sheltered battered women, counseled women in crisis, contributed their own money, and held fundraising events to cover the costs of publicity and office expenses. When they decided to incorporate, these women were also the founding Board members, who bore responsibility for developing future plans for the organization (including hiring staff), and raising funds from foundations and government sources to hire the first staff members. When it came time to hire the
first staff person, it was difficult for the group to adjust to having one of their members assume the paid role of Executive Director. While they were relieved that one person could focus her full-time energies on program operations and fundraising, it became increasingly difficult for the rest of the group to “let go” of some of the day-to-day decision-making and other tasks that it was clearly more expedient for the Executive Director to handle on her own. Only over a period of a year or two was the Board able to become comfortable with having the Executive Director develop and send out funding proposals on her own, conferring with them about only major decisions at Board meetings once a month.

Alternatively, many new organizations begin as the brainchild of a lone visionary who, when he or she decides to incorporate, must twist the arms of friends, family members or colleagues to get them to agree to be named as founding Board members in the incorporation papers. In this case, both the founder and her or his Board members may have trouble figuring out a useful role for the Board. After all, program design and strategy, decision-making, and most likely performance of the program work itself, all rest with the highly motivated, visionary founder.

Take the example of one youth organization that was conceived by the mother of two children affected by the violence in their community. Using her own money and volunteer time, the founder began a small recreation program in her neighborhood and used the opportunity to teach the children about alternatives to violence. She also addressed health issues and self-esteem. When she needed to establish a Board of Directors in order to incorporate the organization, the founder asked friends and neighbors to join. Five people were willing to help and agreed to attend a first meeting. After the first few informational meetings, however, the new Board members felt very unsure about what they should be doing. They didn’t feel they had a “right” to do much, given all the time and effort the founder had put into the organization. In time, the organization grew, and new Board members joined. Some of them brought experience they had gained from serving on the Boards of older, more hierarchical organizations, and the Board began to demand that the founder—who also served as Executive Director—provide them with financial statements, get approval from the Board before submitting any proposals to foundations, and get them to sign off on any major expenses, new hires or budget changes. The founder became increasingly resentful of the Board exerting ownership and control over an organization she believed she single-handedly had built. Who could possibly have more invested in the success and welfare of the organization than she? Together, she and the Board needed to rework their respective roles to reflect both the staff’s expertise and the nature of the Board’s legal responsibility.

As an organization grows and becomes more stable, it faces new issues, and new decisions must be made. For example, there is seldom universal agreement on what paid staff members should plan for, handle and decide upon, versus what the Board of Directors needs to be informed about, engage in and resolve. As a result, each organization should create constructive, non-threatening opportunities for staff and Board members to work out how responsibilities will be shared.

There are, however, some basic facts about the role of the Board and how it relates to the rest of the organization.

How do we break this to our collectively oriented, non-hierarchical friends out there? Whatever your philosophical leanings, and whatever your Bylaws say, the laws governing nonprofits see the Board of Directors as the “owners” of the corporation, and hold them responsible for what the organization does or does not do. Most public and private funders, and the I.R.S., see things pretty much the same way.

Ultimately, it is the Board that is responsible for determining why the organization exists; ensuring that the work gets done, and done well; ensuring that the organization has the resources it needs to do its work; and ensuring that those resources are managed responsibly.
Ideally, everyone in the organization—staff, volunteers, and Board members alike—will feel this same sense of responsibility. It is the voluntary Board of a nonprofit organization, however, that legally shoulders the burden of accountability on behalf of the whole group. That’s the bottom line: As much as staff members may not like it, and as much as Board members may not want to own up to it, the Board is the ultimate authority and has the power to fire the Executive Director—even if she or he is a founder.

In one of our favorite publications on the subject, “Action Handbook for Boards,” published by the National Minority AIDS Council, a Board’s role is succinctly defined as governance and support. When acting as the formal representative of the public, the Board governs the organization’s affairs. At the same time, Board members help support the organization by volunteering, raising money and advising. When the Board is governing—determining or affirming the organization’s mission and purpose; setting organizational priorities and developing strategies; or ensuring compliance with federal, state and local laws—its objective is to represent the community’s interest within the organization, and it tends to act as a body (even if some of the preparation is done in committee). In contrast, when Board members are supporting the organization, they tend to act as individuals or through committees, and their objective is to represent the organization’s interest to the community. A fundraising committee working on an event would be one example of Board members playing the latter role; an individual Board member representing the organization at a community-board meeting would be another.

The Board should take time out every year to assess the previous year, to make sure the organization is on track, and to plan for the year ahead. The rest of this section focuses on how the Board fulfills its ongoing, year-round responsibilities.

The following worksheets outline some of the basic duties of an active Board in each of four areas of work:

- Nominating/Board development
- Fundraising
- Personnel management
- Financial management

These worksheets by no means include everything an active Board could do, but should serve as a starting point for your organization. The emphasis you place upon each area of work will differ depending upon the specific needs of your group at a given time.

Each area is broken down into specific tasks. We have given you examples that illustrate how one Board chose to assign the responsibilities for financial management and for fundraising. On the blank forms you can identify how each of these tasks will be accomplished in your organization, who will be responsible for carrying them out, and when the work will occur. What work is to be done and how it will be accomplished are questions that should be revisited periodically by the Board Chair and Executive Director, and/or by the full Executive Committee, which is a committee made up of Board officers.
**NOMINATING/BOARD DEVELOPMENT**

It is the Board’s job to provide adequate leadership of the organization at both Board and staff levels: The Board bears ultimate responsibility for recruitment, training, management and evaluation of its own members, as well as for recruiting, training and evaluating the Executive Director. The tasks of recruiting, training and evaluating the Executive Director can be led by the Executive Committee, the Personnel Committee, the Nominating Committee, or any subset agreed to by the full Board. We’ve chosen to include these tasks among the Nominating Committee’s responsibilities.

<table>
<thead>
<tr>
<th>TASK</th>
<th>HOW WILL THIS TASK BE ACCOMPLISHED?</th>
<th>WHO IS RESPONSIBLE?</th>
<th>WHEN/HOW OFTEN WILL THE WORK OCCUR?</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEPLOY AND IMPLEMENT BOARD SELF-ASSESSMENT PROCESS</td>
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<td>DEPLOY AND IMPLEMENT BOARD NOMINATING AND ELECTION PROCESSES</td>
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<td>DEVELOP ORIENTATION PROCESS AND MATERIALS FOR NEW BOARD MEMBERS</td>
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<td>IDENTIFY TRAINING OPPORTUNITIES TO HELP IMPROVE BOARD FUNCTIONING</td>
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<tr>
<td>LEAD EVALUATION OF EXECUTIVE DIRECTOR, INCLUDING RECOMMENDATION OF COMPENSATION PACKAGE</td>
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**FUNDRAISING**

The Board must ensure that adequate resources exist to support the mission and work of the organization.

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<th>TASK</th>
<th>HOW WILL THIS TASK BE ACCOMPLISHED?</th>
<th>WHO IS RESPONSIBLE?</th>
<th>WHEN/HOW OFTEN WILL THE WORK OCCUR?</th>
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<tr>
<td>IN COLLABORATION WITH THE FINANCE COMMITTEE, DEVELOP AN ORGANIZATIONAL BUDGET WITH REALISTIC EXPENSE AND INCOME PROJECTIONS</td>
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<td>WORK WITH THE EXECUTIVE DIRECTOR TO DEVELOP STRATEGIES TO REALIZE INCOME PROJECTIONS</td>
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<td>DEVELOP AND SPEARHEAD STRATEGIES TO ENABLE THE BOARD TO REALIZE ITS CONTRIBUTION GOAL</td>
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<td>MONITOR PROGRESS IN MEETING FUNDRAISING TARGETS</td>
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**PERSONNEL MANAGEMENT**

The Board must ensure that the organization is complying with all laws governing employment, and that it has systems in place to enable the Executive Director to recruit, train and retain the staff necessary to provide quality services.

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<td>DRAFT PERSONNEL POLICIES AND REVIEW EVERY TWO YEARS (POLICIES SHOULD BE REVIEWED BY AN ATTORNEY SPECIALIZING IN EMPLOYMENT LAW)</td>
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<td>DEVELOP AND PERIODICALLY ASSESS SALARY RANGES FOR ALL STAFF POSITIONS</td>
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<td>ASSESS BENEFITS AND OTHER NON-SALARY COMPENSATION FOR APPROPRIATENESS AND CONTRIBUTION TO ORGANIZATION’S ABILITY TO RETAIN DESIRED STAFF</td>
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<td>ENSURE TIMELY EVALUATION OF THE EXECUTIVE DIRECTOR</td>
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**FINANCIAL MANAGEMENT**

The Board must ensure the financial health of the organization, including security of and accountability for financial resources, compliance with nonprofit and employer regulations, and solid financial planning.

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<td>ENSURE THAT ADEQUATE FISCAL CONTROLS ARE IN PLACE</td>
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<td>MONITORING AND FINANCIAL OVERSIGHT:</td>
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<td>TRACK REVENUES VS. EXPENSES</td>
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<td>SUPERVISE PROPER USE OF GRANT FUNDS</td>
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<td>MONITOR CASH FLOW</td>
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<td>SCRUTINIZE COSTS AND EFFICIENCY</td>
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<td>ENSURE COMPLIANCE WITH I.R.S. REPORTING AND PAYMENT REQUIREMENTS</td>
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THE ROLES OF BOARD OFFICERS

There is often considerable reluctance on the part of new Board members to assume the responsibility of an officer’s position. The prospective Chair worries that she’ll be left with all the work to do; the Secretary-to-be thinks only of the endless pages of notes to be transcribed from the Board meetings; and everyone swears he or she doesn’t know enough about finances to serve as Treasurer.

An important thing to keep in mind, however, is that Board officers have a unique opportunity to develop their leadership skills, and to feel a real sense of accomplishment as they work together to build a new, successful organization.

Just as there are lots of different roles that Boards of Directors can assume, depending upon the organization’s stage of development and the people involved, so are there lots of variations in officers’ roles. A staffed organization may have the capacity to handle note-taking for the Secretary. The Treasurer’s role in an organization with a $5,000 budget is different than that officer’s role in an organization with an annual budget 10 times that size. And the Chair’s role may vary considerably, depending upon the strengths and leadership style of the person holding the position, and upon her or his relationship with the Executive Director.

Listed below are sets of functions that normally fall to one officer or another. They are presented as checklists to help your Board ensure that each responsibility is handled by someone, but you will need to decide how to delegate these tasks in a manner that makes sense for your organization. As you review the list for each officer, check off those roles that are appropriate for that officer to play. For each item you check, identify what’s needed to support the relevant officer in fulfilling that role (e.g., training, materials, guidance, staff support).

As we mentioned, the duties listed for each Board officer do not necessarily need to be assigned to the person who holds that position. However, they should be assigned to one person specifically, to ensure that each responsibility is fulfilled. For items not checked, or which depend on others to help carry them out, identify how the function will be performed, and whose role it will be to do what. We have also left blank spaces on each worksheet for you to fill in the additional responsibilities you would like each officer to have, including those tasks that are not on any checklist, but which your organization’s officers nonetheless need to take on.

While you should choose the set of Board officers that works best for your organization, it’s probably not a good idea to create a title around a person—that is, for example, to amend the Bylaws to add two more Vice Presidents just so that a couple of faithful Board members can have titles. The Board’s structure, committees, officer titles and the like should work to serve the organization first and individuals second—if at all.
ABOVE ALL, THE BOARD CHAIR’S RESPONSIBILITY IS TO DEVELOP THE FULL POTENTIAL OF THE OTHER VOLUNTEERS WHO SERVE AS AN ORGANIZATION’S BOARD OF DIRECTORS. AS THE PERSON WHO IS MOST LIKELY TO BE IN FREQUENT CONTACT WITH THE EXECUTIVE DIRECTOR, THE CHAIR USUALLY SHAPES THE WORK AGENDA OF BOARD MEMBERS IN THE MANNER HE OR SHE BELIEVES WILL BEST SUPPORT AND GUIDE THE ORGANIZATION.

THE CHAIR IS FREQUENTLY EXPECTED TO:

- Schedule and plan the agenda for board meetings in conjunction with the executive director to maximize the efficiency and effectiveness of the board as a body.
- Chair the meetings to keep them moving, garner each person’s best input, push for decisions, and recognize opportunities for individual or committee assignments.
- Recognize the interests and potential of individual board members, and find the means to get and keep them informed and involved.
- Offer immediate, informal, balanced advice and support to the executive director, as requested.
- Stay on top of individual assignments, ideas and initiatives by following up with calls, conversations or notes to make certain that other officers, individual board members, committees and staff members complete their assignments.
- Along with other officers, board members and the executive director, consider what role the board needs to play in the organization and facilitate its performance of that role (e.g., planning, fundraising, financial oversight).
- Other:

SUPPORT, TRAINING, OR MATERIALS NEEDED BY THIS PERSON TO FULFILL THESE DUTIES:

- 
- 
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- 
A board may elect more than one vice chair/vice president, possibly defining different areas of responsibility for each (for example, you could designate a vice chair for development or a vice chair for evaluation). General responsibilities might include:

- Assist the chair/president in carrying out his or her responsibilities
- Offer a second opinion, advice and back-up for the chair, helping him or her to keep an eye on the “big picture” regarding the board’s role and the organization’s work
- Plan and chair board meetings in the absence of (or at the request of) the chair, keeping the chair fully informed of the proceedings
- Prepare to assume the role of chair/president sometime in the future
- Other: __________________________________________________________________________
- __________________________________________________________________________
- __________________________________________________________________________
- __________________________________________________________________________

Support, training, or materials needed by this person to fulfill these duties:

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

- BECOME INFORMED ABOUT OR ASSIST IN DEVELOPING A FINANCIAL ACCOUNTING SYSTEM SUITED TO THE SIZE AND COMPLEXITY OF THE ORGANIZATION’S BUDGET AND FINANCIAL SITUATION
- ENSURE THAT AN ADEQUATE SYSTEM OF INTERNAL CHECKS AND BALANCES IS IN PLACE TO PROVIDE REASONABLE ASSURANCE OF COMPLIANCE WITH ACCOUNTING STANDARDS
- STAY ABREAST OF THE ORGANIZATION’S FISCAL SITUATION; AS NECESSARY, PROVIDE, OR ASSIST THE EXECUTIVE DIRECTOR (OR C.F.O.) IN PROVIDING, FINANCIAL REPORTS TO THE FULL BOARD ON AN AGREED-UPON BASIS
- PROVIDE ONGOING SUPPORT AND ADVICE TO THE EXECUTIVE DIRECTOR (OR FISCAL STAFF) ON FISCAL MATTERS, AS NEEDED AND REQUESTED
- PROVIDE FISCAL REPRESENTATION FOR THE BOARD—THAT IS, SIGN DOCUMENTS, OPEN BANK ACCOUNTS AND PERFORM OTHER FINANCIAL DUTIES AS AN AGENT OF THE ORGANIZATION
- ASSIST AND SUPPORT THE EXECUTIVE DIRECTOR IN DEVELOPING THE ANNUAL BUDGET AND IN CREATING SHORTER-TERM, LONGER-TERM AND PROJECT BUDGETS AS NEEDED
- ENSURE THAT THE ANNUAL AUDIT IS PERFORMED BY CERTIFIED PUBLIC ACCOUNTANTS (IF REQUIRED); PROVIDE SUPPORT, PREPARATION, AND FOLLOW-UP, AS NECESSARY; REVIEW AND APPROVE THE AUDITOR’S REPORT; AND RECEIVE FEEDBACK FROM THE AUDITOR ABOUT THE GROUP’S FINANCIAL MANAGEMENT SYSTEMS (WITH THE FULL BOARD)
- ENSURE THAT REQUISITE TAX FILINGS AND PAYMENTS ARE PREPARED AND SUBMITTED ON A TIMELY BASIS
- ENSURE THAT OTHER REQUISITE REPORTS ARE FILED IN A TIMELY FASHION (E.G., REPORTS TO THE SECRETARY OF STATE OR THE CHARITIES BUREAU)
- PROVIDE ADDITIONAL FINANCE-RELATED ASSISTANCE, AS NECESSARY
- ASSIST IN EDUCATING AND KEEPING THE BOARD INFORMED OF ITS FIDUCIARY RESPONSIBILITIES
- OTHER:

OTHER:

OTHER:

SUPPORT, TRAINING, OR MATERIALS NEEDED BY THIS PERSON TO FULFILL THESE DUTIES:


SECRETARY

ALTHOUGH THIS OFFICE SOUNDS LIKE A CLERICAL POSITION, IT IS NOT. IT IS AN OFFICE ESTABLISHED BY NEW YORK STATE CHARTER, AND THE PERSON WHO FILLS THIS ROLE IS RESPONSIBLE FOR MAINTAINING IMPORTANT CORPORATE DOCUMENTS AND RECORDS. AMONG THE SECRETARY’S RESPONSIBILITIES ARE TO:

- Ensure that useful minutes are kept of all board meetings or official board gatherings. The secretary does not have to be the one who takes minutes, but should review them.
- Develop a simple system and clear format for taking and disseminating minutes, to support and record all of the board’s work.
- Develop and ensure the maintenance of systems for record-keeping regarding the board’s business and joint board-staff business.
- Ensure that corporate documents are securely stored, and available for use by board and staff leadership.
- If needed, provide assistance with correspondence on behalf of the board.
- Other:

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SUPPORT, TRAINING, OR MATERIALS NEEDED BY THIS PERSON TO FULFILL THESE DUTIES:

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DEVELOPING A SET OF BYLAWS

All incorporated organizations must have a set of Bylaws that govern the functioning of the organization and its Board of Directors. The Bylaws lay out why the organization exists, how many people will serve on the Board of Directors, how these Board members are selected, how often the Board will meet, how decisions will be made, and other fiscal and legal rules. An organization’s Bylaws should be reviewed periodically to ensure that the organization is in compliance with the guidelines set forth in the document, as well as to determine what changes, if any, should be made to accommodate changed circumstances. Bylaws should be drafted with the help of a lawyer experienced with nonprofit legal matters. By answering the following questions before meeting with your lawyer, you should have much of the information she or he will need to help you draft Bylaws for your non-membership corporation.* In the right-hand column we have included some information you should consider when answering each of these questions. A blank Bylaws worksheet follows.

| **HOW MANY PEOPLE WILL BE ON THE BOARD?** | **YOU MUST HAVE A MINIMUM OF THREE, AS REQUIRED BY LAW. AN ODD NUMBER IS RECOMMENDED TO FACILITATE DECISION-MAKING, ASSUMING YOU DON’T OPERATE BY CONSENSUS.** |
| **WHAT TITLES WILL YOUR OFFICERS HAVE?** | **MANY ORGANIZATIONS HAVE A CHAIR, VICE CHAIR, SECRETARY, AND TREASURER. A COMMITTEE COMPRISED OF BOARD OFFICERS IS CALLED AN EXECUTIVE COMMITTEE.** |
| **HOW WILL OFFICERS BE ELECTED?** | **EXAMPLE: [AT AN ANNUAL MEETING, BY A SIMPLE MAJORITY OF THE MEMBERS OF THE BOARD]** |
| **WILL BOARD MEMBERS HAVE TERMS? IF SO, HOW LONG WILL THEY BE? WILL ALL TERMS BEGIN AND END AT THE SAME TIME?** | **TERMS ARE RECOMMENDED TO GIVE POTENTIAL BOARD MEMBERS A SENSE OF THE LENGTH OF THEIR COMMITMENT AND TO ALLOW FOR ROTATION OF BOARD MEMBERS. TERMS ARE TYPICALLY ONE OR TWO YEARS. STAGGERED TERMS WORK WELL TO HELP PREVENT THE LOSS OF ALL EXPERIENCED BOARD MEMBERS AT ANY ONE TIME.** |
| **WHAT WILL EACH OFFICER DO?** | **IDENTIFY CONCRETE ROLES FOR EACH OFFICER, SO THAT THEY COMPLEMENT EACH OTHER WHILE ALSO PROVIDING CHECKS AND BALANCES.** |

*Membership corporations are more complicated and less common among community-based nonprofits, and will not be addressed in this chapter.
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<tr>
<th>Question</th>
<th>Answer</th>
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<td><strong>HOW OFTEN WILL THE BOARD MEET?</strong></td>
<td>Monthly meetings are useful when organizations are starting up. The bylaws can be revised to accommodate quarterly or bi-monthly meetings as the organization develops a functioning committee structure, including an executive committee to facilitate decision-making between full board meetings.</td>
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<tr>
<td><strong>WHERE WILL THE BOARD MEET? HOW WILL MEMBERS BE NOTIFIED OF MEETINGS (PHONE, LETTER)?</strong></td>
<td>These questions do not have to be answered in the bylaws, but they are important to consider.</td>
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<td><strong>WHAT COMMITTEES WILL THERE BE?</strong></td>
<td>The sole purpose of committees is to help facilitate the work of the board. Basic committees usually include finance, executive and nominating committees. It is probably better to give yourself some leeway in this area, rather than to lock yourself into a committee structure that may not always suit the size of your board or the work of the organization.</td>
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<td><strong>WHAT IS A QUORUM? THAT IS, HOW MANY BOARD MEMBERS MUST BE PRESENT IN ORDER FOR THE BOARD TO TAKE OFFICIAL ACTION OR MAKE A DECISION?</strong></td>
<td>Bylaws generally say something like “50 percent of all official members make a quorum.” Lack of quorum is usually the first sign of a board in trouble, and may signal the need for leadership to take steps to remove inactive members and revitalize the remaining members.</td>
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<tr>
<td><strong>WHAT COUNTS AS ATTENDANCE? FOR EXAMPLE, CAN SOMEONE ATTEND BY CONFERENCE CALL OR VOTE BY MAIL OR E-MAIL?</strong></td>
<td>Today, it probably makes sense to make use of all available technology to facilitate attendance at board meetings and participation in board business.</td>
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<tr>
<td><strong>HOW WILL YOU AMEND THE BYLAWS SHOULD IT BECOME NECESSARY?</strong></td>
<td>As bylaws lay out the structure for decision-making, they should not be amended lightly. Therefore, you may want to require more than a majority vote—say, 75 percent in favor—to effect a change.</td>
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# BYLAWS WORKSHEET

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BYLAWS

OF

[YOUR COMMUNITY ORGANIZATION, INC.]

ARTICLE I

THE CORPORATION

The name of the Corporation shall be [name of your community organization].

ARTICLE II

PURPOSE

The purpose of the Corporation shall be:

Broadly state your purpose as an organization.

ARTICLE III

DIRECTORS

Section 1. Powers and Number. The Corporation shall have no members. It shall be managed by its Board of Directors. The number of Directors shall be not less than three (3) [per New York State Law] nor more than [agree on an odd number to facilitate decision-making], as determined from time to time by the Board of Directors.

Always give a range so that your organization won’t be out of compliance should a Board member resign unexpectedly. Also, for the very same reason, be careful not to say definitive things such as “the Board shall be 50 percent people living with AIDS” or “the Board will always be chaired by an ex-offender.” Instead, state those as goals.

Section 2. Election and Term of Office. Directors shall be elected annually by a majority of the Directors then in office in the following manner:

(a) Commencing at the Annual Meeting of the Board of Directors held in [year], Directors shall be elected in three classes. The number of Directors in any class shall not exceed the number of Directors in any other class by more than [indicate the amount]. The initial term of office of the first class of Directors shall expire at the [#; i.e. first, second] Annual Meeting of the Board of Directors after their election, the initial term of office of the second class of Directors shall expire at the [#] Annual Meeting of the Board of Directors after their election and the initial term of office of the third class of Directors shall expire at the [#] Annual Meeting of the Board of Directors after their election. At each Annual Meeting of the Board of Directors after [year], the Directors elected to succeed those whose terms have expired shall be elected to hold office until the third succeeding Annual Meeting of the Board of Directors after their election. However, each Director shall hold office until his or her successor shall have been duly elected and qualified, unless he or she shall resign or otherwise be removed.
Staggered terms are recommended because they maintain a healthy balance between new and experienced Board members. This means designating terms of different lengths for each initial “class” of Directors. One group might serve a term of one year, a second group a term of two years, and a third group a term of three years, for example. After that, all Directors would be elected (or re-elected) to three-year terms.

(b) If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain all classes as equal in number as possible, and any additional Directors elected to any class shall hold office for a term which shall coincide with the term of the other Directors in the same class. No decrease in the number of Directors shall shorten the term of any incumbent Director.

This last stipulation works sort of like a hiring freeze—if you choose to “downsize” your Board, all sitting Board members serve out their terms, but when they leave, not all of them are replaced.

If you want term limits for Board members, include the following:

(c) Beginning with the election at the annual meeting in [year], no Director who has served [two full three-year terms or one full term and more than half of a partial term] shall be eligible for re-election in the year following the expiration of the second term.

You do not have to place a limit on the number of terms Board members serve, but it is advisable to limit the number of consecutive terms a Board member may serve in any one office.

Section 3. Newly Created Directorships and Vacancies. Any vacancy occurring in the Board of Directors caused by the death, resignation or removal of a Director, and any newly created directorship resulting from an increase in the number of Directors, may be filled by a majority of the Directors then in office. Each Director chosen to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such Director shall have been chosen, and until his or her successor shall be duly elected and qualified.

Section 4. Resignations. Any Director may resign from office at any time by delivering his or her resignation in writing to the Corporation, and the acceptance of the resignation, unless required by its terms, shall not be necessary to make it effective.

Section 5. Removal. Any Director may be removed, with or without cause, by a majority of the Directors then in office, at a special meeting called for that purpose.

ARTICLE IV

MEETINGS

Section 1. Time and Place. Meetings of the Board of Directors may be held at such times and places as the Board may fix. The time and place of the Annual Meeting of the Corporation shall be determined by the Chair of the Board if it is not fixed by the Board. Special meetings shall be held whenever called by the Chair or by two Directors at a time and place specified by the person or persons calling the meeting.

Section 2. Notice. Notice of the time and place of each regular meeting and Annual Meeting of the Board of Directors shall be mailed to each director at his or her residence (or other address designated in a written request to the Secretary) at least [10] days before the day on which the meeting is to be held. Notice of special meetings shall be by mail, telephone, telecopier or e-mail [ask members in advance
Section 2. Term of Office and Removal. Beginning at the Annual Meeting held in [year], the officers of the Corporation shall be elected for a term of [two] years and, after serving [two] full [two]-year terms of office, shall not be eligible for re-election in the year following the expiration of the second term. However, each officer shall continue in office until her or his successor has been elected and qualified, or until his or her death, resignation, or removal.

Section 3. Vacancies and Removal. In the event of a vacancy, the Board may elect an officer to hold office for the remainder of the unexpired term. Any officer of the Corporation may be removed by a vote of a majority of the Directors then in office.

Section 4. Chair and Vice Chair. The Chair of the Board of Directors shall preside at all meetings of the Corporation’s Board and, if one is created, Executive Committee. The Chair and Vice Chair shall also have such other powers and perform such other duties as the Board of Directors may from time to time prescribe. If the Chair is absent or rendered unable to act, the Vice Chair (unless the Board shall otherwise provide) shall perform all the duties and may exercise any of the powers of the Chair.

Section 5. Secretary. The Secretary shall send or cause to be sent notices of meetings, shall keep or cause to be kept minutes of all meetings of the Board of Directors, and generally shall assist the operations of the Corporation as the Chair and Board of Directors may determine.
Section 6. Treasurer. The Treasurer shall supervise the handling of the Corporation’s assets, shall keep or cause to be kept complete and accurate accounts of the assets, liabilities and transactions of the Corporation, and shall perform such other duties as shall from time to time be assigned by the Board of Directors. Whenever required by the Board of Directors and at every Annual Meeting, the Treasurer shall render a statement of the accounts of the Corporation.

Section 7. Employees and Other Agents. The Board of Directors may from time to time appoint such agents as it shall deem necessary, each of whom shall hold office at the pleasure of the Board of Directors, and shall have such authority, perform such duties and receive such reasonable compensation, if any, as the Board of Directors may from time to time determine.

ARTICLE VI

COMMITTEES

Section 1. Membership. The Board of Directors may, by resolution at any meeting of the Board, designate standing committees and task forces of the Board. Any Committee may include as full voting members such persons, whether or not Directors or officers of the Corporation, as the Board of Directors shall determine, except that an Executive Committee shall consist only of Directors, and all Committee Chairs shall be Directors of the Corporation.

Section 2. Executive Committee. The Executive Committee, if one is designated, shall, during intervals between meetings of the Board of Directors, exercise all the powers of the Board in the management of the business and affairs of the Corporation, except as otherwise provided by law, these Bylaws or resolutions of the Board. The Executive Committee shall consist of the Officers of the Corporation and such other members of the Board of Directors as the Board may designate. The presence of a majority of the members of the Executive Committee shall be necessary and sufficient to constitute a quorum. The Committee shall keep minutes of its proceedings and shall report these to the Board of Directors at its next meeting.

ARTICLE VII

INDEMNIFICATION

The Corporation may indemnify any Director or officer against any matter or cause relating to or arising out of the performance of his or her duties in the manner and to the full extent provided by law.

ARTICLE VIII

OFFICE AND BOOKS

The office of the Corporation shall be located at such place as the Board shall from time to time determine. At this office shall be kept the books of the Corporation, including a minute book which shall contain a copy of the Certificate of Incorporation, a copy of the Corporation’s Bylaws and all minutes of the Board of Directors.

ARTICLE IX

CORPORATE SEAL

The seal of the Corporation shall be circular in form and shall bear the name of the Corporation and words
and figures showing that it was incorporated in the State of New York and the year of incorporation.

**ARTICLE X**

**FISCAL YEAR**

The fiscal year of the corporation shall be determined by the Board of Directors.

**ARTICLE XI**

**AMENDMENTS**

These Bylaws may be amended at any meeting of the Board of Directors by a vote of the majority of the entire Board of Directors.
MAKING THE RELATIONSHIP WORK FOR EVERYONE: TIPS ON RECRUITING, ORIENTING, AND MOTIVATING YOUR BOARD

IDENTIFYING AND RECRUITING NEW BOARD MEMBERS

The steps and worksheets below are designed to guide the Executive Director and Board in defining what skills and qualities are needed on the Board, identifying prospective candidates who meet those criteria, and establishing a process for recruitment and orientation of new members. The process is intended to provide a logical sequence of questions to be answered, ideas to be generated, decisions to be made and, ultimately, actions to be taken to recruit and prepare new Board members.

1. Decide who on the Board will be involved with this process and what power they will have. Most likely, you will want to charge the Nominating Committee with identifying prospective candidates and then coming back to the Board with recommendations.

2. Identify the collective job responsibilities that the Board must fulfill for your organization. For example, an organization might decide that its Board needs to:
   - support and carry out fundraising;
   - do fiscal planning and monitoring;
   - evaluate the work of the Executive Director;
   - ensure that working conditions within the organization are fair;
   - encourage high standards of performance and promote staff morale;
   - promote the organization to the general public and to potential funders; and
   - support planning and program development.

   This list of collective job responsibilities will vary considerably depending on the organization.

3. Given these possible roles for the Board, consider what skills, knowledge and characteristics are required of Board members:
   - What skills or areas of knowledge are needed (private foundation or corporate fundraising, personnel management, public relations/marketing, etc.)?
   - What client groups must be represented on the Board (geographic, demographic, age, disability)?
   - What programmatic or management experience would be useful (social service, housing, legal, fundraising, nonprofit/Board leadership, other)?

4. What relationship to the community or issue your organization was founded to serve should Board members have?

As with all other Board members, an individual courted for his or her proximity or direct experience with your issue (a person with AIDS, a young person, or a housing-development resident, for example) should not be seen as the voice for that entire “community.” In addition, if he or she does not have experience serving on a Board of Directors, your organization needs to make a commitment to helping him or her develop the knowledge and skills necessary to be a fully contributing member of the group. Ideas on how to do this include paying for training, assigning him or her a buddy or mentor from within the Board, or connecting him or her with members of other Boards of Directors. Finally, when making the decision to add community representation to the Board, be sure you have thought through how to use that person’s specialized experience. Otherwise, his or her inclusion will merely be for show.
BOARD SKILLS CHECKLIST

THE FOLLOWING LIST IDENTIFIES (IN NO PARTICULAR ORDER) SOME SKILLS, AREAS OF KNOWLEDGE, AND CHARACTERISTICS THAT YOU MAY WANT IN YOUR BOARD MEMBERS. WE HAVE ALSO LEFT ROOM FOR YOU TO ADD OTHER CRITERIA. CHECK OFF THOSE ITEMS THAT ARE IMPORTANT FOR YOUR BOARD AND LIST THEM IN THE FIRST COLUMN OF THE BOARD RECRUITMENT WORKSHEET ON PAGE 162.

EXPERIENCE:
- WITH OUR COMMUNITY
- IN OUR ISSUE AREA
- SERVING ON AN EFFECTIVE BOARD OF DIRECTORS
- WITH ORGANIZATIONAL PLANNING
- OTHER: __________________________
- OTHER: __________________________
- OTHER: __________________________

CONTACTS:
- PRIVATE FOUNDATIONS/CORPORATIONS
- WEALTHY PEOPLE
- LOCAL OFFICIALS/COMMUNITY BOARD
- OTHER: __________________________
- OTHER: __________________________
- OTHER: __________________________

SKILLS:
- FINANCE/ACCOUNTING
- LEGAL
- MARKETING/PUBLIC RELATIONS
- EVALUATION
- HUMAN-RESOURCE MANAGEMENT
- OTHER: __________________________
- OTHER: __________________________
- OTHER: __________________________

REPRESENTATION:
- LIVES IN THE COMMUNITY
- MEMBER OF OUR CONSTITUENCY (YOUTH, PERSON LIVING WITH H.I.V. OR AIDS, EX-OFFENDER)
- AGES 18-29
- AGES 30-39
- AGES 40-49
- AGES 50+
- OTHER: __________________________
- OTHER: __________________________
- OTHER: __________________________
5. If you already have some Board members, identify what skills, knowledge, and characteristics they bring to the organization. By comparing the list of skills needed with the list of skills you already have, you will be able to identify gaps.

6. Brainstorm names of individuals you know whose abilities you think match these characteristics, or who may be able to connect you with such people. You can also brainstorm names of places or gatherings where you might find such candidates—for example, conferences on your issue. Decide how many Board members you are looking to recruit.

**BOARD RECRUITMENT WORKSHEET**

<table>
<thead>
<tr>
<th>NAMES TO BE CONSIDERED</th>
<th>POTENTIAL CANDIDATE</th>
<th>ABLE TO IDENTIFY CANDIDATES</th>
<th>WHO IS RESPONSIBLE?</th>
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<tr>
<td>SKILL/TYE OF KNOWLEDGE/CHARACTERISTIC NEEDED:</td>
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7. Develop a procedure for meeting, interviewing, and screening prospective candidates who may be able to fulfill the needs you have identified. For instance, will you interview a group of people and then choose just a few candidates from this pool (meaning several people will be rejected)? Or will you invite one person at a time, stopping as soon as you have filled the vacancies? Regardless of the process you choose, you should consider the following questions:

- Who will conduct the interviews?
- What information would it be helpful to discuss with or send to prospective candidates in advance to introduce them to your organization (if necessary) and to the Board's role?
- What questions will be asked of each candidate?

Some questions you may want to ask at such a meeting include:

- What interests you about our organization?
- Why would you want to be on our Board?
- What professional skills and expertise would you bring? Can you help us fill the gaps we have identified on our Board?
- Have you served on Boards before? For what kind of organization? What did you like and dislike about your previous experience?
- Are you willing to raise money for the organization, or learn to?
- How much time are you willing to spend per month on Board work?
- Are you available to attend our regular Board meetings?
- Describe any experience you have with group decision-making.
- Describe your experience with this community.
- Would you be willing to lead a committee?

(For more information on how to conduct effective interviews, see page 186 in the Human Resources chapter.)

8. After the interviews have been conducted, arrange a full Board meeting to review the findings of the Nominating Committee and to hold a final vote. This vote should occur without the prospective Board members present.

**ORIENTATION OF NEW BOARD MEMBERS**

Ideally, orientation of new Board members begins at the recruitment stage. Once you have identified one or several prospects, it is important to get the relationship off to a good start. You should begin by being very clear about what will be expected of the new Board members, and by making sure that each potential Board member has a good understanding of the organization’s work and how the Board functions. With all this information in hand at the beginning, the new Board members should feel comfortable “jumping in with both feet” and making a real contribution to the organization from the start.

One way to present these expectations is in writing, through a Board Membership Agreement.

**BOARD MEMBERSHIP AGREEMENTS**

Membership Agreements are gaining popularity among Boards of Directors. Chief among their benefits is that they help the Chair assess the level of commitment, skill, and availability that new Board members bring into the mix. These agreements also allow the Board to begin a relationship with a new Board member based on clear mutual expectations, which set the stage for mutual accountability. They explain the Board member’s duties—attendance at meetings, participation in fundraising, and other relevant tasks—
and can be tailored to the skills of each new Board member. Such an agreement can be an important ingredient in retaining Board members and maximizing their participation and contribution to the organization.

The following are sample clauses that could be included in your Board Membership Agreement. In some cases examples or suggestions have been given. Use them as a guide; however, each point in your agreement should clearly reflect the ideology of your organization and the character of your Board. Make sure that the agreement talks about what is expected both of the Board member and of the organization, and how each will be held accountable to the other. It should also specify how each party will support the other throughout the course of the work relationship.

The Board Chair should review the Membership Agreement form with each Board member and then ask him or her to sign it. The Board Chair and the Board member should each keep a copy.

**BOARD MEMBERSHIP AGREEMENT**

between

[Name of Board member]  

and  

[Name of organization]  

1. I have examined the mission of [name of organization] and share its commitment to [state the purpose of the organization].

   *(It is important that each Board member fully understand what the organization exists to accomplish, and that she or he personally commits to doing what she or he is able to do to support that mission. Moreover, it is the Board’s responsibility to define, affirm and, when necessary, revise the organization’s mission.)*

2. I agree to become a Member of the Board of [name of organization] for a term beginning [date] and running for [# of years], through [date], in keeping with the Bylaws.

   *(There are no hard-and-fast rules for determining Board members’ tenure. Many organizations place no limits on the number of terms a Board member may serve; other organizations limit members to two consecutive terms and require a hiatus of one year before a Board member may be reappointed. Many organizations also stagger terms of service so that one-half or one-third of the Board is elected every one or two years, for terms of two to four years. Such policies encourage institutional renewal, because a Board can profit from the experience of veteran Board members while at the same time welcoming the fresh perspective that new members offer. Be sure that whatever you say in your Membership Agreement is consistent with the organization’s Bylaws.)*

3. I agree to familiarize myself with the organization’s programs and services, and I expect [name of organization] staff to keep me abreast of developments in the organization’s programming [through reports provided by the Executive Director or by other staff designated by the Executive Director].

   *(The Board must ensure that current and proposed programs and services are consistent with the organization’s stated mission and goals. The ability of the Board to fulfill this role depends largely on the quality of communication between staff and Board members.)*
4. I agree to represent and speak on behalf of the organization, so that others in the community may learn about, benefit from and contribute to the services that [name of organization] provides.

(Board members play a critical role in spanning the divide between the organization and the community-at-large, serving both a marketing and an accountability function.)

5. I expect the organization to provide me with full information about its finances. I agree to make the effort needed to understand the organization’s financial position and ensure that it meets its financial obligations and responsibly manages the resources entrusted to its use.

(The Board legally bears a fiduciary responsibility for the resources provided to the organization; this involves ensuring the proper management of a group’s revenues and any accumulated assets.)

6. I agree to do my part to help find financial support for the organization. I will make a regular personal contribution, consistent with my own ability to give. In addition, I will cooperate in developing whatever contacts I may have with individual donors or with funders for the benefit of [name of organization].

(An organization can be only as effective as its resources allow. Ensuring that adequate resources are available now and in the future is part of the Board’s responsibility to uphold the group’s mission.)

7. I will do my best to carry out whatever work I agree to do for the organization. If I find difficulty in keeping a commitment, I will let the Chair or staff know. I expect to get whatever training I need to carry out my duties.

(All Board members are required to make a good-faith effort to meet their responsibilities. The “Duty of Care” is a legal standard that establishes a Board member’s responsibility or duty as that of applying the “diligence, care and skill that an ordinarily prudent person would exercise in like position and under similar circumstances.”)

8. I know the Board meeting attendance policy as stated in the Bylaws. I expect to be given reasonable notice about upcoming meetings. I agree to make every effort to attend regular Board meetings, and in the event that it is impossible for me to be at a given meeting, I will make an effort to participate by phone. If I find I am unable to attend a meeting, I will notify the Chair or an appropriate staff person in advance. After the meeting, I will take the initiative to find out what I missed. I expect to receive regular minutes of meetings, and such other printed material as I need to function as a Board member.

(It is common practice for nonprofit Boards to meet at least four times a year, for members to receive at least several weeks’ notice of scheduled meetings and for a quorum [the minimum number of members required to hold a binding vote] to consist of not less than 50 percent of the members. To ensure that busy Board members will make the time to attend Board meetings, it is often useful to establish and publish a calendar of Board meetings, retreats and events at the start of each year, so that your members can reserve the time in their appointment books.)

9. I will make every effort to bring new talent to the organization, including prospective Board members, volunteers for committees and task forces, and potential candidates for staff openings.

(For self-perpetuating Boards [in which future members are elected to the Board by existing members], each member must be alert to promising talent. It is equally important for Board leadership to keep members abreast of specific needs, such as the need to replace a resigning member, to attract someone with a particular skill or who represents an important constituency, or to expand the Board or its fundraising capacity.)
10. I am open to being called upon by staff members to use whatever skills I have to assist them, subject to my availability. The following are areas in which I would be able to lend my support:

- Assist in fundraising activities
- Provide professional counsel and guidance
- Assist the organization in planning its budget
- Assist with the development and guidance of programs
- Other areas of possible involvement:

(Each Board member should have something to contribute to the Board and to the work of the organization.)

11. I agree to act in the best interests of [name of organization] and to speak up when I see something that I think is inappropriate or off track in the organization.

(Another standard for evaluating Board member responsibility is called the “Duty of Loyalty.” This requires each member’s faithful pursuit of the interests of the organization she or he serves, rather than her or his personal financial or other interests, or those of another person or organization. There should be regular opportunities, perhaps at Board meetings, for members to share their insights and opinions with the full Board.)

12. If the time should come when I find I can no longer fulfill the duties of Board membership, I will not simply fade away, but will notify the Chair immediately and make arrangements to transfer any outstanding responsibilities to colleagues on the Board.

(Inactive Board members can be a drain on the organization. The voluntary commitment of each member should be acknowledged and appreciated; when a member is no longer able to participate fully on the Board, his or her final service should be to step down and allow the Board to find an active replacement.)

I accept the above commitments as a statement of my responsibilities as a Member of the Board of Directors, and recognize that my full participation is needed.

_____________________________ ________________________
Signature Date

INTRODUCING NEW BOARD MEMBERS TO THE ORGANIZATION

Introducing each new Board member to the work of the organization is important. Doing so will make people feel comfortable and able to contribute. Some ways to do this include:

- Holding an orientation and training session with staff and Board members to familiarize them with the organization’s programs, structure and key players
- Assigning each new member a current Board member as a “buddy”
- Preparing a manual for Board members, which might contain:
  - the current mission statement and description of programs
  - current budget and recent financial statements
  - a list of Board and key staff members, with positions and contact information
  - the organization’s Bylaws
  - an organizational chart or other description of the group’s structure, including both the staff and the Board (committees, etc.)
  - any planning documents that are guiding organizational decisions
Finally, it is important for the organization to have good records about its Board members. Have each new Board member fill out an information form, such as the one below, listing his or her address, telephone and fax numbers, employer, history of involvement on the Board, and other relevant facts.

**SAMPLE BOARD MEMBER INFORMATION FORM**

<table>
<thead>
<tr>
<th>PLEASE COMPLETE THIS FORM AND RETURN TO THE EXECUTIVE DIRECTOR [OR CHAIR].</th>
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<tbody>
<tr>
<td>NAME:</td>
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<td>HOME ADDRESS:</td>
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<td>MAILING ADDRESS:</td>
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<td>TELEPHONE:</td>
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<td>FAX EMERGENCY</td>
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<td>E-MAIL:</td>
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<td>SOCIAL SECURITY #:</td>
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<td>SPOUSE OR PARTNER’S NAME:</td>
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<td>NAME OF EMPLOYER:</td>
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<td>TITLE:</td>
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<td>ASSISTANT’S NAME:</td>
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<tr>
<td>DATE JOINED THIS BOARD (MONTH/YEAR): TERM BEGINS: ENDS:</td>
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<tr>
<td>OFFICES HELD ON THIS BOARD (WITH DATES):</td>
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<tr>
<td>OTHER ORGANIZATIONAL AFFILIATIONS:</td>
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<tr>
<td>AREAS OF SKILL/INTEREST:</td>
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<table>
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<tr>
<th>TO BE COMPLETED BY THE EXECUTIVE DIRECTOR OR CHAIR:</th>
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<tr>
<td>COMMITTEE ASSIGNMENTS:</td>
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</table>
KEEPING BOARD MEMBERS ACTIVE AND INVOLVED

Every piece of advice on managing volunteers suggests that volunteers work out best when they have clearly defined, concrete tasks, to be carried out within a specified time frame. Board members of non-profit organizations are all volunteers. However, Board members’ jobs are seldom clearly defined; Board work can hardly be described as concrete; and a Board’s responsibilities are ongoing, often with little sense of completion or accomplishment. It is no wonder that so many Board members and Executive Directors alike become discouraged with the state of their Boards. Low morale among Board members may result in:

- poor attendance at Board meetings, leading to an inability to meet quorum requirements;
- “lost” Board members, who may not surface for six months and have little sense of what’s going on;
- passive Board meetings that consist largely of the Executive Director reporting to the Board, with little input from the Board members themselves;
- an elaborate committee structure composed of committees that never meet; and, ultimately,
- Board members who resign, saying they don’t think they can be of much use to the organization.

To prevent inactivity and disillusionment on the part of Board members, it helps to think of the Board as a team of players that needs cultivating, reassurance and coaching, just like any sports or work team.

Here are a few steps you can take to keep your Board members active and engaged:

- **Consistently cultivate Board members’ commitment to the cause.** Without that commitment, Board members will almost certainly lose interest. If the Executive Director and Board Chair can keep the mission of the organization at the center of the Board’s business, enable Board members to see the program in action, and demonstrate how the Board members’ service contributes to that program work, Board members will stay focused on why they serve on the Board in the first place.

- **Provide Board members with timely and relevant information** about the organization, its clients, its services, its problems and its needs. This will help remind Board members of the connection between their work and the organization’s mission. Too often Board members sit around the table at a Board meeting reluctant to ask questions because they assume they should already know the answers, or afraid to offer suggestions because they feel they don’t know enough to contribute. Periodically, the Executive Director and the Board need to review the information being shared between the staff and the Board, and assess whether it is sufficient to keep the Board in the loop.

- **Make sure Board members feel needed.** This may sound silly, but nobody likes to waste their time. If Board members are being asked to give their time to an organization, they need to feel that their efforts are necessary and worthwhile, and that their participation on the Board will make a difference. Here are a few ways to help Board members feel that they are making a valuable contribution:

  - In recruiting new Board members, consider seriously what insights, expertise or other assets you need, and seek out prospective candidates with those qualities.
  - If new Board members are recruited for specific skills, make it clear to them that you will expect them to bring those qualities to the organization.
  - Tap Board members’ expertise in both formal and informal ways. Call on them for advice as well as assign them specific tasks that draw upon their particular skills.
  - Finally, at the Board level, as at the staff level, the Chair must develop mechanisms to ensure that Board members follow through on plans and commitments, and, if they do not, that they bear the consequences.
Try to make Board service enjoyable. Board members are often asked to devote many evenings and weekends to attending Board meetings, organizing events, holding committee meetings and the like. It is crucial that they view this time not only as well-spent, but also as pleasurable in some way. To achieve this end, consider providing opportunities for Board members to get to know one another; creating an atmosphere of familiarity and comfort among Board colleagues and staff members; and tackling group projects such as fundraisers, which will foster the team's sense of accomplishment.

WORKING WELL AND WORKING TOGETHER: HOLDING PRODUCTIVE BOARD MEETINGS, AND THE ROLE OF COMMITTEES

THE FIRST ORGANIZING MEETING OF THE BOARD OF DIRECTORS

An organization formally comes into existence once its Articles of Incorporation have been filed; however, the group cannot officially operate until what is known as the organizing meeting takes place. This meeting of the original incorporators (there are usually three, who become Board members once the Articles of Incorporation are approved) usually occurs soon after the Certificate of Incorporation is received. While the organization’s incorporators will usually meet repeatedly prior to this, the organizing meeting is considered the first official general meeting of the new corporation.

Although there is no official procedure for an organization’s first meeting, there are some matters that should be raised and a basic sequence of events that should be followed. At a minimum, the group should officially elect the rest of the Board of Directors, adopt the Bylaws and elect officers.

This first organizing meeting can lay the groundwork for an annual meeting, at which officers are elected, organizational documents are reviewed and the annual budget is approved.

As with many issues pertaining to Boards, few things are written in stone. Therefore, what follows are some general suggestions for planning your Board’s first meeting.

- Call an organizing meeting shortly after you receive your incorporation receipt from the Department of State.
- Send notices to the incorporators/prospective Board members well in advance (two weeks before the meeting date should be enough time).
- File a copy of the notice you sent to call the meeting; note when you sent it, and to whom.
- Hold the meeting at a location central to all those who must attend.
- Make sure that someone is responsible for taking the minutes.
- After the meeting, make sure that every member receives a copy of the minutes for review.

RUNNING A BOARD MEETING

PLANNING AN AGENDA

One of the Board Chair’s toughest jobs, and one that requires a great deal of finesse, is designing an agenda that covers the business at hand—and then sticking to it. When the Board Chair starts to hear complaints about the length of the meetings or overhears someone say that the group never talks about what’s “really important,” she or he should pay attention.
Consider this example:

The Alliance of Housing Advocates never got around to discussing housing at its Board meetings. It wasn’t for lack of trying. Meetings typically ran for three or four hours, but they inevitably got bogged down in administrative details. The result was a steady decline in attendance, and lots of grumbling. The grumblers talked a lot on the phone between meetings, but no one could break the pattern.

What could the Chair have done here? First, he or she could have looked at the committees to see why they weren’t handling the administrative business on their own, outside of the full Board meeting. The Chair could also have tried to create a more action-oriented agenda.

We have found that it is helpful to put together an annotated agenda that identifies what items need to be reported upon and what specific decisions must be made. This format is quite different from the standard agenda, which simply asks for reports from the Treasurer, the Program Committee, the Nominating Committee and so forth. The Chair and the Executive Director should spend some time a week before each Board meeting coming up with this agenda. We also recommend that you attach time values to each of the items. This is to give members a sense of what the meeting is going to cover, and to point out the relative importance of each item. The hard task, of course, is holding your Board to this schedule. An annotated agenda might look like this:

ALLIANCE OF HOUSING ADVOCATES
Board meeting Nov. 16, 2002

AGENDA

I. MAJOR DECISIONS: 45 minutes
   1. Should we release the Mayor’s Memo to the media? (20 minutes)
   2. Should we run our rehabilitation seminar again this winter? (10 minutes)
   3. Should we give raises to all staff members on Jan. 1? (15 minutes)

II. UPDATES/DISCUSSION: 60 minutes
   1. Response to our direct-mail campaign (15 minutes)
   2. Proposed new low-income housing project in Staten Island—how will it affect the Alliance? (30 minutes)
   3. Status of brochure development and distribution strategy (15 minutes)

III. NEW BUSINESS: 15 minutes

The length of your agenda should be determined by two factors: First, each item on your schedule should be timely—that is, there should be a reason for discussing it at that particular meeting. Second, each item should be allotted enough time for the Board to cover it adequately. When possible, attach some time frame to each agenda item and project an adjournment time. Note that it is a good idea to get into the habit of starting meetings promptly. Also, let members know that major decisions will be made at the beginning of each meeting.

For the sake of efficiency, use face-to-face meeting time only for things that cannot be done
independently—for example, written program reports and other materials should be distributed in advance, rather than read aloud at a meeting, so that Board members arrive ready to discuss them and make decisions.

Here are a few more pointers for holding a successful meeting:

- **The Chair should push the agenda.** People will respect a Chair who starts on time, covers the agenda items that are listed, and ends on time. This doesn’t mean that everyone will be happy when you cut off discussion, but they will come to see that over the long haul it serves their interests as well as those of the organization. Construct an agenda that you can get through in an hour and a half, and see that you keep to it.

- **The Chair should try not to monopolize the meeting.** Probably the greatest barrier to a successful meeting is an overbearing Chair. His or her role should be to come to the meeting with a clear view of what needs to be accomplished, and to facilitate the discussion so that the group reaches the best decisions possible.

- **The group does not need to come to consensus on each item.** It’s time consuming, and generally not very honest. The Chair should make sure that everyone understands what they are voting on, facilitate a debate about the topic, and then live with the controversy. A meeting creates in those present a commitment to the decisions that have been made. Real opposition to decisions, as has often been said, is far more often a product of resentment at not having been consulted than of disagreement with the result. For most people on most issues, it is enough to know that their views were heard and considered. The Chair’s job is to draw members out, and then, when there has been an honest debate, seek closure and a vote.

- **It is a good practice to bring up an item for discussion at one Board meeting, and then hold off on making a decision until the next meeting.** Staff members usually dislike the wait, but it’s one way of ensuring that members understand the issues before they vote. Often, items get pushed through without Board members ever having a clue as to their true impact on the organization.

**RECORDING THE MINUTES**

Why does no one like to take minutes? The Food Stamp Task Force could never get a volunteer to keep minutes. The Board was made up of a group of friends of the Executive Director, and no one wanted to pressure anyone else to do what they considered an unpleasant task. There was a Board Secretary, but she felt that it was inappropriate for the group to ask her to take minutes. Sometimes the Executive Director would take minutes, but since she often spoke and got caught up in the business of the meeting, the minutes were sketchy. When members missed a meeting, they didn’t have a clue as to what had been discussed. It was not until the organization applied for government funding, which required that minutes be submitted with the proposal, that they identified the lack of minutes as a problem.

So why are minutes such a problem? A good part of the trouble is that most people have too ambitious an idea of the job. They think that it’s necessary to do the equivalent of a courtroom transcription of the meeting. There are easier and more effective ways to take minutes. One method that Community Resource Exchange has employed is to simply keep track of the “discussion,” “decision,” and “open” items. All of these can be summarized in a sentence or two.
DISCUSSION

The issue of starting a newsletter was discussed. We need to figure out if there is anyone else doing a food newsletter in the city, and then make some guesses about funding possibilities. Betty and Elizabeth offered to do some research before the next meeting.

DECISION

It was decided that we will conduct a raffle in September. Michael agreed to chair a committee that will be in charge of it. He will call Board members to get volunteers.

OPEN

A decision must be made about John Thompson (Board member). He has missed the last four meetings and evidently doesn’t have much extra time. Should we ask him to resign? Note that our Bylaws state that three or more consecutive, unexcused absences can lead to removal from the Board.

We need to get moving on that organizational brochure we said we would do last year.

Having a category for “open” items is an effort to include everything that was not resolved or brought up at the meeting, but which appeared on the agenda. This is to make sure that nothing falls through the cracks. The items in the “open” category can serve as the basis for the agenda of the next Board meeting. Without this kind of simple record, Board meetings can begin to feel like déjà vu.

Board minutes are a legal requirement. You must take them, but there are no rules about their length or content. You want to make sure that you have reasonable documentation of what has occurred at meetings to avoid future controversy. If the job can be simplified enough, it doesn’t have to be onerous.

USING BOARD COMMITTEES

WHAT IS A COMMITTEE?

A committee is simply a group that can carry out tasks on behalf of the full Board. This group is often a sub-group of the Board itself, but it can also include non-Board members, such as outside experts or even volunteers. Because smaller groups focused on specific matters can be more efficient than having the whole Board deal with every topic that comes before it, assigning tasks to committees can help the Board get more done.

There are two basic types of Board committees:

- A standing committee is a long-term committee, usually designated in an organization’s Bylaws, which carries out an ongoing responsibility of the Board, such as financial oversight or fundraising.

- An ad-hoc committee, or task force, is a committee formed to perform a specific, time-limited function, such as revising the Bylaws, planning a Board retreat, or searching for new office space.
You might also hear the following committee-related terms:

- **A committee of the whole** is a phrase that refers to the whole Board functioning as if it were a working committee. There may be times when this makes sense—for example, when a Board must resolve a serious issue and needs the full consideration of all its members. Frequently, the term is used somewhat negatively to refer to a Board’s inability to delegate responsibilities to its committees, or to its rehashing of work already done by a Board committee.

- There can also be, by contrast, a **committee of one**—usually a volunteer who is willing to take on a task for the larger Board. In some cases, a single individual (or committee of one) can successfully handle a particular task, such as researching health-insurance options for the organization or drafting a letter to a public official.

This leads us to why and when committees are needed.

**WHEN TO CREATE A COMMITTEE**

The primary reason for forming a committee is efficiency. Multiple committees can focus simultaneously on their respective areas of work, with final decisions made by the full Board on the basis of the work done in committee.

When a newly formed Board of Directors is composed of the same people who collectively founded the organization, the members may already understand the merit in forming some committees to handle the rapidly multiplying number of responsibilities involved. Early on, for example, there may be an advantage to assigning one ad-hoc committee to draft the Bylaws and another to find meeting space.

For the Board and any committee structure you develop to function effectively, there must be a degree of trust and familiarity among the Board members, and each of them must possess a fair amount of knowledge about the organization. When it becomes possible for that committee of the whole to say, “Maybe a couple of folks could work on this in time for the next Board meeting,” you’ve arrived at the right moment to create a committee.

**HOW TO CREATE A COMMITTEE**

There are four crucial elements to establishing a committee that functions well. These include:

- **Clear purpose.** The Board Chair should make the assignment at hand clear to the committee Chair. For task forces or ad-hoc committees this should be simple, because such committees are formed to perform particular tasks. By contrast, standing committees tend to become inactive precisely because they have no clear tasks set. It is critical to define the purpose of the committee, including why its work can’t be done by the full Board, then to translate that purpose into concrete tasks with timelines and specific anticipated outcomes. For example: “Let’s have the Personnel Committee draft a set of personnel policies to be presented at the next Board meeting.”

- **Strong leadership.** The Board Chair customarily appoints committee chairs, often with input from the Executive Director and other Board members. It may be valuable to brief each committee Chair on the importance of his or her role at the outset. The committee Chair leads the committee. This includes helping to translate the committee’s purpose into an action plan, managing its members and keeping them focused on the work to be accomplished, and connecting with the larger Board to ensure that the committee’s work supports and enhances the full Board’s agenda. If its Chair is weak, the committee is likely to be weak.
**Pre-set meeting times.** Scheduling of meetings of any group of busy people is tough. If the committee’s success depends upon the Chair’s ability to reach four or five active adults by phone to confirm their availability for possible meeting dates, chances are that committee meetings will never happen. Well-staffed organizations frequently have the luxury of getting staff members to do scheduling, but new organizations are dependent on the persistence of voluntary committee Chairs. To the extent that you can set up an advance schedule of meeting dates and times, or at least agree to the next meeting date and time before adjourning any meeting, you’ll eliminate this obstacle.

**Added value.** Nothing is more frustrating to a group of committee members than to spend time and effort researching, discussing, and coming to conclusions and recommendations for the full Board, and then to have the full Board rehash all the details in a Board meeting.

Here are three strategies for avoiding this problem:

- Help all Board members recognize the importance of trusting committees.
- Ensure that the Board Chair keeps a handle on discussions at Board meetings and, when necessary, sends a matter back to a committee for further discussion, rather than engaging the full Board in an endless debate on the topic.
- Make sure that the committees provide Board members with enough information along with their recommendations so that the Board can make informed decisions.

**WHAT TO DO WHEN A COMMITTEE STOPS FUNCTIONING**

All too often, Boards have an impressive roster of committees—which never meet. If yours is one of these Boards, it’s time to do a little analysis and make some changes.

Start by asking these questions:

- **Is the committee still needed?** For what purpose? What would happen if it didn’t exist?

  If your answers suggest there would be few or no consequences if the committee never met again, kill it.

- **Is the committee Chair motivated and still interested in serving?** Is she or he a motivator of others?

  If your answer is no to either question, make a change: If your Chair is no longer interested in serving, find a replacement, or suggest adding a more motivated Co-Chair who might be able to jumpstart the committee.

- **Has scheduling been a problem?** Has it been hard to get the committee members in the same room at the same time?

  Have folks pull out their calendars before leaving the next Board meeting and set a date and time for their next committee meeting. Then mail or fax the scheduling information to missing members. You might also consider reducing the size of a working committee to a more manageable (and schedule-able) number.

- **Do members feel that the committee’s tasks are worthwhile?** Do they see their meetings and their work as a committee as useful?

  Ask for feedback from committee members about what would encourage them to participate more; devote 15 minutes at a full Board meeting to refining the relationship between the Board and the committee.
Both committee structure and composition can and should be changed if they are not serving the organization well. Board leadership and the Executive Director should periodically evaluate the effectiveness of the committees, and make adjustments as needed.

**SOME TYPICAL BOARD COMMITTEES**

No committee must be formed by a Board of Directors unless called for in the organization’s Bylaws, which can be revised by the Board of Directors. Therefore, it makes sense only to form those committees that are needed to carry out the work of the Board efficiently.

As new nonprofit organizations become more established, their Boards typically find it useful to form some of the committees below, on either a standing (semi-permanent) or an ad-hoc (temporary) basis.

A **Steering Committee** is often formed at the very beginning of an organization’s life to serve as the leadership group, work on organizational structure, and elect the first Board of Directors.

An **Executive Committee**, usually composed of Board officers, manages the Board’s business and its members, and holds the full decision-making power of the Board between Board meetings. This committee often spearheads the evaluation of the Executive Director.

A **Nominating Committee** performs and/or oversees the recruitment, nomination, election, and orientation of new Board members. This is arguably the most important committee for ensuring the long-term health and development of the Board.

A **Finance Committee**, which generally includes and is headed by the Treasurer, is typically formed to assist, advise and oversee financial management and budgeting, and to “translate” financial information for other Board members.

A **Fundraising (or Development) Committee** can spearhead the Board’s efforts to raise funds for the organization.

A **Personnel Committee** oversees the development, maintenance, and application of policies for personnel management. For example, this committee might be charged with developing a salary structure for the organization and assessing how to spend money on benefits. The committee’s overall purpose is to ensure that the organization has the ability to attract and retain the staff needed to implement its programs successfully.

A **Program Committee** often takes charge of the Board’s role in programming, providing advice, guidance, and oversight with respect to service evaluation and program planning.

In addition, short-term task forces can be formed to accomplish most any specific, time-limited task that does not require the full Board’s participation.

A sample committee work assignment guide is on the next page, followed by a blank guide for your use, to help you determine when to form a committee and what its work should be.
SAMPLE COMMITTEE WORK ASSIGNMENT GUIDE

Before assigning a task to a committee, the Board Chair should answer the following questions:

- Is there a compelling reason why this task should be done by a committee instead of by the whole Board?
- Could the work be assigned to an existing committee?
- Who are those best able to do this work in terms of skills, knowledge, and time?
- Who could lead this committee?
- Is this task very specific and time-limited?

<table>
<thead>
<tr>
<th>DESCRIBE THE TASK</th>
<th>Revise personnel policies</th>
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<tbody>
<tr>
<td>DEADLINE FOR COMPLETION</td>
<td>By the annual meeting</td>
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</table>
| PROBABLE STEPS INVOLVED IN ACCOMPLISHING THIS TASK | • Read current personnel manual and highlight possible changes  
• Get sample personnel manuals from other organizations to use for comparison  
• Make recommendations to full Board  
• Complete revisions  
• Oversee process for distributing revised policies to all staff members |
| POINTS AT WHICH THE COMMITTEE SHOULD CONSULT THE BOARD | Make recommendations to full Board about items to be revised; full Board will vote on changes. |
| COMMITTEE CHAIR                       | Tracy Dunham              |
| OTHER COMMITTEE MEMBERS               | Will Green, Jenny Rogers  |
**COMMITTEE WORK ASSIGNMENT GUIDE**

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<th>COMMITTEE CHAIR</th>
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<th>OTHER COMMITTEE MEMBERS</th>
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In the end, structure and process will take you only so far in your quest to develop an effective Board of Directors. The most important factor in the equation is leadership—an ability to maximize the skills, talents and interests of the volunteers you’ve brought together as your Board. Initially, that energy will have to come from the Executive Director, but over time, with the right support, the Board will build its own leadership and begin to motivate itself. At that point, you will have a group of folks whom you can truly consider partners in your quest to fulfill your organization’s mission.
RESOURCES

Community Resource Exchange, www.crenyc.org. Toolbox on boards of directors and other management topics and links to other resources.

“The Board of Directors”, Grassroots Fundraising Journal Reprint Collection, www.grassrootsfundraising.org/titles/board.html. 10 articles on how to develop an effective nonprofit Board of Directors. From finding and recruiting board members to improving Board fundraising and more.


BoardSource, www.boardsource.org. Formerly the National Center for Nonprofit Boards, BoardSource offers practical information, tools and best practices, training, and leadership development for board members of nonprofit organizations worldwide.

“Lobbying, Advocacy and Nonprofit Boards”, BoardSource, This booklet provides the basic information necessary for nonprofit chief executives and board members involved in the legislative process.
CHAPTER FIVE: HUMAN RESOURCES
So many aspects of Human Resource management are influenced by the size and/or age of an organization, its geographic location (different states and cities have different regulations) even its mission. Therefore, we decided to focus on those areas most impervious to those variables and on those areas most useful to emerging organizations, systems and processes necessary to recruit, hire and orient new staff, personnel policies that can communicate how the organization will engage with employees and a primer on statutory and discretionary benefits.

More than any other chapter in the book, this one may feel like a garment bought slightly big, something for an organization to grow into. For example, the sample position description on page 183 and the sample personnel policies beginning on page 192 may feel a bit formal for an organization of 2 part-time staff people and a hand full of volunteers. Even the first staff person, however, represents an opportunity for an organization to begin to embody its values and to start building a system that with some tweaking can expand to fit 10, 25 or 50+ staff members.

FINDING THE BEST PERSON FOR THE JOB: EFFECTIVE RECRUITING AND HIRING

Good recruiting and hiring are the foundation of an effective human resource management system. This is your opportunity to identify people with the knowledge, skills, interest, and commitment both to succeed in your organization and to help the organization flourish.

There are several steps in this process, and each of them should be approached thoughtfully. You should:

- Create the position description, including qualifications and salary range
- Write the job announcement and/or ad copy
- Recruit applicants
- Screen resumes
- Prepare a set of interview questions
- Interview candidates
- Check references
- Make the employment offer in writing

You’ll be ahead of the game if you keep in mind that volunteers, including Board members, need the same things that staff members do. The only difference is that the exchange of value does not involve a salary. For example, effective volunteer or Board member recruitment should start with developing a job description; and all volunteers appreciate feedback on their work.
RECRUITING

CREATING THE POSITION DESCRIPTION

Well-written position descriptions are like basic building blocks for an organization. They serve several important functions, including:

- Establishing the nature and scope of each position-holder’s responsibilities, and defining his or her relationship to others within the organization
- Allowing the organization to set appropriate salary ranges
- Helping to set clear objectives and standards for performance
- Documenting the role of each position in a formal way, so that any changes resulting from internal reorganization or restructuring can be easily articulated by updating the group’s position descriptions

The position description should be written by the Executive Director or the person who will be that employee’s immediate supervisor. If the position is currently occupied, the supervisor should begin by having the incumbent describe all the duties for which he or she is responsible. The supervisor should review the first draft to make sure there are no omissions or inaccuracies, and work with the incumbent employee to resolve any discrepancies. Then the two should jointly set priorities, determining which job functions are essential and which are less important.

Really take the time to review the position description drafted by an incumbent employee to ensure that the tasks reflect the true needs of the organization. It is not uncommon for an employee to begin to remake a position, even slightly to suit her/his skills and interests or conversely to have picked up tasks others did not want to do.

The position description should identify the employee’s primary working relationships and contacts: With whom will the employee be working with most frequently? Who will be the employee’s direct boss? It should also list the qualifications essential to performing well in the job, including minimum education, training, and experience requirements. The final document should be signed and dated by the supervisor.

Again, this level of detail may feel like a bit much when you are just starting out. Use what we’ve provided as a guide. Keep in mind, however, that a good job description can not only help you hire the right person, it can also help shield you from pressure to hire the wrong one.

On the next page is a sample position description form that you may adapt for your use. The verbs suggested for describing essential functions are offered as examples only.
**SAMPLE POSITION DESCRIPTION FORM**

<table>
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<tr>
<th>POSITION DESCRIPTION</th>
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<tbody>
<tr>
<td>TITLE:</td>
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<tr>
<td>REPORTS TO: [POSITION TITLE]</td>
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<tr>
<td>STATUS:*</td>
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<tr>
<td>APPROVED BY _____ DATE_____</td>
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<table>
<thead>
<tr>
<th>POSITION SUMMARY</th>
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<tr>
<td>[USE ACTION WORDS, SUCH AS “DIRECTS,” “MANAGES,” “OVERSEES,” “SUPPORTS,” ETC.]:</td>
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</table>

**ESSENTIAL FUNCTIONS/RESPONSIBILITIES [EXAMPLES]:**

- DIRECTS...
- LEADS...
- OVERSEES...
- INITIATES...
- SUPPORTS...
- SERVES AS LIAISON BETWEEN...

<table>
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<tr>
<th>MINIMUM QUALIFICATIONS:</th>
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<tr>
<td>EDUCATION (i.e. M.S.W.):</td>
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<table>
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<tr>
<th>EXPERIENCE:</th>
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<table>
<thead>
<tr>
<th>OTHER REQUIRED SKILLS AND ABILITIES: (i.e. BILINGUAL, SPANISH)</th>
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* Fair Labor Standards Act (F.L.S.A.) overtime provisions. Depending on the nature of their responsibilities, employees are either “exempt” or “not exempt” from the law’s overtime provisions. To determine F.L.S.A. status, call the U.S. Department of Labor.
WRITING THE JOB ANNOUNCEMENT AND/OR AD COPY

A well-written position description is the basis of a good job announcement. In fact, while potential applicants are interested in learning about your organization’s mission, programs, constituencies, local and overall size, they also need to understand the nature and scope of the tasks you need fulfilled, found in a basic position description. A job announcement includes:

1. The name of the organization, title of the available position, and date of the announcement or target date for filling the position (three lines)
2. Background information on the organization (one paragraph)
3. Specific role(s) and responsibilities associated with the position, reporting relationships, and where the position fits within the organization (one or two paragraphs)
4. Some mention of compensation. You may choose to mention only benefits; there are pros and cons to stating the salary, but if you choose to include it, state the range
5. The minimum qualifications required for the position, including standards for education, training and experience, and other required skills or knowledge. If you want to mention additional factors that can enhance an applicant’s chances, state them as “preferred” or “desirable” factors
6. Statement that your organization is an equal-opportunity employer
7. Application instructions, including a deadline for applying

Ideally, your announcement should fit on one page (to facilitate distribution and posting). To reach the broadest, most diverse possible pool of applicants, keep your sentences short, clear and easy to read, and distribute your announcement as widely as possible. Give yourself plenty of lead time, and be sure to post your announcement or ad in multiple places, including on the Internet.

SEEKING OUT APPLICANTS

Cast a wide net to start: Inform current staff, so that they have an opportunity to recommend potential applicants, and distribute the notice as widely as possible outside the organization as well. While many of the best ways to spread the word about a job opening are free, we’ve also included some below that involve a cost (those with asterisks), but which are likely to yield good candidates:

- Colleagues at other nonprofit organizations and federations
- Professional associations
- Community leaders (public and private)
- Local colleges/universities and graduate schools
- Local job-training and placement centers
- Idealist.org*
- Foundation Center*
- Nonprofit Times*
- New York Regional Association of Grantmakers (NYRAG)*
- City Limits Fax Weekly and City Limits Magazine*
- The New York Times*
Small organizations rarely use outside search consultants or services to find candidates, simply because of the additional cost involved. However, there are advantages to obtaining expert advice, and it may be more cost-effective in the long run to do so in certain situations. For example, when filling a high-level position such as Executive Director, a mistake in recruiting and hiring could be extremely costly to the organization. If you choose to hire an outside expert, conventional wisdom suggests that the Board’s Search Committee interview one or more search firms or consultants, and formally engage with one with a contract for services.

In order to be prepared to work with a consultant, the Board’s Search Committee (usually three or four members) must be able to provide basic information regarding the organization’s mission and culture, an organizational chart, and an outline of the position’s primary responsibilities, qualification requirements and salary range, which should be available from the position description. The consultant will also want to know the background and recent history of the position, and any special requirements for the type of individual the organization wants—that is, any factors that are likely to predict a “good fit.”

SCREENING RESUMES

While screening a batch of resumes can appear to be a simple task, it’s important that the person doing the screening have a clear sense of how much flexibility is built into the specified qualifications. For example, might an educational requirement be waived for a candidate who has superior experience in the field? The resume screener must be someone with good judgment, and who has a fair amount of freedom to exercise that judgment on behalf of the organization. For this reason, someone who will be active in the interviewing and selection process should perform this function.

INTERVIEWING

One trick that we’ve learned is to specify objectives for the first year before beginning the interview process. This way you can keep in mind—and clearly articulate—what you actually hope the person will be able to accomplish within the scope of that job. For example, a first-year objective for a development person might be: “Work with a Board new to fundraising to undertake their first event.”

GUIDELINES FOR PREPARING INTERVIEW QUESTIONS

Specific interview questions will naturally be tailored to the needs of the organization and the requirements of the position being filled. There are, however, certain legal restrictions to keep in mind when you decide what you will or will not ask your candidates.
Except in the case of a bona fide job-related connection, it is unlawful for you to require or request from job applicants (in employment applications as well as in interviews) any information pertaining to their race, color, religion, citizenship status, sex or sexual orientation, national origin, marital status, disability, status with regard to public assistance, age, or other protected status under any federal, state, or local law. Here are some guidelines to help you conduct an effective and lawful interview:

- You may establish that the applicant meets minimum age requirements. You may not ask the dates of attendance at elementary, junior high or high school, or any dates of graduation.
- You may ask if the applicant can furnish proof of eligibility to work in the United States. You may not ask about an applicant’s place of birth, national origin, foreign addresses, or ability to speak another language unless the language is job-related.
- You may ask about job-related membership in professional organizations. You may not ask about membership in any organization that would reveal the person’s “protected status.”
- You may ask about convictions of any crimes related to the job’s qualification requirements. You may not ask about any prior arrests.
- You may ask if the applicant is willing to work overtime. You may not ask if there’s any reason why the applicant would not be able to work the required schedule.
- You may ask for personal and work references that would not reveal the applicant’s “protected status.” You may not request references specifically from clergy.
- You may not ask questions about an applicant’s sex, inquire about child-care arrangements (often a concern only for women), or any issue applicable only to one sex.
- You may not ask about disabilities or any questions that may reveal disabilities, about an applicant’s past or current medical conditions, or about Workers’ Compensation claims.

CONDUCTING THE INTERVIEW

If at all possible, the same person or team should interview all of the candidates for a position to ensure consistency and to enable the organization to compare candidates effectively. The team should agree on a rating system and capture their feedback on forms. If a team interview takes place, there should be a quick conference after the interview to discuss everyone’s observations about the candidate and to note any follow-up actions to be taken.

Be sure you have prepared a set of questions and follow-up points, and try to stick to these questions with every candidate. Also, try to find a quiet and comfortable space for the interview, and plan to spend about an hour to an hour and a half with each applicant.

Start the interview by setting a cordial and welcoming tone. Introduce the interviewer or interview team, explain who you are, why you’re meeting, and how you propose to proceed.

Plan to cover the following four points in a 90-minute session, but remember that you should tailor them to fit your needs:

BACKGROUND AND EXPERIENCE (30 MINUTES)

After outlining the parameters of the position, set the tone by asking the candidate to talk about him or herself, and specifically to describe previous educational and work experiences. Listen carefully and be supportive. Suggest that she or he talk about her or his career highlights and accomplishments, past work situations that are directly relevant to this position, and her or his general career progression and professional growth. Ask for specifics and examples whenever possible.
MANAGEMENT STYLE (30 MINUTES)

Find out about the candidate’s management style by having her or him describe actual situations in which when she or he handled something unusual or managed conflict. For example, ask: How did you handle a tough personnel decision or a disagreement with a supervisor? Find out about previous relationships with supervisors or other staff members; how he or she likes to supervise, train and develop staff members. For example, ask: What’s the best way to set standards and evaluate staff members? Ask: How would you define workforce diversity? How do you feel about it?

VIEWS ON YOUR OBJECTIVES (15 MINUTES)

Explain your one- to two-year objectives for the organization and for the position, and ask the candidate to react to those expectations. Ask whether they seem realistic, and have the candidate describe how each of the objectives might be accomplished. Ask for comparable experiences in the candidate’s past that would be helpful in achieving these objectives. Invite the candidate to ask more questions, and follow up with questions that will elicit specific, rather than general, statements in response.

POSITION’S BACKGROUND AND RESPONSIBILITIES (15 MINUTES)

Sometimes candidates will wait until the very end to ask questions about the position or about specific program objectives that were mentioned earlier. These questions frequently reveal a lot about the candidate’s ability to think spontaneously, make connections and organize information. They can also indicate that a candidate has a serious interest in the job. It’s important to pay careful attention to the questions a candidate asks about the organization and the position, and to address all such questions as fully as possible. Also, it’s a good idea to reiterate the position’s primary responsibilities, even if they were already described earlier in the interview.

Remember to let the candidate do the talking. Try to stick to your pre-set interview questions—which should be open-ended whenever possible—and be sure that all the candidates you interview are asked the same questions. Ask to hear about their careers and let them tell you their stories. Follow up with focused questions, but don’t cross-examine. We’ve found it helpful to ask candidates to walk us through a day at their current or a comparable job. If appropriate, take the opportunity to explore differences between their experiences and your organization’s, specific job functions that differ or even instances where your organization might represent a significant shift in work environment or organization culture—for example, your organization uses a time tracking system.

If there are two or more interviewers, make sure that everyone present participates, so that the candidate sees that everyone is interested and invested in the process. The candidates you interview will also be watching you to see how you interact with them.

End the interview with a brief explanation of when the candidate might hear from you again.

REFERENCE CHECKS

You may be aware that due to increased litigation on this issue in recent years, many former employers are reluctant to speak candidly about former employees and are particularly unwilling to disclose any negative information about them for fear of being sued. Still, it’s your obligation to seek as much information as possible in order to make informed hiring decisions.

The best reference is always a candidate’s current employer, but that is not always available. A previous supervisor is far preferable to a co-worker or someone with less direct experience with the candidate’s work and qualifications.
Reference checks can be done in writing or by phone. If you are checking references by phone, we suggest you use the telephone reference-check guide we’ve provided below. Review the main questions ahead of time, and be ready to follow up with more probing inquiries if you find that the respondent is comfortable speaking with you or is especially responsive.

Remember that any subjective views provided by a reference cannot be independently verified, so be sure to note carefully the length and nature of the reference’s relationship with the candidate and the overall credibility of the reference, to the extent that it can be gleaned over the telephone. Be alert to the speaker’s tone of voice, and note any uncomfortable pauses. Despite their limitations, references are necessary and can provide important information, so you should pursue them diligently in every instance.

SAMPLE REFERENCE-CHECK QUESTIONS

After you introduce yourself to the reference provider, be sure to explain the background of your organization, the nature of the position, some of the qualifications required for the position and the exact title. You might also say that the conversation should take no longer than 10 to 15 minutes, and that the applicant is one of the top-ranked candidates for the position—one for which you have searched and interviewed widely.

Remember that you may encounter a person who is reluctant to say much, for whatever reason. On the other hand, if the person is interested and willing to speak to you, you can proceed to ask as much as you believe is necessary. Here are some sample questions:

- What is your relationship to the applicant? In what capacity did you know her or him?
- How long have you known her or him?
- In what ways would you think she or he is particularly well-suited for this position?
- Are there any extraordinary traits or incidents that stand out? Any preferences for a particular type of working environment?
- Can you describe an experience with the applicant that for you represents what she or he is all about in the workplace?
- Can you think of any areas in which the applicant is not very strong?
- What words or phrases would you use to describe the applicant?
- Please comment on the following traits as they relate to the applicant:
  - Management style (or ability to take direction)
  - Ability to think creatively, solve problems, learn from mistakes
  - Ability to juggle multiple demands, priorities
  - Initiative, dependability, objectivity
  - Ability to work independently and as part of a team
  - Preference for structure or flexibility
- Any other comments?

HIRING

MAKING THE OFFER

Once you’ve identified the candidate you want to hire, call her or him immediately to offer the job. This call should be welcoming and informational, and should confirm the position title, reporting relationships, salary, benefits, start date, and introductory period. You should also tell the candidate where to report and to whom.

If the offer is accepted, a written employment offer should be issued within 24 hours, reiterating the information that was conveyed in the phone conversation. (A sample letter of employment is provided on the following page.) Rejection letters should be sent within one week to all the other candidates you interviewed.
SAMPLE LETTER OF EMPLOYMENT

Dear [name]:

Welcome to [name of organization]. We are delighted to confirm our offer of employment as [title], effective [date]. Please come to our office at [organization's address] by [time] on that date, and report to your supervisor, [name].

As you were informed, you will be starting at an annual salary of [\$ amount], and will be entitled to all benefits upon successful completion of your [three-month] introductory period. Certain types of leave may be accrued during this period, but they may not be used until you complete it and become a regular employee of [name of organization].

Upon starting work with us you will receive a detailed orientation, including an overview of our administrative and program policies, procedures and requirements. We ask that you become familiar with this information as soon as possible, and feel free to ask questions of those conducting your orientation. You will also receive a copy of [name of organization's] personnel policies handbook, which we encourage you to read carefully and retain for future reference.

We are pleased to welcome you aboard, and look forward to a productive and enjoyable working relationship. To indicate your acceptance of this offer, please sign this letter in the space below and return it to me as soon as possible, within one week. Again, all best wishes for success here.

Sincerely,

[Name & title]

Accepted:__________________________________________________________
               Name      Date

ORIENTATION

An organized welcome and introduction to the work environment is important to the success of an employment relationship. For most community-based organizations a staff person solely responsible for human-resource functions is a luxury. In very small organizations, many responsibilities associated with human resources, including hiring, orientation, staff training and development, and performance evaluation, fall to the Executive Director. Of these functions, orientation of new employees is one that lends itself well to being broken down and delegated to others.

A thorough orientation should include the following:
A review of the employee’s job description, salary, work hours, work space, reporting relationships, time sheets, and other payroll and record-keeping requirements

A review of the organization’s description, background and mission

An explanation of the organization’s program and/or administrative policies and procedures

A summary of key personnel policies and procedures, including benefits, attendance, leave, and conduct rules

A review and discussion with the direct supervisor of all job responsibilities, performance expectations, and standards for evaluation

The beginning of any in-house technical training or education required for the new position

The process should be welcoming and informative. All new hires should receive a standard, pre-assembled package of orientation materials, and they should be given ample opportunity to ask questions about the information. If possible, start the relationship off with food, in a friendly setting. The goal is to help new employees feel comfortable, and to become loyal and productive members of the organization as quickly as possible.

Orientation can be offered in several segments provided by different staff members and carried out over a period of several days. It is useful to develop a checklist of all the items to be covered in orientation and the names of the individuals responsible. As each item is addressed, it should be dated and initialed so that there is a clear record of what was explained and by whom.

Most organizations consider the first three (or six) months of employment a formal introductory period. During this time, both the employer and the employee have an opportunity to carefully observe and track the progress of their relationship, and to determine whether or not it is likely to be successful. Employees who have received a detailed, well-planned orientation are far more likely to begin to thrive during this introductory period.

RULES TO WORK BY: DEVELOPING CLEAR PERSONNEL POLICIES

Whether the number of people working for your organization is two or 200, and whether they are full-time, part-time or temporary, we strongly advise you to develop a clear, comprehensive personnel handbook that lays out the rules of the game for all. Developing clear, written personnel policies will help you avoid making up rules, minimizing the perception that decisions are made on a personal, arbitrary basis. This helps create a more respectful attitude among your employees, both toward the organization and each other, and it reinforces a sense of teamwork and an understanding of the mission.

You may be thinking, “There are only two of us—we don’t need a personnel handbook.” Well, New York State law says you do. In New York, all organizations, no matter how large or small, must put certain policies in writing. These include vacation, pay and holiday policies, and pay dates. So while you won’t need the tome that many larger organizations have, you will need at least a basic set of personnel policies.

Once a set of personnel policies is in place, you will have a basis for managing, evaluating and, when necessary, firing staff members. Keep in mind, however, that written policies work both ways: By setting personnel policies, your organization is establishing a framework for how it will interact with its employees, and it can and should be held accountable when it violates the rules. While at times diverging from what is written might seem to make sense and to work best for all involved, doing so could leave your organization open to criticism, or even a lawsuit.

*Personnel policies, personnel handbooks, and personnel manual are used interchangeably.
Even if you already have a personnel handbook, it is good practice to periodically review it. Employment-related laws and regulations, and even your own organization’s needs, change over time, so it is a good idea to review your policies at least every other year. And whether you’re developing your first employee handbook or updating an existing one, have an employment lawyer review it to ensure that it complies with all relevant laws.

For more information about the legal ramifications of personnel policies, we recommend consulting the “Employment Law Guide For Non-Profit Organizations,” Leonard D. Andrew and Richard S. Hobish, eds., a publication of the Pro Bono Partnership, made available through Lawyers Alliance for New York. An updated version is available online at www.probonopartnership.org/publications.htm. Users must log on to the site to get a password, but the service is free.

(See the following pages for sample personnel policies.)
SAMPLE PERSONNEL POLICIES

Personnel policies are the cornerstone of any organization’s personnel system. Below is a sample format and set of policies for you to use as a guide in developing a personnel handbook for your organization.

Please note that we have presented a set of personnel policies as they might apply to a generic nonprofit organization of approximately 30 employees. Comments and suggestions are made throughout in italics. Use these sample policies as a starting point; they are not to be copied directly. Each organization must carefully review these policies and tailor them to meet its own needs, to be sure that they reflect the unique culture and values of the organization.

After you have completed a draft set of policies, you may need to have it reviewed and approved by your Board’s Personnel Committee. If there isn’t one, your Board may designate a few members with interest in or knowledge of the subject to work with you in drafting your policies, or to review them on behalf of the Board. In any event, it is a good idea to receive your Board’s approval of your final draft. After it has been approved, you should also have a lawyer review it to ensure that it complies with all relevant laws governing employment. From then on, you should review your policies periodically—we recommend every two or three years—to ensure that they are still appropriate to your organization and in compliance with the law.

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Welcome, new employee!

On behalf of your colleagues, I welcome you to [name of organization] and wish you every success here.

We believe that each of you contributes directly to [organization]’s growth and success, and we hope you will take pride in being a member of our team.

This handbook was developed to describe the policies, programs and benefits available to eligible employees. You should familiarize yourself with its contents as soon as possible, for it will answer many questions about employment with [name of organization]. Please be sure to sign your acknowledgment of having received your handbook, and give a copy of the form to your supervisor.

Above all, we want to make certain that all staff members are committed to providing the best service to our clients and to handling their needs with honesty, creativity, and integrity. Within that context, we also want the working environment to be supportive and enjoyable, so that the very best that our staff can offer is made available to those who need our assistance.

We hope that your experience here will be challenging, enjoyable and rewarding. Again, welcome!

Sincerely,

[Name]
Executive Director
ORGANIZATION DESCRIPTION

[Name of organization] is a community-based nonprofit organization founded in [year] to meet the needs of...

MISSION STATEMENT

[Organization]’s mission is to serve...

INTRODUCTORY STATEMENT

This handbook is not an employment contract. It is designed to acquaint you with [name of organization] and provide you with information about working conditions, employee benefits, and personnel policies affecting your employment.

You should read, understand, and comply with all of the provisions in this handbook. It describes many of your responsibilities as an employee and outlines the programs developed by [name of organization] to benefit employees, in line with our objective to provide a work environment that is conducive both to personal and professional growth.

As you know, no employee handbook can anticipate every circumstance or question about policy. As [name of organization] continues to grow, the need may arise to make policy changes, and management reserves the right to revise, supplement, or rescind any policies or portion of this handbook from time to time, as deemed appropriate. The only exception to any changes is our policy of employment at will. Your employment with [name of organization] is at will. This means that either you or [name of organization] can end the employment relationship for any reason at any time.

These provisions supersede all existing policies and practices, and may not be amended or added to except by the Executive Director. You will, of course, be notified of any changes to the handbook as they occur.

EMPLOYEE ACKNOWLEDGMENT FORM

THIS EMPLOYEE HANDBOOK CONTAINS IMPORTANT INFORMATION ABOUT [NAME OF ORGANIZATION], AND I UNDERSTAND THAT I SHOULD CONSULT [NAME OF SUPERVISOR OR OTHER STAFF MEMBER] REGARDING ANY QUESTIONS NOT ANSWERED IN THE HANDBOOK. I HAVE ENTERED INTO MY EMPLOYMENT RELATIONSHIP WITH [NAME OF ORGANIZATION] VOLUNTARILY, AND I ACKNOWLEDGE THAT THERE IS NO SPECIFIED LENGTH OF EMPLOYMENT. ACCORDINGLY, EITHER [NAME OF ORGANIZATION] OR I CAN TERMINATE THE RELATIONSHIP AT WILL, WITH OR WITHOUT CAUSE, AT ANY TIME, SO LONG AS THERE IS NO VIOLATION OF APPLICABLE FEDERAL OR STATE LAW.

SINCE THE INFORMATION, POLICIES, AND BENEFITS DESCRIBED HERE ARE NECESSARILY SUBJECT TO CHANGE, I ACKNOWLEDGE THAT REVISIONS TO THE HANDBOOK MAY OCCUR, EXCEPT REGARDING [NAME OF ORGANIZATION’S] POLICY OF EMPLOYMENT AT WILL. ALL SUCH CHANGES WILL BE COMMUNICATED THROUGH OFFICIAL NOTICES, AND I UNDERSTAND THAT REVISED INFORMATION MAY SUPERSEDE, MODIFY, OR ELIMINATE EXISTING POLICIES. ONLY THE [EXECUTIVE DIRECTOR] HAS THE AUTHORITY TO ADOPT ANY REVISIONS TO THE POLICIES IN THIS HANDBOOK.

FURTHERMORE, I ACKNOWLEDGE THAT THIS HANDBOOK IS NEITHER A CONTRACT OF EMPLOYMENT NOR A LEGAL DOCUMENT. I HAVE RECEIVED THE HANDBOOK, AND I UNDERSTAND THAT IT IS MY RESPONSIBILITY TO READ AND COMPLY WITH THE POLICIES CONTAINED IN THIS HANDBOOK AND ANY REVISIONS MADE TO IT.

EMPLOYEE NAME (PRINTED): ____________________________________________________________________________________

EMPLOYEE SIGNATURE: _________________________________________________________________________________________

DATE: __________________________
NATURE OF EMPLOYMENT

EQUAL EMPLOYMENT OPPORTUNITY

In order to provide equal employment and advancement opportunities to all individuals, employment decisions will be based on merit, qualifications, and abilities. [Name of organization] does not discriminate in employment opportunities or practices on the basis of religion, race, creed, color, national origin, sex, age, disability, marital status, sexual orientation, citizenship status, or any other characteristic protected by law.

Any employees with questions or concerns about any type of discrimination in the workplace are encouraged to bring these issues to the attention of their immediate supervisor or the Personnel Director. You can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including discharge.

HIRING OF RELATIVES

The employment of relatives in the same area of an organization may cause serious conflicts and problems with favoritism and employee morale. In addition to claims of partiality in treatment at work, personal conflicts from outside the work environment can be carried into day-to-day working relationships.

Relatives of persons currently employed by [name of organization] may be hired only if they will not be working directly for or supervising a relative, and will not occupy a position in the same line of authority within the organization. This policy applies to any relative, higher or lower in the organization, with the authority to review employment decisions. Transfers or reassignments will not be made if they should result in such a reporting relationship. If the relative relationship is established after employment, the individuals concerned must decide who is to be transferred. If that decision is not made within [#] calendar days, management will make the decision.

In other cases where a conflict or the potential for conflict arises even if there is no supervisory relationship involved, the parties may be separated by reassignment or terminated from employment. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

OUTSIDE EMPLOYMENT

You may hold outside jobs as long as you meet the performance standards of your job with [name of organization]. All employees will be judged by the same performance standards and will be subject to [name of organization]'s scheduling demands, regardless of any existing outside work requirements.

If we determine that an employee’s outside work interferes with your performance and your ability to meet the requirements of [name of organization] as they are modified from time to time, you may be asked to terminate the outside employment if you wish to remain with [name of organization].

Outside employment that constitutes a conflict of interest is prohibited. You may not engage in outside employment if the purpose or goal of that employment conflicts with [name of organization]'s goals and objectives. You may not receive any income or material gain from anyone outside [name of organization] for materials produced or services rendered while performing your job here.
EMPLOYMENT STATUS AND RECORDS

EMPLOYMENT CATEGORIES

We want to clarify the definitions of employment classifications so that you understand your employment status and benefit eligibility.

Employees are designated as either NON-EXEMPT or EXEMPT from the overtime provisions of law. An employee's EXEMPT or NON-EXEMPT classification may be changed only upon written notification by the Executive Director.

NON-EXEMPT employees are entitled to overtime pay for all hours worked over 40 in a work week. EXEMPT employees are not entitled to overtime pay.

In addition to the above categories, each employee will belong to one other employment category:

- **REGULAR FULL-TIME** employees are those who are not in a temporary status, who have successfully completed the introductory period and who are regularly scheduled to work the full-time schedule. Generally, they are eligible for the benefits package subject to the terms, conditions and limitations of each benefit program.

- **REGULAR PART-TIME** employees are those who are not in a temporary status, who have successfully completed the introductory period and who are regularly scheduled to work less than the full-time work schedule, but who work at least 21 hours per week. They are eligible for some benefits sponsored by [name of organization], subject to the terms, conditions, and limitations of each benefit program.

- **PART-TIME** employees are those who are not in a temporary or introductory status and who are regularly scheduled to work 20 hours or less per week. They receive all legally mandated benefits but are not eligible for any of [name of organization]'s other benefit programs.

- **INTRODUCTORY** employees are those in an introductory period whose performance is being evaluated to determine whether continued employment in a specific position or with [name of organization] is appropriate. Upon successful completion of the introductory period, they generally become regular employees.

- **TEMPORARY** employees are those who are hired on a short-term basis, such as to work on a specific project. Such employment is of a limited duration, and any extensions beyond the initial period will not change the employment status. Temporary employees receive all legally mandated benefits but are not eligible for any of [name of organization]'s other benefit programs.

According to New York State's Fair Labor Standards Act, “Exempt employees are those who hold an executive, administrative or professional position. Executive staff are those who have the authority to hire and fire, or to recommend the same, and must regularly exercise discretionary powers. Administrators must be primarily responsible for work related to management policies or for general operations, regularly requiring discretion and independent judgment. To be classified as a professional, one must do work requiring knowledge of an advanced type acquired in specialized intellectual instruction. One must do work that is intellectual and varied in character rather than routine or mechanical, and must consistently exercise discretion and judgement in the performance of one’s work.”
INTRODUCTORY PERIOD

The introductory period is your initial [three] months of employment. It provides new employees with an opportunity to demonstrate their abilities to the organization and determine whether the new position meets their expectations. We use this period to evaluate your capabilities, work habits, and overall performance. Upon satisfactory completion of the introductory period, employees are considered regular employees for pay and benefits purposes.

Employees in the introductory period are entitled to take paid holidays and are immediately eligible for those benefits required by law such as Workers’ Compensation, Short-term Disability Insurance, and Social Security. They begin to accrue sick-leave credits during the introductory period but may not use them until successfully completing this period, at which point they also become eligible for other benefits provided by [name of organization], subject to the terms and conditions of each benefit program.

If [name of organization] determines that the usual introductory period does not allow sufficient time to thoroughly evaluate the employee’s performance, this period may be extended for an additional period. Any absence of more than [three] days during the introductory period will extend the period by the length of the absence.

A rehired employee will also work on an introductory basis for the first [three] months after the date of hire. Employees who are promoted or transferred within [name of organization] must also complete a new introductory period in the new position. If such employees are determined to be performing below expectations, they may be allowed to return to their former jobs or to comparable jobs for which they are qualified, as long as such positions are available.

PERFORMANCE EVALUATION

Our intention is to hire the most qualified people available and to give them the maximum opportunity to succeed and attain professional growth. All staff members are expected to demonstrate progressive expertise in job performance and knowledge. Your supervisor will provide both formal and informal assistance and guidance on a regular basis.

Your first performance evaluation is usually conducted at the end of the introductory period. You and your supervisor will discuss your performance and how well you are meeting your job responsibilities. Subsequent performance evaluations will be conducted [approximately every 12 months, based on the anniversary of your date of hire, or approximately every 12 months, based on the organization’s fiscal year] to provide both you and your supervisor the opportunity to discuss job tasks, identify and correct weaknesses, recognize strengths and discuss approaches for meeting goals. These reviews and evaluations will also serve as an objective basis from which recommendations for salary adjustments and other personnel decisions may be made.

We expect that all employees will carry out their responsibilities fully and to the best of their abilities, and conduct themselves in a manner that best serves the organization’s interests. If an employee’s work performance does not meet satisfactory standards, the supervisor may:

- Identify areas of weakness and recommend ways to address them
- Warn the employee orally, and, if the problems continue, warn him or her in writing, placing a copy of the warning in the employee’s personnel file
- Discharge the employee when warranted
These steps are not to be seen as progressive in nature. The supervisor will take the step that is most appropriate under the circumstances.

Generally, performance evaluations are scheduled every 12 months, around the anniversary of your date of hire.

**EMPLOYEE BENEFITS**

Eligible employees are provided with a wide range of benefits. Some of these benefits, such as Social Security, Workers’ Compensation, Short-term Disability, and Unemployment Insurance, are provided to all employees, as required by law.

Additionally, eligible employees receive a number of other benefits, according to their employee classification. While some benefit programs require contributions from employees, others are fully paid by [name of organization] and represent an additional benefit to you. The value of all benefits is approximately [#] percent of your salary.

Your supervisor can identify the programs for which you are eligible, and more information on each program is found in this handbook.

**VACATION**

[Name of organization]’s vacation policy is designed to give regular full-time employees and regular part-time employees the opportunity to be away from work and relax while receiving their regular pay. Regular part-time employees receive vacation on a pro-rated basis.

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<tr>
<th>Length of Service</th>
<th>Vacation Days</th>
<th>Accrual Rate</th>
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<td>During 1st and 2nd years of employment</td>
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<td>During 3rd and 4th years</td>
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<td>During 5th year and beyond</td>
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Eligible employees can take vacation leave after completing at least six months of continuous employment. Vacation days can be used in minimum increments of one day. You must use all vacation leave in the year in which it becomes available. Any held-over days must be taken within the first quarter of the following year.

Full-time employees with six months of continuous service are entitled to receive pay for unused vacation time upon termination of employment or voluntary resignation, except in the case of termination for gross misconduct or malfeasance, or failure to give proper notice of resignation.

Employees who fail to give proper notice of resignation will not be paid for their accrued unused vacation leave. An employee who has taken an approved leave of absence during the year will have vacation leave pro-rated according to the amount of time worked during the calendar year.
To schedule vacation leave, you should receive prior approval from your supervisor as far in advance as possible. A minimum of one month’s notice is preferred. Requests will be reviewed based on a number of factors including operational needs and staffing requirements. If a paid holiday falls during your vacation period, you may observe it as a holiday and not charge it to your vacation time.

**SICK DAYS**

Sick leave is defined as time off for illness or to care for an injury. Regular full-time employees are eligible to accrue [six] sick days per year. You must work at least one day in a calendar month to earn sick leave for that month. Regular part-time employees accrue sick days on a pro-rated basis.

Sick leave is to be used only in the case of your own illness or injury. Using sick leave for other reasons may result in discipline. [Name of organization] reserves the right to request medical documentation for any illness or injury.

Sick days may be used in half-day increments. Regular full-time employees may accumulate up to a maximum of [12] sick days at any given time.

All paid sick days must be recorded and approved by your supervisor. In order to receive pay for sick days, you must notify your supervisor no later than one hour before your scheduled start time.

Employees will not be reimbursed for unused sick leave and will not be paid for unused sick days upon termination from employment.

**PERSONAL DAYS**

Personal days are available to regular employees who need time away from work for personal reasons including observance of religious holidays. Regular full-time employees are allowed [four] personal days per calendar year. Regular part-time employees are allowed personal days on a pro-rated basis.

Although in some cases a personal day will be used in an emergency, the need to take a personal day is usually known in advance. Therefore, you are expected to obtain prior approval from your supervisor to take a personal day.

[Name of organization] reserves the right to not approve an employee’s request to take a personal day.

**HOLIDAYS**

[Name of organization] will grant the following paid holidays to all regular full-time employees and regular part-time employees:

- New Year’s Day (Jan. 1)
- Martin Luther King, Jr. Day (third Monday in January)
- Presidents’ Day (third Monday in February)
- Memorial Day (last Monday in May)
- Independence Day (July 4)
- Labor Day (first Monday in September)
- Columbus Day (second Monday in October)
- Thanksgiving (fourth Thursday in November)
- Day after Thanksgiving
- Christmas (Dec. 25)
Eligible non-exempt employees who work on an observed holiday will be paid wages at one-and-one-half times their straight-time rate for the hours worked on the holiday. Paid time off for holidays will not be counted as hours worked for the purposes of determining overtime.

Exempt employees will be paid their regular salary.

A holiday that falls on a Saturday will usually be observed on the preceding Friday, and one that falls on a Sunday will be observed on the following Monday. If an observed holiday falls during an eligible employee’s paid absence (such as vacation or sick leave) it may be taken as a paid holiday and not charged to her or his leave time.

HEALTH INSURANCE

[Name of organization]’s health insurance plan provides regular full-time employees and regular part-time employees and their dependents access to medical and dental benefits. Participation in the health insurance plan is subject to the terms and conditions of the agreement between [name of organization] and the insurance carrier.

At the present time, [name of organization] pays the full cost of an individual employee’s coverage. Family coverage is available at the employee’s cost. A change in employment status that causes an employee to become ineligible for regular participation in the health insurance plan may allow for continuation of benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA). This provision is further explained under our Continuation of Health Insurance Coverage policy.

Details of the health insurance plan are provided in the Summary Plan Description (S.P.D.). The S.P.D. and information on the cost of coverage will be provided to eligible employees in advance of enrollment.

EXTENDED HEALTH INSURANCE UNDER COBRA

Employees and their families (qualified beneficiaries) are entitled to a temporary extension of employer-sponsored group health coverage (continuation coverage) at group rates in certain instances where coverage under the plan would otherwise end. Qualified beneficiaries include the employee, the employee’s spouse, and dependent children (including children born or adopted during the continuation coverage period).

If you are an employee eligible for health insurance, you are entitled to continue health insurance for yourself and your dependents under [name of organization]’s health plan under certain circumstances that would otherwise result in your loss of eligibility for benefits. Such “qualifying events” include your resignation, termination of employment, or death; a reduction in your work hours or a leave of absence; your divorce or legal separation; and a dependent child no longer meeting eligibility requirements. You generally may continue coverage for up to 18 months after the occurrence of a qualifying event.

Under the law governing such continuation policies, you or your beneficiary pays the full cost of coverage at [name of organization]’s group plan rates, plus an administrative fee. [Name of organization] provides each eligible employee with a written notice describing your continuation rights when you become eligible for coverage under [name of organization]’s health insurance plan, and again upon termination of employment (for any reason other than gross misconduct). The notice contains important information about your continuation rights and obligations.

If a qualifying event occurs or if you have any questions, be sure to inform your supervisor immediately.
LIFE INSURANCE

[Name of organization] provides a basic life insurance plan for regular full-time and regular part-time employees. Additional supplemental and/or dependent life insurance coverage may also be purchased. Life insurance offers you and your family important financial protection.

At the present time, the life insurance benefit is [two times your annual salary, up to a maximum of $50,000]. Accidental Death and Dismemberment (A.D.&D.) insurance provides protection in cases of serious injury or death resulting from an accident, and is provided as part of the basic life insurance plan.

Eligible employees may participate in the life insurance plan subject to all terms and conditions of the agreement between [name of organization] and the insurance carrier.

Details of the basic life insurance plan, including benefit amounts, are contained in the Summary Plan Description provided to eligible employees. Contact [title of appropriate staff member] for more information about life insurance benefits.

403(B) SAVINGS PLAN

[Name of organization] has established a 403(b) savings plan to provide employees with the potential for future financial security for retirement. This plan is available to regular full-time and regular part-time employees who are 21 years of age or older.

The 403(b) savings plan allows you to elect the amount of salary you want to contribute, and allows you to direct how your money will be invested within the plan. At the present time [name of organization] will match each participating employee's contribution up to [#] percent of the employee's salary.

If you participate in this savings plan, your contribution is automatically deducted from your pay before federal and state tax is withheld, allowing you to save tax dollars now by having your current taxable income reduced. While the amounts deducted generally will be taxed when they are finally distributed, favorable tax rules typically apply to 403(b) distributions.

Complete details of the 403(b) savings plan are described in the Summary Plan Description provided to eligible employees.

SHORT-TERM DISABILITY INSURANCE

Short-term Disability (S.T.D.) benefits are available, as required by law, to regular full-time employees and regular part-time employees who are unable to work because of a non-work-related injury or illness. Benefits normally begin after seven days of disability and generally are payable for up to a maximum of 26 weeks.

Disabilities arising from pregnancy or a pregnancy-related illness are treated the same as any other illness that prevents an employee from working.

Details of the S.T.D. benefits plan including benefit amounts, when they are payable, and limitations, restrictions, and other exclusions are contained in the Summary Plan Description provided to eligible employees.

WORKERS’ COMPENSATION INSURANCE

[Name of organization] provides a comprehensive Workers’ Compensation insurance program at no cost to employees, as required by law. This program covers any injury or illness sustained in the course of
employment that requires medical, surgical, or hospital treatment. Subject to applicable legal requirements, Workers’ Compensation insurance provides benefits after a short waiting period, or, if you are hospitalized, immediately.

If you sustain a work-related injury or illness, you should inform your supervisor immediately. No matter how minor an on-the-job injury may appear, it is important that it be reported immediately. This will enable you to apply for coverage as quickly as possible.

Neither [name of organization] nor the insurance carrier will be liable for the payment of Workers’ Compensation benefits for injuries that occur during an employee’s voluntary participation in any off-duty recreational, social, or athletic activity sponsored by [name of organization].

**LEAVES OF ABSENCE**

**LEAVE WITHOUT PAY**

[Name of organization] provides a short-term leave of absence without pay of up to three months to regular full-time employees who need to take time off from work to fulfill urgent personal obligations. Eligible employees may request leave without pay if they have completed one full year of service.

As soon as you become aware of the need to take leave without pay, you should submit a written request to your supervisor. With the supervisor’s approval, you must first take any available sick leave or vacation leave as part of the total approved period of leave.

Requests for leave without pay will be evaluated based on a number of factors including anticipated workload requirements and staffing considerations during the proposed period of absence. [Name of organization] reserves the right to approve or disapprove requests for leave without pay.

Vacation, sick leave, and holiday benefits do not accrue during the leave-without-pay period. Health benefits will continue during this period provided you pay the required employee contribution towards the cost of the premiums.

When the period of leave ends, every reasonable effort will be made to return you to the same position, if it is available, or to a similar available position for which you are qualified. However, we cannot guarantee reinstatement in all cases. If an employee fails to report to work promptly at the expiration of the approved leave period, we will assume the employee has resigned.

The Family and Medical Leave Act is a federal law that applies to employers who have 50 or more employees. If your organization has 50 or more employees, your leave without pay policy must conform to this law.

**BEREAVEMENT LEAVE**

[Name of organization] understands that the loss of a loved one can be very difficult and stressful and provides bereavement leave with pay for such circumstances. In the event of a death in your immediate family, regular full-time employees may take up to three continuous days of paid bereavement leave to arrange for and attend the funeral. Regular part-time employees may take such leave on a prorated basis.

Immediate family includes an employee’s spouse, significant other, children, parents, siblings, and grandchildren.
If you need to take bereavement leave, please notify your supervisor promptly so that arrangements can be made to cover your absence. Pay for bereavement leave applies only to the days you would have worked, and does not include holidays, weekends, time not worked, or time when you are on other paid leave.

JURY DUTY

[Name of organization] encourages employees to fulfill their civic responsibilities by serving jury duty when required. Regular full-time employees and regular part-time employees will receive their regular pay for up to five days of jury duty over any one-year period. If you are required to serve jury duty beyond the period of paid jury duty leave, you may use any available paid time off (such as vacation leave) or may request an unpaid jury duty leave of absence. Jury duty service cannot be deducted from accrued sick leave.

If you have been called for jury service, you must show the summons to your supervisor as soon as possible so that arrangements can be made to accommodate your absence. If you are excused from jury duty for any day or half-day during the required period of service, you are expected to report for work. Upon completion of jury service you must submit proof of the dates of such service to your supervisor.

Employees who have not completed one full year of service will receive up to $40 per day for the first three days of jury service. Any service beyond that period can be fulfilled using any available paid time off such as vacation leave, or by taking an unpaid jury duty leave. As above, jury duty service cannot be deducted from sick leave.

Either you or your supervisor may request a deferral of jury duty if it is determined that your absence would create serious operational difficulties at any time.

[Name of organization] will continue to provide health insurance benefits for a maximum period of 30 calendar days after any unpaid jury duty leave begins. After that time, you will become responsible for the full costs of these benefits if you wish coverage to continue. When you return from jury duty, benefits will again be provided according to the applicable plans. Vacation and sick leave benefits will not continue to accrue during unpaid jury duty leave.

MILITARY LEAVE

A leave of absence without pay will be granted to employees for active duty or training in the United States uniformed services in accordance with the Uniformed Services Employment and Reemployment Rights Act (USERRA). Employees may choose to use any vacation leave with pay that was accrued prior to service, in lieu of military leave without pay.

If you receive notice to serve, you should submit copies of your military leave notice to your supervisor as far in advance of duty as possible, unless military necessity prevents such notice or it is otherwise impossible to do so.

Continuation of health insurance benefits is available as required by USERRA based on the length of the leave and subject to the terms, conditions and limitations of the applicable plans for which you are otherwise eligible.

If you are on military leave for up to 30 days, you must return to work for the first regularly scheduled day (or shift) after the end of service, allowing reasonable rest and travel time. Employees on longer military leave must apply for reinstatement in accordance with USERRA and all applicable state laws.
On returning from military leave you will be placed in the position you would have attained had you remained continuously employed, or a comparable one, depending on the length of your military service.

TIMEKEEPING

RECORDING TIME

All non-exempt employees are responsible for recording the time they have worked. Federal and state laws require [name of organization] to keep an accurate record of time worked in order to calculate your pay and benefits.

Time worked is solely the time actually spent on the job performing assigned duties, and should not include any time that is spent not working or any time off that is taken during the workday. Non-exempt employees must accurately record the time they begin and end work, the time they begin and end each meal period, and the beginning and end of any time off taken. Any overtime work that is recorded must be approved by a supervisor before it is performed. Altering, falsifying, or tampering with time records, or recording time on another employee’s time record may result in disciplinary action, up to and including discharge.

It is the employee’s responsibility to sign her or his time records to certify the accuracy of all time recorded. The supervisor will review and initial the time record before submitting it for payroll processing. If corrections or modifications are made to the time record, both the employee and the supervisor must verify the accuracy of the changes by initialing the time record.

Exempt employees must maintain a record of the days that they worked.

PAYDAYS

All employees are paid on a [biweekly] basis, [every other Thursday]. Each paycheck will include earnings for all work performed through the end of the previous payroll period.

In the event that a regularly scheduled payday falls on a day off, such as a holiday, you will receive your pay on the last day of work before the regularly scheduled payday.

If a regular payday falls during your vacation, you may request your pay before starting your vacation by submitting a written request to your supervisor at least one week prior to departing for vacation.

Direct deposits are available to you if you wish to have your paycheck deposited automatically into your personal bank account. You will receive an itemized statement of the deposit when a deposit is made.

WORK SCHEDULES

[Name of organization]’s normal office hours are [9 a.m. to 5 p.m., Monday through Friday] for a regular full-time workweek of [35 hours].

From time to time, staffing needs and operational demands may necessitate variations in starting and ending times, as well as variations in the total hours scheduled for employees. These will be addressed on a case-by-case basis and in accordance with overtime pay provisions prescribed by law for non-exempt employees.

Flexible scheduling or flextime is available in some cases to allow employees to vary their starting and
ending times each day, within established limits. Flextime may be approved if a mutually workable sched-
ule can be arranged to meet the needs of the organization. Such issues as staffing needs, the employee’s
performance, and the nature of the job will be considered in approving flextime. Employees should con-
side their supervisor to request participation in the flextime program.

All full-time employees are provided with a one-hour unpaid lunch period each day. Your supervisor will
schedule meal periods to accommodate operating requirements. You are relieved of all active responsibil-
ities and restrictions during meal periods and are not compensated for that time.

**OVERTIME**

Overtime pay applies only to non-exempt employees. When operating requirements or other organiza-
tional needs cannot be met during regular working hours, employees will be required to work overtime.
Whenever possible, employees will be given the opportunity to volunteer for overtime work assignments,
and every effort will be made to distribute overtime as equitably as possible to all employees qualified to
perform the required work.

Overtime pay is given to non-exempt employees in accordance with federal and state wage and hour
laws, which require time-and-a-half pay for any hours worked beyond [1] hours in a workweek. Overtime
pay is based on actual hours worked. Time off on sick leave, vacation leave, or any leave of absence will
not be considered hours worked for purposes of setting overtime pay.

All overtime work must have the supervisor’s prior authorization. Employees who work overtime with-
out prior authorization from the supervisor may be subject to disciplinary action, up to and including dis-
charge.

**EMPLOYEE CONDUCT**

**USE OF PHONE AND OTHER EQUIPMENT**

Personal use of the fax machine, copier, and the telephone for long distance and toll calls is not permit-
ted, nor is personal use of any other business equipment or system. Personal use of the mail system for
sending and receiving mail is strictly prohibited.

It is understood that from time to time employees may need to make and receive personal phone calls.
You should practice discretion when doing so. You may be required to reimburse [name of organiza-
tion] for any charges resulting from your personal use of the telephone or other business equipment.

The improper, careless, destructive, or unsafe use or operation of any [name of organization] equi-
ment or system can result in disciplinary action, up to and including discharge.

**E-MAIL AND INTERNET USAGE**

Computers, computer files, the e-mail system, the Internet, and any software furnished to you are
intended for [name of organization]’s purposes only. You may not use a password, access a file, or
retrieve any stored communication without authorization. To ensure compliance with this policy, your com-
puter, e-mail and Internet usage may be monitored.

You should be aware that any e-mail messages or files you delete are not truly eliminated from the sys-
tem, as they remain stored in a central backup system in the normal course of data management. You
should assume that any e-mail message you send may be permanently stored in our records.
[Name of organization] strives to maintain a workplace free of harassment and sensitive to the diversity of its employees. Therefore, the use of computers, e-mail and Internet systems in ways that are disruptive, discriminatory, offensive, intimidating, or that violate confidentiality rules is strictly prohibited. These systems may not be used to create, retrieve, copy or solicit material for personal use or gain, religious or political causes, outside organizations, or any other non-[name of organization] matter. Examples of prohibited uses include but are not limited to: ethnic slurs, racial comments, off-color jokes, anything that may be construed as harassment or showing disrespect for others, is intended for personal profit, or is otherwise inappropriate or illegal.

[Name of organization] purchases computer software for organizational purposes and does not own the copyright to the software or its related documentation. Unless authorized by the software developer, [name of organization] does not have the right to reproduce such software and prohibits the illegal duplication of software and its related documentation by anyone without authorization.

CONFIDENTIAL INFORMATION

All information that is not common knowledge is considered privileged and is not to be disclosed under any circumstances. This includes [name of organization] records, memoranda and any other written material. In particular, employees should not discuss the following information in public places:

- All material pertaining to persons contributing to [name of organization]
- All data and information pertaining to the clients served by [name of organization]
- Information concerning our budget, income, or expenditures, except as it may appear in the printed annual report or any material made public by the agency
- Minutes or the content of any meeting arranged by [name of organization] in which Board members, committee members, and/or staff members participate in discussion about the work and policies of the agency
- Any information given to staff members in writing or orally which is designated as confidential
- Salaries or other personal data pertaining to individual staff members to which an employee has access due to the nature of her or his work. This includes all types of personnel material, such as salary information, evaluations, attendance records, data reported on application forms, references written or received by the agency, or other material relevant to employment.

If you have any questions about this rule, you should immediately discuss them with your supervisor.

PROBLEM RESOLUTION

[Name of organization] is committed to providing the best possible working conditions for its employees. Part of this commitment is cultivating an open and frank atmosphere in which any problem, complaint, suggestion or question receives a timely response from management.

You are encouraged to bring your questions, suggestions, and problems to your supervisor's attention. They will be given careful consideration in our continuing effort to improve the organization. If you have a problem, here are the steps you may take:

First, present the situation to your supervisor immediately, so that she or he has the opportunity to resolve the problem quickly. Our experience has shown that most problems can be settled with a simple examination and discussion of the facts.

If your supervisor is not available, or if you feel it would not be appropriate to present the situation to your supervisor, request a meeting directly with the next-level supervisor.
If the problem is not resolved after meeting with a supervisor, present it in writing to the Executive Director, who will respond promptly. A meeting with other employees may be called in an attempt to reach a satisfactory solution. A detailed review will be conducted, and a final determination will be made by the Executive Director.

RULES OF CONDUCT

To ensure orderly operations and provide the best possible work environment, [name of organization] expects employees to follow rules of conduct that will protect the interests and safety of all employees and the organization.

It is not possible to list all the forms of behavior that are considered unacceptable in the workplace. The following are examples of infractions of rules of conduct that may result in disciplinary action, up to and including discharge:

- Theft, damage, or unauthorized removal or possession of property
- Falsification of time-keeping records
- Any discriminatory act
- Sexual or other unlawful or unwelcome harassment
- Possession, distribution, sale, transfer, or use of alcohol or illegal drugs while on duty, including while operating vehicles or equipment
- Any disruptive behavior, including fighting or threatening violence in the workplace
- Insubordination or other disrespectful conduct
- Gambling on the premises
- Safety violations
- Possession of dangerous or unauthorized materials, such as explosives or firearms
- Excessive absenteeism, tardiness, or any absence without approval

These are only examples. Generally, any conduct that is disruptive, unethical, or illegal will not be tolerated. Employment with [name of organization] is at the mutual consent of the organization and the employee, and either party may terminate that relationship at any time, with or without cause, and with or without advance notice.

DISCIPLINE

This policy states [name of organization]’s position on administering equitable and consistent discipline for unsatisfactory performance or conduct in the workplace. The objectives of any disciplinary action are to correct the problem, prevent reoccurrence, and prepare the employee for satisfactory service in the future.

Disciplinary action may include an oral warning, a written warning, suspension, and/or termination of employment, depending on the severity of the problem and the number of occurrences. While these steps are generally progressive in nature, certain employee problems may not call for all the steps. [Name of organization] will address each situation according to the seriousness of the problem.

While it is impossible to list every type of behavior that may be deemed a serious offense, the Rules of Conduct outlined above include examples of problems that may result in immediate suspension or termination of employment.

HARASSMENT AND SEXUAL HARASSMENT

It is [name of organization]’s policy to provide a work environment that is free from harassment, and
from offensive and degrading remarks and conduct. Offensive behavior, including harassment on the premises or at any related function, will not be tolerated. Anyone who is found to have acted in violation of this policy will be subject to disciplinary action which may include termination.

Many forms of inappropriate and offensive conduct have the potential to be perceived as harassment, and will not be tolerated. Supervisors are responsible for acting promptly where they observe or are advised of inappropriate and offensive behavior.

**Harassment** may include verbal or physical conduct that denigrates or shows hostility or aversion towards an individual because of the individual's race, creed, religion, age, gender, citizenship, national origin, sexual orientation, marital status, disability, veteran status, or status with regard to public assistance. Harassment may include but is not limited to:

- Epithets and slurs
- Negative stereotyping
- Threats and intimidation
- Hostile acts
- Denigrating or hostile written or graphic material

**Sexual Harassment** may include unwelcome sexual advances, requests for sexual favors, sexually motivated physical contact, or other verbal or physical conduct or communication where:

- Submission to that conduct or communication is made a term or condition of employment
- Submission to or rejection of that conduct or communication by an individual is used as a factor in decisions affecting her or his employment
- That conduct or communication has the purpose or effect of substantially interfering with an individual's employment, or creates an intimidating, hostile, or offensive employment environment

"Sexually motivated" actions include unwelcome, objectionable, and offensive conduct or communication which, even though it may not be sexual in nature, is directed at an employee on account of her or his gender. Examples of sexual harassment are:

- Any offensive or demeaning terms that have a sexual connotation or are addressed to an employee on account of her or his gender
- Objectionable, unwelcome physical proximity, or physical contact
- Unwelcome gender-based suggestions regarding, or invitation to, social engagements
- Any indication that an employee's job security, job assignment, conditions of employment, or opportunities for advancement may depend on the granting of sexual favors to any other person, or upon the acceptance of unwelcome, objectionable sexual conduct, advances, or comments
- Any action relating to an employee's job status that is affected by consideration of the granting or refusal of a gender-based request for social or sexual favors
- The existence of an atmosphere of sexual harassment or intimidation
- Jokes or remarks of a sexual nature made to, or in the presence of, employees who may find such jokes or remarks offensive
- Dissemination of materials (cartoons articles, pictures, etc.) that have a sexual content and that are not necessary for work, to individuals who may find such materials offensive

Harassment is prohibited regardless of the sex of the harasser or the recipient. If you believe you are being subjected to, or are a witness to, sexual harassment or reprisal in any form from a fellow employee or supervisor, or if you are being subjected to reprisal, you are encouraged to talk to the offending person to express your objections. If the problem is not resolved, speak to your supervisor. If she or he is not
available or appropriate, speak to the next-level supervisor.

If you believe that someone has treated you in an unlawful, improper, or discriminatory manner, you should notify her or him directly in writing of your complaint. If the problem is not resolved, forward your written complaint to the Executive Director.

Should the investigation result in a finding that an individual has discriminated against or harassed another person, disciplinary action, up to and including termination, will be taken against the offending person.

No person at [name of organization], regardless of how highly placed, is exempt from compliance with this policy. Employees are also encouraged to report harassment and/or reprisal by clients and any other non-employees. We will not tolerate sexual harassment or reprisals against our employees in connection with their employment at [name of organization], even if the harasser is not an employee.

We prohibit any form of retaliation against any employee for filing a bona-fide complaint under this policy, or for assisting in a complaint investigation. However, if after investigating any complaint of harassment or unlawful discrimination, we determine that the complaint is not bona fide, or that an employee has provided false information regarding the complaint, disciplinary action may be taken against the individual who filed the complaint or who gave false information.

**DRUG AND ALCOHOL USE**

It is [name of organization]'s policy to provide a drug-free, healthful and safe workplace. To promote this goal, employees are required to report to work in appropriate mental and physical condition to perform their jobs in a satisfactory manner.

While on [name of organization]'s premises and while on duty off premises, it is prohibited for employees to use, possess, distribute, sell or be under the influence of alcohol or illegal drugs. The legal use of prescribed drugs is permitted on the job only if it does not impair an employee's ability to perform the essential functions of the job effectively, and in a manner that is safe and does not endanger others. Violations of this policy may lead to disciplinary action, up to and including immediate discharge. Such violations may also have legal consequences for the employee.

Under the Drug-Free Workplace Act, an employee who performs work under a government contract or grant must notify [the Executive Director] of a criminal conviction for drug-related activity occurring in the workplace. The report must be made within five days of the conviction.

Employees with questions or concerns about substance dependency or abuse are encouraged to discuss these matters with their supervisor or with the Office Manager for assistance or referral to appropriate resources in the community.

**SMOKING**

In keeping with [name of organization]'s policy of ensuring a safe and healthful work environment, smoking is prohibited throughout the workplace. This policy applies equally to all employees, clients, and visitors.

**CONCLUSION**

This handbook is intended to provide a broad summary of the information you should know about [name of organization]. This information is general in nature. When you need additional details, speak
to your supervisor, who will assist you in obtaining more complete information.

Please note that nothing in this handbook is intended to grant contractual rights to any employee, nor to subject [name of organization] to any liability with regard to the rules, policies, or goals in this handbook. While we intend to continue with the policies, benefits, and rules found in this handbook, changes to them may be made from time to time.

We hope these policies are clear and understandable. Be sure you have read them, and feel free to share this handbook with your family members. Once again, welcome to [name of organization], and we wish you much success in your career here.
ONE KEY TO KEEPING HIRES HAPPY: EMPLOYEE BENEFITS

What benefits should we provide? This question comes up at various stages in an organization’s life—when considering offering certain benefits for the first time; deciding whether employees should pay any portion of insurance premiums; adding or dropping certain benefit provisions; or simply changing insurance carriers to cut costs, for example.

The answer should be determined not only by the state of the organization’s finances at the time, but also by the organization’s values and priorities. For example, a small nonprofit that feels obligated to provide medical benefits to its employees but does not have the financial means to do so might embark upon a special fundraising campaign to raise the money to pay for the coverage.

There are two categories of benefits. The first type, called statutory benefits, are those that an organization is required by law to provide for its employees. The second type, discretionary or optional benefits, are those that are not required by law, and which an organization can freely decide to provide or not to provide to its employees. (For a full glossary of common benefits terms and definitions, see page 221.)

There are many good reasons why an organization would want to be as generous as possible when deciding what discretionary benefits to provide to its employees. Among them are the three major factors (aside from cost) that employers typically consider when determining what benefits to provide: employee morale, organizational mission and competitive edge.

Using benefits to raise morale. Many nonprofits believe that the salaries they offer are below those offered by the for-profit and government sectors, and they seek to make up for this by offering their staff generous benefits—especially when doing so will not substantially impact the organization’s cash flow or budget. Such groups commonly offer generous vacation, sick and personal-day policies. Some also offer an extra holiday in addition to those observed officially, e.g., the employee’s own birthday. (Note: generous leave policies also impact the bottom line, maybe not as immediately as a salary, but ultimately it costs to ensure an organization’s programs and services are adequately covered during employee vacations or in the event of an employee’s leaving, unused vacation benefits must be returned to the employee as part of their last check.)

Offering benefits in keeping with your organization’s mission. Nonprofits with a profound sense of mission generally want their policies and practices to reflect the spirit of that mission. For example, an organization focused on health issues may feel morally bound to provide their staff with a fully-paid family medical insurance plan.

Using benefits to stay competitive. This is an increasingly important factor in the decision-making process. Problems with staff turnover can mean that good employees are leaving for other organizations that offer better benefits. Less-than-competitive benefits packages can also make it difficult for an employer to attract good applicants for job openings. This issue deserves significant attention; if an organization gains a reputation for being cheap with its employees, it can be extremely difficult to turn that image around.

Depending on factors such as your salary scale, the types of benefits packages you offer employees at different levels, and your employee turnover rate (which affects how much you pay for state Unemployment Insurance), an amount equal to between 20 percent to 25 percent of your payroll might go towards benefits, of which between 8 percent and 10 percent would generally go toward statutory benefits and 10 percent to 15 percent would go toward discretionary benefits.
STATUTORY BENEFITS

Statutory Benefits common to employers in all states are: federal Social Security taxes, Worker's Compensation, and state and federal Unemployment Insurance. Nonprofits are exempt from federal Unemployment Insurance requirements.

Social Security, otherwise known as FICA (Federal Insurance Contributions Act), provides benefits to all U.S. employees for death, disability and retirement. The Social Security Fund provides income benefits to employees at retirement or in the event of total disability prior to normal retirement age. If the worker dies prior to normal retirement age, the Social Security fund pays income benefits to dependent children up to age 19. The Medicare portion of the fund provides medical insurance to both retired and disabled workers.

Payments of FICA taxes are shared equally by employer and employee. Each of them pays Social Security taxes of 6.2 percent of salary up to the Social Security wage base ($81,400 as of July 2002). Medicare taxes of 1.4 percent are paid on all salaries.

State Unemployment Insurance contributions are made by the employer into a fund that provides income support payments when an employee is laid off. The benefits are time-limited, based on employee’s service, and differ from state to state. Employees terminating voluntarily are ineligible for unemployment benefits.

The Unemployment Insurance rate in New York State is set annually for each employer and ranges from 1.25 percent to 6.4 percent of covered salaries. Your rate is based upon your organization’s past record of hiring and firing. The fewer claims an organization has from ex-employees, the lower its rate. In New York State, as of July 2002, employers were required to pay premiums on up to $8,500 of salary per year per employee.

Workers’ Compensation is an employer liability plan that automatically covers employee on-the-job injuries. The plan covers lost income and 100 percent of medical expenses, as well as providing death benefits to surviving family members and lump-sum benefits for specific losses (such as vision, hearing, limbs, or fingers).

Workers’ Compensation is a mandatory benefit in all states; the penalties for being out of compliance are severe. You cannot charge any portion of this premium to your employees. Workers’ Compensation policies are available through private insurance companies or through the State Insurance Fund.

Short-term Disability Insurance is mandated by five states: California, Hawaii, New Jersey, New York, and Rhode Island. Benefits and funding requirements differ from state to state.

In New York, the State Insurance Fund or a commercial carrier may write short-term disability policies. Organizations with fewer than 50 employees pay a published rate (in the range of $3 to $4 for males and $7 to $8 for females per month). Larger groups are experience-rated—that is, their rate is based upon their claims history.

As of 2002, benefits for a non-job-related disability are $170 per week for 26 weeks, beginning after the first seven days of disability. This benefit has remained unchanged since 1970.

DISCRETIONARY BENEFITS

Commonly offered discretionary benefits include medical plans, dental plans, life insurance, long-term disability insurance, and retirement plans. Most employers also offer their employees paid vacation time
and holidays, as well as sick days and other kinds of leave, either paid or unpaid. Whatever benefits you choose to offer should be clearly spelled out in your organization’s personnel policies. *(You will find a list of common vacation and sick-day policies, as well as typical paid holidays, on page 199.)*

**WHAT YOU MIGHT OFFER**

**HEALTH INSURANCE**

Although medical insurance is not required by law, virtually all employers provide some form of health-insurance plan to their employees. As a consequence, medical plans are the discretionary benefit most widely expected by employees. If you choose to offer medical insurance, it will likely represent your second-largest single budget item—just behind Social Security taxes.

Rules governing health insurance and available coverage vary greatly from state to state. New York State law affords the following protections for employers with two to 50 employees:

- An insurance carrier offering coverage to any employer with fewer than 51 employees must offer coverage to all small employers applying for coverage.
- Small group insurance plans are community rated, meaning rates must be the same for all employees, without regard to age, sex, industry, or medical history. Regulations prohibit asking medical questions for any reason.
- The employer establishes employee eligibility for coverage. The insurance carrier must accept as eligible any employee who works at least 20 hours per week.

- All small group insurance plans include a 12-month limitation on pre-existing conditions. Under federal and New York State law, the pre-existing-condition limit must be waived on any employee or dependent who had insurance coverage for a 12-month period prior to her or his coverage effective date, with no more than a 63-day break in coverage.

**Types of Medical Plans**

**Health Maintenance Organizations (H.M.O.s)** offer comprehensive health coverage on a prepaid basis. H.M.O.s contract with doctors, hospitals, labs, and other medical providers, who are paid directly by the H.M.O. for providing covered services to H.M.O. members.

The employee usually pays a co-payment for certain services such as physician exams, emergency-room
visits, and prescription drugs. The balance of the cost is paid directly by the H.M.O.

Any employee using an out-of-network provider—that is, one who has not contracted with the H.M.O.—is not covered, and is responsible for 100 percent of the bill.

As of 2002, most H.M.O.s in the New York metropolitan area had developed extensive doctor networks to encourage employee participation. The employee must name a Primary Care Physician (P.C.P.), whether or not referrals are required to see a specialist.

By law, H.M.O.s cannot set any minimum participation requirements.

**Point-of-Service (P.O.S.) Plans** are H.M.O. networks with an out-of-network benefit attached. The network portion of the plan functions like an H.M.O., but in a P.O.S. Plan, an employee who uses an out-of-network doctor or other provider may submit claims for reimbursement of 70 percent to 80 percent of expenses, subject to a calendar year deductible (usually of between $300 and $1,000).

**Preferred Provider Organizations (P.P.O.s)** also offer a network of participating doctors, hospital, labs, and other providers. However, P.P.O. plans differ from P.O.S. plans in that they are essentially insurance reimbursement policies. No primary-care physician is required. Some P.P.O. plans pay their doctors directly, but others simply reimburse a higher percentage of the cost of network services than non-network services.

All P.P.O. Plans in New York State require enrollment of a minimum of 75 percent of eligible employees.

**Designing an Effective Health-Insurance Benefits Strategy**

Due to the high cost of medical coverage, employers have adopted a variety of incentive and cost-sharing arrangements to control cost and deliver maximum benefits from the available budget.

**Dual-Option Plans** allow you to offer a base plan, such as coverage through an H.M.O., at little or no cost to your employees, and allow employees to buy up to a higher-priced plan at their own expense if they wish.

"**Money Purchase**“ Arrangements make it possible to offer multiple plans, representing a range of prices and benefits. The employer sets a fixed contribution—say $275 per month—allowing the employee to choose her or his plan and pay any difference. The employee’s share of the cost is deducted from her or his pre-tax salary. *(See discussion of Section 125 on page 217.)*

In New York City, Healthpass offers combined billing for a total of 20 plans, from four participating insurance carriers.

If you want to offer two or more plan options, a carrier’s participation requirements become important. Consult your broker on how these requirements affect your particular circumstances.

**Large Group Plans**, for organizations with more than 50 employees, are still underwritten based on age and sex data. If your organization has more than 100 employees, the insurance underwriter will also request claims experience. Groups with employees in their 20s and 30s benefit from this process. However, insurance carriers still have the right to decline to offer coverage to large groups they consider undesirable. Unfortunately, many AIDS and performing arts companies fall into this category.

The exception to the rule: H.M.O. plans are community rated for groups of all sizes and cannot decline to offer coverage in their service area.
Commonly Asked Questions About Health Insurance Benefits

1. Is health insurance a mandatory benefit?

*Health insurance is not a legally required benefit. However, most nonprofit organizations do offer it to their employees if they can afford to do so.*

2. If we offer health insurance to our employees, must we offer dependent coverage?

*Although you are not required to offer dependent coverage, you should at least offer it at employee expense. Families with incomes under $40,000 may be eligible for Child Health Plus coverage, which is subsidized by New York State.*

3. Is it less expensive to purchase insurance directly from an insurance company?

*No, it is not. Broker fees are generally paid by the insurance company and add nothing to the overall cost of the coverage.*

4. Can we offer coverage to domestic partners?

*As of July 2002, there were no insurance companies offering small group coverage that included domestic partners. Many companies will offer it to groups with more than 50 employees. However, federal tax law requires that the cost of domestic-partner coverage be reported as taxable income to the employee.*

5. Is it possible for two or more organizations to purchase health insurance together?

*Yes, but only in very specific instances. If, for example, you lease space and share staff with another organization, you can be considered “affiliated” by the insurance company for the purpose of buying insurance. However, you cannot informally join together with another organization and buy one policy.*

6. Can we offer health insurance to a former employee if she or he is between jobs and needs coverage?

*In New York State, the law requires that a terminating employee be given the right to continue coverage for up to 18 months, at the former employee’s expense. The New York law applies to all employers, regardless of the size of the group.*

*Under no circumstances can you offer coverage to someone who is not an employee. The insurance company has the right to audit your payroll for eligibility. They could refuse to pay claims or sue for recovery of claims already paid to an ineligible person!* 

**DENTAL INSURANCE**

There are two basic kinds of dental plans available:

**Dental Reimbursement Plans** generally have a calendar-year deductible (between $50 and $100 per person) and a per-person, per-year maximum-benefit limit ranging from $1,000 to $2,000. These plans reimburse 50 percent to 80 percent of dental charges, up to the plan’s benefit maximum.

**Dental Maintenance Organizations (D.M.O.s),** or Network Plans, offer services through a panel of participating dentists. Generally, preventive services are provided at no charge to the patient, and other services are substantially discounted. Most of these plans publish a fee schedule showing what participating dentists may charge the patient.
Some network plans may be offered to individuals, or on an employee-pay-all basis. Reimbursement plans all have minimum-participation limits and require the employer to pay part of the cost.

**LONG-TERM DISABILITY (L.T.D.) INSURANCE**

Long-term Disability Insurance is an important benefit area to consider in developing a balanced benefit structure. The inability to earn income due to a disabling illness or injury would surely bankrupt most staff members in a relatively short time and could result in homelessness.

L.T.D. plans are designed to pay income beyond the Short-term Disability benefit mandated in New York State. L.T.D. plans start paying benefits after a minimum required period of disability—commonly either 90 or 180 days—and pay for a “long term,” usually to age 65. Two different kinds of policies are available: group and individual.

**Group L.T.D.** policies cover all eligible employees. These plans pay a percentage of salary, usually 60 percent, up to a maximum monthly benefit. Long-term Disability payments are reduced by the amount of any statutory disability benefits received, such as Short-term Disability or Workers’ Compensation benefits.

Many insurance carriers offer group plans with no medical questions asked to groups of 10 or more full-time employees. Most carriers offering L.T.D. plans to groups of fewer than 10 require employees to complete medical questionnaires. Coverage may be declined based on medical history.

As of 2002, there were a few companies in New York State that offered L.T.D. coverage on a guaranteed-issue basis to employers at least two years old with as few as six employees on staff.

Another way to offer Long-term Disability coverage is by purchasing **individual policies** for employees. Individual disability policies are generally non-cancelable and guaranteed renewable to age 65 at a fixed price. Individual policies are always medically underwritten. Because the policy is issued to the employee, not to the group, the employee can keep the policy in force after terminating employment.

If L.T.D. premiums are paid by the employer, disability benefits paid to the employee are taxable income.

Individual policies are far more expensive than group L.T.D. insurance. The introduction of small group L.T.D. plans eliminated the major reason for considering individual policies.

**LIFE INSURANCE AND ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE (A.D.&D.)**

When planning a comprehensive benefits package, you may choose to offer life insurance. In considering a life-insurance program, your starting place should be an assessment of current staff needs. Is your staff predominantly young and single, or primarily composed of parents of young families? Young families need large amounts of life insurance to be adequately protected. Most young singles do not need much life insurance and may be resistant to bearing any cost for it.

Current tax rules under Section 79 of the Internal Revenue Code allow an employer to provide up to $50,000 of group term life insurance tax-free to employees. Any amount in excess $50,000 is taxable to the employee at rates determined by government tables. For this reason, $50,000 is commonly used as a maximum benefit. Within this framework, plans that pay benefits as a multiple of salary are quite common.

If most of your staff is young and single, you will almost certainly want to limit the maximum benefit to no more than $50,000. If most of your staff members have families to protect, you may want to consider offering a somewhat higher benefit.
Depending on the size of your group, group term life insurance may be available on a guaranteed-issue basis—meaning no medical questions will be asked. If you are particularly concerned about providing coverage to staff members with medical problems, you should ask your broker to shop for group life coverage with the highest guaranteed issue limit.

A.D.&D. insurance pays an additional amount equal to the group life benefit if death occurs due to an accident. There is also a specific benefit paid for certain losses due to accident, such as loss of limb or vision.

TAX BENEFITS (SECTION 125)

Two provisions of Section 125 of the Internal Revenue Code are both popular with small organizations and useful in leveraging benefits with tax savings.

One allows payroll deductions for medical and dental insurance premiums to be taken before all withholding taxes, including FICA taxes. Even for a relatively low-paid employee living in New York City, this results in roughly a 40 percent tax discount for the employee on the contribution. Premium Only Plans (P.O.P.s) allow an employee to take advantage of this benefit by paying insurance premiums through her or his employer.

The other provision applies to Flexible Spending Accounts (F.S.A.s), through which an employee can pay for qualified expenses before taxes by authorizing a salary reduction. (Technically, a payroll deduction must be taken after taxes; before taxes, it’s called a salary reduction). “Qualified expenses” include childcare expenses for children up to age 12 and medical and dental expenses that are not paid for by your insurance plan.

The employee must make an irrevocable election at the beginning of the year to contribute to the F.S.A. The employee must use the fund to pay eligible expenses during the year. Any funds not spent on qualified expenses by the end of the year are forfeited by the employee and revert to the employer.

F.S.A. and P.O.P. plans require the employer to file trust documents, maintain segregated trust accounts, and file annual reports with the government.

Both A.D.P. and Paychex, the two most popular payroll services in New York City, offer Premium Only Plans and Flexible Spending Accounts to their customers. Check with your payroll service about these plans.

RETIREMENT PLANS

Smaller nonprofits sometimes shy away from retirement planning because they fear retirement plans will be too expensive. In reality, an organization with a typical benefits budget (20 percent to 25 percent of payroll), should be able to afford to include a retirement plan in its benefits package.

Salary Reduction Plans, also called Tax Sheltered Annuities (T.S.A.s), are available only to employees of tax-exempt organizations, under the federal code Section 403(b).

The T.S.A. design is a simple one. Employees can elect to contribute up to 20 percent of gross income (pre-tax salary) to a retirement account. Additionally, as an employer you can contribute a certain percentage of your overall payroll to the annuity plan each year; the contributions are then allocated among plan participants, in proportion to their salary levels. T.S.A.s are attractive for several reasons:

- They reduce an employee’s taxable income for the year in which he or she makes the contribution.
- Funds accumulate tax-deferred during an employee’s working years
- Your employees can take their annuities with them when they change jobs. However, they cannot make further contributions except through a salary reduction arrangement with another nonprofit employer.
As of 2002, the maximum employee contribution was limited to $11,000, with scheduled increases in future years, along with a “catch-up” provision for employees over age 50.

Initially, 403(b) plans were available only to tax-exempt employers and school districts. Twenty years later, similar plans were developed for profit-making companies, commonly referred to as 401(k) plans.

Today, nonprofit organizations can offer either 403(b) or 401(k) plans, and employees are allowed to transfer their accounts from one type of plan to the other when they change jobs.

If your organization cannot afford to make retirement plan contributions initially, a 403(b) salary reduction plan is the simplest method of offering a retirement savings plan to staff.

**PENSION PLANS**

The retirement plans described above are the most popular among tax-exempt employers because they allow employees to make pre-tax contributions.

Organizations may also establish conventional pension plans. This may be desirable if you want to make large contributions to “catch up” for staff members who may have been with the organization for many years when there was no plan available.

One way to do this is through a **Defined Benefit Plan**. This is a pension plan that guarantees a set amount of retirement income to be paid at normal retirement age. The annual contribution to the fund is calculated by an actuary to be adequate to pay for projected benefits.

**PUTTING IT ALL TOGETHER**

In “spending” your discretionary benefits budget, your objective is to buy the best possible benefits for your staff with the resources available.

Apart from statutory benefits, your largest budget item will almost certainly be your medical insurance plan. At 2002 prices, medical plans range between $3,000 to $5,000 per single employee and $7,000 to $12,000 per family per year.

Payroll contributions to both medical and dental plans may be taken as salary reductions before all withholding taxes under Section 125, reducing both the employee’s and the employer’s tax liability.

By using a 403(b) retirement plan that accepts pre-tax contributions, the employee benefits whether the employer makes a contribution or not.

In developing a balanced employee-benefits plan for your staff and in shopping for insurance plans, we recommend that you look for an insurance broker who has experience working with nonprofit groups of similar size in your state.

CRE believes in organizations who embody fairness, celebrates excellence, value the potential of us all, and in short understands that whatever an organization’s mission, vision or program, in the end, the ability to make a difference in a community comes down to the staff or volunteers who must carry out the work.
RESOURCES

We suggest the following resources for further reading, research, and study on issues of human-resource management. Many include templates and tools that can be downloaded from the Web or copied free of charge. Some may require membership or copyright permission.

GENERAL

Board Café, www.boardcafe.org. A free electronic newsletter for members of nonprofit Boards. It frequently includes articles on nonprofit leadership, such as “Sample Job Description for an Executive Director,” “Evaluation of the Executive Director,” and even “How to Fire your Executive Director.” E-mail subscriptions are free.

COMPENSATION AND BENEFITS

NonProfit Times Salary Survey, www.nptimes.com. Though there are other, more comprehensive surveys in existence, the highlights of this one are published in this free newspaper. Free mail subscriptions to this monthly paper are available through the Web site.

BenefitsLink, www.benefitslink.com/home/. Provides access to numerous resources related to employee benefits, including articles, government documents, benefits-related software, employment-opportunity postings, and more.

U.S. Department of Labor, www.dol.gov. This Web page provides links to the various Labor Department agencies, offices and bureaus, including the Office of the Secretary of Labor, the Benefits Review Board, and the Bureau of Labor Statistics.

EQUAL EMPLOYMENT OPPORTUNITY


ADVERTISING POSITIONS

Idealist.org, www.idealist.org. Idealist is a project of Action without Borders and includes a Nonprofit Career Center, with hundreds of job and internship listings. There are several fee structures available, including a flat, yearly fee for unlimited job postings. To place a posting, an organization first needs to register with the site, which is free of charge. Immediately afterwards, you will be able to post a job opening, following Idealist's easy to follow prompts.

The Foundation Center, www.fdncenter.org. Offers the “Job Corner” in Philanthropy News Digest featuring current full-time job openings at U.S. foundations, grantmaking public charities, and nonprofit organizations. To take advantage of this free service, e-mail a copy of the job description to jobcorner@fdncenter.org, or mail an MS Word or ASCII text file on a PC-compatible disk to: Job Corner, Philanthropy News Digest, The Foundation Center, 79 Fifth Avenue, New York, NY 10003. Job descriptions will be listed for two months from the date of posting.

NonProfit Times, http://www.nptimes.com/classified.html. Use the online form to place an ad. An e-mail copy may be sent to nptjobs@nptimes.com, a fax copy to 973-257-3200 or 973-394-2888 or call 973-394-1800 x203. NPTJobs Rates: Print Publication (Positions also appear online for one month). At time of publication, word ads @ $160.00 + $1.25 per word, display ads @ $106.00 per column inch and web only ads (www.nptjobs.com) @$160.00 per posting.

New York Regional Association of Grantmakers, www.nyrag.org. NYRAG Members: The Jobs Market is a service for NYRAG members, which has also been extended to Affinity Groups. NYRAG does not post jobs that are available in nonprofit organizations, even nonprofits associated with member grantmakers or located in their offices. NYRAG members can submit jobs for posting by filling out their online form. Non-member Grantmakers: Grantmakers who are not NYRAG members, and executive search firms working to fill positions in grantmaking organizations, can now post job descriptions on NYRAG’s website. This service is limited to jobs within grantmaking institutions and to grantmaking jobs in other organizations. Jobs in Fundraising or Development will not be accepted under any conditions. The fee for this service is $250 per posting, non-commissionable. If you would like to take
advantage of this service, please contact George Lowin at 212-714-0699, ext. 1008 or glowin@nyrag.org. NYRAG accepts American Express, Visa and Mastercard. Your job description will be posted on the site within one business day after payment.

City Limits Fax Weekly & City Limits Magazine, www.citylimits.org. They offer classified advertising targeted toward New York’s public service, nonprofit, social services and arts sector. Their classified advertising package offers exposure on four sites: City Limits Weekly, an email/fax newsletter, the City Limits Website, the City Limits Bulletin, and at City Limits Magazine. City Limits offers placement in all their publications at a cost of under $3.00 per word. There is a 40-word minimum. You may request that your ad be held from any of the publications, but the cost remains the same. In order to get into the Monday weekly, all classified advertising must be received by 6pm on the previous Thursday. In order for your advertisement to get placed in the next issue of City Limits magazine, your ad will need to be received by the 15th of each month. To post by email use: advertise@citylimits.org. To post by fax use 212-479-3339.

The New York Times, www.nytimes.com. The New York Times has an online posting form that allows you to post single job openings quickly and easily, no phone calls are required. For information on posting package discounts, contact Ellen Dobrin, edobrin@nytimes.com. For customer service or technical support, contact Marshal Santos, (646) 698-8038, onlinejobs@nytimes.com. In general, the rates tend to be on the expensive side.

Amsterdam News, www.amsterdamnews.org. A weekly paper and part of the BlackPressUSA Network. To place a classified ad, call 212-932-7400 or fax them at 212-222-3842. Rates: under $7.00 per line, 4 line min. Deadline: Tuesdays at 3:00pm.

El Diario/La Prensa, www.eldiaro.net, www.prensa.com. A daily paper. To place an ad, contact Rene Sanchez at 212-807-4600 x470 or fax to 212-807-4617. Rates: under $10.00 per line, 5 line min., up to twenty words. Deadlines: Noon for next day, over phone, by fax by 11:00am for the next day. If your ad needs to be translated, fax the day before you want the ad to run.
GLOSSARY OF BENEFITS TERMS

**Accidental Death & Dismemberment Insurance:** A benefit paid for covered losses—such as loss of limb, loss of sight, or death—due to an accident.

**Actuary:** A person who calculates risks, premiums, etc. for the insurance industry.

**Adjustable Life Insurance:** See Universal Life Insurance.

**Agent:** See Broker.

**Annuity Contract:** A contract sold by an insurance company that guarantees the buyer a fixed income for life, or a certain number of years, upon retirement. Many kinds of Annuity Contracts are available, including those that cover spouses.

**Benefit Period:** The time period during which benefits are payable under an insurance contract. Commonly applies to dental and disability contracts.

**Benefits Planning Consultant:** A consultant who works on a fee basis designing packages and recommending appropriate policies.

**Blue Cross/Blue Shield:** A nonprofit insurance carrier regulated under special state legislation. Blue Cross/Blue Shield companies are organized locally and are loosely affiliated nationally.

**Broker:** Both brokers and agents are people who are licensed by the state to sell insurance products. The distinctions between brokers and agents are, for our purposes, negligible.

**Carrier:** An insurance company.

**Carry-over Provision:** Allows expenses incurred during one calendar year to be applied against the deductible of the next year.

**Cash Value Life Insurance:** Life insurance that builds up a reserve or cash value that is refundable upon surrender of the policy. May be borrowed against while policy is in force.

**COBRA:** The Consolidated Omnibus Budget Reconciliation Act is the federal law passed in 1986 mandating that former employees (and their spouses and certain dependents, where applicable) must be offered the opportunity to purchase continued coverage under the group's medical care plan for a limited period of time. The COBRA law applies to all private and most public employers with at least 20 employees, when medical coverage is offered. An employer is allowed to charge an administrative fee (of 2 percent) in addition to the cost of coverage. COBRA compliance regulations are very specific, and non-compliance penalties are severe.

**Co-insurance:** The percentage of expenses covered by an insurance contract that must be paid by the insured. Applies to medical and dental insurance contracts.

**Contributory Plan:** A pension plan or insurance policy that requires employee contributions.

**Conservation Privilege:** The right to convert from a group to an individual insurance plan. May apply to Group Term Life Insurance, group medical insurance, and group Long-term Disability.

**Co-payment:** The insured’s share of the cost of services under H.M.O.-type plans. Usually applies to services such as medical exams and emergency-room visits.

**Coordination of Benefits (C.O.B.):** When a person is covered by more than one group medical plan, benefits are “coordinated” between plans, so that no more than 100 percent of the expenses may be recovered. The “secondary” carrier will not process the claim without a benefit statement from the “primary” carrier.

**D.B.L.:** Disability Benefits Law. Also used to refer to Short-term Disability Insurance, which is required under this law for all employers in New York State. See also Short-term Disability Insurance.
DCAP: See Dependent Care Assistance Plan.

Deductible: The amount of eligible expenses that the employee must pay before any reimbursement is made under a medical or dental insurance contract. Usually applies to a single calendar year.

Defined Benefit Plan: A pension plan that guarantees a certain benefit amount at retirement—most often a pre-determined percentage of salary.

Defined Contribution Plan: A pension plan that guarantees that an employer will make a pre-determined contribution to an employee’s retirement account; does not guarantee the actual retirement benefit.

Dependent: For insurance purposes, generally refers to spouse and children (under age 19) who are eligible to be covered under an employee’s policy.

Dependent Care Assistance Plan: A method of paying for dependent child-care expenses with pre-tax wages or salary.

Dependent Coverage: Health insurance that extends coverage to the legal dependents of an employee, usually a spouse and minor children. Also known as Family Coverage.

Discretionary Benefits: Those benefits offered to employees and their dependents which are not required by law. Also known as optional or Non-statutory Benefits.

Domestic Partners: An unmarried couple sharing home and finances in a “committed relationship.” May apply to either heterosexual or same-sex couples. Some large employers offer “spouse” coverage to domestic partners of employees. Federal law requires the cost of domestic-partner coverage to be reported as taxable income to the employee.

Educational Assistance Benefit: A benefit that can be used to cover tuition expenses. It may be treated as a non-taxable benefit or taxable income to the employee, depending on restrictions and limits on courses available for reimbursement.

Employee: A person who works under direct supervision and control for salary or wages, when both the purpose and the means of her or his work are selected by the employer.


Flexible Spending Account (F.S.A.): A trust account dedicated for either medical or dependent-care expenses paid before taxes. Both employer and employee may contribute to an F.S.A.. See also Use or Lose Clause.

F.M.L.A.: The Family and Medical Leave Act. A federal law that went into effect in 1994 requiring employers with 50 or more employees on payroll to allow up to 12 weeks of unpaid medical leave for family medical emergencies. During the leave period, benefits must be continued on the same basis as during active service. If the employee returns to work within the 12-week period, she or he is assured a return to her or his prior position, or to a comparable one. Many smaller nonprofit employers include F.M.L.A. (or better) terms in their personnel policies to match the practices of larger agencies in their field.

401(a) Plan: See Qualified Pension Plan.

401(k) Plan: A Qualified Retirement Plan that allows contributions by both employer and employee to be made on a tax-deferred basis. Available to both for-profit and nonprofit employers.

403(b) Plan: A Qualified Retirement Plan that allows contributions to be made by both employer and employee on a tax-deferred basis. Only tax-exempt employers and schools are eligible for 403(b) plans. As of 2002, virtually all other differences between 401(k) and 403(b) plans were eliminated. See also Salary Reduction Plans.

**FUTA:** Federal Unemployment Tax Act.

**Group Legal Benefit:** A benefit that can be used to cover personal legal expenses, such as a house closing.

**Group Term Life Insurance:** An insurance contract providing death benefits to employees—most commonly a multiple of annual salary. The first $50,000 provided to each employee is income-tax free.

**Health Maintenance Organization (H.M.O.):** A medical provider that furnishes a comprehensive mix of hospital and outpatient services to enrolled members in exchange for a fixed, prepaid fee.

**HIPAA:** The Health Insurance Portability and Accountability Act, passed by Congress in 1996. The most dramatic provision guarantees that an employee changing from one insurance plan to another may not be subjected to a new pre-existing-condition exclusion as long as she or he has been continuously insured during the prior 12-month period, with no more than a 63-day break in coverage. Insurance carriers may still limit coverage of pre-existing conditions for people who cannot meet this test. An employee who waives coverage under a group medical plan because she or he has coverage under another group plan has the right to enroll later if she or he loses that coverage involuntarily.

**H.M.O.:** See Health Maintenance Organization.

**Hospitalization:** Insurance that covers costs associated with hospital stays.

**Independent Contractor:** A person who provides services to an employer, but who is not carried as an employee. An independent contractor is paid a gross sum, with no taxes withheld. An independent contractor controls material aspects of the task, such as hours, location, and supervision, and often performs work for multiple customers. If the contractor is subject to employer supervision in all respects, federal law requires that worker to be classified as an employee.

**Long-term Disability:** An insurance contract that pays a percentage of prior salary over an extended period of time—usually to age 65—in the event of disability.

**L.T.D.:** See Long-term Disability.

**Major Medical Coverage:** A policy that covers a wide range of medical expenses, which are reimbursed on a fee-for-service basis in excess of the deductible. Pure Major Medical policies have become virtually non-existent over the past 10 years, as insurance carriers have developed “managed care” products such as H.M.O., P.O.S., and P.P.O. plans.

**Maternity Leave:** See Parental Leave.

**Maximum Benefit:** The dollar limit on a given benefit or group of benefits in an insurance contract. Usually applies to disability and dental contracts, as well as to certain expenses in medical contracts. May apply per case, per year, or as a lifetime limit.

**Mutual Fund:** A vehicle for investing in stocks in a diversified way. Shares are bought in a professionally managed fund that invests in various kinds of securities according to the fund’s objectives. Choices range from highly conservative income funds to highly speculative growth funds.

**New York State Insurance Department:** The state department that regulates the insurance industry. Its basic functions are to foster the growth of the state insurance industry, to eliminate fraud and unethical conduct, to monitor fiscal stability of insurance companies, to prevent insolvency, and to ensure that carriers live up to their obligations. The department’s Consumer Services Bureau handles complaints. The department offers a list of services on its Web site: www.ins.state.ny.us.

**Non-statutory Benefits:** See Discretionary Benefits.

**Ordinary Life Insurance:** See Whole Life Insurance.

**Parental Leave:** A non-legal term for time off afforded to employees who are having babies. Often includes adoptive parents; may include fathers. Replaces the term “Maternity Leave.” See F.M.L.A.
Permanent Life Insurance: See Cash Value Life Insurance.

P.P.O.: See Preferred Provider Organization.

Pre-existing Condition: A condition experienced prior to the insured being covered under a given policy; most companies exclude from coverage for a pre-determined period, after which time they will begin reimbursing for that condition. Applies to medical and L.T.D. policies. See also HIPAA.

Preferred Provider Organization: A group of health-care providers who agree to offer their services to groups of employees at a discount, in return for special designation as preferred providers, whose use is encouraged over the use of others.

Premium: Money paid to an insurance company for coverage.

Preventive Care: Medical attention (routine check-ups, mammograms, etc.) that is not in response to a perceived problem. Excluded from coverage under most traditional medical contracts. H.M.O.s cover and encourage preventive services. Since Jan. 1, 1995, New York State law has required all plans to cover preventive services for children on a fully-paid basis.

Qualified Pension Plan: A retirement plan to which an employer has an obligation to contribute for all full-time employees.

Qualified Plans: A retirement plan qualified under the federal tax code for contributions to be tax-deductible, and for the funds to accumulate tax-deferred. These include 401(a), 403(b), and 401(k) plans.

Reimbursement Account: See Flexible Spending Account.

Salary Reduction Plan: Voluntary tax-deferred retirement plan available to employees of tax-exempt employers. Regulated under Section 403(b) of the Internal Revenue Code.

Self-insured or Partially Self-insured: Carrying your own risk, rather than contracting with an insurance company.

Short-term Disability: An insurance policy that pays income benefits for a short time period—usually a maximum of six months—in the event of a disabling accident or illness. New York State is one of five states that require Short-term Disability coverage for all employees. See also D.B.L.

Social Security: Mandatory federal program that provides benefits for retirement and some disabilities, as well as survivor benefits to dependent children. See also FICA.

State Unemployment Insurance (S.U.I.): Pays benefits to employees who are laid off. New York State law requires that all employers contribute to the State Unemployment Insurance Fund.

Statutory Benefits: Those benefits offered to employees and their dependents that are required by law.


Tax-sheltered Annuity: Voluntary tax-deferred retirement plan available to employees of tax-exempt organizations.

Term Life Insurance: A life-insurance policy that covers a specified period of time; may be renewable or convertible to Whole Life Insurance. See also Group Term Life.


Tuition Reimbursement: See Educational Assistance Benefit.

Universal Life Insurance: A type of Cash Value Life Insurance with flexible premiums—meaning you can pay more or less from one year to the next, as circumstances dictate. The growth of the cash value of the policy is sensitive to current interest rates, and it is possible to withdraw money without reducing the value of the policy.
Use or Lose Clause: A provision required under Section 125, applicable to Flexible Spending Accounts, which requires any monies set aside for qualified expenses to be used for that purpose during the calendar year or be forfeited.

Usual, Customary and Reasonable Charge (U.C.R.): A provision defining the “typical” charge for a given procedure or service (an appendectomy, for example) in the zip code where the service is delivered. Most insurance carriers limit benefits to prevailing U.C.R. rates.

Variable Life Insurance: A type of Cash Value Life Insurance that allows the policyholder to choose underlying investments. The policy’s value fluctuates with investment performance.

Vesting: The time required for an employee to establish ownership of his or her account in a pension fund. Federal law requires that workers be fully vested after seven years of employment. Different schedules are used to arrive at full vesting. If employment is terminated before vesting is complete, the non-vested portion of the employer’s contribution is forfeited. The employee’s own contribution is always fully vested.

Whole Life Insurance: A type of Cash Value Life Insurance that has an annual premium that does not increase with age.

Workers’ Compensation: Insurance mandated in all states that covers individuals in the event of on-the-job accident or illness. It provides benefits for both lost wages and medical care. Workers’ Compensation premiums and benefits differ by state. Premiums also vary by occupation class, ranging from less than 1 percent of payroll for clerical employees to between 8 percent and 10 percent of payroll for employees performing hazardous construction and industrial work. Workers’ Compensation insurance can be purchased through the State Insurance Fund or through a commercial carrier.
“CRE has put their wisdom in a user-friendly easy to follow guidebook. If you have even the slightest notion of taking the leap and starting a nonprofit, you have to read this book.”

— Aida Leon, Executive Director, Amethyst Women’s Project

“As a funder of many start-up groups, we are always looking for practical tools to help our grantees. This book provides the bridge between starting out with an idea and making it real. It lays out in easy-to-follow steps for creating a successful nonprofit by answering the questions so many of our smaller groups ask.”

— Maria Mottola, Executive Director New York Foundation

“I have seen nothing like Vision. It is the most practical, useful, insightful, and realistic guide for any one interested in starting a nonprofit organization. If you want to guide clients on what it takes to start-up a business or if you want to launch your own nonprofit, this book is a map you can’t do without. It’s a must read for both individuals and professional consultants alike.”

— David Maurrasse, Chair, Alliance for Nonprofit Management, Assistant Professor, S.I.P.A., Columbia University