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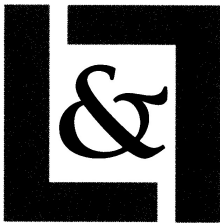
Nonprofit Observer

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Making the most of your nonprofit's program budget

No nonprofit wants to cut programs that it believes further its mission and meet its constituents' needs. But financial hard times have forced many charities and associations to scale back or even eliminate programs. Even if such hard decisions aren't necessary, your nonprofit will benefit from the occasional program review to ensure you're getting the biggest bang for your buck.

BASIC RESEARCH

It's not uncommon for nonprofits to keep programs long after they've stopped being effective. But a "we've always done it this way" attitude can prevent your organization from meeting its mission. Community and membership needs change, and your nonprofit must change with them.



Instead of relying on assumptions and anecdotes about your programs' effectiveness, find the facts by:

- ◆ Surveying participants, members, donors, employees, volunteers and other stakeholders about which of your nonprofit's programs are the most — and the least — effective and why,
- ◆ Reviewing your community's demographic data for changes relevant to your program offerings, and
- ◆ Asking community leaders and others with their ears to the ground, such as journalists, whether they know of unmet needs or have spotted trends that should inform your programming decisions in the future.

You may get mixed responses regarding the same program, so consider their source. Employees and volunteers who work directly with program participants are more likely to know if your current efforts are off-target than is a donor who attends fundraising events once or twice a year. On the other hand, you can't afford to alienate financial supporters. Be sure to let all stakeholders know how much you value their input, regardless of the decisions you ultimately make.

MEASURING IMPACT

If you don't already have goals for each program in place, you need to set them. Also put in place a system to measure progress. Specific metrics will vary according to the program, but your evaluation system should be strategic, realistic and timely.

For example, a charity that provides tutoring to high school students in low-income neighborhoods might measure the program's success by considering exam and class grades and

graduation rates as well as feedback from the participating students and tutors. A professional association evaluating its continuing education program could compare year-over-year enrollee numbers or the change in percentage of enrollees relative to overall membership.

It's important to apply several measures to a program, including subjective ones, before deciding to cut or fund it. Numerical data might suggest that a program isn't worth the money spent on it, but those who benefit from it may be so passionate and vocal about its success that eliminating the program is likely to harm your reputation.

STARTING FRESH

After reviewing your research, you may find that it's easier to identify obsolete programs than to decide on new ones. If one of your programs is clearly ineffective and another is wildly exceeding expectations, the decision to redeploy funds to the successful program is

Don't subtract: Add a strategic partner

You've crunched the numbers — several times — and decided that your nonprofit simply can't afford to continue funding a year-old program. The program has shown promise, but it has yet to yield quantifiable results. Before you write it out of your budget, look around. Charities with similar missions may be willing and eager to team up to keep a promising program going.

The best strategic partners share your organization's basic values and are willing to foot at least part of the program's bill. But they also contribute skills and experience that you lack. Say, for example, you'd like to take statewide what has been a local fire safety awareness campaign but have no experience working outside your own city. You might look to an organization with the broader mission of educating people about general home safety issues and experience working at the state or national level.

simple. But what if you discover that none of your programs are particularly effective and you need some fresh initiatives?

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Keep in mind that new programs can be variations of old ones, but they must better serve your nonprofit's basic mission, values and goals. Be careful to avoid repeating old mistakes. Say, for example, you failed to adequately publicize your health care clinic's low-cost flu vaccinations last winter and, as a result, few patients requested the shots. Now, you're developing a back-to-school immunization program. Be sure to allocate part of your budget to advertising so that this program doesn't suffer the same fate as the last one.

Remember too that, no matter how much good they do, programs can't be successful if they overspend. So for every new program, create a tight budget and stick to it. You might want to start small so you don't have to commit a lot of money upfront to an unproved project. If your soft launch gets positive results, simply revise your budget.

LOOKING FORWARD

It's natural to feel let down when — for lack of results or adequate funds — you discontinue a program. But don't let the past prevent you from taking chances in the future. Nonprofit leaders must be willing to try new strategies. Often, the best ideas are those that are most different from what you've done in the past. *

What you can do about state funding cuts

This past January, more than 200 North Carolina nonprofits met in Raleigh to discuss what has become the latest crisis for many of the state's charities. Reduced donations? Increased demand for services? No, North Carolina's \$3.7 billion state budget shortfall. In 2010, the financially beleaguered state slashed support to its nonprofits by 26% — forcing many to cut jobs and curtail services — and has threatened to further reduce nonprofit funding.

North Carolina is hardly alone. In 2011, most states are struggling to balance their budgets. And while everyone is feeling the pinch, nonprofits may be disproportionately affected because they don't typically have the lobbying muscle of other special interests. If your organization relies on state support, is there anything you can do?

COAST TO COAST

Unfortunately, state fiscal problems aren't likely to improve significantly anytime soon. The long



recession combined with an end to federal stimulus dollars means that two-thirds of the states predict a budget gap in 2012, according to the National Conference of State Legislatures. For many states, the crisis will last much longer. At press time, California was considering trimming several *billion* dollars from its health and human services programs such as Medi-Cal and CalWorks, and state revenues aren't expected to rebound until 2015.

Drastically reduced funding is only one challenge. According to the Urban Institute, 83% of Illinois human services organizations reported receiving *late* payments from the state in 2010. Although Illinois was the worst offender on this count, more than half of U.S. charities had to wait longer than usual to receive promised funds last year.

What's more, many U.S. nonprofits received payments that were insufficient to cover the cost of services — as many as 84% of state-contracted charities in Rhode Island. And across the nation, state governments changed the terms of their contracts with charities, made the application and reporting process more complex, or imposed new fees for such services as “oversight.”

COMMUNICATE YOUR WORTH

Not surprisingly, many nonprofits reliant on state funding have reduced staff and services. Some have even gone under.

To keep your organization from that fate, you may need to boost your political savvy. Monitor state legislative activities, so you'll know when budget cuts that affect you are being considered. And if you haven't already, join local and national nonprofit associations, such as the National Council of Nonprofits. Even tiny charities can get

lawmaker attention when they speak alongside hundreds of their peers.

Also pay attention to the messages you send to politicians and the media. The National Council of Nonprofits suggests talking less about vague concepts such as “making a difference.” Instead, explain how your nonprofit generates jobs and consumer spending and can save taxpayer money by providing critical services less expensively than government agencies would.

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Examples such as these can be particularly effective:

- ◆ More than 10% of U.S. workers are employed by nonprofits, making the sector critical to an economic recovery (numerous studies).

- ◆ The nonprofit arts and culture industry generates \$166.2 billion in economic activity in the United States every year (Americans for the Arts).
- ◆ Public charities account for nearly \$9.3 billion in revenue coming into Oklahoma each year (Oklahoma Center for Nonprofits).
- ◆ By providing many essential services, charities in Maine save the state millions of dollars (Maine Association of Nonprofits).

To boost your profile, consider joining with other local nonprofits in a public relations campaign that communicates your value to your local community and state.

CHALLENGES AHEAD

The economic recovery is expected to be slow — particularly in states most affected by burst housing bubbles and high unemployment. Monitoring the sources of your funding, whether they’re the state, corporations or individuals, will be critical to your survival in the next few years. *

The great nonprofit challenge

Finding new board members

A few years ago, the Urban Institute’s Center on Nonprofits and Philanthropy published the sobering results of a nonprofit board survey. Researcher Francie Ostrower found that *most* nonprofits had difficulty recruiting qualified board members. And even when organizations found members, those individuals generally fell short of expectations — failing to contribute or making only limited contributions in most governance areas.

Although an underperforming board should always be a concern for nonprofits, weak leadership is particularly serious when budgets are tight and major strategic decisions, such

as program cuts, need to be made. What’s more, government regulators are increasing their oversight of nonprofits and their boards, making finding and keeping dedicated directors essential to any organization’s future.

MIND THE GAPS

Before you start the search process, determine what you have and what you lack. Analyze your current board to determine whether its members have the right mix of skills and attributes to meet your nonprofit’s changing needs and circumstances.

For example, most organizations in Ostrower's survey rated their board's fundraising efforts as "fair" or "poor." If you need to address such a gap, look for individuals with development experience, community influence, extensive contacts among potential supporters and outgoing personalities. If, on the other hand, your board lacks in-depth financial knowledge, look for a CPA, CFO or other financial professional to serve.

Also consider your board's demographic makeup. Most nonprofit boards try to achieve, at a minimum, diversity of gender, race and age, but there are no magic numbers. An inclusive board is one that mirrors the population it serves. So if your nonprofit teaches English to Spanish-speaking immigrants, you should seek out some prominent Latino political leaders, businesspeople and educators for your board.

A GOOD MATCH

Once you've determined your candidate's "must have" qualities, start your search by asking current board members to get the word out. Advertise the opening in your nonprofit's newsletter, on your website and during fundraisers and public appearances.

Community movers and shakers can be critical to your board's success, so be sure to recruit local leaders. Whatever else they bring to the table, board members must be committed to

your mission. So focus on the special interests of company executives or nonprofit leaders in your area. If, for example, your nonprofit works to clean up local campsites, hiking trails and waterways, a CEO who's an avid outdoorsman might be a good board prospect.

MAKING CHOICES

After identifying potential board members, invite them to your facilities for a tour, immerse them in your cause and try to ascertain their interest level. Because your board represents your constituents, it's important to get to know prospective board members.

Then ask prospects to fill out an application that reflects your organization's priorities. For example, you might ask whether the prospect is willing to contribute six hours a month to board meetings and committee work. Your board's nominating or executive committee also might want to interview the candidate to determine whether he or she is as good a fit in person as on paper.

CONTINUING CHALLENGE

Finding good board members is only the beginning — you also need to retain them. Provide new members with a thorough orientation and, once they've settled in, keep tabs on their attendance and participation. Finally, be sure to thank your board regularly, emphasizing that your nonprofit couldn't survive without them. *



Cybercrime

Are your donors safe?

Many nonprofits allow supporters to make donations or payments via their website. And most store sensitive information — such as the identities and financial records of donors — on their networks. Unfortunately, a lot of that data isn't secure.

Hackers and identity thieves increasingly target charities because they typically have smaller budgets for computer security and are less tech-savvy. Just because you haven't experienced problems doesn't mean your nonprofit is safe.

NOT ENOUGH

Despite the extensive efforts of federal authorities, the incidence of cybercrime — including network hacking — is climbing, particularly among charities. But what if you already use encryption, network firewalls and antivirus protection programs? Aren't they adequate? Although it's important to implement and update such security measures, they probably aren't as effective as you think.

After launching mock attacks on more than 800 for-profit and nonprofit organizations, Bill Nelson, CEO of the nonprofit Financial Services Information Sharing and Analysis Center, has concluded that antivirus programs generally aren't effective in detecting new threats. Most organizations seriously underestimate the risk of being hacked and are woefully vulnerable to cybercrime.

TAKE ACTION

Although you may not have the budget to launch a full-scale offensive, there are steps you can take so that your constituents don't have to worry about disclosing information to you. For starters, the Payment Card Industry's Security Standards Council (PCI SSC) has issued best practice guidelines for account holders, including those that process credit card donations online. Information that will apply to most nonprofits



can be found on PCI SSC's small merchants' page at <https://www.pcisecuritystandards.org/smb>.

Also make sure you:

- ◆ Develop a network security policy that covers such issues as passwords, the use of mobile devices and recovery procedures following a security breach,
- ◆ Restrict payment system and network administration access to only those staff members who need it,
- ◆ Use secure services that have been validated as adhering to industry standards,
- ◆ Install software patches and update firewall and virus-protection programs as soon as they become available, and
- ◆ Collect and store only the personal and financial information you need.

Finally, if you don't have an experienced IT professional in-house, seriously consider outsourcing network and payment-system functions.

REASSURE DONORS

Exercising vigilance and assuring your supporters that it's safe to hand over credit card and other sensitive data are two different matters. Display security validations on your website and explain what data you collect and how you protect it. Of course, some people simply don't trust online payment systems, so make it easy for them to contact you via phone and snail mail. ✱