Volume 24, Number 2
March/April 2006

NONPROFIT World

Advancement Through Sharing

Overcome Organizational Indifference

PLUS:

How You Can Benefit from Often Overlooked Economic Development Initiatives

Adapt to Change to Survive

Reducing Donor Fatigue Syndrome

Why You Need a Content Management System

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Communication is the key to helping employees feel connected to the organization. To create motivation, build morale, and avoid employee frustration, see "Overcome Organizational Indifference" on page 14.

NONPROFIT WORLD

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Purpose

The Society for Nonprofit Organizations is a 501 (c) (3) nonprofit organization. Through *Nonprofit World* and other communications with its members, the Society is dedicated to bringing together those who serve the nonprofit world in order to build a strong network of professionals throughout the country.

This logo symbolizes the goal of the Society, which is to unify diverse segments of the nonprofit world, to draw them together, and to create a dynamic whole without losing their individuality.

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Unsolicited manuscripts and letters to the editor are welcomed. They should be addressed to Jill Muehrcke, Editor, *Nonprofit World*, P.O. Box 45346, Madison, WI 53744-5346 or muehrcke@charter.net.

Editor's *page*

Seeking Silence

Pencil in a few hours of reflection every week.

It's a myth that adding more and more information to your brain makes you wiser. What nourishes your brain is bringing more silence into it, breaking up the data with pools of stillness.

Perhaps that's why such good ideas arrive while you're in the shower or on walks, when your mind is unfocused and receptive.

Too much information is the enemy of problem-solving and productivity. It obscures the connections and leaps of imagination that lead to breakthrough change (see "Overloaded with Information?" on page 30.)

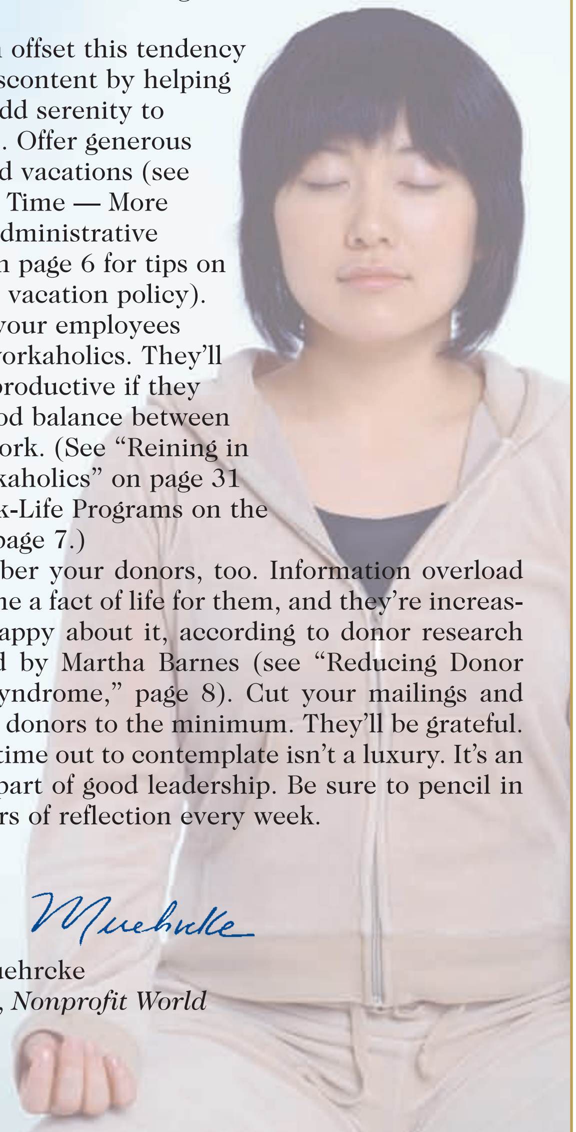
This overload can have dire consequences. In *Why Nonprofits Fail,* Stephen Block describes the eye-opening results of a Reuters poll of over 1,000 managers. The survey found that nearly half (43%) of respondents suffered ill health, job dissatisfaction, and deterioration of relationships because of information overload. In several nonprofits profiled in Block's book, information overload led to financial disaster. (See a review of this book on page 32.)

Hollowing out little pockets of calm won't be easy. But it's important to try, because without those pouches of emptiness there's no room for creative ideas to grow. It's silence that illuminates the synapses around the data's edges, where epiphanies are born.

Quieting your mind will replenish your energy. And energy, as Jim Loehr and Tony Schwartz tell us in *The Power of Full Engagement*, is the key to productivity. The most successful organizations are led by people who manage people's energy in service of the mission (see "Manage Energy, Not Time" on page 30).

Less than 30% of American workers are fully engaged at work, according to a Gallup poll cited by Loehr and Schwartz. Some 55% are "not engaged." Another 19% are "actively disengaged," meaning that they pass on their frustration with work to other employees.

And the longer people stay with an organization, the more dissatisfied they become. Gallup found that after six months, only 38% of employees remain committed to their work. After three years, the figure drops to 22%. (See "Overcome Organizational Indifference" on page 14.)



You can offset this tendency toward discontent by helping workers add serenity to their lives. Offer generous breaks and vacations (see "Vacation Time — More than an Administrative Matter" on page 6 for tips on creating a vacation policy). Don't let your employees become workaholics. They'll be more productive if they have a good balance between life and work. (See "Reining in Your Workaholics" on page 31 and "Work-Life Programs on the Rise" on page 7.)

Remember your donors, too. Information overload has become a fact of life for them, and they're increasingly unhappy about it, according to donor research conducted by Martha Barnes (see "Reducing Donor Fatigue Syndrome," page 8). Cut your mailings and e-mails to donors to the minimum. They'll be grateful.

Taking time out to contemplate isn't a luxury. It's an essential part of good leadership. Be sure to pencil in a few hours of reflection every week.

Jill Muehrcke
Editor, *Nonprofit World*

Five Things to Do Next Monday

1. **Raise employee morale** by following the five steps on pages 14-15 and checking the resources on pages 15 and 28.
2. **Consider revising** your vacation policy. See page 6.
3. **Evaluate your Web site** to see if a content management system might improve it (page 16).
4. **Decide whether you may be missing out** on any of the government grants, loans, and tax incentives described on pages 24-26.
5. **If you don't have D&O insurance to protect your board,** look into acquiring it. See "Checklist for Risk" (page 23).

Rare Advice

I am very impressed with how *Nonprofit World* deals with issues of relevance to smaller nonprofits. Having directed a small nonprofit, I know how valuable and rare such advice is.

Most nonprofit books and journals primarily contain information that is not doable when there is no accounting, personnel, or fundraising department. The reality is that close to 80% of the registered nonprofits have revenue under $100,000 and have few — or no — staff members.

Your journal is one of the few sources of practical advice on matters of interest to small organizations that can be done within their resources. Every issue of *Nonprofit World* contains articles of use to a small nonprofit. Examples of such helpful articles include "How to Celebrate Your Organization's Anniversary" and "PSAs, the Olympics of Nonprofit Advertising" (Vol. 23, No. 5), "How to Send Less Mail and Increase Results" and "Is 9/11 to Blame?" (Vol. 23, No. 4), and "What to Do Next" (Vol. 24, No. 1).

Thanks for all you are doing to strengthen and advance nonprofit organizations, especially those that need it the most. ■

Mary Quirk
Minneapolis, Minnesota

Setting the Record Straight

In the table of contents for the Vol. 24, No. 1 issue of *Nonprofit World*, Susan Bumagin's name was misspelled. Her name is spelled correctly in the article, in her bio, and in the index of articles.

Watchdogs, What Watchdogs?

In response to the many natural disasters recently, millions of donors have sought guidance on their charitable giving. Pundits suggested that contributors look to various watchdog groups that review nonprofits.

It's generally accepted that watchdogs, such as Charity Navigator, BBB Wise Giving Alliance, and American Institute of Philanthropy are monitoring most nonprofits. Unfortunately, there's no third party source watching the activities of the multi-billion-dollar watchdog community.

In fact, very few nonprofits are monitored. The rating Web sites grade less that 1% of U.S. charities. Of the 10 largest charities, only five are rated by all three of the largest watchdog agencies. At least one of the three rating services doesn't rate 44% of the 50 largest nonprofits (representing almost $19 billion in income).

The criteria that are used are also wanting. Two watchdog agencies focus only on financial standards, and the third sells its seal of approval on a sliding scale. Because of different criteria, the rating agencies' recommendations often conflict. Moreover, all fail to address in any real way the issues that have gotten the nonprofit sector in trouble—scandals and inadequate governance.

Even in the face of billions of dollars of nonprofit malfeasance in the last decade, watchdog agencies and sector leaders don't see the need for more transparency. They want more of the same. The charity evaluators, by their own admission, believe that reporting from nonprofits is often inconsistent, unclear, and incorrect. Who has the legitimacy to lead and enforce, when less than 2% of foundations and charities belong to either a statewide or national organization?

With trust at a low point, the sector faces a difficult present and uncertain future. In a recent survey of the public, only 14% believed that nonprofits did a very good job of spending money wisely. Both charitable watchdogs and nonprofit leadership, in partnership, should address the transparency issue in the hope that donors can get the information needed to make informed decisions. Maybe then, contributors' confidence can be restored. ■

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West Bloomfield, Michigan
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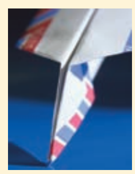
Please Get in Touch

We would love to hear your response to anything in *Nonprofit World*, your comments about any aspect of the nonprofit sector, and your concerns about your daily work. Please get in touch in any of the following ways:



Drop us a note at: Letters to the Editor, *Nonprofit World*, P. O. Box 45346, Madison, Wisconsin 53744-5346.

E-mail to: muehrcke@charter.net

Please include your name, organization, address, phone number, and e-mail address. If you'd like your comments to appear anonymously, please let us know.
We look forward to hearing from you!

Ask *the experts*

Vacation Time

More than an Administrative Matter

Can offering vacation time benefit your organization as well as employees?

Q: Our organization is planning to develop a new vacation policy. What should we keep in mind when creating this policy?

A: Congratulations for taking this issue seriously. A vacation from work is no longer viewed as a luxury but as a necessity for stress management and good mental health. Offering vacation time helps develop happier and healthier employees. Over 80% of respondents to a recent survey reported feeling rested, rejuvenated, and reconnected with family and friends after a vacation. Additionally, 80% reported having a more positive outlook about their jobs when they take sufficient time away from the workplace. (See hr.cch.com).

Before you begin creating your new policy, check with other nonprofit organizations in your area. Try to make your policy competitive with theirs so that you'll be able to recruit and retain the best employees.

Vacation time can be a valuable recruiting tool.

As you write your policy, find the answers to these questions:

- **How much** vacation time should each employee receive?
- **What procedures** should be used to schedule vacations?
- **Should there be** a waiting period before vacation time is granted?
- **How should** vacation time be accumulated?
- **Can employees receive** holiday pay while on vacation?
- **Should vacations** be restricted to specific times?
- **What if the office** or worksite is closed while an employee is on vacation? Does that day still count as a vacation day?
- **How does** retirement affect accrued vacations?
- **What happens** to vacation time if an employee becomes ill during vacation?
- **How will** accumulated vacation time be handled at termination?
- **Should the organization require** all employees to take a minimum number of vacation days each year?
- **How should** unpaid leaves of absences be coordinated with vacation?

Be as generous as possible toward employees in answering these questions and creating new rules. Vacation time can be a valuable recruiting tool. It can also bless your organization with productive employees who are passionate about their work. ■

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First *alert*

Foundations May Move to "Charitable-Friendly" States

New crackdowns on tax-exempt organizations at the state level may cause foundations to relocate to less restrictive states, according to Stephanie Silverman, outside counsel to the Alliance for Charitable Reform, writing in *Philanthropy* (www.philanthropyroundtable.org). The states most at risk for such a backlash are Texas, Massachusetts, California, and New York. Most of the proposals to penalize nonprofits aren't necessary, Silverman asserts, and a better approach would be to enforce existing laws. States that don't want to lose charitable support, she says, should beware hasty "reforms" that could drive donors away. ■

Nonprofits Are Key to Welfare-to-Work Success

Supportive programs are essential to helping women move from welfare to work, a new study finds. Researchers discovered that over 18% of women are receiving neither welfare nor wages and that many of these women reported seeking help from a nonprofit organization. The study identifies 18 barriers to employment, with which women need help from nonprofits. These barriers include drug dependence, learning disabilities, low reading scores, mental disorders, and children with health problems. The "Women's Employment Study" report and other publications on this topic are available from the Charles Stewart Mott Foundation, www.mott.org. ■

Work-Life Programs on the Rise

Organizations are increasingly providing work-life programs, according to a survey by Mellon's Human Resources & Investor Solutions (hr.cch.com). Such programs respond to employees' needs for work-life balance and help them manage their personal and professional lives.

The survey found that 81% of employers offer employee assistance programs, up from 70% in 1996, when their last survey was conducted. About 35% of employers offer domestic partner benefits, compared to only 6% in 1996. In addition, 88% offer work-related tuition reimbursement, and 47% provide unpaid family leave beyond the required FMLA leave.

Over the past two years, about half the respondents increased the number of work-life programs, and only 5% decreased the number. Employers say that work-life programs and policies help them recruit and retain good workers, while raising morale in the workplace, leading to greater productivity. ■

Nonprofits Making Changes in Light of Sarbanes-Oxley

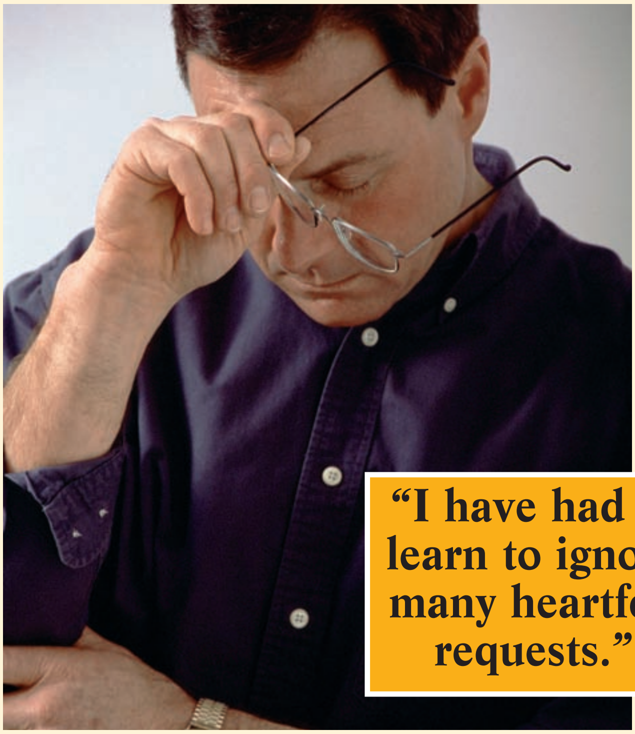
A national survey by Grant Thornton (www.grantthornton.com) finds that 88% of nonprofits are "very" or "somewhat" aware of the Sarbanes-Oxley Act, and 65% have made changes to their policies as a result. For example, 67% have implemented a conflict-of-interest policy, 54% have formed an audit committee, 49% have created a whistleblower policy, and 30% have developed a governance committee. These figures are almost double what they were three years ago. The Sarbanes-Oxley Act was passed in 2002 to reform corporate governance practices, and a number of states are passing laws to apply it to nonprofits. Even if it doesn't legally pertain, it's a roadmap to good governance. For more on the Act, see "The Sarbanes-Oxley Act & Nonprofits: But I Thought That Didn't Apply to Us," *Nonprofit World*, Vol. 22, No. 5, www.snpo.org/members. ■

Advertiser's Index

Fundraising *forum*

Reducing Donor Fatigue Syndrome

A new survey offers valuable insights into donors' feelings.



"I have had to learn to ignore many heartfelt requests."

By Martha L. Barnes

In a recent study, one donor mentioned receiving hundreds of mail requests in one year: "*I understand the need to solicit funds, but last year I received nearly 350 mail requests, not to mention telephone solicitations — with multiple requests from most charities. Far too many. A donation often elicits a request for more money. This is the aggravating part of fundraising.*"[1]

That comment conveys the danger of donor fatigue syndrome (defined as an on-going situation in which individuals are solicited by a plethora of organizations again and again). Here are some ramifications of the problem:

Smaller and less well-known charitable organizations in dire need of support may suffer. A participant in the same study explained: "*I now limit my donations to the well-known, tried-and-true organizations. I don't know whether to trust everyone who comes to my door or who sends me glossy brochures.*" As donor fatigue becomes more severe, potential donors are less likely to make commitments to unknown organizations.

Donors often decide to make just one donation per organization a year. In other words, repeated asks won't necessarily yield additional donations. In fact, repeated asks may have a negative impact. For example, one donor said,"*I tend to make one donation per organization in mid year. However, they send numerous requests before and after. It is a waste of their (my!) money. I have had to learn to ignore many heartfelt requests — I just can't give to everyone! It has made me more 'hard-hearted.' I don't like that, but there seems to be no alternative.*" This sentiment was echoed in many other responses, such as the following: "*I have decided to make only one donation per year and not to respond to telephone requests.*"

The entire nonprofit sector receives a black eye. When donors are frustrated by the way nonprofits operate, there's a tendency to retrench support across the board. One donor reported: "*Requests for money fill more of my mailbox than legitimate mail does. It is increasingly annoying and tends to reflect unfavorably on all charitable organizations.*"

How Can We Cure Donor Fatigue?

Based on the views expressed by donors in the study, it's imperative to address the issue of donor fatigue syndrome immediately. To ignore the situation and continue with present practices will destroy the nonprofit sector's most valuable resources, its donors. By inundating prospects and donors with solicitation requests, the field is creating a situation of frustration, irritation, and aggravation. This has detrimental effects for all nonprofits, because a frustrated individual isn't one who will continue making donations.

Here are some strategies you can take to reduce the effects of donor fatigue syndrome, while still maintaining a high level of support:

- **Never thank a donor** for a donation and solicit another donation in the same mailing.
- **Solicit donations from individuals once a year.** A respondent in this research suggested that nonprofits ask for donations on the anniversary of the donor's past donation. This strategy reduces the number of times a donor is asked while also personalizing the request a little more.
- **Reduce the amount of material you mail**. Donors are tired of the huge volume of charitable mail they receive. They also want their donations to be spent wisely. Efficient spending doesn't include

CREATIVE FUNDRAISING IDEAS

Offer an Evening at the Spa

Arrange a discounted or donated evening at a spa, and ask your board members (and other supporters of your organization) to bring a few friends. When WomenVenture (St. Paul, Minnesota) tried this idea, they charged $150 per ticket for the four-hour event in July and two tickets for $250 when they tried it again in November. Both events, which together netted nearly $10,000, included dinner, drinks, dessert, a fashion show, a professional makeup application, skin analysis, and the choice of one spa service (pedicure, manicure, facial, or massage). The November event encouraged teens to attend and gave them the option of coloring their hair and mixing their make-up. Contact sschwieber@womenventure.org or www.stevensoninc.com.

Expand Your Auction Online

To reach a greater audience with your auction, consider going online. Organizations that add an online auction to their live auction or gala event report a 25-100% gain in proceeds. Some tips: Link your Web site to your auction home page. Include a compelling description and a photograph or image suggestive of each item. Use your e-mail list to promote your online auction, and ask recipients to pass your e-mails to their friends. Keep your online auction open for at least three weeks. Encourage bidders to return to your online auction frequently. Send a "last chance" e-mail in the auction's final days. For more ideas, see www.cmarket.com.

Don't Overlook the Woman Next Door

Most nonprofits ignore the donor potential of wealthy businesswomen, who give a much higher proportion (just under 7%) of their income to charity than most other groups. African-American businesswomen are especially altruistic, donating an average of 10.1% of their income. The most generous donors tend to spend the most money on investments, pension or annuity contributions, and fees for professional financial advice and asset-management services, making it especially productive for fundraisers to get to know such advisors. For more information on this fruitful source of donors, see Thomas Stanley's *Millionaire Women Next Door* (Kansas City: Andrews McMeel Publishing, www.andrewsmcmeel.com).

multiple mailings.

- **Target fewer individuals.** Studies suggest that 10% of individuals make 90% of all charitable donations.[2] Such research makes a strong case for putting an end to mass solicitation mailings.
- **Use restraint with online appeals.** While soliciting via e-mail is a good way to alleviate mail and phone overload, take care not to add to an infestation of e-mail fatigue. Be sure your e-mail messages are relevant and wanted by recipients. Give them a chance to opt out of receiving e-mails, and respect their wishes.[3]

It's time for the culture of nonprofit work to change donors' perceptions of solicitation methods and lessen donor fatigue. Otherwise, the future of charitable organizations could be in jeopardy. ■

"I now limit my donations to the well-known, tried-and-true organizations."

Footnotes

[1]The intent of the research, conducted with a Canadian Symphony, was to understand donor motives — in particular, how incentives, involvement, empathy, social norms, and opportunity contribute to the philanthropic act of giving. Data were collected on 228 donors who returned questionnaires containing both open-ended and closed-ended questions. It was at the data analysis stage that the concept of donor fatigue syndrome emerged from the written comments as a vital issue for donors.

[2]See Crompton, J., *Financing and Acquiring Park and Recreation Resources*, Champaign, IL: Human Kinetics; Mixer, J., *Principles of Professional Fundraising*, San Francisco, CA: Jossey-Bass; and Prince, R. & File, K., *The Seven Faces of Philanthropy*, San Francisco, CA: Jossey-Bass.

[3]See "Spam Law a Mixed Blessing for Nonprofits" in *Nonprofit World*, Vol. 22, No. 2.

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Resources

Katz, Wendy, "Tips for Testing & Analysis of Acquisition Mailings," *Nonprofit World*, Vol. 3, No. 4.

Keller, Thomas K., "The Dirty Dozen: 12 Questions Nonprofit Leaders Ask about Direct-Mail Fundraising," *Nonprofit World*, Vol. 19, No. 3.

Warwick, Mal, "How Big a Gift Should You Ask For?", *Nonprofit World*, Vol. 17, No. 2.

Werner, Diane, "The Key to Direct-Mail Fundraising: Market Segmentation," *Nonprofit World*, Vol. 10, No. 1.

These resources are available at www.snpo.org/members. Also see Learning Institute programs online: Resource Development (www.snpo.org/li).

Martha L. Barnes, a Ph.D. candidate in the Department of Recreation and Leisure Studies at the University of Waterloo in Ontario, Canada, is a lecturer in the Department of Recreation and Leisure Studies at Brock University (mbarnes@brocku.ca).

Government Crackdown on Nonprofits: What You Need to Know

Congress is considering proposals crucial to nonprofits. How should you respond?

By Maria Spindel, Ben Tesdahl, & Elinor Ramey

There's a growing perception in Congress and the IRS that nonprofits are abusing their tax-exempt status. To address these perceived abuses, the Senate Finance Committee has held several hearings and issued a draft of onerous recommendations to ensure nonprofit accountability.

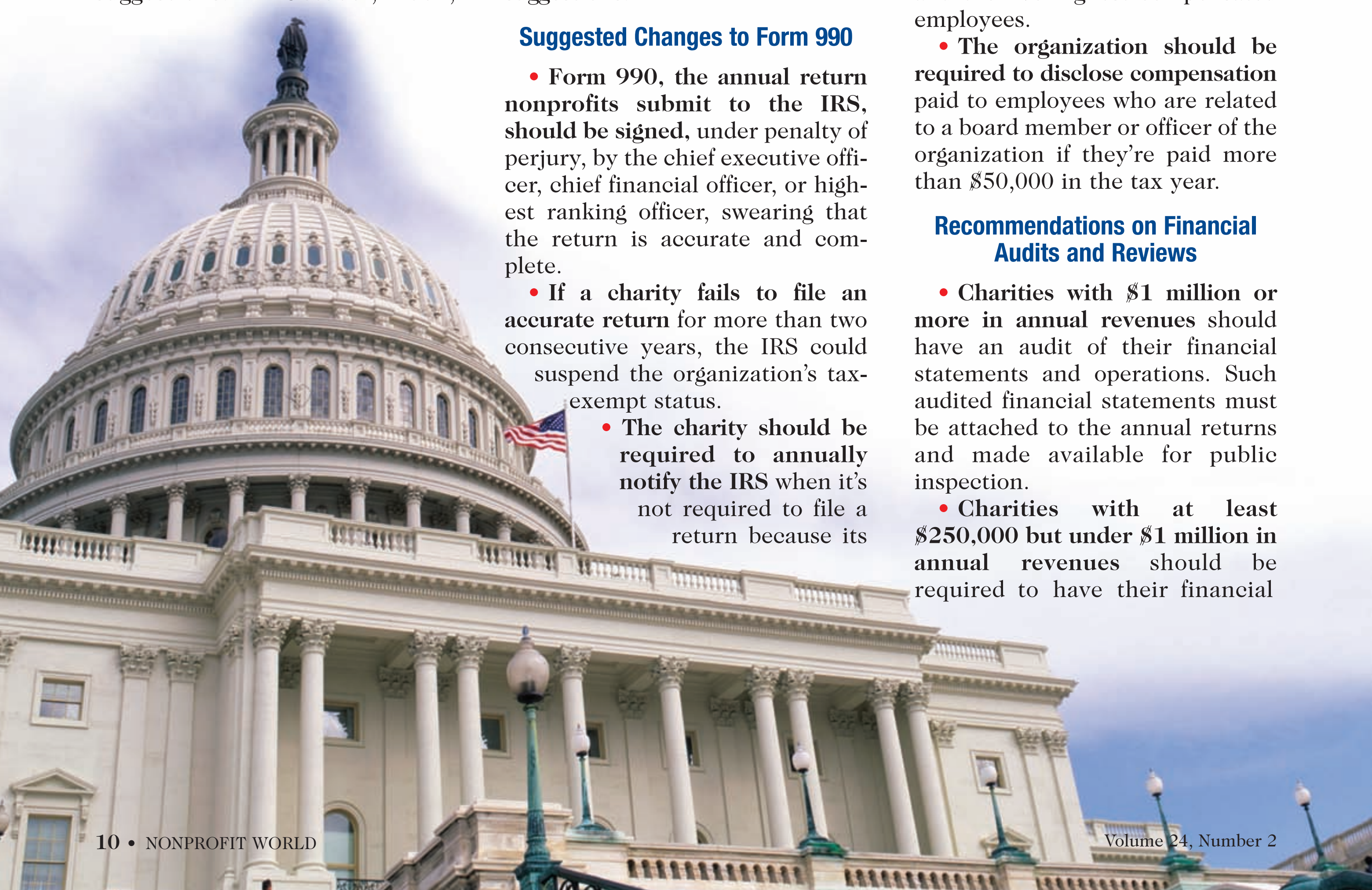
The Committee also asked Independent Sector (the Washington, D.C., nonprofit coalition) for suggestions. In October, 2004, Independent Sector formed a group of nonprofit leaders, dubbed the Panel on the Nonprofit Sector, to make recommendations to the Committee. In June, 2005, the Panel issued a report recommending more than 120 separate actions by the charitable community, Congress, and the IRS to strengthen the accountability and governance of the nonprofit sector. Here are the Panel's most notable suggestions:

Suggested Changes to Form 990

- **Form 990, the annual return nonprofits submit to the IRS, should be signed,** under penalty of perjury, by the chief executive officer, chief financial officer, or highest ranking officer, swearing that the return is accurate and complete.
- **If a charity fails to file an accurate return** for more than two consecutive years, the IRS could suspend the organization's tax-exempt status.
- **The charity should be required to annually notify the IRS** when it's not required to file a return because its annual gross receipts fall below the specified minimum amount for filing (currently below $25,000). The IRS would be authorized to suspend the tax-exempt status of organizations that fail to file such notification for three consecutive years.
- **Form 990 should be revised to detail the compensation paid** by the organization to its chief executive officer, all its officers, and the five highest compensated employees.
- **The organization should be required to disclose compensation** paid to employees who are related to a board member or officer of the organization if they're paid more than $50,000 in the tax year.

Recommendations on Financial Audits and Reviews

- **Charities with $1 million or more in annual revenues** should have an audit of their financial statements and operations. Such audited financial statements must be attached to the annual returns and made available for public inspection.
- **Charities with at least $250,000 but under $1 million in annual revenues** should be required to have their financial



statements reviewed by an independent public accountant.

• **Nonprofit boards should include individuals** with some financial literacy.

• **Nonprofits that have their financial statements independently audited** should create a separate audit committee.

• **A charity's board should oversee** the audit process by: (1) retaining an independent auditor; (2) reviewing the terms of the auditor's engagement every five years; (3) supervising the auditor's performance; (4) overseeing policies and procedures for encouraging whistleblowers to report questionable accounting or auditing matters; (5) reviewing and approving internal auditing controls; and (6) monitoring the organization's response to potentially illegal or unethical practices within the organization, including fraudulent accounting.

Suggestions Regarding Compensation and Expenses

• **Form 990 should be revised to ensure clear reporting of the full compensation** of the CEO and other so-called "disqualified persons" (those in a position to exercise substantial influence over the organization's affairs).

• **The full board must approve** the CEO's compensation annually and in advance.

• **Form 990 should require the charity to report** whether it followed the "rebuttable presumption" procedures of the Intermediate Sanctions rules of Internal Revenue Code section 4958 when determining the reasonableness of compensation provided to key executives and other disqualified persons. Current IRS regulations provide for a "rebuttable presumption" that compensation is reasonable if the board adheres to the following procedures when making compensation decisions: (1) The transaction is approved in advance by an authorized body of the organization whose members don't have a conflict of interest in the transaction. (2) The authorized body relied on appropriate data as to comparability or fair market value of the compensation. (3) The authorized body documented the basis for its decision at the time it made the decision.

You need to be ready to respond to potential Congressional and IRS action.

• **If any officers or other disqualified persons** are paid an excess benefit (an economic benefit that exceeds the value received), the board members who approved such transactions will be subject to penalties if they knew or should have known the transactions were improper. The penalties imposed would be increased from current amounts specified in the Intermediate Sanctions law.

• **Compensation for board members** is discouraged. If board members are compensated, the charity should be required to disclose the services the board member provided and the method used to determine the reasonableness of compensation. The organization should also be required to disclose which of its board members are independent (that is, uncompensated). At least one-third of a charity's board members should be independent.

• **The organization should provide clear guidance** regarding the type of travel expenses that can be reimbursed and the documentation required. Its policies should make clear that individuals are expected to make their arrangements as far in advance as possible and obtain the most reasonable rate for transportation and accommodations. Travel policies should state that charitable funds won't, in general, be used to pay for premium or first-class travel. Payment of travel expenditures for spouses, dependents, or others accompanying individuals who are conducting the business of the organization should be prohibited,

continued on page 12

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unless such expenses are de minimus. Charities should disclose on their annual reports whether they have such travel policies.

Recommendations about Conflicts of Interest

• **Every charity, as a matter of best practice, should enforce a conflict-of-interest policy** consistent with state law. The policy should define conflict of interest, identify those covered by the policy, specify procedures to be followed in managing conflicts of interest, and facilitate disclosure of information that may lead to conflicts of interest.

• **Special attention should be paid** to any transactions between board members and the organization to assure there are no conflicts of interest.

• **Form 990 should be revised to require all charities to state** whether they have a conflict-of-interest policy.

Proposal for an In-Depth Five-Year Review

• **Every five years, every charity should conduct a full review** of its organization, key financial transactions, and compensation policies and practices. It should pay special attention to its articles of incorporation, bylaws, and governing instruments.

What Does This Mean for You?

The Panel's suggestions include proposals for legislation, regulations, and "best practices" that would require nonprofit organizations to enact reforms and increase their reporting of information. If enacted into law, these new changes will be costly, time-consuming, and in some cases extremely burdensome for nonprofits.

Significantly, in December, 2005, the Senate passed the Tax Relief Act of 2005, which adopted some of the Panel's 120 recommended reforms for the charitable sector. While the specific reforms described in this article were not part of that legislation, there is no question that Congress, the IRS, and the Independent Sector Panel are still focused on continuing to improve charitable transparency and accountability, so these issues are bound to be revisited again in future sessions of Congress.

Because of the intense scrutiny being focused on nonprofit governance and accountability, it's important that you review your policies and procedures now to ensure that, at a minimum, you're keeping the records required by current law and using the "best practices" recommended by the Panel to operate your organization. In addition, you need to be ready to respond to upcoming Congressional and IRS action in this area.

How do you know whether your organization is complying with the law and able to handle the recordkeeping and reporting changes being considered by Congress and the IRS? Conducting a thorough "legal audit" of your organization is a good place to start. Legal counsel can inspect your documents and methods of operation. After that review, counsel can help you enact policies and procedures to address the issues raised by the Independent Sector Panel, such as conflicts of interest, travel reimbursement, compensation, and other legal requirements.

Equally important, legal counsel can advise you about the "best practices" that are being recommended. You can then decide which practices will make a meaningful difference in improving your organization's compliance with legal requirements, ethical guidelines, and efficient methods of operation. ■

Resources

For guidance on complying with the law and the suggested "best practices," see these *Nonprofit World* articles at www.snpo.org/members:

• **Executive Compensation: Rewarding Excellence and Ensuring Governance** (Vol. 23, No. 5)

• **Preparing for Today's Nonprofit Audit** (Vol. 13, No. 4)

• **New Regs Unravel Intermediate Sanctions Snares** (Vol. 19, No. 4)

• **Expectations for Board Members Are Changing** (Vol. 19, No. 3)

• **The Audit Committee: Why You Need One, How to Form One** (Vol. 6, No. 6)

• **Are You Fulfilling Your Financial Trust? The Three Key Financial Roles in Every Nonprofit** (Vol. 16, No. 4)

• **New Penalties Proposed for Nonprofits** (Vol. 14, No. 1)

• **Protecting Your Organization's Assets: A Primer on Internal Control** (Vol. 9, No. 2)

• **Setting Up a Control System for Your Organization** (Vol. 16, No. 3)

• **How to Be Sure Compensation Is Reasonable** (Vol. 17, No. 1)

• **Common-Sense Approaches to Fraud Awareness, Prevention, and Detection** (Vol. 15, No. 4)

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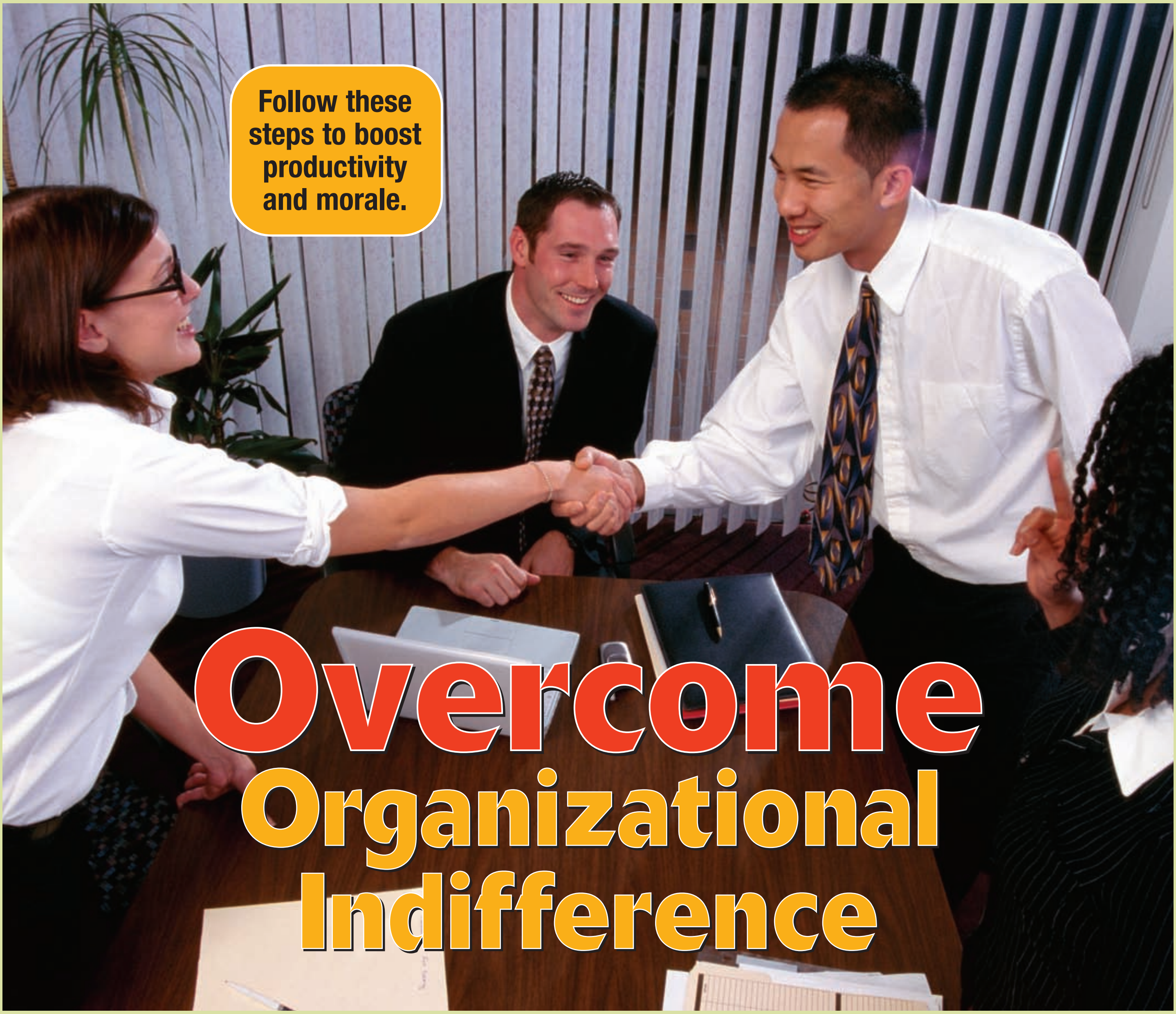

Follow these steps to boost productivity and morale.

Overcome Organizational Indifference

By Linda Keefe

A plague is running rampant through the nonprofit sector. Its debilitating effects can strike any employee — even a top performer — at any time. Even worse, it's highly contagious and can sweep throughout the organization, ruining funding and limiting growth.

What is this plague? It's organizational indifference, and no organization is immune.

A management team is only as strong as its employees.

Here's the typical cycle: When people begin a new job, whether they're promoted or newly hired, they usually come into that position with great enthusiasm. They're excited about all the opportunities, the people they'll work with, and the goals they'll accomplish. They feel needed and proud that they have the chance to play an important role. The problem is, over time, their attitudes slowly begin to change. Eventually, enthusiasm moves out, and organizational indifference moves in, causing productivity to decline while employee frustrations rise.

Fortunately, there are steps you can take to ward off organizational indifference. By following these five steps, you'll keep your employees energized and see them rise to a new level of productivity. Keep in mind that these steps are interconnected. So if you neglect any one of them, organizational indifference may creep in.

1. **Set Goals and Have a Clear Vision.** Having clearly defined goals and a vision is essential for the success of any organization. Without a shared vision, there's nothing for your employees to strive toward. Employees need to know what their main objective is, as well as what the organization is ultimately trying to achieve. With everyone working in the same direction, confusion is eliminated, and employees are much less likely to become organizationally indifferent.

2. Keep People Informed. Communication is key. With so much going on within an organization, it's easy to get caught up in tasks such as handling crisis situations and devising plans to bring in more funding. The problem occurs when managers get so wrapped up in their duties that they forget to inform their employees about what they're doing. With little or no communication from their supervisors, employees feel disconnected. Since they don't know what's going on, they don't feel as much a part of the organization. Here are ways to make sure your employees don't get left behind:

- **Schedule** regular group meetings.
- **Meet** one-on-one with each employee. (Yes, it will take some time, but it will be well worth it in the long run.)
- **Create** status reports on a regular basis.

Employees should feel and act as if the organization is their own.

By keeping your employees in the information loop, you'll help them avoid unnecessary frustration and confusion — two feelings that often lead to organizational indifference. When everyone in your organization knows exactly what's going on, the organization will run more smoothly.

3. Equip Your Employees. One of the biggest mistakes you can make is to assume your employees have all the skills they need to do their job well. When you give people the opportunity to develop their skills, they'll get their jobs done more effectively.

Employees crave professional development. If you want to keep them from becoming organizationally indifferent, you need to arm them with the skills to reach their full potential. If they ask for training, offer it. If they don't ask, find out what they need. Show that you're willing to invest in them. If they don't think you care, they'll reflect that belief in the work they produce.

4. Create a Motivational Environment. When your employees are doing a great job, they need to hear it. They need to be recognized for their contributions. Many managers forget to give employees the praise they deserve.

This appreciation doesn't have to be in the form of a monetary reward. You can post employees' pictures on a "wall of recognition" so everyone knows the contributions they've made. At other times, a simple pat on the back or "Excellent work!" will be well received.

Although you don't necessarily have to show appreciation with money, your compensation system does create an incentive — provided that it's fair and appropriate. As your organization grows, you need to check and recheck your compensation structures to ensure that they're fair to all employees. When people give 150% of their energies to an organization — and they see that their efforts have greatly benefitted the organization — it's only natural that they'd like to be compensated with a bigger paycheck. Employees become organizationally indifferent when they see their co-workers doing half as much work but making the same amount of money.

If you don't distribute money fairly, your lower-performing employees will never reach their full potential, and your top performers will get frustrated and leave. Creating a motivational environment with an equitable compensation structure encourages employees to do their jobs to the best of their abilities.

5. Empower Your Staff. How much power do your employees have? Are they free to make certain decisions on behalf of the organization? Employees should feel and act as if the organization is their own. When each employee is a mini-entrepreneur, life is much easier for everyone in the organization.

Employees crave professional development.

Managers are then free to focus on their tasks, while the employees run the organization.

When people are empowered, they know what the organization is trying to achieve, what they can and can't do to make it happen, and how to find any answers they need. With this empowerment, each person is playing an integral role in the organization. And if employees feel they're an essential element in the organization's growth, they won't become organizationally indifferent.

The Cure for What Ails You

If your organization is infected with organizational indifference, implementing each of these five steps will bring about the cure you need. With indifference gone, your organization's strategic plan will take on a new sense of reality as people are once again energized, on track, and working together for common goals. You will then experience faster growth and higher productivity. ■

Resources

Gooding, Cheryl, "Using Training Strategically," *Nonprofit World,* Vol. 14, No. 4.

Langer, Steven, "How Much Are You Really Worth?", *Nonprofit World*, Vol. 23, No. 1.

Smergut, Peter, "Creating a Values-Based Road Map," *Nonprofit World*, Vol. 23, No. 2.

These resources are available free at www.snpo.org/members.

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People and Technology

Why You Need a Content Management System

By David Beveridge

Without one, you may face major legal and communication problems.

Each year, nonprofits invest untold resources in their Web sites. Yet updating and maintaining these sites can be a big, costly headache.

That's where content management systems come in. A content management system (CMS) can make your Web operation more efficient while addressing some fundamental issues that plague many Web sites. Here's how a CMS can help you bring quality content to your site.

What Is Quality Content?

The goal of every organizational Web site is to marry an efficient publishing operation with compelling and reliable presentation. On the back end, the content needs to be authored by the right people, approved by the appropriate entities, and fully auditable. On the front end, content must be consistently presented in accord with organizational brand standards and delivered on time. Let's look at these five traits of quality content and see how a content management system can help achieve them:

1. Authored by the Right People

In a traditional Web shop, there are the content creators and the Web team. Content is generated throughout the organization. Ironically, the one entity responsible for formatting and placing that content online – the Web team – is frequently not a content creator. This separation of content creation – and content *ownership* – from the people responsible for publishing the content often results in tension between the Web team and content creators. Members of the Web team feel they're juggling a large amount of conflicting priorities, while content owners feel they lose control of their work product, handing it off to techies who don't really understand it.

This is the Webmaster bottleneck.

A key benefit of content management systems is that they restore balance to the publishing

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"People are motivated to give because they value the cause, whether it is religion, education, healthcare or international relief."

(Henry Golstein, Chair of Giving USA Foundation)

An automated, monthly gifting plan provides options for donors who give a one-time donation but would like to give more. The streamlined option of recurring giving versus traditional methods of cash or check will typically show an increase of 10-20%. Offering to convert the donation to a smaller, recurring amount makes it possible for those sitting on the fence to be able to support you.

Donors say they would, without doubt, consider a recurring donation if an automated program was offered by their selected charities. Only 53% of donors are aware that automatic donations exist as a giving option.

Make it easier for donors to give more often

Sustaining Donor Solutions (SDS) gives your patrons the choice between making a one-time donation or an ongoing recurring contribution. Your Organization's name will appear on your customer's monthly credit card or checking account statement.

The donation form is fully integrated into the VeloCT payment gateway and works automatically behind the scenes for you. It will generate customized Thank-You emails and report when someone has made a donation. The gifting form is fully customizable to blend in with your existing website or it can be included in our directory as a portal for your organization.

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Accepting all forms of payment will assist you in generating an ongoing monthly income for your organization. An integrated option that includes all customer service, as well as technical support, is only one phone call away. We can provide you with the highest standard of quality service and supply you with the latest in technology for both online and offline gifting options.

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- Automate your monthly income by utilizing VeloCT's recurring billing module
- Process off-site payments from any computer that has an Internet connection using the virtual terminal
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equation. They break the bottleneck by separating technology from content.

Content authors can use the CMS toolset to focus on the content itself, letting the system take care of the technical aspects of formatting and posting. They don't need to send their content off to be managed by someone else. They open a CMS program on their desktop, change the content, and send it to the system for publishing. Anyone in the organization can author site content, while Web staffers use their training to support the system.

2. Approved by the Right People

In many organizations, items are posted on the site without review by the staff responsible for that content. This doesn't happen because organizations are rife with rogue employees. It happens because Web publication uses HTML, a mysterious and incomprehensible technology to most people. So in Web shops, the review and approval process becomes cumbersome and haphazard. The non-techies don't know — and don't want to know — HTML, so expedience rules.

The words and images on your site are an essential part of the public record.

Content management systems provide the Web equivalent to familiar processes used in print. An item is authored using well-known tools and automatically sent into the publishing workflow, where it moves from review to review, using e-mail to notify the players at each step in the flow, until it reaches the final approval stage. Mistakes are reduced, potential liability is minimized, and time is saved.

3. Auditable Content

Because a few keystrokes can change or delete the content in a publicly-available document, organizational Web sites constitute a dangerous liability problem, not to mention a source of miscommunication. The ephemeral nature of HTML-based content aggravates this situation. Not only is this content sometimes unrecoverable, it's also not subject to audit. It can be difficult to determine when changes occurred and who was involved.

If you can open your word processor and change a memo, why can't you open up a Web page and do the same?

Everyone who runs a Web site knows that content comes and goes and changes on a daily basis. Without a way to capture every version of every item published, there's no true audit ability for published Web content.

Content management systems can provide such an audit trail. In some systems, every iteration of every item is saved, as is a record of when and by whom an item was created, posted, edited, or deleted.

Web sites have become the public face for organizations. The words and images on your site are an essential part of the public record. From the standpoint of liability, record-keeping, and internal knowledge management, an audit capability is an essential asset delivered by content management systems.

4. Consistent Presentation

Consistency is key to Web sites. The way a person navigates through the site, the hyperlinks and icons used, and the "voice" people encounter on each page can make the Web experience as pleasurable—or as painful—as the designers provide.

Authors shouldn't be worrying about these issues. Do you think Tom Clancy and Danielle Steele are responsible for how the printed page works in terms of fonts, page numbering, and other presentation details? Yet many Web authors agonize for hours over presentation issues, because HTML requires layout information to be encoded onto each page.

Content management systems separate content from site design and navigation. Through the use of page templates, sites maintain a consistent look and feel. This frees authors from the onus of worrying about presentation and ensures that your site's presentation, navigation, and design approach will be maintained no matter how often content is changed. The time-consuming process of presentation occurs when the templates are built and never needs to be addressed again.

5. Up-to-Date, Not Out-of-Date

Timely content is not just nice to have. Efficient content publishing means that your audiences have the information they need when they need it. It also means that out-of-date information doesn't cause legal problems for your organization.

The non-techies don't know — and don't want to know — HTML, so expedience rules.

Content management systems offer two great advantages in terms of timely content delivery. First, they allow anyone with the proper permissions to post content. They eliminate the Webmaster bottleneck — that place where conflicting requests land, all of them due at the same time, creating a chokepoint and a potential failure of timely publishing. The CMS can handle as many simultaneous transactions as necessary. By pressing a "Submit" key on a Web form, any staffer can ensure that content is updated when it needs to be, rather than relying on a single Web team member with many tasks in the queue.

Second, most content management systems provide for content *scheduling*, letting staffers specify when a piece of content goes live on the site. Thus, publication timing is removed not only from direct human input but from any other environmental constraints. Neither snow, nor rain, nor heat, nor gloom of night, nor interna-

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tional time zone differences matter to a CMS. Content can be created and approved hours, days, or months ahead of time. When the appointed moment arrives, the content goes live.

Content scheduling modules can also provide for content expiration. Let's say you want a promotional area to go live on the site at a given time, stay live for a specific period, then disappear from the site. Content scheduling can automate that process.

Easing the Major Pain

We've now looked at the five key traits of quality Web content and seen how content management systems support them. But what about the biggest complaint of all? It's a lament heard in every Web organization: "All I want is to update a sentence on this page. Why is it such a big deal?" If you can open your word processor and change a memo, why can't you open up a Web page and do the same?

You can. With a CMS, a simple desktop tool opens the content staffers need and lets them update it quickly and easily.

Web sites are complex public documents that rely on technologies most of us don't really understand. Content management systems represent an evolutionary step in making them easier to create and maintain. By managing the process of publishing, you can better control your Web site's cost. With the ability to make corrections instantly and create an audit trail, you'll decrease your legal risks. With the right people doing the right jobs, your Web site's operation will be more efficient, and you'll deliver better, more timely information to the people who need it. ■

Resources

Bogosian, John, "Internet Content Management: What's Next for Nonprofits?", *Nonprofit World,* Vol. 19, No. 6.

Hoffman, Leslie & JP Frenza, "Building Your Web Site: HTML Basics," *Nonprofit World,* Vol. 16, No. 3.

Frenza, JP & Leslie Hoffman, "Fundraising on the Internet: Three Easy Strategies," *Nonprofit World,* Vol. 17, No. 4.

These articles are available free at www.snpo.org/members.

David Beveridge is the managing director of Brook Group LTD (www.brookgroup.com), a Web design and content management firm that developed the award-winning Tacklebox Content Management System (tacklebox @brookgroup.com).

Planning for the Unforseeable:

How Smart Risk Management Provides Peace of Mind

By Richard H. Nakamura, Jr.

Scenario #1: Caller to a nonprofit domestic-violence shelter for women: "Hello. I'm a battered man. Admit me to your shelter."

Scenario #2: Caller to a nonprofit shelter for troubled young women: "Hello. I know my daughter is there. Give her back."

Are there lawsuits lurking in these scenarios? You bet. Two nonprofit shelters facing scenarios much like these were vindicated by California appellate courts in cases that underscore the need for smart risk management planning (*Blumhorst v. Jewish Family Services of Los Angeles,* February 14, 2005, 126 Cal. App. 4th 993; *Robbins v. Hamburger Home for Girls,* February 22, 1995, 32 Cal. App. 4th 671).[1]

Both cases were triggered by phone calls. Both callers had, on the surface, plausible claims: A man had been battered, and a father was looking for his daughter. But, scratch that surface and an entirely different picture emerges. Unfortunately, it took protracted litigation to get that complete picture out – litigation that ended only when appellate courts ventured into what had previously been unexplored legal terrain. But for the shelters' foresight in smart risk management planning, the scenarios could have been financially devastating.

One lesson from *Blumhorst* and *Robbins* is clear: Risk can arise as much from whom you *don't* serve as from your established client base. In the maze of today's federal, state, and local laws, someone is bound to find a law to throw at a nonprofit organization when a request is denied. No nonprofit, of course, can be expected to staff its phone lines with lawyers. But every nonprofit ought to protect itself with risk management policies should trouble come calling.

Blumhorst: Is This for Real?

Blumhorst began when, over a one-week period, a male caller telephoned 10 women's domestic-violence shelters that receive state financial assistance. Litigation revealed that the caller was a member of the National Coalition of Free Men, and that he decided to "test" these state-funded shelters to document whether they discriminate against men. That affiliation and motive, however, were never stated in the phone calls; instead, he told the shelters that "he needed shelter from domestic violence perpetrated against him."

When the shelters, all of whom serve battered women, declined to admit the caller, he sued. The complaint demanded an injunction permanently enjoining the shelters from denying men equal access to their programs.

The caller relied on a rarely-litigated state anti-discrimination statute that prohibits programs receiving state assistance from discriminating on the basis of sex (Cal. Govt. Code § 11135). But the Legislature qualified this prohibition against discrimination with the following language: "This article shall not be interpreted in a manner that would adversely affect lawful programs which benefit the disabled, the aged, minorities and women" (Cal. Gov't Code § 11139).

In court, the shelters persuaded the judge to rule that section 11139 exempted them from the anti-discrimination provisions of section 11135, and to reject the caller's argument that section 11139 was constitutional. The appeal, however, never reached the constitutional issues and instead was decided on much narrower grounds: As a self-described "tester," the caller didn't suffer an actual injury that was compensable under the state anti-discrimination statute. No case had previously addressed whether testers have standing to bring a reverse-discrimination suit under section 11135; in fact, state law on tester standing was an essentially clean slate. Nonetheless, the Court of Appeal's reasoning was driven by well-established California law requiring a plaintiff to suffer actual injury. "Testers" are not "damaged," or, as the Court put it, "The right to sue for a violation of section 11135 exists in *injured victims* of unlawful discrimination. The statute does not give standing to a plaintiff who was not injured by a defendant's alleged discriminatory practices."

The case finally ended when the California Supreme Court declined to review the Court of Appeal's decision. It took more than two years to end what the "tester" had started.

How can any shelter, in good conscience, hand its keys over to an alleged abuser and turn its back on a person who has sought safety?

Robbins: Balancing Parental Rights with Child Safety

The issue in *Robbins* was vexing: Must a nonprofit shelter for abused teenagers disclose its address to a parent who is the alleged abuser when the teenager comes to the shelter for temporary protection?

In *Robbins,* a 15-year old girl sought out a shelter where she temporarily remained of her own volition and from which she was free to leave at any time. The girl had complained of repeated instances of progressively worse abuse by her father, including

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beatings, whippings, and being hurled across the room. When the girl arrived, the shelter notified the child welfare agency and was instructed by the agency not to disclose the shelter's address to the girl's parents. If contacted by the parents, the shelter was told that the only information they could give was that the girl was safe, in protective care, and that further inquiries should be directed to the agency.

When the girl didn't return home from school, her father contacted school employees, who told him that his daughter had made allegations of child abuse that were reported to the police. The father went to the police station. A detective called the shelter and put the father on the line. The shelter's response to the father's phone call was in accordance with the agency's instructions. The father called the shelter repeatedly for three days, making similar demands and receiving similar responses. The next day, after a difficult meeting with her parents and counselors, the girl went home.

Someone is bound to find a law to throw at a nonprofit organization when a request is denied.

Her parents then sued the shelter, alleging that the shelter had interfered with their parental rights of custody. The court ruled in the shelter's favor, and the Court of Appeal affirmed that decision.

The gist of the lawsuit was not the reporting of suspected child abuse – which the Court of Appeal ruled protected by statutory immunity – but what the Court called the "subsequent concealment" of the girl while authorities investigated. Existing California law recognized the importance of private assistance efforts in "voluntary, noncommercial and noncustodial relationships."[2] Case law had deemed the need for such outreach particularly compelling for child abuse and domestic violence.[3] But no case had attempted to balance the competing interests of

Checklist for Risk

As a nonprofit leader, you have a responsibility to manage risk for your organization. Attracting and retaining key talent requires managing business risk so that your board members aren't unnecessarily risking their personal assets. If you don't already transfer business risk with a Directors', Officers' and Organizational (D & O) Liability Policy, consider doing so. While no D & O policy will cover all potential liabilities, a comprehensive policy should provide broad coverage for "wrongful acts" that may occur in managing and leading a nonprofit organization. When choosing D & O insurance, ask yourself the following questions:

- **Does your insurance agent have expertise** in nonprofit Directors and Officers Liability Insurance, enabling you to comprehensively consider policy terms and conditions?

- **Is the insurance carrier dedicated** to serving the nonprofit sector by providing attractive pricing, deductibles, and coverage specific to nonprofits?

- **Does the insurance carrier provide** broad D & O coverage, including employment practices liability coverage?

- **Is the provider able to show** strong financial stability and a superior rating with the A.M. Best Company?

- **What is the carrier's claim management philosophy** and reputation? In the event of a claim, will the provider stand by you with expert legal counsel and assistance with mitigation strategies?

parents (who may, or may not, be abusive) against the rights of their children to be free from abuse. The Court of Appeal in *Robbins* concluded that the shelter has "no tort liability for merely giving shelter to a child known to have left home without parental permission, if the child was not induced by other means to stay away from home and [the shelter] was privileged based on probable cause to protect the child from imminent physical violence." Thus, two facts were pivotal: The shelter did nothing to induce the teenager to stay separated from her parents, and the shelter reasonably believed that the teenager might suffer physical harm if her location were disclosed.

Had the shelter lost, the proposed theory of liability could have sounded the death knell for shelters everywhere. If shelters owe a tort duty to an abusive parent or spouse to reveal the exact whereabouts of a person who has voluntarily come for a safe haven, then the idea of a "shelter" loses its meaning. How can any shelter, in good conscience, hand its keys over to an alleged abuser and turn its back on a person who has sought safety?

Risk can arise as much from whom you *don't* serve as from your established client base.

Risk Management: Taking No Chances

As these cases show, even an organization that is fully compliant with the law and diligent in its duties can be made the target of a lawsuit. Such lawsuits are costly and can devastate an organization if it doesn't have liability insurance.

In both *Blumhorst* and *Robbins*, the organizations took no chances. They remained true to their missions, putting their clients' interests ahead of callers claiming equal or superior rights. But when their decisions were second-guessed in litigation, they had liability insurance to mitigate legal expenses and give them legal peace of mind. ■

Footnotes

[1]Morris Polich & Purdy, LLP, represented the shelters in both cases at trial and on appeal. Richard H. Nakamura, Jr., chair of the firm's Appellate Practice Group, worked on both appeals.

[2]*Nally v. Grace Community Church*, 1988, 47 Cal. 3rd 278, 298.

[3]"Society, we believe, favors the attempt at such help" (*Koepke v. Loo*), 1993, 18 Cal. App. 4th 1444, 1458.

More Resources on Risk

For more guidance on managing risk in your organization, see these *Nonprofit World* articles, available at www.snpo.org/members:

- **Choosing the Right D & O Insurance for Your Board** (Vol. 12, No. 1)

- **Protect Yourself Against Employee Lawsuits** (Vol. 15, No. 2)

- **Sexual Harassment: Don't Let It Destroy Your Organization** (Vol. 10, No. 2)

- **The Emperor's New Clothes, Or How to Protect Against Lawsuits and Other Chilling Surprises** (Vol. 13, No. 6)

- **Does Your Board Need Liability Insurance?** (Vol. 12, No. 6)

- **The Most Likely Lawsuits–and How to Protect Yourself** (Vol. 19, No. 1)

- **Don't Be Sued for Negligent Hiring** (Vol. 21, No. 3)

- **Is Your Organization Lawsuit-Proof?** (Vol. 20, No. 1)

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How You Can Benefit from Often Overlooked Economic Development Initiatives

Are you taking advantage of the many unclaimed tax breaks and other incentives available to nonprofits?

By Mark Hilpert

Successful nonprofit leaders have proved adept at locating and tapping a variety of funding sources. At the same time, however, many nonprofit organizations are missing out on what could be millions of dollars in unclaimed government grants, loans, and tax incentives. In most cases, nonprofits are overlooking opportunities simply because they're unaware of what's available. Some of these programs don't target nonprofits directly but still offer benefits based on such factors as location, benefit to the community, and nature of the workforce.

Brownfield and Economic Development Zones

One such area of opportunity for nonprofits is in the redevelopment of brownfields and blighted areas. Over the past few decades, federal, state, and local governments have increasingly made economic development a priority, resulting in hundreds of grants, loans, technical assistance, and tax incentives to benefit economically disadvantaged areas. Some of the more expensive programs (for government) have been repealed or replaced, but most others have remained, whether they're used or not. Many live on in quiet obscurity.

Virtually every state has brownfield initiatives. Some state programs encourage and rely on community-based organizations to target locations and spearhead clean-up and redevelopment efforts. Michigan, for example, offers tax-increment finance programs, the proceeds of which can be used for site assessment and clean-up. In effect, local tax dollars are redirected away from the taxing entities and focused on redevelopment. In addition, there is a tax credit of up to 10% of the investment in the property. A number of nonprofits that serve urban populations or advance local quality of life are located in brownfield or zoned economic development areas and are thus eligible for this money.

Recent surveys identified more than 100 federal brownfield programs, involving 24 agencies and departments. As you may imagine, these programs can be difficult to find among multiple layers of government. For example, the National Oceanic and Atmospheric Administration in the Department of Commerce offers several brownfield redevelopment incentives, including the Coastal Zone Management Program, which, among other things, provides technical and financial assistance for waterfront revitalization. More obvious programs are provided by the

Environmental Protection Agency, Housing and Urban Development, and Economic Development Administration.

Grants for Education

Because it's harder to attract industries to a region that's short of skilled workers, many initiatives are directed to workforce training and research. If educational and research organizations are alert, they can benefit from this grant money.

State development agencies, in conjunction with private-sector employers, have devised ways to identify high-wage, high-skilled jobs that are, and will be, in demand. Many of these programs, although performed for the benefit of trainees and their future private-sector employers, are provided by community colleges and private vocational schools. One example is alterative energy. In light of recent global events, environmental concerns, and the inevitable demise of the world's oil supply, there is no

Many nonprofits are missing out on what could be millions of dollars in unclaimed grants, loans, and tax incentives.

"hotter" economic development policy area than alternative energy. States are scrambling to attract alternative energy companies, and local colleges and universities are creating alternative energy and renewable fuel research degree programs. Those that anticipated this development — or, better yet, helped convince policymakers of its importance — have been rewarded. For example, Lansing Community College in Michigan received a $1 million Department of Energy appropriation for its foresight in advancing its alternative energy initiative.

Another opportunity to take advantage of policymakers' focus on economic development is in commercialization of research. In Michigan, for example, the Technology Tri-corridor Program focuses on the life sciences, advanced automotive manufacturing, and homeland security. Administered by the Michigan Economic Development Corporation, the program provides grants and loans through a competitive process. Universities and nonprofit research institutes are eligible for grants. In 2004, the program awarded $24 million in funding.

Tax Incentives for "Tax-Exempts"?

Other key components of economic development programs include tax incentives. At first, it may seem odd to discuss tax incentives for tax-exempt organizations. But, even though nonprofits are exempt from federal income tax, an increasing number are paying tax on unrelated business income. Nationally, unrelated business income tax (UBIT) payments

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Virtually every state has brownfield initiatives.

have experienced double digit growth in almost every year since the early 1990s. Many nonprofits have experienced enough growth in UBIT that they've found it prudent to "spin off" certain activities into for-profit subsidiaries. These spin-offs are fully subject to tax. In addition, depending on the state and type of nonprofit entity, some organizations must pay sales, property, and excise taxes. In many states, charitable organizations are exempt from property tax, but other nonprofits are not. Even in states in which charitable organizations are property-tax exempt, the charity has to fight harder these days to keep its exemption.

At the same time, given that nonprofits comprise an increasingly large portion of the nation's economy, their tax-exempt status is falling under greater scrutiny. This is particularly true if they're located in municipalities that receive little or no tax revenue (at least directly) from nonprofits within their boundaries. Additionally, there is the perennial debate regarding alleged unfair competition between nonprofits and tax-paying businesses.

Property-Tax Exemptions & Abatements

For nonprofits that don't benefit from statutory property-tax exemption, the property they own can still become exempt. Virtually every state has its own set of redevelopment programs for targeted areas. "Targeted" usually means economically distressed; however, the definition varies from state to state and program to program. In addition, this criterion is often the result of negotiation with lawmakers attempting to get parts of their legislative districts designated as eligible. In many cases, the result is that some attractive areas for development fall within a zone or district in which special financing or tax incentives are available. At the same time, if you're located in a distressed area, there are much greater benefits available through the Federal Empowerment Zone and some state enterprise zones.

Work-Opportunity & Welfare-to-Work Credits

The nonprofit sector and related for-profit subsidiaries are at the forefront of creating entry-level jobs that are an essential part of our economy. Important incentives for employers to hire disadvantaged workers for these entry-level positions are the Work-Opportunity Tax Credit (WOTC) and the Welfare-to-Work Credit (WTWC).

The WOTC provides a credit of up to $2,400 for qualified employees, including ex-felons, vocational rehabilitation referrals, food stamp recipients, supplemental social security recipients, and high-risk youths. The WTWC provides credits up to $5,000 per employee but is limited to employees who are long-term family-assistance recipients.

While both these programs sunsetted at the end of 2003, there's a good chance that many nonprofits still qualify for the credit. It's just a matter of submitting the proper certifications and forms. In addition, there are at least a couple of proposals in the U.S. legislature to extend or combine the credits. Given the strong support in Congress for moving people off public assistance and into the workforce, there's an excellent chance of at least a temporary extension.

Look Carefully before You Leap

The proliferation of economic development programs offers a huge opportunity. The money is there, but first you'll need to do some research into what's available in your state, your region, and your nonprofit subsector. It will take some time to sort out all your options.

Understanding the relationship between programs is complicated by the existence of programs at multiple layers of government, each with its own eligibility criteria. Not only are there too many programs to easily track, but it's also important to understand how they might interrelate. In some cases, participation in one program may disqualify you for another.

Before jumping into a program, be sure you understand how it interacts with other programs. Only then you can make a decision about the right incentive or blend to pursue. ■

How to Get Started

There are many economic development tools available to nonprofits on the Internet. The following sites include a comprehensive listing of federal assistance programs, grant-writing tips, and other tools you may find useful.

The Catalogue of Federal Domestic Assistance, **http://www.cfda.gov/public/faprs.htm**

Grant Writing Workshop Information, **http://www.hud.gov/offices/fbci/grantworkshop.cfm**

HUD's Economic Development Web Page, **http://www.hud.gov/economicdevelopment/index.cfm**

Local Initiatives Support Council, **http://www.lisc.org/**

Links to State Economic Development Agencies, **http://www.ncsl.org/programs/econ/eco-dev.htm**

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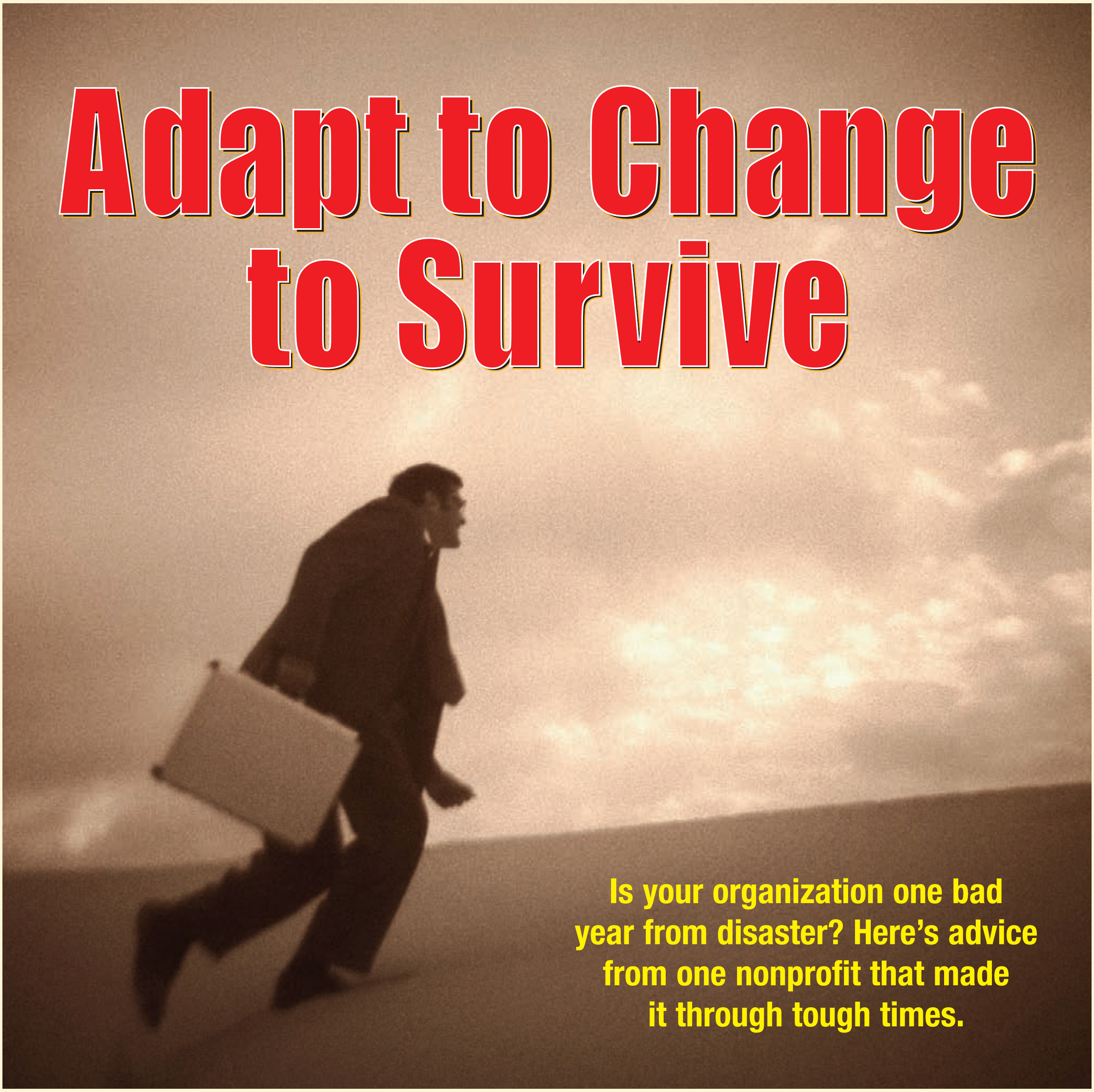
Adapt to Change to Survive

Is your organization one bad year from disaster? Here's advice from one nonprofit that made it through tough times.



By Stephen M. Grimshaw & Ralph J. Egerman

Many nonprofit organizations are operating with deficits. Demand for services is increasing, and costs are rising more rapidly than revenues. To survive in such an environment, nonprofits must operate more like for-profit companies. That's a lesson the organization we lead, FamilyLinks, recently learned first-hand.

FamilyLinks is a nonprofit agency that assists troubled youths and at-risk families. Our services (delivered at 18 locations in Allegheny County, Pennsylvania) include substance-abuse counseling, in-home family counseling, mental-retardation services, residential facilities, emergency shelters, and school outreach programs.

FamilyLinks was formed in 2001 by merging two successful nonprofit organizations, the Parent and Child Guidance Center and The Whale's Tale. The idea behind the merger was to eliminate duplicative services and reduce overhead. The greater size of the new organization gave FamilyLinks more clout in dealing with business partners. But the merger also imposed new costs.

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As our merger was occurring, an even greater change was taking place. Funders were shifting from contract funding (paying a nonprofit to serve a group of people over a set period of time) to fee-for-service (paying the organization for services to individual clients). This new funding model means that nonprofits can no longer depend on secure, contractually mandated revenue streams. Governments with their own tight budgets find the fee-for-service approach attractive. And foundations aren't much help in supporting existing programs. Foundations don't want to support fixed programs. They want to be catalysts for innovation.

The depressed economy after 2001 magnified the problem of restructuring and coping with a new funding model. Temporary disruptions in revenue and increased costs resulted in financial trouble for FamilyLinks in 2002.

A nonprofit organization can survive while operating with a deficit — but not for long.

Getting Out of Trouble

FamilyLinks followed a straightforward strategy to correct the financial problems that developed in 2002. Our plan, which other nonprofits can easily adapt, emphasizes operating more efficiently without compromising the quality of care provided to our consumers:

1. Get help to assess the problem. The worst thing you can do when facing a financial crisis is to pretend the problem doesn't exist. An outside audit is often the best way to get an objective, no-holds-barred picture of your organization's true financial state. In our case, auditors from the County performed a top-to-bottom investigation of finances and programs. We cooperated fully because we wanted to know exactly how deep our problems went and if we'd overlooked anything in performing our own financial assessment. The auditors found only minor management miscues with the reporting of some of our programs; they found no criminal or fraudulent activity or gross financial mismanagement. Our own independent audit by a well-respected accounting firm identified ways for FamilyLinks to operate more efficiently.

2. "Rightsize" the staff. After the merger that created FamilyLinks, we didn't realize at first how many excess administrative positions we had. A reduction of about 10% in administrative areas in 2003 left client service personnel comparatively untouched and brought our costs back in line without cutting services or reducing the number of people we serve. An appropriately sized administrative workforce is essential because personnel costs can comprise two-thirds of a nonprofit's budgeted expenditures. Because a social service agency depends on changing community needs, the definition of the right size of its workforce also changes. If the organization doesn't always have the workforce in line with the right size, it can't survive.

3. Balance the budget. It's crucial for a nonprofit under fiscal pressure to bite the bullet and achieve a balanced budget as soon as possible. Once personnel costs have been brought under control, an organization must scrutinize every area of discretionary spending: telecommunications, office supplies, equipment leases.

Getting the Help You Need

For help in performing the steps described in this article, see the following *Nonprofit World* resources, available at www.snpo.org/members:

Help in Performing an Audit

- Preparing for Today's Nonprofit Audit (Vol. 13, No. 4)
- The Audit Committee: Why You Need One, How to Form One (Vol. 6, No. 6)
- How to Have an Audit without Breaking the Bank (Vol. 20, No. 4)
- Nonprofits without Audit Committees Risk Disaster (Vol. 22, No. 2)

Help in Balancing Your Budget

- How to Save Money through Bottoms-Up Budgeting (Vol. 14, No. 1)
- Is That Expense Justified? (Vol. 20, No. 5)
- Protecting Your Organization's Assets: A Primer on Internal Control (Vol. 9, No. 2)
- Create a Budget that Works for You (Vol. 15, No. 4)

Help in Increasing Employee Commitment

- Building Morale: The Key to Successful Change (Vol. 13, No. 3)
- The Organizational Personality & Employee Performance (Vol. 21, No. 1)
- Inner Leadership: Mental Strategies for Nonprofit Staff Members (Vol. 18, No. 3)
- How to Improve Internal Communications (Vol. 12, No. 3)

Help in Partnering with Other Organizations & Companies

- Pool Resources for Success (Vol. 16, No. 5)
- In Bed with the Enemy: How to Partner with Your Competition (Vol. 21, No. 3)
- High-End Strategic Alliances as Fundraising Opportunities (Vol. 19, No. 5)
- Seven Rules of Successful Collaboration (Vol. 18, No. 2)

Help in Creating a Successful Merger or Other Restructuring Arrangement

- Keys to a Successful Nonprofit Merger (Vol. 10, No. 3)
- What Happens when Nonprofits Consolidate? (Vol. 20, No. 3)
- Alliances Are Not Mergers: What Problems Should You Expect? (Vol. 21, No. 3)
- Consolidation: A Nonprofit Success Story (Vol. 7, No. 2)

New leadership isn't always essential for change, but a new commitment from leadership is.

Most nonprofits can realize large savings with relatively painless cuts in these areas. We now have a balanced budget at FamilyLinks.

4. Start change at the top. New leadership isn't always essential for change, but a new commitment from leadership is. An organization's executives and board members must send a clear signal to every employee, vendor, and strategic partner that the organization will operate efficiently and professionally.

5. Respect employees. Employee morale is essential for a nonprofit to thrive. From the first, we made employee morale a priority. When we needed new managers, we promoted from within whenever possible. We reassured employees that they would be moving forward with the agency, and we held our first-ever staff appreciation day. Morale has improved tremendously because everyone at FamilyLinks believes in the organization's strength and the importance of its mission.

6. Enlist reliable partners. FamilyLinks received strong support from Citizens Bank as we moved through the process of putting our financial house in order. The bank gave us the flexibility we needed to solve our problems ourselves while expressing confidence in our ability to do so. The Department of Human Services of Allegheny County's unwavering support was also a key element in our recovery.

A nonprofit organization can survive while operating with a deficit—but not for long. A return to a sound financial footing is possible for organizations that assess their condition candidly and embrace a disciplined recovery plan. Nonprofits need to become more efficient and better aligned with new funding models. By remaining open to changing the way you've historically done business, you can ensure that the people who depend on you for services will have a friend for many years to come. ■

Stephen M. Grimshaw (sgrimshaw@familylinks.org) is chief executive officer of FamilyLinks, a Pittsburgh-based human service agency that provides services for troubled youths and at-risk families throughout Allegheny County. Ralph J. Egerman (regerman@grantstreetassociates.com.) is chair of FamilyLinks' board.

Nonprofit *briefs*

Manage Energy, Not Time

Managing energy is the key to high performance and personal renewal, according to Jim Loehr and Tony Schwartz, writing in *The Power of Full Engagement* (New York, NY: Free Press). They offer these principles for managing energy in your organization:

- **Your organization is simply a reservoir of potential energy** that you can recruit in the service of your mission.
- **Your organization's most important resource** is energy.
- **Organizational energy capacity increases** as individuals in your organization increase their energy.
- **For your organization to optimize its potential,** you must recruit four types of energy in service of your mission: physical, emotional, mental, and spiritual.

Nonprofits Face Leadership Shortage

As baby boomers retire, nonprofits are confronting a crisis in leadership, according to research reported in "Investing in Leadership" (http://geofunders.org). To meet this challenge, nonprofits need to: (1) Have a succession plan. (2) Use shared leadership models rather than relying on one individual. (3) Build leadership skills among second-tier management. (4) Address factors such as high stress and long hours that drive people out of the sector. (5) Prepare for leadership transition years before the change takes place. For concrete steps to take, see these *Nonprofit World* articles, available at www.snpo.org/members: "Planning for Leadership Succession: Are You Ready?" (Vol. 22, No. 4), "Shared Leadership" (Vol. 14, No. 5), "Executive Transitions" (Vol. 16, No. 3), and "How Do We Survive and Grow in the Work We Love to Do?" (Vol. 11, No. 1).

Merger Is Good News for Nonprofits

Network for Good and Groundspring, the two largest nonprofit providers of Internet-based fundraising, have decided to merge. This merger will give nonprofits one comprehensive, cost-effective resource to help them raise funds online. The new organization will use the Network for Good name. For more information, visit www.networkforgood.org.

Overloaded with Information?

Here are tips to keep you free of too much paper and e-mail:

- **Shed** publications you don't need, and remove yourself from distribution lists of reports that don't apply to you.
- **Group papers** in related packages. Put them in an easy-to-use storage area, and label each package. Use this same approach for e-mail messages: Create directories and subdirectories to make e-mail storage and retrieval easy.
- **Avoid having** more than one open file—the one you're working on—on your desk at any time. This precaution will keep papers from slipping into the wrong file and getting lost.
- **Don't mix** active and inactive files. Keep a working file nearby and a seldom-used one farther away.
- **Set up** filters to eliminate unwanted e-mail.
- **Save only** vital e-mail messages.
- **Periodically** transfer all files that haven't been used by a cut-off date from your hard disk to floppies.

—-Source: *Industry Week*, as reported in *Communication Briefings* (www.briefings.com)

The Importance of a Communications Strategy

Sixty percent of nonprofits spend less than one percent of their budget on communications. Yet a thoughtful communications strategy is necessary to reach the right audience with the right message. Proactive communications can position a nonprofit as worthy of support and stave off potential crises.

Communications Toolkit: A Guide to Navigating Communications for the Nonprofit World, by R. Christine Hershey, is a single source that covers a broad spectrum of nonprofit communications needs. The 79-page manual (Santa Monica: Cause Communications, www.causecommunications.org) is an excellent overview, providing tips, samples, templates, and further resources.

A communications strategy needn't be expensive to be useful, and Hershey explains how to ensure maximum returns on even a shoestring budget. It's vital to decide which message to send to which audience and how to deliver those messages, and her tips will help you make the right choices for your organization.

—reviewed by Terrence Fernsler

Nonprofit *briefs*

Over 40 Ways to Raise Your EQ

What matters isn't how smart you are but how you're smart, as Jeanne Anne Craig makes clear in her new book. Filled with engaging quotes and exercises, the 198-page paperback takes emotional intelligence (EQ) to a new level, providing the tools you need to be a successful leader. *It's Not How Smart You Are, It's How You Are Smart: 47 Ways to Raise Your EQ* is available from Craine Press, 218 Main Street, PMB #339B, Kirkland, Washington 98033. Also see "No Need to Work on EQ" in *Nonprofit World,* Vol. 23, No. 5 (www.snpo.org/members).

Reining in Your Workaholics

If you have workaholics among your employees, help them get off the too-fast track:

- **Make sure** your workplace isn't so competitive that employees feel driven to outperform one another.
- **Praise employees** who balance work with a life outside the workplace.
- **Take stock** of the work flow. Perhaps you're asking some people to do more than a fair share.
- **Help workers** set priorities. They should understand that not all work requires the same amount of intensity and time.
- **Explain** that you'll measure their performance by the quality of their work, not by the hours and energy they spend completing tasks.

—-Source: *Employee Relations Bulletin*, as noted in *Communications Briefings* (www.briefings.com)

Study Underscores Value of Corporate Volunteering

More than five out of six Americans believe volunteering can have a positive impact on their careers, according to a new study. Other key findings:

- **Nearly four of five** respondents see volunteering as a chance to develop business skills such as decision-making, problem-solving, and negotiating.
- **Over 80%** believe volunteering enhances an individual's professional reputation in the community.

The findings support the case for corporate volunteer programs, which are increasingly being tied to business objectives. For more on the Volunteer Impact Study, e-mail communityinvolvement @deloitte.com.

Value of Volunteering by Older Adults Tops $160 Billion

Americans aged 55 and older contribute $161.7 billion worth of volunteering annually. These services are often overlooked in the debate about Social Security, changes to the retirement age, and the role of older Americans in an aging society, according to a *Perspectives on Productive Aging* report by the Urban Institute (www.urban.org, www.uipress.org).

Avoiding Common Nonprofit Problems

Here's a model to follow when you face a formidable problem.

By Terrence Fernsler

Why Nonprofits Fail: Overcoming Founder's Syndrome, Fundphobia, and Other Obstacles to Success

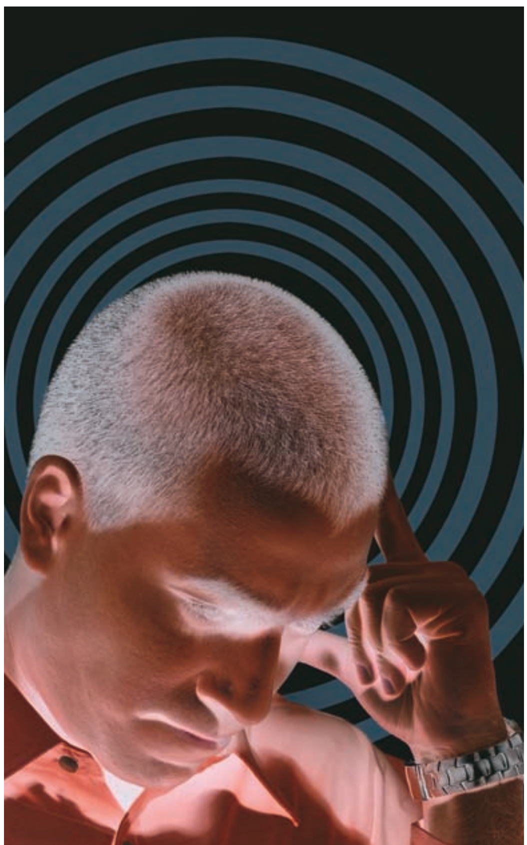
By Stephen R. Block. 208 pages. Hardcover. San Francisco: John Wiley and Sons, Inc., www.wiley.com.

This may be the first book about nonprofit management that demonstrates how to apply problem-solving theory to practical situations. Stephen Block explains several behavior theories and how to use them to solve common nonprofit problems. Although he takes an intellectual approach, he does it in a way that's useful to practitioners

First, Block acknowledges the vital role nonprofit managers play in fulfilling missions, dreams, and people's hopes. Because this responsibility is so great, nonprofit managers need to challenge their own beliefs and improve their abilities. They must be open to change and innovative problem-solving approaches.

Next, Block presents a basic framework to assess problems, devise strategies to remedy them, and promote change. He classifies problem-solving into two categories:

- **First-order problem-solving** involves routine, usually straightforward approaches.
- **Second-order problem-solving** is more creative. The more challenging the problem, the more likely a second-order approach will be needed to solve it.



Most useful of all is the list of steps to take when a problem seems insurmountable.

Block explores seven typical problems: recruitment disorientation; a culture of depression; political games; role confusion; poor financial health; fear of fundraising; and founder's syndrome. He provides examples of how to approach each of these problems. Most useful of all is the list of steps to take when a problem seems insurmountable:

- **Gather the facts** about the problem.
- **Ferret out** the beliefs behind the failed interventions.
- **Select** one or more theories to examine the issues.
- **Develop** a hypothesis to guide you through the planned change.
- **Devise** an alternative intervention based on the hypothesis.
- **Implement** the new strategy.
- **Evaluate** the results.
- **If the problem is still unresolved,** repeat the process.

This book helps nonprofit managers develop a method, based in theory, to solve problems and manage their organizations. They have a responsibility to see that the work of their organizations is effective, and knowing how to solve problems can certainly help them to do that. *Why Nonprofits Fail* is a valuable book for meeting nonprofit problem-solving needs. ■

Terrence Fernsler is development director for Columbia-Pacific Resource Conservation and Economic Development District in Montesano, Washington.

www.ababooks.org

Nonprofit Governance Library

7 x 10 • Paperback • Product Code: 5070392P • $109.95 (Regular price); **$99.95** (Section member price)

This *Library*, consisting of four publications: *The ABCs of Nonprofits; Guidebook for the Directors of Nonprofit Corporations, Second Edition; Nonprofit Governance and Management; Nonprofit Resources: A Companion to Nonprofit Governance*, offers legal guidance on forming a nonprofit corporation, directors' duties, rights, risks and obligations; practical how-to commentary; sample forms and letters; handy checklists; pointers for both nonprofit directors and staff; a listing of publications, government resources, foundation reports, case and statutory citations, and Internet sites related to nonprofit governance.

The individual titles within the *Library* are described as follows:

The ABCs of Nonprofits

By Lisa A. Runquist
Published by the American Bar Association, Section of Business Law

Written for practitioners and nonprofit corporations, this concise guidebook offers a basic introduction to what is a nonprofit corporation and how it is formed; options for organizational structure; operating the corporation; tax exemptions; directors' responsibilities; and much more. This title is written as an example of a practitioner advising a client on the necessary steps to starting a new nonprofit organization. A related bibliography is included plus a sample form for an organization addressing a policy on "conflict or interest."

2005 • 150 pages • 7 x 10 • Paperback

Guidebook for Directors of Nonprofit Corporations, Second Edition

By the Committee on Nonprofit Corporations
Published by the American Bar Association, Section of Business Law

A new edition of the ABA's most popular title, this accessible guidebook is designed for directors and prospective directors of all types of nonprofit corporations. The *Guidebook*, written in plain-English commentary, addresses general legal principles and corporate governance issues to provide nonprofit directors with a comprehensive understanding of their roles. The **new Second Edition** adds full-length chapters covering today's political and legal environment for nonprofits; tax ramifications of for-profit and joint ventures; employee relationships, laws, and policies; duties of directors in special circumstances such as change-of-control events and bankruptcy.

2002 • 280 pages • 7 x 10 • Paperback

Nonprofit Governance and Management

Edited by Victor Futter, Judith A.Cion and George W. Overton
Co-published by the American Bar Association, Section of Business Law and the American Society of Corporate Secretaries

This updated edition of *Nonprofit Governance—The Executive's Guide* expands the scope of its popular predecessor to address issues relevant to both directors and managers of nonprofits. Drawing on the expertise of nonprofit executives, directors, lawyers, and other professionals experienced in organization and management, this new edition offers step-by-step guidelines, sample forms and letters, handy checklists and pointers to additional resources. Its 45 chapters cover accounting, board and committee operations, grant writing, Internet laws, liability, membership, mission statements, state regulations, and much more.

2002 • 744 pages • 7 x 10 • Paperback

Nonprofit Resources: A Companion to Nonprofit Governance

Edited by Victor Futter
Co-published by the American Bar Association, Section of Business Law and the American Society of Corporate Secretaries

This updated edition of *Nonprofit Governance—The Executive's Guide* expands the scope of its popular predecessor to address issues relevant to both directors and managers of nonprofits. Drawing on the expertise of nonprofit executives, directors, lawyers, and other professionals experienced in organization and management, this new edition offers step-by-step guidelines, sample forms and letters, handy checklists and pointers to additional resources. Its 45 chapters cover accounting, board and committee operations, grant writing, Internet laws, liability, membership, mission statements, state regulations, and much more.

2002 • 80 pages • 7 x 10 • Paperback

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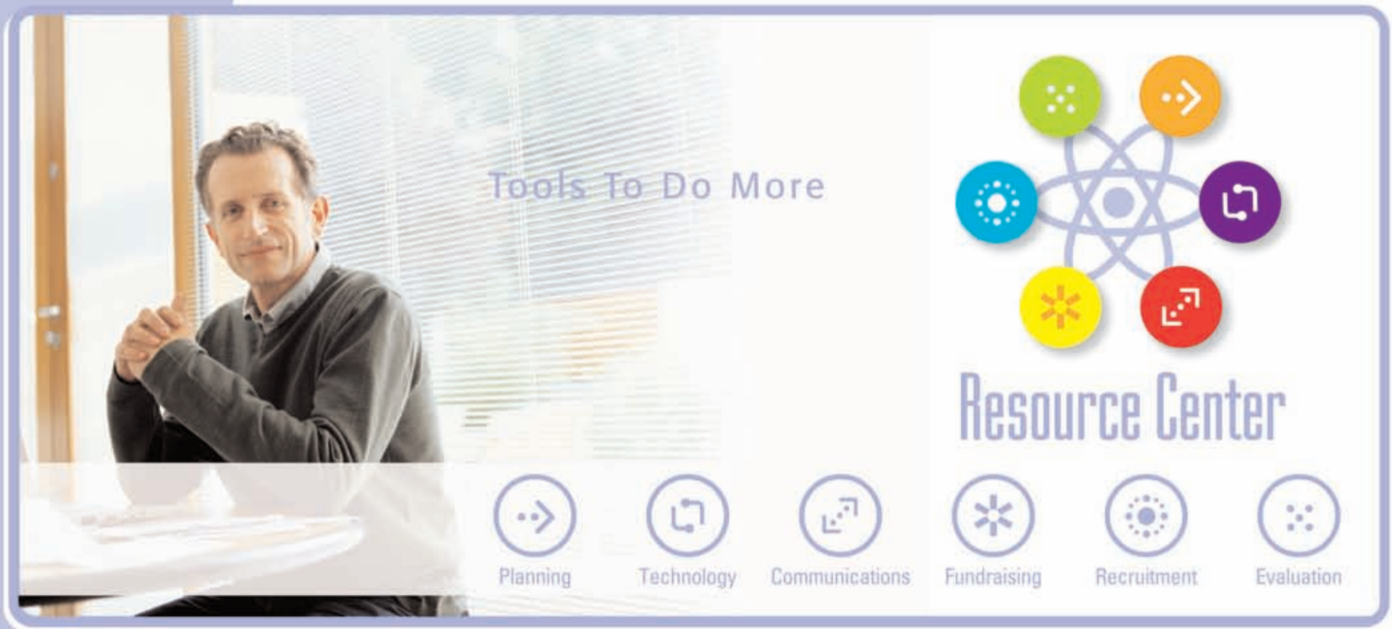

Verizon understands that when nonprofit organizations plan more effectively and operate more efficiently, they can spend less time on business and more time helping people in the communities they serve.

Through the Verizon Foundation Resource Center, we are pleased to offer a unique suite of online tools that give nonprofit managers access to best-in-class national training partners and business resources. Our mission is to leverage the power of network technology to help local and national nonprofit organizations enhance their management capabilities in order to increase their capacity to create sustainable positive change. For more information please go to:

http://foundation.verizon.com/resourcecenter

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