NONPROFIT World

Advancement Through Sharing

29th ANNIVERSARY ISSUE

Volume 30, Number 3
May/June 2012

Big Dreams, Little Steps

Make Your Vision a Reality

PLUS

- Maximize Your Board to Support Fundraising
- Are You Paying Too Much for Your Travel?
- How to Impress the Wired Wealthy
- New Rules for Accountability
- Can Your Organization Afford to Lose $100,000?
- Five Reasons to Use Financial Data in Fundraising
- How to Address the Funding Crisis: A Proven Option Lies Right Before Your Eyes

Published by the Society for Nonprofit Organizations

NONPROFIT WORLD

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Publisher
The Society for Nonprofit Organizations

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.

feature story

Whatever your vision, bringing it into reality starts with one small step. It begins with knowing yourself and being confident in your convictions. For inspiration and actions you can take to get started, see "Big Dreams – Little Steps" on page 10.

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 44173, Madison, WI 53744-4173 or muehrcke@charter.net or jill@snpo.org.**

NONPROFIT WORLD is published bi-monthly at the subscription price of $79 per year by The Society For Nonprofit Organizations. Single copies are available, prepaid, at $15 per copy. NONPROFIT WORLD is available at no charge to members of The Society For Nonprofit Organizations. To subscribe or to become a member of the Society, write: The Society For Nonprofit Organizations, P.O. Box 510354, Livonia, Michigan 48151. Telephone: 734-451-3582. Organizational Membership $150. Individual $69. E-Membership $49. **Organizational members may purchase additional memberships for their board, staff, and volunteers at $25/membership/year.** Change of address: Send both new and old address, with mailing label if possible, to: The Society For Nonprofit Organizations, P.O. Box 510354, Livonia, Michigan 48151. Allow six weeks for corrections.

ISSN 8755-7614. POSTMASTER: Send address changes to The Society For Nonprofit Organizations, P.O. Box 510354, Livonia, Michigan 48151. **E-mail: info@snpo.org. Web page: www.snpo.org.**

The Genius in You

"We live under the great myth of the perfect first draft."

The old nature-or-nurture question implies that control over your life is split between your genes and your environment. In fact, you have far more control over yourself and your life than you realize. Geniuses aren't born but made, as David Shenk makes plain in his compelling book *The Genius in All of Us*.

"We live under the great myth of the perfect first draft," he says. It's not that things come easily to those who are great, but that they care enough to put their heart, soul, and a great deal of sweat into something. And you can do the same, if you have the passion and resolve (turn to "How to Cultivate Greatness in Yourself" on page 28).

"It's not that I'm so smart," Albert Einstein once said. "It's just that I stay with problems longer." Staying with whatever's challenging you and never giving up is the secret to greatness. Intelligence and talent aren't innate gifts, hardwired in the womb, but collections of skills you can develop. No one is genetically designed for greatness, and few are biologically restricted from attaining it.

As Confucius told us, mechanics who want to perfect their work must first "sharpen their tools." It's often small skills that, if developed, can make an enormous difference in performing your daily tasks, leading others, and attaining your goals. "Learning from Improv Theater" (page 23) explores how practice is related to high performance, collaboration, and trust.

In *Building Personal Leadership*, Joe Fracht advises taking time every week to try new techniques of working smarter, planning better, and honing the tools that will help you build your dream. For more of his suggestions, read "Big Dreams, Little Steps" on page 12.

Bringing your inner genius to life is a matter not only of practicing and persevering but of constantly pushing yourself to move out of your comfort zone. You must actually relish failure because it teaches what you need to move ahead that extra step.

Michael Jordan put it this way: "I've missed more than 9,000 shots in my career. I've lost almost 300 games. Twenty-six times, I've been trusted to take the game-winning shot and missed. I've failed over and over and over again in my life. And that is why I succeed." Check out "Learning to Fail" on page 27 for tips on using defeat as your best teacher.

Greatness comes to those who are open to change and envision opportunities where others see problems. Whether the economy is up or down, you can take advantage of the moment to make huge strides in your organization and in yourself (see "Top Tips for Thriving in a Bumpy Economy" on page 28 and "Key Ingredients for Leaders" on page 27).

One irony of the giftedness myth is that the true road to success lies not in a person's genes but in developing productive attitudes and identifying magnificent resources. That means seeking mentors and coaches who will help you rise to your best self. It means sculpting an organizational culture that encourages healthy achievement, sets high expectations, and accommodates people of many personalities, interests, and backgrounds. (Take a look at "Maximize Your Board to Support Fundraising" on page 8 and "Why Organizational Change Is So Hard" on page 27.)

No one succeeds in a vacuum, and the more diversity in your world, the more you'll gain. When you combine your own genius with the genius in everyone, nothing is impossible.

Jill Muehrcke

Jill Muehrcke, jill@snpo.org

FIVE THINGS TO DO NEXT MONDAY

Here are a few concrete things you can do right now to begin transforming your organization.

1. **Ask the questions** on page 8 to see if you need to change your board's size, composition, or other factors to maximize fundraising success.
2. **Take the first step** to creating a travel policy—see pages 12-13.
3. **Check that you've instituted the safeguards** against fraud detailed on pages 18-20.
4. **Decide** whether you're a victim or a visionary. Assess yourself with "Are You Above the Line or Below?" on page 11.
5. **Note ways** you can use financial data to raise more funds (pages 6-7).

Food for thought

I've Been Thinking about...Networking

How important are relationships with other nonprofit leaders? What value do they have for you?

By Martha Golensky

In the busy life of a nonprofit executive, there are never enough hours to address all the issues facing the organization. We learn early to prioritize, so time management becomes a necessary skill. One helpful technique is to rank-order activities according to their importance and urgency. Crises and projects with a tight deadline rate top consideration. Close behind are important matters that aren't urgent, such as long-range planning, staff development, and relationship building.

Also belonging in this second category is taking care of your health and mental well-being. That's something many CEOs neglect, perhaps fearing it's too self-serving to put on the same level as organizational needs. But think about it: How effective is your leadership if you aren't physically, mentally, and emotionally up to the task?

My first executive director position was at a national organization, where I was the only professional. I was responsible for everything from fund development to writing the quarterly newsletter. After a year and a half, I was experiencing clear signs of burnout. I made the fatal mistake of telling a board member I was having difficulty managing a particular problem. She spread the word to the other trustees; before I knew it, the board lost confidence in my abilities, and I lost my job.

When I became CEO for a second time, I was more fortunate. The local United Way had established an Executive Directors' Council for its member agencies. We met each month to discuss mutual concerns. I became close enough to two of my peers that I could call on them for advice in total confidence, which alleviated a lot of stress. What would have really helped, however, is a resource that's available to executive directors in the community in which I now live—a county-wide consortium providing a host of services and opportunities for informal networking.

> How effective is your leadership if you aren't physically, mentally, and emotionally up to the task?

For an annual membership fee of $50 for nonprofits with five or fewer FTEs and $75 for larger organizations, the entire staff and board can take advantage of all the benefits. These include monthly executive director and finance roundtables; access to IT and financial help desks; a Web site featuring job postings, searches, "wish" lists, and free items; a Middle Management Institute with monthly classes on various aspects of running an organization; announcement of upcoming events; an Executive Director Academy offering nine months of one-on-one coaching and workshops to build leadership capacity; monthly get-togethers to discuss best practices, with guest speakers; an annual celebration, where awards are presented to outstanding member organizations; and ad hoc programs to address members' emerging concerns. The newest venture is a Board Development Academy, initially serving new board members but eventually to include more seasoned trustees.

The consortium itself is a nonprofit. With a part-time executive director and a part-time support person, it relies on member volunteers to carry out its work, to staff the three standing committees, and to provide peer expertise for many of the programs. As one CEO noted: "The Consortium allows me to make new contacts in the nonprofit community and community at large. I learn from others and I offer help as well. It makes my job easier and much more fun."

Two local foundations were instrumental in bringing together nonprofit stakeholders to explore interest in a capacity-building collaborative. The consortium began officially in 2004 when over 100 organizations became the initial members, and seems to grow in value every year. Continuing donor support makes it possible to keep the cost of participation low. Besides dues, some workshops have a modest fee.

This is a simple but effective model well worth replicating. Log on to www.guilfordnonprofits.org for further information. ■

Martha Golensky, professor emerita of social work at Grand Valley State University (golenskm@gvsu.edu) is the author of Strategic Leadership and Management in Nonprofit Organizations: Theory and Practice, *published by Lyceum Books, which draws on her 30-year career as a nonprofit executive, professor of nonprofit management, and consultant to local nonprofits on strategic planning, financial development, and board governance.*

Nonprofit World • Volume 30, Number 3, May/June 2012.
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P.O. Box 510354, Livonia, Michigan 48151
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What's a Board Consensus, Really?

This question raises a number of interesting issues.

Q: What is the exact definition of "board consensus"? Our organization's director recently fired an assistant, citing "board consensus." But I'm on the charity's board, and I was never consulted.

A: Ordinarily, a "board consensus" arises when all members of the board who are present at a meeting agree with a decision. Without an actual meeting or a unanimous written consent (which may not have to be unanimous in a few states), the board can't take official action. The director (assuming this is the equivalent of an executive director) may have consulted some, although not all, of the board in making the decision and simply said there was a consensus. Or the consensus may have been obtained at a meeting at which you weren't present.

Our organization's director recently fired an assistant, citing "board consensus."

Your question raises another interesting issue: Is board action necessary—or appropriate—to terminate an "assistant"? Ordinarily the board delegates hiring and firing authority to the executive director (chief executive officer) and evaluates the CEO, in part, on how the team does in carrying out the organization's mission. ■

Don Kramer, Editor
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How Much Money Should You Request in an E-Mail Campaign?

What's a good first-time ask amount for an e-mail campaign?

Q: We're about to ask a large group of affiliated people to begin giving to our organization on a yearly basis. We'll be doing the solicitation via e-mail. For people who have never given before, and about whom we know very little, what's a reasonable low-end ask?

The strategy here is to get as many people as possible into the donor base, rather than to raise as much money as possible. We've seen everything from $10 to $45, but don't know how much difference it will make within that envelope. Any thoughts on how to figure out what to ask for?

A: You and your organization live in cyberspace, the fantasy world of direct response fundraising. In direct mail, when we want to answer a question like this, we test. That means selecting an adequate number of names at random, splitting the group in half (or thirds, or fifths), and testing one suggested minimum gift level against the others by mailing a slightly different letter to each segment. In a mailing, this whole process could take months. Online—in your space—it can take as little as a day or two. So, my advice to you is: Test. Just be sure you know how to select statistically valid samples. (Call a statistician or a market researcher at the local campus if you're not sure.) There's no telling what the market will reveal to you. For maximum response, the most effective "ask" may not be the smallest one. ■

For maximum response, the most effective "ask" may not be the smallest one.

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Advertisers' Index

People and Technology

How to Impress the Wired Wealthy

Here are proven ways to attract rich philanthropists to your organization.

By Jenny Henry

You know that online giving is growing, but you may not know that the very wealthy are among those who prefer giving online.

A recent study defined "very wealthy" donors as those who give at least $1,000 per year to a single cause, average $10,896 in donations per year, and have a median gift size of $4,500. They're the kind of donors you want, for while they make up only 1% of donors, they're responsible for 32% of nonprofits' annual gifts. According to this study, conducted by Sea Change Strategies, more than half prefer giving online, and 80% do at least some of their donating via the Internet.[1]

Unfortunately, however, less than half of respondents thought nonprofit Web sites were well-designed or inspiring. Here are two things you can do to impress these wealthy donors and capitalize on the growth in online giving:

1. Make Key Information Easy to Find

A study by the Nielsen Norman Group finds that if you want to encourage online donations, your Web site must be user-friendly and answer a prospective donor's questions.[2] The good news is, you can predict what questions a prospective donor will have. When study participants were asked what they want answered on nonprofit Web sites before they decide whether to donate, they responded with two basic questions:

- **What are you trying to achieve?** What are your goals, objectives, mission, and vision? What work does your organization do?
- **How will you spend my money?** How do you use donations?

Of the nonprofit Web sites studied, only 43% answered the first question on their home page, and an astonishingly low 4% answered the second question. While this information often existed somewhere on the site, users expressed considerable frustration with finding it.

So if you don't answer those two questions on your home page, make that your first priority. Don't hide this information in the "About Us" section. You have only a short time to impress potential donors, so be sure your home page showcases what great things you do and how you use donations.

> The very wealthy are among those who prefer giving online.

2. Make the Donation Process Easy

Now think what a shame it would be to impress wealthy prospects with what wonderful things your organization does and how their donations can help, and then lose them when they try to donate. Believe it or not, it happens all the time.

Take a good look at the donation process on your Web site. If it's too long or complicated, it can be a deal breaker for potential donors. Here are some simple things you can do to ensure the donation process goes smoothly:

- **Have a "Donate Now" button** on each page of your Web site.
- **Make sure** the "Donate Now" button lets donors go straight to the donation page rather than a page that links to the donation page. An extra page gives donors a chance to change their minds, and it's frustrating for donors who are ready to donate.
- **Let donors** enter their donation information first, before you ask them anything else. The exciting part for donors is giving, so get to this part fast and they'll be happy. Then you can ask them for any additional information required.
- **Ensure that your Web site** accepts credit cards. According to the Sea Change Strategies study, a good portion of the wired wealthy donate using credit cards because they like to collect the benefits associated with their premium cards.
- **Take care that the payment page** opens up inside the Web site itself. On some nonprofit sites, the payment page looks entirely different from the rest of the Web site. Potential donors see this as a red flag, and they may quickly lose trust and abandon the donation. ■

> Less than half thought nonprofit Web sites were well-designed or inspiring.

Footnotes

[1]"The Wired Wealthy: Using the Internet to Connect with Your Middle and Major Donors," Sea Change Strategies, http://my.convio.com/?elqPURLPage=104

[2]"Donation Usability: Design Guidelines for Improving the Donation Process and the Usability of Essential Information on Charity and Nonprofit Web Sites," Nielsen Norman Group, http://www.nngroup.com/reports/donations/

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Nonprofit World • Volume 30, Number 3, May/June 2012.
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Numbers Needed: Five Reasons to Use Financial Data in Fundraising

Are your accountants involved in your fundraising efforts? If not, you're missing a potent communication tool.

By Holly Scheuble

In most organizations, fundraising plans are created without input from the finance staff. And why should they be? How would financial information, other than a budget, contribute or impact a fundraising campaign or strategy? Financial information isn't known to inspire creative ideas nor provide a deeper understanding of people and what motivates them. So why bother using it in fundraising? For five simple reasons:

1. Set Goals

The factual nature of financial information makes it a perfect benchmarking and goal-setting tool. Financial data can provide a true assessment of an organization's fiscal landscape and be used to set attainable goals.

For example, you can compare financial data from the previous year to determine how much you need to raise in the current year. Such comparisons will help you develop better budgets and set reasonable goals—important components to any fundraising plan. Proper budgetary details lead to better decisions, which lead to better fundraising results.

2. Allocate Effort

Financial information is a vital element when determining a campaign's effectiveness. Most organizations evaluate a campaign's cost vs. the amount raised to determine the campaign's return on investment. This assessment provides an overview of a single campaign but can also be used to determine overall fundraising success.

> Financial information isn't the typical message constituents have come to expect, which is one reason it's so powerful.

Although a good overall indicator, return-on-investment (ROI) information leaves many essential details undiscovered. You can gather much more detailed information on your fundraising efforts by incorporating financial data into the evaluation mix. Does direct mail bring in significantly more than what it costs, or does it barely break even? Do constituents write checks and, if so, do they do it on a regular basis or just during certain appeals? How much did a certain group or individual donate? To which appeals did these people respond? Is the organization on track to make its goal? Are there enough funds to cover rent and operations costs? This type of financial data provides a way to understand constituents' behavior as well as determine which fundraising tactics are most effective.

3. Be Accountable

By now everyone has heard the troubles one organization or another has endured related to mishandling funds. These stories have led many donors to question how their donations will be spent. Providing financial data is the single most important way for organizations to demonstrate accountability.

Understandably, many organizations have been hesitant to share financial details, but the reality is that donors want to know. And to keep donors donating, you need to make them feel part of the organization and minimize skepticism by being open and honest about fiscal matters.

With modern technology, organizations can integrate financial systems with their online giving applications, letting donors view their individual giving reports. Thus, donors can see exactly how much they have given and how much of that went to administrative costs, specific campaigns, or certain programs.

Likewise, nonprofits can use technology to communicate individually with a donor on the impact of a specific gift. The personalization and impact of these messages, combined with the willingness to share such information, will serve as a tool to demonstrate accountability and build donor trust.

4. Communicate with Constituents

Building on the idea of accountability, financial data can be used as a reason to communicate with stakeholders. Organizations are constantly searching for new and relevant information to share with their constituents to maintain top-of-mind awareness. Because today's constituents are bombarded by messages from zillions of organizations, you

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Financial data may be just what people need in order to click the donation link or write the check.

need to stick out and communicate value. Financial information isn't the typical message constituents have come to expect, which is one reason it's so powerful. It lets constituents know, see, and understand the impact of their donations. It demonstrates the difference your organization has made and serves as a tool to grow and build the constituent relationship.

Not only does financial information share facts, but it can also be used as a motivational tool, encouraging constituents to attain an identified goal. It may be just what people need in order to click the donation link or write the check.

5. Increase Donor Affinity

The final and probably most important reason to incorporate financial information into fundraising efforts is to increase donor affinity—the primary goal of every organization. By sharing financial information with your constituents, you open the conversation. You convey the trust required to sustain a long-lasting relationship.

When you demonstrate trust with constituents, you'll find that constituents will open up and reciprocate that trust. Trust is one of the most effective ways to build donor affinity.

Team Up with Your Accountant

Although finance and accounting teams haven't traditionally been involved in fundraising strategy, the output these teams produce is vital. Your accountants might not be able to brainstorm a new, fun initiative or fundraising campaign, but they have the information that can help make your next fundraising project a success. ■

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RESOURCES

Allen, Nick, "Using E-Mail & the Web to Acquire & Cultivate Donors," *Nonprofit World*, Vol. 21, No. 1.

Austin, Gene, "Ten Ways to Raise More Funds Over the Internet," *Nonprofit World,* Vol. 24, No. 4.

Barnes, Martha, "Reducing Donor Fatigue Syndrome," *Nonprofit World,* Vol. 24, No. 2.

Remley, Dirk, "Relationship Marketing: Guaranteeing the Future," *Nonprofit World,* Vol. 14, No. 5.

These resources are available at www.snpo.org/members. Also see Learning Institute programs on-line: Resource Development (www.snpo.org/lino).

Board room

Maximize Your Board to Support Fundraising

Is your board helping to raise the funds you need? Create a more powerful fundraising board with these keys.

By Veronica Meury

As organizations vie for donor dollars, many are seeking ideas to maximize their board's fundraising effectiveness. When considering a change to boost fundraising, start by asking:

- Are board meetings productive and results-oriented?
- Is attendance at board meetings where it should be? Do you have an attendance policy, and do all board members follow it?
- Are members engaged and comfortable enough to suggest new ideas?
- Do skills on the board help to meet the organization's mission and goals?
- Are all board members actively engaged in fundraising activities?
- Is the outside community effectively represented on the board?

If you answered "no" to one or more questions, it may be time to look at expanding or changing your board composition based on member skills and experience. Here are key elements to consider:

Does Size Matter?

Board size affects how well board members share with one another and fulfill their responsibilities, but there's no one-size-fits-all formula to determine the optimal number of members. Begin by looking at your board's current size and asking if

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> One of the executive director's primary roles is to create a team culture.

this number is enough to meet your fundraising objectives. What community connections do your board members have? Is everyone involved in some way with raising funds? What's the board's over-all work style and culture? How does the board communicate?

No matter how big a board is, members need to be involved in fundraising. A larger board creates more positions for different skill sets, experience, and professions. There are more people to do the work. But larger boards don't necessarily mean more capital. The smaller a board, the more opportunity for each member to be active and engaged in growing donations. Small boards can also be more flexible in scheduling meetings and setting agendas.

A good working board generally has 10 to 20 directors. If a board goes over 20 members, administrative functions become unwieldy and individual contributions may be marginalized.

Diversity Creates Opportunities

Your board's composition is a vital element to achieve fundraising success. Is your board's structure in line with your fundraising challenges, or are there holes? Is there a balance of viewpoints? Are any critical needs unfulfilled?

Evaluate and appoint new directors based on the value they bring to the board in terms of skills and background. A diverse group opens up different perspectives and contacts with the community, which can lead to more fundraising opportunities. Seek out a variety of skills, including marketing, legal, and finance.

Cultural diversity is critical: It's an opportunity to reflect the community you serve and can open many doors. Diversity broadens the board's perspective on economic, social, and political problems and can introduce new resources to boost charitable contributions.

Teamwork Builds Success

The successful board elects members with skills in legal matters, accounting principles, and programmatic areas, and then fosters teamwork among them. The goal is to achieve the organization's budgetary objectives by leveraging board intelligence through teamwork.

One of the executive director's primary roles is to create a team culture of mutual respect and accountability where all members understand their roles and responsibilities. Formal and informal communication is essential. Different opinions are healthy as long as everyone understands that achieving the nonprofit's

> Never approach any potential board member cold.

Do you have an attendance policy, and do all board members follow it?

monetary objectives requires teamwork and consensus to get the job done. At no time should staff have to act as referees among directors.

Relationships Find Potential

Maximizing your board's fundraising composition is all about relationships. Never approach any potential board member cold. Start with referrals from professional contacts or individuals with expertise in the nonprofit world. What better way to know the "best fit" for your nonprofit than from people who know the board candidate personally?

Step Outside Your Usual Box

When its time to add a new board member, don't eliminate candidates because there are no obvious connections between your nonprofit and their profession or company. When it comes to fundraising, sometimes adding balanced judgment and a different perspective is more important.

Guarantee Board Member Success

Let board candidates know as much about your organization as possible. Make sure they're enthusiastic about your mission and vision and know what will be required of them. Offer an orientation for new board members as well as ongoing fundraising training, and be sure you have a clear attendance policy for board meetings. The clearer your expectations, the happier and more successful your board members will be, and that translates into stronger fundraising abilities. ■

Veronica Meury is vice president and executive director of Universal Technical Institute Foundation, based in Phoenix, (www.utifoundation.net). She has more than 30 years' experience in the nonprofit sector.

More Knowledge Means More Funds

To boost your understanding of boards and fundraising, see these articles at www.snpo.org/members:

- **Is There a Role for Your Board in Raising Funds?** (Vol. 23, No. 3)
- **Bring a List of Names to the Next Meeting** (Vol. 24, No. 5)
- **Defining Your Board's Needs** (Vol. 26, No. 1)
- **Tools for Improving Your Board's Diversity** (Vol. 25, No. 5)
- **Reciprocal Board Agreements: What Do Board Members Give? What Do They Receive in Return?** (Vol. 28, No. 1)

Also see Learning Institute programs online: Board Governance (www.snpo.org/li).

WHAT'S UP ONLINE?

To broaden online discussions on nonprofit topics, we're expanding our Discussion Forum with a ListServe, provided by Yahoo Groups. To join, you can either click on the "Yahoo" button at:

http://www.snpo.org/social/

(free Yahoo login required)

or send a blank e-mail to:

snpo-subscribe@yahoogroups.com

If you have any questions, contact Jason Chmura at jchmura@snpo.org.

BIG Dreams, Little Steps

An expert change master shares inspirational tools for building personal leadership.

By Joe Farcht

Some dreams can appear too big and unobtainable. But don't let that intimidate you. Take a moment and crystallize your most important dream, letting your mind create a picture of that future achievement.

After visualizing your dream, develop a plan for attaining it. If it takes a few years or even a lifetime, it's worth starting now. Write a plan. What are the major steps you need to take? Scrutinize the first step. What actions must you complete to reach it?

Take the First Step

Now dissect that first step still further into a smaller action you can do today. Place it in today's schedule and take that action. Repeat this process every day, and over a year you'll have taken 365 little steps toward your big dream. You'll be amazed at what progress you can make taking tiny steps each day.

> Some dreams can appear too big and unobtainable.

Patience and commitment are required to accomplish big dreams. In today's instant gratification society, patience is a scarce commodity. Commitment is often derailed by competing short-term actions, projects, and activities. If you let them interfere with your big dream, they will. Embrace patience, and know that in time you'll succeed. Stay committed to small daily steps that will advance you toward your goal. That's all it takes, just a few minutes to accomplish one little step each day.

> Read for 30 minutes every day.

Get Ready for Change

One barrier to accomplishing your dreams may be your resistance to change. You're comfortable with the old ways and don't want to mess up a good thing. That resistance is an interesting phenomenon. Think of some change in your life that you're dreading and resisting. Write down all the reasons you're hesitant to make the change. After you make that list, categorize each reason as being either "emotional" or "rational."

What did you find? Most likely, you discovered that you're hesitating for emotional reasons. When you counter those factors with rational reasons to change, you can build a strong case for moving ahead and leaving resistance behind. Remember how you embraced change in the past and how doing so helped you succeed. You are a change master and can create any change and any dream you desire.

> Write down all the reasons you're hesitant to make the change.

Joe Farcht (joefarcht@cox.net, www.leadershipadvantageinc.com) is the founder and president of Leadership Advantage and author of Building Personal Leadership *(Genesis Publishing, www.morganjamespublishing.com).*

Tips for Personal Growth

- Never compare yourself to anyone else. Focus on being your unique self.
- Set a goal to develop your potential, and act on that goal daily.
- Read for 30 minutes every day in the field of self-development or a subject you want to explore. In one year you'll have read at least 18 books and will be an expert on at least two subjects.
- Ask lots of questions to learn more and understand people better.
- Teach others. It's the best way to learn a subject yourself.
- Ask for feedback at every opportunity.
- Work for results, not perfection.

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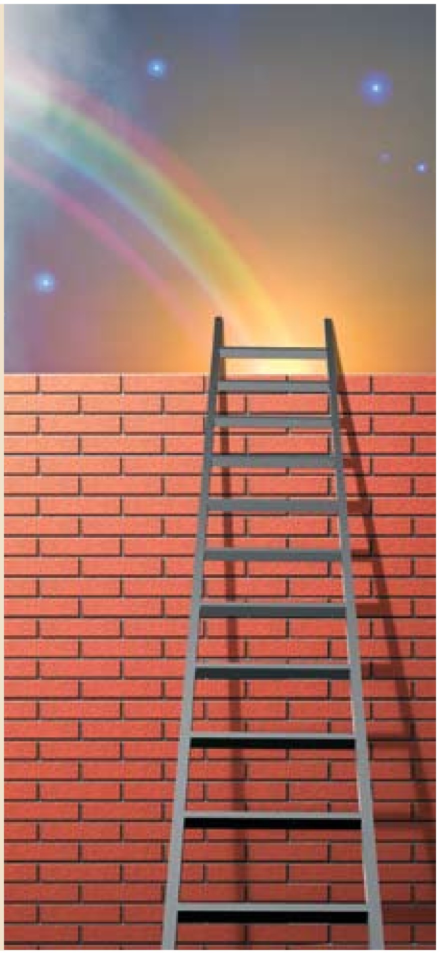
Are You Above the Line or Below?

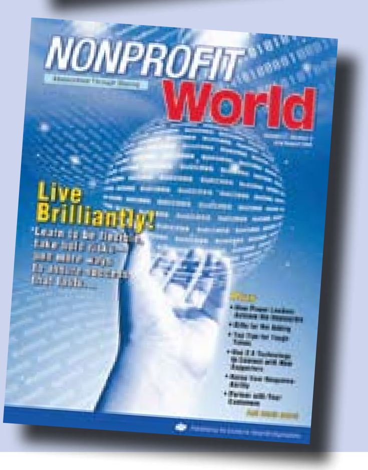
When you live below the line, you're the victim, blaming others and ducking responsibility, as Roger Connors notes in *The Oz Principle* (www.ozprinciple.com). Symptoms include:

- ignoring and denying reality
- finger pointing
- waiting for others to tell you what to do instead of taking action
- reacting to problems by thinking, "That's not my job."

When you live above the line, you're in control of your life, moving through every day with purpose and courage. To move from below the line to above it, take these steps:

- See it. Have the courage to face the reality of difficult situations.
- Own it. Accept full responsibility for all past and present behaviors contributing to a problem.
- Solve it. Ask, "What can I do to achieve the results I want?
- Do it. Take action to accomplish those results. ■





Are You Paying Too Much for Your Travel?

Don’t miss out on special nonprofit benefits.

By Steve Summers

If travel is even a small part of your budget, you owe it to your organization to find the best prices and make your employees’ trips as hassle-free as possible. Here’s how.

Initiate a travel policy

Set out guidelines specifying which airlines, ticket types, and hotels your employees are allowed to book. Encourage staff to stick to the travel plan. When exceptions arise, be sure they’re tracked and justified.

Communicate your policy

If people don’t know about it or can’t find it, they can’t follow it. Make your travel policy easily accessible and simple to read. Ensure workers understand why it’s important to follow your travel plan and what the wider benefits are to your organization.

Find the best fares

Travel requirements differ from trip to trip. Sometimes a traveler is best served by the very cheapest, most restricted ticket, but a more flexible ticket might be required if plans are likely to change. If you book the most restrictive ticket and then need to alter travel dates, you may end up paying a galling price.

> Sector-specific air fares provide benefits such as delayed ticketing.

Special tickets exist for the nonprofit community and often provide the best of both worlds (low price and flexibility). Sometimes called humanitarian fares, these sector-specific air fares provide benefits such as delayed ticketing, which lets you hold tickets without actually making the purchase, thus getting a better price. Other perks include increased baggage allowances, reduced fees for amending and canceling tickets, and minimal hidden costs.

Understand what you get for your money

Being charged separately for baggage, food, drink, and even pillows, a practice known as unbundling, is becoming commonplace. Be conscious of this when looking for flights online. What on the surface seems like a great fare may soar during the buying process as non-inclusive items are added. Sometimes an all-inclusive ticket can provide the best value, even if the initial fare is higher.

When you compare an online ticket between New York and Kenya with a humanitarian flight, for example, the former may appear hundreds of dollars cheaper. But it is non-refundable, and any changes would be charged at $300 plus the difference between the two fares. With a humanitarian package, by contrast, you can get a refund on your ticket for $75, and you can change the return date of travel for free, provided a space in the same class is available.

Book earlier

The laws of supply and demand dictate that the smaller the gap between booking and traveling, the

> Special tickets exist for the nonprofit community.

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> Perks include reduced fees for amending and canceling tickets.

more you pay. As an exercise, take a look at the price of your travel bookings in relation to departure date. You may be surprised!

Measure your travel expenses

Review management information reports to see what your organization's travel patterns and booking behaviors are. Use the results to see where you can save. Monitor and evaluate travel spending on an ongoing basis to be sure you're getting the best value for your money.

Avoid peak travel periods

Booking your travel off-peak can save great amounts of money. Fares can double when traveling in peak season.

Know when to use what booking method

Booking travel independently online can seem like a good idea and sometimes is the most effective way; but it can also cost you time and money. If you've ever booked online and then needed to make a change, you know how time-consuming this can be.

Simple point-to-point domestic journeys can be easy and straightforward to book on your own. When traveling internationally or on more complex itineraries, however, dealing with an agent may be best. Why spend hours searching for fares when an agent can find them in minutes? If you need to amend your booking, why spend hours on hold or trawling through online booking records?

What's more, self-booking tools don't offer the special deals to which you might be entitled. Travel companies negotiate these bargains with airlines and hotel chains, and they aren't available to the wider public.

Work with experts in your niche

Align yourself with a travel agency that understands your requirements and the market in which you operate. A good travel provider will help you develop a strategy to save on travel and add value through consultative processes.

Educate your travelers

Work with your traveling employees to understand what drives their choices. Share the tips in this article to help them find the best travel options. ■

Steve Summers is chief executive of Key Travel (ww.keytravel.com), which is dedicated exclusively to the nonprofit sector and has helped clients maximize travel budgets for over 30 years.

New Rules for Accountability

Insure your organization's reputation by following these rules.

By Noah Barsky & Frank Grippo

We've entered a new era of accountability. While nonprofits aren't regulated as stringently as corporations, there should be no difference between nonprofit and for-profit accountability. You owe it to your stakeholders to be as transparent as possible, disclosing relevant facts to the public in an open and understandable way.

> You owe it to your stakeholders to be as transparent as possible.

All nonprofits can benefit from incorporating recently enacted for-profit rules and regulations into their everyday activities. Sweeping changes to the Dodd-Frank Act and guidance from the SEC, for example, require much more disclosure about risk oversight, board governance, and executive compensation. These rules aren't yet mandated for nonprofits, but, for the sake of your reputation and public confidence in your organization, it's a good idea to follow them.

To be sure you comply with these rules, make the following disclosures in your annual report, financial report, or other public documents:

- **Clearly explain** the board's role in risk oversight. Is this function performed by the entire board or by a committee? What is the timing, nature, and extent of risk monitoring by board members?
- **Describe** your board structure, Explain why this leadership structure is appropriate for the board's risk oversight responsibilities.
- **Delineate** the duties of the CEO and board chair. These two positions should be entirely separate, with clearly different, well defined roles and responsibilities.
- **Provide data** about board members' experience, workload, and potential conflicts of interest.
- **Detail the relationship** between pay and performance. How have you developed your compensation system? On what do you base salaries, benefits, and incentives? Have you examined salaries in similar organizations to assure that your compensation is reasonable and fair?

> There should be no difference between nonprofit and for-profit accountability.

> Your stakeholders need to know that you've thought through each decision.

The reason for all these rules, of course, is to provide insight into the decisions made by your organization's leaders. Your stakeholders need to know that you've thought through each decision and found the solution that will best protect your organization from risks and problems. ■

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A Guide to Greater Transparency

For more ways to assure that your organization is accountable and transparent, see these *Nonprofit Word* articles at www.snpo.org/members:

- **Conflict of Interest in the Board Room** (Vol. 17, No. 2)
- **How to Be Sure Compensation Is Reasonable** (Vol. 17, No. 1)
- **What Is the Board's Role in Managing Risk?** (Vol. 15, No. 5)
- **Executive Compensation** (Vol. 23, No. 5)
- **Navigating Tough Conflict of Interest Situations** (Vol. 27, No. 1)
- **Six Ways to Reduce Risk & Comply with the Law** (Vol. 25, No. 6)

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Co-Executives and Succession: A Radical Proposal for a Thorny Problem

Here's a way to solve an alarming predicament.

By Joseph C. Santora

Research finds that most U.S. nonprofits don't plan for executive succession even though it's one of the most important events in an organization's life. Executive transition can be disruptive, even disastrous, if not well planned.

One solution: Follow the lead of several for-profit organizations that appoint co-CEOs. While co-executive directorships are challenging, the benefits tend to outweigh the costs.

> Most U.S. nonprofits don't plan for executive succession.

Eight Considerations

To start the process of a co-executive directorship, consider these eight factors:

1. Begin with a true desire to share leadership at the top for the betterment of the organization and its stakeholders. Both co-executives must be committed to remain in the position even if the other one departs.

2. Understand the promises and pitfalls of such a governance structure at the board level, the co-exec level, and the staff level. Realize that no matter how hard we try or what we do, not every co-executive directors arrangement will work.

3. Aim for an age difference between the co-executives. A five-year difference is ideal. This age gap makes it possible for one co-exec to retire while the other continues to lead with a new partner.

4. Be sure there is compatibility and trust between the co-executives. Liking each other isn't a prerequisite, though it may help the relationship endure.

5. Define areas of responsibility for each co-executive. Assign the co-execs some areas of responsible outside their immediate expertise. That will help them develop a holistic understanding of the organization and its nuances.

6. Foster honest, open communication between the co-executive directors. Make sure they share organizational leadership (including power and prestige) equally.

> Aim for an age difference between the co-executives.

> Executive transition can be disruptive, even disastrous.

7. Avoid organizational politics. Adopt parity in practical matters such as employment contracts.

8. Identify a replacement to step in when one of the co-executives departs.

Give It a Chance

While moving to a co-exec model is a radical change, boards should at least consider it. If they have reservations about implementing such a practice, they might consider trying it experimentally.

The nonprofit sector needs enlightened boards and executive directors to endorse alternative governance models, to test them, and to see if they work. We have nothing to lose and all to gain. ■

Dr. Joseph C. Santora, Ed.D. (santora@enpcmbaparis.com) is visiting professor of management and director of research at ENPC School of International Management, Paris, France. He has written dozens of articles on executive succession, conducted research on the topic, and has been a consultant on transition issues.

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How to Address the Funding Crisis? A Proven Option Lies Right Before Your Eyes

In changing times, look beyond your usual funding to embrace a new approach.

By Bruce Burtch

The underserved are getting hit even harder. Donations to nonprofit organizations have been declining, and safety nets all across the country are being compromised.

The questions must be asked: What are nonprofits doing differently to address this crisis? How are they making up for the downward spiral in individual, foundation, and corporate giving?

The answers don't come from writing more grants or asking past donors for more money. The answers come in realizing that nonprofits must find new approaches and new funding streams.

There's one place where increased contributions are just waiting to be scooped up. It's a place few nonprofits consider—the for-profit sector.

Private-sector partnerships offer many funding opportunities and supportive linkages. Nonprofits can participate in such collaborations without risk of losing their mission or independence. Such cross-sector partnerships draw on the assets of each partner, creating a sum much greater than its parts.

The answers don't come from writing more grants or asking past donors for more money.

Cause marketing programs (a subset of cross-sector partnerships), such as those of breast cancer research fundraising activist Susan G. Komen, have proven phenomenally successful in raising awareness and funds. Such campaigns (also called cause-related partnerships) are "the fastest growing area of corporate marketing spending," according to *Advertising Age*.

Why? Because studies show that the public wants to buy products and services from organizations that support a worthy cause. Smart companies know this. Nonprofits need to learn it.

Nonprofits represent the "cause" in cause marketing. And cause marketing works best when it involves small, local campaigns.

Such marketing partnerships are just the beginning. Loaned executives, pro bono services, in-kind donations, and many more opportunities are available for nonprofits willing to think outside of conventional wisdom and reach out to the for-profit sector.

The time is past for believing we can operate as we always have, un-

There's one place where increased contributions are just waiting to be scooped up.

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This is new territory for the nonprofit sector.

der "normal" circumstances, because "normal" doesn't exist. Now is the time to learn new techniques and build sustainability for the nonprofit world through for-profit partnerships. As one who knew a bit about survival, Charles Darwin said it best: "In the long history of humankind, those who have learned to collaborate and improvise most effectively will prevail." ■

Bruce Burtch (bruce@bruceburtch.com, 415-454-0839) is executive director at 10,000 Partnerships (San Rafael, California), a nonprofit initiative providing online and onsite cross-sector partnership training, focused on small and midsize nonprofit and for-profit organizations. The mission of 10,000 Partnerships is to provide a continuum of support in creating partnerships, beginning with "hands-on" workshops. These workshops have identified and explored over 25 beneficial linkages between nonprofit and for-profit partners.

Reaching Out for Support

Many past articles in *Nonprofit World* provide guidance on partnering with for-profits. See, for example, the following at www.snpo.org/members:

- **Nonprofits Must Take the Lead in Business Alliances** (Vol. 20, No. 2)
- **Corporate Partnerships for Nonprofits: A Match Made in Heaven?** (Vol. 30, No. 2)
- **High-End Alliances as Fundraising Opportunities** (Vol. 19, No. 5)
- **Increase Donations from Local Businesses** (Vol. 23, No. 4)
- **Take the Money But Don't Run** (Vol. 19, No. 6)
- **Cause-Related Marketing: 10 Rules to Protect Your Assets** (Vol. 17, No. 6)
- **Building Bridges with Businesses** (Vol. 13, No. 4)
- **Learning Institute Programs On-Line: Strategic Alliances, Resource Development, and O for Opportunity: Exploring New Revenue Opportunities for Nonprofits** (http://www.snpo.org/lino).

Coming Up in *Nonprofit World*

- Uncovering Hidden Profit Centers
- Six Tips for Better Pricing
- Developing a Great Fundraising Plan
- Common Mistakes in Hiring a Consultant – and How to Avoid Them
- A Powerful New Tool for Change
- How to Cut Overhead Costs
- Get People to Reply to Your E-Mails: Here's How
- The Value of a ZIP Code
- Five Steps to a Well-Balanced Board
- How to Write Effective Anti-Bias Policies

Can Your Organization Afford to Lose $100,000? Safeguards Every Nonprofit Needs to Implement

Are you making any of these common mistakes?

By Tanya Ferreiro

We've all read the stories about nonprofits victimized by fraud. According to the Association of Certified Fraud Examiners' *Report to the Nation on Occupational Fraud & Abuse* (www.acfe.org), nearly 14% of fraud cases take place in nonprofit organizations, with a median loss of $100,000. The top five most common types of fraud committed against nonprofits are:

- corruption (accepting or paying a bribe, or being involved in a transaction with an undisclosed conflict of interest)
- billing schemes (billing the organization for non-existent services, or submitting invoices for payment of personal purchases)
- fraudulent expense reimbursement claims
- check tampering (taking and using blank checks or stealing a legitimate outgoing vendor check)
- skimming (accepting a donation or other payment and not recording it).

> Your budget should serve as a monitor for your organization's activities.

How Can You Protect Your Organization?

Budgeting is an important internal control. If your budgeting process stops after developing and approving a budget, you've missed a simple opportunity for oversight. One purpose of a budget is to project income and expenses for the coming year, but your budget should also serve as a monitor for your organization's activities. Periodically, a manager or board member should review the expected cash receipts and disbursements against the actuals. A finance committee serves this purpose in many organizations. In some cases a shortfall might indicate overly optimistic planning. In others it could indicate fraud.

Ask questions like, "Why, halfway through the year, have we received no major gifts against a budget of $300,000?" A fraudster might have solicited—and pocketed—a large contribution.

Ask, "If this program was supposed to be completely funded through a grant, why are expenses exceeding income?" Perhaps inappropriate expenses are being hidden within the program.

Ask, "Why did the event we budgeted at $10,000 in expense and $20,000 in revenue barely break even?" Perhaps expenses were artificially inflated by a billing scheme diverting funds to a fictitious supplier. Or maybe ticket revenue from the event was skimmed by a ticket-seller.

> Nonprofits lose a median of $100,000 to fraud.

Segregation of duties is a classic technique to protect an organization. Simply put, segregation means assigning someone to keep an eye on the person responsible for receiving or disbursing cash.

- If the same person is responsible for cash receipts and deposits, there's no control in place to assure that a check doesn't vanish before getting to the bank. A cash receipts log should be created and maintained by someone independent of the accounts receivable bookkeeping.
- In the case of cash disbursements, the person who signs the checks should be independent of the initiator or approver of purchases. This can seem daunting in a small, lean operation, but it's

Nonprofit World • Volume 30, Number 3, May/June 2012.
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Special events pose a perfect opportunity for the fraudster.

one of the most effective protection tactics.
- Bank statements should be received and opened by someone (a manager or board member) who's not responsible for cash receipts or disbursements, before being routed to accounting for reconciliation. The reconciliation should then be reviewed by someone in management or at the board level.

Approval procedures can deter fraud, and can be implemented without adding additional staff. For example, many organizations require checks over a certain amount ($2,500 or $5,000) to be signed by two approvers, at least one a board member. Certainly non-cash disbursements can easily be controlled with passwords, authorization limits, and even bank verification of transactions over a certain limit. Make sure that the person verifying for the bank isn't the same individual initiating the transaction.

Special events pose a perfect opportunity for the fraudster. There's generally a lot of cash involved, often many volunteers, and sometimes merchandise for an auction. The excitement and commotion of an event can draw attention away from fraudulent activities.

As you do your planning, make sure to establish a budget for the event. Later, take care to investigate any variances from that budget. For ticketed events, use pre-numbered tickets, and keep track of the series each ticket-seller has been issued. Account for all tickets sold and unsold. Make sure that cash receipts on the day of the event are counted by at least two people, no more than one of them a volunteer.

As far as auction materials, keep close track of the donated property. Inventory should be monitored by someone not responsible for the physical control of the materials. Control who has the right to bid, to make sure that insiders aren't manipulating the auction. When a bid is accepted, make sure you have procedures in place for properly collecting and accounting for the payment before releasing the merchandise. In one common fraud scheme relating to auction merchandise, a bidder takes the property the night of the auction without paying, and an insider writes off the receivable.

Expense report falsification is a popular fraud, representing nearly 20% of the fraud cases studied in the ACFE report, with a median loss of $25,000. Make sure written procedures are in place for expense reimbursements, including a clear definition of expenses that qualify. Consider a time limit (one month, perhaps) on requests for reimbursement. Use a standard form, and require receipts for all expenses. Require approval from an appropriate member of management or the board, possibly dictated by the amount.

Two other measures, mandated for public companies by the Sar-

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Anti-fraud training for all staff sets the proper tone.

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banes-Oxley Act, should be part of every nonprofit's armor against theft. The first is known as "tone at the top." Management needs to set the tone for ethical, honest operations —not just putting procedures in place but talking about the reasons behind them. Anti-fraud training for all staff sets the proper tone. Follow the procedures (filling out standard expense reports, for example) and your staff will follow your lead.

Second, make sure employees have a direct line of communication with top management and with someone on the board. An employee observing misconduct within the chain of command can't be expected to report it through the same chain. But, according to the ACFE report, the most common method of fraud detection wasn't through an auditor's observation or even by the types of controls we've outlined above—it was from a tip. Establishing a hotline for whistleblowers makes it easier for those observing potential misdeeds to report them without fearing retribution.

Are inappropriate expenses being hidden within the program?

It's a pretty good bet that your organization can't afford to lose $100,000 to fraud, not to mention the damage to your credibility which would follow. Putting stronger controls in place, setting the right tone, and establishing a reporting mechanism can go a long way toward protecting you. ■

Tanya Ferreiro, CPA (tferreiro@kaufmanrossin.com) leads the nonprofit audit practice for Kaufman, Rossin & Co., one of the top accounting firms in the Southeast.

Resources (available at www.snpo.org/members)

- **Fraud: How to Prevent It in Your Organization** (Vol. 26, No. 3)
- **Navigating Tough Conflict of Interest Situations** (Vol. 27, No. 1)
- **Risk Management: How to Protect Your Assets** (Vol. 26, No. 1)
- **The Sarbanes-Oxley Act & Nonprofits: But I Thought That Didn't Apply to Us** (Vol. 22, No. 5)

Use the IRS's Work Plan to Avoid Unpleasant Surprises

Here's what the IRS is concentrating on this year. Make sure you're compliant in these areas.

By Bob Moreland

The Internal Revenue Service has released its work plan for exempt organizations, which describes the areas the IRS is focusing on this year. Use this information as a tool to see if there are any areas of exposure that might have a negative impact on your organization. By evaluating your activities against these focus areas, you can uncover any surprises that may be lurking. Here are some of the key topics in the IRS work plan:

Political activity. As 2012 is an election year, the IRS will focus on enforcing the rules relating to political campaigns and campaign expenditures for nonprofit organizations.

990-T and UBIT. The IRS focus in this area will be twofold: identifying organizations that list unrelated business activities on Form 990 but don't file Form 990-T, and those that consistently file Form 990-T with significant gross receipts yet declare no tax due.

> Evaluate your activities against these focus areas.

Governance. The revised Form 990 now provides the IRS with a great deal of information regarding an organization's governance practices. The IRS plans to analyze this

> Be sure you follow the rules for Unrelated Business Tax Income (UBIT).

information to look for connections between certain government practices and tax compliance.

Auto-revocation for non-filers. The Pension Protection Act of 2006 (PPA) requires most tax-exempt organizations to file some form of annual return or notice with the IRS. If an organization fails to file for three consecutive years, its tax exempt status is automatically revoked. As part of the PPA, the IRS is required to publish and maintain a list of the organizations that have had their exempt status revoked. This list, which is updated monthly, can be accessed via the IRS Web site using the new online application "Select Check."

To aid small nonprofits that have lost their exemptions, the IRS has issued Notice 2011-44, which provides rules for applying for reinstatement of tax exemption. The IRS has a reduced application fee of $100 for these unfortunate organizations. The IRS reports that as of the beginning of fiscal year 2012, 5,000 organizations have already taken advantage of this transition relief.

501(c)(4),(5), and (6) self-declarers. Groups with these designations can declare themselves exempt without an IRS determination letter. The IRS will be reviewing these organizations to ensure they have classified themselves properly and are applying with the appropriate regulations.

International organizations. Because many exempt organizations have dealings outside the U.S. and the overall economy is moving toward greater globalization, the IRS will focus on organizations dedicated to charitable purposes internationally. It will create two publications to clarify the different rules that apply to foreign charities as opposed to domestic charities involved in overseas activities. And it will continue to examine exempt organizations that operate overseas to ensure that their activities are consistent with their charitable purposes.

> The IRS has a reduced application fee of $100 for these unfortunate organizations.

Exempt organizations services and assistance. In 2010, the IRS launched a research project to determine how best to educate small tax-exempt organizations and deliver tax-related information to them. The final stage of this research project will occur in 2012 and include a cost-benefit analysis of taxpayer preferences and IRS outreach efforts to measure cost-effectiveness. ■

Bob Moreland, CPA, is tax manager at Blue & Company, a regional CPA firm providing consulting and certified public accounting services (www.blueandco.com).

Nonprofit World • Volume 30, Number 3, May/June 2012.
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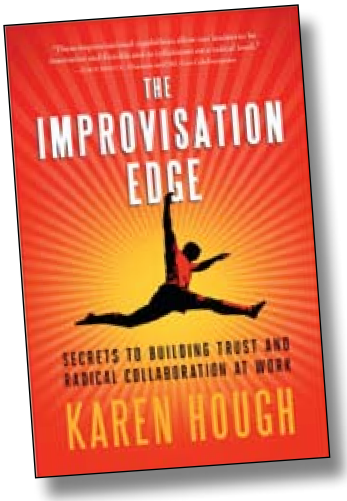
Learning from Improv Theater

What does improvisational acting have to do with building a nonprofit organization? More than you might think.

By Terrence Fernsler



The Improvisation Edge: Secrets to Building Trust and Radical Collaboration at Work

By Karen Hough. 181 pages. Softcover. Berrett-Koehler Publishers, www.bkconnection.com

Karen Hough received training in improvisational theater, or improv, at Chicago's Second City and has been a professional improviser for many years. She learned how to transfer much of that training and practice to running a successful business. In *The Improvisation Edge,* she explains how improv behavior helps teams collaborate. She explores improv secrets and demonstrates how they're directly related to adaptability, which leads to improved organizational performance. Her insights are perfectly suited for nonprofit organizations, which rely as much on relationships to perform well as any business does.

The book begins by examining how work issues are

> Improv behavior helps teams collaborate by building trust.

A Tip from the Improvisational Stage

One of the many creative exercises described in *The Improvisational Edge* is the Two-Headed Expert. Two people work as a team to answer a question from the group, each person saying just one word at a time, like this:

Person A: "I"
Person B: "am"
Person A: "the"
Person B: "two"
Person A: "headed"
Person B: "expert!"

Not only does this activity help people learn the advantages of teamwork, it makes it clear that each word, no matter how small, is important to the whole. It requires people to let go of assumptions, give up control, listen carefully to one another, and embrace the beauty of collaboration.

> The best teams leverage the strengths of each member.

tied to the need for collaboration, flexibility, and trust. It turns out that four improv characteristics are important to developing these values:

- Being positive creates the capabilities for collaboration, innovation, and opportunity.
- Encouraging participation is a tool for building strong programs, and improv invites team members' contributions.
- The best teams leverage the strengths of each member to work toward a common goal.
- Being adaptable allows your team to deal with the unexpected and use it to advantage.

This fascinating book teaches us that improv teams are among the most rehearsed entertainers—a fact that opens a discussion about the value of practice, especially when behaviors are new. In a work setting, practice comes through daily interactions. This continual preparation helps people trust each other enough to meet uncertainty together.

> Improv teams are among the most rehearsed entertainers.

Celebrating even small successes encourages team members to take on larger challenges. Learning and using improv behavior can turn the challenges we face into opportunities by helping us become more comfortable with creative solutions.

Collaboration, inclusiveness, and a positive attitude are essential for strong teams. Learning and practicing improv behaviors can build incredibly well-functioning teams, leading to more productive organizations. ■

Terrence Fernsler is policy analyst for Alliance FOR Nonprofits Washington and host of Third Sector Radio USA (www.ksubseattle.org). He has been a nonprofit professional for over 30 years.

Nonprofit briefs

Nonprofits Still Struggle to Meet Demand for Services

Many nonprofits continue to face economic challenges as demand for their services increases. A survey by the Nonprofit Finance Fund (NFF) reports the following results:

- 85% of nonprofits experienced an increase in the demand for services in 2011. (This is on top of years of increased demand: 77% of nonprofits experienced an increase in demand in 2010; 71% experienced an increase in 2009; and 73% experienced an increase in 2008.)
- 88% expect an increase in demand for services in 2012.
- 57% have three months or less cash-on-hand.
- 87% said their financial outlook won't get any better in 2012.

"Nonprofits are adapting to continued economic pressure in all sorts of creative and substantive ways, but for many, these are stopgap measures that won't make up for the bigger forces at play: decreasing government support, the unwillingness of some private foundations to evolve funding practices, and a lack of necessary support from some boards," says Antony Bugg-Levine, CEO of Nonprofit Finance Fund. "We must rethink the way we fund solutions to our most pressing social problems."

> "We must make systemic changes to the way we address social problems."

There were bright spots as nonprofits dug deep to serve constituents and maintain employment:

- 55% of survey respondents added or expanded programs or services.
- 52% increased the number of people served.
- 50% hired for new positions.
- While 23% of respondents cut staff in 2011, just 10% expect to do so in 2012.

"We are reducing services and changing our business model to compensate for the decline in government funding—but changing business models requires resources, and organizational time and money are in short supply as we focus on the people we serve," says Darryl Evey, Executive Director of Family Assistance Program, a California-based organization that provides services to victims of domestic violence and their children.

"Nonprofits are an engine of the economy—providing critical services to people in need and providing employment to millions of Americans," says Kerry Sullivan, President of the Bank of America Charitable Foundation. "The changing funding landscape requires greater collaboration between government, private foundations and nonprofits in order to ensure that critical services remain in place and that the nonprofit sector remains a vibrant contributor to our country's economic health."

The survey underlines the need for a more open conversation among funders, boards, and nonprofits:

- Just 1 out of 5 nonprofits feels comfortable talking with their funders about cash flow concerns.
- Only 6% feel comfortable talking with funders about debt.
- 73% say their boards don't do enough to leverage their relationships to support fundraising.
- 38% report that their boards aren't able to sufficiently understand and communicate their expense drivers.

More than 4,500 respondents at nonprofits across the country shared details of how they are adapting their organizations and finances to current economic conditions in the new survey. Full survey results are available at: http://nonprofitfinancefund.org/2012Survey.

Networking for Introverts

Almost all guides for networking are written for extroverts—people who enjoy a room full of bustling strangers, mingling and yakking away. Networking, however, helps anyone achieve their highest potential, because we all rely on one another. As Devora Zack explains in *Networking for People Who Hate Networking: A Field Guide for Introverts, the Overwhelmed, and the Underconnected* (Berrett-Koehler Publishers (www.bkconnection.com), networking is "the art of building and sustaining connections for shared positive outcomes."

People with different personalities need to network in different ways. Following advice never intended for them leads introverts to have an aversion to networking because such advice teaches them they're not good at it. Zack offers different methods of networking using the strengths of people who don't enjoy the crowded, noisy rooms of networking events.

Zack defines extroverts as verbal, expansive, and social. These are characteristics that blend perfectly into traditional networking events. Introverts, on the other hand, tend to reflect, focus, and be self-reliant. Zack explains how to use those qualities to pause, process, and pace yourself in order to network better. She explores various situations, such as conferences, a job search, business meetings, and even networking events, to explain ways for introverts to use their skills in each situation.

Each of us should consider our strengths and determine what we want from networking. Extroverts do well in group discussion, multitasking, and interaction. They're good at promoting projects and people, enjoying others in conversation, and creating excitement for new ideas. Introverts excel at delving deeply into an issue, having one-on-one discussions, reflecting on experience, focusing attention on others, listening, and following up. These are complementary skills and all useful. Some "centroverts" are able to utilize most of these skills, but most people are more comfortable with one style or the other. Whatever you're best at will be useful in networking. This book will help you determine which skills you already possess and how to use those skills to improve your networking.

–reviewed by Terrence Fernsler

Why More Nonprofits Are Getting Bigger

A recent Bridgespan Group study (www.bridgespan.org) found that the number of U.S. nonprofits with annual revenues of $50 million or more has increased dramatically over the last decade. How did these organizations break through? Bridgespan's Peter Kim and Jeffrey Bradach share four themes that provide insight into what has shaped—and will continue to shape—nonprofit growth during the first half of this century:

1. Single-Engine Growth. Nonprofits that grow big concentrate their funding efforts rather than diversify them. In contrast to conventional wisdom, the really big organizations raised the bulk of their money from a single type of funding, such as corporations or the government. In fact, more than 90 percent of the $50 million-plus group relied on a dominant funding source to drive growth.

The insight here is that small and midsized nonprofits seeking to grow can benefit from identifying a primary funding source early in their life cycle, which can be aligned with their program model. This will lead to investment in a funding strategy—for example, building deep expertise in government grantmaking processes—that can better attract the resources needed to fuel programmatic growth. It is a strategy that also avoids spreading resources thinly across a variety of funding opportunities.

2. Heavyweight Stability. Government funding through grants and fees continued to drive the growth of most of the really big organizations in the study, with corporate in-kind donations following behind. These dynamics may change in the next five years, as the potential for long-term retrenchment by government at all level signals serious trouble for nonprofits dependent on federal, state, and local funds.

3. Magnet Fields. Certain fields have attracted increasing amounts of funding. About half the organizations in the study fell within one of three program areas—international (including global development), health care, and human services—although these three areas comprise only about a quarter of the nonprofit sector. With uncertainty about the scale of future government funding, however, it is hard to know how the largest nonprofits in these areas—particularly in human services—will fare in the years ahead.

4. Big Bettor Philanthropy. Of the 201 nonprofits at $50 million-plus, only a handful had foundations as their dominant funding source. But foundation funding did play a pivotal role in turning small and midsized nonprofits into large ones in the first decade of the 2000s. Some of these organizations grew through support from philanthropists willing to invest heavily at an early stage of their development. This group includes education nonprofits KIPP (Knowledge Is Power Program) and Teach for America. Today the funding models for KIPP and Teach for America are no longer anchored in philanthropy, but the investments of foundations and individual philanthropists have played a critical role in helping both organizations achieve their current scale and impact. Over the next 10 years, big-betting philanthropists are likely to play a significant role in determining which social enterprises continue to flourish and which new ones grow to scale. Philanthropists cannot make up the gap in government funding, but their philanthropic dollars may play an outsized role in determining who withers and who grows.

Nonprofit briefs

Increasing Funders' Impact through Advocacy

Foundations can play a vital role in influencing public policy. In fact, if a foundation believes it has a higher responsibility to the public and those it serves, it ought to include public policy advocacy as one of its strategies. Such an approach can lead to far greater use of its resources than granting money for programs.

The problem is that many foundation leaders equate influencing public policy with lobbying. Lobbying means trying to influence specific legislation. Private foundations may risk their tax-exempt status by lobbying, but they can make grants that involve other forms of public policy activity, such as nonpartisan voter participation projects. They can even make some grants, with certain restrictions, that involve lobbying. Community foundations can delve even deeper into advocacy and make grants specifically for lobbying. They can carry out any public policy activities that non-foundation charities can, including lobbying (again with certain limitations).

Power in Policy: A Funder's Guide to Advocacy & Civic Participation details, in plain English, what foundations can and can't do. Edited by David F. Arons and published by Fieldstone Alliance (available for a discounted price at www.snpo.org/discounts/books.php), this 317-page paperback documents, through numerous examples, how foundations have dramatically increased their accomplishments through public policy activity. The book's authors, mostly foundation practitioners, clarify how foundations can strengthen the environment needed for more successful philanthropy by building public policy into their operations. As they demonstrate, participation in public decision making is not only possible for foundations, it is often critical to achieve mission-related goals.

–reviewed by Terrence Fernsler

Church Giving Survey Shows Upward Trend

Churches suffered from plummeting donations after the recession began in 2008. But in the past year, a majority of congregations experienced giving increases because of a better economy, higher attendance, and more church teaching on giving. The State of the Plate Survey (www.stateoftheplate.info) reveals that 51% of churches saw giving increase in 2011, up from 43% in 2010 and 36% in 2009.

Trends in 2011 included higher budgets, which brought more church spending on staff salaries, missions, facilities, and benevolence. Trends also included greater attention to fiscal transparency and board governance and a rise in electronic giving through technological tools, such as cell phone applications and automatic bank withdrawals. The survey was completed by 1,360 churches of varying types from all regions of the country.

New Bill Would Encourage Gifts of Inventory

A bill up for consideration in the U.S. House of Representatives would allow thousands of small businesses to take advantage of IRC Section 170(e)(3), which provides a tax benefit for donating excess inventory. Till now, this benefit has been available only to large corporations. Passage of H.R. 2592, the Charitable Contribution and Parity Enhancement Act, sponsored by Rep. Aaron Schock, R-Ill., would mean that small businesses, representing over two thirds of all American businesses, would be able to realize an up to twice-cost federal tax deduction on donations of excess inventory. For more information about H.R. 2592, visit http://pvox.co/AFDMzV.

Nonprofits Embrace Social Media

Nonprofits' investment in social media continues to grow, notes the "Nonprofit Social Network Benchmark Report" (www.nonprofitsocialnetworksurvey.com), unveiled at the recent Nonprofit Technology Conference (NTC). Key findings:

- Nonprofit Facebook communities grew by 30%, and Twitter by 81%, compared with 2011.
- Google+ is struggling to gain momentum, and Pinterest has popped up as the top newcomer.
- Respondents' budgets and staffing for social networks continue to cautiously climb.

Blackbaud, Inc., in collaboration with the Nonprofit Technology Network (NTEN) and Common Knowledge, surveyed 3,500 nonprofits to provides an extensive look at how nonprofits are using social media, highlight key trends, and provide insights for the year ahead.

"We are beginning to see organizations value social media as not only an engagement channel, but also an acquisition channel that can lead to fundraising," said Frank Barry, Blackbaud's Internet strategy manager. "That isn't to say that some organizations aren't raising significant amounts of money from their social networks, but ultimate value comes from a multi-channel approach, not just someone liking your page or following you."

The top three factors for success on social networks, the study report concludes:

A strategy. Take the time to develop a vision and strategy for your social networking program.

A priority. Make sure your executive team makes social networking a priority for your organization.

Staff. Create a new position or dedicate existing staff to focus on social networking.

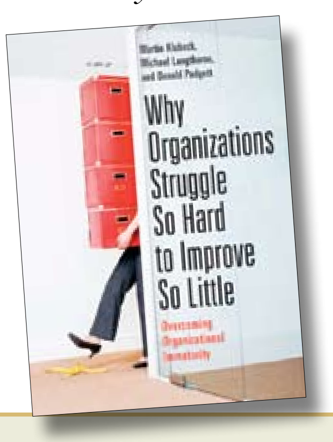
Why Organizational Change Is So Hard

When organizations fail to change, it's the leader who's usually blamed. More likely, however, it's the organization's culture that stymies innovation. If organizations have immature cultures, their change efforts are doomed.

Immature organizations are marked by avoidance behavior. They typically move from crisis to crisis (frequently creating their own crises), because they only know how to manage against impending threats. Reaching maturity means moving away from crisis management to being driven by issue resolution, then becoming task-driven and results-oriented, to finally setting goals so that planning and metrics can be used.

Why Organizations Struggle So Hard to Improve So Little: Overcoming Organizational Immaturity (by Martin Klubeck, Michael Langthorne, and Donald Padgett, published by ABC-CLIO, www.abc-clio.com) describes how organizations can develop cultures of learning, which will help them become more mature. Those eager to improve become role models, creating pockets of maturity which spread to other parts of the organization. Although it's a slow process, with patience and passion it can happen, and it's well worth the striving.

–reviewed by Terrence Fernsler



Learning to Fail

You can't succeed until you learn to fail. Defeat is life's greatest teacher. Practice with these lessons from *Celebrating Failure* by Ralph Heath (Career Press, www.careerpress.com):

> If you don't make mistakes, you're not working on hard enough problems. *– F. Wilezek*

- **Establish a policy of evaluating successes and failures.** Help everyone in the organization think about how to leverage each success and failure to move to the next level.
- **Make it clear that failures will be celebrated.** Hold meetings in which everyone talks about their mistakes and what can be learned from them.
- **Hire for attitude.** What people know is less important than what they're made of. Look for resilience, persistence, a can-do attitude, and the ability to take risks and welcome defeats as learning tools.
- **Keep an optimistic attitude.** Look for the positive elements in every situation, and help others do the same.
- **Raise your sights.** Rather than aim at a mark you can't miss, set your sights on bigger, riskier goals.
- **Expect some pain.** When you push yourself to fail, you'll get hurt sometimes, but the rewards will be bigger in the end.

> When you cannot make up your mind between two evenly balanced courses of action, choose the bolder. *– W.J. Slim*

- **Release the stress of failure.** Give your body physical outlets so the mental tension will flow out.
- **Take responsibility.** Acknowledge mistakes and problems promptly, and never shift the blame.
- **Keep a file, notebook, or computer diary** called "Celebrating Failure." Capture all the lessons learned from bad decisions and wrong paths taken. Tell these stories often to yourself and others.
- **Invite feedback and critical input.** Constructive criticism helps you fail smarter.
- **Don't mistake change for failure.** Change is transformation. Failure is lack of success. Change is certain. Failure is not. Are you avoiding change because you fear you could fail?

Key Ingredients for Leaders

Leading in Turbulent Times by Kevin Kelly & Gary Hayes (Berrett-Koehler Publishers, www.bkcpnnection.com) highlights the following leadership keys:

- **Expect to be misunderstood.** Not everyone thinks like you. If they did, they wouldn't need you as their leader. Communication requires patience and the willingness to repeat important messages many times, in many ways.
- **To stand up to the challenges of the future,** every leader needs passion and a big vision.
- **Never stop learning.** You will fail as a leader if you think you have no more areas in which to improve. Work constantly to better yourself and your organization.
- **Always see the glass** as half full. Believe in the future. Optimism and a positive attitude are critical.

How to Cultivate Greatness in Yourself

The Genius in All of Us by David Shenk (published by Doubleday) has far-reaching implications for anyone who wants to fulfill a dream. As he explains, intelligence and IQ scores can be improved, and few adults come near their true potential. The key to greatness is to learn to discipline yourself, delay gratification, and focus on your goal—all of which are skills you can learn. Here are some tools:

- **Persevere.**The greatest lesson from ultra-achievers isn't how easily things come to them but how persistent and resilient they are.
- **Find your motivation.**You have to want it so badly you'll never give up, so badly that you'll sacrifice time, sleep, and money, so badly that you'll actually revel in failure so that you can learn from it.
- **Be your toughest critic.** The way to achieve greatness is through deliberate practice, which requires never being satisfied with your current ability. It requires constant self-critique and an enormous daily commitment to being better. But, more than that, it requires a resolve to aim beyond your capability, to dust yourself off and try harder each time you fail, and to glue yourself to "the gritty process of getting better," as Shenk puts it.
- **Identify your limitations—and then ignore them.**To be great, you need to look beyond your shortcomings and what may look like immovable obstacles, believing you can grow, change, and triumph.
- **Have heroes.**Heroes inspire not just by their great work but by their humble beginnings, hard work, and the dogged patience that leads to achievement. ❑

Top Tips for Thriving in a Bumpy Economy

A lot of people these days are worried about the future. Bad news? In some ways, yes. But for those with the right approach, there's increased hope and opportunity. Here are a few coaching tips and tactics that can help you if you need a boost.

Work harder. When people are feeling the pinch, it takes more persuasion to gain their support. Research shows that it takes as many as 10 "touches" to get someone to take action. So ask more often. Use stronger arguments. Go back to your people repeatedly.

Narrow your focus. You've got to free yourself from distractions. Prune outlying ventures and offshoots that aren't part of your core vision. Spend all your energy on strengthening your core services.

Do more marketing. Many organizations "budget" for marketing, which only makes sense if you think of it as a cost. Instead, if you see marketing as a revenue generator, you should be willing to be spend some defined fraction of that revenue to acquire yet more revenue. In tough times, you may want to increase the amount you spend on marketing, as it's especially important to get the word out to people.

Make it easier for people to do business with you. Welcome people with open arms. Stay open longer. Provide better service. Keep asking people what they want, and then give it to them.

> It takes as many as 10 "touches" to get someone to take action.

Clarify your value proposition. Prove to people how they'll benefit from investing in your organization. Spell it out; show them exactly how they'll benefit. Use case studies, testimonials, examples, demonstrations.

Reactivate your old supporters. Get back in touch. Call, mail, e-mail. Remind them of the good relationship you used to have, and bring them back into the fold.

Cut unnecessary spending. No one ever cost-cut their way to greatness, but now's a good time to review your expenses and cut some of the fat. The fat, not the meat. Don't cut effective programs—expand them. Don't slash your workforce, only the non-performers. Ask, "What's the return on this expenditure?" If you can't say clearly, get rid of it.

Improve your internal systems. If you plan to dominate your niche, strong systems are critical. Logistics and process control will make you unbeatable. Strengthen your systems so that they're efficient, consistent, and scalable.

Topgrade your staff. Review your team. Clear out employees who don't make the top grade, and replace them with strong performers. Write compelling want ads, and screen applicants for clear values and top results. And only settle for the best. ❑

–by Paul Lemberg (www.lemberg.com), president of Quantum Growth Coaching (http://www.quantumgrowthcoachingfranchise.com)

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