

# GIVING *kit*



Healthy nonprofits make use of a wide range of funding sources and are mindful of the differences in accounting, donor expectations, and restrictions. After all, money fuels nonprofit work, so nonprofits need to think about what fills their engines.

## KNOW

Above all, a nonprofit board member should understand these elements of GIVING:

- ✓ **Communication:** Fundraising and financial reporting must be aligned for effective and timely information to reach the individuals or institutions funding a nonprofit's work. Within a larger organization, the development staff and the finance staff must communicate in order for the right reporting to take place. Donors receive a written receipt for all donations of \$250 or more.
- ✓ **Pledge:** A formal commitment to make a contribution of a specific amount. Also called "promises to give." Pledges can come from individual donors or from institutional funders (foundations, corporations, etc.).
- ✓ **Endowment:** Donations given with the intent that the principal (corpus) will be maintained intact in perpetuity and that earnings will be used for general operations or specific purposes, as defined by the donor.
- ✓ **In-kind:** Donations other than cash or pledges, typically goods or services. Note that an organization should be careful about issuing tax letters related to in-kind donations given that some in-kind donations can be tax-deductible (i.e. goods at fair market value) and others (i.e. volunteer time) are not tax deductible.

**Donor-Imposed Restrictions:** These are contributions restricted by the donor for a specific use. Restricted gifts require additional tracking and accounting to ensure they are stewarded appropriately and used for their intended purpose. Some donors impose restrictions that are temporarily in nature. Other donors impose restrictions that are perpetual in nature.

## KNOW MORE

- ✓ **General operating funds:** Funds given to sustain the organization with no restrictions on how funds should be spent.

*Finance Unlocked for Nonprofits (FUN) represents a partnership between Washington Nonprofits and Jacobson Jarvis & Co PLLC.  
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- ✓ **Board-designated funds:** Funds earmarked by an organization's Board of Directors for a specific purpose, such as operating reserves. For accounting purposes these funds are still considered to be without donor restrictions because the condition was not specified by a donor.
- ✓ **Special event proceeds:** Income generated through the attendance of a specific fundraising event, either through donations given at the event or ticket sales. Receipts reflect the net tax-deductible amount. This means that the value of a meal at an auction, for example, is subtracted from the ticket price in calculating the tax deduction.

## PRACTICE

Test your knowledge related to Giving, using the partial Statement of Activities on the next page.

1. Where is their funding coming from according to their budget? Review by percentages.
2. What does their accountant or bookkeeper need to track in terms of giving?
3. How diversified do you think their income streams are?

### Answers

1. Their 4 largest funding sources are: foundations (38%), individual contributions (30%), admissions (13%), and government grants (11%). The FUN Foundation is a separate line item because it is a major funder.
2. Their bookkeeper needs to know about any non-cash contributions, such as pledges or in-kind. (S)he also needs to be made aware of any contributions with restrictions that earmark gifts for anything other than general operating support. (S)he needs to know about any grant-specific reporting requirements. If the organization advertised the special event as supporting a specific program or initiative, the bookkeeper needs to restrict those funds accordingly.
3. The income streams are well diversified at this time.

**A REALLY GREAT NONPROFIT ORGANIZATION**  
**(SAMPLE) STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2017**

	YTD Actual	YTD Budget	Budget Variance \$	Annual 2017 Budget
<b>Support</b>				
Contributions	\$ 75,626	\$ 66,370	\$ 9,256	\$ 88,494
Foundation grants-FUN Foundation	15,000	50,000	(35,000)	50,000
Foundation grants - other	25,850	33,750	(7,900)	45,000
Government grants	31,956	24,643	7,313	32,857
Special events	5,055	4,583	472	27,500
<b>Total Support</b>	<b>153,487</b>	<b>179,346</b>	<b>(25,859)</b>	<b>243,851</b>
<b>Revenue</b>				
Admissions	29,759	28,320	1,439	37,759
Membership fees	9,480	9,375	105	12,500
Interest income	1,675	1,725	(50)	2,300
Gain (loss) on investments	1,659	1,275	384	1,700
Other revenue	674	413	261	550
<b>Total Revenue</b>	<b>43,247</b>	<b>41,108</b>	<b>2,139</b>	<b>54,809</b>
<b>Total Support and Revenue</b>	<b>196,734</b>	<b>220,454</b>	<b>(23,720)</b>	<b>298,660</b>
<b>Expenses</b>				
Salaries, benefits, & taxes	144,764	143,073	1,691	190,764
Occupancy (rent, utilities)	24,686	24,911	(225)	33,214
Program expenses	11,081	18,061	(6,980)	24,081
Professional fees	10,659	11,250	(591)	15,000
Supplies	5,749	6,205	(456)	8,273
Printing	6,832	7,373	(541)	9,830
Insurance	1,386	1,264	122	1,684
Fundraising	2,237	1,811	426	5,433
Interest	1,865	1,867	(2)	2,490
Miscellaneous	684	713	(29)	950
Depreciation	2,138	2,138	0	2,850
<b>Total Expenses</b>	<b>212,081</b>	<b>218,666</b>	<b>(6,585)</b>	<b>294,569</b>
<b>Excess (Deficit)</b>	<b>(15,347)</b>	<b>\$ 1,788</b>	<b>\$ (17,135)</b>	<b>\$ 4,091</b>
<b>Beginning Net Assets</b>	<b>316,834</b>			
<b>Ending Net Assets</b>	<b>\$ 301,487</b>			

## ASK

Now look at your own organization's Income Statement. Ask the same questions and use the **Giving Pulse** on page 5 to document your answers. Keep track of your answers over your next few board meetings to see how your answers change over time.

- Where does your funding come from now? Review by percentages.
- Is there appropriate communication between your fundraising and accounting teams?
- How are you accounting for pledges?
- How do we track and account for in-kind donations?
- What kind of reporting could be included for any restricted gifts we receive?

## ACT

These are the Giving-related actions that you can take to instill a strong nonprofit finance culture within your organization.

- Build systems for consistent communication between the fundraising and the financial sides of your organization.
- Set goals around diversifying income streams.
- Consider implementing a Gift Acceptance Policy. This clearly outlines what types of gifts you will and will not accept.
- Consider what it would mean for your organization if you suddenly had to pay cash for a significant in-kind good or service. Do you have adequate reserves in place to cover this cost?
- Engage in some scenario planning. Imagine some possible scenarios in terms of funding either going away or new funding becoming available. What would you do? How quickly could you do this?
- Track trends that impact your funding. Overall, is individual giving up or down in your community? Is there a saturation of fundraising events, leading to "event burnout"? Is something going to cause you to need to serve more people, thus needing a sudden increase in funding?

# GIVING PULSE

	Key Questions	Date	Date	Date	Date
Diversification	Where does our funding come from now? Review by percentages.				
Communication	Are fundraising staff members communicating with finance staff about gifts with restrictions, pledges, and in-kind donations?  How?				
Restrictions	Are we being intentional when we request/accept restricted gifts? Are we considering any additional tracking that may be involved?				
Pledges	Are we accounting for pledges?				
In-kind	Are we tracking and accounting for in-kind contributions?				
Capacity	Are we being thoughtful in our decisions about what funds we apply for and accept?				
Reporting	Have we followed through on required reporting?				
Action steps	Make a note of any actions that you are going to take before your next meeting.				

## FURTHER RESOURCES

### **Let's Go Legal, Chapter 3 (Fundraising)**

<https://www.wanoprofitinstitute.org/legal/>

### **Association of Fundraising Professionals – Advancement Northwest WA**

<http://www.afpadvancementnw.org/>

### **“Communication is Key to Financial Leadership” Nonprofits Assistance Fund**

<https://nonprofitsassistancefund.org/blog/2015/06/communication-is-key-to-financial-leadership>

*See all of Nonprofit Assistance Fund's free finance videos.*

**Jacobson Jarvis & Co:** "What Board Members Need to Know About Not-for-Profit Finance and Accounting" <https://jjco.com/resources/jjco-booklets-useful-links/>

### **IRS Gift Substantiation Requirements**

[https://www.sos.wa.gov/\\_assets/charities/Donations-of-Clothes-and-Household-Items.pdf](https://www.sos.wa.gov/_assets/charities/Donations-of-Clothes-and-Household-Items.pdf)

### **Nonprofit Finance Fund**

<http://www.nonprofitfinancefund.org/>

### **Nell Edgington, “Build a Nonprofit Financing Plan.”**

<http://tools.socialvelocity.net/step-by-step-guides/build-a-nonprofit-financing-plan/>

### **Sample Gift Acceptance Policy**

<https://jjco.com/wp-content/uploads/2016/04/SampleGiftAcceptancePolicy.pdf>

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