

A FEW THOUGHTS ON MONEY

Jan. 14, 2019

THE IRS: What they are looking for now on the “functional expenses” line of your 990

	Program Services		Supporting Services		Total
	Program A	Program B	Management & General	Fundraising	
Salaries	\$42,100	\$29,800	\$92,000	\$10,500	\$174,400
Rent	\$11,700	\$7,500	\$24,900	\$5,700	\$49,800
Supplies	\$6,600	\$4,200	\$8,200	\$5,800	\$24,800
Depreciation	\$7,100	\$5,200	\$5,700	\$3,200	\$21,200
Total	\$67,500	\$46,700	\$130,800	\$25,200	\$270,200

Your accounting system should track by nature (salaries, rent, etc.) and function (program, supporting), although the functional breakout can be accomplished by allocations made outside of your accounting system. For example, allocating 50% of rent to Management & General doesn't have to be done in your accounting system, but you must use a systematic, logical approach to functional allocations.

“**Program services** are mainly those activities that further the organization's exempt purposes. Fundraising expenses should not be reported as program-service expenses even though one of the organization's purposes is to solicit contributions.” – IRS Form 990 instructions for Part IX

Furthermore, if you have contribution revenue, you should have Fundraising expenses.

M&G expenses relate to the overall direction of the organization, are not identifiable with a specific program and include oversight, business management, record keeping, budgeting and financing. Examples:

- Expenses related to board and committee meetings
- Planning and direction from ED
- Fees for accounting, auditing, budgeting and financial reporting
- Prep of the annual report

Fundraising expenses are costs incurred for the sole purpose of obtaining contributions.

Examples:

- Conducting special events, fundraising campaigns or solicitations
- Recruiting volunteers
- Maintaining donor lists

Kickstarter

- Most of the time, for most projects, Kickstarter isn't the answer to the question you're asking. That's because it could more accurately be called *Kickfinisher*—you build a following first, over time, and then Kickstarter is the moment in time that those followers show up for your work.
- It's recommended that it be a 30 day campaign
- It's all-or-nothing, so pick a goal small enough that you are pretty sure you'll reach it. No one's credit card is run till the campaign is over – and only if it has met or exceeded its goal.
- Plan your campaign from pre-launch to follow-up before anything's public
 - Details of your campaign – length (shoot for no more than 30 days), message, product, etc.
 - Consider “planting” a few backers to kick if off and/or take you over your goal
 - Communication at launch and during the campaign
 - Follow-up strategy – what's next for you and for your backers?
- If you can do a video – that seems to be a “secret of success.” A good video! May well be worth paying a professional to do it.

reFUND Colorado

- If you've been in compliance with Secretary of State filings for 5+ years and have filed a 990, you are probably eligible to receive some or all of a taxpayer's State refund
- To find out, go to www.sos.state.colorado.us > charities > resources; the third bullet is “donate to a Colorado fund” and there you can find the eligible groups, by county. You will see an ID number.
- Your donors need that number! They will go to Line 19 on the State form, designate you, give your ID number, and identify how much they want to go to you.
- But if they don't know about it, they won't give!! Up to you to make sure they know.
- You'd get a lump sum check (no donor names, however) in July

City Market Community Rewards

- Search online for City Market Community Rewards to create an account and enroll
- Once logged in, click on the Community Rewards link on the left-hand side. From there, you can choose the organization you would like to benefit.
- Most items earn rewards. Exclusions include alcohol, tobacco, and postage
- Similar to AmazonSmile, this is a tool, not a solution.

AmazonSmile

- To register your organization, go to org.amazon.com
- For more information about the AmazonSmile program, go to <http://smile.amazon.com/about>
- Customers must be on the AmazonSmile site while shopping – same products, prices and shopping features. When shopping on AmazonSmile, the AmazonSmile Foundation will donate 0.5% of the purchase price of eligible products to the charitable organization of the customer's choice.
- A tool, not a solution. Keep expectations in check. Even with regular Prime users, donations add up slowly.
- AmazonSmile Charity List is available to you. You can create a "wish list" and encourage your supporters to buy products your organization needs.
- Keep in mind, our local businesses and our local economy appreciate you shopping local whenever possible!

Bank loans Here's what you need to do before you approach your banker – advice from Chad Zummach, Gunnison Bank & Trust.

- First, start cultivating a relationship with the banker long before you expect to approach him or her for a loan. Make sure (s)he is familiar with your organization, knows you, sees that you produce "results. Only then talk "line of credit" or loan.
- A line of credit is intended to be a "bridge." For instance, you might know you are getting a big grant, but it won't come in for 3 months. Or, you know you'll have to replace your roof, and you could get a line of credit for an "up to" figure.
- A line of credit isn't intended to be something you turn to if you are running a little short. It requires judicious oversight.
- The bank will want to see collateral, and real estate is the best. If you're putting up things like your cash reserve, remember that it can't be collateral if it is already committed to something else. If you have an endowment with CFGV, you can't use that as collateral because it "belongs" to CFGV.
- They will expect at least 3 years of financials: balance sheets and budget-to-actuals. The more robust sources of income you can show, the better they like it.
- They typically don't want to see your financial policies but they may ask you about how your board executes its fiduciary duties.
- They might be open to a capital construction loan; everything said above applies to this except the loan term is longer and you should show that you have a history of repaying debit.
- Think about lines of credit or loans LAST – if you have everything else in hand, the bank will be more receptive.