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CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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Can We Help?

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Learning from the Ice Bucket Challenge

Last summer, a fundraising campaign went "viral." The Ice Bucket Challenge was all over Facebook, Twitter, and other social media outlets.

The challenge raised awareness of Amyotrophic Lateral Sclerosis (ALS), more commonly known as Lou Gehrig's disease. It's interesting to note that The ALS Association did not create the campaign. It was actually launched inadvertently, but The Association certainly benefited. Millions of videos on Facebook and millions of tweets on Twitter resulted in thousands of new donors and more than $100 million in donations.

Powerful Potential

The Ice Bucket Challenge demonstrates the potential power social media platforms have in driving fundraising campaigns. Every video posted on Facebook was a visible confirmation that ordinary people can make a difference.

Social media is reaching a wider and wider audience. According to a nonprofit benchmarking study, Facebook audiences grew by 37% in 2013 and Twitter by 46%.* It is a logical gateway to reaching younger donors and its cost-effectiveness is a huge plus for nonprofits.

Uncharted Territory

So far, the IRS has been mostly silent about online fundraising, however, that will undoubtedly change. Until it does, nonprofits should follow the same IRS rules that apply to fundraising via traditional media.

The following are key issues:

- Be sure to report information about your online fundraising activities and expenses on your annual Form 990 information return.
- If you post links to sponsors' or donors' websites on your website in return for their support or display their names, logos, or products, it could be construed as selling advertising and could generate unrelated business taxable income (UBTI).
- If you accept donations online, you must clearly state on your web pages whether donations are tax deductible.

A LOOK AT EXECUTIVE COMPENSATION

What's going on in the world of nonprofit executive compensation? The 2014 GuideStar Nonprofit Compensation Report sheds some light on how executives are faring post-recession.

The report, based on data for 2012, shows that chief executive officers (CEOs) of large charities received median pay increases of about 4% in 2012. Median pay increases for top executives of small charities (those with annual budgets of less than $250,000) were around 1%. Overall, the median increase for incumbent CEOs was 2.2%.

A Hot Button Issue

When it comes to executive compensation and benefits, the public expects charities to be transparent and accountable. The idea that organizations which receive public support would provide executives with exorbitant compensation packages does not sit well.

Appropriately documenting the process for determining executive compensation is crucial to satisfying public and regulatory concerns regarding excessive compensation. Here are some steps to help minimize risk and avoid the potential problems associated with awarding excessive executive compensation packages:

- A compensation arrangement should be approved in advance by the board of directors or other governing body composed entirely of individuals who do not have a conflict of interest.
- The board should use data from similar organizations when setting compensation.
- Discussions, proposals, and the board's decisions should be adequately documented. Include the terms and approval date of each transaction, the members present when each transaction was debated, and the members who cast a vote.

In addition to setting the salaries of the CEO and other executives, the organization's compensation committee or board is responsible for reviewing any and all other benefit arrangements (qualified and nonqualified retirement plans and severance, if provided) and perks to ensure they are compatible with the organization's compensation philosophy and its charitable mission.

Benchmarking Compensation

IRS regulations allow small organizations (those with annual gross receipts of under $1 million) to use compensation data from three comparable organizations in the same or similar communities as benchmarks. Larger organizations often use surveys or consultants.

VALUING VOLUNTEERS

How valuable are volunteers? The quantifiable answer is $22.55 per hour.* That number doesn't account for the intangibles, such as enthusiasm, creativity, and dedication that volunteers may bring to the table.
** Estimated value of volunteer time for 2013, Independent Sector*

Nonprofit organizations are faced with many challenges: to implement programs, to maintain operations, and to carry out their mission. The difference between successfully meeting these challenges and falling short may be dependent, at least in part, on the organization's volunteers. Prospective volunteers can pick and choose among numerous charitable organizations. If you want to attract and retain talented volunteers, give them as many reasons as possible to choose yours.

Not "Just" Volunteers

Volunteers and paid employees are alike in more ways than they are different. Be sure that those who offer their time and talents free of charge are not treated as "just" volunteers. You can help them feel like they're part of the team right away by introducing them to staff members, executives, and board members.

It also helps to create written job descriptions for all volunteer positions. Give new recruits an overall picture of how they fit in and explain the roles that other volunteers play. You might even want to create job titles. Meet with volunteers frequently to get their feedback, and encourage them to attend staff meetings (when appropriate).

Volunteers coming from the for-profit world may need time to transition to the nonprofit model. Encouraging their feedback during this period could provide you with valuable ideas and insight.

Building Teams

Your volunteers probably spend less time working than your paid staff does. To keep them up to speed and engaged, you'll want to provide adequate oversight and supervision, especially in the beginning. Not all volunteers will be happy doing everything you ask. Whenever possible, match a volunteer's skills and interests with suitable tasks. Be sure you have the tools and resources volunteers need to do their jobs, and try to rotate mundane or uninteresting jobs among volunteers.

Boosting Retention

Volunteers who have a meaningful and satisfying experience will be more committed, but keeping them engaged and empowered can be a challenge. High volunteer turnover can be as disruptive as high staff turnover. If volunteer retention is a problem, you may need to do some rearranging so you can better accommodate volunteers.

Professionals are used to being involved at high levels. If you have a highly skilled volunteer who is still working, would you be willing to rearrange some work schedules to accommodate that person? Would you consider involving that person in the decision-making process?

Just Rewards

Reward valued volunteers by publicly recognizing their commitment and dedication to your organization. Create a "volunteer of the month" program, for example, or present certificates of appreciation. If you publish a print or electronic newsletter, profile one or two volunteers each issue or dedicate an entire issue to your volunteers each year. If you have the resources, consider organizing a volunteer appreciation ceremony or event.

Help with Technology

These days, volunteers will expect you to have at least the basics when it comes to technology. If you've had to put it on the back burner or your capabilities are lagging due to a lack of technological expertise, look for volunteers who have the necessary skills to bring your organization up to speed.

Here Come the Baby Boomers

Their careers are behind them and they have lots of free time. As large numbers of the Baby Boomer generation (those born from 1946 to 1964) reach retirement age, many are looking for opportunities to "give back" through volunteering. This could be your opportunity to recruit some highly talented volunteers.

There are some fundamental differences between previous generations of retirees and Baby Boomers. Baby Boomers don't like to think of themselves as getting older. It's generally best to stay away from terms like "seniors" in your recruitment materials.

Members of this generation are driven to succeed and they also want credit for what they accomplish. Instead of asking people to "volunteer," consider asking them to "share their skills." Finally, many Baby Boomers are comfortable with social networks, blogs, and other online communities, so plan to expand your volunteer search by reaching out over the Internet.

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Payroll Tax: Do's and Don'ts

Tax-exempt organizations generally don't have to pay any federal income tax, but an organization that has paid employees must collect payroll taxes and remit them in a timely manner to the IRS. As tempting as it may be to use those funds to relieve financial pressures, don't do it.

Employers (both for-profit and nonprofit) essentially act as tax collectors for the IRS. The federal income taxes and FICA (Social Security and Medicare) taxes deducted from employees' paychecks are considered to be held "in trust" for the government. Employers are required to remit the withheld taxes, along with the organization's FICA contributions, on a defined schedule. Failure to pay could spell trouble for both the organization and any "responsible person(s)."

What are the FICA tax rates?

The current Social Security tax rate is 12.4%, evenly split between employee and employer, on the first $118,500 of an employee's wages (for 2015). The current Medicare tax rate, also split down the middle, is 2.9% on all wages. An additional 0.9% Medicare tax must be withheld once an employee's wages go over $200,000. Employers are not required to match the additional 0.9% Medicare tax.

Who are "responsible persons"?

The definition of a responsible person is very broad. It includes anyone with the duty to collect, account for, and pay the withheld taxes. The IRS is interested in who has the power to see that the taxes are paid. An organization's paid executives as well as volunteer board members who are involved in an organization's activities or financial operations are among those who may be considered responsible persons.

"The IRS may collect a penalty equal to 100% of the unpaid payroll tax amount from a responsible person(s) . . ."

What are the penalties?

The IRS may collect a penalty equal to 100% of the unpaid payroll tax amount from a responsible person(s) who willfully failed to collect, account for, and/or pay over the taxes. Note that the IRS does not distinguish between for-profit and nonprofit organizations when it comes to collecting unpaid payroll taxes. It pursues both with equal gusto.

How can you protect yourself?

Follow the rules and use common sense. Don't use the payroll taxes you collect for other purposes. Make sure everyone who is a responsible person is fully aware of his or her roles and responsibilities and make sure your directors and officers (D&O) liability insurance policy provides adequate coverage.

Below are some additional employment tax issues:

Worker classification: Properly distinguishing between employees and independent contractors can be a thorny issue because they are treated differently for income-tax withholding and employment-tax purposes.

Fringe benefits: Fringe benefits are taxable and must be included in the recipient's pay and reported on the employee's Form W-2 unless specifically excluded under the tax code.

Reimbursed expenses: Employee or officer business expenses reimbursed under an "accountable plan" are not subject to employment taxes. However, amounts paid under a nonaccountable plan represent taxable income and are subject