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2025 Nonprofit Webinar

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- As required by our CPE program sponsor organization, for attendance tracking purposes, we will be displaying 4 polling questions per 50-minute CPE credit hour on your screen throughout the duration of this presentation (8 polling questions total for this webinar).
- **You must answer at least 6 out of the 8 polling questions to receive full CPE credit.**
- If your submission does not go through properly, please send in a chat right away to let us know what your response was.

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PRESENTERS

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AGENDA

- 990 & Related Topics:
  - Highly Ranking 990
  - Compensation Reporting
  - UBIT
- Safeguarding Your Mission: Strengthening Internal Controls
- 10-Minute Break
- Nonprofit Budgets
- Cybersecurity & Data Protection for Nonprofits

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990 & RELATED TOPICS:

Highly Ranking 990
Compensation Reporting
UBIT

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WHAT IS A 990?

- Annual filing with the IRS for nonprofits.

- **Three types:**
  1. 990-N (postcard)
  2. 990-EZ
  3. 990

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WHY DOES MY 990 MATTER?

- IRS Compliance.
- Donors/Grantors.
- Public and Community Trust – 990 information is publicly available.

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DONOR RESOURCES

- **990 Copies (Schedule B excluded)** – ALL Tax-Exempt Organizations:
  - IRS Website
  - Candid.org (GuideStar)

- **Charity Rating:**
  - Charity Navigator (501(c)(3) Organizations only).

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RATING AREAS

- Accountability & Finance
- Impact & Measurement
- Culture & Community
- Leadership & Adaptability

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ACCOUNTABILITY & FINANCE

Key Accountability Metrics:

- Majority Independent Board Members.
- Board Size:
  - 3-5 independent board members based on size.
- Financial Statements:
  - evaluated based on revenue (heavily weighted).
  - $1 million+ - expect an audit; also consider if there is an audit oversight committee.
  - $500k - $1million – audit, review or compilation.
- Verify no significant diversion of assets.

ACCOUNTABILITY & FINANCE (cont'd)

Tax Form Disclosures and Policies:

- Website
- Conflict of Interest Policy
- Whistleblower Policy
- Document Retention and Destruction
- Documents Board Meeting Minutes

ACCOUNTABILITY & FINANCE (cont'd)

Website Disclosures:

- Form 990 is available on the Organization's website.

ACCOUNTABILITY & FINANCE (cont'd)

Financial Metrics:

- Liabilities to Assets Ratio: single year (heavily weighted).
- Program Expense Ratio; average of three most recent 990s (VERY heavily weighted).
  - Aim for 70%+ program service expenses.

ACCOUNTABILITY & FINANCE (cont'd)

$2 Million+ Metrics:

- Provide 990 to governing body before filing.
- Loans to/from related parties (negative indicator).
- Working capital.
- Fundraising efficiency.

ACCOUNTABILITY & FINANCE (cont'd)

$50 Million+ Metrics:

- Donor Privacy Policy on the Organization's website.
- Board members listed on the Organization's website.
- Key staff members listed on the Organization's website.
- Audited financial statements on the Organization's website.
- Compensation:
  - List CEO with salary on the 990.
  - Describe process for determining CEO's salary.
  - Board members are not compensated simply for being on the Board.

SELF REPORTED AREAS

- Impact & Measurement
- Culture & Community
- Leadership & Adaptability

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ADDITIONAL INFORMATION

Unweighted Information:

- Prior 3 years revenues and expenses – presented in bar-graph format.
- Salary of key persons – lists compensation of 5 highest paid individuals.

KEY TAKEAWAYS

- **Implement the following policies:**
  - Conflict of Interest
  - Whistleblower
  - Document Retention

- **Post the 990 on your website.**

OBBBA IMPACT ON DONOR DEVELOPMENT

- Beginning in 2026, taxpayers who claim the standard deduction may also claim an “above the line” deduction for cash contributions up to:
  - **Single Filers** - $1,000
  - **Married Filing Jointly** - $2,000
- **Does not apply to DAF giving.*

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OBBBA IMPACT ON DONOR DEVELOPMENT (cont'd)

- Beginning in 2026, the tax benefits of charitable contributions is capped at 35%.
  - High income filers in 37% bracket – consider accelerating contributions into 2025 to take advantage of the 37% marginal rate.
- Unfavorable rules for itemizers – 0.5% of AGI floor added to deduction.
- Itemizers should consider strategies to maximize their deductions, such as making larger gifts with less frequency.

COMPENSATION REPORTING

Whose compensation is listed?

- Officers – Top management official and top financial official.
- Board Members/Directors (voting members of the board).
- Key employees
  - 3 tests: $150k test, Responsibility Test, Top 20 Test
- Five highest compensated employees
  - Top five employees earning > $100k

COMPENSATION REPORTING (cont'd)

Independent Contractors Over $100k:

- "Independent Contractor" is not defined the same way as 1099 reporting purposes. Defined as follows:
  - "An individual or organization that receives compensation for providing services to the organization but who isn't treated as an employee."
- Includes Organizations and individuals such as professional fundraisers, law firms, accounting firms, publishing companies, management companies and investment management companies.
- Does NOT include insurance providers or public utilities.

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COMPENSATION REPORTING (cont'd)

Worried about donor reaction?

15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?	
a	The organization's CEO, Executive Director, or top management official	
b	Other officers or key employees of the organization	
	If "Yes" to line 15a or 15b, describe the process on Schedule O. See instructions.	

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UNRELATED BUSINESS INCOME (UBI)

Three Requirements:

1. Income from a trade or business.
2. Regularly carried on.
3. Not substantially related to the charitable, educational or other purpose that is the basis of the Organization's exemption.

UNRELATED BUSINESS INCOME (UBI) (cont'd)

Common Exceptions & Exclusions:

- Volunteer labor.
- Convenience of members (school cafeteria).
- Selling donated merchandise (thrift shops).
- Bingo.
- Debt Finance Real Rentals generally is UBI, but there is an exception if the space is substantially related to the Organization's exempt purpose (85%) – combination of time and space analysis.

Questions?

SAFEGUARDING YOUR MISSION:

Strengthening Internal Controls

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WHAT ARE INTERNAL CONTROLS?

- Processes, procedures and policies
- Checks and balances
- Review and approvals

WHY DO THEY MATTER?

- Stewardship of donor funds
- Public trust
- Public scrutiny
- Compliance
- Protection

COMMON CHALLENGES & PITFALLS

- Limited staff – overreliance on one person
- In person vs. remote
- Turnover
- Complexity of grants
- Resource constraints

ITEMS TO CONSIDER

- **Environment** – tone at the top.
- **Risk Assessment** – analyze.
- **Activities** – approvals, reconciliations and documentation.
- **Communication** – clear policies.
- **Monitoring** – “taking the pulse,” reviews and self audit.

SEGREGATION OF DUTIES

- **No one person should control all aspects of a transaction.**
  - Cash receipts – opening mail, deposit at bank, record in GL, bank reconciliation.
  - Cash disbursements – approve invoice, write/sign check, record in GL, bank reconciliation.
  - Payroll – inputting employee data, inputting bi-weekly payroll data (i.e., hours, rates), processing payroll, record in the GL, bank reconciliation.

WHAT CAN GO WRONG?

- Ghost employees
- Fictitious vendors
- Misuse of grant or donor funds
- Skimming (stolen funds)

STRATEGIES FOR LIMITED RESOURCES

- **Separate data entry from review**
- **Involve Board members:**
  - Important to consider when selecting Board members
  - Dual approval
  - Review of bank statements and reconciliation
  - Check list approval at each Board meeting
  - Bill.com

WOODRUF ARTS CENTER

- 2005 – 2012: Director of Facilities embezzled more than $1.1 million.
- Kickbacks: Told a maintenance vendor to inflate invoices by 30% to keep the work and then give the 30% back to the employee.
- Submitted bogus invoices for expenses (including to a business owned by his wife).
- He had authority to approve contracts up to $50k.

JEWISH FEDERATION OF FORT WORTH

- 2013 – 2018: Controller wrote 326 fraudulent checks worth $992,854.02.
- One of only four employees in the office.
- Used a signature stamp and forged signatures on checks made payable to herself.

LIVING IN A DIGITAL WORLD

- Less use of cash/checks
- Credit cards
- ACHs
- Venmo/PayPal

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CREDIT CARD STRATEGIES

- Transaction limits
- Vendor blocks
- Limit on cardholders
- No cash advances
- Require receipts for all transactions
- Review and approval, including Executive Director

ACH RISKS

- Unauthorized transactions
- Phishing
- Account takeover
- Simple and quick

ACH STRATEGY

- Cyber insurance
- Multifactor authentication
- Separate initiation and approval
- Bank programs:
  - Positive pay
  - Reverse positive pay

Questions?

10-MINUTE BREAK

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NONPROFIT BUDGETS

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INTRODUCTION

- Budgeting defines mission priorities
- Provides clarity for staff, leadership and Board
- Today’s session focuses on practical nonprofit budgeting steps

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PURPOSE OF BUDGETING

- Aligns financial resources with organizational goals.
- Prevents surprises and improves decision-making.
- Creates transparency for donors and funders.
- Establishes financial expectations for programs.

KEY COMPONENTS

- **Revenue:** Grants, donations, fundraising events, program fees.
- **Expenses:** Program, admin, fundraising, personnel.
- **Capital Needs:** Large equipment or one-time investments.
- Full-cost understanding strengthens planning accuracy.

REVENUE FORECASTING

- Review the past 3-5 years of income trends.
- Identify reliable vs. uncertain revenue streams.
- Consider timing – monthly, quarterly or seasonal patterns.
- Separate restricted and unrestricted funds.
- Use realistic, evidence-based assumptions.

EXPENSE PLANNING

- Personnel is usually the largest cost category.
- Program expenses support mission activities.
- Administrative expenses keep operations running.
- Fundraising expenses support donor engagement.
- Anticipate increases in insurance, rent and technology.

PROGRAM BUDGETING

- Assign direct costs clearly to each program.
- Allocate overhead fairly using consistent methods.
- Understand true cost to deliver services.
- Helps identify underfunded or scalable programs.

ADMINISTRATIVE & OVERHEAD COSTS

- Overhead is essential – supports infrastructure and compliance.
- Includes rent, utilities, leadership, HR, technology.
- Transparent allocation builds funder and Board trust.
- Overhead underfunding reduces organizational stability.

CASH FLOW PROJECTIONS

- Budget surpluses don’t guarantee cash on hand.
- Monthly projections show when revenue arrives.
- Identify months with potential cash shortages.
- Enables proactive planning and reserve strategy.

SCENARIO PLANNING

- **Base Scenario:** Expected revenue and expenses.
- **Optimistic Scenario:** Potential increases.
- **Conservative Scenario:** Possible declines.
- Supports informed decisions under uncertainty.

BOARD & STAKEHOLDER ENGAGEMENT

- Board approves and monitors financial plans.
- Staff input provides operational accuracy.
- Funders value transparency and clarity.
- Strong communication increases trust and alignment.

BUDGET VS. ACTUAL REPORTING

- Monitor monthly variances.
- Identify timing differences vs. structural issues.
- Track emerging trends early.
- Adjust operations or forecasts when necessary.

COMMON MISTAKES

- Overestimating revenue.
- Underestimating expenses.
- Misusing restricted funds.
- Ignoring cash flow timing.
- Not engaging staff.
- Monitoring too infrequently.

BUDGET CALENDAR

- Begin planning 4-6 months before fiscal year.
- Staff program input → leadership review.
- Board draft review → final approval.
- Prevents rushed, inaccurate decision-making.

TECHNOLOGY & TOOLS

- Microsoft Excel / Google Sheets: Simple and effective.
- QuickBooks®, MonkeyPod, MIP: Accounting systems.
- Forecasting tools.
- Collaboration tools centralize documents and workflows.

FINAL THOUGHTS

- Budgeting is strategic leadership, not clerical work.
- Requires collaboration and realistic assumptions.
- Strengthens mission, sustainability and impact.

Questions?

CYBERSECURITY & DATA PROTECTION

For Nonprofits

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“Trust is built in drops…
and lost in buckets.”
-Kevin Plank

WHY CYBERSECURITY MATTERS FOR NONPROFITS

- Nonprofits are increasingly targeted by cybercriminals.
- Limited budgets sometimes mean weaker defenses.
- Protecting donor, client and financial data maintains trust.

CURRENT THREAT LANDSCAPE

- Ransomware and data breaches are rising across all sectors.
- Phishing and social engineering attacks are the #1 entry point.
- Many nonprofits rely on third-party vendors with shared risk exposure.

TOP CYBER RISKS

- Human error and lack of awareness.
- Personal or unapproved applications.
- Unsecured remote access.
- Outdated systems / unsupported software.

CORE SECURITY BEST PRACTICES

- Require Multi-Factor Authentication (MFA) everywhere.
- Use strong passwords.
- Role-based access with least privilege.

DATA PROTECTION AND PRIVACY

- Identify confidential data (donor info, client records).
- Store data only in approved, secure systems.
- Comply with privacy regulations.

BACKUP AND RECOVERY

- Have multiple backups.
- Test restores regularly.
- Have a plan.

STAFF AWARENESS & TRAINING

- Conduct annual cybersecurity training.
- Penetration testing.
- Simulated phishing tests to build awareness.
- Create clear reporting channels for suspicious activity.

PRACTICAL NEXT STEPS

1. Enable MFA.
2. Require strong passwords.
3. Identify where sensitive data is stored.
4. Verify backups can restore files.
5. Create a plan for incidents.
6. Train, train and train again.

Questions?

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THANK YOU!

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