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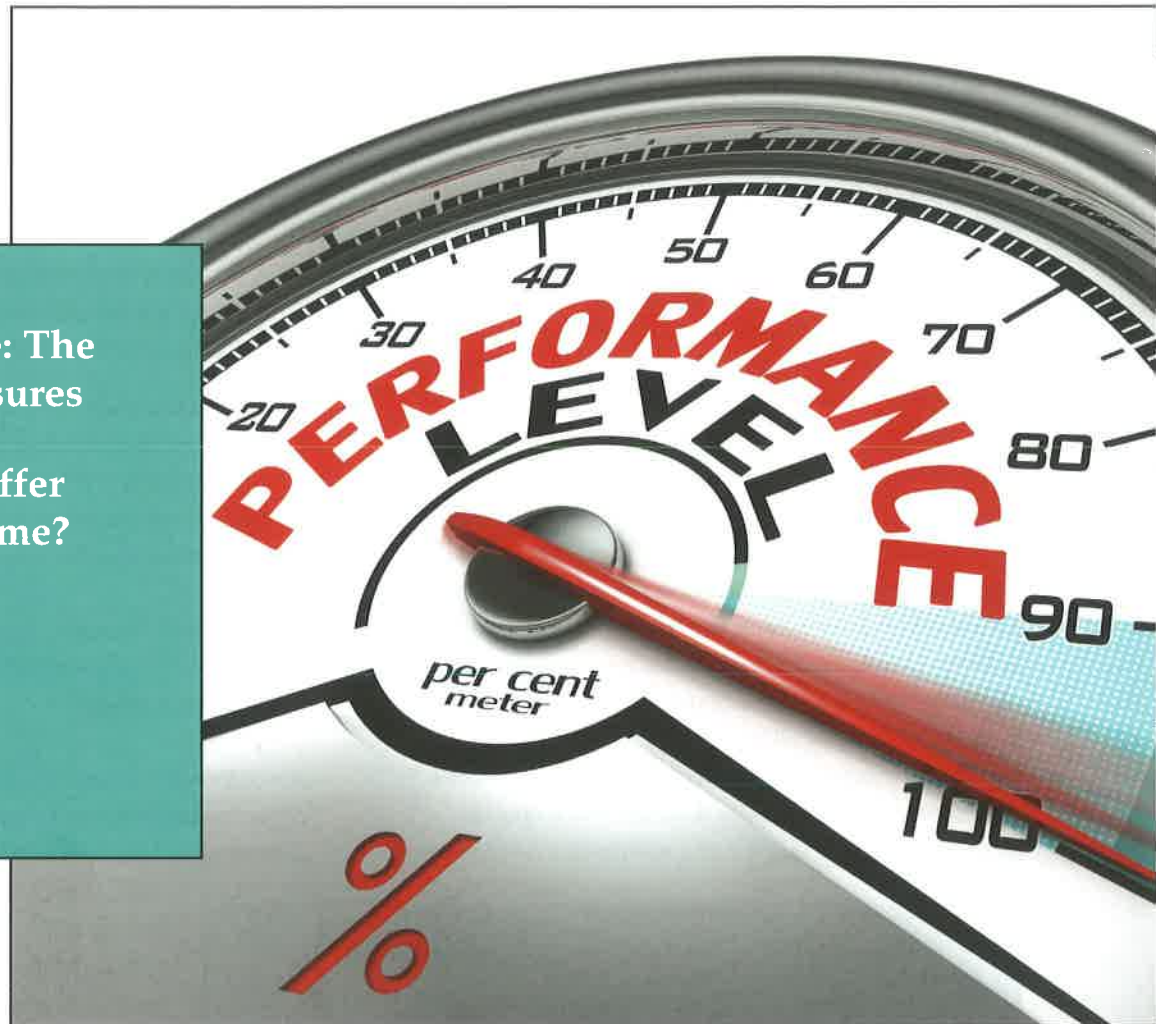
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Beyond the bottom line: The power of outcome measures

Does your nonprofit suffer from Founder's Syndrome?

How to improve your accounting function

Newsbits



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Beyond the bottom line: The power of outcome measures

A U.S. charity recently made the news when it was accused of reporting an inaccurately high percentage of every donated dollar that went to program services. The media outlet that uncovered the discrepancy looked beyond that claim, though, to scrutinize the organization's outcomes — a strong sign of the growing importance of outcome measurement. Savvy stakeholders, as well as savvy nonprofits, realize that outcomes can convey a more complete picture of an organization's performance than figures pulled from financial statements.

WHAT IS OUTCOME MEASUREMENT?

Outcome (or performance) measurement is essentially a method of determining the impact of a program or activity. Unlike traditional measures, such as number of clients served or the amount of donations received, outcome measures allow an organization to assess whether a program is achieving its intended results. An "outcome" is generally described as a specific desirable result or quality of a nonprofit's services.



Outcome measures should gauge the level of accomplishment of a program goal in terms of changes in the lives of individuals, families or the community at large. For example:

- ★ A program designed to teach reading to adults may use the literacy rate for the area served as an outcome measure, and
- ★ An organization whose mission is to help teens stay in school by providing a supportive after-school environment with tutors and supervised activities might look at changes in the dropout rate, graduation rate or similar outcomes.

Bear in mind, though, that outcome measurement won't prove that the results — good or bad — are due solely to your efforts.

An outcome measurement program will require an organization to identify appropriate outcomes and indicators of those outcomes. It also will involve the collection of data relevant to the indicators (for example, by surveys or interviews of clients, program dropouts and their family members) and analysis of that data.

The not-for-profit should release regular user-friendly reports of its findings to stakeholders. And, of course, the organization must take appropriate action based on the findings.

WHY TRACK OUTCOMES?

Some nonprofits may have no choice when it comes to outcome measurement — grant makers or other stakeholders might require it. But even organizations free of such demands should consider engaging in the process in light of its many benefits.

Outcome measurement can act as a check that the nonprofit is successful at reinforcing the mission and goals for board members, staff and volunteers. Measuring and reporting outcomes can take the focus away from how resources are being allocated, such as the percentage of funds spent on “program related activities.” Achieving sustainable success may include investing in such non-program-related activities as training, leadership development and strengthening internal controls, all of which improve outcomes.

The results of outcome measurement can be shared with other existing and potential stakeholders to demonstrate the impact of the organization’s programs and activities and, in turn, support marketing and fundraising efforts. The results also can prove helpful with short- and long-term planning. It makes it easier for the not-for-profit to identify effective programs and activities, as well as those in need of improvement.



ARE THERE ANY CAVEATS?

Yes. For example, outcomes need to be measured on an ongoing basis. Rather than examining client or other conditions only shortly after the completion of service, a nonprofit also should return to evaluate the conditions at some point down the road. Have the results eroded over time?

Additionally, not every important outcome will be immediately measurable. Some outcomes take years or longer to materialize. In such cases, a nonprofit might be able to identify milestones to measure progress against as time goes by. So-called “soft” outcomes — for example, stronger relationships among community members — can be difficult or impossible to measure but still merit regular consideration.

Finally, while outcome measurement can be helpful for planning, organizations should remember that it’s backward-looking. Budgeting, policymaking and other long-range planning decisions, on the other hand, are about the future, and conditions might be different then.

IT’S A PROCESS

While different organizations will take different approaches to outcome measurement, every nonprofit can expect some stumbles along the way. But nothing is written in stone — the process can be adjusted as necessary. The important thing is to make outcome measurement a regular, ongoing activity that reflects the organization’s mission-driven priorities. *

WHAT ABOUT SMALLER NONPROFITS?

Outcome measurement isn’t a good idea just for larger, more sophisticated organizations — in fact, it might be even more important for smaller nonprofits with fewer resources. Organizations that need to make every dollar and staff or volunteer hour count can use outcome measurement to determine which programs and efforts truly work and then either eliminate or strive to improve those that don’t, rather than continuing to throw money down the drain.

Moreover, smaller not-for-profits can’t afford to stick with traditional metrics such as overhead ratios while larger organizations move on to outcome measurement. Like it or not, those organizations tend to set the trends — as larger nonprofits increasingly make available their outcome measures, grant makers, social investors and individual donors will increasingly expect to see such measures before they pull out their wallets. Smaller organizations that fail to adopt outcome measurement risk being left behind when it comes to funding support.

Does your nonprofit suffer from Founder's Syndrome?

Of the many afflictions that can impede a nonprofit's growth and progress, one of the most deadly is the dreaded "Founder's Syndrome." Founder's Syndrome strikes when a single individual — typically the founder, executive director or other long-term leader — wields a disproportionate amount of power. Worse, these founders resist efforts to redistribute authority or move them out of their current positions. It's imperative that nonprofits take action to cure the ailment.

SYMPTOMS

Nonprofits suffering from Founder's Syndrome generally share some common characteristics, including the following:

- * The founder is "the decider." All important decisions come from him or her, with little input from others.
- * Members of the board of directors and staff are recruited by the founder and act primarily out of their loyalty to this person, rather than to the organization. Instead of governing, the board merely rubber stamps founder suggestions.
- * Ideas coming from sources other than the founder are dismissed.
- * The organization lacks a clear succession plan.

These conditions leave organizations in a vulnerable position. Among other risks, if something should happen to the founder, how would the organization carry on?

It's worth noting that founders' reluctance to loosen their grip isn't necessarily due to a power-hungry need to control. Founders may fear that the organization would falter without their continued connection — for example, that donations might drop off if the founder isn't associated with the organization anymore.

Or founders might have invested so much of themselves and their lives in the organization that they simply can't imagine a different path.

STEPS TO A CURE

The good news is that Founder's Syndrome is treatable. The first step is to address the situation with the founder. This can be uncomfortable, but it's critical. Members of the board or perhaps senior staff should begin by acknowledging the founder's invaluable role over the years. They can then move on to discuss the importance of preserving the founder's legacy when he or she inevitably can no longer lead.

A succession plan is a vital ingredient in preserving that legacy. If no one in the organization wants to tackle this discussion, a professional coach or consultant could be retained.

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Founders should be encouraged to play an active role in the transition process, rather than to have it foisted on them. One important contribution they can make is recording their institutional memory. The vast knowledge of these leaders must be documented so the organization can continue to benefit from it.



The board may need to increase its accountability in the absence of the strong leader to whom they've been accustomed. Board members must seize the reins and educate themselves about the organization in any areas where they're lacking. This may require replacing existing board members. (Appointing new staff may be advisable, too.)

The board also should form an active fundraising committee so that a single individual isn't responsible for driving donations. An army of passionate volunteers could be deployed as a bulwark against donation decline.

GET HEALTHY

Unless the board or senior staff recognizes the "illness" and proactively addresses it, Founder's Syndrome can linger for years, affecting the organization's general health and possibly leading to its demise after the founder's departure. To avoid this fate, the board and staff must act for the good of the organization in the long run, while handling the founder with the sensitivity, dignity and respect he or she has earned. *



How to improve your accounting function

A not-for-profit's accounting function is its financial backbone. Efficient accounting processes — along with sound controls to monitor them — will put the organization on the right track for financial stability and growth.

Are you satisfied with your nonprofit's accounting function? Does it seem less efficient than you think it could be? Here are some suggestions for improving this important piece of your operation.

CREATING TIME-SAVING POLICIES

A good first step toward accounting function improvement is creating policies for the monthly cutoff of invoicing and recording expenses. For instance, require all invoices to be submitted to the accounting

department by the end of each month. Too many adjustments — or waiting for tardy employees or departments to weigh in — can waste time and delay the completion of your financial statements.

Another time saver: You may be able to spare *days* at the end of the year by reconciling your bank accounts shortly after the end of each month. It's a lot easier to correct errors when you catch them early. Also reconcile accounts payable and accounts receivable data to your statements of financial position.

COLLECTING INFORMATION EFFICIENTLY

Designing a coding cover sheet is another step toward boosting efficiency. How so? An accounting clerk or bookkeeper needs a variety of information to enter

vendor bills and donor gifts into your accounting system. Speed up the process by collecting all of that information on one page. The cover sheet should list your not-for-profit's general ledger account numbers so that the employee entering data doesn't have to look them up each time.

The cover sheet also should indicate whether the invoice is to be paid by check, electronic transfer or credit card and provide a place for the appropriate person to approve the invoice for payment. Use multiple-choice boxes to indicate to which cost center the amounts should be allocated. The invoice or copy of the donor's check can be attached to the cover sheet for reference.

Another tip about invoices: Don't enter only one invoice or cut only one check at a time. Set aside a block of time to do the job when you have multiple items to process.

STICKING WITH YOUR ACCOUNTING SOFTWARE

Many organizations underuse the accounting software package they've purchased because they haven't invested enough time to learn its full functionality. If needed, hire a trainer to review the software's basic functions with staff and teach time-saving tricks and shortcuts.



Become more efficient by avoiding any calculations or financial report presentations in Excel® or other spreadsheet programs. Standardize the reports coming from your accounting software to meet your needs with no modification. This not only will reduce input errors but also will provide helpful financial information at any point during the year, not just at month end.

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Consider performing standard journal entries and payroll allocations automatically within your accounting software. Many systems have the ability to recall transactions and can automate, for example, payroll allocations to various programs or vacation accrual reports. But review any estimates against actual figures periodically, and always adjust to the actual amount before closing your books at year end.

REMEMBERING OVERSIGHT

Accounting systems can become inefficient over time if they aren't monitored. Look for labor-intensive steps that could be automated or steps that don't add value and could be eliminated.

Also make sure that the individual or group that's responsible for the organization's overall financial oversight (for example, your CFO, treasurer or finance committee) *promptly* reviews monthly bank statements, financial statements and accounting entries for obvious errors or unexpected amounts.

FREEING UP TIME

Make sure that you're optimizing your accounting resources. Considering the growing list of tasks that arise, implementing one or more of the above processes can help free up valuable time. And that will allow management to focus on larger projects or initiatives and the big picture. *

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“CHECKBOOK PHILANTHROPY” BREEDS DONOR DISSATISFACTION

A report from UBS Wealth Management Americas found that nine in 10 millionaires say they make significant donations to charity, yet only 20% rate their giving approach as “extremely” or “very” effective. While the millionaires surveyed consider giving to be important, they often give haphazardly, in response to requests that come in. Only one in 10 incorporates philanthropic giving into their financial planning. This “checkbook philanthropy” translates into lower satisfaction with the effect the donations have on the donors’ communities and broader society.

Notably, most millionaires see giving time to be as valuable as giving money and find the former more personally meaningful. And investors whose friends and family also are involved reap more satisfaction from the impact of their philanthropy than those who give or volunteer on their own.

So, what can nonprofits do if they want to address these findings? Encourage contributors to donate their *time* as well as their money. Also ask them to recruit family and friends for volunteer work and donations. *

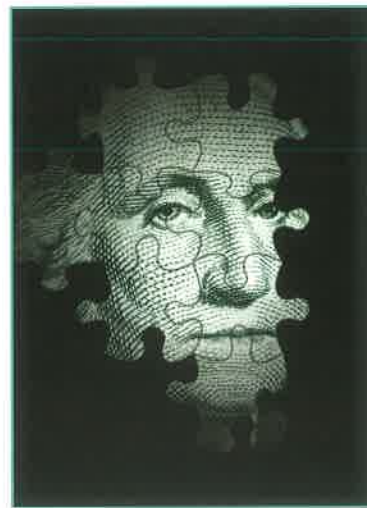
NONPROFIT CEO PAY ON THE RISE



The *Chronicle of Philanthropy’s* annual compensation survey has found that executives of large nonprofits and foundations are starting to see bigger raises. This follows a long dry period during which the median annual increases basically just kept up with inflation.

For the 82 organizations on which the *Chronicle* had 2011 and 2012 data, the median change in salary was 4.9%. Since the end of the financial crisis in 2009, not-for-profits have increased top executive compensation modestly — on average about 3% per year. But, excluding the organizations that reduced pay or kept it flat, the remaining organizations surveyed boosted their CEO pay in 2012 by 6.8%. The survey also found 18 CEOs with compensation exceeding \$2 million. In comparison, chief executives of S&P 500 companies saw median compensation rise 9.5% in 2013, to \$10.1 million. *

NEW TOOL ASSIGNS DOLLAR VALUES TO SOCIAL PROJECTS



Based on social-science research, a new online tool designed by the Low Income Investment Fund (LIIF) puts dollar values on the social impact of investments in areas such as affordable housing, child care centers and improved schools in impoverished

neighborhoods. LIIF developed its “social impact calculator” to assess how effective it is in creating opportunity and reducing inequality.

The calculator estimates the monetized impact of investments. For example, the impacts of a high-performing school would include boosted lifetime earnings, reduced odds of incarceration and decreased health care costs for students. LIIF is making the calculator and its methodology fully accessible to others — or “open source” — at liifund.org/calculator. *

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