



# Nonprofit News

## FORM 990-WHAT THE IRS IS LOOKING FOR

BY JENNIFER MCHUGH, CPA

The IRS has issued Form 14114 *Governance Check Sheet* that is required to be used by all IRS Agents when conducting a 501(c)(3) exempt organization examination. There are six critical areas of questioning included on this new form. Below are some questions for what the IRS is really looking for. Some may overlap with the questions listed on the actual form. The IRS would like to see policies, procedures, and protocols surrounding these items:

**Governing Body & Management:** Does the organization have a written mission statement? Does it follow current activities? When was it last updated? How different is it from the original mission statement filed on Form 1023 when you first applied for exempt status? How recently has the Board seen the governing documents? Is there a policy stating how often they will be reviewed and what the protocol is?

**Compensation:** Did the Board rely upon comparability data in making compensation determinations? What kind of comparability data was used? Are job responsibilities documented? Do you have a compensation policy? The IRS will normally ask for compensation committee meeting minutes.

**Organization Control:** Does the Board defer to one person or a small group? Who has effective control? Is there informal power? Do the records reflect that the Board is in charge?

**Conflict of Interest:** Is annual written disclosure required? Does your policy include recusal procedures? What happens if the policy is not followed?

**Financial Oversight:** How often do financial reports go to the Board? Were audit reports reviewed and discussed by the Board? Did the auditor issue the same management letter comments year after

year? What procedures are there to address and correct deficiencies?

**Document Retention:** How well are the meeting minutes documented? Where they documented contemporaneously? If much later than meeting, how can you remember all that occurred?

It is critical for exempt organizations to have good governance procedures and policies in place. The IRS is using the answers on this form for data collection and data mining, which may change future reporting requirements of exempt organizations (i.e. on Form 990). The new form can be found at the following web address: [http://www.irs.gov/pub/irs-tege/governance\\_check\\_sheet.pdf](http://www.irs.gov/pub/irs-tege/governance_check_sheet.pdf)

### What can you do now?

- Answer the governance checklist yourself.
- Be critical, role play (donor, media, watchdog, competition).
- Review meeting minutes: What do they say? What do they prove?
- Discuss the governance checklist with your Board of Directors.
- How does the Board of Directors demonstrate it is proactive, informed, engaged, managing risk?
- Pay careful attention to Parts IV and VI of Form 990.
- Create & adopt policies that make sense for your organization (and follow them).

### Resources:

Sample policies, contact PANO: [www.pano.org](http://www.pano.org)

Assistance preparing your Form 990, contact Bee, Bergvall & Co., Certified Public Accountants 215-343-2727

Assistance working with your Board, strengthening governance or building capacity, contact Liz Vibber, Bucks County Center for Nonprofit Management, 215-343-2727.

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## Capacity Building and Technical Assistance Funding Now Available

We are proud to announce that **The Bucks County Center for Nonprofit Management** has been chosen by **Foundations Community Partnership** as a provider of Capacity Building and Technical Assistance.

As part of its continued growth as a philanthropic organization, Foundations Community Partnership is now offering "Technical Assistance" (TA) funding support for Bucks County nonprofit organizations serving the health and human services needs of children. This funding will be provided for specific work-plans and will include capacity building, business management, business planning, strategic planning, board development and training workshops.

Funding will also be available for an organization's Board/Management participation in conferences or workshops,

provided for the Bucks County non-profit business community. In addition, selected organizations will be provided the opportunity to participate in the Core Competency Assessment Tool (CCAT), which is a self evaluation of organizational strengths and needs, used by many technical assistance programs.

The Bucks County Center for Nonprofit Management is one of three providers of Technical Assistance approved by Foundations Community Partnership.

For more information on the program, or to apply for funding, please contact either Foundations Community Partnership 267-247-5584;

[www.fcpartnership.org/technical\\_assistance.htm](http://www.fcpartnership.org/technical_assistance.htm)

or Liz Vibber, BCCNM, 215-343-2727; [www.buckscountynonprofit.com/grants.htm](http://www.buckscountynonprofit.com/grants.htm)



*Cindy Bergvall,  
CPA and Liz  
Vibber of the  
Bucks County  
Center for  
Nonprofit  
Management  
are now  
Trained and  
Approved  
Standards of  
Excellence  
Consultants*

## Ten Simple Tips for Good Governance

1. If your Mission Statement is more than 1 sentence, it is probably too long.
2. Review your Mission Statement every three years. Document your review and approval of the Mission Statement by clearly noting it in the Minutes.
3. Your Minutes should include who was present--identified as Board or staff, who was absent, the type of meeting, what was *done* not what was *said*, the start and end times and should be signed by the Secretary.
4. Question to ask when reviewing financials "Are all the bills input?" Meaning are they paid or not?
5. Every organization should have a Reserve Policy. A 3-6 month Reserve is recommended.
6. 3:1 ratio is minimum when looking at funds raised vs. expenses (some exceptions apply)
7. If you are soliciting gifts in other States, you need to be registered there. Use a service like Labyrinth, Inc. to assist in the process. [www.labyrinthinc.com](http://www.labyrinthinc.com)
8. Conflict of Interest Policies are not just for the Board-but for anyone who has decision making authority for the organization including staff and volunteers.
9. If your organization is involved in Lobbying, even a little bit, consider making the federal 501(h) election. The *h* election is an expenditure test that answers the question of whether your organization is doing too much lobbying by examining how much you spend on lobbying (lobbying expenditures).
10. Invest in the Standards of Excellence Educational Resource Packets. They are inexpensive and chock-full of great information.

*A brief summary of governance concepts from PANO Standards of Excellence Consultant Training*

## 7 Tips on How To Select A Good Fundraising Auctioneer

Although it may sound cliché, it's true. A good Fundraising Auctioneer does not cost you money. A good Fund Raising Auctioneer will make you money. As a matter of fact, a good Auctioneer can be worth his/her weight in gold because they can raise your entire year's budget and more...in one single night.

When your group or organization is searching for a Fund Raising Auctioneer, here are seven important tips to help you select the best Auctioneer for you.

**1. Auction Industry Experience:** Auctioneers are not all the same. Just as Doctors and Lawyers have different levels of experience and different areas of specialty, so do Auctioneers. Some Auctioneers have considerable experience while others are fresh out of Auction School. Most Auctioneers are generalists; others are specialists. Some have excellent reputations, others do not. Some specialize in Fund Raising Auctions, others could care less about them. And if you select the wrong Auctioneer to handle your event, your decision could cost you dearly. Your objective should be to locate an Auctioneer with considerable experience, an impeccable reputation, and someone who understands the intricacies of running a highly successful Auction, from start to finish.

**2. Fund Raising Auction Experience:** Not all Auctioneers make good Fundraising Auctioneers. Automobile Auctioneers are often considered to be the best in the business because they talk fast, and sell fast—perhaps 150 cars per hour. That rapid fire approach works well with cars, and on television. It does not necessarily work well with Fund Raising Auctions because most attendees at your event are not Auction-oriented. Some are uncomfortable with the Auction process because it's new to them. Many have never attended an Auction before, and your Auctioneer needs to move somewhat slower to cater to their needs. An experienced Fundraising Auctioneer will understand how to deal with your audience, how to read your crowd, and how to generate more money for your cause.

### **3. Reputation and Name Recognition:**

Your objective is to hire the best Fundraising Auctioneer available. Which one do you hire? Often the best approach is to find out who the other non-profit groups in your area are using. If the same name keeps popping up, it's appearing for a reason. And that reason is because those groups are happy with that Auctioneer's performance and the amount of money he/she is raising for their group. Some Auctioneers have wonderful reputations and are highly regarded in the community; others are not so highly respected. Be sure you find one who will represent you well.

### **4. Pre-Event Ideas and Innovation:**

An experienced Fund Raising Auctioneer will usually have a better understanding of how to run these events than your entire committee combined. Most nonprofit Fund Raising Committees have one or two paid staff and the rest are volunteers, often having little or no Auction experience. Committee turnover usually means that experienced volunteers are replaced with inexperienced volunteers, which further compounds the problem. A good Fund Raising Auctioneer will get you through this. They will meet with your committee prior to the event. They help you understand what sells best, what doesn't sell well, how and where to acquire sellable merchandise, and how to run a smooth and successful event. We are aware of instances where the auction revenue more than doubled in just one year as a result of the Auctioneer's recommendations. This service alone is worth any fee paid to the Auctioneer.

### **5. Enthusiasm For Your Cause & Event:**

You can find the best Auctioneer in the world, but if they are not enthusiastic about your event, find another Auctioneer. Enthusiasm is contagious and your crowd will clearly sense if your Auctioneer believes in what you are doing, or is simply going through the motions and doesn't really want to be there. Your Auctioneer represents your organization at the podium, so be certain to hire someone who projects the best possible image for your group.

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**Michael Ivankovich** has been a licensed & bonded Pennsylvania Auctioneer for more than 20 years. He is based in Doylestown, PA and an active *Fund Raising Auctioneer*.

He is nationally-renown as the country's leading authority on Wallace Nutting pictures, books & furniture. He has called Auctions in 10 states, has authored 20+ books and eBooks in his areas of specialty, along with numerous other trade paper articles, white papers, and EzineArticles.com columns.

You can contact him at (215)-345-6094, email: [info@michaelivankovich.com](mailto:info@michaelivankovich.com), or visit his web site at: [www.FundRaisingAuctionServices.com](http://www.FundRaisingAuctionServices.com)

**6. Salesmanship. The Ability to Work**

**a Room:** This is what separates the professional Auctioneer from the inexperienced volunteer. All too many groups have the mistaken belief that if they secure the services of an unpaid volunteer to call the Auction, they will be saving themselves money. But the truth is that this decision costs them money. A "Volunteer Auctioneer" is usually someone known to the group, e.g. a board member, a parent, a local politician or a local celebrity. That individual may feel comfortable in front of a group, but they don't know how to squeeze money out of the room. A good Auctioneer can work the room, they can sense when the bidding is done, they move the Auction along quickly, and will always solicit more bids from the room than a volunteer Auctioneer.

**7. Special Pledge Appeals:** A Special Pledge Appeal can often double or triple

the amount of money raised at a *Fund Raising Auction* in only a matter of minutes. But too few groups take advantage of this Fund Raising tool. If you find an Auctioneer who satisfies Tips #1 - #6, and who is also effective at implementing a *Special Pledge Appeal*, look no further. That Auctioneer is an experienced Fund Raising Auctioneer, they understand the true power of Fund Raising Auctions, and will be able to raise considerable amounts of money for your group...year after year.

In summary, don't judge the Auctioneer by the fee that they charge. Rather, consider all of the pre-event support, innovative fund raising ideas, auction-day bid calling, the increased revenue stream they bring, and the overall success of your event. When all is considered, if you selected the right Auctioneer, at the end of the night your crowd will be saying "Thank You for letting us spend our money with you. We will be back next year...with our friends". That is the ultimate sign of a successful Fund Raising Auction.

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