

perspectives

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A publication from
Benesch Friedlander
Coplan & Aronoff LLP

MY BENESCH MY TEAM

Trends and topics in not-for-profit management

Not-for-Profit Spotlight

FurnitureBank
OF CENTRAL OHIO



The Furniture Bank of Central Ohio provides free furniture to individuals and families in need due to poverty or other severe life challenges. Its goal is for all central Ohio families to live in furnished homes, thereby relieving suffering, strengthening family units, improving quality of life and building a better community. Community collaborations and resource-sharing make this goal possible every day.

The Furniture Bank began in 1998 when Jeff Hay founded Material Assistance Providers. Over the years, what is now called the Furniture Bank has grown to become a collaborative community project. It has increased furniture donation volume through aggressive community awareness campaigns and directed marketing efforts, strengthened the quality and consistency of its service to families in need and the agencies who refer them, and increased its facility space by moving to a permanent facility in Franklinton, just west of downtown Columbus.

With a dedicated paid and volunteer staff in place, and with the guidance of its board of directors, the Furniture Bank has grown considerably from its humble beginnings. An effort that began by serving a few hundred families in 1998 is now the second-largest furniture bank in the nation.

Moving forward with a new name, new branding, new website and new ideas, the Furniture Bank of Central Ohio continues to grow, increase community collaboration and increase self-sustainability in pursuit of its simple mission and long-term vision of seeing every family in central Ohio living in a properly furnished home.

If you would like to donate, are a caseworker for a client in need, would like to volunteer or simply need more information, please contact the Furniture Bank of Central Ohio today at 614.272.9544 or visit its [website](#).

Top Compliance Challenges in Church Accounting



Mary Lou Turnbull

1. Unique Nature of Fund Accounting

Many treasurers and volunteer board members enter the church governance arena with little or no background in fund accounting. Some may have owned their own businesses or held senior management positions in the profit world. The balance sheet of their local church or synagogue may look very different than the typical business.

The main difference between profit and not-for-profit accounting can be identified in the "equity" section of the balance sheet. Instead of distinguishing retained earnings (the cumulative profit and loss over years in business), the church reports on fund balances. These designated funds are reported separately to assist with keeping directed donor gifts in the right place. The IRS requires that monies given for a specific purpose be spent for that purpose. There are so many regulations regarding charitable donations rules that we suggest that you check with an [accounting/legal professional](#) to substantiate your compliance in this area.

2. Remitting Correct Payroll Taxes

This can be one of the most confusing areas of church accounting. Officers and directors of church boards may believe that the church doesn't have to pay taxes of any kind. To clarify, there are certainly exemptions that religious institutions enjoy. In many states, a church is not required to pay sales tax, property tax or unemployment insurance. These exceptions do not apply to payroll taxes.

Just like regular businesses, churches are required to withhold federal, FICA/Medicare, state and local taxes from their W-2 employees. The church must also calculate and remit the 7.65% employer share of FICA/Medicare. It gets a little trickier when calculating and remitting minister withholdings. Some clergy benefit from a housing allowance, which may not be included in federal, state or local taxable income. Also, because ministers are considered self-employed for Social Security, churches are not required to take out FICA and Medicare from clergy paychecks. Check with your specific taxing agency on the rules and regulations for your church.

3. Internal Controls

This challenge is probably the most crucial element in church accounting. Checks and balances are especially important in ensuring that the church's funds are protected from fraud and misuse. You can have the right software and the best procedures and policies manual, but without proper oversight and accountability, money can be misappropriated or directed to the wrong account. Churches, especially small ones, are often forced to stretch limited budgets to cover administrative functions. Volunteers may serve in positions where they have little or no experience. Sometimes one person is in a position of doing it all.

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Top Compliance Challenges in Church Accounting

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Why People Commit Fraud
By famed criminologist Donald R. Cressey

Even the best systems of internal control cannot provide absolute safeguards against irregular activities.

unappreciated for the endless hours she works at the church. Given the right opportunity to “borrow” money, the perfect scenario for fraud has just been created.

Fraud studies have shown that the best prevention is having ongoing oversight by impartial parties. If you lack the proper individuals to act as a “second pair of eyes,” consider hiring an outside firm to spot check your books and offer expertise in best practices and proper protocol. A few hundred dollars is money well spent when you consider the alternative of thousands of dollars in IRS fines or recovering from the effects of a fraud occurring at your church.

About the author: Mary Lou Turnbull is a Certified Church Administrator (CCA) and Certified Fraud Examiner. She was employed by a church software company for over 12 years, where she traveled across the country, training churches on accounting and payroll. After receiving her forensic accounting degree in 2011, she started her own accounting business working specifically with churches. Her practice centers on assisting churches get their financial records in order as well as fraud prevention. Contact her at marylou@steepleaccounting.com or 614.898.7139.

With this in mind, consider the three elements of the fraud triangle—opportunity, motivation and rationalization. Imagine a church volunteer, experiencing financial pressure at home and at the same time feeling

10 Ways to Lose Your Not-for-Profit Status

No. 2: Product Promotion



Cathy Paessun

“Hey, Cathy, XYZ Pharmaceutical just came out with a new product! What is the Juvenile Diabetes Research Foundation (JDRF) doing to promote this to the type 1 community?!”

I get this question periodically from interested, involved volunteers. The answer is always the same: We do not promote products or services, whether they are offered by national or local partners of JDRF or any company that offers products and services to make living with type 1 diabetes (T1D) a little easier until there is a cure. If done in exchange for a donation, it converts that “donation” to taxable advertising income. Worst case scenario—doing so could jeopardize our not-for-profit tax status.

We absolutely promote fundraising opportunities created by companies that benefit JDRF. There’s a quantum difference. When, for instance, Bob Evans allows JDRF to raise money through its restaurants using a flyer that states 15% of the patron’s bill will be donated to JDRF, we promote the effort aggressively. We are not promoting Bob Evan’s food. Rather, we are promoting that if people choose to eat at Bob Evan’s, a portion of their bill will be part of a donation from Bob Evans to JDRF. This is considered a charitable sales promotion under Ohio law, and there are accounting and payment requirements that the parties must satisfy.

Certainly, those of us in not-for-profit organizations can see how this is confusing to the public. This is where it becomes important that the charities chose partners whose products, services and reputations are such that the not-for-profit would want to be linked with that company in the consumer’s mind. Our community is going to infer that JDRF supports the partner’s goods and services—whether we want them to or not.

I also ask our volunteers to notice there is a difference between promoting and making aware. We absolutely make our community aware when educational opportunities are available through credible companies and organizations. We are not promoting that our community take advantage of those opportunities—we are simply alerting them that the opportunities exist.

About the author: Cathy Paessun is Executive Director of the Juvenile Diabetes Research Foundation (JDRF) Mid-Ohio. As an organization development professional focused on the not-for-profit sector, she works with organizations to support their goals of revenue stabilization and growth through implementation of business best practices. Ms. Paessun can be reached at cpaessun@jdrf.org or 614.464.2873.

Not-For-Profit Fleet Management



Eugene Nusekabel



Chuck Camp

Not-for-profit (NFP) or for-profit, running a fleet of trucks, cars or vans has to be a cost-effective business process.

In an age where “do-more-with-less” is practically the mantra for NFP operations, what can you review and adjust to meet the demands? There are steps you can take right now to eliminate waste and unnecessary costs and get more out of your fleet. Let’s look more closely at:

- Cost reduction
- Lease or own
- Driver training
- Volunteer liability

Cost Reduction: Tips for Unlocking Efficiency in Your Fleet

Ever-changing fuel costs put pressure on managers to get more out of their fleets. There’s a renewed focus on reducing the downtime of assets, leased or owned. Like any fleet manager, NFP or for-profit, the No. 1 focus is on serving your customer. To do so, you may plan your fleet for peak capacity so you can respond when demand spikes. But, keeping your business moving by keeping extra vehicles in the pool isn’t always a good strategy. It can be costly, especially when you factor in maintenance, taxes, insurance and other expenses.

Put empty miles in the rearview mirror

Empty miles are one of the most expensive aspects of running any type of fleet. When you send your vehicle to serve a customer, how many empty (nonproductive) miles are incurred? Are there any services you can provide to offset the cost of those empty miles? The key is to optimize assets, routes, service levels and costs to streamline your transportation network. That might mean

partnering with others who can arrange service opportunities to minimize empty miles. Find a partner—it may even be a for-profit operation like a courier service (just look at Uber RUSH in New York City).

Right-size, right-size, right-size

If you have vehicles sitting on the sidelines, chances are your fleet is too large. Work with transportation partners to right-size your fleet and driver workforce. Once you have right-sized the fleet, adopt fuel strategies with outside partners to further control expense.

Reduce wait times

One of the most common causes of fleet idle (wait) time is poor planning that leaves drivers waiting. To reduce wait time, map out processes, detailing how people, materials and information flow from top to bottom for effective process execution. Look for ways to eliminate excess moving and handling of inventory and keep goods, people and processes flowing smoothly.

Maintain a state of perfect flow

When people, materials, equipment and processes flow smoothly, you’re better able to get quality services to your customers. What’s more, eliminating unnecessary movements and delays will result in shorter lead times and less fleet idle time.

Get connected

With real-time data about vehicles, drivers and traffic conditions, you can keep your drivers on route or ease them through traffic snarls to reach their destinations faster. Accident impacting the work on one route? Divert those work requirements to another vehicle to avoid delays. Also, software providers now offer data in GPS packages that will allow monitoring of routes that include: time to stop, time at stop, route taken, truck speeds, hard turns, hard braking, idling, parked, etc., with multiple alarm settings and levels to provide feedback in real time. In addition, data and records can be generated for preventive maintenance, fuel consumption, engine operation and the like.

Look at the big picture

With the latest on-board technology, you know what’s happening across your fleet. By aggregating data across the fleet, you can

balance operations, minimize nonproductive miles and boost driver productivity.

Keep small problems from turning into big ones

Regular preventive maintenance and inspections are essential to keeping your fleet on the road—and keeping small issues from turning into big ones. Preventive maintenance includes everything from vehicle inspection, lubrication and adjustment to cleaning, testing, repair and/or parts replacement.

Lease or Own

This fleet topic could have led off this article, but given the information previously presented to consider, do you have the staff expertise to answer these questions, capture the data and manage the assets? Is it time to say “Let’s review our operation and potential exposure.”? Your fleet size (small, medium, large) may drive your answer.

A hybrid solution may also be worth considering. You may want to supplement your “capital asset” fleet with rental units to deal with fluctuations in demand, as done at FBCO. In addition, doing a lease-to-own arrangement or purchasing returned lease vehicles could allow you to slowly upgrade your fleet, generally improve fuel economy, and pay less than “new” market rates for great vehicles.

Regardless, do not hesitate to look for a fleet partner to provide some benchmark feedback, no matter your fleet size. Partners can bring management expertise, technology and perspective to your organization that you may have overlooked or thought was not possible.

Driver Training

Do your drivers see themselves as your sales representative and the customer’s “first contact”? If not, set up training time to give them the big picture and their daily impact on your NFP success. Do you have a process in place for customers to provide you feedback on the driver’s interaction with them? Your community good deeds and brand name could be tossed out the door if the driver fails to provide a good experience. It is not this one driver failure that is the biggest risk; it is the multiplier effect of the customer sharing that bad experience that can cause greatest harm.

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Not-For-Profit Fleet Management

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Friends and neighbors, combined with social media, seem to easily share a bad experience that you have limited control of after the fact. Driver training to align with your mission is “the ounce of prevention” to minimize the impact on your mission and brand name that could require a “pound of cure” after the damage is done.

Other types of driver training are also worthwhile. After labor, fuel is most likely your biggest fleet expense. Why waste precious fuel when idling? By making a few modest adjustments in driver behaviors through training, you can save a great deal of money on fuel over the long term.

Volunteer Liability

Do you utilize paid and volunteer drivers? If volunteers are driving, have you reviewed your insurance coverage to ensure that your NFP operation would not be decimated if a volunteer were to have an accident while working on behalf of your organization? Proper training also applies to volunteers. Ensure that they too understand the NFP mission and represent and promote your brand on your behalf. Do not take this item for granted!

A Mission and a Business

NFP missions grow from “big hearts” and a desire do good works for the community and can lose sight of the business issues that must be addressed. While your fleet is an extension of your business, it may be the first point of contact with your customers. Be sure vehicles and drivers are in “good working order” to minimize your exposure to risks as best possible. Do not assume you are in good standing in this area. Mark your calendar now for a review and then schedule an annual review to look at costs, training and liability to ensure fleet operations and drivers, paid or volunteers, are aligned with your NFP mission.

About the Authors: Eugene Nusekabel is a volunteer and Chuck Camp is Operations Manager at Furniture Bank of Central Ohio. For additional information, contact [Furniture Bank of Central Ohio](#).

Events

Central Ohio Association of Fundraising Professionals Signature Speaker Series

Association of Fundraising Professionals and The Columbus Foundation present: Ken Stern

Date: December 2, 2014

Time: 4:00–7:30 P.M. Afternoon and Evening Programs

Location: The Columbus Foundation, Davis Hall, 1234 E. Broad St., Columbus, OH

Afternoon Program: 4:00–5:30 p.m.

Open to the entire community.

Advance registration is required as space is limited.

\$20 Registration Fee

Topic: With Charity for All: Why Charities Are Failing and a Better Way to Give

Vast and largely unexamined, the world of American charities accounts for 10% of economic activity in this country, yet operates with little accountability, no real barriers to entry and a stunning lack of evidence of effectiveness. In this talk, Ken Stern will reveal a problem hidden in plain sight and prescribes a whole new way for Americans to make a difference. By highlighting recent moves towards accountability and effectiveness in the charity industry, Stern will demonstrate how we can better choose which charities to support, and lays out the path to a better charity system.

Evening Program: 5:30–7:30 P.M.

Open to the entire community.

Advance registration is required as space is limited.

No charge to attend the evening program

Topics: Evening Holiday Reception, Annual Meeting and Ken Stern TEDx-style talk on “The Future of Giving”

Can’t make it to the keynote—or ready to digest even more of the professional wisdom just acquired in the keynote session? Members and guests are invited to attend the annual holiday reception at The Columbus Foundation. Enjoy hors d’oeuvres, perhaps a glass of wine, plus a chance to chat with Ken Stern who is available to sign books. Get ready for his next talk and our annual chapter meeting—all free, with your advance registration.

Visit www.CentralOhioAFP.org for more information OR

REGISTER NOW by clicking [here](#).

Tax Treatment of Charitable Fundraising

Date: December 3, 2014

Time: 1:00–2:30 P.M. EST.

Location: Online Webinar

Speaker: [Martha J. Sweterlitsch](#)

Fundraising for charitable organizations has become a complex business. Charities no longer hold out a tin cup and ask for donations. They engage in sophisticated activities to generate revenue for their mission, and the activities have tax consequences. This live webinar will review the federal tax consequences of fundraising activities and provide specific guidance on how to avoid tax and other legal pitfalls.

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Events (continued)

Learning Objectives

- You will be able to discuss the Unrelated Business Income Tax.
- You will be able to review implications for corporate sponsorships, product endorsement programs and fundraising in general.
- You will be able to identify traps for the unwary in fundraising programs.
- You will be able to explain UBI reporting requirements.

Continuing Education Credit

- CAC 0.5
- CLE*
- CPE 1.5

Click [here](#) for registration information.

Indiana Chapter of the Association of Fundraising Professionals Brown Bag Series

Date: December 3, 2014

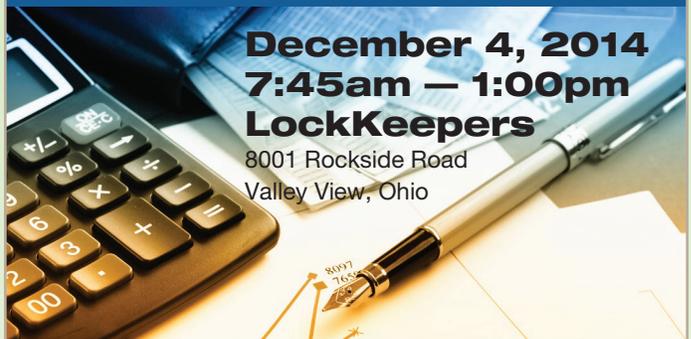
Time: 12:00–1:15 P.M.

Location: Glendale Library/Shopping Center, 6101 N. Keystone Ave., Indianapolis, IN

The Small Shop Development Group and Annual Fund Affinity Group have merged to bring you the AFP-IC Brown Bag Series. Participation is free. These programs are held the first Wednesday of every month at 12:00–1:15 P.M.

Learn more [here](#).

Tips, Tricks & Traps for Foundation Executives



**December 4, 2014
7:45am – 1:00pm
LockKeepers**

8001 Rockside Road
Valley View, Ohio

Join Benesch and HW&Co. on **December 4, 2014**, for **Tips, Tricks & Traps for Foundation Executives**. CPE credit pending.

To register for the event, click [here](#).

Agenda (tentative)

- 7:45-8:15am Registration & Continental Breakfast
- 8:15-9:15am Planned Giving
- 9:15-10:15am Self-Dealing
- 10:15-10:30am Break
- 10:30-11:30am Distribution Rules
- 11:30-1:00pm Lunch Presentation on Program-Related Investments



Benesch's Not-for-Profit Team assists not-for-profit and tax-exempt clients in a broad array of matters, ranging from filing for nonprofit status and preparing federal and state tax exemption applications to training in not-for-profit regulatory compliance. Our not-for-profit attorneys are committed to protecting our clients' assets so that they can continue to drive the missions and goals of their organizations.

For more information regarding this edition or any not-for-profit issues, please contact:

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