Detailed receipts

How to make giving more convenient for donors

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To blog or not to blog
Charities long have been required to provide written confirmation to donors for gifts of $75 or more if the donor received more than a token benefit. And donors who wish to deduct their contribution have been required to ask for a receipt for single donations of $250 — regardless of whether a token benefit was received.

The Pension Protection Act of 2006 (PPA) builds on this by requiring taxpayers who want to deduct charitable donations to maintain a record of monetary contributions — whatever their size — in the form of a bank record, canceled check or receipt. This new rule, which kicked in on Jan. 1, 2007, may make you want to change the way you handle and acknowledge donations.

Good customer service

Though not required to do so, some organizations are issuing receipts for all donations as a service to their benefactors. After all, providing great service isn’t just a worthy goal for the retail industry. Charities that make it easy for donors to give may find themselves with the kind of “donor loyalty” that put retailers like Nordstrom on the map for customer service.

If you decide to issue receipts to donors, prominently include the following information on the receipt:

**Names.** The donor’s full name should be listed as well as the full name of your organization, avoiding acronyms or any but the most basic abbreviations. Note that PPA specifically requires that a charity’s name be on any receipt.

**Dates.** PPA also requires receipts to list the date of the donation. This is an important provision because donors may take charitable deductions only in the tax year they were made.

**Donation descriptions.** The receipt must include the amount of monetary donations. In the case of the donation of goods, include a description of what your organization received, but not its monetary value. Special rules apply to donations of cars, boats, planes and other vehicles. Talk to your tax advisor about the receipt requirements in those cases.

**Receipt in exchange.** For donations of $75 or more where the donor receives a good or service in return for their donation, you should define and make a good faith effort to estimate the exchange value of that good or service (such as a pledge gift or costs associated with a fund-raising dinner). Religious organizations must include a statement that “intangible religious benefits” were provided, but that they have no monetary value for tax purposes. When there is nothing to deduct, include a statement that nothing of value was given to the donor in return for his or her contribution.

**Getting the credit you deserve**

If your organization isn’t set up to accept credit cards, you could be missing out. Offering a credit card payment option can provide an easy and secure transaction for your donors and others who want to do business with you. It also can minimize the risk of bad checks and time spent tracking down pledges.

To begin accepting credit cards, you’ll need to set up merchant accounts with the major card companies that you’ll accept. For American Express, contact the company directly and apply for a merchant number. Your bank may be able to provide a MasterCard/Visa account for you, or you can work with an independent merchant account provider. Be sure to compare companies carefully, as different providers offer different fees and rates, service and support, contract terms, and equipment requirements.

Once you’re set up for MasterCard/Visa, you’ll also be able to accept check cards. You won’t, however, be equipped to accept debit cards automatically unless you request this service from your account provider and they supply you with a terminal that customers can use to enter their personal identification number.
Pension Protection Act means opportunities, challenges

Though it’s called the Pension Protection Act of 2006 (PPA), the bill signed into law by President Bush in August 2006 has plenty of provisions of interest to nonprofit organizations. Some PPA elements, such as the IRA charitable rollover, are proving to be a boon to public charities. Others, like the requirement that donated used clothing and household items be in “good” condition to qualify as a tax deduction, are changing the way some nonprofits operate. In addition, there are new filing and public disclosure requirements for certain organizations.

IRA charitable rollover
PPA’s IRA charitable rollover provision is designed to give taxpayers incentives to make charitable donations. Those age 70½ and older can make direct distributions of up to $100,000 from a traditional or Roth IRA to public charitable organizations. The provision remains in place now through Dec. 31, 2007.

PPA doesn’t spell out every detail, so eligible charities have had to try to interpret its implications for soliciting and accepting IRA donations. Organizations need, for example, to figure out how banks and other institutions that administer IRAs will process transfers.

PPA also doesn’t clarify how charities should acknowledge IRA rollover donations. Will a standard receipt or acknowledgment letter be sufficient, or must the donor require a more detailed substantiation to be able to take the tax deduction?
If you choose to promote this new provision among your donors, you should urge them to discuss IRA rollovers with their legal and tax advisors to ensure they get the full benefit of the deduction.

Contributions of goods
The law specifies that taxpayers who itemize may take a deduction for donations of clothes and household goods that are in good used condition only. If the total deduction is more than $500, Form 8283 must be attached to the filed tax return. If someone donates a single item valued at $5,000 or more, the donor may need to include a qualified appraisal with his or her tax return. These provisions were effective beginning Aug. 17, 2006.

These higher-value donations also put new demands on charities. If you sell or dispose of a donated item that is valued at more than $500 within three years, you must file a Donee Information Return. The only exception to this rule is if the item was used for charitable purposes before it was sold or disposed of. Be aware, though, that you’ll be subject to substantial penalties if you falsely claim charitable purposes to assure someone’s tax deduction.

If you accept donations of clothes or household items, help donors understand the new rules. You might, for example, post signs at donation facilities, include the information on your Web site or in your newsletter, or add PPA-specific language on preprinted donation receipts. You also may wish to revise and publicize your donation guidelines. For example, you may decide to discontinue accepting clothing that has obvious signs of wear or household items that are broken or have parts missing.

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New requirements
New reporting requirements also go into effect for periods beginning Jan. 1, 2007 for small nonprofits (those with annual revenues of less than $25,000). At press time, the IRS was creating an electronic Form 990 that would capture basic information about the charity’s name, mailing address, name and address of the principal officer, substantiation of the group’s exemption from filing a 990, and other details.

The IRS will be contacting organizations to supply this information. PPA includes a provision that the IRS must revoke the nonprofit status of any group that fails to submit this information for three consecutive years. So if you receive a notification that the IRS needs information from you, don’t ignore it.

Nonprofit impact
To ensure you understand the full impact of PPA, discuss it with your tax advisor. After all, you want to ensure you and your donors are in full compliance with the law and able to reap the greatest benefits for your charity. ☑️

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Board retreats that work

Retreats are a great way to get your board members to spend quality time together for in-depth, strategic conversations. They can be a worthy investment in the development of your board and future of your organization. But if not properly planned, they can be expensive boondoggles that break down relationships rather than build them up.

Tap the benefits
Board retreats can allow participants to get past the mundane topics of regular board meetings and delve deeply into current or future issues. Plus, if the group usually gets together via phone conferences, a retreat facilitates building stronger working relationships.

To take advantage of those benefits and avoid wasting money, consider following several best practices. First, recognize that participant buy-in is essential. You shouldn’t spring a fully planned retreat on your board without first vetting the idea and making sure everyone agrees to the merit of the session and its overarching goal. Otherwise, attendance may suffer, or worse, board members will show up but won’t be fully engaged.

Logistics matter
Once the board agrees to a retreat, you can turn your thoughts to logistics, which will vary depending on the outcomes you need to achieve. A half-day in a local coffee shop may be ideal if the board needs to brainstorm creative, new fund-raising options. Broader agendas or confidential topics will require more time and privacy — perhaps several days at an offsite location.

Regardless of timeframe, getting your board members out of their normal surroundings is essential. The further you can get board members away from their regular work responsibilities, even if only mentally, the better. That also may mean banning mobile phones, pagers and other electronic devices from working sessions.

Have a plan
Every retreat needs a well-planned agenda. The best way to set the agenda is to start at the end. What outcome do you want to come away with at the close of the retreat? If, for example, you want to end the meeting with a five-year strategic plan, your agenda might start off with time to review the history of your organization and competitive research from other organizations. From there, build in time to brainstorm where your donors, beneficiaries, members and other important constituencies may be in five years.

Make sure you include adequate breaks and time for informal social interaction, such as a nice dinner. This will not only keep your board members focused, but also give them a small reward for their efforts.

Some of the most important work will happen after the retreat. That’s why you need to recap all decisions and commitments, and make a plan to put your hard work into action before the board scatters. Follow up by sending the board members a written summary of retreat discussions and add action items to future board meeting agendas based on those plans. This will help ensure your retreat outcomes remain a priority even after the board goes back to “business as usual.”

Thoughtful and thorough
Board retreats don’t have to be fancy to be effective. As long as you approach them thoughtfully and thoroughly — achieving participant buy-in, planning adequately and following up on any decisions — they are likely to be a worthwhile investment.

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The right person for the job
How to hire a bookkeeper

The person who handles your organization's day-to-day accounting is instrumental in maintaining its financial health. So, when you’re looking for a bookkeeper, focus on finding the best candidate with the right skills and experience to handle this important job.

Define the role
Before placing any want ads, you should define the role. The terms “bookkeeper” and “accountant” sometimes are used interchangeably, but there are differences. In general, a bookkeeper enters income and expense data into your accounting system. An accountant uses that data to generate financial reports and prepare tax documents. Bookkeeper candidates should have a basic understanding of accounting terms and principles to do the job well, but, in most cases, the individual doesn’t need the specialized knowledge of a CPA.

Pass the test
Many organizations hire a bookkeeper because their top-level management doesn’t have the necessary accounting skills. Without qualified financial experts on board, you may be wondering how to judge the acumen of bookkeeper job candidates.

The American Institute of Professional Bookkeepers (AIPB) can help. The AIPB has created a short test and test administration guidelines that you can use with candidates to gauge their knowledge of accrual-basis bookkeeping. Should you require special skills, the tests can be customized to your needs. For more information on this free resource, go to www.aipb.org.

Crafting a detailed job description that outlines the position's responsibilities will help you attract qualified candidates and give you a consistent yardstick with which to measure them against. Common bookkeeper responsibilities include preparing and recording accounts payable, accounts receivable and cash receipts; tracking expenses; reconciling bank statements; posting accounts to the general ledger; and assisting as necessary with year end financial audits. If you also will be relying on the bookkeeper to send donor acknowledgments, order supplies or handle any other clerical duties, spell them out in the job description.

Specify skills
Nonprofits have special bookkeeping challenges that for-profit businesses don’t. Most for-profit businesses, for example, don’t handle pledges, donated goods or services, and restricted donations. While it may not be essential, finding a bookkeeper with previous nonprofit experience can be helpful. At the very least, you want to work with someone who understands that there are differences between for-profit and nonprofit accounting methods and is willing to learn the accounting intricacies of your organization.

Other skills are nonnegotiable. Candidates should be:
- Knowledgeable about accounting basics (see “Pass the test,” above),
- Attentive to details,
 Deadline oriented, and
 Computer literate, which may mean familiarity with the accounting system you use.

Finally, because your bookkeeper will be handling cash, financial records and proprietary information, potential hires must be trustworthy and above reproach. Conduct thorough background and credit checks — including following up on any references — on anyone you’re seriously considering.

Be choosy
Your bookkeeper will be responsible for tracking the lifeblood of your organization — your income and cash flows. Don’t make a hasty decision: Take adequate time to select the best candidate.

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To blog or not to blog

Newsweek prints a weekly scorecard of the best and worst blogs. Newspapers quote bloggers on their editorial pages. Clearly, blogs have gone mainstream. Should your nonprofit join in?

Blogs, or Web logs, are online, chronological diaries that generally are frequently updated. Early blogs featured individuals posting their personal musings, but more nonprofits and for-profit corporations are including blogs in their communication strategies.

In its favor
To determine whether a blog makes sense for your organization, consider these points in their favor:

Immediacy. Because the underlying technology is as simple as typing a message and clicking a button to post, blogs are one of the most immediate types of communication vehicles. There’s no Webmaster or designer to involve, and no lost time in printing and mailing. People who subscribe to your blog will receive immediate updates when you refresh your content.

Intimacy. Blog entries can give your communications a personal touch. Instead of sounding like a standard marketing pitch, a blog entry can — and should — be conversational, allowing readers to connect on a personal level.

Demographics. A blog can be an excellent tool if you want to capture the attention of an affluent or young audience. In their 2005 “Behaviors of the Blogosphere” study, Internet information provider comScore Networks found that regular blog readers were significantly more likely to live in wealthy households and be younger than the average Web user.

Dialogue. Most blogs offer readers a place to comment on posted messages, which can be a great way to get feedback. However, you need to be ready for all kinds of comments — positive and negative — and prepared to respond to them.

On the other hand
There are also potential drawbacks to starting a blog, including:

Time commitment. Most blog readers expect content to be updated daily or weekly. If you can’t commit to one post a week for the next several months, a blog may not be the ideal tool for your organization.

Control. If you accept comments on your blog, you must allow people to speak their minds. Although you can delete offensive comments, the leaders in your organization need to understand that you won’t be controlling the entire conversation.