

To Be or Not to Be? Or, Is That the Question?

START 
 MANAGE
GROW 

January 27, 2015

Sponsored By:



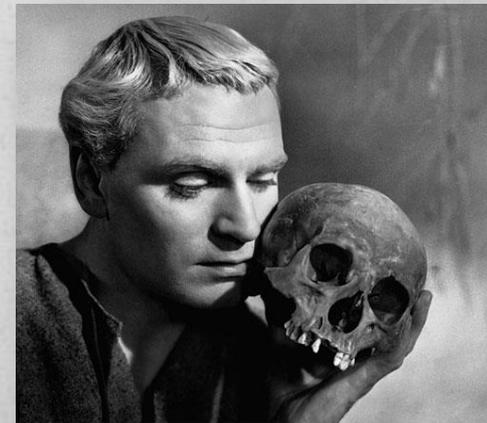
**TO BE OR NOT TO BE?
OR, IS THAT THE QUESTION?**

**Jennifer Ayers
JL Ayers Consulting, LLC**

**January 27, 2015
Alexandria Small Business Development Center**

TO SUFFER OR TAKE ARMS?

- Charitable work is trending
- Concept to Action
- The Art and Science of Management
- Avoiding mission creep during growth
- Case studies “real world scenarios” WWYD?
- Readiness Checklist



WHAT 'TIS NOBLER?

- Social Entrepreneur
- Benefit Corporation
- Strategic Partnering
- Strategic Board Development
- LLC
- Making a donation
- Volunteering



TO BE: REASONS TO START AN NPO

Usually good

- Change the world
- Do good and help people
- Solve a problem
- Support a profession or shared goal
- Leave a legacy or make an impact
- Help others
- Fellowship-social opportunities

Not so good

- Fund a for profit venture
- Get a Grant-funded job
- Holding profits from a for profit venture for tax-write off
- Seed eventual for profit work

TYPES OF NPOS

- 501(c)(3) is one of many different tax-exemption classifications under federal law.

Other examples:

- 501(a): qualified retirement plans
- 501(c)(4): social welfare organizations
- 501(c)(5): unions
- 501(c)(6): trade associations

States generally rely on federal 501(c)(3) status when granting tax-exempt status under state law, but not always (Credit to Benjamin Takis- Tax Exempt Solutions, LLC)

501C3

- Earnings generally tax-exempt under federal and state law (also applies to other tax-exempt organizations)
- Donations are tax deductible (unique to 501(c)(3) organizations)
- Eligible for grants from foundations (unique to 501(c)(3) organizations)
- (credit to Benjamin Takis- Tax Exempt Solutions, LLC)

STEPS TO NONPROFIT STATUS

- (1) File Articles of Incorporation
- (2) Get an Employer Identification Number
- (3) Have your first Board Meeting: adopt Bylaws, Resolutions, and Policies
- (4) Open a bank account
- (5) File Form 1023 and applications under state law (27-month deadline)-New 1023 EZ
- (6) File Forms 990 while you wait for tax-exempt status
 - (Credit to Benjamin Takis- Tax Exempt Solutions, LLC)

WHAT MAKES A GOOD KINGDOM ACCORDING TO IRS

- Conflict of Interest Issues:
 - The IRS closely scrutinizes transactions with officers, directors, and related organizations.
 - Be sure to adopt Conflict of Interest Policy
 - Procedure for approving compensation: (1) Approve compensation in advance; (2) Document compensation arrangements in writing; (3) Record board decision in writing (i.e. minutes of board meeting); (4) Obtain comparability data from at least 3 similarly situated organizations; and (5) Document the data and its source in the meeting minutes.

NPO THEORY BASICS



- Revenue should be used to support activities
- Money supports mission and services provided
- Cannot be distributed to individuals
- Accountable to the public- to retain status they must do what they say they do

DISCUSSION FROM THE FIELD: WHY THINGS FAIL

Scenario

Social Enterprise Example:

“When businesses are expected to meet for-profit goals while operating under nonprofit rules, the so-called double bottom line can easily become an impossible double bind.”*

Hull House **

- Closed on Jan. 27. Laying off 300 employees. Why? The organization had:
- Prominent Board
- Was 120 Old

* Foundation Center- Seedco Case Study; NPR interview 2012,

Explanations

- Ran a deficit
- Staff was positive (culture in Social services of living day-to-day on the edge)
- Board members didn't understand statements
- Tried to operate business and charity- lost focus

FAILURES

- Good intentions without good vision
- Saturated market
- Lack of values
 - **Founders syndrome**
 - **Attract self-interested types**
 - **Abuses of power**
- Undervalues competition or ignores competition
 - **Do not pay attention to market forces**
 - **Do not collaborate-**
 - **Forget broader scope- don't know when to give up the ship**
- Fails to keep up with innovation (antiquated)
- Mission Creep (overly responsive- personal agendas)
- Poor relationships or no relationships
- **LACK OF DATA AND KEY MEASUREMENTS**

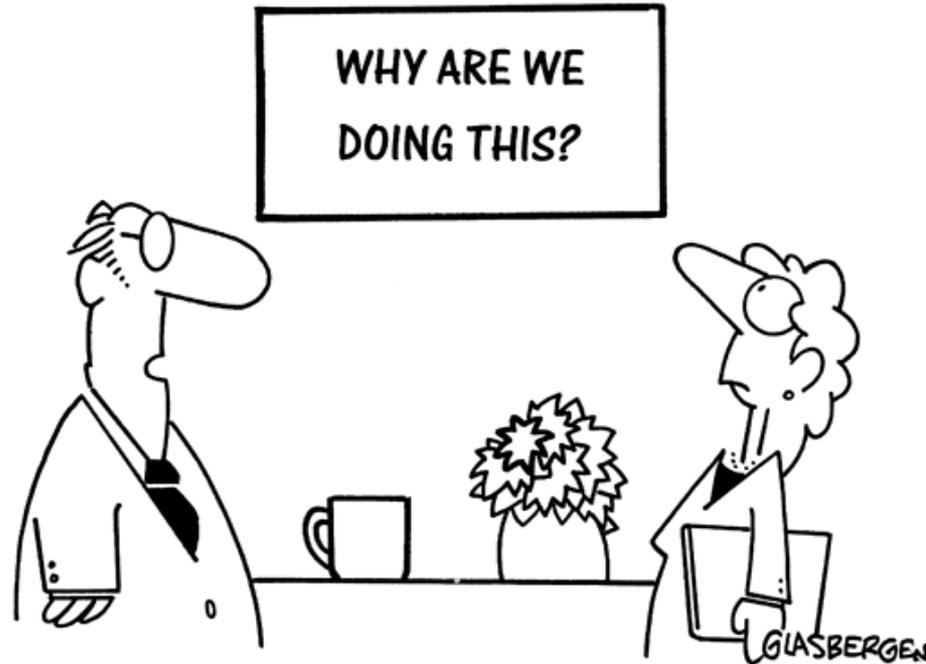


SUCCESS

- Clear vision, mission and values
- Understanding of market and competition
- Right people and right relationships (may take time)
 - Governance
 - Staff
 - Volunteers
- Internal controls
- Systems and infrastructure
- Legal and ethical behavior
- **Fills a UNIQUE need and has a compelling solution**

ART & SCIENCE OF MANAGEMENT

Copyright 2005 by Randy Glasbergen.
www.glasbergen.com



**“It’s not a great mission statement,
but we’ll revise it if things get better.”**

MANAGING PEOPLE & EXPECTATIONS

- What would you do?
- The dangers of “if you’re not first your last” mentality
- Managing expectations
- Matching people (strengths/personality)
- Training
- Providing accurate information
- Strategic board development – a few rules
 - Skills Needed
 - Start small, plan for growth
 - Personality and Strength
 - Mix of Experience
 - Application
 - Interviews
 - Strength finders or Assessment

LEADERSHIP



- **inspire** to action
- **inform** and empower others to solve problems and make good decisions
- **involve** all members in the process

WHEN THE STATE IS ROTTEN

- United Way – 2002 went from \$90m to \$19m in 2 years, after what was at the time considered inappropriate spending
- American University - President to reimburse the institution \$125,000 for personal expenses. Audit committee had to disclose \$398,000 in unreported taxable income.
- Susan G. Komen Foundation & Planned Parenthood
 - \$2 billion dollars for breast cancer research over the past 30 years, told the *New York Daily News* that participation in the race has dropped by 37 percent in the past four years.
 - The race raised \$5 million in 2011, \$2 million in 2012 and is projected to reach about \$1.5 million this year. (The 2013 race will take place on Oct. 11.)
 - No races in 2014



WWYD?

- 1) When a nonprofit needs to raise money-Who should be responsible for leading fundraising?
- 2) When a staff member (or board) steals, what do you do? How does this change when you are not in charge?
- 3) What do you do when your board moves in an unplanned direction, or does not value the plan or process?
- 4) How does a good leader implement a new plan, or change in direction, when there is no budget?
- 5) A board member is using the organization for personal gain?
- 6) Nobody can replace the founder ?
- 7) How do you approach an alliance of different organizations with similar causes?

ASSESSMENT TOOLS

- SWOT
 - Strengths, Weaknesses, Opportunities, Threats
 - PEST
 - Political, Economic, Social, Technical
- USE Goals that are SMART
- Specific
 - Measurable
 - Achievable
 - Realistic
 - Timely
- Who will benefit from this organization's efforts?
 - What unmet need does it fill?
 - Will I let other people tell me what to do?
 - Are there other organizations that do the same or similar things?

HOW TO USE PLANNING

- Outcome measures and benchmarks can be used motivate and inspire and **inform**
- Keeps an organization focused on end goal and outcomes- instead of agendas
- Provides a shared vision and unity of effort

What it does for leaders:

- Creates buy-in
- Provides opportunity to position yourself as a leader
- Accountability- puts you in charge of making decisions and gives you language to motivate others
- Give a reason for actions
- Allows for delegation & empowerment
- Allows for evaluation

AVOID THE STARVATION CYCLE

- The Nonprofit Starvation Cycle- *Stanford Social Innovation Review*
- A vicious cycle is leaving nonprofits so hungry for decent infrastructure that they can barely function as organizations—let alone serve their beneficiaries.
 - Unrealistic expectations by funders about how much running an NPO costs
 - NPO misrepresents costs or cuts out infrastructure
 - Feeds belief

HEALTHY HABITS

Idealism to realism

- Tendency toward opportunism
- Saying “No”
- Small steps to big Goals

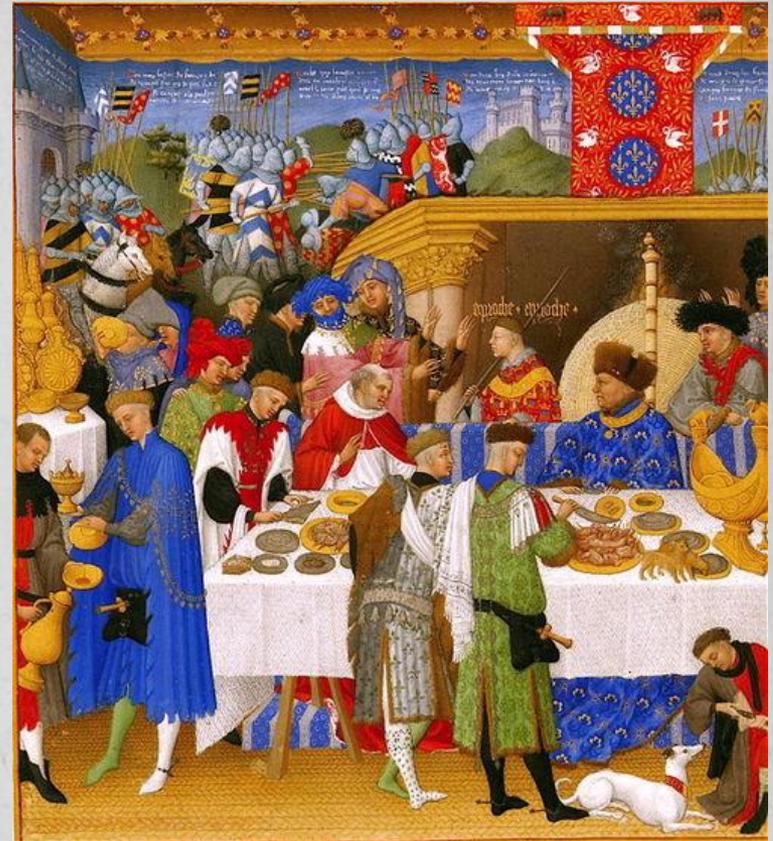
Systems and Internal Controls

Sustainable programs

- Diversified / sustainable revenue
- Realistic targeted goals/ objectives

The Right People

- Workers
- Strategic Thinkers
- Connectors



STICK TO A REGIME TO AVOID MISSION CREEP

- **Be Clear on Mission**
 - Do not do if it's not part of mission
- **Long Term Strategic Plan**
 - Measurable
 - Consider current and projected needs
 - Focus on programs and services
 - Consider needs of the population you serve
- **Prioritize in detail**
 - Articulate Need
 - Plan to address target population
 - Evaluation plan
 - How things work- operational plan
 - Key people involved or needed to be involved
- **Have a solid funding Plan**
- **Find Best Funders**
 - Need to understand and have buy-in.
- **Have a clear decision making process**
- **Process for Assessing Risk**

WWYD?

Foundation

- “The catch-22 is that, while organizations need capacity-building funding in order to invest in solid performance tracking, many funders want to see strong program outcome data *before* they will provide such general operating support,”

Youth Basketball Program

- “It is clear to anyone who has led an organization that the most important capital in a company is the human capital. -In after-school we have a saying: Kids come for the program, but stay for the staff. If we don't hire the right people, we might as well not run after-school programs.”

GOOD HYGIENE = GOOD INFRASTRUCTURE

- 1023 EZ or 1023
- Board of Directors
- COI
- Gift Use Policy
- Document and Records
- AR/AP
- Agreements in writing
- Employee manual
- People
 - Attorney
 - Accountant
 - Consultants
 - Colleagues



Readiness Checklist

- Who will benefit from this organization's efforts?
- What unmet need does it fill?
- Will I let other people tell me what to do?
- Are there other organizations that do the same or similar things?
- Are you ready to lead and make difficult decisions?
- Who are the right people and how will you engage them?
- How will you measure progress?
- How will programs and services be funded?

THANK YOU!

**LEARN FROM HAMLET
BE A COMEDY- MAYBE A HISTORY, BUT NOT A
TRAGEDY**

Jennifer Ayers, JL Ayers Consulting, LLC

jayers@jlayerconsulting.com

Office hours at SBDC- Alexandria

571-218-2436

START  MANAGE  GROW 

Follow Us on Social Media!

www.facebook.com/alexandriasbdc

@AlexVASBDC





Upcoming Events

Wednesday, January 28th: HR Counseling

50-minute sessions for City of Alexandria businesses with **Patricia Frame** of Strategies for Human Resources. E-mail Gloria Flanagan for participation information at gflanagan@alexandriasbdc.org

Wednesday, February 4th: “Succession Planning for Small Business Owners – Issues & Options” Workshop. 9:00 am – 11:00 am.

Presented by Lonnie Rich of Rich Rosenthal Brincefield Manitta Dzubin & Kroeger,LLP. Register at <http://www.alexandriasbdc.org/event/succession-planning-issues-options/>

Tuesday, February 10th: “How to Drive Traffic To Your Location” Workshop. 9:00 am – 11:00 am.

Presented by Shannon Jones & Paul Williams. Register at <http://www.alexandriasbdc.org/event/location-destination-drive-sales/>

Tuesday, February 17th: “Multi-Media Marketing” Business Development Roundtable. 12:00 - 1:00 pm.

No registration is required for this event. This is a facilitated discussion with other small business owners. This month is a continuation of our discussion in November 2014. We will focus on being more productive in task and project management. For more information, e-mail gflanagan@alexandriasbdc.org

Tuesday, February 17th and Wednesday, February 18th: Social Media Counseling

45-minute sessions for City of Alexandria businesses with **Ray Sidney-Smith** of W3 Consulting. E-mail Gloria Flanagan for availability at gflanagan@alexandriasbdc.org

Thursday, February 19th: “Forming A Nonprofit is EZ” Workshop. 9:00 am – 11:00 am

