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Nonprofit Observer

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How to make your special event a financial success

Many nonprofits depend on the funds raised at an annual gala, conference or other special event to keep their organization in the black. But successful events require a careful balancing act. You need to keep a tight rein on expenses, yet attract and entertain as many generous supporters as possible. Here are some ideas for maximizing revenues.

NET REVENUES

As in the for-profit world, sometimes you have to spend money to make money. However, a long-held rule of thumb among nonprofits says that the cost of a fundraising event shouldn't exceed 30% of net proceeds. To ensure you'll stay on — or, better yet, under — budget, prepare financial projections.

Start with your total fundraising goal, which should include funds received from event attendees, sponsors and possibly pre-event appeals. Your financial objective should be realistic, based on your nonprofit's experience with previous fundraising events. But consider a stretch goal, say from 5% to 20% higher than last year, to energize staff and motivate supporters.

Then, estimate expenses for such items as:

- Facility rental,
- Food and beverages, including serving staff,
- Invitations and decorations,
- Speaker and entertainment fees and guest stipends,
- Permits (for example, to charge sales tax or host a raffle),
- Staff time that would otherwise be spent on core functions,
- Prizes, awards and incentives,
- Outsourced event coordination, public relations or marketing, and
- Special event insurance coverage.

Look closely at your list for expenses that can either be eliminated (because, for example, a sponsor has agreed to cover it) or cut. Say that you held last year's event in the ballroom of your city's best-known luxury hotel. This year you might consider a new venue that's willing to discount the space for the opportunity to host your community's movers and shakers. Even if you receive sponsorships and discounts, be sure to include the original expenses in your budget should you need to pay the full amount for a future event.

And don't be afraid to try something entirely different. If you usually host a black-tie affair with a multicourse meal, try holding a more casual event this year, such as a cocktail party with a silent auction. As long as the event is well planned and publicized — not to mention, fun — attendees will probably be just as generous.

Is that gala really worth it?

A social-services organization hosted an elegant dinner-dance year after year. Yet no matter how hard staff and volunteers worked, the event never seemed to net more than $50,000. Regular attendees enjoyed the event and a group of long-time board members believed that the annual event should continue unchanged — after all, the charity *needed* that $50,000. But the nonprofit's executive director had her doubts. There must be more efficient and effective ways to raise money, she thought.

Many organizations are coming to the same conclusion, abandoning traditional galas and other costly and time-consuming special events. Some are replacing them with several smaller events throughout the year that are geared toward specific groups of supporters, such as after-work drink parties for young executives or daytime lecture programs for retirees. Technology is also playing a role. Online auctions and Web events are increasingly supplanting in-person fundraisers and association meetings.

Some nonprofits have simply decided that it's too risky to rely on the proceeds from one evening. The Seattle Symphony, for example, now depends on its annual event to contribute only 5% to its operating budget. If you're worried about your organization's dependence on a single event, talk to your financial advisor.

IMPORTANCE OF SPONSORS

It would be impossible to overstate the importance of finding good sponsors. Not only can sponsors help defray expenses with donations of goods and services, but they can help raise your nonprofit's profile by introducing your name and mission to a new audience. Be careful, however, not to promise too much in sponsor benefits, such as free advertising or endorsements of the sponsor's products — it could lead to unrelated business income tax problems.

In general, quality trumps quantity. Target well-known names with a connection to your nonprofit. For example, a pet food company makes an ideal sponsor for an animal welfare charity. A successful self-empowerment author might be a great fit for an association meeting of sales professionals. Board members can be particularly helpful in finding sponsors by working their personal and professional connections.

Be sure to approach and lock in sponsors as far in advance of your event as possible. (The good ones receive many requests for help.) Once your event is over for the year, continue to cultivate relationships by regularly checking in with your sponsors. Not only will this help ensure sponsors support the following year's event, but it may lead to other opportunities to team up.

Consider a stretch goal, say from 5% to 20% higher than last year, to energize staff and motivate supporters.

KEEP YOUR FOCUS

These are just some of the important guidelines to keep in mind as you plan a special event. Depending on your nonprofit, mission and support base, you may be able to "break" certain rules, such as the 30% expense metric. However, all organizations should remain focused on the fact that special events are, first and foremost, about raising — not spending — money. ✱

Is your personnel manual as comprehensive as it should be?

To reduce liability and protect employees, even small nonprofits need comprehensive, up-to-date personnel manuals. You may think you've covered all the bases, but many personnel manuals omit key policies and notices that may seem "obvious" or unnecessary.

COMMON OMISSIONS

Some of the most commonly missed — but essential — personnel policies include:

Paycheck deductions. Any deductions from an employee's paycheck (other than taxes and Social Security) require the employee's written, signed approval. Your paycheck deduction policy should make this clear and identify deduction types requiring an employee signature. These deductions may include health, life and disability insurance premiums and retirement account contributions.

Health insurance. Under the Affordable Care Act, nearly all Americans must have health insurance. Specify what you offer employees and their dependents, including levels of coverage, deductibles and eligibility dates, as applicable. If you don't provide health insurance, include information about Marketplace (or Exchange) options and note that individuals who buy their own policies are potentially eligible for a premium tax credit.

Use of property and technology. Address the use of your nonprofit's property, including copy machines, supplies and phones. A clearly stated approval process for property use as well as what must be returned when an employee leaves will keep your assets safe while creating clear guidelines to follow. State that your organization's property is for official use only and explain disciplinary measures for breaking the rules.

Similarly address approved and unapproved use of computer hardware, software, e-mail, Internet

access, social media accounts and employer-issued mobile devices. Explain policies regarding personal use of your organization's technology and your legal right to monitor employees' use.

Sexual harassment. You can't just say, "We have a policy against harassment." You must specifically instruct employees on how to proceed if they feel they've been harassed. Spell out the step-by-step process for filing a complaint and documenting alleged harassment. Also make sure staff members sign a document stating that they have read your sexual harassment policy, understand it and will abide by it.

To comply with workers' compensation laws, employees should immediately give notice of any work-related injury or occupational illness.

Termination of employment. Specify the types of discharges employees are subject to — voluntary, involuntary and reductions in workforce.

Your manual should also define what is considered "job abandonment." Typically, this occurs when an employee hasn't scheduled time off or called in sick but doesn't show up for work for three days or more.

Workers' compensation and unemployment insurance. To comply with workers' compensation laws and to ensure that no benefits are lost, employees should immediately give notice of any work-related injury or occupational illness, however slight. Unemployment insurance statutes are designed to provide unemployment insurance to those who are eligible to receive benefits when unemployed.

NEXT STEPS

Your organization's board of directors should sign off on the finalized manual and all managers need to be trained to follow its policies and procedures. Distribute copies to all staff members and obtain acknowledgments of receipt to keep in their personnel files.

To ensure your personnel manual is as thorough as it should be, consult with an HR expert and have an attorney review any updates. Finally, discuss insurance coverage and other risk-reduction measures with your financial advisor. *

Spring cleaning

It's time to review — and, possibly, replace — programs

If your program lineup has remained unchanged for at least a couple of years, consider using the tradition of spring cleaning to review — and, possibly, replace — some of your offerings. Naturally, programs that continue to further your mission and meet constituents' needs should stay in place. But your nonprofit likely harbors a few cobwebs that should be cleared to make way for more effective initiatives.

FIND THE FACTS

Many nonprofits keep programs long after they've stopped working. Doing so can prevent your organization from meeting its mission. After all, community and membership needs change, and your nonprofit must change with them.

Instead of relying on old assumptions about your programs' effectiveness, perform new research. Start by surveying participants, members, donors, employees, volunteers and other stakeholders about which of your nonprofit's programs are the most — and the least — effective and why. Also review your community's demographic data for changes relevant to your program offerings. Then ask community leaders and others with their ears to the ground, such as journalists, whether they know of unmet needs or have spotted trends that should inform your programming decisions in the future.

You may get mixed responses regarding the same program, so consider their source. Employees and volunteers who work directly with program participants are more likely to know if your current efforts are off target than is a donor who attends fundraising events once or twice a year.

USE APPROPRIATE METRICS

If you don't already have goals for each program in place, you need to set them. Also put in place a system to measure progress. Specific metrics will vary according to the program, but your evaluation system should be strategic, realistic and timely.

New programs can be variations of old ones, but they must better serve your nonprofit's basic mission, values and goals.

For example, a charity that provides tutoring to high school students in low-income neighborhoods might measure the program's success by considering exam and class grades and graduation rates as well as feedback from the participating students and tutors.

It's important to apply several measures to a program, including subjective ones, before deciding to cut or fund it. Numerical data might suggest that a program isn't worth the money spent on it. But those who benefit from the program may be so passionate and vocal about its success that eliminating it may harm your reputation.

REPLACE THE OLD WITH THE IMPROVED

You may find that it's easier to identify obsolete programs than to decide on new ones. If one of your programs is clearly ineffective and another is wildly exceeding expectations, the decision to redeploy funds to the successful program is simple. You may even discover that none of your programs are particularly effective.

Keep in mind that new programs can be variations of old ones, but they must better serve your nonprofit's basic mission, values and goals. Say, for example, you failed to adequately publicize your health care clinic's low-cost flu vaccinations last winter and, as a result, few patients requested the shots. Now, you're developing a back-to-school immunization program. Be sure to allocate part of your budget to advertising so that this program doesn't suffer the same fate as the last one.

Remember too that, no matter how much good they do, programs can't be successful if they overspend. So for every new program, make a tight budget and stick to it. You might want to start small so you don't have to commit a lot of money upfront to an unproved project. If your soft launch gets positive results, simply revise your budget.

HOLD ON TO SUPPORT

Even if it's clear to you and your staff which programs must go, keep in mind that some stakeholders may object to your proposals. You can't afford to alienate financial supporters, so be sure to let them know how much you value their input, regardless of the decisions you ultimately make. You might also provide these stakeholders with numbers that illustrate the ineffectiveness of current programs and projections for replacement programs. ✱

New York nonprofit law could affect your organization

A sweeping new law that changes how many of New York state's nonprofits govern and operate went into effect in 2014. The Nonprofit Revitalization Act was drafted by lawmakers and nonprofit leaders who believed nonprofits would benefit from fewer outdated burdens and better governance.

Although the law applies only to charities that operate or solicit funds in New York, other states are expected to use it as a template for similar legislation. You can get a head start on possible new mandates by reviewing its key elements.

BIG CHANGES

Accountable and transparent governance is a major focus of the law. Nonprofit employees may no longer serve as the chair of their organization's board of directors. And individuals can't participate in any committee, deliberation or vote that's considering their own employment or compensation. An individual *is* allowed to provide information to the board, but not to influence its votes.

In a similar vein, directors must not have financial involvement — or have a relative with financial involvement — in the nonprofit. Generally, this means that a board member or relative can't have received more than $10,000 in direct compensation in the past three fiscal years from the organization.

Other major changes relate to:

Financial oversight. Large New York nonprofits are now required to form an audit committee that hires, works with and evaluates an independent expert to perform annual audits. Smaller organizations can have a CPA review report or may be allowed to file a financial report without CPA assurance.

Committees. Nonprofits may have only two types of committees: board and corporation. Corporation committees may include non-directors, but only board committee decisions are binding.

Conflict-of-interest policies. Nonprofit boards must put in place a conflict-of-interest policy that defines the terms and outlines procedures to follow when a conflict is suspected or identified. For example, insiders must disclose their relationship to a transaction and can't be present in the room where the board or committee is voting on it. Boards must consider alternatives to transactions with insiders and document their deliberations.

Technology. Board and committee meetings may be held via video conference, and e-mail can be used to give notice of board meetings and votes or to cancel meetings. Votes can be held outside a meeting by e-mail, but they must be unanimous to become effective.

LEARN MORE

This is only a summary of the Nonprofit Revitalization Act's provisions. If you operate in New York or are interested in updating and enhancing your nonprofit's bylaws, talk to your financial advisor. ✱

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