

Hertzbach Nonprofit Advisor



Uniform Guidance is Here – Ready or Not

By Mark A. Steinberg, CPA, CVA

OMB launched the process for establishing the Uniform Guidance (UG) more than three years ago to overhaul the decades-old federal grant making process. The Uniform Guidance merges eight separate yet overlapping OMB circulars into the Code of Federal Regulations, eliminating the circulars. The resulting consistency across governments and the entities with which they contract to provide services are intended to ease administrative burdens, increase efficiency and effectiveness of federal awards, and strengthen the oversight of federal funds to reduce the risks of waste, fraud, and abuse.

While many nonprofits may feel overwhelmed by the Uniform Guidance, it does establish some important rights for nonprofits:

Reimbursement for More of Your Direct Costs

The UG clarifies numerous cost allocation rules and specifies more costs that are reimbursable as *direct*

For instance, in certain circumstances, program administration (e.g., secretarial staff dedicated to a specific program) can be reported as direct, rather than as indirect, costs, and therefore are fully recoverable.

Reimbursement for Your Nonprofit's Indirect Costs

The UG expressly requires pass-through entities using any federal funds (typically states and local governments, as well as some larger nonprofits) and all federal departments / agencies to reimburse a nonprofit for the reasonable indirect costs it incurs in performing services on behalf of governments. Nonprofits that have never had a federally approved indirect cost rate can elect either the de minimis rate of 10 percent of their modified direct costs (MTDC) or negotiate a higher rate in accordance with the federal cost principles. Nonprofits that have already negotiated a federal indirect cost rate must be paid that amount.

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At Hertzbach we realize the unique challenges that nonprofits encounter daily. For over 65 years we have served nonprofit organizations and have advised our clients on specialized nonprofit tax and operational issues.

Our dedicated Nonprofit Services Group offers the hands-on expertise and technical skills needed to serve the distinct needs of this important sector. As trusted business advisors, we are proactive in assisting each association's management team and board of directors.

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With Charitable Giving Tactics Old and New Nimble Nonprofits Win

By Laurie De Armond, CPA



The numbers are out.

Charitable giving grew by 2.1 percent in 2014, according to the newly-released 2014 Charitable Giving Report from Blackbaud, and this modest growth will no doubt prompt nonprofit fund-raisers and executives to take a step back and evaluate their own fundraising results from the past year. But behind this solitary, lackluster statistic, there's a more complex and profound transformation taking place in the U.S. charitable giving environment.

Above all, nonprofits currently face a challenging combination of longstanding norms and evolving trends. Nonprofit trade journals are full of articles about online giving trends, social media tactics and crowdfunding triumphs that provide resounding success stories and helpful tips around improving fundraising effectiveness. These newer fundraising models are critical, and will only become more important over time, but they are just one piece of the puzzle. Online donations accounted for only 6.7 percent of all U.S. giving in 2014, according to Blackbaud, and nonprofits are still largely working to secure donations via traditional channels, attract and retain new donors, and encourage affluent donors to extend their generosity through large gifts. To be sure, these perennial challenges are not going anywhere, but in the face of evolving donor behavior, nonprofits must evolve, as well.

Consider, for example, what's occurring among the largest charities in the United States. According to The Chronicle's Philanthropy 400 index, these top organizations saw an 11 percent boost in donations during 2013, driven largely by affluent donors. Despite this growth, donor preferences shifted notably, and the affluent donors that contributed the lion's share of revenue to the 25 largest nonprofits increasingly gave to donor-advised funds (DAFs). In fact, four of the top 10 nonprofits by revenue were DAFs last year, and a growing number of these funds continue to move up the ranks. For traditional large charities (which saw 1.3 percent growth in donations during 2014), as DAFs receive a greater share of contributions from America's philanthropists, the ongoing challenge of attracting and retaining donors is only further intensified.

This is just one of many major shifts in donor behavior, but its impact and ramifications are clear: Even the sector's behemoths face competitive threats and the draining effects of donor abandonment. Charities of all sizes and across all segments rely on large bases of generous givers. But as new generations of donors gain financial means, and as the interests and giving preferences of existing donors transform, so must charities' fundraising strategies.

What remains constant is the need for engagement. However, shifts in technology mean that connecting with donors requires new mediums of engagement that are accessible, relevant and appealing. For most organizations, antiquated tactics like telethons, telephone solicitation and direct mail campaigns no longer suffice.

Effectively competing for funds now demands an adaptive and strategic approach—one that clearly and creatively communicates outcomes; one that creates an impassioned community of advocates; and one that, ultimately, transforms

Moving forward, savvy and successful organizations will be those that not only adapt strategically, but also tactically. Digital platforms online donation portals, mobile friendly sites, text and email campaigns, social media campaigns—offer the ability to constantly and creatively engage existing and potential donors, as well as build online communities of advocates and financial supporters. Just as importantly, they provide donors with ease and accessibility for actually making donations. With 8.9 percent growth in overall online donations during 2014, a strong online presence is now essential for nonprofits.

Still, staying relevant in today's highly competitive environment requires constant tactical innovation. From fun and engaging social media campaigns like the ALS Ice Bucket Challenge, to the rise of community building giving days like #GivingTuesday, organizations are starting to realize that aside from large gifts, big results can come from outside-the-box fundraising initiatives that encourage peer-to-peer giving. Expect to see more nonprofits pushing the creative bounds and achieving new levels of success in the year ahead.



(1) (2) These articles originally appeared in BDO USA, LLP's "Nonprofit Standard" newsletter (Spring 2015). Copyright © 2014 BDO USA, LLP. All rights reserved. bdo.com

Does Your Organization's Development Plan Need Refreshing?

In an era where nonprofits can be sharply criticized by donors and watchdog organizations for spending too much on fundraising, some nonprofits shy away from making critical investments in their development efforts—investments which, in the long run, could substantially impact their financial stability.

We've created a checklist below with questions that organizations should consider when determining whether their overall development plan needs refreshing. While not all of the questions can be weighed equally, if you answer "No" to more than five, it may be a sign that your organization needs to strategically reassess its plan.

Y	N	
		Is fundraising seen as the lifeblood of your organization?
		Is your development department stable and able to achieve key fundraising objectives?
		Does your organization regularly review its development plan?
		Does your organization annually consider how effectively it's achieving its mission?
		When reviewing your plan, are you considering the changing demographics of your organization's donor base and proactively addressing these changes?
		Have you discussed new ways to reach potential donors and advocates in the last two years?
		Are your fundraising materials current?
		Have you recently introduced a new fundraising campaign?
		Do you have an online giving program?
		Do you have a mobile giving platform?
		Have you planned or conducted a social media fundraising campaign?
		Do you offer opportunities for potential donors and advocates to get involved in activities that directly fulfill your mission?
		Is your organization flexible and responsive to new fundraising trends and tactics?
		If your organization is experiencing declining donations, does it have a strategic plan in place for increasing contributions?

We hope you find this information useful. If you know of others who should regularly receive this newsletter, or would like to be removed from this mailing list, please email vdouglas@hertzbach.com

Uniform Guidance is Here – Ready or Not (continued)

Generally, the mandate to pay indirect costs applies to federal cost principles. Nonprofits that have already negotiated a federal indirect cost rate must be paid that amount. Generally, the mandate to pay indirect costs indirect costs applies to federal discretionary funds and certain entitlements funds. The mandate does not apply in cases where a federal statute expressly caps the rate at which indirect costs can be reimbursed.

Other reforms in the UG directly affecting nonprofits include the following:

Effective Date: Now, for all new awards and incremental funding of existing awards after December 26, 2014.

Audit Threshold: The UG requires raises the threshold for single audits to \$750,000, reducing the administrative costs for approximately 5,000 nonprofits, as well as governments.

Conflict of Interest: This section relates primarily to how decisions are made to select sub-recipients and procurements (contractors).

Procurement: These regulations may be more restrictive under the UG than what some organizations are accustomed to.

Internal Controls: This is a section that should be reviewed by all organizations. This section attempts to clarify what a non-federal entity “must” and “should” do.

Compensation – Personal Services: Commonly referred to as “time and effort reporting”. This section has been modified and now focuses more on stringent internal controls surrounding compensation costs instead of on specific procedures that must be followed in tracking and allocating these costs.

Required Certifications: To assure expenditures are “proper and in accordance with the terms and conditions of the award”, the annual and final fiscal reports or vouchers requesting payment must include a certification, signed by an official who is authorized to legally bind the nonprofit entity.

Many nonprofits are struggling to find an easy way to determine how the UG will affect them and what changes their organizations need to make to comply with the UG. With detailed regulations from eight previous OMB Circulars combined into one body of regulations, this is no easy task. Because the UG applies to a broad spectrum of federal and non-federal entities with vastly varying operations and funding, it is difficult to compile a digestible, comprehensive summary of the changes that apply to all entities.

Therefore, management will need to determine the areas that most affect their organizations and study those sections of the UG in detail. Hopefully the information we have provided will help to make that process a little easier.

Nonprofit Facts: Did you know?

Based on the latest numbers from the **Blackbaud Index**, overall charitable giving increased just 0.1 percent for the three months ending November 2014, compared to the same period of 2013, with online giving increasing 4.4 percent.

According to the 2014 **Fundraising Effectiveness Survey**, 43 percent of donors who made a gift in 2012 did so again in 2013.

Twenty percent of adults under 30 volunteered in 2013, up from 14 percent in 1989, according to census data analyzed by the **Corporation for National and Community Service**.

Data from a survey of 261 leading U.S. companies, including 62 Fortune 100 companies, reveals they contributed more than \$25 billion in total giving in 2013, equivalent to around 1 percent of pre-tax profits, or more than \$600 per employee, according to an article in **The Conversation**.

According to the **Chronicle of Philanthropy**, the viral Ice Bucket Challenge campaign drove an estimated \$220-million in donations globally in 2014, with \$115-million to the ALS Association.

According to a survey of eighty nonprofit executives released by **GiveCentral**, only 23 percent of respondents work for nonprofits that measure mobile payment processing, and only six percent have donors who pay via their mobile devices.