

The Advisor

The C&P Advisors companies are happy to bring you our latest newsletter. If you have questions on any of these topics, contact your C&P Advisor or the individuals listed.

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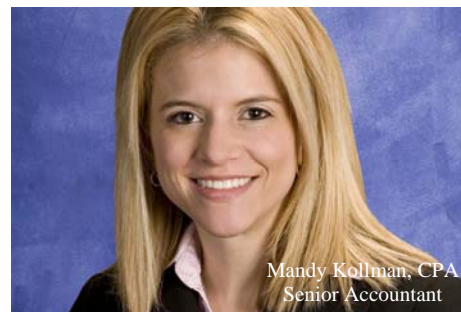
Not-for-Profit News

Fundraising in Challenging Times by Mandy Kollman, CPA

What entices the average American to contribute to charity? Many individuals feel strongly about a cause, maybe due to a personal experience. Perhaps, it's due to religious beliefs or just to feel good? Of course, it could also be for the tax deduction that our government allows us. Whatever the motivator that makes us get out our checkbooks and pen a check in support of our favorite charity in these tough economic times, not-for-profits are finding it increasingly difficult to attract donors.

As such, not-for-profits are discovering the need to find more attractive methods by which to draw in support from the majority of us who are either fearful of what the future holds or have experienced firsthand the downfall of the economy. As the unemployment rate increased from approximately 5.8% in 2008 to 9.3% in 2009, studies show that charitable giving decreased by a much larger margin of 35% in the wealthiest households. These statistics are ominous to not-for-profits.

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Mandy Kollman, CPA
Senior Accountant



Melissa Marvin, CPA
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403(b) Plans and Compliance Testing by Melissa Marvin, CPA

As we assisted 403(b) plan sponsors over the past year with the completion and the filing of their first full Form 5500, we noticed that a number of organizations did not realize that their 403(b) plan has provisions that require annual compliance testing. Specifically, 403(b) plans with employer-funded contributions generally must comply with minimum coverage requirements, benefit nondiscrimination testing, and annual contribution limits. Many plan sponsors erroneously assumed that the financial institutions that were the custodians of their 403(b) plan assets were performing any required compliance tests for their plan.

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Fundraising in Challenging Times *continued*

With this in mind, not-for-profit organizations may need to analyze which fundraising efforts attract the most donors in order to restructure their current efforts. One fundraising study showed that auctions are a popular way in which to create cash flow. In these unstable economic times, traditional appeals may not be as successful, since donors are often looking for something in return.

Several modes of fundraising can incorporate an element of fun for the potential donors. Whether it is galas, balls, auctions, or raffles, the organization should tailor the event to meet the interests of the target audience. Auctions can prove more lucrative than the traditional ticket sales and sponsorships as people find attending auctions fun and potentially rewarding. Events featuring a local celebrity or art exhibit will give the potential donors something in return rather than just money out of their pockets. In addition, likely donors can socially network and learn more about the organization with these approaches.

To save money in this unpredictable economy, another method not-for-profits may want to consider is utilizing e-mails or other electronic based invitations (social media, etc.). Coupled with the advantage of the dollars saved on postage, many potential donors will appreciate going-green efforts.

When planning a fundraising event, experts recommend that the organization consider how much of the ticket price supporters expect will support that charity. Often, if the potential donor feels a large portion of the support money is going to the cost to support the fundraising effort itself, he or she would be less inclined to donate. More studies find that gratitude shown from the organization is positively noteworthy in the eyes of the donor. This can be achieved simply by asking them for their opinions or advice coupled with sending a thank-you note after the donation has been made.

In troubling times, when the majority of Americans are weary of where the economy is headed, not-for-profits taking the time and effort to rethink and possibly restructure their fundraising activities is crucial.



403(b) Plans and Compliance Testing *continued*

Some of the most common 403(b) plan provisions that can trigger an annual testing requirement include:

- Employer matching contributions
- Different levels and/or types of employer contributions for different groups of employees
- Exclusion of certain categories of employees from the employer contribution (other than the categories excludable by law)
- Exclusion of certain parts of an employee's compensation in the calculation of plan contributions

Failure to timely test and satisfy certain 403(b) compliance requirements can lead to the imposition of an IRS excise tax on the plan sponsor. Continued failure to satisfy the various 403(b) compliance requirements can jeopardize the favorable tax status of a 403(b) plan.

If you have any questions on whether your 403(b) plan is subject to annual compliance testing, or if you need assistance with performing testing for the current year or any prior year, please contact Jeff Spencer at 216.831.7171 or jspencer@cp-advisors.com.

Importance of Accurate Cost Reporting by Richard Collins, CPA

Preparing the budget and actual uniform cost reports (FIS-047) can be a daunting task; however, state and local funding agencies (funding sources) require that such reports be prepared accurately, and filed timely. A not-for-profit agency may risk delay in program funding, or worse, funding cuts when these requirements are not met. It works to the agency's benefit to have an accurate budget that it can benchmark against when comparing to actual operating results at various points in time during the year. A well-prepared budget gives the agency the ability to monitor activity on a periodic basis by comparing budgeted expectations against actual results. It also gives the agency the ability to identify the cause of variances and to take the appropriate corrective action necessary before things get too far out of control. Even in a post cost-reconciliation based Medicaid reimbursement system, organizations need to continually evaluate their actual costs of providing services versus the revenues generated by those services.

The actual uniform cost report represents the final costs (resources) incurred by the entity to carry out various programs which the agency administers. Program funding sources will analyze the actual results by comparing to the budgeted expectations and to the costs incurred by other agencies to determine if your agency was a responsible steward of the funds provided to administer its programing. Many of these funding sources are faced with budget cuts themselves, and with limited resources available, they are scrutinizing the agencies they choose to fund very closely. If funding sources find that agencies are not running programs in a cost-effective manner, they may divert funding to agencies that are. In this era of tough economic times, the last thing that the agency wants to risk is the loss of a funding source upon which it relies to administer its program(s).

Even in a post cost-reconciliation based Medicaid reimbursement system, organizations need to continually evaluate their actual costs of providing services versus the revenues generated by those services.

When preparing the actual cost report, it is important that all costs (personnel, non-personnel, and administrative) are properly captured by the programs for which resources are consumed. It would be unfortunate to lose a program funding source because of an erroneously prepared cost report. To avoid this, agencies should, in a meaningful way, adopt an integrated accounting system that can efficiently identify and convert daily accounting transactions for cost reporting purposes. Don't forget to evaluate the bases upon which you allocate indirect costs to ensure they result in appropriate costs being applied to the services you deliver. Accurate tracking of costs, e.g., employee time and supplies, to specific programs allows the agency to make a cost/benefit analysis for each program and determine whether it is prudent to continue offering the service(s) provided by the program, or should service(s) be eliminated or merged with another program or provider. If the agency lacks sufficient internal expertise to produce such cost reports, then seeking an outside consultant who does could be well worth the investment.

Cost reporting and budgeting should not be a burden, but a tool to become more efficient. For more information and/or assistance in evaluating the costs of services that you deliver, contact Michael Klein, partner in charge of Ciuni & Panichi's Not-for-Profit Group, at 216.831.7171 or mklein@cp-advisors.com.



Giving Back

A core value at Ciuni & Panichi is giving back to the community. In support of that value, the Ciuni & Panichi volunteer committee coordinates several volunteer events throughout the year. These events give Ciuni & Panichi employees the opportunity to take some time away from the office and interact with non-profits and others in the Cleveland area.

This summer, a group of Ciuni & Panichi employees spent an evening at Cleveland's Ronald McDonald House preparing a meal for the families staying at the house. Many of the families are caring for chronically or critically ill children receiving medical treatment at local hospitals. This particular evening, Ciuni & Panichi prepared a cookout-themed dinner for the families at the house complete with hot dogs, hamburgers, fruit, and many delicious desserts. Even though it was a rainy evening, it was evident that the indoor cookout brightened the day for many.

The Ronald McDonald House event is a favorite volunteer activity at Ciuni & Panichi because so many employees can be involved – whether it's contributing food items or talent in the kitchen.

If your organization is looking for volunteers for an upcoming event, please contact Jacki Bell at 216-831-7171 or jbelle@cp-advisors.com.

