## COMPENSATION, CONFLICTS, AND RELATED PARTIES: WHAT YOUR NONPROFIT NEEDS TO KNOW

Nonprofit boards regularly decide on compensation, vendors, and relationships with affiliated organizations. But when someone with influence stands to benefit, those decisions deserve a closer look. Our latest article walks through the key questions every nonprofit should ask before approving a transaction.

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## COMMON BOARD GOVERNANCE MISTAKES

Board governance can directly impact how effective and successful a nonprofit organization can become. Governance relates to fulfilling the nonprofit's mission as well as ensuring its sustainability. Whether you're a long-standing member or newly elected, it can be easy to succumb to common mistakes that occur through governing a nonprofit. Below are a few common board governance mistakes and some suggestions to avoid them.

1. **Misunderstanding of roles and responsibilities** – Creating job descriptions for each board position can help the overall performance and success of the board.
2. **Outdated governing documentation** – Conducting annual reviews of all governing documents and policies can ensure your nonprofit is following their mission and purpose.
3. **Not requiring continuing education** – Between law changes and the legal and ethical responsibilities that come along with governing a nonprofit, offering regular and flexible education options can ensure your board is up to date.
4. **Failing to provide effective oversight** – It is possible to provide too little or too much oversight. Focusing on communication and transparency can help the board to better understand the amount of oversight that is required and helpful within your nonprofit.
5. **Failing to cultivate board diversity and inclusion** – A board that reflects both diversity and inclusion within their members will help bring about new points of view and different ideas. Diversity addresses differences in race, gender, religion, age, or sexual orientation while inclusion allows for all members to feel welcomed, respected and valued.

If you have any questions, or need further information, please contact your trusted TBC advisor.

By: Christina Gerasia, CPA

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## WHAT GOES INTO RUNNING A SMOOTH BOARD MEETING

It can be quite frustrating for board members if board meetings are not run smoothly and effectively.  Effectively utilizing the board's time together is important to keep the board mission-focused and forward-thinking.  Wasted time at meetings could impact an organization negatively and financially.

How a board meeting can be run smooth and effectively comes down to setting clear expectations, goals and strategies.

Tips to running a smooth, effective board meeting:

1. In the organizing phase, communicate with the board members in advance of a meeting, include the following:
    1. Date, time and location of the meeting, along with an estimated length for the meeting;

    2. Agenda – prepare and send out at least a week prior to the meeting date, make the agenda as strategic as possible, mission focused, and with clear goals to be attained;
    3. Packet of materials – this should include any reports and information to be reviewed and the order of the items in the packet should mimic the agenda listing, this should be distributed to the board 3-5 days prior to the meeting;
    4. Request an RSVP to be sure a quorum will be met.
2. Effective board meetings should be collaborative and have clear boundaries, “Robert’s Rules of Order” can assist in setting ground rules, in addition to setting rules regarding acceptable conduct during meetings, for example cellphone usage. Meeting processes should be evaluated annually – gathering feedback from all board members is important for the meetings to evolve – this can be done using polling tools to gather information.
3. Start and end the meeting on time – assume the board members have read through the packet of materials. Do not waste time by reading reports aloud, summarize what was already sent out, keeping in-line with the agenda, in an effort to have effective discussions that will ultimately end in making strategic decisions. Items that are routine, non-controversial and self-explanatory could potentially be voted on electronically as part of a consent agenda to save time for more pertinent topics. Any off-agenda topics should be set aside for discussion at the end, if time allows, or to be added to a future meeting agenda.
4. Be sure there is a system for documenting the meeting minutes – these are a record to be kept regarding decisions and discussions, but also will summarize any open action tasks, questions, and recommendations. See TBC News, Nonprofit article posted February 4, 2022 “What’s Important When it Comes to Documenting Board Minutes”.
5. Appoint a good chair for the board – this individual should have knowledge of the organization’s industry and operations, along with an understanding the governance ideologies. The individual should have good organizational skills and be able to be firm in guiding the conversations as necessary to keep in-line with the agenda and time-frame of the meeting in order to keep the meeting running smooth and effective.

By: Kristi Mason, CPA, Manager

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## DIVERSITY AND INCLUSION ON YOUR NONPROFIT BOARD

Diversity and Inclusion are words we’re all hearing these days. How are they important to your nonprofit board? A board that’s more diverse and inclusive will bring more ways of looking at issues and problems, capitalizing on the different ideas and points of view. Including voices from a wider range of backgrounds will add value to your organization.

**Diversity**

Does your board reflect the population of your organization? If the organization is a membership organization, do the board members represent a cross section of the membership? If the organization is a charitable organization, do the board members represent the community served, not just donors of the organization?

Often, diversity on a nonprofit board will address differences in race, gender, religion, age and sexual orientation. Other factors to consider when diversifying a board might be ability or geography. For example: Are disabled members of the community represented? Are there board members from each geographical region that the nonprofit serves?

**Inclusion**

Inclusion and Diversity, while sometimes used interchangeably, are actually very different.

A board can consist of diverse members, but if those members do not feel welcomed, respected or valued as

individuals, they may not be able or willing to contribute fully. Inclusion means encouraging a sense of belonging and value.  Leaders and board members of inclusive organizations will support and encourage all members to participate, speak up and share their ideas and expertise. All voices should be heard in the thinking and decision-making processes.

A nonprofit board that values diversity and inclusion will leverage the differences of its members to solve problems and advance the mission of the organization.  When nominating new board members for your organization, consider the diversity of your members. Make sure that all members feel respected and valued.

Diversity and Inclusion will likely result in a more innovative and effective board for your organization.

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## WHAT'S IMPORTANT WHEN IT COMES TO DOCUMENTING BOARD MINUTES

Board members are fiduciaries of an organization and board minutes are considered legal documents that can also serve as a record for future reference. Minutes can provide evidence that a board has exercised care in decision making as well as serve as proof that the board operates in accordance with their own stated requirements (likely in their by-laws), and those of regulatory agencies. Board minutes provide support of decisions made at the board meetings and also tracks the progress of the organization's mission/goals.

If your organization's financial statements are audited, board minutes are important to the year-end audit. The auditors will request copies of the meeting minutes for the year under audit, and any subsequent minutes until the audit opinion is issued.

Items the auditors are looking for:
• Approved budgets
• Approval of financial statements
• Contracts entered into
• Large operating expenses approved, including addition of fixed assets
• Significant write-offs

Some organizations tend to keep too much information in their minutes. It is not necessary to document everything verbatim from a meeting into the minutes. The minutes should be more of a summary of the topics addressed and actions taken.

Items to be included in board minutes:
• Type of meeting
• Date, time and location
• List of attendees
• Summaries of discussions of the board
• Board actions taken
• Review of any voting that occurred (motions/seconds and whether passed)
• Elections of officers/directors
• Summary of financial items presented

Items not to include in board minutes:
• Every detail of the discussions
• How each individual voted
• Details on board members' opinions
• Off the record discussions

If you have any questions, or would like to discuss your specific situation, please contact your trusted TBC advisor.

By: Kristi Mason, CPA, Manager

## INDIVIDUAL TAX IMPLICATIONS OF CHARITABLE CONTRIBUTIONS

People support charitable organizations for a variety of reasons: they believe strongly in the organization's mission, they're an alumnus of a school, a business associate or a friend has asked for support, etc.

Tax deductions may also be part of the decision to make charitable contributions.

If you itemize deductions on your individual return, you can deduct contributions to qualified charities in an amount up to 100% of your Adjusted Gross Income (AGI). Even if you don't itemize deductions, and use the standard deduction on your return, you may still reduce your taxes when you make contributions. For 2020, individuals who didn't itemize deductions were allowed to deduct up to $300 of charitable contributions. In 2021, this $300 deduction is also allowed, and the limit is increased to $600 on a joint return.

Standard deduction amounts allowed on state returns are different from the amounts allowed on federal returns. Taxpayers who use the standard deduction on their federal tax return may still be able to itemize deductions, including charitable contributions, on their state return.

Older taxpayers who must withdraw Required Minimum Distributions (RMD) from IRAs may distribute up to $100,000 directly from the IRA to a qualified charity. The distributions must be made directly from the trustee to the qualified charity. These distributions will not be deductible as itemized deductions, but will reduce the RMD for the taxpayer, and will also reduce the taxpayer's AGI. This can be important because the amount of AGI is the starting point for computing certain deductions, credits and other tax benefits that are limited by income. Reducing AGI could increase other applicable tax benefits. If you have plans to make charitable contributions, and you must take an RMD, it may make sense to contribute directly from your IRA. It won't cost you any more money, and the tax benefits could be valuable.  Please contact your trusted TBC advisor for more information.

By: Katharine K. Doran, CPA, Shareholder

## TBC SUPPORTS CITY MISSION OF SCHENECTADY WHILE BRINGING HUGH JOHNSON'S ECONOMIC UPDATE TO AREA BUSINESS LEADERS

Today marked another great economic forecast by Hugh Johnson of Hugh Johnson Advisors, LLC. This annual economic update is a yearly program that TBC sponsors along with the New York Business Development Corporation (NYBDC) for members of the Capital Region Chamber. This year's new venue welcomed hundreds of area business men and women to Rivers Casino & Resort this morning. Among the variety of topics Johnson addressed, he spoke about the stock market, the relationship between technological advancements and the slowing population growth rate, and the New York State economy being on track with the prediction for the slow, but steady growth of the U.S. economy.

Teaming up with NYBDC for another year allowed us to keep our tradition alive of making a financial contribution to a local charity in lieu of providing promotional gifts on the tables for the attendees to take home. TBC and NYBDC donated $2,000 to the City Mission of Schenectady and Executive Director Michael Saccocio was on hand and appreciative of the two firm's willingness to invest in others.

"We are fortunate to live and do business in an area where nonprofits and businesses work hand in hand to achieve economic and personal success," said John Teevan shareholder at TBC. During John's remarks to the

crowd, he noted that the Mission's "Ambassador Program" is just one example of how the nonprofit's innovative programs help our region thrive. Read more about the Schenectady Ambassadors program.

As for the message from Johnson, he indicated that the prospects of economic growth, in the minds of investors, are good and that this is evidenced by the recent increases in interest rates. For Johnson's direct quotes and more on his opinion on the tax reform bill and impact on the economy, read today's article in the Albany Business Review.

Johnson turned his points towards the U.S. labor force commenting that growth rate of the U.S. population is slowing, and that the labor force growth rate is low. However with fewer workers, top U.S. companies are generating significantly more revenues while being less labor intensive because of technological advancement in multiple industries.

Because of this, Johnson said, we have seen that the stock market has grown because companies are more profitable, however this could lead to significant social problems.

With good news, he did surmise that employment conditions will get better, but not as fast as many would like. Right here in New York State, Johnson predicts that our economy will mirror the national economy's growth and that the Empire State is a top economy in the United States. Locally, the Albany, Schenectady, and Troy region will be a high performing economy in New York State, ranked within the top 5 to 10 economies in the state.

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## GRANTS TO YOU WORKSHOP

Nonprofit organizations must constantly seek new funding streams in order to continue to offer programs. Grant writing can be a time consuming and overwhelming process. Small nonprofits may not have resources to devote to searching and applying for grants.  Grants to You Saratoga is offering a 2-day grant writing workshop May 5th and 6th to train volunteers to assist with grant research and writing. Register for this program to see how fine tuning your grant writing skills may help your organization.

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## LOOKING TO SET UP A NEW NONPROFIT ORGANIZATION IN NEW YORK STATE? LOOKING FOR GRANT OPPORTUNITIES FOR YOUR NONPROFIT?

How can a new nonprofit organization be set up in New York State?  Are you looking for grant opportunities for your nonprofit organization or need help applying for grants?  Look no further, New York State has announced a new nonprofit website.

The new website is intended to act as a liaison between New York State and nonprofits organized in the state. The website is the latest achievement of the Division of Budget's Nonprofit Coordination Unit, which was created by Governor Cuomo in 2014.  This unit was created to make it easier for nonprofits to do business with the New York State Government.

Some of the features highlighted include:

- A step-by-step guide to help in setting up a nonprofit organization
- A link to help nonprofits find grant opportunities
- A grant gateway system, which allows nonprofits to apply for grants and ensure that the state is partnering with qualified, responsible nonprofit organizations
- State initiatives information

- Current news portal

So if your nonprofit organization needs help with any of the above, check out the  (NYS Non-Profits Website) for further information and many resources to help your nonprofit succeed.

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## IS THIS SOLICITATION FROM A LEGITIMATE CHARITY?

We all receive solicitations from charities, some of which we've never heard of before.  Most of us have limited amounts that we can contribute and we want our hard earned dollars to be put to good use by the charitable organizations.

How can we determine whether the request is from a legitimate charity, or a scam? Well for starters, legitimate charities need to file annual IRS Form 990. Websites like provides donors with information on thousands of nonprofits (not limited to charities). You can create an account for free, and access the annual IRS Form 990 filings for the organizations.

If you are questioning a local charity, the NYS Attorney General's Charities Bureau also posts the annual filings for all charities registered n NYS on its website: .  Click on the "Registration and Reporting" line, then "Search the Registry" to find the filings for that charity.

For more information on this topic, check out this recent article from Charity Navigator, an organization that evaluates charities, which lists out 35 organizations that have been mislabeled as charities for various reasons. It's possible that the organization you are questioning may just be on that list.

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