

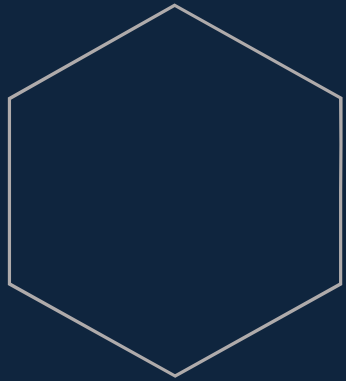
# Step by Step Sustainability

Amy Ridenour

Regional Public Involvement  
Director

Big Sky Public Relations





# Agenda



# Introduction

Lifelong learner

20+ years in the nonprofit sector

Board member

Mom of two adults and one geriatric border collie

Love the outdoors





## Introductions

- First/last name
- Community Roles
- One thing you hope to learn today

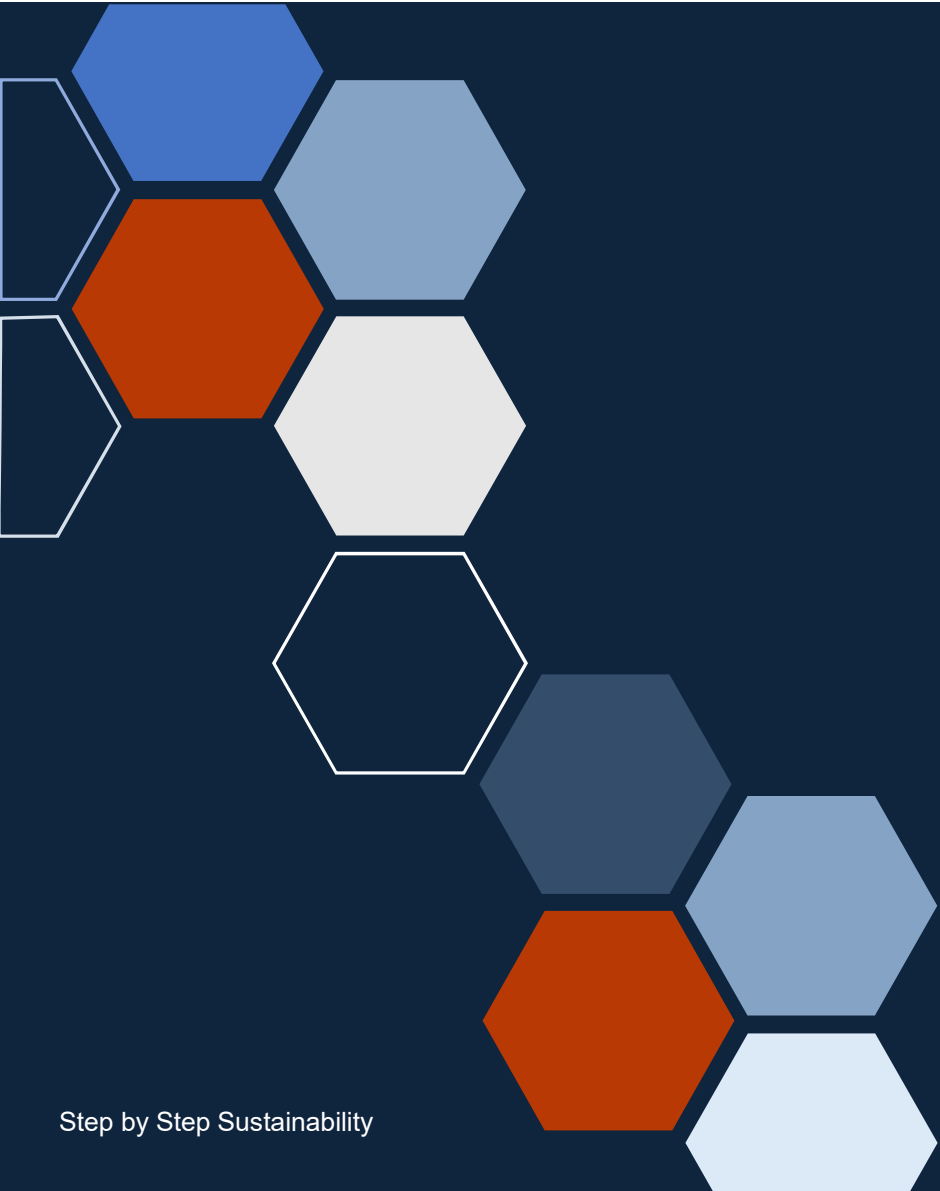
# Topics for today

1. Nonprofit is a tax code not a lifestyle
2. Simple ways to save & build a surplus
3. Low risk surplus investments
4. Making the most out of your banking relationship
5. Tools for success
6. Endowment funds & their importance
7. Your questions

# IRS Code Section 501(c)3:

The exempt purposes set forth in section 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term charitable is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.

**What is missing from this description?**




The missing  
word:  
**nonprofit**



# Nonprofit is a tax code, not a lifestyle






## Would you run your family and personal financials that way? Or a business?

Nonprofits are classified under the Small Business Administration and should be viewed and managed financially as such.

# How to define “profit” in a nonprofit context:



## Surplus:

- more than what is needed or used; excess.
- "make the most of your surplus cash"

## Unrestricted funds:

- Unrestricted funds support the overall mission of an organization and do not have a specific use required for spending.

## Earned income:

- Organizations can generate money through earned income to contribute to their budget.
  - Sales of merchandise
  - Fees charged for services
  - Membership fees
  - Renting out physical space
- \*income should be linked directly to your mission

## Reserves:

- nonprofit organization's version of a savings account.

# Other terms:

## Income:

- Income is the amount of cash generated minus expenses and losses.

## Revenue:

- Money you receive (donations, grants, sponsorships, fee for service, etc)
- Includes restricted, temporarily restricted and unrestricted income

## Expenses:

- The cost of operations a nonprofit incurs to fulfill its mission:
  - Program expenses
  - Administrative expenses
  - Fundraising expenses



# How do you personally save money?



Step by Step Sustainability

# Examples:



Look at my monthly expenses:

Am I paying for things I don't use (ex: subscription services)

What am I spending the most money on that is a need versus a want? (maybe I'm spending a lot on coffee or meals out)



Shopping around for better prices on the things I'm paying for already



Using my monthly income average (or base) setting aside a certain % to my savings account before I start paying my bills



You can do any of these things with your nonprofit finances too.



**Your ideas for  
organization  
money savings?**



# Amy's list:

- Downsize office space & allow employees to work remotely
- Go green & swap out paper mail for electronic mail (also look into nonprofit rates for snail mail if you need it)
- Get rid of the “landline” phone and use virtual phone systems
- Leverage online resources for branding marketing and creative (Canva or Fiverr)
- TechSoup – save money on office 365, zoom, antivirus software, and so much more
- Track discretionary expenses & analyze for trends/savings
- Engage your team in looking for cost-savings – they can be super creative
- Review invoices and check for accuracy before paying bills
- Does your credit card offer cash rewards? Use that to purchase needed equipment at YE or use it to reward your team for a job well done in helping to save \$\$ for the org
- Always ask for a nonprofit discount when you are contracting or purchasing goods/services
- Take the savings you find and move it into a savings account called a RESERVE (we'll talk options in a minute)
- Look for organizations like Jannus or other PEOs that can provide you with back-end office services for fractional pricing

# Revenue generation

How does your organization generate revenue?





## Can Nonprofits Have Reserve Funds?

Not only are nonprofits allowed to have reserve funds, but for their long-term financial health, they should.

Reserve funds are a key financial piece of the puzzle as a nonprofit seeks financial resiliency and builds capacity over time.

A decorative graphic on the left side of the slide. It features a large solid orange hexagon at the top left, a smaller solid light blue hexagon at the bottom left, and a central hexagonal area containing a collage of financial charts and documents. A thin orange outline of a hexagon is also visible, overlapping the light blue hexagon.

# Types of Reserves:

## Operating Reserves

Operating reserves are funds intended to keep a nonprofit's monthly operations going (think overhead like payroll, program costs, and normal monthly expenses) in case of a giving shortfall or other emergency challenges.

## Capital Reserves

Capital reserve funds, on the other hand, are funds that are saved and set aside for the capital needs of a nonprofit with physical assets, such as vehicles, buildings, and camp properties.



## Can nonprofits invest their surplus/reserves?

The board of directors of a nonprofit has a fiduciary responsibility to protect the assets of the nonprofit and ensure that the assets are used to further the nonprofit's mission.

# Where Do Nonprofit Reserve Funds Come From?

- Nonprofit reserve funds may be set aside from a surplus at the end of a fiscal year
  - given by a donor
  - accrued from a line in your operating budget
    - Budget for savings every month
- Nonprofits can actively grow and replenish their existing reserve funds by:
  - Identifying reserve growth as a component of a capital campaign.
  - Allocating portions of grants or sales proceeds to the reserve fund.
  - Investing existing reserve funds.
  - Delaying new short-term programs to build long-term sustainability first.

Resource: [www.infinitegiving.com](http://www.infinitegiving.com)





# What is liquidity?

## Liquid assets:

The money in your checking account, savings account, or money market account is considered liquid because it can be withdrawn easily to settle liabilities.

## Non-liquid assets:

Non-liquid assets are assets that can be difficult to liquidate quickly. Certain investments will “tie” your money up for a period of time while earning interest/income.

## Liquid options for nonprofits

- Basic business savings
- Money market savings
- Money market funds
- High yield savings accounts



# Money Market Account vs. Money Market Fund

	Money Market Account	Money Market Mutual Fund
Offered by	Banks and credit unions	Investment companies
Type	Deposit	Investment
Rates	Lower on average	Higher on average
Insured	Yes, up to \$250,000	No
Taxes	Earnings are taxable	Tax-free earnings possible
Fees	Vary	Always charged

# CDARS & ICS

- CDARS-“Certificate of Deposit Account Registry Service”. CDARS allows a business to invest in Certificates of Deposit, CD’s, held by different FDIC insured banking institutions, so it can achieve full FDIC coverage for the total sum.
- ICS Money Market Sweep- “Insured Cash Sweep”. Allow a business access to FDIC coverage above the \$250,000.

# Fraud Protection Tools

- ACH Positive Pay- Detects fraudulent ACH payments. With ACH Positive Pay, you will provide the bank with the companies that are approved to debit your account. Unmatched (non-authorized) items will be sent for you to decision. The bank will release items for distribution (“Pay”) or rejected and returned (“No Pay”) based on your decisions.
- Check Positive Pay- Detects fraudulent checks. An automated system compares the checks presented to the bank for payment to a list of information provided by the business about all checks written.
- Dual Authentication

# Talk to your banker:

- What kind of a relationship do you have?
- Do you know what fees your bank is charging you monthly?
  - Monthly maintenance fees?
  - Checking fees?
  - Transaction fees (ACH, etc)
  - Excessive transaction fees
  - Withdraw/transfer fees
  - Dormancy fees
- When was the last time you put banking services out for a bid?
  - It's a pain but could save you in the long run
- Do they have a product specifically built for a nonprofit?
- What kinds of savings/short term investment options do they have?



# Non-liquid investment options:

## Low risk:

- I Bonds
- Short term certificates of deposit (CDs)
- Treasury bills, notes, bonds and TIPS (treasury inflation protected securities)
- Corporate bonds

## High risk:

- Dividend paying stocks
- Preferred stocks



# Let's imagine...

What are the tools and resources you need to take your reserves/surplus/operating reserves to the next level of investments?



# Tools for success:



## Investment Education

Training for organization to increase investment IQ



## Investment/Finance Committee

Board members & investment experts



## Brokerage Account

RFP for services and compare rates/fees



## Investment Policy Statement

Goals, objectives & limits of investing



**Final Step:**  
Endowment Fund

# Endowment Fund

Endowments may generally be described as assets (usually cash accounts that are invested in equities or bonds, or other investment vehicles) set aside so that the original assets (known as the “corpus”) grow over time as a result of income earned from interest on the underlying invested funds.



# Summary:

- Nonprofit is a tax code not a lifestyle
- Look for ways to save & build a small nest egg
- Learn about low-risk surplus investments
- Have a good working relationship with your bank/banker
- Create an investment policy statement & form a knowledgeable investment committee
- Know about endowment funds & their importance
- Start small, step by step and build up your reserves over time

# Questions?

What questions do you have  
and what wisdom can you  
share back with the group?

Step by Step Sustainability





# Thank you

Amy Ridenour Little

[aridenour@jannus.org](mailto:aridenour@jannus.org)

&

Heath Gamboa

[Heath.Gamboa@heritagebanknw.com](mailto:Heath.Gamboa@heritagebanknw.com)