

Finance Unlocked for Nonprofits

Giving

Speakers: Val Thomas-Matson, Executive Producer of Look, Listen and Learn TV, and Jennifer Chang, Director of Learning at Nonprofit Association of Washington

00:00:00 Video description: *Finance Unlocked for Nonprofits. A video of a padlock that opens when the fourth number in the combination, 4 Giving, is entered. The animation fades to black, and videos of the speakers fade in side by side with Val on the right, Jennifer on the left. Val is an African American Woman wearing a light blue cowl neck blouse. She is sitting in her home office. Jennifer is a light-skinned, multiracial woman with dark brown shoulder length hair. She is wearing a navy blue shirt, and behind her is a light blue curtain.*

00:00:09 Val: Hi, welcome to the Finance Unlocked for Nonprofits video series. In this video, we're going to talk about the topic of Giving. I know fundraising and donations are so important for nonprofits, and we have to think about the money that fuels our work. Jennifer, what do we need to know about this larger topic of giving?

Video description: *The FUN padlock appears at the bottom of the screen with the speaker's name, Val Thomas-Matson, under the video.*

00:00:30 Jennifer: Giving and contributions are really specific to the nonprofit sector and there are pieces of how we receive these gifts that don't exist in the for-profit sector. Also, fundraising is a regulated activity. Nonprofits should make use of wide range of funding sources, and they need to be mindful of the differences in accounting, donor and funder expectations, and restrictions.

Video description: *The FUN padlock appears at the bottom of the screen with the speaker's name, Jennifer Chang, under the video.*

00:00:55 Val: When it comes to giving, I've heard the terms pledges, endowments, in-kind, funds with restrictions and without, what do all these terms mean and as a board member what should I know?

00:01:10 Jennifer: The first item you mentioned was a pledge or promise to give. This is a formal commitment to make a contribution of a specific amount. Individual donors and institutional funders can make pledges. This can be a verbal pledge, or you may have a pledge form. Pledges can be for a single gift in the future, or it could be a multi-year gift over the next few years. Pledges can take on many different forms.

00:01:37 Val: Okay, so I'm talking to one of my fabulous donors and they commit to giving our nonprofit \$50,000 over the next five years. Is this a pledge?

00:01:49 Jennifer: Yes, this is a pledge. Another thing to know is you record the pledge when the pledge is made. Recording pledges is not about when the cash is received.

00:02:01 Val: So, if that fabulous donor pledged their \$50,000 gift in June of this year, that's when we record it. Then we'll want to track funds received into the future, right?

00:02:12 Jennifer: Exactly, it's important for you to know if your nonprofit has pledges and how the pledges show up on the financial statements. You should have a way to tell what pledges are due next, what is due further in the future, and what has actually been received.

00:02:29 Val: Well now I know a bit more about pledges, what about the other types of giving we might come across?

00:02:37 Jennifer: I will quickly mention that an endowment is a donation given with the intent that the principal will be invested in perpetuity, and as defined by the donor, the organization may use the earnings for general operations or specific purposes.

When we talk about donations other than cash or pledges, typically goods or professional services, these are considered in-kind. Nonprofits should track non-cash contributions like in-kind goods or professional services provided. Although we track volunteer time and share this information with funders and donors, you will not see volunteer time recorded on financial statements.

With in-kind, you should consider the possible affects to the organization, and actions that may be needed, if a significant in-kind good or services is no longer available.

00:03:30 Val: That's great advice - to think about what happens if a big in-kind contribution is no longer made and to have a plan in place. Let's talk about restrictions next. Who can make restrictions on gifts?

00:03:36 Jennifer: Only donors can restrict gifts. Nonprofit accounting standards require organizations to classify contributed income in one of two ways: with donor restrictions or without donor restrictions. Funds with donor restrictions are contributions with donor-imposed restrictions that a nonprofit may meet by completing specific activities or after a set amount of time passes. These donor-imposed restrictions can be permanent or temporary.

00:04:16 Val: So, a donor can give money to a nonprofit and say the funds can only be used for a specific program or activity.

00:04:24 Jennifer: Yes, so if your nonprofit accepts funds with donor restrictions be sure to clarify details for use, reporting, and accounting of the funds. The least restrictive funds a nonprofit can receive are funds without donor restrictions, and these are contributions in which the donor places no restrictions on use other than the general support of your organization. For example, general operating funds that come with no restrictions can be used to sustain the organization as needed.

00:04:56 Val: Oh, I like the sounds of that! But, what if my board wants to set funds aside for a specific purpose, would these funds be classified as restricted?

00:05:07 Jennifer: A nonprofit's board may choose to set aside funds for a specific purpose like an operating reserve. Although, for accounting purposes, these board-designated funds are still considered to be without donor restrictions since the donor did not specify the conditions.

00:05:24 Val: There are a lot of nuances to giving. It seems like communications between all the people involved with fundraising would really be important.

00:00:34 Jennifer: Having consistent communication between the fundraising and financial sides of the organization is so important. Whether the people asking for gifts are board members, volunteers, or development staff, having upfront communication with the people who are accounting for and tracking the gifts helps get everyone on the same page, especially since there are different accounting considerations for different types of gifts.

00:05:59 Val: This is all great information. I have one more question for you. What if somebody wants to give my nonprofit a gift that I don't really want?

00:06:10 Jennifer: That is a great question, Val. There may be times a nonprofit should not or may not want to accept a gift offered by a donor. Some gifts or proposed restrictions may create more difficulty than actual benefit. Nonprofits should really consider implementing a gift acceptance policy that clearly states what types of gifts the organization will and will not accept.

00:06:34 Val: From pledges to funds with restrictions to gift acceptance policies, we've covered some great information to help nonprofits understand the basics around giving. We hope you join us for our last video in the series that is focused on oversight.

00:06:51 Video description:: *The videos of the speakers fade to white. Finance Unlocked for Nonprofits. The FUN padlock with a combination 1 Balance sheet, 2 Income Statement, 3 Nine-Ninety, 4 Giving, 5 Oversight. When the combination is entered, the lock opens.*

Nonprofit Association of Washington, Jacobson Jarvis & CO PLLC Certified Public Accountants, In partnership with Washington Secretary of State Corporation & Charities Division.

nonprofitwa.org/learn

00:07:09 Video description: *3 Choices Creative Communications. 3greatchoices.com.*