



The Pet Rescue Foundation

NONPROFIT MANAGEMENT FOR PET RESCUE ORGANIZATIONS

Part Four: Fiscal Oversight & Fundraising

For more information on these
and other nonprofit
management topics, contact:

Jeannette Peters
Nonprofit Management
Consulting, LLC
jp@getfunded.org
352-371-7412



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In this section:

- Fiscal responsibilities of the Board
- Financial Management Basics
- Developing a Budget
- Basic Financial Reports
- Fundraising



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Financial Management

- The Board has ultimate legal responsibility for the fiscal oversight of the program.
- In staffed organizations, day-to-day operations can be delegated to the Executive Director and fiscal staff, but the Board has a duty to review and approve all records and reports.
- In all-volunteer organizations, the Treasurer handles the day-to-day bookkeeping and accounting tasks.



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Financial Management

- Typically, the Executive Director or fiscal administrator works with the Board Treasurer to prepare the annual budget and periodic financial reports.
- The Fundraising Committee and the Board as a whole are responsible for crafting a fundraising strategy to meet the needs defined in the annual budget. The Executive Director may help to facilitate the plan, but fundraising efforts should be Board-driven and Board-implemented.



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Financial Management

- ◉ An accounting software package like Quickbooks provides a great combination flexibility, features and ease of use for non-accountants. You will be glad you made the investment when it's time to run monthly reports and complete year-end filings.
- ◉ The person who cuts the checks should never be the person who signs the checks!
- ◉ Consider establishing a two-signature check policy for good fiscal control: either two Board members must sign in an all-volunteer organization, or a Board member and the Executive Director in a staffed organization.
- ◉ Establish a petty cash account for purchases under \$200 so you don't have to go searching for a check signer in emergencies.



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Audit Time

- An annual financial audit by an independent auditor is often required to qualify for grant funding. Some states may require an audit if your budget reaches a threshold level. After you've been operating 3 to 5 years, or as you approach the threshold budget amount, your Board should think about undergoing an audit.
- The full Board selects an auditor on recommendation of the Treasurer or Finance Committee. The Budget Committee should expect the audit to cost between 1% and 3% of your total budget.
- Your first audit can be scary! Your Board and staff should view the audit as a valuable learning experience. Your auditor will let you know what documents to have ready for review.



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Audit Time

- The Auditor or the Treasurer presents the audit report and management letter to the full Board. The management letter will describe any audit findings and provide suggestions for improvement.
- The Executive Director and the Treasurer develop an improvement plan that responds to any findings in the audit management letter. The improvement plan is implemented by staff and by the Fiscal Committee.



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Developing A Budget

- A sound, written budget will help your Fundraising Committee set realistic goals and ensure the sustainability of your program.
- The budget development process should start early in the third quarter for the following fiscal year.
- Ask each of your committees (in volunteer organizations) or departments (in staffed organizations) to submit budget requests based on their plans for the upcoming year. Tell them to be realistic and make sure they know they might not get all they ask for!



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Developing A Budget

- The Treasurer and the Executive Director or fiscal staff, working together, should identify all non-committee related costs for the upcoming year: rent, filing fees, utilities, travel, training, payroll and payroll liabilities, equipment, supplies, etc. If you don't have historical data to project from, give it your best estimate.
- Use the committee and general costs identified to determine your expected expenses for the year. Then list your expected revenue and income. Be realistic.
- If your expenses are more than your income, you'll need to either cut your costs or identify more revenue sources.



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Developing A Budget

- ◉ As you build your budget, try to include a Fund Balance buffer! This will be extra money set aside for contingencies. If it's not used during the fiscal year, it can be carried forward for future years.
- ◉ Once your proposed budget balances, you are ready to submit it to the Board for approval before the new year begins. Your Board should expect monthly written reports that show how costs align with the planned budget.
- ◉ Software packages like Quickbooks provide a simple way to develop your budget and generate budget-to-actual expense reports for your board meetings.



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Basic Financial Reports

- The Executive Director or fiscal staff should prepare monthly financial reports to keep the Board apprised of the organization's financial operations and ongoing needs.
- The reports should be submitted to the Board Treasurer for review and approval before each Board meeting. The Executive Director or staff should address any questions or concerns the Treasurer may have so that the Treasurer can present the report at the Board meeting.



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Basic Financial Reports

- The financial reports should be presented in writing to each Board member at the monthly Board meeting. Board members have a duty to review the reports and ask questions when they have concerns or don't understand something. All questions should be addressed by the Treasurer or Executive Director.
- At a minimum, the Treasurer (supported by the Executive Director) should present a year-to-date Budget to Actual report to the Board at each monthly meeting. Monthly and year-to-date Profit & Loss reports and a Balance Sheet are also helpful.



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Basic Financial Reports

- In addition to the main organization budget, your committees may also want to set up sub-budgets for their projects so that they can track and report on costs, revenue and profitability.
- Most accounting software packages provide classification functions that make it easy to track financial data by project.



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Tax Time!

- Remember that you will have to file an annual federal tax return even if you're a nonprofit. If you have your 501(c)(3) status, you will file Form 990.
- You will need to send out W-2s to any employees and 1099s to any contractor who's not a corporation and to whom you paid more than \$600 during the year.
- For smaller organizations, Form 990 is fairly easy to complete, but if you think you're going to need tax help, contact an accountant who specializes in nonprofits as early as possible to make sure tax services will be available when you need them.
- If your fundraising plan includes a business that's not directly related to your charitable mission (for example, a thrift store), you will have to file an Unrelated Business Income Tax Return along with your 990. Talk this issue over with your accountant early in the tax season.



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Fundraising

- ◉ A healthy nonprofit pet rescue organization should receive revenue and income from a diverse range of sources: grants, donations, bequests, fundraising activities, adoption fees, and paid services like microchipping. Many pet rescue groups fund their operations through thrift stores, boarding/training services, or other income-generating activities. (Remember that income activities unrelated to your mission may be subject to income tax.)
- ◉ The Board has primary responsibility for ensuring that the organization has enough revenue to meet general operating costs and planned activities for the year. The Executive Director provides support and coordination to the fundraising activities implemented by the Board, but is NOT the primary fundraiser!



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Fundraising

- Each Board member must understand the role of contributed funds in the organization's finances as well as the organization's fundraising plan.
- Each Board member should make an annual personal financial contribution. How can you ask others to give to an organization that you're not willing to support?
- Each Board member should identify an area where he/she can make a contribution to fundraising: hosting an event, asking friends to donate, making corporate visits, etc.
- The Board Member job description should contain a clear statement about the expectation for personal giving and participation in fundraising.



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Fundraising

- When recruiting new Board members, look for folks who can be helpful to the fundraising process, through contacts or expertise. The Board should appoint an individual or subcommittee to oversee fundraising plans and activities.
- The Executive Director ensures that Board members and prospective members are informed about fundraising expectations, and that Board training materials and workshops provide ongoing fundraising education to Board members. The Executive Director should ensure that all Board members receive appropriate recognition for their participation in fundraising.



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Fundraising

- Your state may require any organization that engages in fundraising to register and file annual reports with a state agency. This will be separate from your corporate annual report requirements. Check with your state's Secretary of State or Division of Consumer Affairs to learn the requirements.
- The decision to use a professional fundraising specialist or firm from outside the organization should be considered very carefully. Research your state's regulations on contracted fundraisers to make sure you'll be in compliance.



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Potential Funding Sources

- ◉ Membership dues
- ◉ Corporate Donations
- ◉ Fundraising Events
- ◉ Event Sponsorships
- ◉ City and County government grants
- ◉ Product Sales (T-shirts, magnets, promotional items)
- ◉ Foundation grants
- ◉ Volunteers/in-kind donations of goods and services
- ◉ Adoption fees
- ◉ Spay/neuter fees
- ◉ Retail, thrift shops, boarding, training services



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What's next?

In Parts Five through Eight of this Nonprofit Management Series you can learn about:

- ◉ **Community Awareness/Public Relations**
- ◉ **Human Resources: Staff and Volunteers**
- ◉ **Assessment and Evaluation**
- ◉ **Administrative Tasks/Meeting Management**



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Questions or Comments?

For more information about these topics:

**Download the complete
Nonprofit Management series at
www.maddiesfund.org**

or contact Mary Ippoliti-Smith at

**Maddie's Fund
2223 Santa Clara Ave., Suite B • Alameda, CA 94501
510-337-8970 • smith@maddiesfund.org**