

How Can YOU Save?

Form 990 (2014)

Page 10

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 . . . .			
2	Grants and other assistance to domestic individuals. See Part IV, line 22 . . . .			
3	Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16 . . . .			
4	Benefits paid to or for members . . . .			
5	Compensation of current officers, directors, trustees, and key employees . . . .			
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . .			
7	Other salaries and wages . . . .			
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)			
9	Other employee benefits . . . .			
10	Payroll taxes . . . .			
11	Fees for services (non-employees):			
a	Management . . . .			
b	Legal . . . .			
c	Accounting . . . .			
d	Lobbying . . . .			
e	Professional fundraising services. See Part IV, line 17			
f	Investment management fees . . . .			
g	Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) . .			
12	Advertising and promotion . . . .			
13	Office expenses . . . .			
14	Information technology . . . .			
15	Royalties . . . .			
16	Occupancy . . . .			
17	Travel . . . .			
18	Payments of travel or entertainment expenses for any federal, state, or local public officials			
19	Conferences, conventions, and meetings . . . .			
20	Interest . . . .			
21	Payments to affiliates . . . .			
22	Depreciation, depletion, and amortization . . . .			
23	Insurance . . . .			
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.) . .			
a				
b				
c				
d				
e	All other expenses			
25	Total functional expenses. Add lines 1 through 24e			
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) . . . .			

Form 990 (2014)



Resource Wise:  
How Some Nonprofits Perform  
above Their Budget Grade

by Jon Pratt and Ruth McCambridge

POLITICAL AND CULTURAL COMMENTATOR David Brooks is fond of saying that wisdom lies not in knowledge but in knowing how to work with one’s own limitations. This applies also to organizations. Jody Williams, who won the Nobel Peace Prize in 1997 for her work with the International Campaign to Ban Landmines (ICBL), once described her use of a fax machine (which at the time was a recent technology) and telephone to help coordinate an international network of NGOs. As reported by Tavaana:

They found that mail did not evoke a sense of urgency, whereas the fax machine, at the time a new and exciting technology, was considered harder to ignore. The ICBL also tried to set up as many face-to-face meetings as possible in order to foster close personal relationships with global leaders. Williams credits the personal relationships between the ICBL and governments for the success of the Mine Ban Treaty.

The journey of the ICBL illustrates that with determination, careful strategy and strategic allies, an activist movement can accomplish great things. “It’s

breathhtaking what you can do when you set a goal and put all your energy into it,” Williams told the *Christian Science Monitor* in 1997. “I think you have to believe you’re right. You say, “This is what we’re going to achieve, and this is how we’re going to do it.’ And if people get upset about it, tough.”<sup>1</sup>

The above is an example of an organization that was far larger in impact than its budget would have you imagine. Williams also wrote that the effort purposely kept bureaucracy to a minimum:

A core strength of the Campaign, which still seems ill-understood by many, has always been its loose structure. The ICBL is a true coalition made up of independent NGOs. There has been no secretariat. No central office. The NGOs that make up the ICBL have been joined together through their common goal of banning landmines, but there has never been an overarching, bureaucratic

JON PRATT is the executive director of the Minnesota Council of Nonprofits. RUTH MCCAMBRIDGE is the *Nonprofit Quarterly*’s editor in chief.

The *Nonprofit Quarterly* invited readers to describe ways in which they were able to cut costs within their organizations while also improving upon their work, and anchored the responses to the Statement of Functions page of the Form 990 that all nonprofits must complete for the IRS. This special insert includes a blank form that you can use to explore your own cost-saving opportunities.

Nonprofits have a unique characteristic that has allowed some groups to produce far more than their annual budgets might suggest: the capacity to attract energy and resources far beyond what available cash might allow.

campaign structure that could dictate to the members how they should best strive to contribute to the goal—or that member organizations could expect to do the critical work of the campaign for them. The ICBL was deliberate in not establishing a central office; each NGO had to find a way to participate in making the campaign work. This structure helped to insure that the ICBL ‘belongs’ to all of its members and that these members would have to be active in the process to achieve the campaign’s goals.

Members of the ICBL have always met regularly to develop overall strategies and plan joint actions, but beyond that each NGO and each National Campaign has been free to carry out whichever aspects of the work best fit its individual mandate, political culture and circumstances. ICBL meetings have never been a coming together of “talking heads”—each meeting has resulted in concrete plans of action. And these plans of action were made up of steps that have been believed to be achievable and that would help build and maintain a sense of forward motion and accomplishment in the ban movement.<sup>2</sup>

Williams’s description has always stood out as enormously savvy. She understood that for people to contribute in ways that were generative to the whole campaign, they needed to be drawn into partnership. She understood the central importance of information flow in that partnership and the need to maintain some looseness in the structure along with a tight focus on purpose. The structure of the campaign was brilliant and cost-efficient at the same time.

Most nonprofits in this country have minuscule budgets, but that does not mean that their outcomes are necessarily minor. Nonprofits have a unique characteristic that has allowed some groups to produce far more than their annual budgets might suggest: the capacity

to attract energy and resources far beyond what available cash might allow. Voluntary partners—individual or institutional or both—expand reach, work product, and influence, and keep budgets lean. That does not mean that there is no capital investment in these voluntary capacities but, rather, if they are strategically maximized, one’s financial budget can be used differently for more impact and one’s effort can become more sustainable.

In May 2015, the *Nonprofit Quarterly* invited readers to describe ways in which they not only cut costs but also expanded/improved their work while doing so. The idea was to explore how organizations could reasonably expect to cut costs on the expenditures they make to advance their missions. As responses poured in, we were surprised to see how many were about the wise engagement of volunteers; second to those were about the wise uses of technology. Some things just do not change.

The graphic that appears on the other side of this insert builds off of the Statement of Functional Expenses page of the IRS Form 990, where nonprofits are required to report their expenditures in a list of twenty-four categories. We inserted some of our own suggestions (note that we ignored items not relevant to cost-saving strategies); we also anchored to that graphic readers’ responses selected as best exemplifying items from that list.

Finally, we included a clean Form 990 so that you can write in where *you* think you can cut costs. Have at it!

NOTES

1. “The International Campaign to Ban Landmines: How One Woman’s Vision Created an International Network,” Tavaana.org, accessed June 6, 2015, [tavaana.org/en/content/international-campaign-ban-landmines-how-one-womans-vision-created-international-network#\\_edn19](http://tavaana.org/en/content/international-campaign-ban-landmines-how-one-womans-vision-created-international-network#_edn19).

2. Jody Williams, “The International Campaign to Ban Landmines—A Model for Disarmament Initiatives?,” Nobelprize.org, September 3, 1999, [www.nobelprize.org/nobel\\_prizes/peace/laureates/1997/article.html](http://www.nobelprize.org/nobel_prizes/peace/laureates/1997/article.html).



## Mission-Maximizing Cost Savings

### Zacary Smucker-Bryan, Investor Relations and Communications Manager, Working Capital for Community Needs (WCCN):

Our online presence has been greatly enhanced by volunteers. Through LinkedIn, I was able to post a volunteer position for free, which was filled by a talented volunteer who helped our organization redesign and launch a mobile-friendly website in WordPress. We used a complete online strategy review with a talented group of MBA students at Johns Hopkins University through [www.changetheworld.org](http://www.changetheworld.org). Now we have a profile up with #charity to help us find an SEO volunteer to increase traffic to our website.

In short, we have cut many costs by using online tools that connect volunteers with nonprofits. The two completed projects above (online presence review and website redesign) likely saved us at least \$10,000, if not much more. The biggest challenge was learning enough to properly manage a skilled volunteer. If I had just said, “I don’t understand this but I know I need help. PLEASE HELP!” I would probably not have been as successful. I spent a lot of time writing the job posting/project description and doing my research ahead of time so that I could make informed decisions rather than experiencing decision paralysis or leaving the whole direction up to the volunteers. **(Lines 7, 9, and 11)**

**Cat Anthony, Operations Director, Sportable:** Just a few days ago, there was a piece of equipment that our organization needed. The downside was that it cost \$1,000. I called a small business and told the owner how awesome the piece of equipment would be for our organization, and I asked for a discount. The key was being patient over the phone, listening, and flattery. I told him that they would get a small piece in our newsletter (which has 1,500 subscribers), their pamphlets set up on our resource table, an in-kind donation letter, and that his business would be helping impact our athletes. He asked me how much I would be willing to pay. I got the piece of equipment for \$200.

Also, we use volunteers and our athletes/participants. Tomorrow we have our big donor mailing, and we have an athlete and his mom coming to stuff and stamp envelopes. Our participants want to support us because they believe in our organization. This weekend, I have an athlete manning our marketing table at an event. Depending on your

organization, participants can also volunteer and give back! **(Lines 7 and 22)**

**Ann T. Lisi, President/CEO, Greater Worcester Community Foundation:** When our longtime CFO retired, we replaced the role with an independent contractor. The difference in expense is huge! **(Line 11 c)**

**Tricia Maddrey Baker, Executive Director, Pitt County Medical Society:** When I came on board three years ago, our website was static and unresponsive. Each update, at the fee of \$40, was performed by a web designer.

For \$1,800, we had a designer construct a WordPress site, where we have full access to update and refresh weekly. In addition, we added a “Find a Physician” page for the public. As time passed, we added more pages and tabs as the needs grew and changed. The designer took the antiquated logo and refreshed it, sending us several versions of the same image to use in a variety of functions. When we needed website changes that required fresh code, including the advertising ad/links and making the site mobile friendly, the designer was able to complete these changes economically. Even with the subsequent small charges, the cost was less than the \$3,200 that had been estimated by the previous web designer for just a basic site.

Using a WordPress site means that designated administrators can make continuous updates and changes. To keep the site fresh in the search algorithms, we add or change something on the site at least weekly. There are easy-to-use blogging plug-ins available through WordPress, too, so that blogs can become part of the wraparound social-media strategy.

A little time after creating the social-media strategy, the “hits” on the website increased more than sixfold! The activity remains high on the website, which has a seasonal variation. Social media activity, including Facebook, Google+, and LinkedIn drives more attention to the website, as well. I learned how to perform those duties through several no-cost webinars, one of which I still attend weekly because the field continues to evolve. **(Lines 11 and 12)**

**David A. Scholl, Executive Director, V.O.I.C.E., Inc. of Michigan:** We are a small (annual revenue just under \$1

million), Michigan-based nonprofit providing American Sign Language interpreting services for deaf individuals and in-home care for individuals with disabilities.

The problem we encountered was our lack of resources (qualified interpreters) to cover the areas from which we have seen an increase in request for services. Our solution was to introduce technology in the form of video remote interpreting (VRI).

In VRI, the deaf individual and the hearing individual—such as a medical professional—with whom he or she is interacting are in the same location, and the interpreter is either in our office or working from a remote location (such as a private office space in his or her home) and is providing the services via Internet connection. With no expensive hardware or software programs required, we were able to roll out this service and even reduce the costs incurred by the parties using our services! **(Line 7)**

**Tony Silbert, President, Silbert Consulting Services, Inc., and Chair of the Board, The Harmony Project:** We are a youth development program centered around music education in disadvantaged communities. When we started, in 2001, we offered private music lessons (violin, flute, etc.) almost exclusively. Early on, we determined that sustaining program quality relied on using professional teaching artists (as opposed to volunteers or other less expensive alternatives). Consequently, we very quickly evolved to offering group lessons in addition to private ones. This was not only economically essential—it also offered advantages in terms of developing intergroup dynamics, leadership, shared responsibility, and more. (It should be noted that all of our services are provided tuition free to children and youth from low-income families.)

Our real breakthrough came many years later. We had developed a robust program of private and group lessons, ensembles, performances, juries, enrichment opportunities, parent support, and linkages to social services, etc., for close to one thousand students. While we were limiting private lessons to the highest echelon of students, we were growing so fast that this component of the program was unsustainable (plus the recession was hitting and we were concerned about making our budget). In response, rather than cutting back we created a peer mentor program whereby our most advanced students received private lessons (or “semiprivate,” with one other advanced

student); but in order to receive them they had to teach two younger students. Not only did this multiply the number of students getting private lessons exponentially—at almost no cost—it also created incredible leadership development opportunities for our advanced students. The private lessons included training and guidance on how to teach others—and, as everyone knows, nothing accelerates your own learning like teaching. In addition, it brought to life an institutional culture of giving back among our students. They now understand that advancing creates great opportunities but also carries great responsibility. It was truly a win-win-win—saving our budget, improving our program, and catalyzing an enhanced organizational culture.

We take great pride in this response to our budget crisis. We realized the power and value of our service recipients and channeled it back into the organization. **(Line 7)**

**Rebecca S. Gaylor, CEO of Active Money Management, Inc.:**

- Program redesign. We have a focus on real program results with an operations manager giving a monthly report that includes agencies serviced as well as volunteers used for those results.
- New uses of technology. We have a board member who has set up a customer relationship management (CRM) system so that all involved can access and update contract information to expand our tracking of relationships overall.
- Different deployment of staff and/or volunteers. After over twenty-five years and only one full-time employee, we have set up a part-time employee whose title is “Relationship Manager” and who is reaching out to businesses to create new and additional “raving fans” for our program mission. A part of this has involved becoming a member of the Scottsdale Area Chamber of Commerce, where relationships are getting strengthened, too. For the past couple of years, our relationship with the Phoenix Suns and Mercury has become a nice addition to the efforts of getting more throughout the Valley of the Sun to become aware of [our affiliate] Shoebox Ministry. **(Line 7)**

**Pension plan:** Select low-fee provider via RFP process.

**Payroll taxes:** Average 2.95% of payroll; savings available via workers compensation pool; reimbursed status for unemployment compensation (see [www.chooseust.org](http://www.chooseust.org)).

**Legal:** Pro bono often possible for under-\$10 million organizations.

**Accounting:** Opt for non-prime-time audit; RFP to audit firms; also, explore outsourcing services like bookkeeping and accounting.

**Lobbying:** Can be done in-house more cheaply (professional lobbyists are very expensive)—it is also difficult to evaluate their effectiveness.

**Information technology:** Free/reduced software via TechSoup.

**Occupancy:** Average 4.6% of budget; cost savings available via negotiated rent reduction, ownership, and exemption from property tax.

Form 990 (2014)		Page <b>10</b>			
<b>Part IX Statement of Functional Expenses</b>					
Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).					
Check if Schedule O contains a response or note to any line in this Part IX <input type="checkbox"/>					
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<b>d</b>	-----				
<b>e</b>	All other expenses				
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24e				
<b>26</b>	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) . . . . .				

Form **990** (2014)

**Compensation:** Don’t pay board members—bad practice.

**Other salaries and wages:** Don’t save by paying less than living wage—there is a moral cost; also, make better use of volunteers, including program participants.

**Advertising and promotion:** Engage people as ambassadors (online and in community).

**Office expenses:** Publicize wish list and negotiate prices.

**Travel/entertainment expenses:** What kind of lousy idea is this?

**Interest:** Short-term borrowing for cash flow can be virtually eliminated by having an operating reserve; the window of opportunity for refinancing long-term debt is closing but some organizations might yet be able to benefit.

**Depreciation, depletion, and amortization:** Negotiate prices on capital expenditures.

**Insurance:** Casualty/liability averages .69% of organization budget.