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Show Your Work - Transcript

[Speaker 1]

Hello, and welcome to this episode of Charity Therapy. Meghan, how are you?

[Speaker 2]

I'm doing well, Jess. How are you?

[Speaker 1]

I'm just living the dream here. I had a group today ask me about how their organization can put Bitcoin on their treasury reserve.

So that pretty much made my day, and we should definitely plan a Bitcoin episode in the future.

[Speaker 2]

Yes, for sure. I've got that written down. Today, we are answering some questions all about accountability and transparency for nonprofits.

This is obviously a pretty big topic. So first, tell us, Jess, why is it so much more important for nonprofits to be transparent and accountable than it is for for-profits?

[Speaker 1]

That's a great question. So, all right, here's like the fundamental difference between a regular corporation like your average business and a nonprofit is that you can't own a nonprofit. So, the nonprofit is owned by the community, by its constituents.

It has no shares, it pays no dividends, and its therefore kind of like by the people for the people. So, it's really important for nonprofits to show their work. It's like math class, you know, you have to show what you're doing both through your reporting annually about your accomplishments, but also about their financials and maybe about their governance too.

And it's just a bigger deal because that's the only way the community gets to know important things about their nonprofit's work. Right.

[Speaker 2]

And why would you be motivated to give to someone if you have no idea what they actually do? Right. There's that side of it too.

[Speaker 1]

You can't just be all cloak and dagger in the sector.

[Speaker 1]

Totally. Totally.

All right. Are you ready for our first question? Hit me.

All right. I am a new board member. All the other board members at the nonprofit have been involved for a very long time.

They really haven't changed much about how the nonprofit works in about 30 years. I'm looking to bring them into the 21st century at least a little bit. So, I volunteered to set up our very first website.

What sorts of things should I include for a basic nonprofit website? I'm thinking the mission and vision, a list of board members, a way to donate online. I'm getting some resistance from the board about building the website.

So how do I convince them that this is a good idea?

[Speaker 1]

Oh, I'm just picturing this person with their totally antiquated organization. If building the website is the struggle bus for just the basic website, I can only imagine what else will be difficult. But anyway, I digress.

It's a great question. And because it's like even techie, I love tech stuff. So, I love it.

This person is totally on the right track. I mean, any good website will showcase the mission, the vision, what you do, how you do it and make the case for donors to give. Of course.

Yes. Then it's like, OK, like what else should we have on there? I want to address the list of board members specifically now.

You know, we don't know anything else about this organization. So it could be, you know, the board is kind of pushing back on some things just because they're old and crusty. But it also could be a thing that they don't really want to publish a list of directors on the website.

And we don't know what their mission is. Some groups are doing things that are somewhat controversial. So, like the fear of doxing is real and doxing, in case you don't know, just means people on the Internet figure out who you are and where you live and like name you to everyone on Twitter or whatever.

So, like there may be reasons you want to not have your name publicly on a website. That said, the 990 that you file once you're past the 990 and is going to list you anyway. So, to some extent, it just is what it is.

Generally, I would say for other things on the website, there should be, you know, some sort of annual report area where the nonprofit can show off their accomplishments. What are your programs? What have you accomplished?

Going back to how we communicate to the public about what we do and why it's worth giving us money. If you haven't done anything yet, which is totally the case with like some of our startup folks that we work with, what are you planning to do? Talk about your plans for what you need to do and why you would need to give to us to help us make that happen.

And that's not just like my recommendation. If you look at the Charities Review Council, accountability standards, communicating regularly with the public through an annual report that contains yada, yada, yada type of elements is right on their list. So, if you read through their accountability standards, you can see a lot of other things that might also be on a website like a donor privacy policy, your financial reports or a copy of your 990, et cetera.

Some of the things that people I think don't think about when they're building a nonprofit website are important from a legal perspective and they're like the things that get forgotten about like having a terms of service page, thinking about whether you need to be GDR compliant because you have like maybe users who are in the European Union that will be clicking on your pages. Are you using cookies or collecting data? Do you have privacy issues because maybe you have a member message board or something?

There are a bunch of legal things to consider here in addition to the like meets charities review standard stuff, especially depending on your mission area. Like if you're a medically focused organization and you have a bunch of like people talking about their medical ailment on your website, you may have special health type, oh, we're not giving you medical advice kind of disclaimers needs. And just from a like business owner's perspective, having lived through it myself, making several websites, it's often a bigger project than most people really expect.

So, if the goal is to modernize and baby steps, I would keep it as small as possible at first, especially because this board is old. So set yourself up to succeed and make it small, set yourself up for a little win that you can always build on later. So don't get too far ahead of yourself at first would be my recommendation.

[Speaker 2]

Right. And even if you are not able to check off every single box with that first iteration of the website, even just having something come up when someone Googles your nonprofit's name will make a huge difference.

[Speaker 1]

Oh, Lord. Right. Like when we work with clients that are like they've been around for a couple of years, but they're like a ghost on the Internet.

I'm like, what are you doing?

[Speaker 2]

It's like, are you real? I wouldn't feel good about like not knowing what you do. Like it's just something really, really basic is leaps and bounds ahead of having nothing.

[Speaker 1]

So, yeah, so true.

[Speaker 2]

All right. So, I have another question for you. This person writes, I received a strange request the other day and I'm not quite sure how to respond.

We're a nonprofit that provides after school activities for kids that encourage them to get involved in their communities. And we're small. We make less than fifty thousand dollars a year and we're run by all volunteers.

I got an email from someone I've never heard of requesting detailed financial statements for the organization. He said he sees that we file a 990 and so he can't see the details of our financial situation from the IRS. He mentioned something about wanting to know what kinds of places we get our money from.

Do I need to give him our financial statements?

[Speaker 1]

So, this is an interesting one. And I think it's sort of the classic lawyer answer is like it depends. I don't necessarily have enough information here, but in my state where I'm sitting in Minnesota, if you're a voting member organization, your members have the right to inspect the nonprofit's records, which includes financial statements.

On the federal side, no matter where you are, all nonprofits have to make certain documents available to the public, which, of course, includes your IRS form 990 for the last three years and your form 1023, which is like the application that you applied for exemption. But if you're not a voting member or you only file a 990 and then like it might be OK to say no, but. Well, let me just explain the 990 and is like two clicks of a mouse and it just says like we make less than 50 grand.

It literally says nothing. No information. That's why this person is like, I can't tell anything from your 990 because it's like a nothing document.

But before you get on like the defense, I would want to get on the phone and put on your fundraising hat and have a conversation with this person because it's entirely possible that this is a prospective donor who would like to give you a big gift. So don't start off from a position of, I guess it's not scarcity, but sort of like fear. Don't start off from like a fear position.

Start off from a position of like curiosity and opportunity and learning more and getting to know them. Sometimes, you know, the smallest charities simply just don't have financial reports at the ready on a moment's notice. Lord knows I work with enough of those folks that.

I know they're not using QuickBooks, so it's not going to be easy to generate a financial report. So, it's like, how else can you be communicating to these folks about that you care about doing things right when you can't just click two buttons and generate an income statement? That's where having something like the Charities Review Council Seal of Approval is a great credibility indicator, you know, can kind of head off questions like this.

And it's also why I created that Mission Guardian member badge, because it can take years to meet the accountability standards. But you might still be very focused on doing things right today, even though you don't meet standards yet. So, I would just encourage this person to like to look at some of those things to sort of give people who are researching more things to like bite into, like claim your candid or guide star page and like fill it all out and make it look official and like do those things.

Right. So, circling back to this particular issue, it's like. I would say set up a phone call, you know, if there are some busybody reporters from your town's rinky dink little newspaper and they're looking for dirt on your organization, you're going to figure that out pretty quick and you would just be able to bow out of the call.

But if it's a donor, you're having a great opportunity to meet this person and develop a relationship. Talk about what you do, talk about what the goals are, what their goals are. And it could be a fabulous opportunity.

[Speaker 2]

And it also might be an opportunity for you to reflect on what kinds of information is available for your potential donors to look at because they're reaching out because they have some sort of unmet question, unmet need about what you're doing. And while obviously this person is looking for some very detailed information and some nitty gritty that you may not want to have publicly available on your website, it may indicate that there's just like a hole in your communications that you should have out there about how you're spending your money and what you're doing with your donors funds.

[Speaker 1]

Yeah, it's tough to tell when the question says what kind of places we get our money from. You know, it's not like you're going to have to fork over a donor list. Don't be doing that.

But they may just be curious, you know, if you rely on individual giving. So, yeah, absolutely. I love that because that's what we that's your insight, because that's what we do here.

It's like, oh, this person is asking this question. That means it's not obvious how to do this. We should fix it.

[Speaker 2]

Right. It's viewing that kind of stuff as an opportunity rather than as a threat. And I mean, if it becomes something more like a threat, like you said, you can deal with that.

Yeah. And call your lawyer. Yeah, exactly.

But oftentimes people just want to engage with you. And if you can meet their needs, that's awesome.

[Speaker 1]

So, right. So, I've got like four takeaways that I'm seeing here, Meghan, and you chime in if you've got any more. I, you know, first, I think just the whole concept that remember that nonprofits do need to be more transparent and accountable to their community than regular businesses.

And I think especially for the tiny startup community where maybe people have come from an entrepreneurial background, that's not always embedded in your thought process. Then second is like building a website from the first question, you know, that comes with some legal issues. So don't forget to check on the legal issues around things as you're building them.

And then third, sort of even though it can be a pain in the neck to show off your financials to people or even to do them right in the first place, it's really, really worth it because this is the thing that people look at as a marker of your health when they want to give to your group. And then lastly, you know, everybody should just be checking out Charities Review Council's accountability standards because that's really the gold standard of what is an appropriate level of transparency and accountability for nonprofits of all sizes. And their standards guide is just such a great shortcut to know exactly where you need to be on so many areas.

[Speaker 2]

Yeah, and I'll make sure to link to that in the show notes today so you can take a look directly at those standards. And for smaller organizations and newer organizations, like you said earlier, like it's not always possible that you meet all of them immediately, but you can be working towards it even if you can't, you know, qualify today.

[Speaker 1]

Absolutely. Well, thanks for being my co-pilot again today, Meghan.

[Speaker 2]

Thanks for having me on, Jess.

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About the Author

Hi, I'm Jess Birken.

I'm the owner of Birken Law Office, I help nonprofits solve problems so they can quit worrying and get back to what matters most – The Mission. I'm not like most attorneys, I actually have an outgoing personality, and – like you – I like to think outside the box. Most of my clients are passionate and have an entrepreneurial spirit. I'm like that too. My goal is to help you crush it. Getting bogged down in the minutia sucks the joy out of the important stuff. My clients want to do the work – not the paperwork.

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