

Chapter 5: Finances and Fundraising



Manage and Report Financial Activities

The treasurer will be the person responsible for managing and reporting on the financial activities of the affiliate. A computer and simple accounting program, such as QuickBooks, will make this job much easier to create reports using accepted accounting procedures.

Initially, your board members probably will be funding materials out of their own pockets. As your membership and treasury grow, you should expect to reimburse the officers for any invoice presented which documents a valid expense, on approval of the executive committee.

A combined checking/savings account in a credit union is often chosen for the depository of funds, but—presumably—the person taking on the treasurer’s job will be familiar with the best deal around. Some banks offer checking with no service charges for senior citizens or nonprofit groups, so those low-cost possibilities should be explored. Be sure to arrange for two signatories so that a second person could readily take over if the treasurer were incapacitated.



Generate Income

Donations will be your primary source of income. You can set a suggested standard donation for membership—\$35 is a good figure. If you are not yet incorporated as a nonprofit organization or if your corporation is labeled 501(c)(4), you should advise your members that this donation is *not* tax deductible.

Income beyond the initial donation will be necessary to sustain your affiliate. It is perfectly acceptable—indeed, it’s your duty—to regularly request voluntary donations from your membership and the public at large. This is how nonprofit groups fund their work, from big groups like National Public Radio down to the smallest local animal shelter. Start by including a specific appeal in your newsletter(s). Explain to your members how you use their gifts to help them and the public, in specific terms, and they will give. We’ll get into more detail below about direct mail fundraising.

Don’t forget the ***Before I Go, You Should Know*** planner. This popular kit sells itself (almost 100,000 were sold when *Dear Abby* featured it in her column). Many FCA affiliates include them in their membership welcome packet, and sell additional copies as a fundraiser. FCA National makes them available to you at below-retail price.



#1 Easiest Step to Increase Donations

It is essential and cost-effective to include a pre-addressed return envelope with your request for contributions!

Affiliates report double, triple, and quadruple the amounts received otherwise. You do not need to add postage, your donors will willingly do that.

Encourage Planned Giving

Members should be encouraged to leave a bequest to your organization as a means of ensuring consumer information for generations to come. If you have a particular project on which your group is working, that is an ideal time to mention the idea.

Here's a sample paragraph you can run in your newsletter or donation appeals:

I give, devise, and bequeath to Funeral Consumers Alliance of AnyCity, tax identification number 12-3456789, 500 East Main St., AnyCity, USA. (insert total amount, percentage, or remainder of estate) to be used for general operations (or your designated purpose).

Collect and Pay Dues

Your quarterly contribution to FCA

All affiliates are expected to share in the financial support of the FCA office. FCA will mail a quarterly reminder and remittance form. You may exempt bequests and extraordinary gifts from the dues calculation, if you wish.

An annual review of the organization's finances is a prudent move, and the president should delegate this task to a group of two or more responsible members.

Support for National

Dues are 15 percent of your income from donations, membership fees, and fundraising activities.

There is a minimum dues payment of \$50 annually to FCA National, even if your income times 15 percent does not reach that amount.

Although it may be years ahead, once your treasury begins to accumulate a significant amount of money, you should consider having the treasurer bonded. More than one affiliate has lost significant funds to embezzlement—a situation no one expected would happen.



Make Your Money Work

A reserve fund equal to one year of operating expenses is a conservative approach to management. If you spend \$2,000 a year to cover phone and mail expenses, you should aim to set aside that much in a Reserve Fund category, so that you will have at least that much left at the end of your fiscal year.

As your treasury grows beyond your reserve fund, you will probably want to look for projects to increase your outreach and publicity. This should be considered by the full board, not just the treasurer. Set up a budget that is pro-active; spending money on publicly visible service projects should help your affiliate grow. Note that you may offer a stipend to active board members to attend the FCA national conference that takes place every two years in even years (2014, 2016, etc.).

Under no circumstances should your affiliate hoard money in the treasury and allow it to build over time without being spent on your mission. Nonprofit groups shouldn't have retirement nest eggs the way people do. FCA board members are, for the most part, a prudent

and frugal lot. They don't waste money on frivolous things, preferring to get the most from member donations by spending carefully.

But it can go too far. Sometimes we'll hear a local treasurer read the financial reports at the public meeting. When the treasurer gets down to the line describing the surplus, she often says, "And we're very proud that, once again, we've haven't had to touch our \$30,000 in CDs." Sometimes the figure is \$10,000, sometimes it's \$20,000. But it's always a surprisingly large amount of money for a small organization with few expenses.

So, what's wrong with that? We discipline ourselves so that we don't cash in our retirement funds because we value our long-term financial security, right? The goals you have for your own income are completely different from those of a nonprofit and its assets.



The Difference Between Managing Your Finances and a Nonprofit's

Your nonprofit's reserve fund is not a personal retirement account. Nonprofits do not exist simply to exist and they're not entitled to a comfortable "retirement." They exist for specific purposes. Ours is to educate and protect the funeral consuming public. The money we take in is supposed to be spent furthering that mission. Quite literally, we have a legal and ethical responsibility to so. Sitting on excessive cash reserves year in and year out may be stunting the execution of your mission.

Fundraising professionals have a bit of jargon for this problem called, "Thinking from a place of scarcity rather than abundance." Yeah, it sounds, well, jargon-y, but it really is true. Constant terror of the sky falling in if you have to dip into the reserve fund can skew your perspective (and your blood pressure). It can also push otherwise sensible people to make questionable judgments.

Some of these would have entangled the groups in conflicts of interest or put them in compromising relationships with the very industry they seek to oversee. Others are shortsighted—penny-wise and pound-foolish.

If you've got more than one year's operating expenses saved, it's time to think about setting some of your money free! Your FCA can do even more good for your membership and the public by investing in new projects.

Some suggestions:

- **Update Your Website** Is your website out of date? If it hasn't been substantially overhauled in terms of content, navigation, and appearance in five years or more, it's ancient. Hire a professional web designer to get your site modernized. This is far more important than any paper pamphlet or phone book listing. *Most* people find their local FCA online these days. Not just a handful. And yes, seniors too. Be sure to get a site that will let your volunteers update it easily with news and links.
- **Go to the Biennial Conference** Send representatives to the biennial FCA conference
- **Donate Books** Donate copies of *Final Rights* to your public library

- **Organize an Expo** Put on a death expo. The San Diego Memorial Society mounted one with a range of professionals, including a medical examiner, representatives from anatomical gift programs, and others to answer questions from attendees. They billed it as the place to go to ask anything you wanted to know about death but were afraid to ask. Planning on about 80 attendees, they got more than 300! Not to mention the more than 100 new members they got from the event.
- **Support National** Your national office will always make good use of extra donations. If you are looking for a worthy cause, we're an awfully good value for your money.
- **Publish a Hospice Manual** Publish a comprehensive death, dying and funerals manual for your local hospice and visiting nurses associations. Include your price survey, a selection of brochures, tips on affordable funeral planning, and sample frequently-asked-questions. Drop them off in-person and be sure to make them available for download on your site. You'll build relationships with people who will spread word about your group to hundreds, maybe thousands, of families.
- **Give Out Freebies** Provide free-end-of-life planning kits to low-income seniors at nursing homes or other local venues. Combined with a free-to-the-public workshop on how to fill out advance directives and choose a funeral home, you'll accomplish a charitable function and make more people aware of who you are and why they should join.
- **Share the Wealth** Sponsor a sister FCA affiliate. Some of our smaller groups do great work but they need a financial nudge to kick-start a project. Some of them need \$500 to \$1,000 in seed money to start a direct mail campaign for annual donations. Others may need a one-time grant of \$400 to pay for IRS filings to achieve their 501(c)(3) status. Contact us at the national office for suggestions.



Fundraise the Smart Way

Most of you have a list of charities and causes you donate to. Perhaps it's your public radio station, your local domestic violence shelter, the humane society, and the local food bank. You know why you donate to them—you **find their work important and valuable, and it makes you feel good.**

But how, mechanically, does it happen? What triggers you to write that check or to sign up for a monthly donation through your online banking system?

It's direct mail. Real, physical, pulped-and-pressed paper that comes to your door. The junk mail you think you never read. But you do read some of it,



Fundraising 101: Be Direct!

Direct-mail fundraising is the backbone of almost every nonprofit's fundraising efforts. Done well, it's neither complicated nor too expensive. **An affiliate cannot survive on new member donations alone. The biggest source of financial support you'll have is your existing membership.** These are people who've seen first-hand what you can do for them. You've already sold them on why FCA is great, they've already told you they like your work by joining in the first place. Give them every opportunity to keep it going!

and you likely put some aside in a pile for “*charities I’ll support this month when I pay bills.*” There’s a reason that organizations as large and well known as the American Red Cross pay big money to send you paper appeals—*it works*. It works better than fundraising dinners. It works better than spammy emails you’ll likely delete. It *definitely* works better than fundraising telephone calls. If your affiliate isn’t already doing it, this article will show you how.

An effective, easy to administer fundraising program:

- sends appeals by mail at least twice yearly, preferably spring and fall.
- uses a *stand-alone appeal letter*, not just a text box on page three of your newsletter. You can fundraise through your newsletter, of course, but it is not a replacement for separate, fundraising-only communications.
- uses appeal letters written in a direct, conversational tone. Successful letters tell a personal story illustrating how a gift affects real people with real concerns we can all relate to.
- *always* includes a pre-addressed remittance envelope (no stamp). Don’t bother with a letter at all if you don’t send a remittance envelope.
- acknowledges a donor with a thank-you letter *promptly*.

When Executive Director Josh Slocum came to FCA in 2002, the board knew the organization desperately needed a better way to raise funds. But neither he nor the board really knew what they were doing. Over the past ten years, we’ve made enormous progress by reading and learning about what successful nonprofits do to keep the lights on. In 2002, we brought in \$4,500 in donations from the one tepid appeal included in the newsletter. In 2012, we took in about \$70,000, thanks to direct mail and some other minor efforts.

The advice below isn’t anything unique that we came up with; it comes from reading dozens of articles, blogs, and books by people who make their living helping nonprofits make money. Some websites include *fundraisingcoach.com* and *stepbystepfundraising.com*.

Seek Bulk Mail Permits and Nonprofit Mailing Rates

If you have 200 or more pieces to mail, you can take advantage of the US Postal Services bulk mail rates. Even better, if you’re **also** a 501(c)(3) nonprofit, you can get an additional discount per piece. Ask your postmaster how to apply for nonprofit mailing rates.

If you’re not a 501(c)(3)—remember, you’re not automatically a (c)(3) just because you’re a nonprofit, that’s a special IRS designation for what’s called “public charities”—you can still use less expensive bulk mail.

If you use a mailing house like we do, you can use their bulk mail permit. Ask your mailer for details. If you do it in-house, contact your local postmaster to apply for a bulk mail permit. The cost for this permit was \$180 at last check, but it changes constantly. It’s far more cost effective to use a mailing house and their permit, as the post office charges almost \$200 a year just for keeping the permit valid. That is in addition to the application fee and your actual postage.

Real-world example: FCA national's mailing list has about 2,000 addresses. If we mailed first class at 46 cents each, our postage alone would cost \$920. But because we use bulk mail and nonprofit rates, our bill is only \$315. That's 16 cents per piece in postage.

Write the Letter

A compelling letter includes the following characteristics. Even though some of these may seem surprising or trivial, they're not. They really do work. Remember that what **you** think a letter should read like is not the goal. We want to craft letters that have been proven to work **with donors**. You're not writing a term paper for English composition class.

A good letter:

- **Tells a story with a real person whom readers can identify with.** This is where you highlight the way your affiliate does good work for real people. It appeals to emotion and empathy on a human scale. You should be collecting emails, quotes, and any kind of testimonial from friends who've praised your affiliate. Ask them if you can use their words, and make the story as anonymous as possible, if necessary.
- **Talks directly to the reader in a conversational tone.** Don't be afraid to write in the first person, and make sure you refer directly to the reader with lots of "you" statements. Here's an example of the wrong way and the right way.

Wrong: FCA of Anycity provides information that helps consumers find funeral arrangements they can afford. The Board of Directors asks recipients to consider donating to help the organization further inform the public.

Right: If you've ever volunteered for a charity, you probably remember the first time someone told you what a difference you made for him or her. Jane Collins from Hooville was my "first time." When she told me that the money she saved on her husband's cremation allowed her to fly her two sons home for the memorial, I knew we'd done something special, something unique, for this family. This is what you do every time you make a gift to FCA of Anycity.

- **Includes a P.S.** Research shows people often scan to the PS first, so use it to entice your donor to read the whole thing. Example: *PS—The Collins boys were so glad to be able to come home to support their mom, they told me about it a week after the memorial.*
- **Includes a remittance envelope.** This is the most important part. Making it easy for the donor with a remit envelope is the most cost-effective way to double or triple your donations. Having that piece of paper in their hands makes all the difference.

Thank the Donor

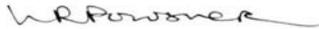
Prompt acknowledgment and gratitude is crucial. Waiting too long to send a thank-you tells the donor you don't care and you take them for granted. Ideally, thank-yous should go out immediately on receipt of the donation. For small groups like local affiliates with volunteers, try to aim to get them out within a week.

If you have time, a handwritten note—even a short handwritten PS at the bottom of your thank-you—means a lot. Most of us use standard letters, though, adding personal notes when

appropriate and when time permits. You should definitely write a handwritten note, signed by your president, for any significant gifts. For some affiliates, that's a gift over \$50, for others, \$100. Larger gifts should be acknowledged with a phone call as well as a letter.

If you are a 501(c)(3), be sure to include this disclaimer language so your donors can satisfy the IRS when they take a tax-deduction: **As always, Funeral Consumers Alliance of AnyCity provides no goods or services in exchange for donations.** What that means in plain English is that you're not selling or giving donors something special as a direct *quid pro quo* for their gift. Important—the IRS requires 501(c)(3)s to send written acknowledgment for all gifts of \$250 and more, though every gift should be acknowledged in practice.

Sample Fundraising Letter

	33 Patchen Road, South Burlington, VT 05403 802-865-8300 • www.funerals.org • fca@funerals.org
<i>Protecting a consumer's right to choose meaningful, dignified, and affordable funerals since 1963</i>	
DATE	<i>Hello, XXXXXXX member! You support our local efforts to educate the public on funeral costs and options. Thank you! Our national organization does excellent work on the national stage, and I'm asking you to join me in supporting their work. You can see from the letter below how vital FCA National is to consumers from coast to coast. With my best wishes, XXXXXXXXXXXX</i>
First Last	
Company	
Street	
City, State ZIP	
Dear Salutation,	
<p>You know that feeling you get when you show a friend how to accomplish something that she didn't think she could do? This happens for us all the time at Funeral Consumers Alliance and <i>we love it</i>. Nancy Allen called our staff in Vermont last fall when she was stuck trying to figure out how best to honor her mother's burial preferences. The funeral home they were considering didn't have terrible prices, but Nancy still felt they were out of line with the very simple burial her mother wanted. More importantly, having services in a funeral home didn't feel <i>personal</i> enough. Emails and phone calls zipped between Missouri and Vermont. Our staff sent Nancy copies of her state's consumer rights chapter from Josh Slocum and Lisa Carlson's book, <i>Final Rights</i>, and she dropped us a kind note to catch us up:</p> <p><i>Last September, you helped me so very much in the planning for my mother's death. It was a sunny 70-degree day as eight of us gathered around the paperboard casket with a beautiful red carnation casket spray and red roses from my uncle. What my mom and I had decided to do for her burial—a private memorial service—worked out very well. My mom and I had looked up some ideas for personal memorial services on the Internet and discussed them before she died. At her graveside I decided to include a "Lifetime of Achievements" read to Mom along with the rest of the memorial service. Afterwards, we said the Lord's Prayer, then six of us went to an Italian restaurant for lunch.</i></p> <p><i>Thank you very, very much for all your excellent and friendly advice. I don't know what I would have done without you.</i></p> <p>And we couldn't do what we did for Nancy without <u>you</u>. <u>Thank you so much for your generous support</u> of our unique work helping families pick funerals that fit their tastes and their budgets. Every gift you make to Funeral Consumers Alliance is tax-deductible, and it brings you our popular twice-yearly bulletin <i>The Grim Reader</i>.</p>	
With gratitude,	
	
Laurie Powsner President	

Chapter 6: Federal Income Tax Exemption



File a 1023 Application for IRS Tax Exempt Status

You will probably not want to file for federal tax exemption until you have:

- completed the incorporation process
- want a nonprofit postal permit
- revenue of \$5,000 annually

If your income is below these limits, you are not technically required to apply for 501(c)(3) status to be treated as such by the IRS, but it's a necessity if you want to clarify your tax status and convince the post office to give you nonprofit mailing rates.

When memorial societies (as most of our affiliates were once known) first sought non-profit status, *The American Way of Death* author Jessica Mitford—once a member of the Communist Party—was heavily promoting these groups. Consequently, it was very difficult during the McCarthy era to succeed in being recognized as a nonprofit group at all.

Now there are various nonprofit categories, and only after much effort did the IRS begrudgingly grant 501(c)(4) to memorial societies. The very name “memorial society” almost ensures that you will be assigned to a (c)(4) category and that you will have a difficult time getting the more favorable 501(c)(3) status that would make contributions to your affiliate tax-deductible. This is another good reason to use the more current “Funeral Consumers Alliance of XXX” rather than “Memorial Society” in your name. The National Funeral Consumers Alliance, Inc., already has 501(c)(3) nonprofit status. 80% of affiliates have adopted the name FCA, and more than 40% have become 501(c)(3)s.



The Benefits of Open Membership

One easy way to gain a favorable ruling is to simply make membership wide open: have a suggested membership donation instead of a membership fee—and waive any contribution for those unable to pay it. You will also need to prove that at least half your budget is supporting charitable and educational pursuits for the general public. This effort should enhance your image and likely your membership, too!

An IRS ruling in 1995 in response to the Oregon Memorial Association (now FCA of Oregon) put into question the ability to get or keep any nonprofit status if your organization has arranged for discounted funeral arrangements. At least some regional IRS offices consider this a financial benefit if it is exclusive to members, although some legal experts believe this stand could be appealed.

Make sure you have *gratis* subscriptions to your newsletter on your mailing list. Be prepared to give free information and advice to nonmembers as well as members, or perhaps budget

library donations as part of your annual expenditures. Your dues to Funeral Consumers Alliance, Inc. also qualify.

Forms SS-4 & 1023

The first step is to apply for a Federal Employers Identification Number (FEIN), even if you have no employees.

Contact your local IRS office and request two sets each of

- *Form SS-4, Application for Employer Identification Number*
- *Package 1023, Application for Recognition of Exemption*

or download the 1023 application from the IRS at [http://www.irs.gov/uac/Form-1023,-Application-for-Recognition-of-Exemption-Under-Section-501\(c\)\(3\)-of-the-Internal-Revenue-Code](http://www.irs.gov/uac/Form-1023,-Application-for-Recognition-of-Exemption-Under-Section-501(c)(3)-of-the-Internal-Revenue-Code)

You must fill out and file the SS-4 application and wait for your FEIN, as that will be needed when filling out Form 1023. The words charitable education should be used when filling out the SS-4 form, lines 8, 9, and 14.

In filling out Form 1023, it is particularly important to be clear when stating the provisions for dissolution. Suggested wording follows:

Line 8. Dissolution: In the event of dissolution of this corporation, any surplus after all obligations have been paid will be turned over to Funeral Consumers Alliance, Inc., a 501(c)(3) organization.

Form 8718

You will also have to fill out Form 8718 and include a fee of \$400 (as long as your revenue over the next four years won't go over \$10,000 total, otherwise it's more) when you submit Form 1023.

It may take the IRS a year to grant nonprofit status and send you a determination letter. Be sure to make several copies of this letter and file them in different locations. It is a valuable document and, in a volunteer organizations, could easily become misplaced or lost. Various officers may need access to it at different times. File the original in your corporation folder.

Form 990EZ

After obtaining classification, you will be sent a Form 990 for reporting your income. If income is less than \$50,000 a year, you will not have to file again until revenue goes over that amount, but you will have to file the initial return to let the IRS know that. Failure to file the return may cause your exemption status to be revoked.

Form 990N

Starting in 2008, even small organizations with less than \$50,000 a year income must file an Electronic Postcard annually with the IRS, called Form 990N. It's very simple to fill out, and it's short, but if you don't, you risk having your 501(c)(3) status revoked.

Once your Alliance becomes wildly successful, you must file an annual information form on or before the 15th day of the 5th month following the close of you annual accounting period.

This means that if you keep your records on a calendar year ending December 31st, you must file your Form 990 on or before May 15th.

State Tax Reporting

You may also have to file similar forms to exempt your organization from state taxes, too. A copy of your IRS 501(c)(3) classification will be required. A consumer-friendly attorney or your state tax department can tell you what is necessary. Be sure to check with your Secretary of State's office for any annual reports or filings they require from nonprofit organizations.



Sample Application for 501(c)(3) Status

We completed this form with the answers that most new FCA affiliates would indicate when applying for 501(c)(3) status. But use common sense—you need to complete the form accurately. If one of our suggested answers does not apply to your group, you'll need to supply the correct information. The IRS also supplies a checklist of documents you should review before submitting your Form 1023.

Answers on the sample 1023 [IN BRACKETS] are editorial comments to you, the applicant, from FCA. Answer in BOXES, such as, See Attached Statement, or Not Applicable, are typical responses you might give to those questions. These are suggested answers. Those that have question marks are those only your own organization can determine the answers to.

Part VI Your Members and Other Individuals and Organizations That Receive Benefits From You

Attach a statement describing the phone services, price survey information, FTC information, speaking engagements, and/or pamphlets you provide to the public and to organizations.

PART VIII Your Specific Activities, lines 2a and 2b

Yes, you probably will attempt to influence legislation that benefits funeral consumers. This is absolutely allowed, but you should consider filing Form 5768 with the IRS. This form allows you to elect to spend money on influencing legislation. In general, you may spend up to 20 percent of your annual revenues on this if you take this election. If you do not take this election, your activities will fall under a more vague test of whether "any substantial part" of your revenues was spent on lobbying. This is a less safe position to be in with the IRS. For very good, understandable information on taking the election and how to legally lobby as a 501 (c)(3), visit the Website of the Center for Lobbying in the Public Interest at clpi.org.



About Lobbying

You may lobby as a 501(c)(3), and we encourage you to do so when necessary to preserve funeral consumer protections. The amount you may do is limited, however. For more details, contact the National office.

Part VIII Your Specific Activities, line 4c

You may want to attach a short statement saying that you will solicit voluntary donations on behalf of the National Funeral Consumers Alliance from time to time. You should emphasize

that FCA National is a 501(c)(3) that you are affiliated with. This will strengthen your application in the eyes of the IRS as it ties your activities to ours.

Part VIII Your Specific Activities, line 10

You should attach a statement listing the pamphlets, website, newsletter, and other literature you intend to provide. Explain that your affiliate (or FCA National, if National wrote the material) will retain copyright, but that the literature is available free to the general public. If you charge fees for your literature, you'll need to explain why you charge what you charge, and under what circumstances you charge. Here's a sample statement:

"FCA of Anycity will produce and distribute about 30 brochures on funeral planning and consumer rights, we will publish a quarterly newsletter and an annual price survey of local funeral providers. We will ask the public for a donation of (\$1 for three pamphlets, or 25 cents each, etc.), but will provide them free to those who cannot afford a donation so far as our finances will allow. In exchange for our newsletter and price survey, we will request a donation of \$25 for a membership, but we will extend membership to any who cannot afford this donation so far as our finances allow."

Part VIII Your Specific Activities, line 13

Attach a statement explaining that you will pay quarterly dues of 15 percent of your income to FCA, Inc., a 501(c)(3) organization that serves the same mission as your group does, but on a national level.

Part VIII Your Specific Activities, line 15

Attach a short statement explaining that you are affiliated with FCA, Inc., a national 501(c)(3) that shares your organization's purpose and mission.

The 1023 Application

*Please Note: We left out **pages 13-23** from the sample Schedule A as they are **not applicable to your affiliate. However, you must include those sheets with your application even though you won't be filling them out.***