

# ADVANTAGE SOLUTIONS



For Association Professionals And Volunteers



## New Form 990 = Increased Transparency

John Dee, CFO and COO, Bostrom

Charities and other tax-exempt organizations face increased transparency when they file their taxes this year with the updated Form 990. The Internal Revenue Service (IRS) developed the form based on input from a range of stakeholders: non-profit leaders, consultants, state regulators and several hundred public comment letters. The new Form 990 debuts more than five years after Congress passed the landmark Sarbanes-Oxley legislation to increase transparency at all public companies.

### First Update Since 1979

Several factors led the IRS to make the revisions. For example, many tax-exempt organizations structure their finances differently than they did when the Form was introduced almost 30 years ago. There's also a need to disclose more information about compensation, political and lobbying activities and whether an organization has written policies covering five specific areas of governance. (The five areas are: conflict of interest, whistleblower, document retention and destruction, compensation and joint ventures.) Each governance policy must be adopted by the end of the year for which the Form is submitted if the organization intends to respond with a "yes" on the Form 990. If an organization responds with a "no" – i.e., it does not have one (or more) of the governance policies, it is not necessarily in violation but it may invite additional IRS scrutiny. Finally, during the last several years, there has been extensive publicity about a number of tax-exempt organizations that have been involved in some type of wrongdoing or scandal.

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# Managing Through Challenges; Positioning for Growth

By Ken Monroe, *Chairman and CEO, Bostrom*



Two events an association executive dreads most are public relations disasters and major economic crises that threaten the very fabric of their organization. Today's economic climate presents a challenge for every association, even those in relatively good financial standing, but especially those with marginal financial profiles. One only has to listen to the news to hear "expert" commentators reflect on the nature and causes of the economic crisis, and speculate on where it is headed, whether the market has "hit bottom" and how long this downturn will last. "Uncharted waters" is a common theme. We have lived through recessions before, but this time the circumstances, characteristics, and intensity of the downturn are different. Perhaps the most troubling aspect of the current situation is its uncertainty. If we had some idea of the "what" and "when" of the downturn and its eventual turn-around, it would be easier to make plans about the "how" dimension to manage in the meantime and into the future.

While there are no formulas for these situations, there are some rules of thumb and practical ways to manage in uncertain situations. For association leaders, the thought process must be two-dimensional: not only does the executive have to think about the association's resources and finances, (s)he also has to consider how to help members who are addressing the same economic challenges.

## Maintaining Financial Viability As An Organization: A Step-by-Step Process

Because you can't help your members without resources, the first step is to maintain the economic viability of the organization. Begin by assessing the current (today), near term (next 6-12 months) and long term (next year and beyond) financial situation. Be objective and realistic; this is no time to make heroic assumptions about potential revenue and possible expense savings. Build a worst case scenario and then modify it to what you believe is truly the most realistic expectation. Involve your key staff in the process and encourage them to challenge assumptions.

Once you have a realistic forecast, develop a set of recommendations for managing the organization based

on the most realistic and worst case scenarios. While each organization has its unique circumstances, some common areas to consider include:

- > Postpone temporarily projects that require up-front investment, even if they hold promise for downstream revenue generation. Sound plans for projects that have strong revenue potential should be maintained if at all possible, but if they require substantial immediate investment, postponing them until cash flow is more stable may be necessary. Sometimes, development processes can be modified so that less investment-intensive phases of the work are done in the near term, saving the more expensive aspects for a later time.
- > Modify expensive meetings and determine which meetings can be conducted with electronic communications – such as conference calls or video conferencing – rather than incurring travel expenses for face-to-face meetings.
- > Hold vacant positions open; ask staff to do more multi-tasking until things turn around.
- > Suspend – on a temporary basis – dues-exempt membership categories if they cost the organization money to service.
- > Reduce or suspend the size and/or frequency of documents that involve substantial production and mailing costs. Members will understand the need to communicate through more economical electronic means, and some members who have resisted the switch to electronic communications may even find they prefer it once they try it.
- > Identify and reduce "hidden costs." For example, food costs at meetings are a major expense item. In fact, some associations find that food costs are a major percentage of their total expenditures. Such costs are relatively easy to manage in the short term, even if it means getting creative and scheduling "bring your own lunch" at meetings. Share the rationale with attendees and you may be surprised how accepting and appreciative they are.
- > Don't be afraid to tap into reserves. Of course, that is easier said than done, especially if invested reserves are shrinking. Clearly, the "rainy day" has arrived for some organizations. A careful use of

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# Beyond Email: Leveraging the Power of Social Networks

Jeanne Sheehy, *Vice President and Chief Marketing Officer, Bostrom*

We've all heard – or read – the staggering statistics:

- > Global Internet usage grew 265.6 percent from 2000 to 2007
- > Active use of social media is expected to increase from 373 million broadband users in 2008 to more than 1 billion in 2012
- > One in four online American adults visit social networking sites at least monthly

The Internet has changed how we communicate, learn, buy, engage and do so many other daily activities. And email is evolving, too. In fact, social networks (like Facebook, MySpace, LinkedIn, etc.) are helping to accelerate that evolution. With the advent and popularity of social networking sites, smart organizations and associations are assessing how best to leverage this technology to engage, educate, motivate and communicate with their members.

## Realizing the Power of Social Networks

A social network is a self-selective, online community that allows interaction among people who share the

same interest, profession, school or any number of similarities. Social networks are powerful connection points. They are so influential and comprehensive that some users conduct much of their business/communication via a social network rather than via email. For some users, a social network has become the preferred platform for interaction, leapfrogging and in some cases even blocking traditional email.

Given these changes, how can organizations and associations migrate from email to realize the power of social networks?

1. Go where your users are. If your organization or association maintains its own Facebook page, for example, that's where your users will migrate. Make this source an interactive place to communicate. Entertain and engage your audience where they already are. Make it easy for them to connect.
2. Review your marketing strategy. Integrate your email and social networking strategies within your overall marketing strategy. What role does video play? Social networking will become as important as your organization's Web site. Provide your users/members with a great place to connect with other users/members.
3. Embrace feedback. Social networking provides a natural forum for discussion. It's another opportunity to gather feedback and listen to members. You lose a bit of control in your message but the benefits of the member interaction and connection to the group far outweighs that loss.
4. Don't re-invent the wheel. Is there an existing social networking site populated by your members? If so, expand it – and drive users to it. Remove the learning curve and use a tool that's already familiar. Think about surveying your members to see what they want – and where. A social network can be a cost-effective way to keep in touch with members – and to help them keep in touch with each other.



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# Managing Through Challenges; Positioning for Growth

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reserves is a legitimate strategy and should be considered as a last option – but not as a substitute for creative economizing.

Once you have what you think is the best estimate of the situation and a proposed action plan, including the worst case scenario contingency plan, communicate openly and candidly with your key officers. Make them part of the process. A timely “heads up” is easier to manage than explaining a financial disaster that has already occurred. Provide more frequent financial updates to your officers than you normally would to keep them involved and reduce the potential for knee-jerk decisions.

“This can be a good time to ‘bite the bullet’ on any number of issues that the organization has resisted. In fact, there might not be a better time! Perhaps a committee structure, meeting format, or publication has become obsolete.”



association is to its members. As you manage your organization’s finances, look at how you can help your members manage theirs, as well.

Begin by assessing the environment and market(s) in which your members exist. There is a lot of good information available online to mine. In addition, if time and resources permit, conduct a simple survey (electronically, if possible, to save time and money) to gather direct input from members. Share results with your members. If nothing else, it is comforting for members to know how their situation compares to their colleagues. With your results, include suggestions about how members can address financial challenges, and solicit their input on creative ways they are managing. This approach positions the association as a clearinghouse for idea generation and sharing. If possible, create an electronic chat room or similar mechanism for real-time information sharing.

## Helping Members With Their Financial Woes

The other side of the financial challenge facing associations is that in many, perhaps most cases, members face the same or even worse economic issues. People and companies join an association because it can help them do things collectively that they cannot do entirely on their own. Offering help in tough times is an opportunity to drive home how essential your

In member communications, explain how the association is economizing; be candid if you are cutting back temporarily on certain member services or benefits to help the organization survive. Invite members to be part of the solution. They will appreciate your openness and will be less likely to look at your annual dues as their own cost-saving measure.

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## Seeking Long-Term Opportunity Along The Way

The old saying that it is hard to concentrate on draining the swamp when you are up to your hips in alligators remains true today. However, don't overlook the current economic challenges as an opportunity to make some changes that will be beneficial in the longer term. This can be a good time to "bite the bullet" on any number of issues that the organization has resisted. In fact, there might not be a better time! Perhaps a committee structure, meeting format, or publication has become obsolete.

In a broader sense, this may be a good time to develop a better understanding of your organization's real business model. We all know our major revenue streams and in some cases we even know which ones have growth potential and which are "mature" markets that at best can sustain themselves. Also, we know major

expense categories and which categories lend themselves to short-term savings when necessary. However, do you really understand your financial model in functional terms? Have you looked at your budget in terms of the real products and other outputs generated? Have you estimated profit and loss to demonstrate each program's net financial impact? It is one thing to know that X% of revenue is from dues and Y% is from non-dues, but do you know how much of each really drops to the bottom line to fund programs? This is a different way to look at the organization's budget and it may require outside expertise to do a "real costing analysis," but it can be very revealing and worthwhile as the basis for longer term strategic and financial repositioning. If there is a silver lining in today's very cloudy sky, the opportunity to gain such knowledge about your organization and better position it for growth – just may be it.

## Beyond Email: Leveraging the Power of Social Networks continued from page 3

### The Benefits

Improved and increased interactive communication with members is one of the primary benefits of an effective social networking site. In turn, members can experience a greater sense of involvement – with the organization and/or with peers.

And given the challenging economic times, moving an association to a social networking platform is often a more cost-effective alternative to launching or redesigning a Web site.

It may take a while for your members to move to a social networking platform. And even then, there might be some who prefer email. Regardless, keep email as part of your organization's marketing strategy. But to stay relevant – and connected to your members – social networking represents the next great frontier beyond email.

"Social networks present an enormous opportunity — maybe the biggest in tech since email. The sites have simplified and amplified connections between people online, creating a thriving ecosystem of small programs that let friends interact through games, greetings, video clips and more."

(USA TODAY article, 5/12/08)

## New Form 990 = Increased Transparency continued from page 1

Features of the revised Form include an 11-page core form (where an organization can list its exempt accomplishments) plus 16 schedules. In addition, the Form includes updates to the summary page, governance section and a checklist of schedules (for executive compensation, related organizations, foreign activities, hospitals, non-cash contributions and tax-exempt bonds). Completion of the new form will most likely require input from other departments such as Human Resources.

### Phase In

Smaller organizations will phase in their use of the new Form. In 2009, these organizations will file the Form 990-EZ rather than the Form 990. For returns filed in 2009, organizations with more than \$1 million in gross receipts or total assets more than \$2.5 million must file the Form 990. Beginning with the 2009 tax year (i.e., organizations filing returns in 2010), the threshold will be reduced: organizations with more than \$500,000 in gross receipts or total assets greater than \$1.25 million will be required to file the Form 990. According to the

IRS, the filing thresholds will be set permanently at \$200,000 in gross receipts and \$500,000 in total assets beginning with the 2010 tax year. And in that same year, the IRS will increase the filing threshold for organizations required to file Form 990-N (also known as the e-postcard) from \$25,000 to \$50,000. The phase-in process will allow all organizations to take the time to consider what information will be required to complete the new form.

Several resources are available to help organizations make the transition. During the past year, Bostrom has worked with clients to help them prepare for the new requirements and has helped clients develop the five governance policies.

Bottom line: while the new Form 990 may require more reporting, it will help ensure that organizations maintain transparency and accountability – and have the proper policies in place to represent their stakeholders.

## Setting the Agenda Through Government Relations: the Illinois Psychiatric Society Meryl Camin Sosa, J.D., Account Executive, Bostrom

While the Illinois Psychiatric Society (IPS) has been the voice of psychiatry in the state for more than 60 years, it has sought to elevate its profile further and become the “go to” organization for mental health issues in Illinois. To achieve this goal, the IPS board worked to increase the organization’s visibility and increase its opportunities to provide input on state initiatives.

That was three years ago. Today, the organization is recognized as a proactive leader on a variety of issues impacting mental health – both within the healthcare arena and in state government. In fact, invitations to join in a wide variety of forums and coalitions are so frequent that the organization cannot always participate. Instead, it prioritizes its involvement, leading on some initiatives and lending support to others.

A robust government relations program has been a key to helping IPS realize success. When IPS retained

Bostrom, the Society also retained its executive director – a registered lobbyist – who was well-versed in the government arena.

The first step in any government relations program is to identify which issues could and should be advanced via such a program. Bostrom has worked with clients on both the state and federal levels to create government relations programs. Organizations considering a government relations initiative should pursue these five steps:

### Create a Goals Statement

First, while it may seem obvious, an organization – or its government affairs committee – should draft a written statement of goals. Next, you need to understand the desired outcome within a framework of the current situation to understand what’s possible. Be realistic; it’s more important to consider the quality and viability of a small number of goals rather than to have

a long laundry list. Is the goal to change a law or change a regulation? State (or federal) agencies responsible for generating regulations have their own distinct processes. Where will your organization focus its efforts and where will those efforts be best received?

### Form a Committee

A government relations committee is central to any successful government relations effort. Committee members must have a stake in the overall effort; often they will meet with legislators and testify at various hearings. They need to understand the issues at hand and possess the ability to articulate the organization's positions. Beyond the committee members' involvement, it might be necessary to contact the broader organization membership for letter writing or phone campaigns to encourage support of particular legislation. Spearheading the effort should be a strong committee chairperson who helps drive the government relations program and keeps it on track. At IPS, member involvement in the committee helped to strengthen ties to the organization and deepen relationships among members.

### Fund the Program

Work with the government relations committee to develop a budget based on the program's scope. Will the organization retain a lobbyist and create a political action committee? Will members travel to the state capitol to participate in an advocacy day with legislators? [Does the organization have national issues such that an advocacy day in Washington, DC would be necessary?] Most of the time, an organization will hire an outside lobbyist. It is important to determine the number of issues and if they are state or national in scope. Typically, one lobbyist manages state issues and another advocates on the national stage. Most organizations develop an RFP to recruit a lobbyist.

In addition, the organization's executive director should conduct some informal networking to identify a lobbyist who has the right mix of experience and expertise to help your organization be successful. Understand what a lobbyist will (and will not) do. Keep in mind that lobbyists cultivate and maintain a variety of relationships. Often it's the government relations committee that helps educate the lobbyist

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# Setting the Agenda Through Government Relations: the Illinois Psychiatric Society

even further on a particular issue and also will be responsible for drafting supporting documents for legislators.

## Identify Goals and Positions

Each organization has its unique set of goals. In one initiative, IPS spearheaded the work of a coalition on the issue of eating disorders and used its lobbyist's services to support the initiative. Working under the guidance of its government relations committee, an organization must understand and articulate its positions clearly. How much is the organization willing to compromise on an issue? Those decisions are best made before the process begins.

## Build Credibility and Relationships

Credibility and strong relationships are key components of any successful government relations initiative. Regardless of the arena in which your committee operates, building credibility and relationships happens every day. Your organization may decide to take a secondary role in a particular coalition to demonstrate involvement in an issue that might be critically important to a coalition partner but not as important to your organization.

During the last three years, IPS has worked in and led a coalition to advocate for two pieces of legislation. Through that involvement, IPS has improved mental health care in Illinois and positioned itself as the "go-to" organization.

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