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The Financial Stability of Nonprofit Organizations

An Honors Thesis in partial fulfillment of the requirements for the degree of Bachelor of Science in Business Administration in Finance

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Abstract

This thesis evaluates the financial stability of nonprofit organizations and their ability to effectively facilitate the accounting functions of a business. Specifically, it focuses on the companies’ ability to maintain steady cash flow and fulfill all financial obligations while also achieving commitments stated in the company’s mission statement and core values. In addition, this analysis concentrates on the immense lack of knowledge and experience pertaining to financial management within many nonprofits as well as the scarcity of related trainings. As most administrators of nonprofits lack the proper training or background pertaining to financial oversight, there is often an imbalance in retaining steady funds while upholding the mission of the organization. Furthermore, suggestions and possibilities will be discussed and reviewed to examine how local organizations maintain their stability and to determine how other organizations can improve their financial situations.

Multiple resource vehicles were utilized to acquire the foundational research for this thesis. A literary review is presented on previous research and studies regarding the subject of financial stability within nonprofits. These studies were obtained by means of scholarly search engines including google scholar and Ebsco. Additionally, a first-hand investigation is included of four local nonprofit organizations within the community. The investigation of the nonprofits involved interviews with the directors or an interview with the person who administrates the finances of the organization. While this thesis does not provide a thorough investigation of all aspects relating to nonprofit organizations, it does include an overview of the financial situations faced by many, as well the key issues and difficulties they may be familiar with. Furthermore, results from the interview process are cross-referenced with a summary of previous research in order to support or refute previous opinions.
Introduction

Many high need, low-income communities exist within the world. As an effort to improve the circumstances and deficiencies in these areas numerous nonprofits have been created. According to the *Business Dictionary*, a nonprofit organization is defined as “Associations, charities, cooperatives, and other voluntary organizations formed to further cultural, educational, religious, professional, or public service objectives. Their startup funding is provided by their members, trustees, or others who do not expect repayment, and who do not share in the organization's profits or losses which are retained or absorbed” (BusinessDictionary.com) That being said, it is extremely difficult for a nonprofit organization (NPO) to maintain a balance between upholding its mission and reason for existence while also establishing substantial income to fund its activities or initiatives. Furthermore, it is a struggle for an NPO to preserve financial stability once it has been achieved. Countless examples exist to provide guidance on elevating and preserving those funds while still upholding the primary mission of the organization. These valuable methods and their benefits to varying nonprofits will be explored later.

Sustainability is one of the primary concerns for nonprofits, as they are primarily funded by fluctuating donations, government support, and fundraising efforts. Unknowns of this magnitude make it very difficult for accounting and finance professionals to budget and to produce the minimal profits needed for longevity/sustainability. Considering that most nonprofits have volunteers or novice with minimal experience in the finance and accounting fields, managing the budgeting and accounting side of the business thus heightens the sustainability challenge. Relying on outside sources is one of the largest adversaries encountered by nonprofits not only initially, but in the long term as well. In response to this challenge, I believe it is in the
best interest of the organization to be familiar with diverse forms of raising funds, such as long-term supporters, fundraisers, educating volunteers around financial sustainability, and introducing a product that could be sold as means of generating income.

Still yet, a common issue that arises within a NPO is preserving financial stability. Stability, as defined by Merriam Webster is “the quality or state of something that is not easily changed or likely to change.” An example of financial stability is provided by the International Monetary Fund,

Financial stability can be thought of in terms of the financial system’s ability: (a) to facilitate both an efficient allocation of economic resources—both spatially and especially intertemporally—and the effectiveness of other economic processes (such as wealth accumulation, economic growth, and ultimately social prosperity); (b) to assess, price, allocate, and manage financial risks; and (c) to maintain its ability to perform these key functions—even when affected by external shocks or by a build up of imbalances—primarily through self-corrective mechanisms. (Schinasi 9)

Although this definition refers to a financial system, it can be altered to better suit a business or in this case, a NPO. Essentially, financial stability is exemplified when an organization displays an ability to successfully maintain its functions, efficiently manage its expenses, and withstand external shocks all while exhibiting growth. Financial stability differs in respect to the initial startup methods of fostering funds in that it is a long-term goal and represents an ability to demonstrate endurance for the organization as a whole.

The third challenge to maintaining financial stability in NPOs is sharing and sustaining the mission. This is uniquely important for nonprofits, as they do not sell products to make a profit, but depend entirely upon outside support. Typically, the funds used to sustain a nonprofit come from faithful donors and supporters who believe in the mission the organization represents. If a NPO does not communicate their mission clearly or effectively, they may never garner the
support needed to thrive. Still yet, an organization that does not remain aligned with their initial goals and mission poses the risk of losing its original contributors. A solid and convincing marketing technique can be extremely beneficial to the financial backing of a nonprofit. This is a factor that many inexperienced directors frequently disregard or overlook. In addition to delivering the mission to financial donors, nonprofits should make it a priority to effectively communicate their goals to the community in which they exist. Most nonprofits do not provide products; however, they offer services to the community that are often free of charge. If a community fails to become aware of the amenities made available, it will not take advantage of those opportunities. Sadly, countless valuable services have existed and failed because the message is never passed from the organization to the public.

Although nonprofit organizations face numerous challenges, their financial stability is the most crucial key to achieving success. It is important for a NPO to practice diversity in their approach when raising money and recruiting financial supporters. Long-term financial stability and sustainability is an important consideration as well. Lastly, a nonprofit must place focus on the public portrayal, reputation, and longevity of its mission. With special attention to this area of operating, NPOs can thrive and continue to serve their community for generations; therefore, making a difference in the lives of others.
**Literary Review**

In 2016, SAGE Journals published an article by Wenli Yan and Margaret F. Sloan called “The Impact of Employee Compensation and Financial Performance on Nonprofit Organization Donations”, in which an analysis is performed regarding how the compensation of an employee and their surrounding financial situations relates to the donations received by nonprofit organizations in their area. Although the focus of the article mainly pertains to the donors, many aspects of the study support the opinion that finances within an NPO are both problematic and vexing. According to the article, individuals are more likely to offer financial support to an organization that handles its money efficiently, does not provide disproportionate compensation to its employees, and represents a mission they support (Yan & Sloan 243).

Yan and Sloan found that “financial performance is critical to the continuation of an organization’s operation, its ability to carry out its mission, and its long-term stability” (244). That being said, a faithful donor is not only interested in the short-term success of the NPO, but also places special thought on the likelihood of the longevity of the organization as well. The financial stability of a nonprofit organization is vital to its success and should be a priority at all times, both in the near future and in the projected years to come. In addition to the likelihood of increased donations, a secure financial system within an NPO provides infinite opportunities for influencing the community it desires to impact.

Additionally, the article evaluates several theories found in years past regarding the stabilization of income. Three varying ideas discussed included, Gronbjerg’s dependence on grants from the government, Chikota and Neely’s focus on revenue streams and Chabotar’s differentiating means of income rather than just trusting in one source (244). The article notes a perspective: although a specific method of raising funds might work well for one organization
that does not mean it will work effectively for all NPOs. Thus, it is important to remember that solely government-funded organizations are more vulnerable to failure in instances of economic downturn (Hodge & Piccolo, as cited by Yan & Sloan 245). Contrarily, an organization that relies more heavily upon private funding has the ability to be more flexible and is less restricted in its actions and decisions (Gronbjerg, as cited by Yan & Sloan 244).

Furthermore, it is essential for nonprofits to maximize opportunities to cut costs. The biggest means of doing so is by lowering the compensation provided to employees. Because NPOs support an explicit mission and do their best to make a difference, an employee who supports the goals of the organization is more likely to accept lower pay. Meanwhile, a nonprofit could seek out individuals within the community who are willing to donate their time to the organization free of charge and avoid hiring an employee in specific positions. Providing lower salaries to employees or allowing individuals to give their time freely are merely two examples of reducing expenses, but could end up saving a NPO thousands of dollars each year (Yan & Sloan 245 – 246).

Many more experienced financial advisors have provided advice and tips to nonprofit organizations, as they believe they know the keys for success. An online article published in the Journal of Accountancy on August 21, 2015 titled “Tips for a Successful Not-for-profit Strategic Plan” explored numerous financial guidelines in respect to not for profits. For instance, it is important for the manager of the finances to have a part in decisions made regarding future plans and programs. The employee who works the most with the finances is better suited to understand just how realistic and obtainable the desires and plans of others in leadership are. This person has more insight regarding available resources and capabilities of the nonprofit. People can sit around and dream up great programs and plans all day long, but without money the chances they
would be able to put those ideas in action are slim. However, creating goals and timelines is critical to the success of the organization. A healthy balance exists between how feasible a goal is and the amount of ambition it encompasses. It is vital that members of a nonprofit find this balance, and the simplest way to achieve that is by incorporating various areas of leadership in all key meetings and discussions.

Additional sources, such as a research paper by Astrid Similon entitled “Self-regulation Systems for NPO Coordination: Strengths and Weaknesses of Label and Umbrella Mechanisms,” continue the revision of the financial aspects of nonprofits by focusing on the importance of regulation and accountability. As other sources have previously noted, Similon emphasizes the importance of transparency in regards to maintaining the trust of both the public and the donors (90). Distrust is often perceived when nonprofit organizations choose to compete against one another for funding instead of coordinating together. Nonetheless, solutions exist to help nonprofits maintain the confidence and backing of donors and the community. Similon provides an in depth analysis of two self-regulating mechanisms: labels and umbrellas.

According to Similon’s research, he believes “self-regulation appears therefore to be the only effective solution that reconciles the interests of all NPOs stakeholders: the State, the donors and the beneficiaries” (90). Through self-regulation, donors are provided with a greater level of transparency and organizations are held to more rigorous accounting guidelines. Labels and umbrellas, which will be reviewed more in depth momentarily, are two diverse means of doing this, since both assist in diminishing competition among nonprofits within the same community, in turn enhancing fundraising.

Going forward, nonprofit organizations should be careful that they are not wasteful with their time, money, and energy. Due to the increased competition and existence of NPOs, the
organizations feel as if they must place added emphasis on fundraising and efforts to establish themselves within the community (Similon 92). Although advertising the mission and the organization to the community can be beneficial, too much of this can essentially hurt more than it helps. Still yet, grand portions of funds spent in this nature can often leave a bad taste in the mouths of the donors and potentially damage their loyalty to the organization in the future. Once again, nonprofits are faced with the complex task of balancing between two extremes; however, solutions are available.

One financial tactic discussed in Similon’s paper is labeling. Labeling is defined as “systems in which members agreeing upon a set of particular standards are allowed to display a well-known seal of approval on their websites and reports by still fundraising under their own names” (Similon 93). In short, large donors within the public have familiarized themselves with the specific “labels” they trust. An organization displaying the label that those individuals are aware of automatically receives more respect because of the restrictions and requirements the organization faces in order to be endorsed by that particular label. Although not related to nonprofits, one common illustration of the labeling system is recognized when food products display an eco-friendly sticker or symbol demonstrating that the product meets specific guidelines and regulations.

On the other hand, umbrellas are a different form of gaining support. Whereas labels allow NPOs to stand alone with a more well known parent organization attesting to their reputable status, umbrellas occur when several NPOs partner together to form one credible, robust system. The organizations within the umbrella have the capability to partner together and unite their strengths and skills so they can quickly and easily build rapport (Similon 97). As a result, all of the funds raised must be divided among the nonprofits that participate and are
represented within the umbrella. One well-known example of an umbrella organization that
might not be recognized as such is the Department of Public Safety. The Department of Public
Safety may vary depending on state or local levels, but generally this organization includes
smaller departments such as animal control, emergency medical services, fire department, park
rangers, police department.

Tomasz Dyczkowski provides additional research regarding reporting and accountability
of nonprofits in a paper he published in 2015 titled “Financial and Non-financial Information in
Performance Assessment of Public Benefit Organisations.” The main focus of this study is on the
lasting effects of providing information to the public as well as the donors of the organization.
Dyczkowski offers an in depth review of financial accountability, evidence of advancement, and
stimulators of donations.

While providing financial documents and following accounting standards is required by
law in most countries, it is also beneficial in maintaining good standing with donors and the
community. Whereas in the past most businesses were merely required to report their total funds
earned or raised versus spent, nowadays it is preferred that they also provide an account for all
funds spent in detail. Additionally, donors wish to receive these forms of documentation and
proof of expenditures so that they can be sure their money was spent efficiently. It might be a
valuable and worthwhile decision for an organization to consider providing their accounting
information to the public as well as donors. If the NPO can prove beforehand that they are using
funds wisely and resourcefully, people of the community are more probable to donate a larger
portion of their income for the cause. Nevertheless, organizations should consider the diversity
of people who might review the documents and elect to structure their statements both
thoroughly and simply for ease of understanding and review.
The paper also brings to light a unique perspective – donors with no financial interests or understanding. Countless individuals could not care less about numbers and thus, place more interest in the programs that have been implemented. For example, how are the events that have been put in place aligned with the mission of the organization? Nonprofits typically uphold a set of values and principles, which likely prompt individuals to be more inclined to donate to the cause. If no updates are provided supplying the proof of impact and achievement of goals, then a donor might be less likely to provide funds in future years (Dyczkowski 136).

When delivering statements, an organization must keep in mind several factors. In reference to previous research by Gordon in 2010, Tomasz mentions five factors to consider: completeness, accessibility, transparency, full disclosure and relevance (136 – 137). Completeness is a term most are familiar with, simply meaning that the statements are not exempting any information and provide all relative material. Providing ease of access and making data obtainable within the Internet or other databases can be expressed as accessibility. Openness is synonymous with transparency, and full disclosure is described as honest and entirely representative assuming that the information provided does not deceive readers or give them the wrong idea. Still yet, documents should be relevant in that they are important to the matter at hand (WebsterDictionary.com). When NPOs present documents that include all of the previously mentioned aspects, it increases the amount of trust and confidence outsiders have in respect to the organization.

Dyczkowski also presents a further approach when he states “donors decisions to support social initiatives may often be emotional or spontaneous” (136). Sparking an individual’s emotions and prompting them to recall personal situations relating to the mission of an organization can be a helpful tool in fundraising efforts. Nonetheless, solely depending on the
spontaneity of a person’s desire to be charitable is not solid ground for the long-term survival of an organization. It is much more important that an organization upholds faithful supporters and the key to doing this is through means of providing proof of stability and success.
Methodology and Overview of Organizations

To obtain a deeper understanding of the financial circumstances surrounding nonprofit organizations, various sources and methods were utilized including an analysis of several local NPOs. A group of five different NPOs were selected and evaluated to represent the common issues that face this sector. These nonprofits were not chosen for any specific reason other than their presence in northwest Arkansas and the connection I have to their director or financial administrator. The organizations include Hyland Park Assembly of God, Prism Education Center, Chi Alpha Student Ministries, Fayetteville Future Fund, and Potter’s House.

Hyland Park Assembly of God

Hyland Park Assembly of God is a church located in Fayetteville, Arkansas. Since the foundation of this organization on May 20, 1928 there have been many changes, including a change in location and name; however, the main function of the nonprofit has remained the same. The purpose of this organization is to develop followers of Christ who are deepening their faith, sharing their hope, using their gifts, and being known by their love. More or less, the church exists as a support system for the community. It is a location where people can come together in fellowship to encourage one another. Hyland Park will often send volunteers to visit the sick when they are in the hospital or provide a support system for people going through tough times, such as the loss of a loved one.

Mission

We commit that Hyland Park is dedicated to loving our all-powerful, all-loving God with everything we are and building better people in the process.
Prism Education Center

Prism Education Center was founded in 2009 and launched its first after school program in the 2011-12 school year. It expanded to include preschool students in the spring of 2012 and reached full capacity the following summer serving students ages 18 months to 14 years. In the fall of 2012, Prism launched their private school, and in the fall of 2013, Prism opened its second campus for upper elementary students and then finally its third campus that is home to infants, toddlers, and preschoolers. The philosophy of Prism Education Center’s educational programs is firmly grounded in the belief that their responsibility as educators is not limited to simply filling students' minds with intellectual knowledge, but to developing students into well-rounded individuals of knowledge, integrity, insight and wisdom. While the academic aspects of the program are robust and grounded in research, intellectual development is not the sole goal of their child development. The educational program of Prism Education Center reflects their commitment to develop children intellectually, socially, and physically, as well as a commitment to prepare students to interact with their community and the global context they will encounter.

Mission

The faculty and staff at Prism Education Center are committed to developing children of knowledge, insight, integrity and wisdom, who will impact every sphere of society by expressing and representing a standard of excellence.

Chi Alpha Student Ministries

Chi Alpha is a registered student organization on campus at the University of Arkansas. Chi Alpha also exists on countless university campuses all across the world. The Fayetteville location began in 1959 as the second launch of the organization, following the initial
introduction of the organization on a college campus in Springfield, Missouri. Although they may all have the same name, each Chi Alpha group function a little differently depending on the campus in which it resides. Nonetheless, each group is full of college-age men and women wrestling to become who they are (through school, work, or life experiences), and to connect with God. Chi Alpha is both about self-discovery and God-discovery. It gives college students a group to be a part of and helps them feel as if they have a place where they belong, while also providing them with mentors amidst the tough times of school work stress, health concerns, roommate drama, family issues, and much more.

**Mission**

We reconcile students to Christ, equipping them through Spirit-filled communities of prayer, worship, fellowship, discipleship and mission to transform the university, the marketplace and the world.

**Fayetteville Future Fund**

Fayetteville Future Fund is one of 27 affiliates that form the Fayetteville Area Community Foundation. It is a public charity that was created explicitly for individuals to give to causes related to a specific geographic area, Fayetteville. Fayetteville Future Fund gives people an alternative that allows them to be charitable without having to set up their own fund. Because the organization pools together such a vast amount of donations (about $1 billion annually), it is not bound by restrictions, fees, and rules in the same manner that one small charitable fund might be. The Fayetteville Area Community Foundation handles all the fine details and legwork behind each of its affiliates, allowing volunteers and employees to be more flexible with their time and focus. The purpose of the organization is to engage people in the community by connecting
donors to those in need. Additionally, Fayetteville Future Fund supports several local charities, such as United Way. It also permits those who are unable to give large donations to pool together and still make a great impact within their community.

**Mission**

To engage people, connect resources and inspire solutions to make Fayetteville a great place to live, now and in the future.

**Potters House**

Potter’s house began in 1998 in Fayetteville, Arkansas as a program for families to get involved in small groups and mentorships. Today there are 27 small groups, 45 leaders and 120 students involved in Potter's House. Over time, Potter's House has added different programs such as the Academy, retreats, and summer camps as the needs have arisen. Potter’s House Thrift Store is the source of funding for Potter's House Kids, which is the part of the organization that maintains the programs and events. The goal of the nonprofit is to change the lives of children, youth and families by relationships through mentoring, academic tutoring, small group bible studies and life on life activities.

**Mission**

We are the voice and the hand that encourages people to change their lives with hope, comfort and peace.
**Results**

After interviewing various individuals involved with the previously mentioned organizations, I was able to gather a wide array of information pertaining to the financial situations, strengths, weaknesses, and dynamics of local nonprofits. The assorted organizations chosen in this study provided a diverse outlook into the financial aspects of nonprofits that both supported and contradicted previously reviewed research from other sources.

The first individual I spoke with was the secretary and financial administrator of Hyland Park Church. In her opinion, the most difficult aspect of beginning her work with the organization was learning to determine what the proper accounting categories were for purchases and other expenses of the organization. Having no previous experience with finances, the whole process was a new undertaking. Soon after she began her position in the role, a new system was put in place and the church switched from using physical accounting books to using a computer program, Quickbooks. With no training in the program, it was both a frustrating and time-consuming transition. Needless to say, starting in the position as the financial administrator was difficult at first, but came as a rewarding learning opportunity.

Fortunately, it was not difficult for the organization to gain the rapport of the community. The church is under the well-known denomination of The Assemblies of God and proudly wears that label, a method of gaining support defined as labeling which was presented in Similon’s research. Many were already familiar with the beliefs and guidelines held by the Assemblies of God and if a person supported the mission, they not only attended and participated in the organization, but they also made a decision to give financial assistance. The only noticeable disturbance that occurs between the organization and the donors is frustration with delays in cashing checks and extra expenses due to bounced check fees when donors write checks from an
account with insufficient funds respectively. Overall, the financial support comes from donations, which the church calls “tithes and offerings.” However, there are occasional expenses or events in which the money is gathered through fundraisers. For example, if youth students want to go on a mission’s trip or attend a camp, they will fundraise the necessary money for the fees and the trip.

Still yet, there are several considerations to be made to the finances pertaining to the church. First of all, donations and tithing fluctuate often. To put things in perspective, one month had an estimated total of $18,000 in donations while the next month only totaled $9,000. The variability of income leads to difficulty in paying bills and covering expected expenses, which creates stress within the organization. For this reason, the financial administrator stated that the church would prefer to receive consistent, small donations rather than random, large donations. In line with previous research by Dyczkowski, small, consistent donations are an indicator of more financial stability since occasional donations are difficult to predict and unreliable. It is also necessary to keep a “safe cushion”, as the church calls it, in bank accounts for those months when funds unexpectedly experience a decline.

The organization currently has a small number of standards in place for managing the finances, but is also planning to make some alterations to these in the future. It is necessary to always be on top of the current systems and processes pertaining to finances, and I believe this nonprofit is beginning to grasp that fact. Recently, the church issued a system for checks and balances. Originally, there was no accountability as the person accounting for the income was also the person paying the bills and cutting the checks. Now, the secretary accounts for income and prepares the bills while a separate individual is responsible for cutting the checks. Accountability is a contributing factor in maintaining faithful donors discussed in Dyczkowski’s
research. Prior to Quickbooks, the church was unable to process detailed monthly reports. After acquiring the program, financial reports are more accurate, timely, and readable. Additionally, the church has transitioned to a method of online donations for the organization that allows donors to pay using their online account or card rather than just a check or cash. Upon implementation of this process donations have not only increased, but have remained steadier.

To better manage the finances of the organization, the church also searches for methods of tightening and cutting expenses. First of all, it maintains strict budgets for all events. For each event the church hosts, they require volunteers. Third party businesses are never used for advertising, serving, decorating, or entertainment to reduce costs of the church. As of now, there is only one event each year used as a promotion or advertising tactic to the community and this also helps maintain resources spent. Hyland Park hopes to increase funds dedicated to promoting their mission to the public in the future. Additionally, in times of low income, the organization will withhold payment of bills or expenses to the next month if at all possible. These methods of monitoring expenses are encouraged based off the research presented by Yan and Sloan.

Contrary to the advice found in previous research within the Journal of Accountancy, the financial administrator is not involved in the decisions of the organization pertaining to setting budgets or planning events. The council meets once a month and reviews the financial documents from the previous month before making decisions regarding how finances will be spent the next month. Although this procedure may hurt the organization at times, the church also holds to policies that contribute to resilient finances. For example, a policy pertaining to financial transparency states that the church’s finances are an “open book”. Anyone who wishes to view the income and expense reports has access to them whenever they would like, including both donors and individuals of the public.
Additionally, the church frequently provides updates to its member and donors. Anytime a large event occurs, a report is given to the congregation the following Sunday. There is also an annual business meeting in which all members and donors are invited to attend. The meeting summarizes all programs that occurred throughout the year, as well as provides each individual with a printed financial report breaking down the forms of income and expenses the church experienced that year. All of the staff and leadership teams are required to attend this meeting and present their involvement from the year.

All in all, Hyland Park Assembly of God is very pleased with the progress they have made as an organization within the last century. Not only do they believe they are incorporating new beneficial methods and practices in managing finances, but they also trust they have successfully communicated their mission to the surrounding community. In doing so, the organization has managed to expand faithful followers who will continue to donate financially throughout their involvement with the church.

Prism Education Center is a nonprofit 501C(3) private school located in Fayetteville, Arkansas. I had the privilege of speaking with the financial administrator and learning more about the organization’s purpose and how it fulfills that mission. The individual I interviewed has a degree in Public Administration, but did not take any classes pertaining to finance while in college and had no experience in this area of specialty prior to obtaining her position in the organization. She did, however, mention that she wishes more degrees and fields required finance classes be taken as an elective as it would be very helpful in the world today.

The school is structured in an unusual manner, unlike any other private schools in the area. Prism came into existence as a school that not only promotes educational skill sets, but also strives to develop students into well-rounded individuals who have an ability to interact within
the communities they encounter in their future. Approximately half of the students who attend school at Prism fund their education by paying tuition. Contrarily, the other half of the students in the school receive a scholarship that allows them to attend Prism either free of charge or at a discounted rate, depending on their financial background. Thus, the array of individuals who attend the school form a group that is diverse in countless aspects including socioeconomic status, family dynamic, and previous educational experience.

In accordance with Chabotar’s research relating to methods of maintaining stability, funding for the organization is sourced using several methods. For example, a majority of the students pay tuition and fees, several salaries are paid as government positions, such as Americorps, fundraisers occur often, and donations are regularly received. Fundraisers provide approximately 3% of monetary income, while grants and donations provide 23% and tuition and fees source 70%. That being said, summer months tend to be more financially vexing considering many students stay home through the summer; therefore, they do not attend school or pay tuition. Nonetheless, teachers and other staff must receive payment. This creates a difficulty within the cash flow that forces administration to financially plan far in advance.

One of the biggest goals of the organization for the near future is to increase cash flow. As previously mentioned, income fluctuates within summer months resulting in times of low funds. Additionally, the school often receives government grants. These are extremely helpful in financing operations and fulfilling specific needs within the school; however, relying on governmental grants comes with several downsides. First of all, most grants are a form of repayment, requiring the school to have the money upfront and cover the cost before being reimbursed. Grants can also lead to difficulties because they seldom come without restrictions, as stated in Gronbjerg’s research. Governmental funds are much less flexible than other forms of
income and usually designated to be spent in a particular area, such as on equipment for the playground or meals for students. It is very difficult to find grants that are not tied to a specific use or grants that do not come with overwhelming guidelines, or “red tape” as the administrator calls them. Even so, governmental funds come with a cost of allowance – if an organization breaks the rules or strays from the guidelines in any way, they are responsible for giving back some, or all, of the subsidy.

Although the financial administrator noted that regular donations are much easier to plan for and she can better budget accordingly with consistent donations, she also stated that there are instances in which random, large donations can be very useful. This is a point that contradicts findings of Dyczkowki. For example, the organization is currently in the process of building a central campus for all programs that occur through the school. This task required a vast amount of fundraising and donations. As a result, the schools is appreciative of donors who may not be willing to give a consistent amount on a regular basis, but are willing to give in specific times of immense need. Still yet, Prism Education Center prefers to receive unencumbered donations to governmental assistance and grants. Due to the precision and immense detail necessary when applying for government funds, asking for donations is much less time consuming and difficult.

Prism Education Center is a 501C(3) nonprofit, requiring the organization to publish all financial statements and make them accessible to any donor or individual who wishes to review them. Yet the administrator of the organization does not believe donors or those involved with the organization take advantage of this option to review the annual statements. Instead, donors are more interested in being a part of the community and culture surrounding the school. Any time a large event takes place in which students perform or awards are given, the donors and volunteers are likely to be invited to attend. Maintaining a strong culture within the organization
is of utmost important, as it helps promote more intimate relationships. Additionally, those involved with Prism Education Center receive weekly e-blasts that provide updates concerning what is going on currently within the organization. There is a strong sense of ownership that exists not only for the parents of the students and the employees, but the donors of the organization as well. Because those involved pay more attention to the progress of the programs rather than the financial aspects of the organization, this aspect of Prism would validate Dyczkowski’s research.

As previously mentioned, there are many strong connections between the school and those of the community. Prism Education Center has been fortunate to maintain full enrollment since the beginning of the organization with little to no money (less than 1% of income) spent on advertising. This has been made possible due to the immense communication and word-of-mouth promoting among friends and families in the area. Despite noticeable competition with other private schools of the area, Prism Education Center sustains a consistent waiting list. The school offers a unique mission that incites parents and staff to share with others. Although previous research by Similon found that most nonprofits feel obliged to overspend on advertising and promotion, Prism Education Center has not found this to be a struggle.

The structure of the financial and administrative processes has changed drastically since the creation of the organization. For example, payroll was historically calculated manually using an excel spreadsheet and printed tax tables. Now the organization has moved forward and invested in Quickbooks software that allows payroll to be processed online. Previously, Prism paid their taxes to the IRS by writing a check once a month. Now, they must pay their taxes online and on a weekly basis. During audits, especially audits directed by the organization that is the source of grant funding, auditors look for strong systems of checks and balances. As a result,
Prism Education Center has implemented strict accountability practices for all financial aspects of the organization.

Prism gives teachers several options of training sessions throughout the year that are applicable to their job description. There is also an entry process in place for new employees to become integrated into the organization. However, there are no written guidelines pertaining to the financial practices of the organization. Most of these instructions are simply learned while in on the job training. Additionally, there are few to no trainings offered for administrative duties. For example, some classes and seminars exist that are related to technical skills, general administration, and budget management; however, these teachings are often very expensive and unrealistic to cover with the budget of the organization. One massive take away from this is that many nonprofit organizations do not have much flexibility with their funds and thus cannot afford to pay for formal trainings. Nonetheless, these forms of trainings would be extremely insightful and beneficial. Perhaps, the businesses that provide classes and seminars should consider the option of holding free or discounted trainings for administrators of nonprofit organizations who could not otherwise afford to participate.

The organization has substantially improved in finding methods to cut back expenses. In the past it was not uncommon for Prism to pay approximately $100 each month in overdraft and bank fees due to cash flow issues. Also, employees often faced pay cuts during the summer due to low income. However, the nonprofit has identified and taken advantage of opportunities to change these issues and improve its financial stability. Now, preschool students are not given the option to stay home during the summer, thus driving more stability of summer income. Still yet, bank fees are becoming less and less frequent as the organization takes advantage of the opportunity to avoid these by using a credit card for monthly expenses, which is paid off at the
end of the month once all income is received. Still, if not carefully monitored, this can lead to high interest fees. The school has been able to utilize connections with parents and businesses of the community to receive materials and source volunteers at no cost, which is typically a large expense within other schools. Prism Education Center has managed to make highly effective resources available to all of its students at a lower cost than that of the average private school. One concern the administrator voiced is that in times of economic downturn or a recession, the school would most definitely suffer and lose its largest portion of income since families would be unable to pay their tuition.

As with any nonprofit, Prism Education Center still has a few kinks and struggles to overcome. Nevertheless, the organization has seen considerable progress since its creation in 2009. With such a unique mission and structure, this nonprofit provides a perspective unlike any other and there are several takeaways to be noted from the interview with the financial administrator.

I also spoke with a representative for Chi Alpha Christian Ministries from the University of Arkansas. This person is the administrator of the nonprofit and performs all operational duties of the organization, including the oversight of financial aspects. She has a bachelor’s degree in marketing, but had no prior experience with finances before obtaining her role in the organization, which required a lot of adjusting on her part in the beginning. However, over the years all the responsibilities have smoothed out well. Chi Alpha is considered a registered student organization at the University of Arkansas and also a branch of the denomination of Assemblies of God, thus it can be acknowledged as representing two labels – exemplifying studies provided by Similon.

During the initial startup of the organization, the most difficult aspect, in the
administrator’s opinion, was the governmental paperwork. Many of the forms were difficult to understand and timely to complete. Since the organization has a religious affiliation, the leadership needed to be cautious in order to properly word things on paperwork and communicating to the community. Gaining approval from the university was a fickle task. Due to the religious ties of the organization, some department heads were immediately accepting of the nonprofit. However, other individuals, whose religious preferences did not align with those of Chi Alpha, were not as easily persuaded. This supports the opinion of Yan and Sloan, stating that individuals of a community are more likely to support an organization with a mission they believe in and not support an organization if they are not on board with the mission.

With the exception of a closely monitored excel spreadsheet, the organization has no strict processes in place pertaining to the finances. Chi Alpha staff members desire access to an online accounting program, but cannot justify the purchase of such an amenity to be financially feasible at this time. All financial decisions are made with the entire staff, including the financial administrator, thus permitting more accountability and diversity in decision-making. This aspect of the organization supports information found in the Journal of Accountancy. Additionally, no training or instructions are in place to ease the process of passing on administrative duties to someone else in the future. The structure of the finances has changed dramatically since the organization’s creation, especially considering the founder’s checkbook was the source of payments for the organization’s expenses and the funding came solely from his personal income in the beginning.

Funds for the organization come from various sources including fundraisers, donations, and student rent, representing the method of generating income supported by Chabotar. The facility used as the primary location for programs and events is a house that resides on campus at
the University of Arkansas. There are twenty-four students who live in the Chi Alpha house and their monthly rent contributes to the overhead costs of the organization such as the mortgage and utilities. The money necessary to implement programs and events is fundraised by hours spent directing parking during football season. Staff members are dependent upon donations and monthly support for their salaries and are responsible for gaining this support themselves. As one could imagine, finances are very unpredictable. Often, pledged donations come late or are not sent in at all, especially around Christmastime. As a result, the organization is forced to set aside money ahead of time for the month of December and January. In times of economic downturn, funds also experience a shortage and this can lead to added difficulties in regards to retaining financial stability.

The administrator stated that communication is key to maintaining a strong financial support base. Donors are more likely to continue their support long-term if they receive more frequent feedback regarding the organization. Newsletters are mailed to financial supporters every 45 days, while emails are sent once every other month, and text messages are frequently exchanged between the leaders of the nonprofit and its donors. This practice supports previous research of Dyczkowski, which stated that providing proof of progress and goal achievement to donors positively impacts incoming funds. At this time, only updates pertaining to the progress and success of programs are shared and financial statements or reports are not provided to donors, but could be made available upon request.

Financial stability is not always something the organization can attest to, but is the main goal for the future. As defined by the administrator, the nonprofit can be recognized as financially stable when all expenses can be paid with the appropriate funds. For example, donations are not relied upon to cover the utility bills each month because the tenants rent can
suffice to cover those forms of expenses or programs are funded by donations and not by money taken from cuts made to the staff’s salary. Nevertheless, times of financial hardship are inevitable. In periods of financial distress, the financial administrator stated that the best method of more closely managing expenses is by cutting back on the number of copies and use of the printer. Also, it is not uncommon for the organization to request in-kind donations such as toilet paper, copy paper, or music equipment during tough times.

Chi Alpha is very aware of the lags between where they would like to be, financially speaking, and where they stand currently. The financial aspects of the organization do not parallel with finances of similar organizations in the area; however, are a perfect representation of a nonprofit learning to gain traction for the future. The staff members of the organization are anxious to see what the upcoming years unfold, especially as they near the completion of their mortgage, a payment that requires nearly 50% of monthly income.

Fayetteville Future Fund is an organization that provides monetary donations to various charities and causes in the community. I was able to interview an individual who has been a part of the organization since the beginning. Staff members in Little Rock, Arkansas, oversee the finances of Fayetteville Future Fund and each of the 27 Arkansas nonprofits that make up the Fayetteville Area Community Foundation. The organization began approximately five years ago and was modeled after a community foundation that exists in Hot Springs, Arkansas. Fayetteville Future Fund specifically targets university students and recent college graduates. Because the mission of the organization is to involve and encourage young individuals to donate to local causes, the community happily accepted it as a new nonprofit. The volunteer I spoke with stated that she believes the vision of the organization was well received because they are training up the future leaders of tomorrow. This statement would further support research of Yan and Sloan
which reveals that a community is more likely to accept an organization that upholds a commonly supported mission.

The biggest struggle of the nonprofit is successfully maintaining excitement among donors and volunteers. This is partly due to the fact that the organization hosts a sole event each year. Instead of running repetitive or consecutive programs, the nonprofit has one large event that sources all funds for the year within one day. The members purchase a ticket to the event and this ticket is considered to be their price of “membership”. Additionally, floods of donations are obtained at the event and countless games and other forms of entertainment are available for purchase. Approximately 10% of monetary funds are contributions given as pure donation while the other 90% are gained in payment for tickets or activities at the event.

Allocation of funds is determined during the annual event. All members cast votes and have the ability to voice their opinion concerning specific needs in the community they wish to meet with the organization’s proceeds. As a result, all individuals who are involved with the organization also take part in the financial decisions. This provides a deeper level of transparency and accountability since the donors are fully aware of how funds are being spent. This is comparable to research of Dyczkowski, which shows that a high level of accountability and transparency yields more faithful donors. In the future, the organization hopes to gain enough funds in order to contribute 80% of income to charities and place the other 20% in an endowment that gains interest. Once the endowment reaches one million dollars it will acquire interest at a rate that gives the nonprofit the ability to spin off funds and use those to sustain its mission.

As previously mentioned, the income of Fayetteville Future Fund is also raised within one day; therefore, the funds raised by one event must be distributed throughout the entire year.
Unfortunately members do not always remain involved with the nonprofit. The individual I spoke with believes this is sometimes a result of fluctuations in personal financial income. Also, many people come to the annual event to accompany their coworkers or friends who support the organization. These numerous individuals are sporadically involved because they view the event more as a social event than as an opportunity to support the community and the mission of the nonprofit.

Findings of Similon show an increase of competition amongst nonprofits in recent years. This is a common disadvantage that affects Fayetteville Future Fund. The intense competition among nonprofits in Northwest Arkansas is undoubtedly recognized. Fundraising events such as banquets and benefit dinners are extremely common amongst NPOs and can lead to opposition. Financially established citizens of the community receive innumerable requests and invitations to join in fundraising efforts or to attend fundraising events. This competition can often hinder Fayetteville Future Fund’s ability to maintain faithful members.

The organization consistently seeks out opportunities to lower expenses, a recommendation given in research of Yan and Sloan, by constantly monitoring its expense to donations ratio. The leaders and volunteers of Fayetteville Future Fund are always looking for methods to be more efficient with donations, time, and supplies. Many supplies for the annual event are provided by businesses of the community. Additionally, the nonprofit benefits from reduced rent for office space and many staff members work from home to lower required workspace in the office. Still yet, advertising and promotion of the nonprofit is limited to social media ads and communication, further lowering expenses.

Fayetteville Future Fund is a prime example of an umbrella, as discussed by Similon. It partners with other NPOs within the geographic region of Fayetteville to form one large
impactful community foundation. I believe the organization has made abundant progress considering it has only been in existence in this area for less than five years. Although fundraising methods and processes have been altered slightly since its creation, the leaders of the organization have successfully been able to unfailingly fulfill their mission by connecting donors in the community with individuals and charities in need. The leadership of Fayetteville Future Fund is very excited for the future and hopes to ignite this same passion in their donors and members.

As previously mentioned, Potter’s House is an organization that serves several functions within the northwest Arkansas community. I became more aware of how the nonprofit is structured after speaking with the director. One mechanism for serving the community is by providing jobs for individuals with less education and of lower skill level while also delivering them training to help them become more well-rounded. This aspect of Potter’s House is called Potter’s House Thrift and is the source of income for the majority of the programs offered by Potter’s House Kids.

The most difficult aspect for the director in the creation of this nonprofit was deciding what the organization’s niche would be, how the mission and the vision would be aligned, and what the core aspects of the nonprofit would be. In reflection of Yan and Sloan’s research, gaining the support of the community was not a difficult feat at all, considering most individuals are on board with organizations that promote academic success, employment, and mentorships. People becoming less involved or opting out of volunteering is the only hiccup that arises at times, and this is as a result of the faith-based core of the nonprofit.

In the beginning, there were very few processes in place for managing operational functions of the organization. All of the staff members were involved in the decisions and
processes at first, but now there is a finance team that is designated to be in charge of all decisions and actions relating to the financial aspects of the nonprofit. Fortunately, over time, Potter’s House has been able to hire an individual with not only a degree relating to Business Administration but also previous finance experience. In the near future, the nonprofit is hoping to outsource payroll. Currently, there are around 60 employees and as more employees are added, it becomes more difficult to accurately follow all rules and regulations relating to salaries and wages such as taxes, social security, and Medicare.

Income for the organization includes profit from selling donated items within the thrift shop as well as donations from individuals and businesses in the community. Throughout the years, Potter’s House has been able to depend less and less on donations. As of late, the thrift store returns enough profit to support nearly 90% of all funds required by the organization. The goal is to ultimately become self-sustainable. At this point, Potter’s House Thrift will provide all the funds and income needed to effectively implement programs of Potter’s House Kids as well as pay all employees on staff, thus representing a steady revenue stream as conveyed in Chikota and Neely’s findings. Employees are compensated either in the form of hourly wages or with a salary. As mentioned before, regarding previous research of Yan and Sloan, one technique for cutting costs is to compensate employees less. In the instance of Potter’s House, staff members are not compensated as they might be if they were to take a position within a different business requiring the same education and skill level; however, this is a sacrifice they are willing to make in lieu of the mission the organization represents. There are also employees who are called temporary workers at the thrift shop. In times of financial hardship, temporary workers are let go or are not hired on initially, even if the help is needed.

In regards to donors, the director stated that he believes the most successful way to
convince people to contribute monetary funds or items to the thrift store is to effectively communicate the need that exists. Dyczkowski’s argument that providing information and updates to the public and donors produces faithful supporters is embodied at Potter’s House. If a nonprofit never asks for help, whether that is with donations or volunteers, people will not know how they can help. A personal relationship always starts with asking for help and then inviting a person to come and be a part of the day-to-day programs that occur. Since a greater need exists than what the organization is able to meet on its own, there is always a wish to do more and help more people, but this desire is inhibited due to a lack of funds. As the organization grows and Potter’s House Thrift becomes more successful, the nonprofit will be able to undertake more employees and help additional families who are in need. Currently, there are over one hundred volunteers who give their time, free of charge, to help the cause of the organization.

In contrast with previous research suggestions by the Journal of Accountancy, the financial administrator does not take part in the decisions of the organization. Moreover, the financial statements and expense reports are not made accessible to the public or the donors. In the eyes of Dyczkowski, this will not benefit the organization; however, due to the fact that the majority of the funds are not provided by donations, I believe the nonprofit should not raise immediate concerns to change their level of external transparency and accountability. Still, the financial accountability within the organization is very strict. Potter’s House believes this trait should be taken very seriously, as upholding sustainable finances depends on strict monitoring practices.

Further positive aspects proving signs of financial stability are noted from the interview with the director. For example, the nonprofit does not appear to see a difference in income even in times of economic downturn. The month-to-month income of the organization remains fairly
consistent and no competition from other thrift stores seems to have an effect on Potter’s House Thrift. Additionally, the organization does not feel pressured by other nonprofits with similar goals and beliefs. If anything, the director mentions that it is almost as if there is a “partnership” between Potter’s House Kids and other nonprofits within the same parameters, such as Boys and Girls Club.

Potter’s House is an organization that has clearly grasped the fundamentals allowing it to incorporate its mission while still funding all necessary operations. The leadership of the nonprofit is anxious for the upcoming years since each year reveals less dependence on donations and more financial stability. Potter’s House has several desires to grow and expand its outreach so that it can leave an even greater impact on the community.
Conclusion

Overall, it is apparent that there is significant evidence to support the notion that nonprofit organizations face many challenges not found in an everyday, for profit business. Research reinforced the idea that an obvious struggle occurs between maintaining financial stability and upholding the mission of the organization. Results show that it is necessary for a nonprofit to continuously evaluate methods of cutting costs, ways to improve processes used to manage finances, and the possibility of differentiating forms of income.

There are countless takeaways from the research and investigations regarding techniques used to promote and preserve financial stability. Each nonprofit that was interviewed mentioned diverse means of monitoring expenses. For example monitoring printer use, accepting in kind donations, using connections to receive reduced rent expense, and hiring temporary workers are a few mentionable approaches to saving money in times of low income. Additionally, various forms of raising funds exist and can be taken advantage of if conducted properly. However, it is evident from the research that what may be successful for one organization is not always efficient for all nonprofits.

One grand difference that was found concerning not for profit organizations versus regular businesses is the significant fluctuations in income. This struggle can result in an inability to cover overhead expenses, fund regular programs, or even compensate employees. Nonprofit organizations should also be prepared for significant downturns in the economy, as this tends to have a more drastic effect on their income than an everyday business might face.

One key point found in nearly each interview is that communication is key to maintaining a consistent, committed support base. This is true in regards to donors and volunteers alike. Communication looks different between organizations and can include updates via emails, text
messages, mailed letters, regular meetings, and face-to-face communication. Additionally, it was
reflected from the interviews with directors and administrators that while some donors care more
about the financial status of the nonprofit others place more interest in the programs and progress
towards fulfilling the mission.

Despite the innumerable challenges faced by NPOs, leaders are extremely passionate in
promoting the mission and do whatever it takes to get the community and other individuals on
board as well. No opposition is enough to discourage nonprofits from chasing after the ultimate
goal and doing whatever is necessary to leave a lasting impact on the community.
References


<http://hylandparkag.com/who-we-are>


Participant 5. Phone Interview. 1 Apr. 2016.


<http://www.pottershousekids.com/#!/about_us/csgz>.


Appendix

QUESTIONS ASKED IN INTERVIEWS WITH NONPROFIT ORGANIZATIONS
(Data Collection Instrument)

Interview Questions

1. What would you say was the most challenging aspect of starting this nonprofit?
2. How easy was/is it to gain the support of others in the community regarding the mission of your organization?
3. As for the person who manages your finances, what is their highest level of education? If they have a degree, what is it? Did they have any previous experience working with finances?
4. What trainings are in place as for the administrative duties of the organization?
5. What goals do you have for the future in regards to improving financial processes?
6. Why did you choose the community/geographic area you chose to establish your nonprofit in?
7. What is your mission statement?
8. What is your company description?
9. How do you raise funds?
10. Does your income/donations/funds fluctuate or do they typically remain steady?
11. Have you changed your processes in managing finances since the beginning of the organization? Why?
12. Do you rely on support from the government in any way? Do you have restrictions on your organization or employees because of that source?
13. How do you define financial stability?
14. How would you compare your finances in the short-term versus the long-term?
15. Did the public/donors relate to your mission in the beginning or was it a struggle to communicate the mission to them?
16. Have you altered your mission or goals from the initial creation of the organization? If so, why?
17. How are your employees compensated? How does that compare to other jobs of the same skill level/education? Why do your employees accept this form of compensation over other options for employment?
18. Why do you think some choose to be faithful, long-term donors while others only give to the cause occasionally or once?
19. Would you rather have a one time large donation or a regular small donation?
20. How does the economy affect your income? In times of inflation/deflation do you notice a difference in the livelihood of income?
21. Do you prefer to receive money in the form of governmental assistance or private donors?
22. In what ways does your organization cut costs in comparison to businesses of similar manner?
23. Do you accept volunteer workers/ contribute “volunteer hours” to those in the community for their help?
24. Is the financial administrator involved in the decisions of the organization? I.e. program planning?
25. How often are plans/desires inhibited due to lack of funds?
26. In what ways do you gain/maintain trust of the community? Trust of donors?
27. Are your financial reports accessible by the public? By donors?
28. Do you give updates regarding success or progress in the organization to the public or donors?
29. How transparent do you believe you are regarding the finances of the organization?
30. Do you use any mechanisms for raising funds or gaining support such as labeling or umbrellas? (define labeling and umbrellas)
31. Do you feel as if your organization struggles due to competition with other NPOs in the community?
32. What percentage of funds are used for advertising/raising awareness or support?
33. How thorough are your financial documents provided to the public or donors? (i.e. expense report per category/item)
34. How diverse is the array of individuals or donors who give to the organization?
35. What percent of your income is kept as “profit” or reinvested in the company?
36. What is the average monthly income of your organization? What percent of that comes from donations? What percent comes from fundraisers?
37. Does your organization often experience late fees or overdraft bank fees? If so, how much on average is spent in this area?
Interview with Hyland Park

1. Determining which categories to classify purchases as and learning the system. Learned it from Connie but we switched computers after she left. I also had never used Quickbooks before.

2. It was very easy to get people on board with the mission of the organization.

3. Business Administration Degree but no experience with finances

4. No trainings in place

5. Increase checks and balances. In the beginning I did it all, now someone else signs the checks.

6. No response

7. It is available online.

8. It is available online.

9. Tithes and offerings and youth fundraisers.

10. It fluctuates, at Christmastime the income is way up. Probably because people are giving at the end of the year to be able to include that in their taxes the next year. One month was $9,000 and another had an income of $18,000.

11. Old processes couldn’t generate monthly financial reports or break down expenses. We added online giving and that increased our donations and made them more steady.

12. No

13. Steady giving from faithful donors, a safe cushion in bank accounts, and keeping a small amount in other accounts for emergency instances

14. Some month’s expenses are greater than income.

15. Already answered

16. No

17. Pastor, youth pastor, nursery, secretary and children’s pastor are all compensated somewhat comparably.

18. A person’s upbringing and how their parents taught them. Some believe a blessing will come when they give to a church and that is the result of a lot of occasional giving. Others only feel obligated to give when they come.

19. Regular small donations because when someone misses once or twice they get out of the habit of giving.

20. Not really at all

21. No response
22. We set budgets for large events and stick to those very strictly. Sometimes we spend money in a different month than when the expenses occur.
23. Yes, very gratefully. Especially in the occurrence of events.
24. I’m sometimes involved, but rarely. I look to pastor for total budget and I am responsible for dividing it out. The council meets and looks at all the accounts once a month.
25. Sometimes plans are inhibited especially if utilities are extremely high in cold months.
26. We build a relationship with our members and show them all the finances at the year end.
27. We have an open book policy and our financial info is always available.
28. Yes at the year end.
29. Already answered.
30. We are labeled by the Assembly of God.
31. I don’t feel like we struggle in competition with other churches but in competition with the devil. We are trying to show ourselves as loving, welcoming, and open as possible to bring in those who are UNCHURCHED.
32. Plans to spend more on advertising in the future but right now only the annual egg hunt is considered promoting tactic.
33. Very thorough and broken out in detail.
34. Very diverse in age, income, etc.
35. We have a savings and a CD
36. In January it was $16,000 and February was $12,000
37. Yes due to hot checks from donors. About 2 checks every 3 to 4 months.
Interview with Chi Alpha

1. Filling out all the paperwork and dealing with the governmental policies.
2. If they support your mission, very easy and smooth. If not, very tough and difficult. We have to be very careful with our wording, especially with the government.
3. Bachelors of Marketing – no finance experience previous to this position.
4. No trainings in place.
5. Finances currently handled in excel spreadsheet. Probably will look into more programs because we need to use packages such as quickbooks. The only problem is they are expensive and do not provide training so you have to train yourself how to use them.
6. God told us to be here and I grew up here. It is a flagship school, the biggest in Arkansas and desired to be a model program.
7. It is online.
8. Christian fellowship group located at the University of Arkansas created to help students in ALL areas of their lives.
9. Student offerings, fundraisers (parking for football games), and staff monthly support.
10. It fluctuates a lot. Income is dependent heavily upon church offerings and family donations to pay the staff members. Churches are more faithful, families are not. Christmas and December funding is always low. It requires us to budget extra money for December early on. There are often several checks that arrive late and are hard to budget for.
11. In the beginning, my husband and I used our personal checkbook. After we become an official “nonprofit” it made it possible for us to open 2 accounts. Now we have a house account and two other accounts.
12. No
13. As long as the house is full of tenants, our finances are stable. Not having to pull from other accounts, call for special offerings, or take from staff salaries is financial stability for us.
14. When the house is paid off we will have more flexibility because we won’t be paying a huge mortgage.
15. Already answered
16. By raising monthly supporters who donate to them each month.
17. Raise our own budgets and funds, compares to a school teacher salary.
18. Long term for sure – churches and close family are faithful in this. Communication in the beginning keeps people faithful. They knew everything and now it is hard to keep it personal.
19. Regular small
20. When the economy is bad, our income is low.
21. No response
22. We manage our copying machine and look for donations in other forms such as physical things.
23. Yes
24. Yes
25. We find ways to make it happen if we can’t afford to pay for it.
26. Communication is key – newsletters every 45 days, texts often, and emails every 60 days
27. No but if they wanted we would give them access. The bank and AG headquarters looks at them each quarter.
28. Already answered
29. No response
30. Labeling – Assembly of God and RSO of the University of Arkansas
31. No response
32. In the fall, 90% of our budget goes to advertising our organization on campus but on an annual basis, only about 10% goes to advertising
33. Income versus expense report is provided and then broken down by pieces
34. Ages are young to old, income is very different, churches of different sizes, and from locations all over. There is no one we wouldn’t ask for financial help
35. 0%
36. Approximately $11,000. 6% from fundraisers and 4% from donation and 90% from tenants rent.
37. No
Potters House Interview

1. Understanding the specific niche, mission, vision and core aspects of the organization.
2. It was pretty easy. We promote education, employment, etc. and those are widely held goals. The fact that we are faith based can cause less people to be involved.
4. Process in place but no trainings to pass it on
5. We are looking to outsource our payroll. We are now at 60 employees and rules and regulations only get more complex as you add more employees.
6. This is where I lived.
7. Online
8. We offer a 2 day per week preschool that is free, leadership programs for high schoolers, and employment in the thrift stores (especially for high schoolers, mothers, and grandmothers). We provide them with training within the job.
9. The thrift store funds 70-90% of funds and 30-10% of funds come from donors.
10. Pretty steady and consistent
11. Very much. In the beginning there were very few process and each person involved in the organization participated in making the decisions. Now there is a finance team that makes the financial decisions.
12. Limited grants provided by local foundations
13. We want to get to a place where we are self-sustainable (meaning no donations required to fund expenses). We would also like to have an amount in savings that doesn’t have to be often dipped into
14. Month to month is fine but year-to-year shows lots of instability.
15. Already answered
16. No we have had the same vision although the form that is portrayed and the programs offered have changed.
17. Paid salary or hourly wages. Those who could make more are here because they are willing to sacrifice for the cause of the organization.
18. When we are communicating the need effectively they are faithful
19. Consistent small
20. It doesn’t
21. Private donors
22. We cut temporary workers in the thrift shop and we cut spending on specific programs
23. Yes, we have a couple hundred volunteers
24. No, other people make the decisions.
25. Plans are always inhibited because there is always a greater need than we are able to meet
26. Communication – if we ask for help then people will help and we keep personal relationships with our donors and volunteers
27. No, no
28. Yes often
29. Not
30. A part of the kingdom of God
31. No
32. Very small percent
33. Very thorough – we follow all accounting requirements, set specific budgets each month, keep an eye on profit and loss, and manage it tightly. We view financial accountability as a big deal because we have donors who give to the cause and we want sustainability.
34. Very diverse – college students, young couples, and the majority is middle to upper class
35. We try to set aside a “nominal fee” for cushion in case the thrift shop is not doing as good
36. No response
37. No
Interview with Fayetteville Future Fund

1. Keeping people excited.
2. The mission was well received – the people we target will be the future leaders of tomorrow.
3. Managed by the Fayetteville Area Community Foundation out of Little Rock, someone who manages all the community foundations in Arkansas manages our finances.
4. Lots of trainings are in place, the person who manages the finances has a high position and lots of experience since they are managing a huge budget.
5. We want to grant out 80% of our funds to an amount of $10,000 each year and create an endowment with the other 20% that eventually reaches $1 million and will spin off interest and be self sustaining.
6. No response
7. Online
8. Fayetteville Area Community Foundation has 27 affiliates in Arkansas. It is a public charity created for people in a specific geographic area (Fayetteville). We allow people an alternative to be charitable without setting up their own fund. Any fund under $25 million has a lot of fees and rules to follow, as we combine funds and individuals we can be at a total that eliminates some of those. People have the ability to write a check, let it sit in an account, get tax credit for it, and wait to distribute the money later. We are a 501C(3). The foundation we are under handles all the details and does all the financial work for us.
9. We sell a ticket to one event each year and then there are things and activities to do at this event and also general donations are excepted at the event.
10. We only receive funds once a year.
11. In the beginning, membership was based on age and the fee of membership varied depending on the age of the individual (it was more expensive for older people). Now the cost of the ticket is the only form of purchasing a membership and it is the same across the board.
12. No response
13. No response
14. No response
15. Already answered.
16. No response
17. Fairly well within the field of a nonprofit
18. Personal financial flow and income have a huge impact on long term faithfulness to the organization. Also people often come to the annual event because their friends or coworkers are involved and when they transition out of that person’s life, they no longer
attend. Nonprofit events are very competitive. I probably get two invitations a week asking me to come attend some nonprofit banquet or fundraiser.

19. No response
20. It affects us negatively when its bad
21. No response
22. We constantly monitor our expense to giving ratio. We are always looking for ways to be more efficient with our money. We often get supplies as donations or we get reduced office rent. Additionally, several employees work from home, not requiring us to rent as large of a space.
23. Some
24. The whole group is involved and participates as we decide what causes we will give to at the annual event.
25. No response
26. We are constantly transparent and communicate with our members about where the money is going.
27. Answer later
28. No response
29. Already answered
30. We are an umbrella
31. Definitely – so many different events to choose from.
32. All of our income really comes from donations and we use social media (which is free) to advertise our annual event.
33. We have to fill out the 990 form and they are publicly available. Some people access them but the majority of members do not.
34. Very diverse
35. 20%
36. 10% donations 90% fundraiser event and corporate scholarships
37. No response
Interview with Prism Education Center
1. Getting all the miscellaneous materials. Trying to budget before any expenses occurred or any other organizations of similar style existed.
2. It was very easy, we had a waiting list without ever advertising. People learned about us from word of mouth and their communities.
3. Bachelors of Public Administration – no finance experience previously
4. We have check lists for all new employees, we do a lot of on the job training. We really need more structured trainings in place and I wish to attend business trainings or more technical trainings that are for general administration, budget management, account reconciliation, etc. But trainings like that are expensive
5. We want to increase our cash flow as this is a big challenge right now.
6. No response
7. Online
8. Online
9. We have opportunities for grant writing and fundraisers that are not taken advantage of. But it is hard to find grants that are not tied to specific uses or without guidelines.
10. Our funds fluctuate. They drop a lot in the summer because students often stay home. We are beginning to do more to prevent that. Preschool families now do not have the option to let their child stay home during summer. (If they did this makes it difficult to pay our teachers). We used to have to cut teachers salaries to compensate for that loss. If we marketed our summer school better, we could have a big summer program but that comes with a lot of other complications and we still don’t know if that is the route we want to take.
11. Massively changed – in the beginning we processed payroll by using an excel spreadsheet, tax tables, and manually calculated taxes out of checks. Now we use Quickbooks which can generate all the checks automatically. We used to write checks to the IRS and now we pay them online. We have to pay them weekly now but in the past we only paid them monthly. We have established more accountability. When we are audited, they look for that accountability. We make budget revisions once a quarter now instead of once a year.
12. We do have government grants that we have to use how THEY want. The cost of allowance is also there – if you break the rules, you have to give some/all of the money back. It also places a lot of restrictions on the employees that makes them log their hours and be detailed in their reports. Grants are also more of a reimbursement that requires you to have the money upfront and they pay you back.
13. No response
14. No response
15. Already answered
16. No
17. Our employees take some sort of a cut, especially in the higher up job descriptions but that is because they support the mission.
18. There is no structure in our monthly donations, mostly we just receive random large support.
19. Regular small donations are better because you can expect them and budget accordingly but random large donations are quick amounts that are very helpful and needed in times of big projects.
20. If a very tough time came in the economy, people would not be able to pay tuition and would have to enroll their children in public school or not pay as much tuition which would cause us to lose the largest part of our income
21. Donations – a lot of time and effort is required for grants and they have so many restrictions.
22. We manage our resources and make them available to students at a lower cost (and highly effective materials at that). We are efficient with our money and we utilize the connections we have. We also accept volunteers for roles that would normally be paid in other schools.
23. Answered previously
24. Prepares the budget and voices her opinion
25. No response
26. We build community culture between all those involved in our school. We focus on more intimate relationships. We invest time in people and send them eblasts once a week. It allows people to feel like they have more ownership.
27. They are available to all. We are a 501C(3)
28. Previously answered
29. No response
30. No response
31. We struggle slightly due to competition with other private schools
32. Less than 1%
33. No response
34. No response
35. All of our income is reinvested in the school at some point through the year
36. In February our income was approximately $92,000 and 70% of that came from tuition (paid tuition minus scholarships), 23% came from grants and donations, and 3% came from miscellaneous.
37. Used to be a large amount (about $100 a month), but right now all we have is credit card
interest since we are accruing it monthly and still raising the money to pay it off.