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Six Signs of a “Dream” Board

Close approximations DO exist but not without clear-sighted analysis. The Nonprofit Practice Group at Singer Lewak Greenbaum & Goldstein, LLP (SLGG) prides itself on assessing the financial needs of each nonprofit client with vision and collaborative sensitivity.

To paraphrase Glinda, the Good Witch of the North in *The Wizard of Oz*, is your board of directors a “good board” or a “bad board”? This can have a major impact on the fortunes of your nonprofit. A good board with a wide array of skills may lead your nonprofit to new heights, while the trials and tribulations of a bad board can become a major distraction. At its worst, a bad board might even cause the downfall of your organization.

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the downfall of your organization.”**

Let’s start off with basic legal responsibilities of your board. Although this may vary slightly among nonprofits, a board is generally entrusted with ensuring that the nonprofit is fulfilling its mission and complying with its bylaws and rules, hiring and evaluating top management, and reviewing its financial performance.

Perhaps your board was on the right path at first, but lately has veered off course. Consider the following indicators of a good board of directors:

1. The board focuses on “the big picture” rather than on minutiae. It recognizes warning signs before a crisis erupts. It continues to ask these basic questions:

*Are we meeting our mission?

*Are we spending the most time on the most significant tasks?

*Could we operate better and more efficiently?

*Where are we in the progression toward long-range goals?

2. The board recognizes its top priorities. It works from an agenda so that wasted time is kept to a bare minimum. It encourages planning and the use of planning tools—including technological innovations—as well as endorsing efforts for anticipating future problems and preparing for them.

Action idea: Look to fill your board with directors who share your vision and are willing to avoid petty grievances in order to reach your objectives.

*If you’d like more information, as well as additional suggestions on best practices, board governance and financial oversight responsibilities, contact **Jeff Holt**, CPA or **Lewis Sharpstone**, CPA of SLGG at 310-477-3924.*

Safeguard Computer Systems from Inside Threats

IT can be a high-risk gamble.

Common situation: As with companies in the for-profit world, your nonprofit has become reliant on technology. Could you manage to function without your computer system? The answer is, "probably not." This reliance, however, could lead to security breaches from within.

Action idea: Take this threat seriously. It may come as a surprise to you that unauthorized use does not usually come from the outside; it usually originates from inside your nonprofit. In other words, employees are often the prime source of the security problems. Do not think that your nonprofit is immune.

For instance, a staff member may unknowingly create security problems by sending e-mail attachments to other users in the office. This could result in the spread of computer viruses or worms. Similarly, if an employee unwittingly sends attachments outside the office to donors or other parties, it could cause a security breach. Of course, the situation is magnified for employees who are carrying a grudge.

What can you do to avoid these problems? One possibility is to establish classifications for data, based on the permissible use. For example, data may be labeled as public, internal, restricted and confidential. By implementing these classifications, employees would not be able to gain access to data without the requisite clearance.

Experts recommend that you take additional security measures for laptops used by employees or others who frequently travel on behalf of the nonprofit. It is easy for someone to leave a laptop at the airport or in a cab. To protect against a potential disaster, restrict access of sensitive information to the in-house network. Although it might be inconvenient for employees, only limited information should be allowed on laptops. But this method is not foolproof. Alternatively, your organization may use Basic Input/Output System (BIOS) passwords on laptops. Although BIOS passwords can still be circumvented by sophisticated hackers, they are a viable deterrent to most outsiders.

Another idea is to use full disk encryption in combination with BIOS passwords and to restrict sensitive data on laptops. This would enable the entire disk to be encrypted (i.e., make it unreadable to everyone except authorized users). This has proven to be the most effective solution for both for-profit corporations and nonprofits.

If you are using USB drives, be aware that these devices can easily transfer data. If an employee loses a USB device, the information is available for virtually anyone to see and read. As with laptops, use of encryption may be the best solution.

Action idea: Set up employee training sessions. Make sure that staff members understand how an e-mail can easily be retrieved by a competitor or some other outside force. Education is the best deterrent to potential problems.

Singer Lewak Greenbaum & Goldstein's Enterprise Risk Management Services (ERMS) has developed a wide range of services to help manage your company's IT risk, while maintaining standards of independence. For more information, visit www.slqg.com/RiskManagement.html or call Troy Snyder at 310-477-3924.

Seven Ways Never to Lose Money on Real Estate

This article is the first in a series designed to help non-profits avoid mistakes and unnecessary expenditures related to leasing or owning real estate. IDS Real Estate group is a full service real

estate development and investment firm operating over 25 million square feet of real estate. Our corporate services practice makes those skill sets available to end users (both for-profit and nonprofit) in the form of customized business solutions.

CAM You Find Some CASH?

If someone told you that you were sitting on a \$20 bill, wouldn't you stand up, turn around and take a look? Some organizations are sitting on money and they don't even know it! Many leased properties are subject to Common Area Maintenance charges (CAM) which are charged by the landlord for items such as landscaping, non-metered utilities, parking lot sweeping, etc. Essentially, these are costs that are "shared" by the tenants. CAM charges are generally based on the square footage attributed to each tenant, but if you're not careful, you could be paying more than your fair share ...WHY?

Simply put, because landlords sometimes make billing mistakes. IDS recovered \$1.7 million over the last seven years on behalf of one of our biggest clients. In effect, this was "found money" that would not have otherwise been recovered.

Errors in billing can occur by simple miscalculations, misinterpretations of the lease, or just plain oversights. This is the time of year when tenants typically receive their final 2007 CAM invoices, and when they should start looking for overcharges.

A smaller nonprofit organization will likely have more limited CAM recovery opportunity than the example above. But, compared to the cost of securing additional grants, donations, or contracts, it may be worth pursuing. For those who rent office or retail space, CAM can amount to as much as one third of the total rent.

As part of its practice, IDS reviews and challenges improperly billed CAM for third-party clients. We prepare a letter for the client incorporating the relevant lease language and provide a worksheet to illustrate how the calculation should have been done. Ironically, even after appealing the mistake in one year, we have, on several occasions, observed the same landlord making the very same billing error again in subsequent years!

What should a nonprofit do about CAM?

- Understand the relative significance. First determine how significant rent (including CAM) is as a percent of overall operating costs. If it is insignificant in the context of your overall budget, put it aside and don't spend time on it. There are probably other areas of your business where your attention will produce more value.
- Assess the opportunity to recover or challenge CAM bills. If the dollars involved are significant, then the lease should be reviewed for tenant's rights to challenge the CAM billing; this can be done either by someone on staff or by an outside service. A service is generally recommended as lease administrators are specialists at decoding complicated lease language. Services offer this either on an hourly or percentage-of-savings basis. However, they will likely wish to review the lease first to determine any potential recovery.
- Negotiate protection into future lease obligations. Depending on the size of your premises and the market conditions, it may be possible to limit the amount of CAM that can be invoiced to you in any one-year period. If you are professionally represented, ask your advisor to help you negotiate this aspect of the lease as well as other points.

If you have any questions about the process of challenging CAM or wish to seek advice on your leasing situation – feel free to call Ariana Saucedo with IDS directly at 213-347-6457, or e-mail asaucedo@idsrealestate.com.



We understand what you need from your CPA

SLGG has been helping people and charitable institutions for over four decades. By providing quality and cost-effective services in a timely manner, the professionals in the Nonprofit Services Practice Group help nonprofit organizations achieve their goal of accountability while allowing them to remain focused on their unique mission instead of tax regulations.

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