

GOVERNANCE

Fiscal Sponsorships: Are They a Right Choice for Your Program?

By Kathleen M. Clayton, CPA, PSA, MBA
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Fiscal sponsorship is a structure that allows a tax-exempt, 501(c)(3) organization (“sponsor” or “fiscal sponsor”) to support a new program or newly-formed organization (“sponsored partner”). It is a strategy often used by new organizations to raise funding during their start-up phase, usually before they are recognized as tax-exempt by the IRS. Donations to these organizations or programs will be tax-deductible to the donors through the fiscal sponsor. More recently, fiscal sponsorships are being used for programs that may be short-term in nature, or where the sponsored partner does not have the administrative resources or infrastructure to adequately ensure compliance with applicable federal and state laws and adequate internal controls to ensure that the funds will be used for the intended charitable purposes. A fiscal sponsorship might also be used when a new project receives notice of unexpected immediate funding and the partner does not have the resources to organize and staff up as quickly as it needs to.

Many larger agencies manage multiple fiscal sponsorships as part of their own mission to incubate startups related to their specific cause. Other agencies have never participated in a fiscal arrangement.

Besides having a compatible mission, the fiscal sponsor must exercise “variance power” or independent “discretion and control” over the fiscally sponsored project for the relationship to pass IRS scrutiny.

The foundation of any fiscal sponsorship is a compatible mission. The missions of sponsor and partner must be aligned, or the sponsor risks jeopardizing their tax-exempt status. Fiscal sponsorship generally entails a nonprofit sponsor agreeing to provide administrative services and oversight to, and assume some or all of the legal and financial responsibility for, the activities of a program or group engaged in work that relates to the fiscal sponsor’s mission. Besides having mission “fit,” the fiscal sponsor must exercise “variance power” or independent “discretion and control” over the fiscally sponsored project for the relationship to pass IRS scrutiny. Fiscal sponsorships are not pass-throughs or conduits to disguise revenues as deductible donations with little oversight by the sponsor. It is not uncommon for bad actors to allow their exempt status to be used with little to no oversight of the funding or project, just taking their fees and returning the funds to the sponsored partner.

How a fiscal sponsorship works

There are many different fiscal sponsorship models. In *Fiscal Sponsorship: 6 Ways to Do It Right*, leading expert Gregory Colvin details six fiscal sponsorship relationship structures that have been approved by the IRS. The

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ABOUT HBK NONPROFIT SOLUTIONS

HBK Nonprofit Solutions is a dedicated team of subject matter experts within HBK CPAs & Consultants, an *Accounting Today* Top 50 CPA firm. With more than 800 clients in the nonprofit sector, and more than 75 years providing financial compliance and consulting to nonprofits, we offer the hands-on experience and technical skills to help nonprofit organizations fulfill their missions.

most common arrangements follow either a Comprehensive Fiscal Sponsorship Model (“Model A. Direct Project” in Colvin’s terminology) or a Pre-Approved Grant Relationship (“Model C”). The two involve different legal relationships, different liabilities for both sponsor and fiscally sponsored project, different ownership of the project results, and different tax filing responsibilities.

In a Comprehensive Sponsorship relationship (Model A), the sponsor assumes many responsibilities and risks. The sponsor’s board of directors is ultimately responsible for the program or project, but can delegate some programmatic control to a partner’s project director or advisory committee. The sponsor must be able to demonstrate discretion and control over the project. Once a sponsorship agreement is executed, donations to the project can be tax-deductible to the donor and are paid to the sponsor rather than to the project or sponsored partner. In this model, the sponsor and project operate as a part of the same legal entity.

The sponsor also bears the responsibility for tax compliance and reporting for the project. The activities are reported on the sponsor’s Form

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990 and are subject to restrictions related to excess private benefit and lobbying.

Some of the benefits most sought after by sponsored partners include the administrative and fiscal management services provided by the sponsor, including:

- **Receiving and acknowledging project support**, which is received in the sponsor’s name. Donor acknowledgements are handled by the sponsor as they receive the funding on behalf of the project under the sponsor’s federal identification number and IRS determination letter.
- **Paying the bills related to the project**, usually done from a bank account dedicated to the project. Expenditures have to comply with the terms of grants and contracts received, as stipulated by the foundation or awarding agency. The sponsor also ensures that expenditures comply with laws, regulations, and accounting standards governing the use of nonprofit funds.

- **Providing back-office support**, such as HR, IT, accounting, and development support.
- **Assuming the responsibility for insurance coverage.**
- **Hiring staff and assuming responsibility for payroll and benefits**, including compliance with staffing laws and regulations.

One of the negatives of this arrangement is that the sponsor is responsible for the debts and claims against the project. It is imperative that the sponsor discuss the full relationship with their insurance provider to verify their coverage is adequate. The project’s transactions are subject to audit as part of the sponsor’s annual audit.

Why would a fiscal sponsor enter into this type of agreement? Their reason could be two-fold:

- First, the sponsor might be altruistic in their desire to incubate new projects related to their mission.
- Second, these agreements typically include sponsor fees ranging from 9-to-15 percent of total project revenue with a higher percentage fee if government funding is received.

Model C (Pre-Approved Grant Model) may be an alternative to Model A. In Model C, the partner usually has the capacity to handle those administrative chores and uses the sponsor mainly for fundraising. For-profits might use this model to collaborate with nonprofits to receive tax-deductible donations for their efforts under the nonprofit sponsor’s umbrella. Using this model, they can engage in social impact activities and leverage the nonprofit’s established infrastructure, credibility, and tax-exempt status.

Model C fiscal sponsorships can be extremely useful, but not at the risk of jeopardizing the sponsor’s tax-exempt status. Similar to Model A, the charity *must* have meaningful discretion and control over the funds it receives.

To comply with IRS dictates and assure accountability, the sponsor plays the role of steward, allowing a great deal of project autonomy while exercising final authority over contracts and spending that furthers the charity’s exempt purposes while complying with all applicable laws.

In Model C, the sponsor receives funding according to the sponsorship agreement and “re-grants” it to the partner, a grantor-grantee relationship. The partner is a separate legal entity from its nonprofit sponsor for employment and liability purposes. The partner is responsible for recording the revenue and paying all expenses, and for all tax reporting and compliance. The partner is also responsible for all insurance risks associated with the project.

Using Model C (Pre-Approved Grant Model), the partner can engage in social impact activities and leverage the nonprofit’s established infrastructure, credibility, and tax-exempt status.



Some benefits to a Model C sponsorship include:

- Limiting the risks to the sponsor, and
- Allowing the partner to better manage the associated fees

Models B, D, E, L, F, and X exist, but Models A and C are the more commonly used arrangements for fiscal sponsorships.

The agreement

Many larger agencies manage multiple fiscal sponsorships as part of their own mission to incubate startups related to their causes. Other agencies have never participated in a fiscal arrangement. The larger agencies will most likely have a well-thought-out sponsorship process, while others may have no established process.

The key to a successful fiscal sponsorship arrangement lies in the sponsorship agreement, often called a “memo of understanding.” The agreement should be as detailed as possible and outline each party’s roles and responsibilities in specific terms. The framework should be based on a what-can-go-wrong premise and should address, on the front end, the possibility of a split between the parties to avoid any future complications.

Funding sources must understand the full scope of the sponsorship agreement.

Funding sources must understand the full scope of the sponsorship agreement, including that their relationship is with the sponsor and not the project. If the sponsorship agreement terminates or one of the parties changes during the project, the funding sources *must* be notified immediately, which may impact further funding.

Why choose a fiscal sponsorship?

Fiscal sponsorships offer an expedient method of receiving charitable contributions for a specific project and are an important and useful tool available to the charitable community. Sponsorships can serve either a short-term or long-term need and can allow organizations to weigh the time and costs of establishing a new nonprofit as compared to operating from the start under an established 501c(3) organization. ■

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in these activities also requires an adherence, and likely the involvement of an attorney with experience in this area, to the federal, state, and local regulations pertaining to campaign finance law, registration and reporting requirements, and public communication format constraints.

While 501(c)(4) organizations are tax-exempt under the Internal Revenue Code, donations given to these types of organizations are not considered tax deductible, nor are they required to be reported on Schedule B of the Form 990, which is a requirement of 501(c)(3) organizations. As such, although no deduction is allowable for donations made to a 501(c)(4), anonymity of the donor is maintained, even with regard to the IRS.

Although 501(c)(4) social welfare organizations are often known for their advocacy, other uses of the classification include:

- Employee associations
- Civic leagues
- Homeowner associations
- Health plans
- Airport operations
- Controversies

501(c)(4) organizations play a significant role in shaping public policy, advocating for social change, and promoting civic engagement. They provide a platform for individuals and communities to come together to address important issues and work toward common goals. But 501(c)(4) organizations also have been the subject of controversy and criticism.

One of the main areas of concern is the lack of transparency regarding their funding sources. Unlike charitable organizations under section 501(c)(3), which are required to disclose their donors publicly, 501(c)(4) organizations are not subject to the same disclosure requirements. This has led to concerns about the influence of wealthy donors and special interests on the political process through undisclosed contributions to these organizations.

Additionally, the involvement of 501(c)(4) organizations in political activities has raised questions about their tax-exempt status and whether they are truly operating for the promotion of social welfare. Critics argue that some organizations abuse their tax-exempt status by engaging primarily in political activities while claiming to promote social welfare.

Social Welfare Impact and Estate Planning

In late 2022, the Chouinard family, the founders and owners of the wildly successful outdoor clothing and equipment retailer Patagonia, gifted the majority of their ownership in the company to



In deploying the 501(c)(4) structure, the Chouinard family (founding owners of Patagonia) successfully avoided capital gains tax and gift tax, and also reduced their taxable estate by the value of the stock contributed to the organization, while ensuring their legacy will continue in perpetuity through the work of the organization.

a 501(c)(4) organization they established as the Hold Fast Collective. The family had the option of selling the company or going public, but they found an alternative route that would satisfy both their main objective as well as their aversion to keeping the estimated \$3 billion value of the company in the family.

By creating a specialized trust, and applying for 501(c)(4) status for that trust, the family was able to give 98 percent of their stock ownership to the newly formed 501(c)(4) with no gift tax and no capital gains tax. The remaining 2 percent of the stock retains 100 percent of the voting rights, so the family continues to control how the company is managed, while 98 percent of the company's profit is funneled into the 501(c)(4) with no income tax impact.

All funds held within the 501(c)(4) will be used to fight climate change and preserve undeveloped land, which have been the underlying missions of Patagonia since its inception. They could not pursue these objectives through a 501(c)(3) structure, mainly due to the lobbying activities they will employ to address climate change—the primary activity of the 501(c)(4) organization. The

gift of 98 percent of the company stock would also have threatened any 501(c)(3)'s tax-exempt status, or resulted in large capital gains taxes when the family sold the stock to generate cash to donate to a 501(c)(3) organization. In deploying the 501(c)(4) structure, the Chouinard family successfully avoided capital gains tax and gift tax, and also reduced their taxable estate by the value of the stock contributed to the organization while ensuring their legacy will continue in perpetuity through the work of the organization.

While this type of estate plan may be unorthodox, its benefits for those who can and want to utilize it are substantial.

Conclusion

501(c)(4) organizations are a vital part of the nonprofit sector, working to promote social welfare and advance the common good. While they operate under a different set of rules than other nonprofit organizations, those differences are not necessarily unsavory. Rather, the positive impact these organizations can have on a community, and in some instances the world at large, can't be ignored. █

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AUDIT & ASSURANCE

Contributions and Exchange Transactions: Know the Difference for Proper Revenue Recognition

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There are factors to consider when classifying contributions and exchange transactions—two broader forms of revenue recognized by non-profit organizations.

Nonprofit organization leaders know that ensuring revenue is being recorded and tracked in accordance with applicable guidance takes considerable knowledge and time. Because there are various sources and forms of revenue for organizations, it can become difficult to differentiate one from another. However, improperly recording revenue transactions could result in overstating revenues and expenses, and can cause improper timing of revenue recognition and improper classification of revenues. There are rules to follow depending on the type of revenue being received. As such, identifying the type of revenue being recorded is an initial step in proper revenue recognition.

For example, you receive funding from a resource provider but there are stipulations to receiving the cash. Or you are receiving cash but you are providing something of value in exchange. There are factors to consider when classifying contributions and exchange transactions—two broader forms of revenue recognized by non-profit organizations. The two use different recognition procedures. Exchange transactions follow the rules in Topic 606, whereas for contributions,

Exchange transactions follow the rules in Topic 606, whereas for contributions, further considerations must be made to determine if there are any conditions or restrictions on using the revenue. Therefore, knowing how to identify a transaction is crucial for accurate financial statement reporting.

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Let's first define contributions and exchange transactions:

- **A contribution** is an unconditional transfer of assets or an unconditional promise to give to an entity, or a reduction, settlement, or cancellation

of its liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner. Contribution revenue only applies to transactions that relate to the entity's ongoing major or central activities.

- **Exchange transactions** are reciprocal transfers between two entities in which one of the entities acquires assets or services or satisfies liabilities by giving up other assets or services or taking on other obligations. Some examples of exchange transactions that nonprofit organizations may participate

in are member dues, service fees, ticket sales, and investment income. Generally, these are not donor restricted—aside from income on restricted investments—but can be restricted by the recipient organization's board.

Defining differences

A notable difference between these forms of revenue deals with whether or not the transfer of assets or settlements of liabilities is reciprocal. While there is a benefit reciprocated to the resource provider in an exchange transaction, the donor of a contribution receives no direct benefit. Some may argue that a donor receives a societal benefit indirectly from the public by making a contribution. However, this wouldn't trigger an exchange transaction since it is not deemed to be of commensurate value and the value received is incidental. Whereas with an exchange transaction, the societal benefit is secondary to the direct value received from the recipient of the



transaction. If the direct intent of the transaction is to exchange resources that are of commensurate value, that transaction would be classified as an exchange. Therefore, the basic approach to identifying an exchange transaction is to determine if the resource provider is receiving commensurate value from the recipient. Further, commensurate value is not achieved by helping the resource provider execute its mission.

Another defining difference applies to whether or not the resource provider has full discretion in determining the amount of the asset transferred or liability satisfied. If the resource provider is free to set the amount, the transaction is generally considered a contribution, whereas if the amount is agreed upon by both parties—receiving organization and resource provider—that transaction lends itself to being considered an exchange. Additionally, if the recipient is soliciting the asset without the intent to provide a benefit to the resource provider, that would indicate a contribution.

Revenue recognition in an exchange transaction vs. contributions

After we have taken the appropriate steps to determine whether the revenue received is a contribution or an exchange transaction, we can properly recognize the revenue. Revenue in an exchange transaction must adhere to the revenue recognition rules in Topic 606. However, if the transaction is deemed to be a contribution, we must consider whether there are restrictions or conditions on the revenue.

To be considered a “conditional contribution,” there must be a donor-imposed condition on the revenue that impacts the revenue recognition. The condition must have two characteristics to trigger a conditional contribution. The recipient must overcome one or more barriers before the assets transferred or promised are entitled to them, and there must be a right of return to the contributor for the transferred assets (or liability reduction/settlement/or cancellation) or a right of release of the obligation to transfer the assets. For a donor-imposed condition to exist, the agreement must note that the recipient isn’t entitled to the assets until it overcomes the barrier(s). The agreement does not need to explicitly state that there is a right of return but the conclusion should be able to be made when the entity would have entitlement of the transferred assets. If it’s determined that the contribution is conditional, it should be accounted for as a refundable advance until the conditions have been substantially met. As such the timing of the revenue recognition for conditional contributions prevents a risk for organizations.

With an exchange transaction, the societal benefit is secondary to the direct value received from the recipient of the transaction. If the direct intent of the transaction is to exchange resources that are of commensurate value, that transaction would be classified as an exchange.



Once it has been determined that there is no condition attached to the contribution, the entity can assess whether the contribution has a donor-imposed restriction. A contribution with a donor-imposed restriction is revenue that has a donor stipulation that limits the use of an asset. For example, the stipulation can be that the asset can’t be used until a future date or for a specified program or to acquire another specified asset. The donor can also stipulate that the asset must be maintained in perpetuity. It’s important to note that a donor-imposed restriction does not change the timing of the recognition of the contribution.

Revenue recognition for contributions has additional implications, requires further analysis and can be a complicated task for nonprofit leaders. However, before analysis of contributions can even begin, remembering the differences between contributions and exchange transactions can save considerable time and effort. As an organization grows and partakes in more complex transactions, it is increasingly important to ensure that revenue is being categorized correctly. Being able to identify contributions and exchange transactions is a vital step to accurate revenue recognition and supports the correct presentation of accurate financial statements. ■

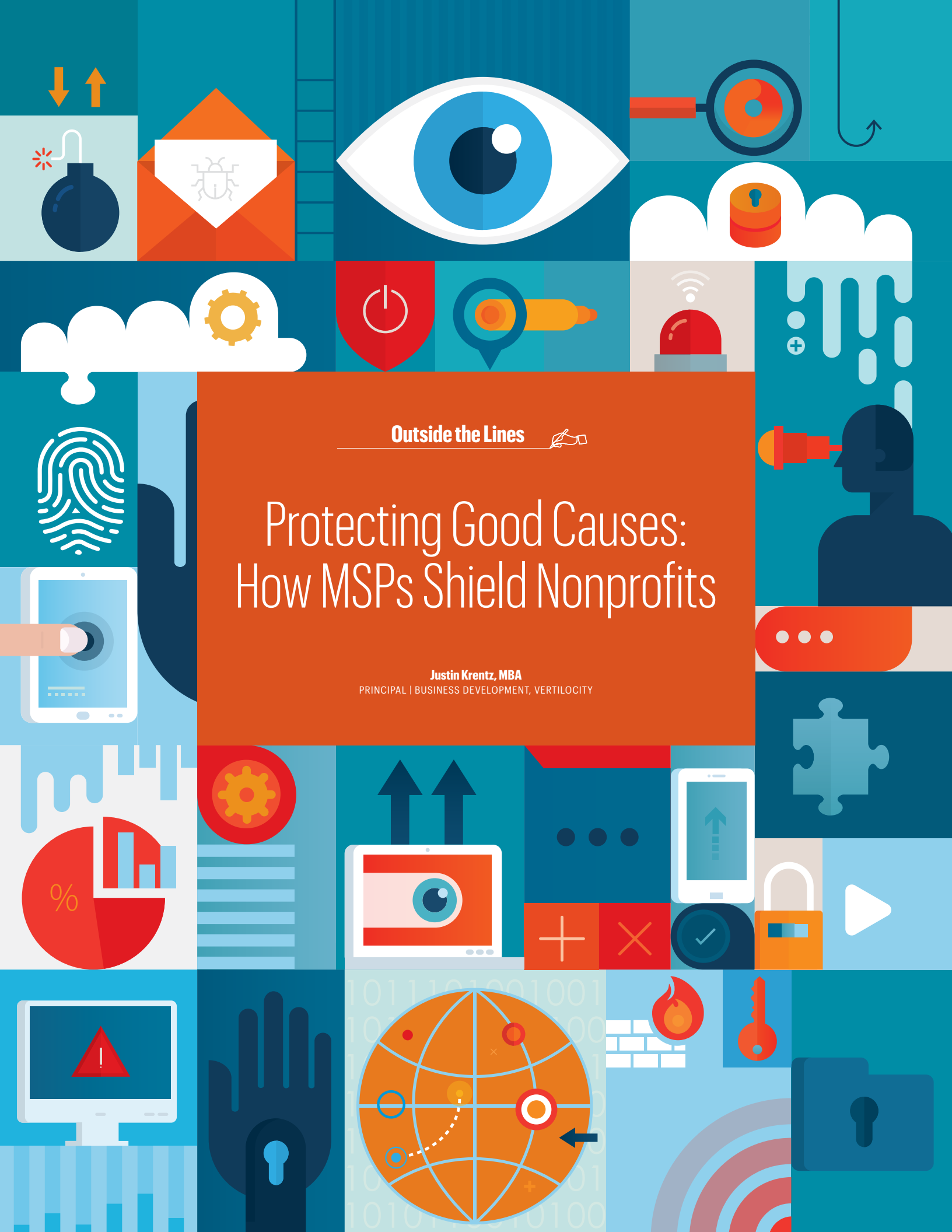
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Outside the Lines 

Protecting Good Causes: How MSPs Shield Nonprofits

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Nonprofits are often seen as beacons of hope and support in our communities,

but they also face unique challenges, particularly in the realm of cybersecurity. With 27 percent of nonprofits having experienced a cyberattack, the need for robust cybersecurity measures is more critical than ever. We've all heard it: "Ensuring the security of sensitive donor information, financial records, and operational data is paramount to maintaining trust and continuing to provide essential services." But how do we actually do this?

Well, you can start by having a solid cybersecurity strategy in place that allows nonprofits, like you, to focus on their core missions without the constant worry of potential cyber threats.

****BONUS** A secure IT environment also enables nonprofits to comply with regulatory requirements, avoiding costly fines and legal issues.**

However, actually implementing effective cybersecurity can be challenging for nonprofits, especially since they are typically working with limited budgets and resources. Balancing the need for comprehensive security measures with financial constraints requires careful planning and prioritization. Additionally, the rapidly evolving nature of cyber threats means that nonprofits must stay informed and adaptable to protect their digital assets effectively.

The unique challenges faced by nonprofits

As you probably already know, nonprofits face several unique challenges when it comes to cybersecurity, including:

- **Limited Budgets and Financial Constraints:** Nonprofits often operate on tight budgets, making it difficult to allocate sufficient funds for comprehensive cybersecurity measures. Prioritizing cybersecurity investments while ensuring that resources are used efficiently is a constant balancing act.

- **Handling Sensitive Data:** Nonprofits handle a variety of sensitive data, including donor information, client/patient records, and financial details. Protecting this information is crucial to maintaining the trust of donors, beneficiaries, and other stakeholders. Alarming, the Identity Theft Resource Center (ITRC) reported 69 data compromises at nonprofits in the first nine months of 2023 alone. These compromises impacted millions of people and put a spotlight on the critical need for data protection.
- **Compliance with Regulatory Frameworks:** Nonprofits must adhere to various regulatory frameworks, such as HIPAA for nonprofits within the healthcare industry and PCI-DSS for any nonprofit handling credit card transactions. Ensuring compliance with these regulations can be challenging, especially when taking into consideration the aforementioned limited budget and resource challenges nonprofits regularly face.
- **Diverse Range of Services and Stakeholders:** Nonprofits provide a wide range of services and engage with diverse stakeholders, from donors and volunteers to beneficiaries and regulatory bodies. This diversity adds complexity to managing and securing data across different systems and processes.

Can Managed Service Providers (MSPs) help?

MSPs are external firms that manage an organization's IT infrastructure and end-user systems on a proactive basis. They take over the responsibility of monitoring and maintaining your IT systems, ensuring everything runs smoothly. MSPs offer a wide range of services, from network management and cybersecurity to data backup and recovery, all tailored to meet the specific needs of nonprofits.

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A secure IT environment also enables nonprofits to comply with regulatory requirements, avoiding costly fines and legal issues.

Here are some of the benefits MSPs provide nonprofit organizations in regard to cybersecurity:

- **Access to Expert Knowledge and Resources:** One of the key advantages of partnering with an MSP is gaining access to a broad pool of IT expertise and resources. Instead of relying on one or two internal IT staff members who may have limited time and knowledge, an MSP can benefit nonprofits by providing a team of resources with diverse skill sets and experiences. This allows the organization to focus on its mission while leaving the complexities of technology management to the experts.
- **Enhanced Security:** MSPs play a crucial role in implementing and maintaining robust security measures. They ensure that nonprofits are protected from breaches and remain compliant with regulations. Given that nonprofits often deal with sensitive data, Vertilocity, a MSP that specializes in nonprofit technology management, would ensure that the proper safeguards are in place to protect this information.
- **Strategic Guidance:** Some MSPs offer strategic guidance and support, helping nonprofits develop IT plans that specifically align with their mission and goals. They assist with grant applications, ensuring that technology needs are clearly defined and supported. By helping develop IT budgets and implementation strategies, MSPs can ensure nonprofits are more efficient and able to scale effectively.
- **Scalability and Flexibility:** Nonprofits often face changing needs and priorities. MSPs offer scalable solutions that adapt to the evolving landscape of nonprofit work. Whether it's expanding services, entering new markets, or adopting new technologies, MSPs provide the flexibility needed to support these changes. They can adapt to changes and ensure the right technology is in place to support whatever the organization is pursuing.
- **Budget Predictability:** Predictable pricing models offered by MSPs help nonprofits manage their budgets more effectively. Instead of dealing with unexpected IT costs, nonprofits can budget their technological expenditures with greater accuracy. This predictability is vital for organizations that rely on grants and donations. Having a predictable pricing model means nonprofits know what their costs will be as changes come into play, which is crucial for budget management.

Diverse needs, tailored solutions

Nonprofits have varied missions and face unique challenges that require solutions customized just for them. Different types of nonprofits have distinct needs when it comes to technology and cybersecurity. Here are some common nonprofit categories and how MSPs support various nonprofit sectors:

Healthcare nonprofits

Healthcare nonprofits face specific challenges, including stringent regulatory requirements and the need to protect sensitive patient information in addition to donor information. MSPs play a crucial role in improving security and compliance within the healthcare sector. They implement robust security measures to ensure organizations meet HIPAA standards and safeguard patient data. This includes deploying advanced encryption methods, conducting regular security audits, and providing comprehensive staff training on data privacy.

Incidents like the cyberattack on the major healthcare nonprofit Ascension, which disrupted clinical operations and forced the organization to take steps to minimize the impact on patient care, highlight the critical need for robust cybersecurity measures. By ensuring compliance and enhancing data protection, MSPs help healthcare nonprofits focus on delivering quality healthcare services without the constant worry of potential data breaches or regulatory non-compliance.

Religious nonprofits

Nonprofits in the religious sector often have specialized needs, such as managing donations, meaningfully engaging with their communities, and ensuring the security of sensitive information from stakeholders. MSPs support religious nonprofits by modernizing any outdated technology and IT infrastructure. They implement secure and efficient Customer Relationship Management (CRM) systems that improve fundraising capabilities such as donation tracking and automated communications with donors. MSPs also can upgrade network security to help protect against potential cyber threats and provide staff training on using new systems. This helps religious nonprofits streamline operations and enhance community engagement, allowing them to focus more on their mission and effectively serve their communities.

Arts and cultural nonprofits

Arts organizations often face challenges related to limited funding and the need to engage diverse audiences. One arts organization that has been a Vertilocity client for 20 years benefited from our support in addressing network deficiencies and leveraging nonprofit pricing for software licenses and services. Like any MSP, we conducted a thorough assessment of their IT infrastructure and identified critical areas for improvement. However, we also helped secure discounted rates for essential tools and applications, ensuring that the organization could operate within its budget. Additionally, we provided ongoing support to keep systems running in harmony. This long-term partnership has allowed the arts organization to scale effectively over the years, while remaining focused on their core mission, maintaining smooth operations, and efficiently managing their resources.

How to choose the right MSP

Choosing the right Managed Service Provider is crucial for nonprofits looking to enhance their IT infrastructure and security. Start by identifying your organization’s specific needs and challenges. Look for MSPs that have a proven track record of working with nonprofits and who understand the unique constraints and requirements of your specific sector. Finally, be sure to thoroughly assess the MSP’s expertise in handling sensitive data, such as donor information and compliance with regulations like HIPAA for healthcare nonprofits. █

For nonprofits seeking reliable MSP support, Vertilocity specializes in addressing these unique challenges. Contact us at MSP@vertilocity.com to learn how we can help enhance your IT infrastructure and security, allowing you to focus on your mission with confidence.

Look for MSPs that have a proven track record of working with nonprofits and who understand the unique constraints and requirements of your specific sector.

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Why It Matters



We are the second largest YMCA camp in the U.S., located on 5,700 acres in the heart of the Catskills and offering year-round access to people of all ages and abilities. Our programs range from our summer camp to adventure trips to farm camp, an equestrian program, family weekends, school trips, team building, and more.

CLIENT SPOTLIGHT

Frost Valley YMCA: Camp, Retreat, and Environmental Education Center

A Q&A with Chet Krinsky, Chief Financial Officer, Frost Valley YMCA,
and Kathleen Clayton, CPA, PSA, MBA, Principal and
Co-National Director of HBK Nonprofit Solutions

Since its founding in 1885, Frost Valley YMCA has remained focused on its mission: to be “a values-driven organization that fosters youth development, healthy living, and social responsibility through outdoor educational and recreational programs for all.” This year in excess of 30,000 guests of all ages will spend time playing and learning on the nonprofit’s 5,700 acres in New York’s Catskill Mountains.

Clayton. Tell us a little about this remarkable nonprofit organization that has been in operation nearly 140 years.

Krinsky. When it was founded in 1885 as Camp Wawayanda, it was the nation’s first overnight camp for boys. Today as Frost Valley YMCA, we’re guided by the same principles that have seen us through a transformation over the years into one of the world’s leading camps—a camp, retreat destination, and environmental education center. We are the second largest YMCA camp in the U.S., located on 5,700 acres in the heart of the Catskills and offering year-round access to people of all ages and abilities. We’re open year-round, and our programs range from our summer camp to adventure trips to farm camp, an equestrian program, family weekends, school trips, team building, and more. The summer program—a traditional overnight camp for teens and preteens—includes four two-week sessions for a total of about 4,000 campers from the tri-state area. In addition to the campers, we now have a summer staff of more than 400, including counselors and about 150 departmental workers from 18 different countries.

Clayton. You have scholarship program for people who might not otherwise be able to afford to camp for their children. Tell us what that involves.

Krinsky. We award about \$1.7 million a year in scholarships, mostly to kids for the summer camp. For many, it’s their first nights away from home, their first experience in a safe, engaging outdoor environment enjoying mountain hikes and swimming, and sometimes sleeping outside.

Clayton. One of your more intriguing programs is your work with kids with kidney disease. How did that come about?

Krinsky. In partnership with Montefiore Medical Center in the Bronx, through a wellness program founded by the Gottcho Foundation, we bring about 30 or so campers into the summer program. We matriculate them through the same programs as other campers, but every other day they go for dialysis for three hours at a time. The Gottcho family had a daughter with kidney disease. She was able to spend time at Frost Valley, and her experience had a profound impact on her and her family. She succumbed to the disease not long after at age 14, but the family set up a foundation

for Frost Valley to ensure that other children like their daughter would have the same opportunity she had to experience Frost Valley. We're getting ready to mark the 50th anniversary of Kidney Camp.

Clayton. Where do you get your funding and what's the budget for operating such a large and multifaceted nonprofit organization?

Krinsky. Our budget this year is \$18 million. That includes providing housing for our summer staff. About 40 percent of our fulltime staff live in employee housing on the property. Our funding comes from foundations, agencies, and contributions from parents, alumni, and some of our community partners.

Clayton. What has been your biggest challenge since you joined Frost Valley as chief financial officer?

Krinsky. When I came in—it was August 2021—it had been six months since the previous CFO had left, and the remaining staff knew nothing of what he had done. There hadn't been a bank reconciliation in 12 months, the accounting firm for the previous 10 years was gone, and our year-end audit was upon us. As well, COVID had brought the camp to a standstill; we were at about 50 percent capacity that summer. The board had just chosen HBK as our next accounting firm. So HBK was new and I was new. Deferred maintenance was also a challenge. We have more than 110 buildings on the property and getting the camp back to pre-COVID conditions was, and remains, a challenge. Plus we had to find quality skilled labor for the various departments. We had to accept that getting back to pre-COVID conditions wasn't going to happen overnight; it has taken a lot of communicating, messaging, and hard work by the staff to win back the confidence of our customers.

Financially, we were in tough shape at the time. We had debt reduction to deal with and liquidity issues. We were doing well with our receivables but cash flow was challenging. Our huge capital presence requires a lot of maintenance that cost money we



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didn't have. We started slowly turning the corner and continue to improve our financial position.

Clayton. Congratulations for addressing those challenges and having a great comeback. It's been a big year for Frost Valley, has it not?

Krinsky. As we speak we're getting ready for the final week of the summer season, our family camp. Before the kids go back to school, a lot of families take a week's vacation at Frost Valley. We have 500 people coming next week. Looking back at the year, we have surpassed previous records for attendance. In 2023 we had 30,204 guests and this year we have surpassed 34,131.

Clayton. How is HBK helping with those challenges?

Krinsky. I have worked in finance for 40 years, including 22 with Dow Jones, but never in the nonprofit sector. My department is essentially 2.5 people doing everything, so the value of HBK has been immeasurable. They have worked with many nonprofits, and their intimate understanding of the business has been key to my learning about operating a nonprofit. They continue to assist and advise us with the highest level of expertise and knowledge. Their communication is excellent, including coming to the camp and spending time with us here. █



CLIENT SPOTLIGHT

Frost Valley YMCA: Camp, Retreat, and Environmental Education Center

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