

# Olszak's Nonprofit Connections

## Welcome from Lisa Olszak

Over the past few months, I have heard a number of nonprofit executives comment that they were looking for new space or re-evaluating their current use of space. All were trying to be creative and thoughtful about space utilization. [Click here to read more](#)

January 2010



## Finance Matters

**Assessing your Banking Relationship: *Back to Basics in the New Year***

*By Gary Norris*

There is nothing more satisfying than checking off an item as “complete” on our New Year’s Resolution list. You can stack the resolution-making business in your favor by putting a few easy items on your list – like reviewing your organization’s banking relationship. [Click here to read more](#)

### In this issue:

[Welcome](#)

[Finance Matters](#)

[Olszak News Rack](#)

[We Want to Know!](#)

[Spotlight On...](#)

[Contact Us](#)

## Olszak News Rack

***A New Human Resource Management Service for Nonprofit Organizations***

HMK Associates recently launched a new service, Finders Keepers©. [Click here](#)



## Spotlight On...

### Bridgeway Capital

***Bridgeway Capital Expands its Reach: Supporting Nonprofits' Unique Real Estate Needs***

Bridgeway Capital’s mission is to make western Pennsylvania a thriving region for all. It envisions a vibrant regional economy that offers meaningful employment opportunities, quality education to build knowledge and skills, and vital services to all members of its communities. [Click here to read more](#)



## WELCOME FROM LISA OLSZAK

Over the past few months I have heard a number of nonprofit executives comment that they were looking for new space or re-evaluating their current use of space. All were trying to be creative and thoughtful about space utilization. For some, this meant exploring co-location options with other nonprofit organizations. For others, it meant evaluating how to maximize efficiencies and use in their current space.

For many nonprofits, space utilization can play a huge role in the success of their organization. Finding the right physical location that serves staff and client needs at the right price can be a challenge. Organizations that own real estate can vouch for its benefits: a fixed mortgage over the long-term, building equity, saving on real estate taxes, and financing using tax free bonds. They can just as easily vouch for the disadvantages, such as

estate taxes, and financing using tax free bonds. They can just as easily vouch for the disadvantages, such as if the purchase requires a large cash down payment, there are hassles and hidden costs, if a new expertise is required, and ownership by small organizations can be overwhelming, costly and inappropriate.

This edition of our newsletter offers some unique tools and resources available for nonprofit organizations to address those stubborn real estate needs.

## **O** OLSZAK NEWS RACK



### **A New Human Resource Management Service for Nonprofit Organizations**

HMK Associates recently launched a new service, Finders Keepers®, that provides:

- **Unlimited** phone/email support on a variety of employee relations, recruiting and policy issues
- **Advice** on salaries and benefits
- **Access** to reserved portion of HMK Associates Inc. website containing forms, presentations and tips for managing your workforce
- **Quarterly** newsletter on issues of interest to subscribers



For as little as \$750/year, you can't beat the price of this service. [http://www.hmkassociates.com/finders\\_keepers.html](http://www.hmkassociates.com/finders_keepers.html)



Holly Maurer Klein

Please contact Holly Maurer Klein at [hmk@hmkassociates.com](mailto:hmk@hmkassociates.com) or (412) 362-7355 if you are interested in hearing more about this service.

*"HMK Associates' "Finders Keepers" service has been a wonderful resource for our company, a start-up without an HR professional on staff. The service is reasonably priced, HMK staff are exceedingly responsive, and the range of consultative topics expansive. HMK has effectively responded to all manner of company inquiries regarding the employment relationship - be it providing standard forms, delivering insights into regulatory compliance, or offering considered opinions. I would recommend this service to other similarly situated companies with no reservation whatsoever."* —**Mark C. Faurie, CFO, Seegrid Corporation**

## **O** SPOTLIGHT ON... BRIDGEWAY CAPITAL



### **Bridgeway Capital Expands its Reach: Supporting Nonprofits' Unique Real Estate Needs**

Bridgeway Capital's mission is to make western Pennsylvania a thriving region for all. It envisions a vibrant regional economy that offers meaningful employment opportunities, quality education to build knowledge and skills, and vital services to all members of its communities.

By providing capital to grow and innovate, and educational opportunities to build entrepreneurial capacity, Bridgeway Capital generates new prospects for business and job growth, brings new wealth to the region, and catalyzes regional economic transformation.

Started in 1990 as a housing and social service lender, Bridgeway Capital broadened its economic impact on the region by focusing on small business lending in 1994. Throughout its history, it has applied a blend of entrepreneurial vision, community knowledge and operational expertise to strengthen and help reinvent the employment base of local communities. Located in Downtown Pittsburgh, Bridgeway Capital works within 15 counties across western Pennsylvania: Allegheny, Armstrong, Beaver, Butler, Clarion, Crawford, Erie, Fayette, Greene, Indiana, Lawrence, Mercer, Washington, Westmoreland and Venango.

Over the past few years, Bridgeway Capital has expanded its support to the nonprofit sector. Through its Real Estate Consulting for Nonprofits and Financing (including a bridge loan program), Bridgeway has offered nonprofits another tool to support their financial health and needs. Over the past three fiscal years, Bridgeway Capital has funded 15 loans to nonprofit organizations for a total of \$2.3M.

## Real Estate Consulting for Nonprofits – The Beyond Bricks & Mortar Program

In 2007, Bridgeway Capital retained Pete Licastro of Grant Street Associates (formerly with Grubb & Ellis) to consult with nonprofits on real estate matters and options. With 20 years of professional experience in commercial real estate, corporate tax and finance, and as a certified public accountant, Pete offers the type of real estate expertise that is often not available to nonprofits in the conventional market. Many nonprofits have complex real estate problems requiring sophisticated analysis, but the traditional contingent fee model for real estate brokerage and agency services does not always support providing high-quality, long-term services to nonprofit organizations. Because commercial agents are typically not salaried, agents and brokers are under significant pressure from within and from their firms to generate commissions through sales. Within a commission-based environment, the deal must close in order for the commission to be paid, and it is paid based on the size of the deal, not the amount of time it takes to get the deal closed. The ideal transaction for an agent is a large transaction that consumes very little time, with few complications, hurdles or moving parts. Most of the Beyond Bricks and Mortar clients are the opposite – small to medium-sized transactions that consume substantial time, and have a number of complications and moving parts. For this reason, nonprofits are often not an attractive client. As a result, most nonprofit organizations cannot afford to obtain high-quality real estate services such as financial analysis, identification and comparison of real estate options, and developing a real estate strategy. Through a grant from the RK Mellon Foundation, Bridgeway is able to offer Pete's services free of charge.

Although the Beyond Bricks and Mortar program assists nonprofits with all types of real estate issues, a typical engagement includes a nonprofit organization in a challenging area of Pittsburgh that owns an older building with significant maintenance and repair issues. The building may be considered “special purpose,” narrowing opportunities for re-use by potential tenants or buyers. Moreover, the organization may have weak financials and sporadic funding may make renting another space difficult, if not impossible. For some organizations, even if they find a potential new site, community resistance can present time-consuming zoning and other issues.

As part of the Beyond Bricks and Mortar engagement, a standard engagement letter advises clients that the consulting services to be provided under the program are “internal” to the organization, and Grant Street Associates (Pete's firm) will not engage in any “external” activities (such as marketing property for sale or lease) without specific authorization. If this eventual authorization is undertaken, Bridgeway Capital and Grant Street Associates have worked very hard to set up a structure that makes fees affordable to the nonprofit market.

The Beyond Bricks and Mortar program successfully addresses a critical need by nonprofit organizations to:

- Solve real estate problems threatening service delivery
- Develop information and analysis for effective decision-making by nonprofits
- Provide financing to nonprofits for working capital, facilities, lease or bond guarantees, and social enterprises
- Provide compensation to mitigate the opportunity cost of a more experienced and qualified real estate agent and broker who can provide real value to a nonprofit organization
- Ensure the quality, objectivity and integrity of the advice and recommendations provided to the nonprofit by minimizing the bias toward cutting corners or potentially “steering” a nonprofit client toward a transaction in order to generate a fee
- Provide a level of service, continuity and attention that the real estate services market is not designed to provide to nonprofit organizations

### Financing for Nonprofits

In response to needs identified through the Beyond Bricks and Mortar program and increasing financial pressures, Bridgeway Capital has been expanding its role as a lender to nonprofit organizations. Bridgeway's experience with nonprofit lending includes working capital loans to bridge receipt of program revenue or grant income, construction and mini-permanent financing for charter schools, and bond and lease guarantees for facility financing projects. During the recent state budget impasse, Bridgeway's bridge loan program proved to be invaluable to many nonprofits waiting for the release of program funding tied to the state's budget approval. Bridgeway was also able to offer attractive interest rates that are below the typical marketplace rates.



Strength, Inc. benefitted from a \$100,000 loan from Bridgeway Capital's Bricks and Mortar program. The loan provided one fourth of the capital needed to purchase a building in Wilkinsburg.

### For More Information

For more information on Bridgeway's Beyond Bricks and Mortar program or lending to nonprofit organizations, call 412.224.2452 or contact Pete Licastro

Rev. Marcus Harvey, Executive Director, Strength Inc.

lending to nonprofit organizations, call 412.201.2450 or contact Pete Licastro of Grant Street Associates at 412.391.2635 or [plicastro@gsa-cw.com](mailto:plicastro@gsa-cw.com), or visit [www.bridgewaycapital.org](http://www.bridgewaycapital.org).

*“Any nonprofit considering a real estate transaction should contact Bridgeway about their Bricks and Mortar program. Whether an organization is considering leasing, purchasing, selling or renting, Bridgeway’s Bricks and Mortar’s real estate expertise and independent third party assessment is invaluable. It helps organizations avoid mistakes, better understand pros and cons of options and sometimes even save money.”* — **Lisa Kuzma, Program Officer, Richard King Mellon Foundation**

*“Bridgeway Capital was invaluable in providing a bridge loan for the Father Ryan Arts Center. They helped us through the cumbersome paperwork and really understood our organization’s issues. Bridgeway’s mission is similar to ours; we both work to build community whether through investment, development, and services, thus we see Bridgeway as a partner in our work to improve the quality of life in Sto-Rox. We know that we would not have received the same type of service and consideration in applying for a traditional bank loan. With Bridgeway’s help, we were able to open our center in 2009. With their help, we are able to provide a state-of-the-art, multi-level facility in the heart of McKees Rocks with unmatched resources in all facets of artistic education, enrichment and entertainment that serves residents throughout the region.”* — **Sister Sarah Crotty, Associate Executive Director, Focus on Renewal**



The Father Ryan Arts Center

### Are you thinking about co-locating?

You might be surprised, but if you are thinking about co-locating, one of your last considerations should be the actual physical location. Pete Licastro of Grant Street Associates suggests considering the following questions before you begin to look at a shared space:

1. Do you have similar goals and real estate challenges ( i.e., will you find common ground)?
2. Is there an explicit cost benefit to co-location (hard benefits, synergies, collaboration versus challenges, limitations and compromises)?
3. Does the timing of existing lease obligations or commitments allow for the organizations to co-locate?
4. Is the potential co-locator interested in locating in the same general geography? Are your priorities around visibility, parking and public transportation well-matched?
5. Are your interests in physical layout a good match (separated office suites with shared conference, meeting and break rooms; shared services - copier, receptionist, phone system, IT infrastructure)?
6. Is there a logical and evident deal structure to cover legal and practical aspects of the shared space (i.e., one nonprofit taking the lead by purchasing or leasing with an MOU arrangement with other organizations)?



### WE WANT TO KNOW...

#### Are you interested in co-location with other nonprofit organizations?

If the answer is yes, would you allow us to distribute your information through our newsletter mailing list to others who are interested?

[CLICK HERE TO ANSWER!](#)



#### FINANCE MATTERS

##### Assessing your Banking Relationship: *Back to Basics in the New Year*

By Gary Norris

There is nothing more satisfying than checking off an item as “complete” on our New Year’s Resolution list. You can stack the resolution-making business in your favor by putting a few easy items on your list – like reviewing your organization’s banking relationship. This is one relationship that can be taken for granted given all the other operational responsibilities tugging at nonprofits. Why disrupt things when you like your banker, the branch you frequent, or your on-line banking system? And you may feel that with limited time and resources, the cost of switching banks may just not warrant the benefit. But...is this *really* true? In reality, a framework for assessment can go far in helping reveal unnecessary banking costs and added benefits you were never aware of.

#### Account Analysis – What is it?

The assessment begins with asking: “Are our accounts on **Account Analysis** and, if so, is this the most cost-

effective approach for our banking needs?"

Account analysis allows businesses and nonprofits to offset checking account fees and service charges by maintaining compensating balances. Instead of an account being "hard charged" and debited for services throughout the month, a running total, called "soft charges," is kept. At the end of the month, your organization receives an earnings credit on the average available balance in the account. Most banks reduce available balances by the cost of reserves but provide an earnings credit rate equivalent to the three-month U.S. Treasury bill rate.

- If the amount of the earnings credit is greater than the soft charge total, no fees are deducted that month.
- If the amount of the earnings credit is less than the soft charge total, the remaining fees will be deducted from the account balance.

Account analysis statements are provided by banks in addition to standard account statements. They show balances maintained in an account each month, adjusted for the bank's reserve requirement plus a listing of bank services used and their prices. These statements are available monthly for every account--along with a summary analysis combining all accounts your organization holds.

***Make the most of your account analysis statements by doing the following:***

- Inquire about unclear or questionable statement information. All line items and numbers causing concern should be clarified.
- Create a spreadsheet program of account analysis information for each bank for at least the last six months.
- Look for increases in bank pricing, dramatic transaction volume changes, and other inconsistencies.

***Review your account analysis statements for cost-saving opportunities:***

- Your bank should not charge a fee for preparing an Analysis Statement.
- To maximize earnings credit, group multiple checking accounts together for analysis so high balances in one account will compensate for high volume in another account.
- Close any accounts with little or no activity. Why pay monthly fees to maintain an account with low or no transactions? Question service charges that are unclear, expensive or unnecessary.
- Determine whether your accounts hold excessive balances. This determination can be made by looking for wording such as "balances available to support other services." Remove excess balances (see "*Excess Operating Funds*" below) and maintain only enough funds needed to support your organization's banking needs.
- If you can get a money market rate that exceeds the earnings credit rate, it may make sense to pay the higher bank fee and get a better overall return on your funds.

**Package Programs – An Alternative to Account Analysis**

Not all nonprofits are candidates for Account Analysis. If your transaction volume and/or balances are not high, you could be paying too much in fees. A package approach can help you reduce fees or even eliminate them. Banks offer a variety of packaged approaches which can be confusing, so it is recommended you talk with your banker about the one that is most cost effective for your transaction and balance levels.

In general, banks offer packaged accounts if the monthly volume is under 500 transactions. These packaged accounts usually have a minimum balance or maximum number of transactions requirement to avoid any monthly service charges.

**Excess Operating Funds - Manage More Effectively**

Business money market accounts and sweep accounts are a great place to deposit excess funds. These accounts often earn higher rates while also offering liquidity. There are bells and whistles to these products that can make them more or less attractive to you depending on your organization's needs.

For instance, business money markets can pay a higher rate of return than a sweep account, but require manual transfer of funds between your operating and the money market. Also, by law, money markets allow a limited number of transactions per month. However, there are periods, like 2009, when they pay more interest than a sweep, so the additional earnings may be worth it to you. Many bank sweep interest rates are currently around one-quarter of one percent (0.25%) today. Sweep fees vary from bank to bank, but can be expected to be around \$50 to \$150 per month. Have you checked your Sweep Account recently to see the effect of low interest earnings coupled with monthly fees on your account returns? Has your banker offered you an alternative product to your low earning sweep, like a money market account or certificates of deposit?

**Summary - Banking as a Partnership**

Banking relationships can include a host of other products and services to help you operate more effectively like membership banking (for employees), lending, credit card processing, and cash management, to name a

like membership banking (for employees), lending, credit card processing, and cash management, to name a few. Your banker should discuss these with you and profile your organization to determine the right mix and type of products for you. This is an exercise that needs to be conducted periodically as your organization's needs change and the various features of banking products change (interest rates, fees, etc). Banking is a commodity business that is best differentiated through service quality. Take time to find and partner with a bank that provides your organization the best quality of service to help your operations run efficiently and cost-effectively.

*Gary Norris, CPA, is a Vice-President of Business Banking for Fifth Third Bank. He has served for nearly 18 years in the public accounting and banking sectors. Gary has an undergraduate degree from Robert Morris University in Accounting and an MBA from the Indiana University of Pennsylvania.*

## CONTACT US

### **OLSZAK MANAGEMENT CONSULTING, INC.**

812 Robinson Street  
East Brady, PA 16028  
(412) 281-9262 (Telephone)  
(412) 281-9261 (Fax)

[www.olszak.com](http://www.olszak.com)



\*\*\*Design elements in our newsletter were created by LionWorks Printing & Graphics. Contact Tom Gentile, LionWorks Manager, at 412.244.4254 or [tom@lionworksprint.com](mailto:tom@lionworksprint.com), for more information.

## OLSZAK STAFF

### **LISA OLSZAK**

President  
[lolszak@olszak.com](mailto:lolszak@olszak.com)

### **GLENDA LARSON**

Director, Public Involvement  
[glarson@olszak.com](mailto:glarson@olszak.com)

### **MATTHEW SIDORICK**

IT & Operations Manager  
[msidorick@olszak.com](mailto:msidorick@olszak.com)

### **JACKIE FREEMAN**

Assistant Project Manager  
[jfreeman@olszak.com](mailto:jfreeman@olszak.com)

### **ANDY MCCLAIN**

Financial Assistant  
[amclaine@olszak.com](mailto:amclaine@olszak.com)

To remove your name from our mailing list, please

[click here.](#)