HBK | Nonprofit Solutions

Insights

Best Practices of Highly-Effective Nonprofit Organizations

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TAX

When “Tax-Exempt” Becomes Taxable: The Unrelated Business Income Tax

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In order to avoid paying federal (and often state) income tax on revenue generated by a nonprofit organization, the organization generally must affirmatively apply for tax-exempt status. The type of tax-exempt organization generally controls how much revenue can avoid tax under IRS tax rules. For example, an Internal Revenue Code (IRC) section 501(c)(3) organization may be exempt as a private foundation, but must pay income tax on net investment income, whereas a public charity is not subject to the net investment income tax. In total, there are 29 different tax-exempt organization types under IRC section 501(a), with 25 different categories found under section 501(c). Each organization type has different levels of tax-exempt status, but all may be subject to the unrelated business income tax.

> **Each organization type** has different levels of tax-exempt status, but all may be subject to the unrelated business income tax.

Unrelated Business Income Definition

The unrelated business income tax (UBIT) is a tax assessed on income that is generated by an unrelated trade or business. To fall under the unrelated business income rules, an activity must meet three requirements:

- The activity must be considered a trade or business,
- The activity must be regularly carried on, and
- The activity must be substantially unrelated to the organization’s exempt purpose.

Trade or Business: The IRS does not specifically define a trade or business. Instead, it looks at multiple factors to determine whether an activity rises to the level of a trade or business. An activity is generally found to be a trade or business if it is carried out in a business-like manner, and there is an expectation that the activity will generate a profit.

Regularly Carried On: To determine whether an activity is regularly carried on, the IRS will focus on the type of activity and the regularity required of that activity. For example, if an organization operates a store that is open every day with set hours, it would generally be found to be regularly carried on. In contrast, if an organization put on a one-time sale event at a local store to generate revenue, the “regularly carried on” condition would likely not be met.

Substantially Unrelated: When determining whether an activity is related to an organization’s exempt purpose, the organization must analyze the activity being performed, not what is ultimately done with the revenue generated by the activity. This analysis is very fact-specific, and may be challenging to determine. For example, an organization whose exempt purpose is the furtherance of the arts within a community may

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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.

Where an organization has a significant amount of revenue from unrelated business activities, the organization might owe a significant amount in tax, or could even jeopardize its tax-exempt status.

argue that putting on an arts festival annually is related to their exempt purpose. However, if an organization whose exempt purpose is to protect wildlife puts on an annual arts festival to raise funds, it becomes harder to link the art festival to the protection of wildlife.

Not all unrelated business activities will fall under the UBIT rules. For example, some income from investment activities—interest, dividends, capital gains, rental income—may be unrelated to the organization's exempt purpose, but are specifically excluded from the definition of unrelated business income for public charities and certain other organizations. In contrast, advertising revenue generated from a publication put out by an organization would generally fall under the UBIT rules due to its commercial nature.

Unrelated Business Income Tax Reporting

Once a charitable organization makes the determination that an activity falls within the unrelated business income rules, the organization must separately account for the revenue and expenses related to that activity. If the gross income from the activity exceeds $1,000, the organization must file a Form 990-T to report the revenue and expenses and calculate any unrelated business income tax that might be owed. Each activity must be separately reported, with its own tax calculation. If an organization invests in publicly traded partnerships or makes other investments that report unrelated business income, the income from these investing activities might qualify to be aggregated for reporting and tax calculation purposes.

Form 990-T is due on the fifteenth day of the fifth month after the end of the organization's tax year. An organization that has a year-end of December 31 will therefore need to file Form 990-T by May 15 of the following year. The organization may also apply for a six-month filing extension by submitting a request on Form 8868 on or before the original due date. Note that this extension is separate from an extension to file the organization's Form 990, 990-EZ, 990-N, or 990-PF. In addition, any taxes that may be owed must be paid by the original due date of the return. Payments are made electronically using the Electronic Federal Tax Payment System (EFTPS), and late payment and late filing penalties may apply if the organization misses these deadlines.

When determining whether an activity is related to an organization's exempt purpose, the organization must analyze the activity being performed, not what is ultimately done with the revenue generated by the activity.

Conclusion

Tax-exempt organizations should be cautious when engaging in activities that may not be substantially related to their exempt purpose. Where an organization has a significant amount of revenue from unrelated business activities, the organization might owe a significant amount in tax, or could even jeopardize its tax-exempt status. Having an experienced nonprofit accounting specialist is critical to ensuring that an organization is in compliance with the unrelated business income tax rules.

As seen in NJCPA Focus, *December 2024 issue.*

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GOVERNANCE

OMB Issues Updates to Uniform Guidance

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The changes to Uniform Guidance are intended to help recipients of federal funding "focus more on the people they serve and to deliver results for their communities."

The Office of Management and Budget (OMB) has updated and revised its guidance for organizations receiving federal funds. It comes in the form of revisions to 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), the federal regulations surrounding federal financial assistance, including single audit requirements.

The changes are intended to help recipients of federal funding "focus more on the people they serve and to deliver results for their communities," and familiarity with these updates should help organizations comply with OMB requirements. However, although significant revisions were made to help reduce the administrative burden on recipients of federal funds, the transition has raised some implementation questions.

It is important to note that the revisions are effective for new federal awards issued on or after October 1, 2024, and in the case of audit revisions, for fiscal years beginning on or after October 1, 2024. Federal awards issued prior to October 1, 2024, should use the previous version of the Uniform Guidance unless an official amendment is issued stating otherwise.

Some of the key changes:

- **Increased single audit threshold:** The expenditure threshold requiring a single audit has been raised from $750,000 to $1,000,000. This change aims to reduce the compliance burden on smaller entities.
- **Raised Type A program threshold:** The threshold for Type A programs has also increased from $750,000 to $1,000,000. This adjustment affects the determination of major programs during audits.
- **Higher equipment thresholds:** The capitalization threshold for equipment has been increased from $5,000 to $10,000. It could potentially be a good time for organizations to consider revising their capitalization thresholds policies to match the federal increase.

Changes include increasing the capitalization threshold for equipment from $5,000 to $10,000.

- **De minimis indirect cost rate:** The de minimis indirect cost rate has been increased from 10 to 15 percent, providing greater flexibility for entities that do not have a negotiated indirect cost rate. Organizations may apply for rates lower than 15 percent at their own discretion.
- **Fixed amount awards and subawards:** The maximum amount for fixed amount subawards has been increased from $250,000 to $500,000, given prior written approval from the federal agency.

Ultimately the Uniform Guidance updates are designed to streamline processes, reduce administrative burdens, and enhance the management and transparency of federal financial assistance.

- **Plain language and accessibility:** The revisions emphasize the use of plain language in Notices of Funding Opportunities (NOFOs) to make them more accessible, particularly for organizations with limited capacity.
- **Community engagement and public participation:** The updated guidance encourages federal agencies and recipients to conduct community engagement activities and permits the use of federal funds for public participation and community engagement when related to an award.
- **Labor Standards:** The revisions address labor standards for federal grant awards, emphasizing the importance of supporting job growth in local communities.

The Uniform Guidance revisions also include noteworthy updates to procurement standards:

- **Removal of geographic preferences prohibition:** The previous prohibition against using geographic preferences in procurement evaluations has been eliminated. This change provides recipients with greater flexibility in their procurement processes.
- **Emphasis on contracting with diverse businesses:** The updated guidance continues to encourage recipients to provide opportunities for small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms. Recipients are urged to take affirmative steps to ensure these entities are utilized when possible.

Organizations should consider updating their procurement policies to ensure compliance and improve efficiency. Some key policy updates to consider:

- **De minimis indirect cost rate:**
  - If applicable, update procurement policies to reflect the increase in the de minimis indirect cost rate from 10 to 15 percent.
- **Geographic preferences:**
  - Remove references to the prior prohibition on geographic preferences in procurement evaluations.
  - If geographic preferences are to be used, update policies to ensure that they comply with other federal and state laws.
- **Fixed amount awards and subawards:**
  - Update procurement policies to reflect the increase in the fixed amount subaward threshold from $250,000 to $500,000.
  - Ensure subaward monitoring procedures align with updated federal requirements.
- **Sustainability and labor standards:**
  - Integrate updated federal labor standards, especially if contracts involve job creation or economic development projects.
  - Include sustainability considerations in procurement evaluation criteria.
- **Small, minority, and women-owned businesses:**
  - Strengthen policies that encourage contracting with small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms.
  - Include "veteran-owned businesses" in contract considerations of disadvantaged businesses
  - Require affirmative steps, such as outreach efforts and subcontracting opportunities, to increase diversity in procurement.

Ultimately the Uniform Guidance updates are designed to streamline processes, reduce administrative burdens, and enhance the management and transparency of federal financial assistance.

HBK is here to help. Let us be your trusted advisor and resource as you navigate these changes and all the complexities of federal grants. If you have any questions, please contact me at 724-934-5300 or DSefick@hbkcpa.com.

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AUDIT & ASSURANCE

Use a Budget to Create Financial Stability

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Often overlooked, avoided, or not utilized effectively, a budget is a valuable, even critical financial tool for a nonprofit. Budgets can be time consuming and may feel restrictive, but when used properly, they help create financial stability for an organization.

For nonprofits, budgets are essential to improve efficiency and properly utilize resources. However, in order to be useful and effective, they must be created properly. This article will offer tips on developing an effective, meaningful budget that will meet the specific needs of your organization.

The Importance of Budgeting

Budgeting is a particularly important practice for nonprofits because they typically have limited funding resources. For many nonprofits, funding sources can be unpredictable. For example, consider donations from the public: Will the donor contribute again? If so, when? And how much? If funding is not received, what can be done to raise additional money? Such uncertainty can be stressful for management, creating doubts about their ability to fulfill their organization's mission.

Budgets identify the monetary needs of the organization to cover program costs and general and administrative expenses. Once these are identified, the organization must determine how they will obtain the needed funding, which could come from such sources as program fees or charges, general contributions from the public, government grants, grants from charitable organizations, fundraising events, retail sales, rental income, investment income, and so on.

Once the budget is created, it is used monthly to compare actual results to budgeted amounts. Any variances are investigated, and, if necessary, additional action may be required. If revenue received is less than budgeted, the organization needs to either find another source of revenue or reduce spending in order to avoid operating at a deficit. Although it is unlikely that operating at a small deficit for a year or two would significantly impact the organization, eventually the organization will have to find additional resources or cut costs in order to remain a going concern.

For nonprofits, budgets are essential to improve efficiency and properly utilize resources. However, in order to be useful and effective, they must be created properly.

Operating at a surplus allows an organization to pay back debt, invest in information technology and other capital improvements, grow program activity, and take other actions necessary for its success.

Budgets enable the leaders of the organization to prioritize programs in accordance with the organization's mission; they discourage wasting resources by concentrating on organizational needs versus wants. As well, nonprofits require bids for large purchases and budgeting for those purchases helps them ensure the prices they pay are appropriate. Budgets are also used to help organizations maintain and improve capital items as necessary.

Many grantors require a budget in order to provide and continue funding because a budget demonstrates the organization's accountability to donors and the general public.

Tips for Creating an Effective Budget

If budgets are not created properly, they are ineffective and add no value to the organization. The following are tips for preparing an effective budget:

- **The budget should include a surplus.** A common misconception about a nonprofit budget is that it should be prepared assuming a breakeven, that is, no surplus or deficit. However, a budget should operate at a surplus in order to contribute to the financial stability of the organization by enabling it to set aside funds as an operating reserve.

  It is typically recommended that a nonprofit organization should maintain three-to-six months of operating expenses in reserve. Operating at a surplus also allows the organization to pay back debt, invest in information technology and other capital improvements, grow program activity, and take other actions necessary for its success.

- **The budget should be prepared before the start of the year and amended only if there are significant changes to the operations of the organization.** Another common misunderstanding regarding the preparation of a budget is the belief that it should be updated monthly, when actual revenue and expenses are known. Although there are situations that warrant an amended budget, small changes should be avoided. If the budget is amended to accommodate actual results, monthly variance analyses, which provide valuable insights on those results, cannot be performed. For example, if repairs and maintenance exceed the budget by $7,000 during the month and are explained by a furnace repair that was not budgeted, it could indicate a new furnace should be considered. On the contrary, if the budget is revised, it is likely the same repair will be in the budget next year, which might not be appropriate.

  On the other hand, consider amending the budget if there are significant operating changes, such as the addition or discontinuance of a program, the addition of a new location, or significant increases or decreases in funding.

Consider amending the budget if there are significant operating changes, such as the addition or discontinuance of a program, the addition of a new location, or significant increases or decreases in funding.

- **A budget should be detailed.** If possible, create a budget for each program: fundraising expenses, general and administrative expenses, each special event, etc. If the organization has more than one location, consider a budget for each location. Separate budgets can be combined to provide the overall budget for the organization.

  A budget should include a line item for each type of revenue source and for each expense by natural classification. The budget should also contain a line item for capital additions, including improvements, equipment, and furniture.

- **If operations vary month to month, consider monthly budgets versus an annual budget.** If operations are seasonal, an annual budget divided by 12 months will not provide a good basis for analysis of actual-to-budget variances. Although a monthly budget may take more time to prepare, it will provide for more meaningful analysis.

- **Start with last year's actual results and budget.** In order to save time, start with last year's actual results and budget analysis and consider changes expected in the upcoming year, such as the impact of inflation, new grant revenue, increases in program revenue fees, lost funding, annual payroll raises, or additional personnel.

- **Add 10-to-15 percent of total expenses as a contingency for unexpected costs.** There are always unplanned expenses; a contingency for unexpected costs will alleviate the burden of finding additional revenue or reducing expenses for some of these items.

- **Consider a long-term budget, one-to-five years, for capital expenditures.** A long-term budget for these items will let you spread out costs and avoid substantial budget increases in any one year. In addition, consider requesting grant monies to pay for capital expenditures.

Budgets enable the leaders of the organization to prioritize programs in accordance with the organization's mission; they discourage wasting resources by concentrating on organizational needs versus wants.

- **Consider adding a budget line for the creation of an endowment fund.** An endowment fund will help the organization achieve financial stability.
- **Consider recommended guidelines provided by The Better Business Bureau:**
  - Executive compensation should be less than 10 percent of the entire budget.
  - At least 65 percent of revenue should be spent on program costs.
- **Create the budget with input from management, program leaders, and the board of directors.** These individuals understand your operations and are aware of potential changes that could occur, so ask for their assistance. The board of directors should officially approve the budget.
- **Analyze and investigate monthly.** Once approved, the budget should be compared to actual results on a monthly basis and any significant variances investigated and documented.

Budgets can be an effective instrument for nonprofit organizations striving to plan for the future success of their organization. However, they must be used properly to be effective. Employing the tips above will help you ensure your nonprofit gets the most out of this powerful financial tool.

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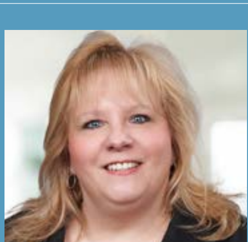

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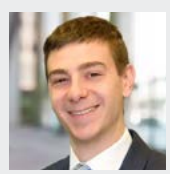

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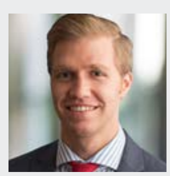

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Nonprofit Pitfalls: Private Inurement, Private Benefit

While the rules seem straightforward, they are often misunderstood and misapplied.

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When organizations register for tax-exempt status as a 501(c)(3), they are classified as either a "private foundation" or a "public charity."

The distinction is that a public charity receives income from multiple sources and uses it to pursue its exempt purpose by operating charitable programs, while a private foundation generally has one main source of income or funding and typically gives grants to various causes. Regardless of an organization's classification, both private foundations and public charities must be aware of the "private inurement" and "private benefit" concepts and be vigilant in how their organization is conducting business to avoid violating these rules and risking their tax-exempt status.

Private Inurement

In order to qualify, and remain qualified, as a tax-exempt 501(c)(3) public charitable organization, the entity must comply with two main rules:

- Organized and operated exclusively for an exempt purpose as outlined in code section 501(c)(3)
- No part of the organization's earnings inure—that is, are used for an insider's private purposes—to a private shareholder or individual

While these rules seem straightforward, they are often misunderstood and misapplied.

The rule against private inurement was originally put into place to differentiate between for-profit and not-for-profit entities as they are defined within the code. For-profit entities inure earnings to private shareholders and individuals, typically through dividends and other distributions, whereas not-for-profit entities do not. Over time, and with the help of court cases, the intent of the Internal Revenue Service has become more evident: private inurement as it applies to tax-exempt organizations is much broader than those typical direct payments of earnings to individuals and shareholders paid in for-profit entities. Although over the years the Service has brought cases against not-for-profit entities that have blatantly engaged in private inurement, inurement can also result from transactions that appear above board.

Private inurement can only result from transactions with private shareholders and individuals, who are considered to have the authority to control the use of income and resources of an organization for their own personal, private benefit. Examples include members of the board of directors, senior executives, management, and organization employees.

One common transaction with potential for causing private inurement is compensation arrangements. Charitable organizations can provide reasonable compensation to their employees for the work performed for the organization without jeopardizing their tax-exempt status. But how that compensation is determined is important. It must be negotiated at arms length, reasonable for the services performed, and not structured as a mechanism for distributing profits. Organizations often satisfy these requirements by having a dedicated compensation committee composed of directors who are not also officers. Industry data and salary surveys can and should be considered, whether there is a compensation committee or not, to ensure employees' positions with similar job duties are comparable. The process for determining reasonable compensation for officers and key employees must be disclosed on Form 990, as is the amount of compensation paid to those individuals. Depending on the level of compensation paid to employees, further disclosure may be required on Schedule J of the Form 990.

Other examples of arrangements that will result in inurement of earnings are:

- Loans or extensions of credit at below-market rates or with no interest
- Sales or leases of property to (or by) an organization at prices in excess of (or below) fair market value
- Use of an organization's property for personal use without adequate compensation or without a compensatory purpose
- Intermingling of personal and exempt organization assets
- Outright distributions of assets to individuals without adequate consideration and not in furtherance of an exempt purpose

Employee compensation must be negotiated at arms length, reasonable for the services performed, and not structured as a mechanism for distributing profits. Organizations often satisfy these requirements by having a dedicated compensation committee composed of directors who are not also officers.

The prohibition of private inurement shouldn't be interpreted to mean that no transactions should occur between a tax-exempt organization and a private shareholder or individual. As long as these types of transactions are structured so that neither the organization nor the individual is receiving undue benefits and are entered into and carried out in a business-like manner, then the likelihood of the transaction being considered private inurement is greatly reduced or eliminated.

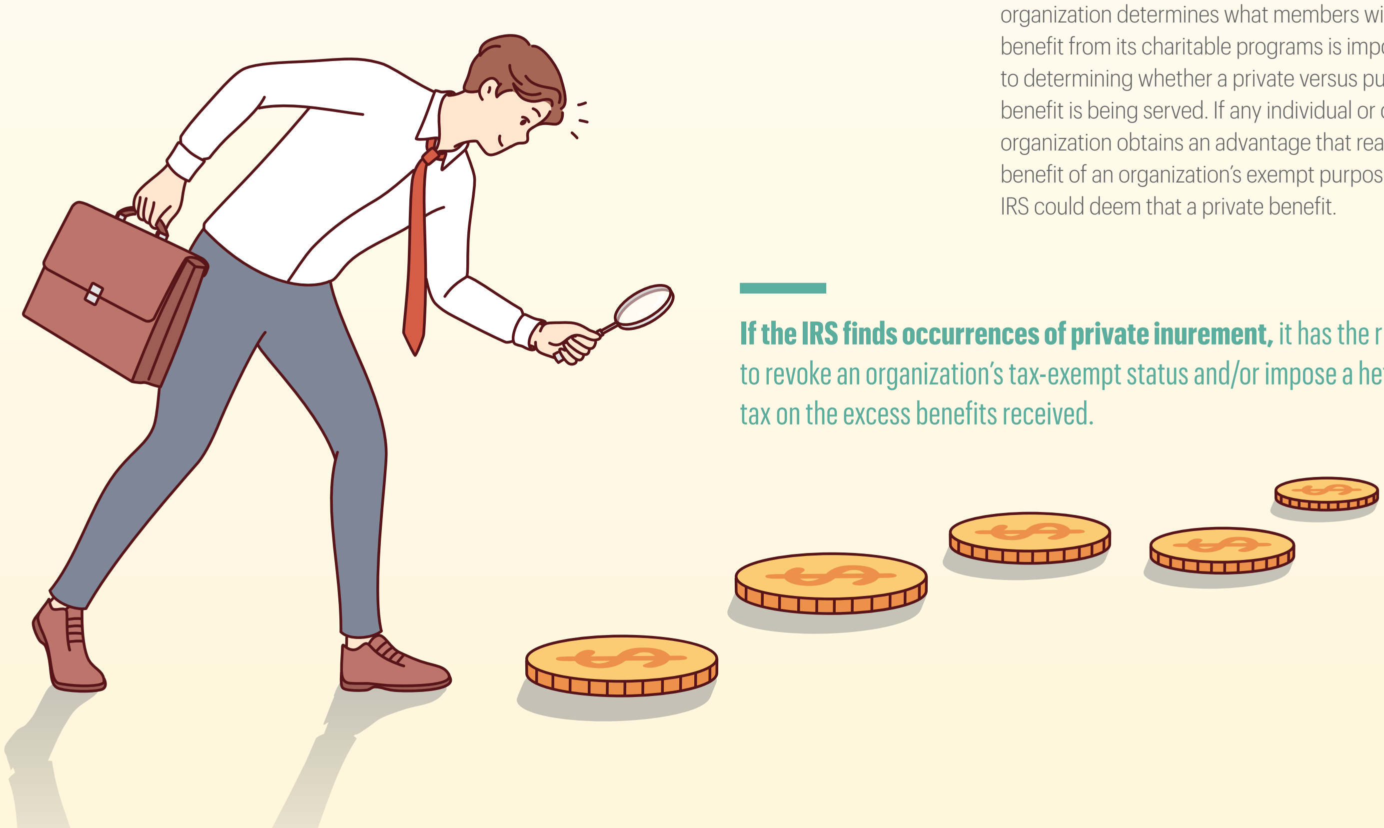
With the exception of compensation paid to employees, transactions between an organization and its private shareholders and individuals are required to be disclosed on Schedule L of the Form 990.

If the IRS finds occurrences of private inurement, it has the right to revoke an organization's tax-exempt status and/or impose a hefty tax on the excess benefits received.

Private Benefit

Private benefit encompasses private inurement and includes any individual or entity that receives a substantial benefit from an organization. It occurs when an organization serves a private interest rather than one that is public. Private benefit is broader than private inurement and is not limited to individuals with considerable authority and influence at the organization. Private benefit can include anyone or any other organization that receives an unfair advantage from an organization's services. Unlike private inurement, private benefit is not completely barred.

One of the ways an organization can lose its exempt status is if a small number of beneficiaries, who could be people or organizations outside the organization, are benefitting from their charitable programs. Organizations are formed to operate a charitable program that furthers its exempt purpose and help members of a charitable class. If a charitable organization inadvertently is not helping the charitable class it was formed to help, it can lose its tax-exempt status due to a private benefit being received by a small number of beneficiaries. As such, the ways in which an organization determines what members will benefit from its charitable programs is important to determining whether a private versus public benefit is being served. If any individual or other organization obtains an advantage that reap the benefit of an organization's exempt purpose, the IRS could deem that a private benefit.



If the IRS finds occurrences of private inurement, it has the right to revoke an organization's tax-exempt status and/or impose a hefty tax on the excess benefits received.

A private benefit can occur even when an organization is helping a member of a charitable class. For example, an organization is formed to help children with a specific type of cancer. Private inurement would occur if parents of a child with that specific type of cancer set up an organization to specifically help their child with this cancer. In contrast, private benefit would occur if the organization decides to help only a few children with that specific type of cancer and chooses not to help more children with that cancer if they are able to. Additionally, even if the cancer patient and family are not related to any members of the organization in any way and have no significant influence or control over the way the organization operates, the preferential treatment of one member of a charitable class over all the others could be considered a private benefit in facts and circumstances, as the organization would be helping a "group" of beneficiaries that is too small.

How does an organization avoid private benefit? By pursuing its charitable mission in ways that are as unbiased as possible. Even though people are inherently biased, there are actionable items nonprofits can follow to make sure they are in check with regards to private benefit. The IRS looks at both qualitative and quantitative factors when trying to determine if a private benefit has occurred. A qualitative determination is concluded when the IRS decides that the organization did not confer a private benefit upon a beneficiary if the benefit is a product of the organization pursuing its exempt mission for the good of the public. A quantitative determination is decided when the IRS determines the private benefit is less than the public benefit. These are not definitive rules or thresholds to determine when a private benefit explicitly occurs, only general guidelines on how the IRS concludes whether or not a beneficiary has received a private benefit.

How does an organization avoid private benefit? By pursuing its charitable mission in ways that are as unbiased as possible.

The following are some additional items to consider to avoid private benefit:

- An organization should not be formed to help one beneficiary, but to pursue an exempt purpose regardless of who specifically is benefitting, as long as that beneficiary fits into the charitable class defined by the organization
- The class of recipients the organization works to benefit should be as inclusive and well defined as possible
- The organization should go above and beyond to avoid conflicts of interests. If a conflict of interest does occur, the organization should have a transparent conflict-of-interest policy in place
- If an exempt organization decides it wants to allow the sale of goods or services to benefit specific individuals, the organization must ensure the activity is insignificant to the whole mission and the sale and any subsequent financial benefits are inconsequential

Becoming familiar with the guidance surrounding tax-exempt organizations is crucial for navigating the business aspects of not-for-profit entities without compromising their tax-exempt status.

If you have questions, please reach out to a member of HBK Nonprofit Solutions.

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Teal Strammer, CPA
HBK Senior Manager, Tax Specialist | Naples, FL

Teal is a senior manager in the HBK office in Sarasota, Fla. She specializes in tax preparation and assurance services for nonprofits and leads the firm's Tax-Exempt Organizations Tax Specialists Group.

Additionally, she does tax preparation for individuals, businesses, trusts, and estates, and has experience with employee benefit plans and the construction and manufacturing industries. As a part of HBK's REVEAL team, she oversees recruiting efforts for the Sarasota office. Teal began her accounting career with HBK in 2016.

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CLIENT SPOTLIGHT

ISLE Inc.: Uniquely Helping Adults with Special Needs

A Q&A with Jimmy Sutman, President and Founder, ISLE, Inc. and HBK Nonprofit Solutions

ISLE
IRON AND STRING LIFE ENHANCEMENT, INC.

Golden String Radio
GOLDENSTRINGRADIO.ORG

GABBACAMP

Why It Matters

ISLE Inc. (Iron and String Life Enhancement) works to help adults with special needs. Founded in 1998 to provide residential, respite, transportation, advocacy, vocational services, and day habilitative programming for developmentally disabled and special needs individuals, the nonprofit today includes an internet radio station, Golden String Radio, and a vacation camp for disabled adults, GabbaCamp, in addition to providing adult rehabilitation services in Ohio's Mahoning, Trumbull, and Columbiana counties, and Pennsylvania's Mercer and Lawrence counties.

Combined, the organization, which recently moved its headquarters to downtown Youngstown, serves individuals in four Pennsylvania counties and employs a staff of more than 400. We talked with president and founder Jimmy Sutman to learn more about the nonprofit and its activities.

HBK. Tell us about the history and mission of your organization.

Sutman. Our name is the acronym for Iron and String Life Enhancement, which reflects our focus on person-centered planning, our first two clients being an individual who carried a clothing iron with him and one who kept a ball of string in his hand. Our patients often have Down syndrome, developmental disabilities like cerebral palsy, or a traumatic brain injury from an accident or disease, but our biggest concern is adults with autism because of the associated behaviors.

I started in 1998 when I met Joe Gallagher who needed a place to live and I was working with folks with disabilities for Mahoning County. We pooled our dollars and moved in together. It proved to be good timing because the government was running these programs and looking to get out of them. I got some other clients and a second home, then started the radio station, Golden String Radio, with about 80 vinyl records that Joe Gallagher owned. We didn't have much money and needed help for medical transportation, environmental modifications like ramps for the homes, and paying for medicines. Our primary focus was on the residential programs, and today we have 33 homes. ISLE staff members provide day-to-day client assistance in the areas of cooking, cleaning, health management, personal hygiene, safety, money management, shopping, and medication administration. Each day our clients with disabilities are supported to be as independent as possible and driven to live their life to the fullest potential.

Over the years, the program has grown to include a restaurant employing 34 adults with disabilities, the not-for-profit radio station, and GabbaCamp, which I think one day will become our crowning achievement.

HBK. Tell us a little more about Golden String Radio.

Sutman. Golden String Radio is a unique station in that adults with disabilities operate the station.

Our biggest challenge is staffing, finding good people; then, the world's lack of understanding of the autism spectrum where clients can have multiple adverse behaviors.

GabbaCamp promotes the benefits of and allows access to green space, which has been proven to promote mental and physical health, and reduce morbidity and mortality by providing psychological relaxation and stress alleviation, stimulating social cohesion, and supporting physical activity.

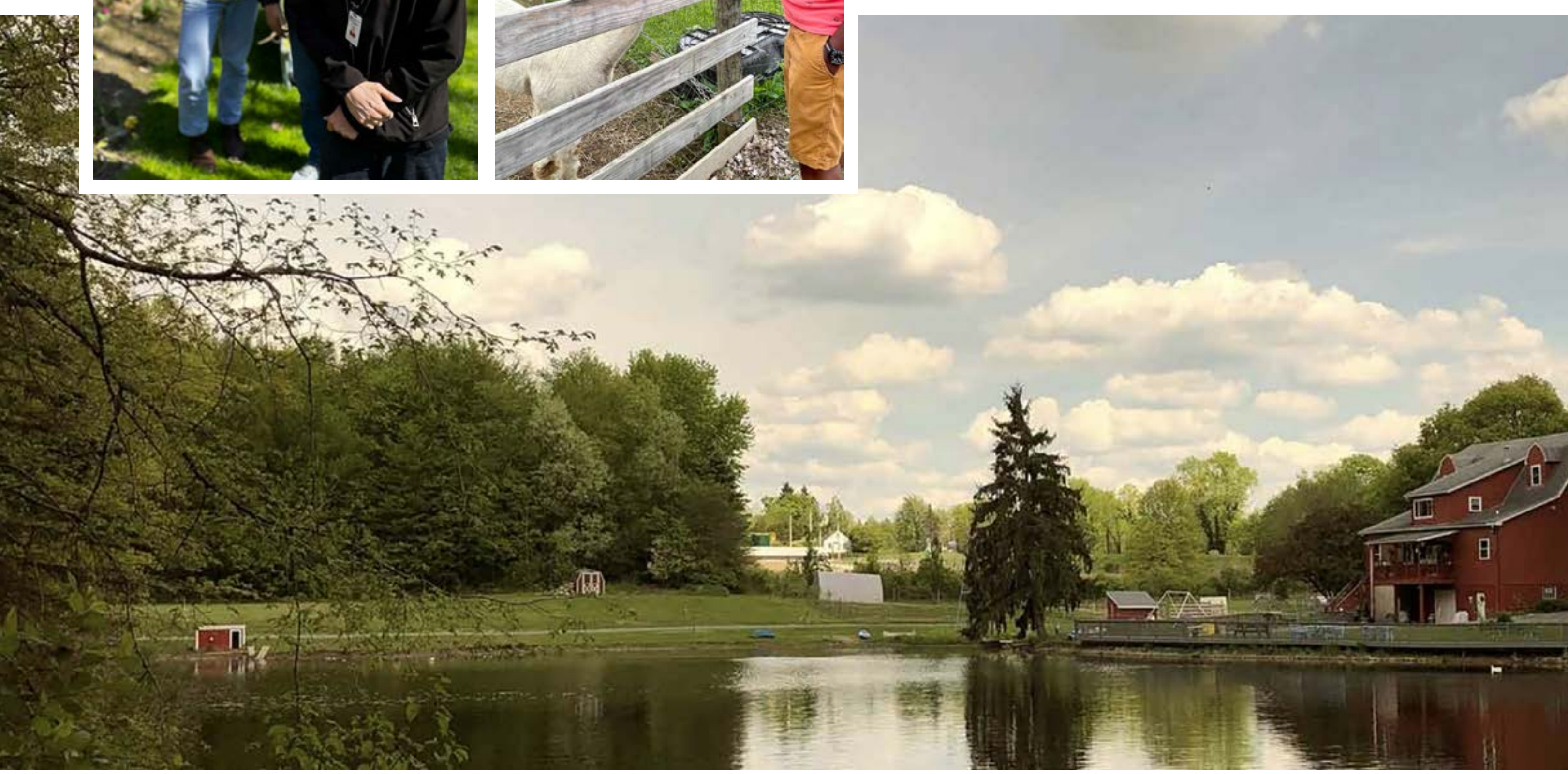
They are our DJs, clerical staff, creative directors, and technical support. Since our founding as a 501(c)3 nonprofit in 2010, the station has hosted dozens of DJs and a variety of shows, talk, musical guests, and remote broadcasts. What sets us apart from your average internet radio station is our eclectic group of personalities—and music. Tune in at any given time and you'll never know what you're going to hear.

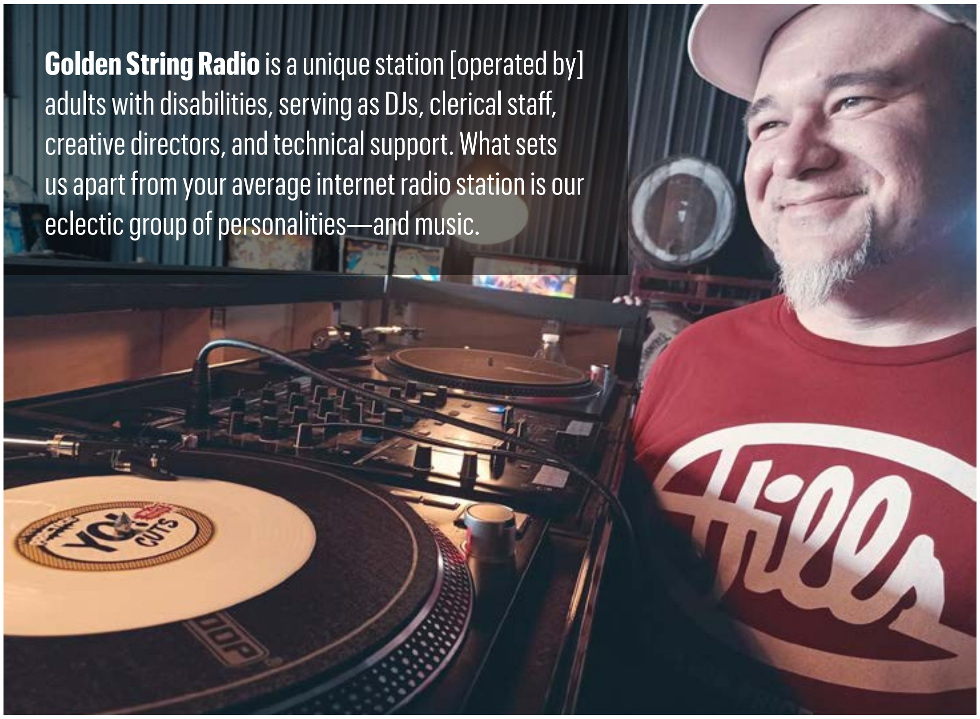
HBK. Tell us more about the camp.

Sutman. GabbaCamp is the latest extension of the mission of Golden String Inc., which was founded in 2001 to provide recreational activities and transportation. The Camp promotes the benefits of and allows access to green space, which has been proven to promote mental and physical health, and reduce morbidity and mortality by providing psychological relaxation and stress alleviation, stimulating social cohesion, and supporting physical activity. Now in its infancy, we are hiring a director and staff; we expect between 100 and 150 campers in 2025.

HBK. What are the greatest challenges to accomplishing your mission?

Sutman. Staffing, finding good people is our biggest challenge; then, the world's lack of understanding of the autism spectrum where clients can have multiple adverse behaviors. Even the government agencies that provide funding don't understand the difference between autism and other mental health issues. Clients can even be on medications they shouldn't be on. Finding





staff to deal with those adverse behaviors is difficult. GabbaCamp is for people who can't find other places where they are accepted.

HBK. Where do you get your funding?

Sutman. We are licensed by Medicaid in Ohio and Pennsylvania, so we can bill the daily rates for the 98 percent of our patients who qualify for Medicaid. But Medicaid covers only a small portion of our expenses, so we rely on government grants, a lot on donations, and some private-pay funds.

HBK. How valuable is it to work with an accounting firm with a specialization in serving nonprofits?

Sutman. HBK's Dave Blasko has been a blessing. He joined the Golden String board in '98, then we chose him as our accountant, and we have never looked back. Dave is president of our board, and beyond the accounting function, has put us in contact with sources for things like vehicles, insurances, medical benefits, and donations. He and HBK's Jim Dascenzo have been huge for us. They came out when we were building our first five cabins at the Camp; they dug holes, built fencing, and helped raise the camp. They got us audiences with foundations for support. Our relationship with HBK has grown well beyond accounting to business guidance and helping us develop relationships with other businesses and people in the Youngstown community.

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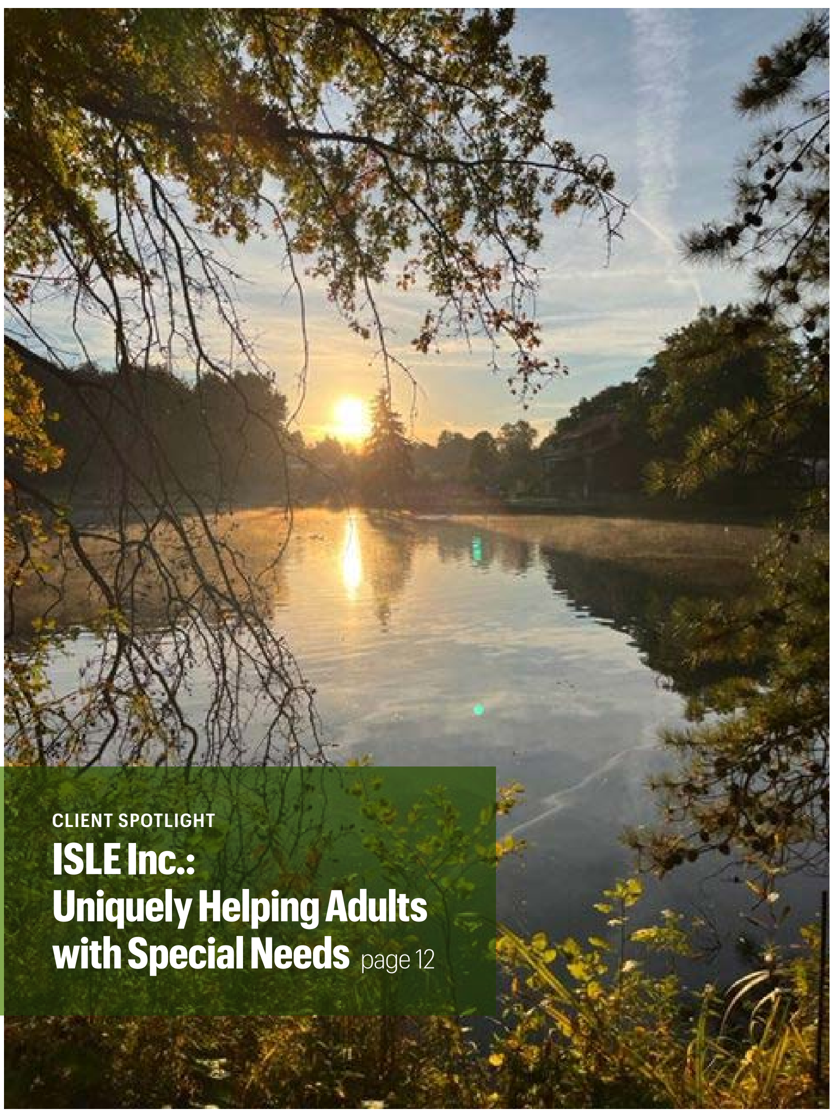

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