



# Non-Profit Compensation

An Oxymoron?

# Overview

- Sources & Systems
  - Identify various forms of compensation
  - Offer insight to various compensation programs/models
- Compensation Philosophy
  - Match comp philosophy to needs of the organization
  - ‘Reasonable’
  - Performance management - ‘You get what you pay for’
- Miscellaneous Musings
  - Contracts
  - Salary surveys and useful sources of data
- Q&A

# Sources & Systems

- Money as motivator...
  - We all know better
- ‘Compensation’ is as much art as science
- Other considerations
  - Quality of work life
  - Organizational stability/ structure
  - Growth opportunities
  - Learning environment

# Sources & Systems

## Compensation – W-2

- Base salary
- Bonus & incentives
- Sign on bonus
- Taxable fringe benefits
- PTO/Vacation – various payout opportunities

## Compensation – Non-W-2

- EE/ER share – health/welfare benefits
- Retirement contributions
- HSA/Flex Plan contributions
- 457 Deferred Comp programs, rabbi trusts
- Professional / continuing education
- Seminars/ conferences
- Insurance instruments

# Sources & Systems

- Compensation Models - Purpose
  - Value the role being performed
  - Offer competitive compensation
  - Offer a systematic, equitable structure
- Compensation Structures – Typical
  - Job analysis/ Hay points
  - Job grading/ ladders
  - Job families/ ‘Broad banding’

# Incentives & Bonuses

- Based upon some metric(s) tied to enhancing the mission
- Established and monitored by independent governing body
- Total compensation remains 'reasonable'

# Incentives & Bonus

- Bonus
  - Predicated on accomplishment of job goals, projects, and/or reward for overall job performance (Reward)
  - Funding derived from 'budget.'
  - Tends to be fixed or discretionary in nature
- Incentive
  - Derived from attaining some financial impact in excess of budget or target (Earned)
  - Funding derived from 'excess' over 'budget.'
  - Tends to be established as a percentage of base comp

# Incentives & Bonus

Section 501(c)(3) of the Code describes as exempt from federal income tax, as provided under section 501(a), organizations organized and operated exclusively for various exempt purposes, including charitable, scientific, or educational purposes, **and no part of the net earnings of which inures to the benefit of any private shareholder or individual**



# Compensation Philosophy

## Considerations....

- Stage of the organization
  - Turnaround
  - Maintain
  - Builder
- Competitiveness within industry
  - Need to aggressively recruit for talent
- In what league are/do you want to play?

# Defining ‘Reasonable’

Nonprofit compensation practices can also draw fire from the IRS.

- The IRS is charged with enforcing the Federal Private Inurement Prohibition, which strictly *forbids a tax-exempt organization’s decision makers—board members, trustees, officers, or key employees—from receiving unreasonable benefits from the nonprofit’s income or assets*. Excessive compensation paid to nonprofit executives is the most common violation of this prohibition, and it can cause the IRS to levy hefty fines on the persons involved

# Define 'Reasonable'

- Charities can pay their executives market rate.
- Market rate is determined by researching what someone in a similar position would earn at an organization that is of the same size and has a similar mission or field of activity.
- Charities can look at for-profit compensation when determining market rate, as long as the job, organization size, and organization mission/purpose are comparable.
- <http://www.guidestar.org/ViewCmsFile.aspx?ContentID=3890>

# Define 'Reasonable'

- Who's at the top?
  - Turnaround
  - Maintainer
  - Builder
- Competitiveness within industry
  - What/who do you define as 'benchmark?'
- Define current and proposed level of talent
  - Division II? Division I? Major leagues?
  - Same jobs.. Different leagues..

# Rewarding 'Performance'

- 'Pay for Performance?'
  - You can't manage what you don't measure
  - 'Competencies' versus 'Results'
- Outcomes based Human Resources
  - Coach for competency
  - Reward for outcomes and results

# General Musings and Thoughts

- Contracts
  - No longer 'employment at will'
  - To codify 'off policy' benefits and considerations
  - To codify commitments or conditions in excess of a typical 'at will' relationship
- Salary surveys & data sources

# Q&A

# Thank You

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