

2026 Not-for-Profit Industry Breakfast Seminar

April 29, 2026

 Kreischer Miller





National
Philanthropic
Trust

Your partner in giving

Activating Your DAF-Donor Base:

Strategies for Fundraising and Planned Giving Success

Fernando Gonzalez, CAP, Vice President, Development, East
National Philanthropic Trust

About National Philanthropic Trust

National Philanthropic Trust (NPT) is a public charity founded in 1996. We are the largest independent sponsor of donor-advised funds and a pioneer in private-label DAFs, providing philanthropic expertise to donors and advisors and partnering with financial institutions, enabling them to realize their philanthropic goals.



Gifts and Grants (since inception)*

- Contributions Totaling

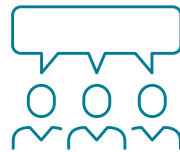
\$92.2B

- Charitable AUM

\$65.9B

- 1,000,000+ Grants Totaling

\$44.7B



We Work With

- Global private & commercial banks
- Regional & community banks
- RIAs
- Single- and multi-family offices
- Wealthy families and their trusted advisors
- Individuals, corporations and foundations



NPT Differentiators

- Turnkey private-label DAF program in partnership with financial firms
- Expert philanthropic consulting services
- Complex and alternative asset acceptance
- International grantmaking and global affiliates: NPT UK and NPT Transatlantic
- Full-service support for product teams, advisors, and donors

The Rise of Donor-Advised Funds

Donor-advised funds (DAFs) have grown in popularity and use.

In the past decade alone, DAF Sponsors and Donors granted over **\$356B globally**

1,206% growth in total DAF accounts since 2014, now over 3.56M

75% higher — Gifts to DAFs as a percentage of total giving in the U.S. is 75% higher than in 2014

Agenda

How can you tap into this \$326+ billion DAF opportunity?

- Overview and opportunity

- Engaging DAF donors

- Use case: illiquid asset

Overview and Opportunity

How Donor-Advised Funds Work

Donors contribute assets to DAF sponsors—which have 501(c)(3) status. They retain advisory status on the account and recommend grants to charity.

The DAF sponsor provides administration for the account, including detailed recordkeeping, sub-accounting, quarterly statements, and tax reporting.



Donors Contribute

Donor makes an irrevocable contribution and can take an immediate tax deduction



Assets May Grow

The charitable assets in the DAF may grow tax-free



Charities Benefit

Donor recommends grants to qualified charities

The Giving Landscape



Traditional funding sources are shifting. Many donors are eager to offer their support.



**Wealth In
Transition**

\$100 trillion transferring from boomers to younger generations who prefer modern tools like DAFs.



**Tax Policy
Change**

New deduction changes may reduce tax incentives for wealthy donors, creating urgency to give now.

Growth in DAF Contributions

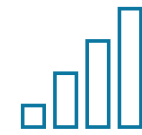
Five-year trend shows steady increase.



\$89.64B

Contributions

Contributions to DAFs in 2024



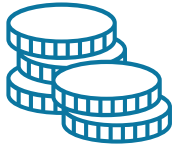
16.3%

CAGR

Compound annual growth in contributions
(2020-2024)

DAF Grantmaking Holds Steady

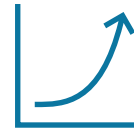
DAF donors continue to respond and give generously, demonstrating steadfast support for nonprofits.



\$64.89B

Total Grants in 2024

Third year over \$50B
Highest total on record



+137% since 2019

+560% since 2013

Grants have grown significantly over time

Who are DAF Donors?

DAFs donors are the **same donors you cultivate.**

DAF donors are diverse in their giving approaches but tend to be **older and affluent.**

- **Average age: 67**
- **Average net worth: \$1M+**

DAFs play a significant role in **donors' overall giving.**

- 48% gave 75%+ of their charitable dollars through DAFs

Younger generations are adopting DAFs at higher rates

- 22% versus 8%

NPT DAF Industry Insights:

- **Average DAF size: \$91,611**
- **Average payout: 20%+ annually**

Decoding the DAF

There is a misconception that the \$326 billion in DAFs is fully inaccessible. However: DAFs are opened and advised by **the donors you cultivate**.

- DAFs are charitable tools used by your very own donors as charitable savings. Putting away charitable dollars helps keep grantmaking funds available even in lean times.
- Most DAF sponsors are agnostic, and you cannot appeal to them directly. What you can do is **better cultivate DAF donors** and make it easier for them to recommend DAF grants to you.

Some evidence suggests that DAF grantmaking is more **recession-proof** than other forms of giving.

Engaging DAF Donors

Donors can do a lot with their DAFs.

What can YOU do to engage with them?

Donors and Charities Can **Build Strong Connections with a DAF**



Donors can provide reliable, recurring grants for familiar organizations out of a **sustainable** charitable funding source



Donors can draw on this charitable reserve to support exciting **new projects**



Nonprofits may consider treating DAF donors like **major gift donors**.



Nonprofits can let donors **know how you will credit grants** made from their DAFs. (Often, the donor gets soft credit, and the DAF account gets hard credit.)



Nonprofits can set up meetings with donors who give through DAFs and ask them to consider major gifts or **multi-year pledges**.

DAF Considerations | Best Practices for Donors and Nonprofits

- **Send thank-you letters that express gratitude without stating that the contribution is tax-deductible:** The donor received a tax deduction when contributing to the DAF, not when the grant is made to your organization.
- **Use non-binding language for pledges:** IRS rules permit DAF grants to fulfill multi-year pledges, provided the grant letter does **not** reference a binding obligation.

DAF grants may not provide more than an **incidental benefit to the donor.**

Permissible

- ✓ Supporting charitable events / galas generally
- ✓ Receiving name recognition in accordance with level of support
- ✓ Supporting a find-a-cause/ fund-a-need/ paddle raise

Not Permissible

- ✗ Paying for any part of a charitable event ticket, including the tax-deductible portion of the ticket.
- ✗ Paying for auction items or raffle baskets
- ✗ Receiving benefits that would not be available without having made the grant.

Donors Can Streamline Their Giving

One donation, many grants

Donors contribute to their DAF — often during high-income years for tax purposes — and then recommend grants to multiple nonprofits over time. This simplifies their tax reporting and giving process.



Charities Can Include DAF Info in Solicitation Material

- If donors choose DAFs because it makes giving easy, **make giving to your organization easy.**



Prominently list your EIN online and in development materials.

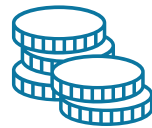
- Including DAF grant instructions in your materials **signals your understanding** of this giving method and builds donor trust.
- On your response mailer, request that your donors **indicate whether they will give from a DAF**; this will help you match the grant to the donor and credit them appropriately.

Donors Can Establish a Charitable Legacy with Estate Planning



Name a DAF as Beneficiary

Name a DAF as a beneficiary of a will, trust, retirement account, life insurance policy or other estate-planning vehicle.



Grant Posthumously

Direct one-time or recurring grants to charitable organizations to be made after their passing.



Appoint Successor Advisors

Appoint successor advisors to continue recommending grants, fostering a multi-generational tradition of giving.

Many donors are **converting their foundations to DAFs** to relieve their administrative burden and simplify their tax filings.

Charities Can Segment DAF Donors for Planned Giving Appeals

- DAF donors already have to think about succession planning, which makes them good candidates for **planned giving**.
- Work with them to name your organization as a **charitable beneficiary** to their DAF.
- Cultivate DAF donors through **family-friendly events** to facilitate engagement with younger generations.



DAFs and Complex Assets

Donors Can Convert Complex Assets into Charitable Capital

DAFs offer donors the ability to donate **a wide range of assets:**

- Publicly traded stock
- Restricted stock
- Private business interests
- Alternative investments
- Real estate
- Art and other tangible property
- Cryptocurrency
- And more

Direct contribution affords donors **significant tax savings** over donating the proceeds from the assets' sale.

Charities Can Partner With a DAF to Accept Complex Assets

- Conduct an honest assessment of your organization's ability to **accept the assets** your donors might be looking to give.
- Some organizations might be good candidates for a **designated fund**, to which donors can contribute their illiquid gifts for your organization's benefit.



DAF Considerations | NPT's Illiquid Asset Contribution Guidelines



NPT evaluates contributions by considering the following:

Ownership

- Who owns the asset? Is ownership transferable?
- Are there restrictions?

Risk & Cost

- Are there liabilities, legal risks, or holding costs?
- Are there tax concerns?

Liquidity

- Can the asset be sold?
- How long will it take to liquidate?

NPT conducts a thorough due diligence process to determine whether an illiquid asset can be accepted into a donor-advised fund.

Questions

Thank You

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April 29, 2026

Mergers and Acquisitions for Nonprofit Organizations

Prepared for Kreischer Miller

Presented by:
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Martha “Frannie” Reilly leads McNees’ Charitable and Non-Profit Group, where she serves as trusted counsel to colleges, universities, charter schools, foundations and other mission-driven organizations. She advises on governance, fiduciary duties, compliance, contract issues, mergers and affiliations, and general corporate reviews. Clients value her ability to help organizations navigate legal and operational challenges while keeping their missions at the forefront.

Beyond her client work, Frannie is active in the nonprofit community. She teaches in La Salle University’s Master of Science in Nonprofit Leadership program and founded the Foundation for Wallingford-Swarthmore Schools, a 501(c)(3) dedicated to supporting innovation and excellence in education.

Objectives Agenda

- Understand why nonprofits consider mergers and acquisitions
- Explore typical steps in a merger or acquisition
- Learn common challenges facing nonprofits
- Understand due diligence process
- Determine next steps for consideration of a merger or acquisition



What is a Merger or an Acquisition and how do they relate to nonprofits? Alternatives?

- Merger: legal combination of two entities → one surviving nonprofit
- Acquisition: one entity is dissolved and all remaining assets are transferred (via gift) to other entity
- Stages of a merger/acquisition: Exploratory → Implementation
- Alternative merger options: shared services, alliances

Types of Mergers/Acquisitions

Different degrees of merging nonprofits

- Internal Reorganization / Chapters
- Shared Services Agreement / Formal Affiliation
- Mergers of Unrelated Nonprofits
- Full Legal Merger
- Dissolution of one entity and all assets transferred to surviving entity



Merger/Acquisition Models: Overview

- Merger by law
- Asset transfer followed by dissolution
- Conversion to LLC subsidiary
- Conversion to member nonprofit

Why some Mergers/Acquisitions Work (and Others Don't)

Success Factors:

- Mission alignment
- Cost savings & resource sharing
- Board and staff capacity
- Streamlined programs
- Leveraging strengths

Challenges:

- Lack of due diligence
- Mission misalignment/confusion
- Loss of control
- Name recognition
- Geographic or brand concerns



Exploratory

- Identify reasons for merger/acquisition consideration: time horizon, assets, liabilities
- Identify required approvals: board, members, AG, licensing agencies
- Identify potential nonprofit targets (mission, programming, core values)

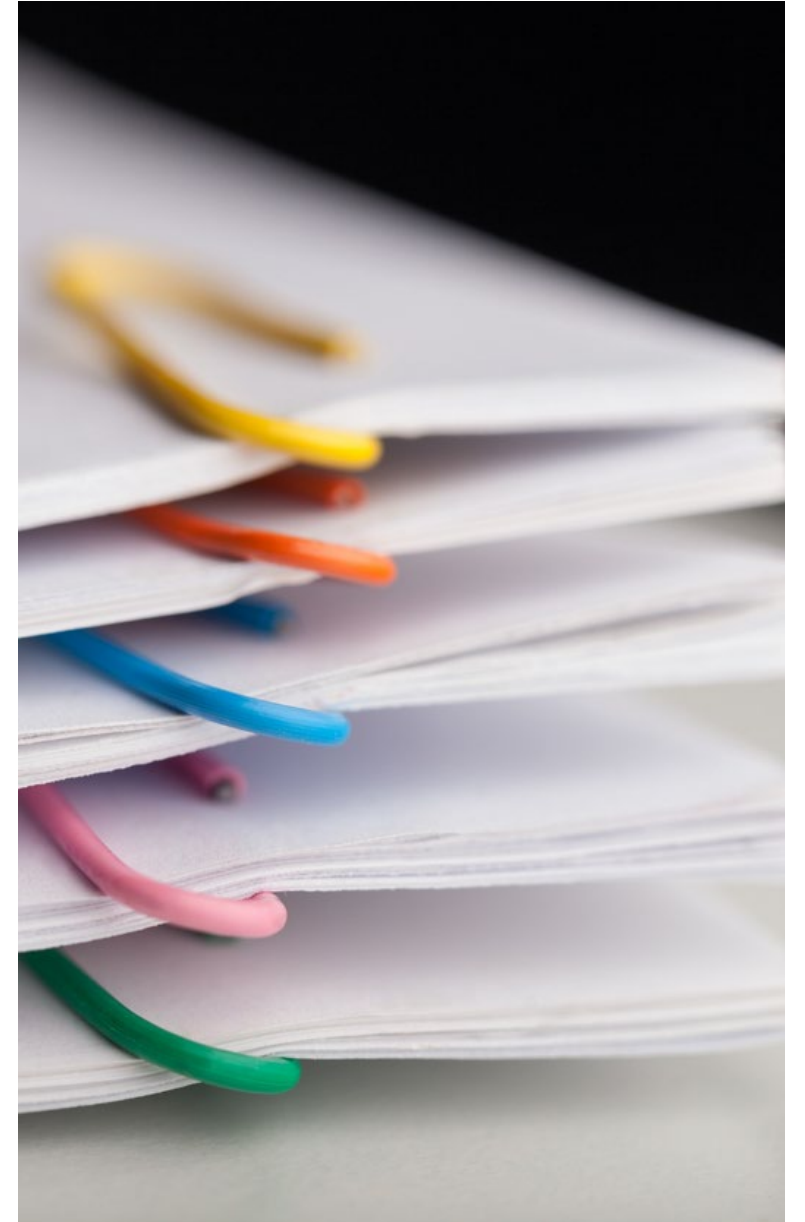


Key takeaways

- Begin with an understanding of what the needs are for the nonprofit and whether a merger/acquisition will meet those needs
- Select the merger or acquisition model that fits mission & goals
- Conduct thorough due diligence
- Engage legal counsel, auditors, financial advisors, and accountants throughout

Implementation

- Obtain internal approvals: board / membership
- Obtain external approvals: Attorney General, Orphans Court, Department of State, Tax Clearance Certificates
- File legal documents (depending on the merger/acquisition structure): Articles of Merger, Articles of Dissolution, Conversion
- Execute operational changes and agreements
- Understand timing
- Operational considerations



Common challenges / missteps

- Mission confusion or misalignment
- Insufficient due diligence
- Founder syndrome / leadership ego
- Restricted assets & funding restrictions
- Geographic or brand conflicts



Key success factors

- Clear understanding of organizational strengths/weaknesses
- Robust due diligence and planning
- Engaged and aligned board/staff
- Professional guidance: legal, accounting, consulting
- Mission & values alignment





Funding the Merger/Acquisition Process

- Internal funding: unrestricted funds, board-approved budget
- External funding: Nonprofit Repositioning Fund (Greater Philadelphia), Forbes Fund (Pittsburgh), Sea Change (national)
- Budget for exploratory vs. implementation phases

Questions



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Strengthening Mission Delivery Through Engagement Data

Bobbi Kelly, Director-in-Charge, Talent Advisory,
Kreischer Miller



Nice to Meet You!



Bobbi Kelly, PHR, SHRM-CP

DIRECTOR-IN-CHARGE, TALENT ADVISORY

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- Over 20 years of experience leading Human Resources & Talent Strategy
- Certified Talent Optimization Consultant and Predictive Index Partner
- Regular contributor to talent strategy thought leadership
- Introduced and implemented Talent Optimization at Kreischer Miller
- Helped lead Kreischer Miller to become an employer of choice

Kreischer Miller accomplishments since implementing the Predictive Index:

- Numerous appearances on the Top Workplaces in Philadelphia list; ranked as the #1 mid-size employer for 2019, 2021, 2023, 2024 – The Philadelphia Inquirer
- Named to the Top Workplaces USA list for 2022 – 2025 – USA Today
- Named a ‘Firm to Watch’ and ‘Regional Leader’ – Accounting Today

Agenda

- Understand the real cost of disengagement in not-for-profit organizations and its impact on mission fulfillment, program outcomes, and resource stewardship.
- Learn how measuring and understanding engagement among staff and volunteers can strengthen organizational sustainability and improve service to the communities you serve.
- Identify practical, right-sized approaches to measuring engagement that lead to timely action, stronger retention, and meaningful, mission-aligned outcomes.



The *Silent* Drain



What's at Stake?

Disengagement adversely effects:

- **Productivity** - 18% lower productivity
- **Attendance** - 37% higher absenteeism
- **Innovation** - 60% fewer improvement/innovation suggestions
- **Customer satisfaction** - 10% lower customer ratings
- **Profitability** - 15% lower profitability

Cost of Disengagement

Case Study

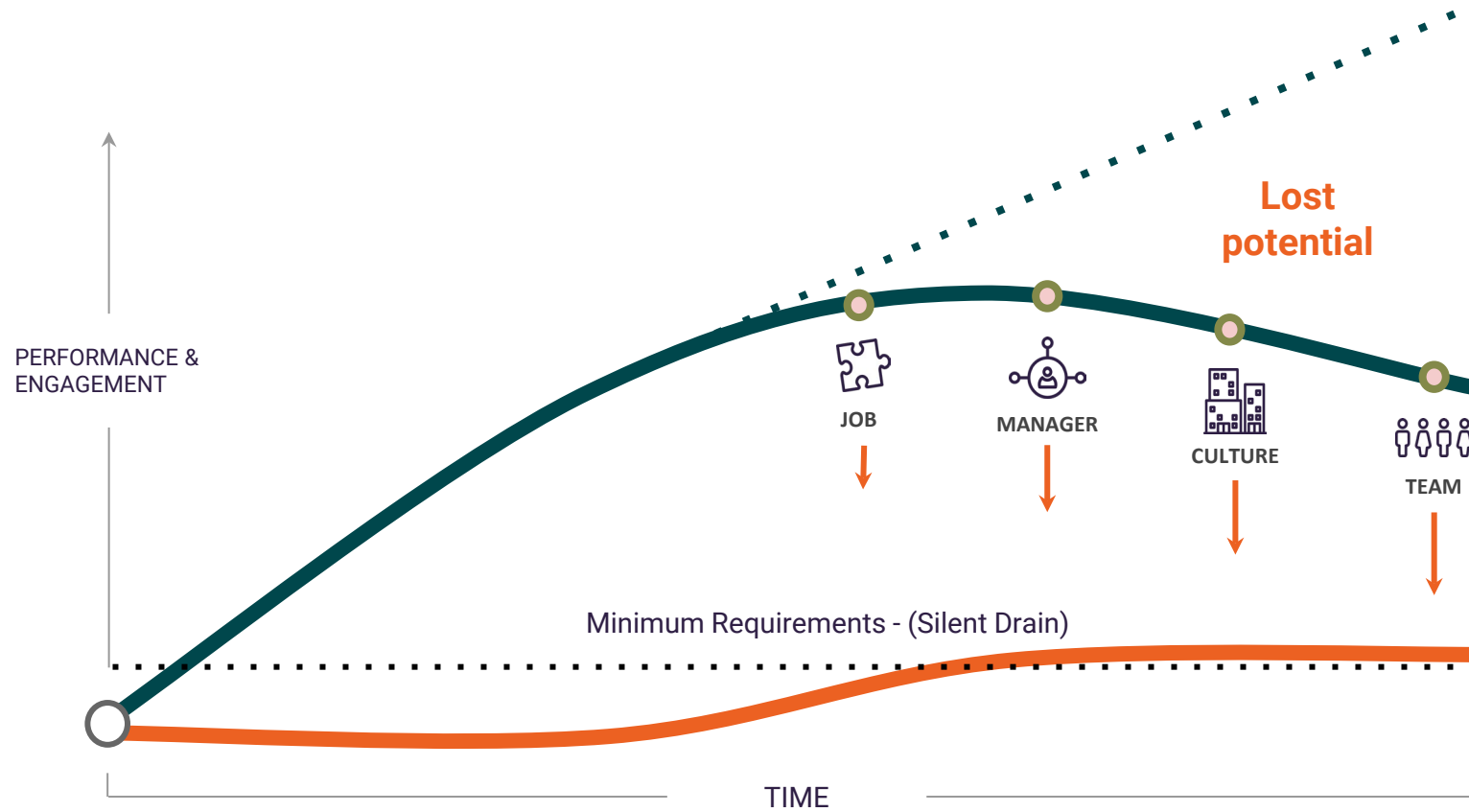
- Employee Count: 50 employees
- Revenue: \$15M
- Average Salary: \$55K
- Engagement Score*: 70% engaged
- Cost of Disengagement: 34% of annual salary

2% of Revenue

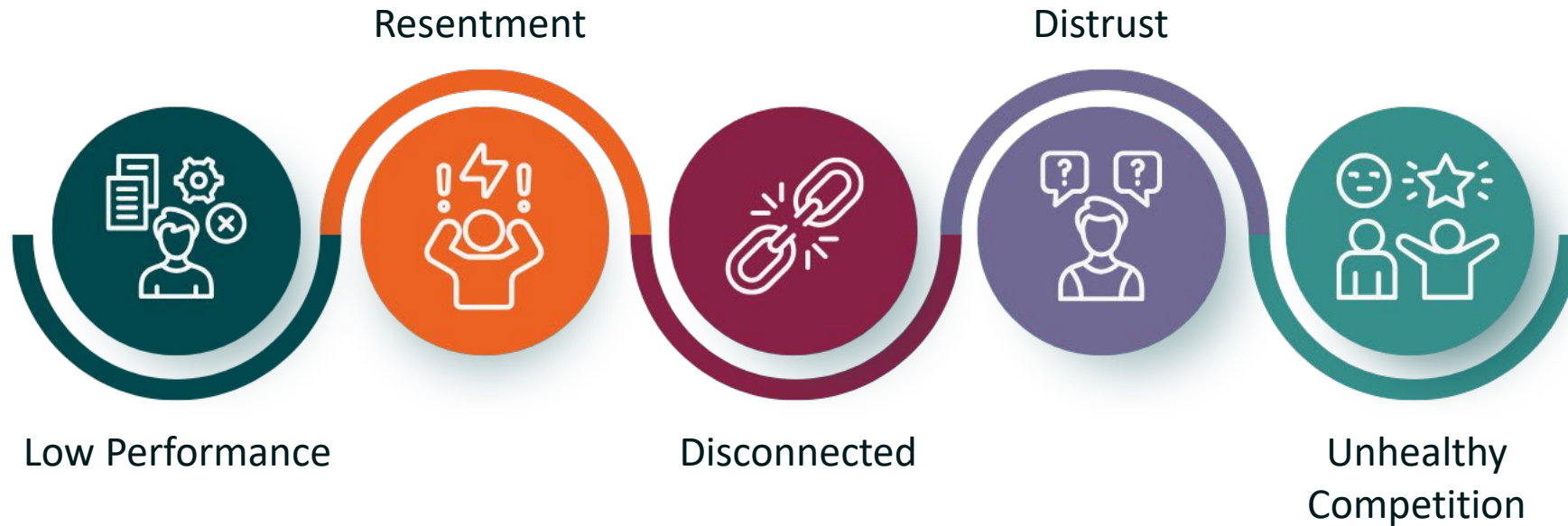
- 15 employees actively disengaged
- \$18,700 cost per disengaged employee
- Overall cost of disengagement:

\$280,500
per year!

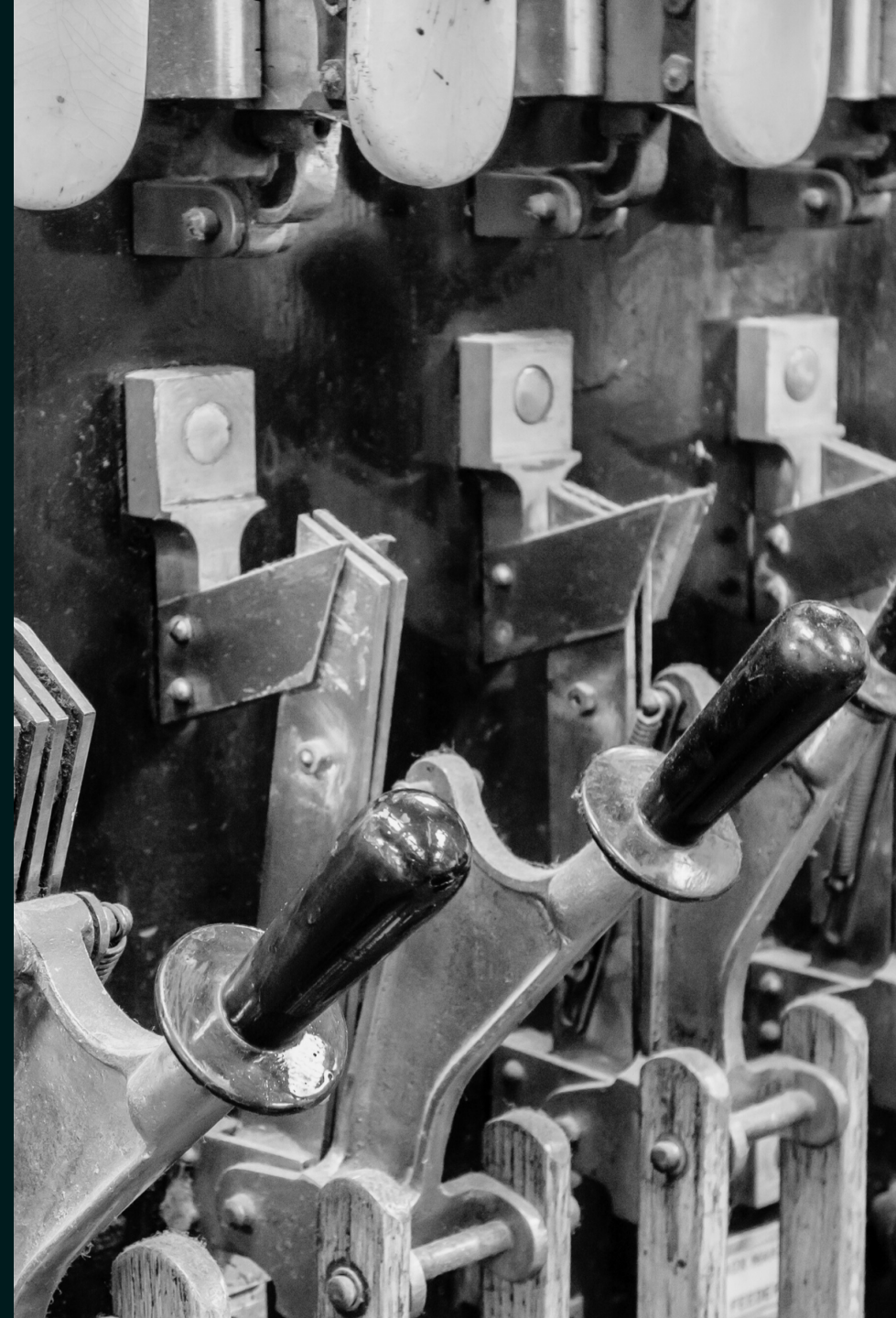
Disengagement Factors



Signs of Disengagement



Using Engagement as a *Strategic* Lever



You Hold the Power

Engaged organizations and teams experience:

- **Productivity** - 14% higher productivity
- **Attendance** - 78% lower absenteeism, 59% lower turnover
- **Innovation** - 56% more innovations and improvements
- **Customer satisfaction** - 10% increased customer ratings
- **Profitability** - 23% higher profitability

You Don't Know What You Don't Measure

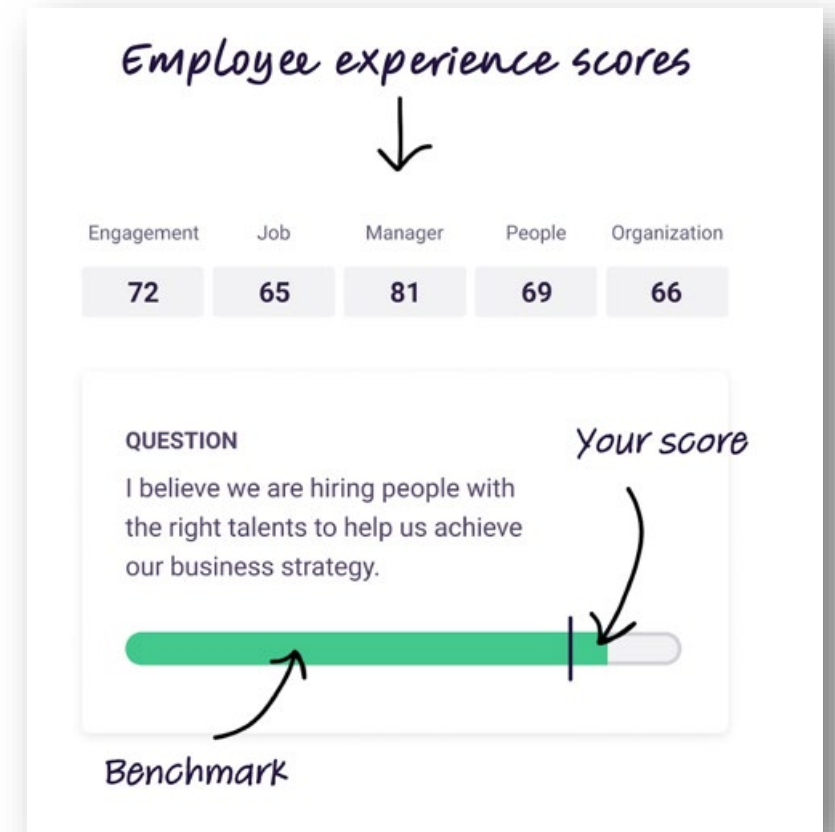
Why don't we measure engagement?

- Arduous data interpretation
- Overwhelming results
- Ignorance is bliss
- Momentum of daily activities



Key Elements of Engagement Data

- Alignment with engagement factors and questions
- Scientifically proven questions
- Repeatability/consistency
- Anonymity
- Benchmarking

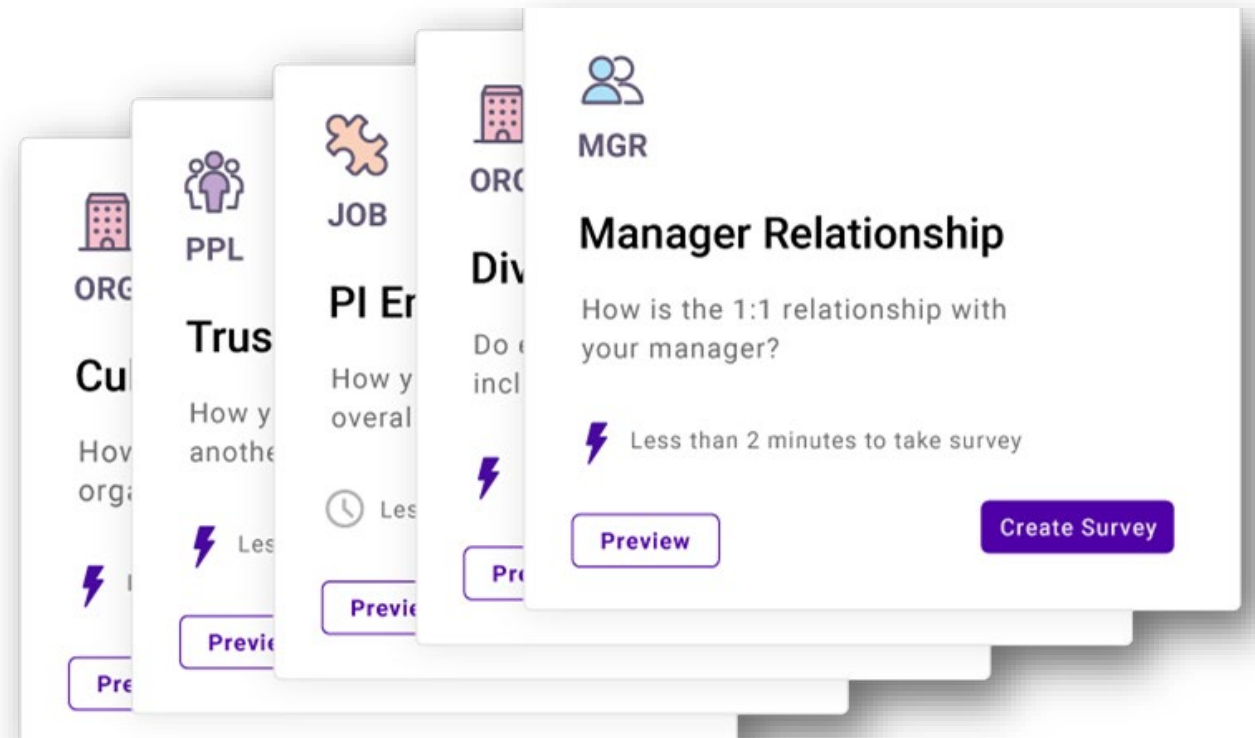


How to Measure Engagement Effectively



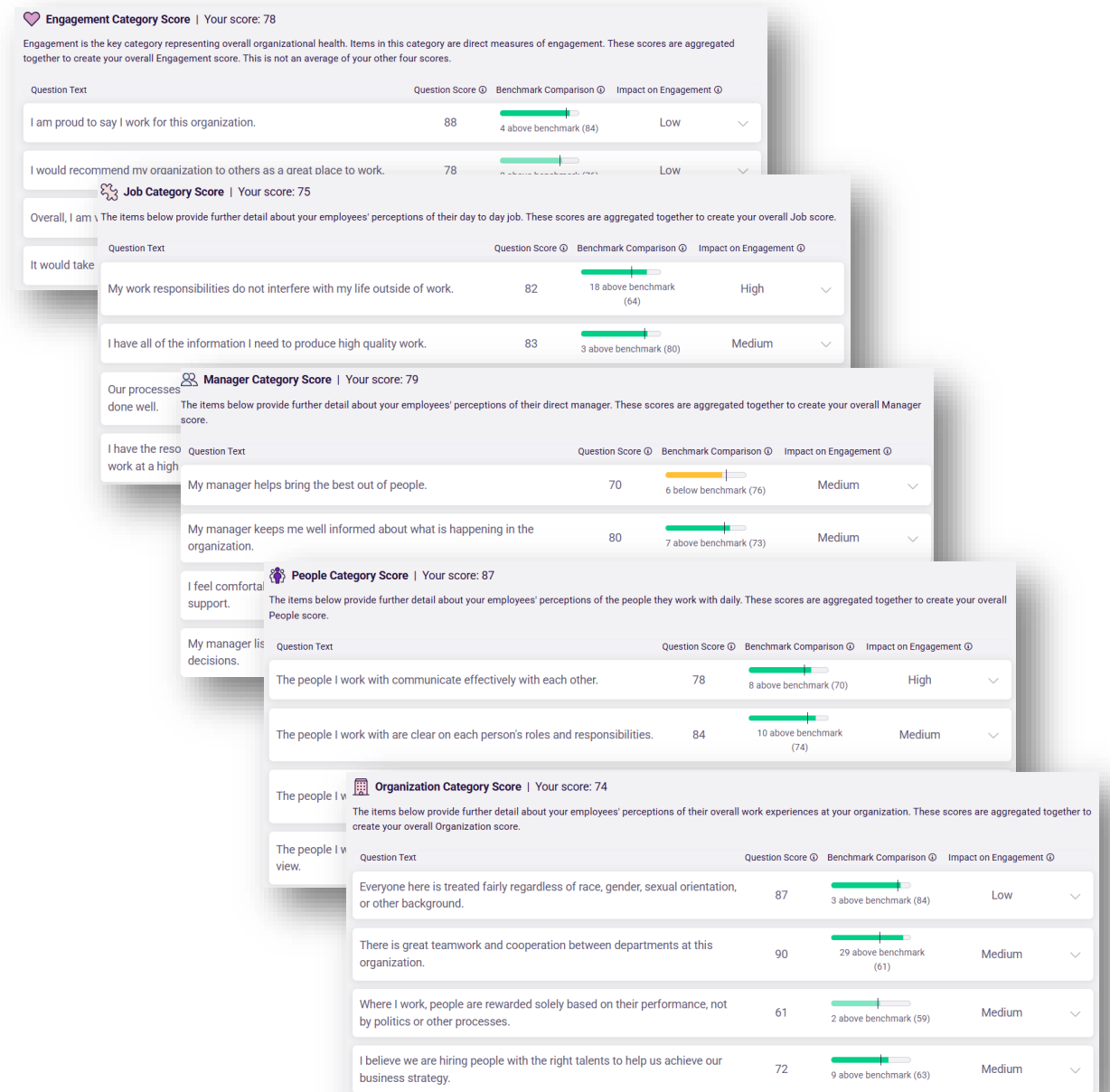
Frequency

- Annual surveys
 - Same time every year
- Pulse surveys
 - Quarterly
 - Change management
 - Crisis moment
- NPS surveys
 - Single question: “How likely are you to recommend a family or friend to work at XYZ company?”



Length

- 25-30 closed ended questions
- 2-3 open ended questions
- Thoughtful customized questions



Debrief

Survey center

Pick a survey template below.

Category filters: Engagement Job Manager People Organization

PI Employee Experience Survey
About 15 minutes to take survey

Overall Pulse Check
Less than 5 minutes to take survey

Title	Dates	Responses
Role Clarity Pulse Survey	November 14, 2023 - November 30, 2023	84
Employee Experience Survey	February 1, 2024 - February 29, 2024	92 / 120 (76%)

Analyze

82
Engagement Score
The engagement category is an overall status of engagement at your organization.

90
Job Score
The Job category measures employees' fulfillment and alignment to their roles.

84
Manager Score
The Manager category measures employees' relationship with and perception of their manager.

78
People Score
The People category measures the connection between employees and their coworkers.

83
Organization Score
The Organization category measures employees' belief in your organization as a whole.

Heatmap

Compare scores for each category across departments. Departments with less than five responses will not show scores.

Department	# of Responses	Engagement	Job	Manager	People	Organization
Organization Score	100	78	75	79	87	74
Business Systems	14	27	29	50	46	70
Client Operations	13	37	43	33	72	37
Client Success	14	100	99	94	99	97
Customer Service	5	90	76	82	94	73
Engineering	6	75	82	75	98	45
Finance	10	90	81	84	92	61
HR	16	100	91	98	100	86
Marketing	6	100	93	100	100	75
Product	6	100	92	97	98	99
Product Lab	5	100	94	100	94	98
Product Management	< 5	--	--	--	--	--
Sales	< 5	--	--	--	--	--

Turn Engagement Data into Strategy



Action Planning

Strengths & Caution Areas

By comparing item scores to benchmarks and accounting for impact on engagement, we've determined the three areas in which you're strongest, as well as five areas that could use improvement.

Strengths

Question Text	Question Score	Benchmark Comparison	Impact on Engagement
The people I work with communicate effectively with each other.	100		High
The people I work with make group decisions effectively.	100		High
The work I do makes excellent use of my talent/skills and abilities.	100		High

Caution Areas

Question Text	Question Score	Benchmark Comparison	Impact on Engagement
My manager helps bring the best out of people.	40		Medium
There is great teamwork and cooperation between departments at this organization.	40		Medium
I believe the organization is making the changes necessary to be competitive in the future.	20		Medium
I believe the culture of the organization drives high performance.	40		Medium
Where I work, people are rewarded solely based on their performance, not by politics or other processes.	0		Medium

Caution area 1: Action Plan

Caution Area:

Question Text	Question Score	Benchmark Comparison	Impact on Engagement
My manager helps bring the best out of people.	40		Medium

This caution area might signify: Not Leveraging Strengths | Managing Work vs Managing People

Potential Actions:

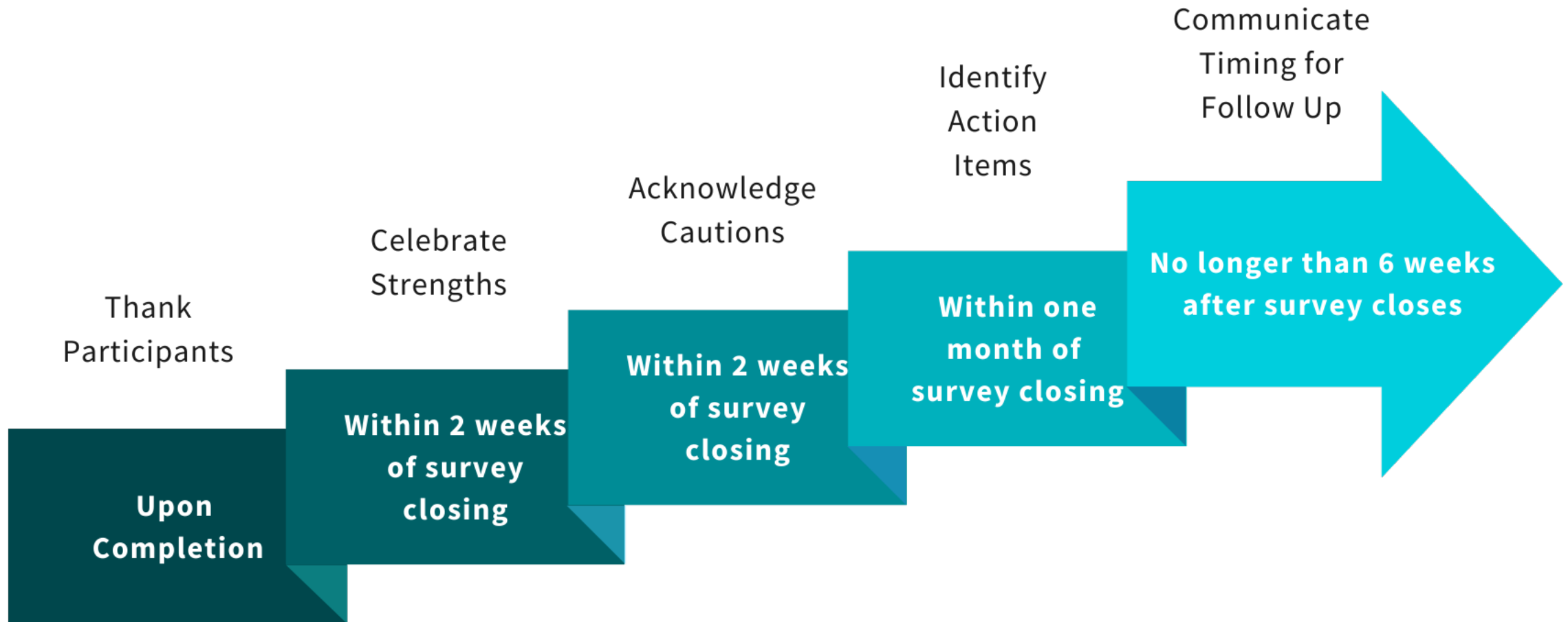
To address: Not Leveraging Strengths

Take notice of the strengths your team members bring to the table that may not be obviously job relevant. Put those team members in situations where they can use and share those skills, thereby optimizing their unique talents.

To address: Managing Work vs Managing People

Take the time to get to know your team members. Learn about each person's desired career path, find out what interests them (inside and outside of work), what they love about their job, etc. Understanding each team member as an individual can go a long way in helping each of them be the best they can be.

Communication

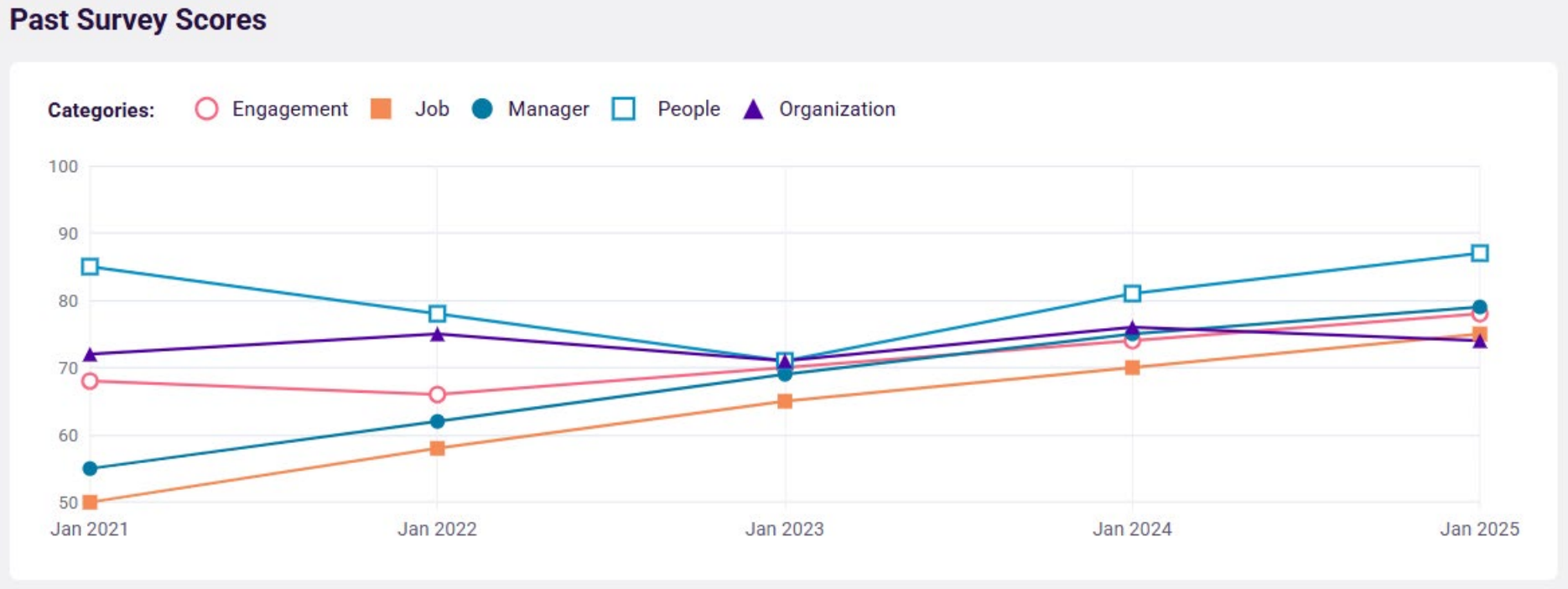


Clear Roadmap

- Prioritize action items
- Identify action item owners
- Create realistic deadlines
- Communicate progress to participants



Year-Over-Year Tracking

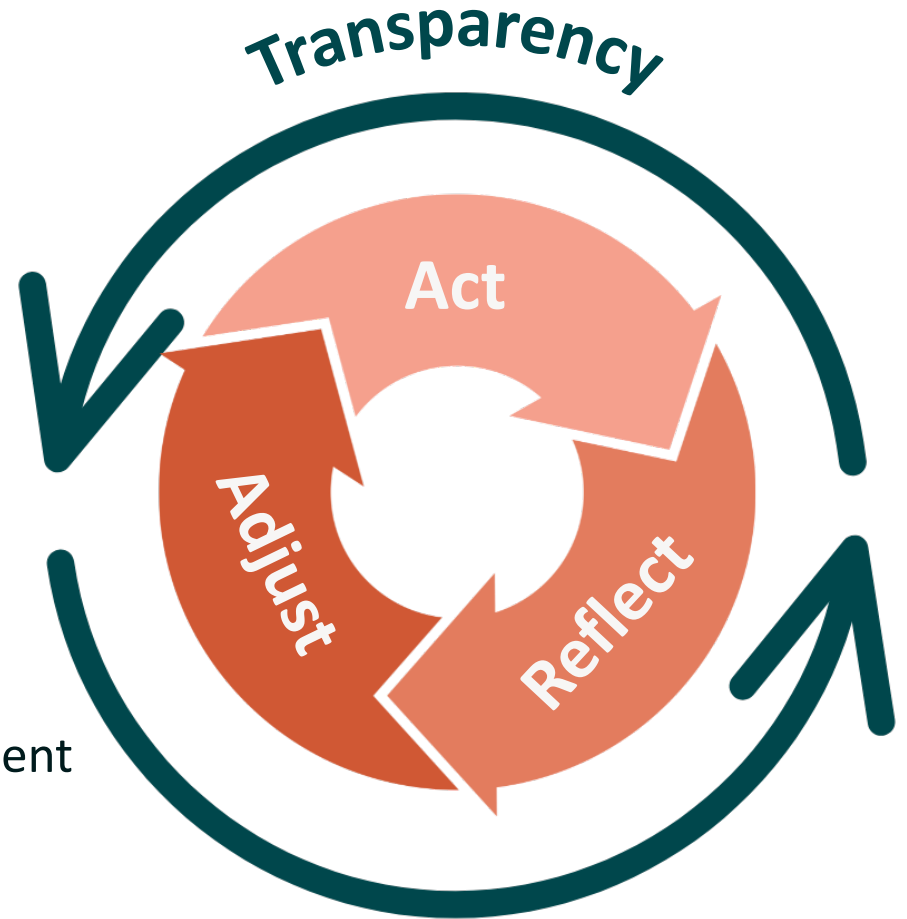


Practical Steps and Takeaways

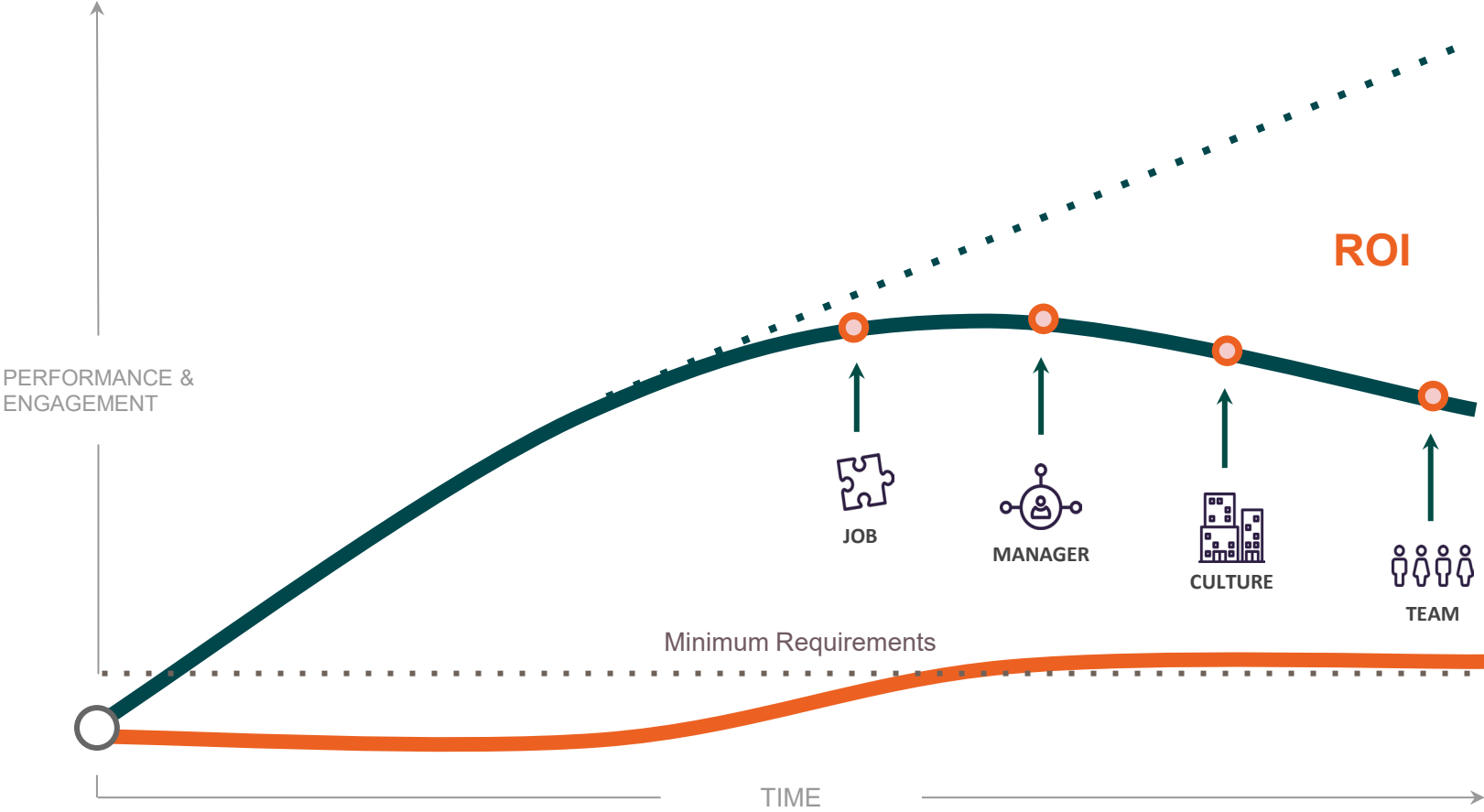


Next Steps

1. Determine effectiveness of current engagement surveys
2. Understand internal capacity for data interpretation
3. Know your KPIs
4. Evaluate cost of inaction
5. Implement engagement survey
6. Create process of transparency, action, reflection, & adjustment

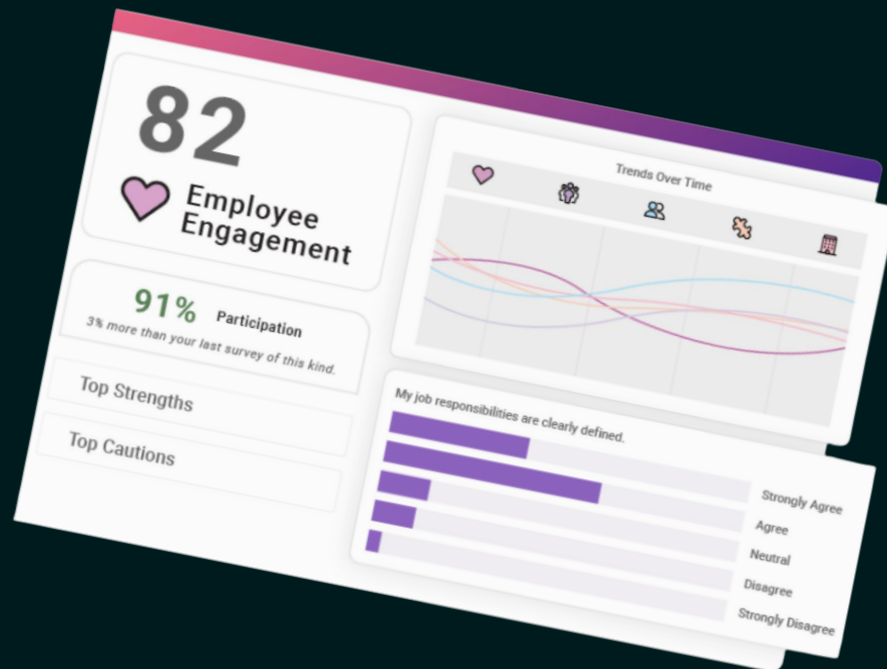


Takeaways



Now Introducing!

Kreischer Miller Talent Advisory is now offering Employee Engagement surveys!



Contact the Presenter



Bobbi D. Kelly, PHR, SHRM-CP

DIRECTOR-IN-CHARGE, TALENT ADVISORY

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Bobbi is the Director-in-Charge of Kreischer Miller's Talent Advisory practice, which helps companies align their business strategy with their people strategy. Utilizing the Talent Optimization framework, she works with client organizations to equip their business leaders with the tools and data they need to hire and retain top performers and create high performing teams. The result is an intentionally-designed people strategy that increases productivity, builds a winning culture, and creates the flexibility a company needs to adapt to change over time.

Tax-Exempt Doesn't Mean Tax-Free: What Not-for-Profits Need to Know About State and Local Taxes

Sales Tax Considerations for Not-for-Profits in Pennsylvania and New Jersey

April 29, 2026

Reed Brown, Director, State & Local Tax, Kreischer Miller



Agenda

- Clearing up the biggest sales tax misunderstandings for not-for-profits
- How exemptions really work in practice
- Where PA and NJ rules trip organizations up
- What you can do now to stay compliant and save money



The Biggest Misunderstanding

Sales tax is transaction-based, not status-based -- being tax-exempt does NOT mean you never pay sales tax.

✘ Assumption

"We're tax-exempt, so we don't pay sales tax on anything."



☑ Reality

Exemption depends on **who buys, what is bought, and how it is paid** -- every transaction must be evaluated.

- Being tax-exempt does NOT mean you don't pay sales tax
- Sales tax is transaction-based, not status-based -- it depends on who buys, what is bought, how or where it is used in the operations of the organization and, how it is paid
- The gap between assumption and reality is where audit exposure, overpayments, and compliance failures live

Why This Matters

Sales tax mismanagement hits your financials, your audit exposure, and your day-to-day operations simultaneously.



Unnecessary Cost

Paying sales tax you don't owe, or failing to collect tax you do owe



Audit Exposure

Missing exemption certificates, improper documentation, unregistered activities



Financial Statement Impact

Understated liabilities from unreported use tax obligations



Process Breakdowns

Decentralized purchasing, employee reimbursements, inconsistent vendor treatment

The Framework

A simple four-question decision framework prevents most sales tax errors before they happen.

4 Questions Before Every Purchase



Who is buying?

The organization,
or an individual?



What is being purchased?

Tangible property,
service, construction?



How is it being paid?

Organization funds with
proper documentation,
or personal funds with
reimbursement?



How does the purchase support the organization's purpose or mission?

 If any answer falls outside the exempt lane, sales tax likely applies

Step 1: Are You Even Exempt?

Federal exemption is not state exemption -- PA and NJ each require a separate application and approval process.



Federal vs. State

No Automatic Transfer

Federal income tax exemption under 501(c)(3) does not automatically confer state sales tax exemption.



State-Specific

Separate Requirements

Sales tax exemption is state-specific -- each state has its own application, approval, and documentation requirements.



Timing Matters

Approval Before Use

Approval may be required before exemption can be used at the point of sale.

State Considerations Pennsylvania vs. New Jersey

Both states require separate sales tax exemption applications, but the forms, processes, and enforcement differ.

	Pennsylvania	New Jersey
Application	Must apply using Form REV-72 through myPATH portal	Must complete REG-1E application to Division of Taxation
Exemption Certificate	Form REV-1220 issued to vendors	Form ST-5 Exempt Organization Certificate presented to vendors
Additional Test	Must pass five-part "purely public charity" (HUP) test	State approval based on organizational purpose
Authority	72 P.S. 7201 et seq. (Tax Reform Code, Article II)	N.J. Division of Taxation

Step 2: When Exemption Works

Exemption applies when three conditions align -- right purchaser, right purpose, right documentation.



All three conditions must align for exemption to apply

Where It Breaks

Exemption breaks more easily than most finance teams realize -- and it only takes one misstep.



Wrong Purchaser

Employee buys personally instead of using the organizational account.



Wrong Payment Method

Personal funds at the point of sale, regardless of reimbursement.



Taxable Transaction

Certain goods and services remain taxable even for exempt organizations.

Breakdown #1: Employee Purchases

Employee purchases with personal funds and reimbursement are the single most common exemption failure in both PA and NJ. [\[1\]](#)



Step 1

Employee pays personally at point of sale




Step 2

Organization reimburses employee



Result

Sales tax still applies — exemption follows the payment method, not the ultimate economic benefit

 Personal funds at the point of sale = taxable transaction, regardless of reimbursement

Pennsylvania vs. New Jersey

Both states reach the same taxable outcome on employee reimbursements, but NJ is more explicit in enforcement.

	New Jersey	Pennsylvania
Enforcement	Strict -- Division of Taxation explicitly states personal-fund purchases are not exempt	Same taxable outcome, fewer procedural steps
Documentation	ST-5 cannot be used for personal-fund purchases	REV-1220 only valid when organization is purchaser
Result	Taxable	Taxable

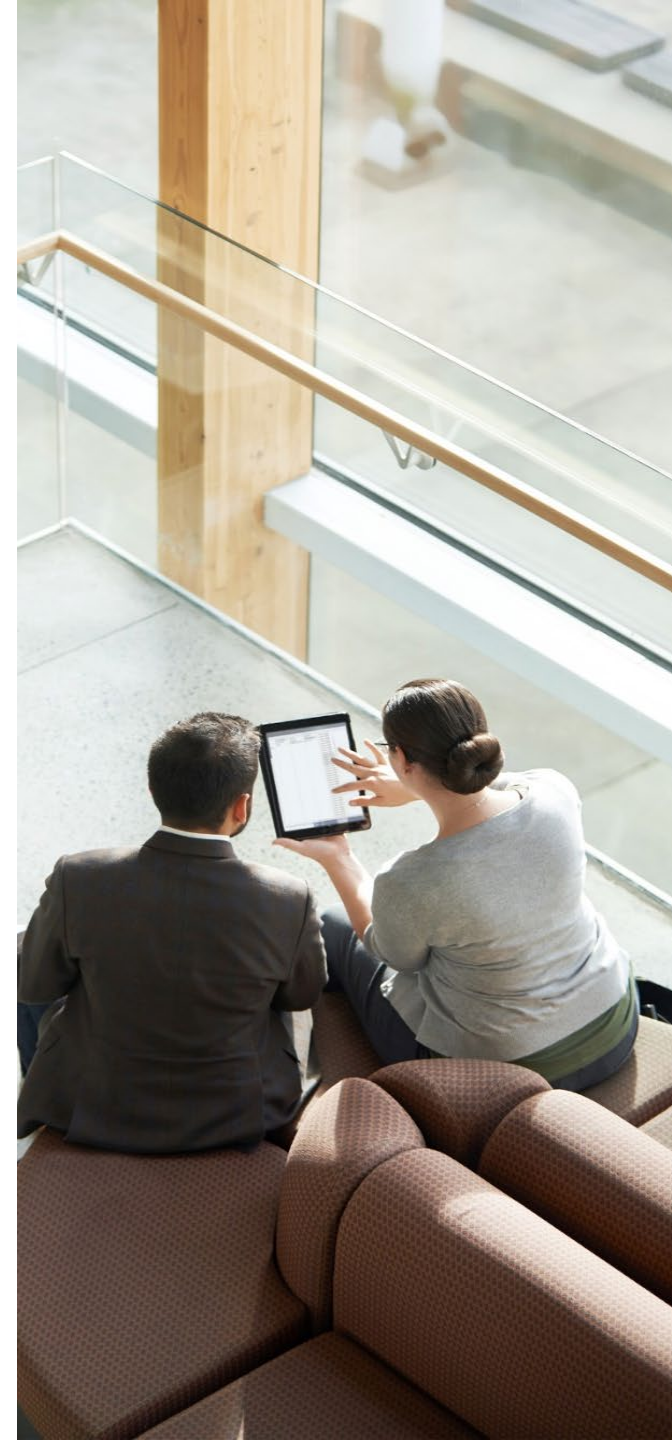
Breakdown #2: Construction

Contractors are the consumers of construction materials -- cost is passed through to your organization with tax embedded.

- Contractors pay sales tax on materials they purchase for construction projects
- That tax cost is passed through to the organization in the contract price
- **Same treatment in PA and NJ:** the contractor, not the not-for-profit, is the consumer of materials

NJ Exception:

Contractors working for ST-5 exempt organizations may use Form ST-13 to purchase materials tax-free in certain situations



Breakdown #3: Services

Certain services remain taxable when used in a not-for-profit's unrelated business activity.



Cleaning & Janitorial



Staffing & Temporary Help



IT Services & Maintenance

State-by-State Comparison

	Pennsylvania	New Jersey
Scope	Broader taxation of services	More limited, but still applies
Examples	Cleaning, staffing, IT, repairs, maintenance	Maintenance and repair work, select IT
Key Difference	Taxes more categories of services	Taxes fewer, but enforcement still applies

Breakdown #4: Use Tax

No tax charged at purchase does not mean no tax is owed -- use tax fills the gap when sales tax is missed.



Use tax applies when goods are purchased without sales tax and then used within the state



Common triggers: out-of-state purchases, online purchases, vendor errors



Applies in both PA and NJ -- both states impose use tax on untaxed purchases



Organizations must self-assess and remit use tax to the state

Purchase Made



The Gap



Use Tax Due

Use tax fills the gap when sales tax is missed

Financial Impact

Sales tax errors create hidden liabilities, inflate project costs, and leave refund money on the table.



Hidden Use Tax Liabilities

Unreported use tax accumulates as an undisclosed obligation on the balance sheet



Higher Project Costs

Construction contracts where exemptions are not properly applied pass unnecessary tax through



Overpaid Tax

Vendors charging tax on exempt purchases when proper certificates were not provided



Missed Refund Opportunities

Organizations rarely pursue refund claims for tax paid in error

What Changes Everything: Your Activities

When a not-for-profit sells goods, it acts as a retailer -- the clearest example of tax-exempt not meaning tax-free.

- Activities can override exempt status entirely
- Some activities trigger retailer treatment, requiring you to collect and remit sales tax
- Revenue-generating activities (gift shops, merchandise, event sales) create new compliance obligations



Gift Shops

A not-for-profit gift shop is the most common example of an exempt organization that must collect sales tax.



Buying for Mission

Purchases for exempt purpose using organizational funds



Selling to Public

Retail sales to customers require tax collection

- Selling tangible goods to the public = retail activity
- Organization acts like a retailer, regardless of its exempt status
- The exemption applies to what the organization buys for its mission -- not to what it sells to others

Gift Shop Mechanics

The same organization can be both exempt (buying inventory) and taxable (selling to customers) in the same transaction chain.



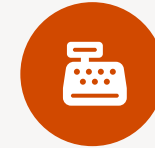
Buy Inventory

Purchased for resale under resale certificate

Exempt



Same Organization



Sell to Customers

Must collect and remit sales tax to the state

Taxable

Pennsylvania and New Jersey – Registrations

Both Pennsylvania and New Jersey require not-for-profits with retail activities to register, collect, and remit sales tax.



Pennsylvania



Registration

Must register for sales tax license



Collection

Must collect sales tax on retail sales



Remittance

Must remit collected tax to PA Department of Revenue



New Jersey



Registration

Must register for sales tax license



Collection

Must collect sales tax on retail sales



Remittance

Must remit collected tax to NJ Division of Taxation

Common Gift Shop Mistakes

Three errors account for most gift shop compliance failures -- and all three are avoidable.

1



No Tax Collected

Not charging sales tax on retail sales to customers

2



Tax Overpaid on Inventory

Paying sales tax on inventory purchased for resale (should use resale certificate)

3



Not Registered

Not registered as a seller with the state

Real-World Scenarios

Four everyday situations illustrate how the framework applies in practice.

Employee Purchases

Taxable in both PA and NJ

Key Factor

Personal funds at point of sale

Grant-Funded Projects

Exempt if conditions met

Key Factor

Organization is purchaser with proper documentation

Software and IT

Generally taxable

Key Factor

Canned software taxable in PA; NJ treats similarly

Capital Projects

Depends on contractor rules

Key Factor

Contractor is consumer of materials

Pennsylvania and New Jersey Nuances

Neither state offers blanket exemption — transaction-level analysis is required for every purchase.



Pennsylvania

- **Stricter rules** with broader taxation of services
- Form **REV-1220** required for each vendor
- More service categories subject to tax



New Jersey

- **More procedural** with explicit personal-fund prohibition
- **ST-5 + ST-13** chain for contractors
- Fewer taxed services, but strict enforcement



No blanket exemption in either state — every transaction must be evaluated

Top 5 Mistakes

These five errors account for the vast majority of not-for-profit sales tax exposure.

1



Assuming federal exemption applies to states

A 501(c)(3) determination does not automatically mean state sales tax exemption

2



Using employee reimbursements

Personal funds at point of sale lose the exemption, regardless of reimbursement

3



Missing exemption certificates

Not providing REV-1220 or ST-5 to vendors at the point of purchase

4



Ignoring use tax

No tax charged at purchase does not mean no tax is owed to the state

5



Treating all services as exempt

Certain services remain taxable regardless of exempt status

Process Improvements

Five operational changes protect the exemption and reduce audit risk.

1



Centralize Purchasing

Route all purchases through organizational accounts with proper documentation

2



Use Org Payment Methods

Credit cards, purchase orders, and checks in the organization's name

3



Train Staff

Ensure program managers and procurement staff understand exemption limits

4



Review Invoices

Verify vendors are not charging tax on exempt purchases, and that tax is charged where required

5



Monitor Use Tax

Implement quarterly review of untaxed purchases to self-assess and remit

Final Thought

Tax-exempt status is a benefit, but only if used correctly.

- Your exemption is a tool, not a shield -- it requires active management, proper documentation, and ongoing compliance
- The organizations that benefit most are the ones that treat exemption as a process, not a status



Contact the Presenter



Reed Brown, CMI

DIRECTOR, STATE & LOCAL TAX

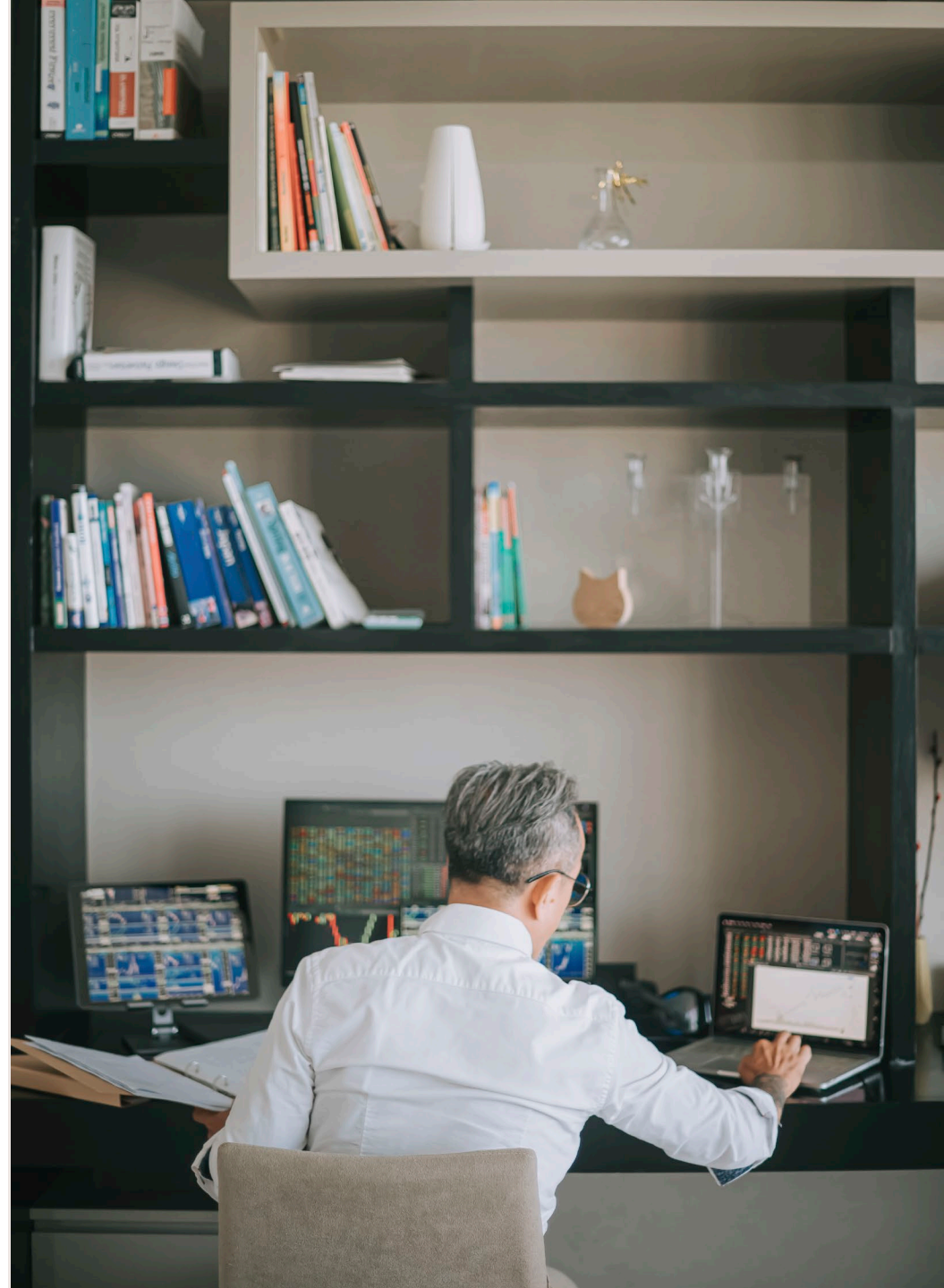
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Reed is a Director in Kreischer Miller's State and Local Tax group. As an experienced multi-state tax professional, Reed has developed a solid understanding of state and local tax concerns and he assists businesses in anticipating issues and developing solutions to minimize administrative burdens and exposures. He has a wide range of experience providing services in the areas of multi-state income/franchise tax and sales and use tax, as well as audit defense, tax planning, and state tax controversies across various industries. Reed is committed to serving as an advisor to his clients, and particularly enjoys helping them understand and navigate the often complex, and at times daunting, state and local tax environment. He also has a deep level of expertise in the area of income and non-income tax nexus, diving into details for clients to help them generate a position when facing an audit or similar area of defense. In addition to income and non-income taxes, Reed also spends a significant amount of time with clients addressing various sales and use tax matters.

The Not-for-Profit Fraud Landscape: Latest Data and Vulnerabilities

April 29, 2026

Dan Cornell, Director, Valuation & Forensic Services,
Kreischer Miller



Agenda

- *Types of fraud*
- *Key fraud data, how the not-for-profit sector stacks-up, and what it means for your organization*
- *The NFP Fraud Profile: Insights on vulnerabilities faced by NFPs*
- *Tip Power: The key role tips play in catching fraud and how to maximize their power*

(key source: ACFE Occupational Fraud: A Report to the Nations (2024).)



Types of Fraud

Corruption

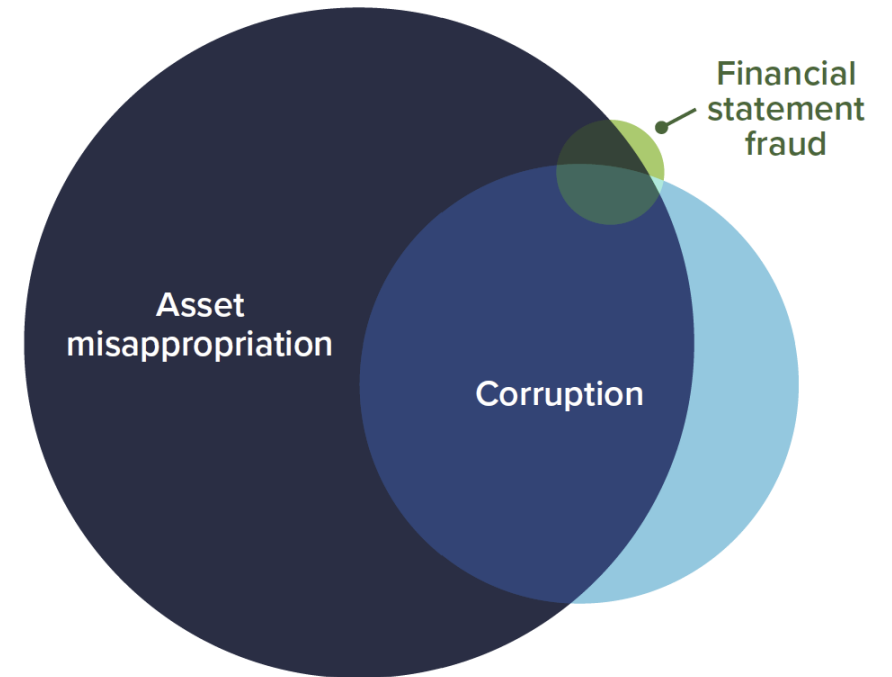
- More prevalent in Eastern Europe and Southeast Asia

Financial reporting

- Least common, but highest losses

Asset misappropriation (theft)

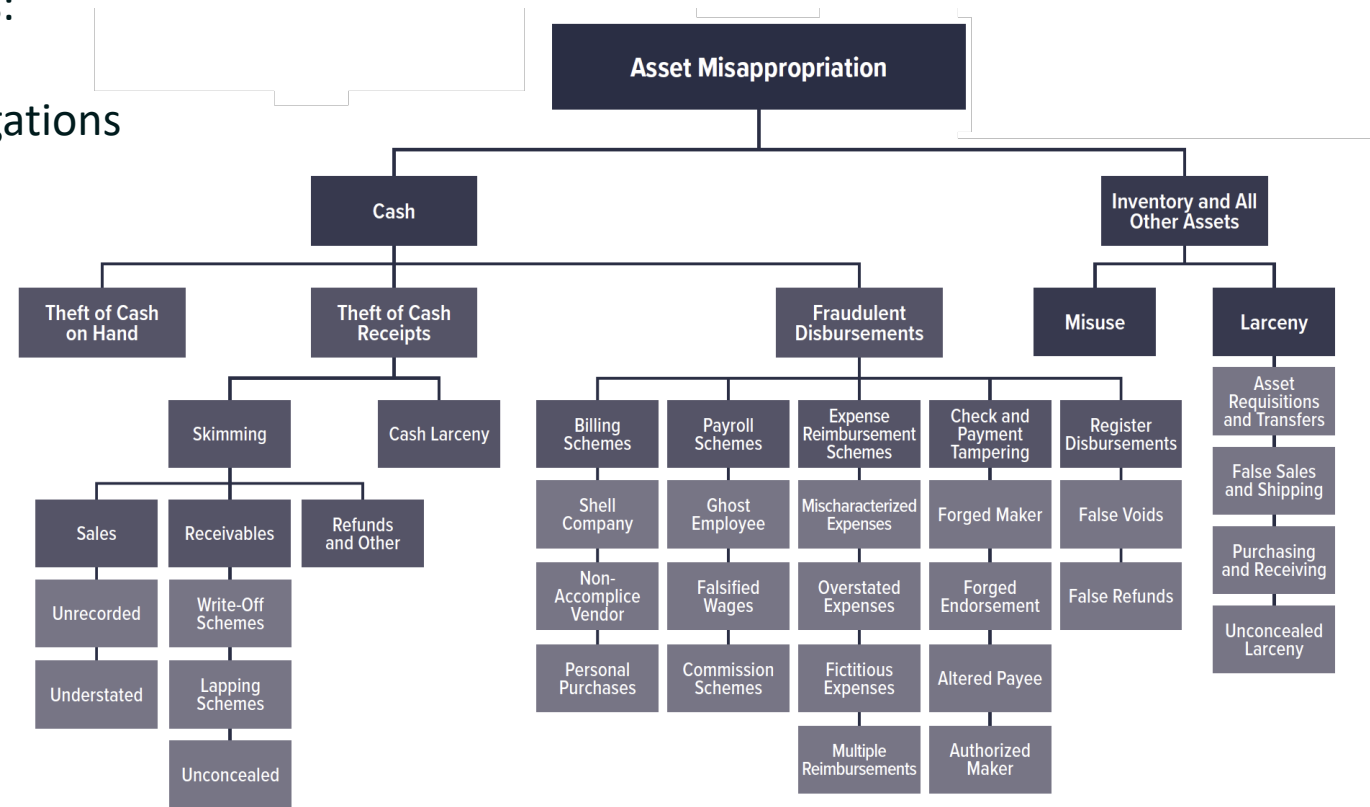
- 89% of study cases contained



Fraud Schemes

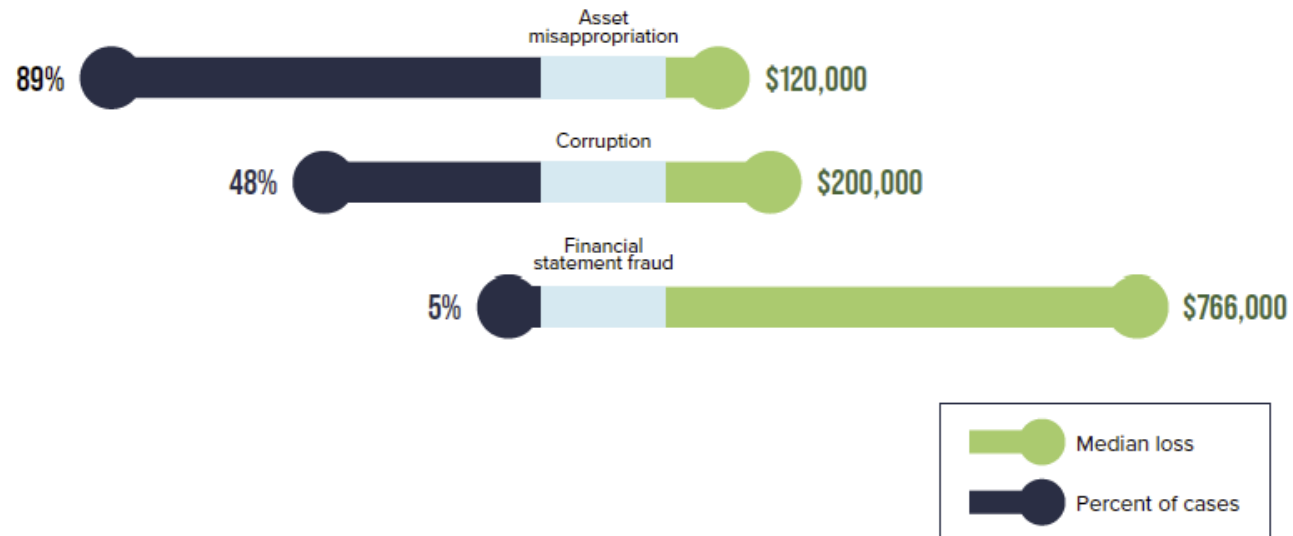
Large variety of fraud scheme types:

- Implications for audits
- Targeted nature of fraud investigations



Fraud by the Numbers

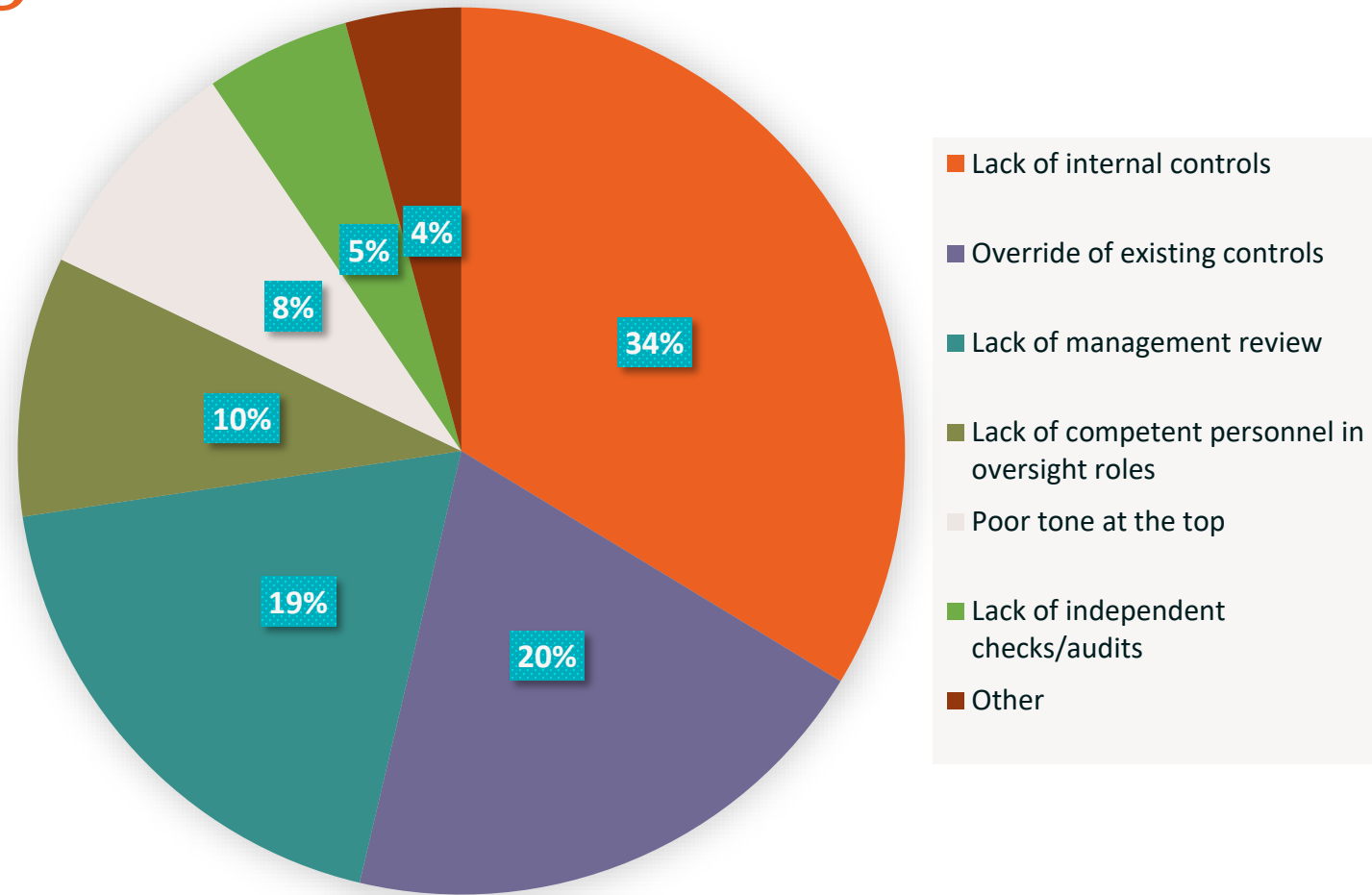
	Study Total	Nonprofits
Report study of covered:	1,921 cases	10% of cases
Mean Loss Per Case:	\$1,662,000	\$611,000
Median Loss Size:	\$145,000	\$76,000



By Organization Size

Organization size:	Cases	25th percentile	Median (50th percentile)	75th percentile	Mean
<100 employees	340	\$30,000	\$141,000	\$700,000	\$1,348,000
100–999 employees	365	\$20,000	\$130,000	\$693,000	\$1,615,000
1,000–9,999 employees	520	\$22,000	\$102,000	\$500,000	\$1,606,000
10,000+ employees	435	\$37,000	\$200,000	\$1,000,000	\$1,833,000

Causes

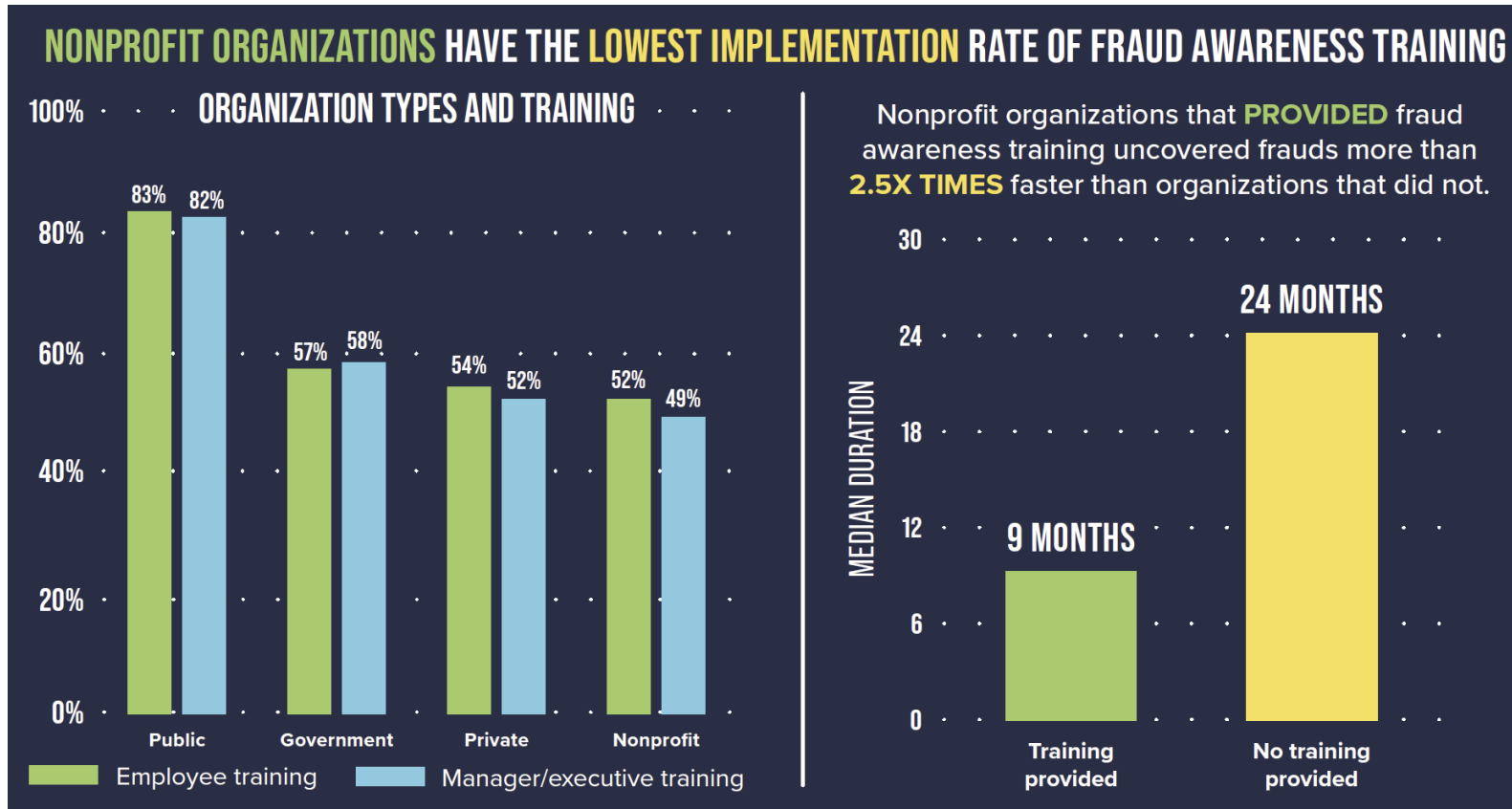


Not-for-Profit Fraud Risks

Attributes and factors for fraud in not-for-profit entities:

- Small organization size
 - Individuals wearing many hats
- Budget and pay constraints
 - Mission versus administrative spending
- High trust environment
- Lack of profitability metric
- Greater reputational risks

Room for Improvement: Training



Preventing Fraud

Controls (a few examples):

- Segregation of Duties/Monitoring
 - Regularly review financials, including detail.
 - Have bank/credit card statements sent to Treasurer or Board member.
 - Accounting personnel shouldn't sign checks.
 - Invoices approved by someone outside accounting.
 - Periodically review payroll names and rates.
 - Use external services where internal resources are not sufficient.
- Policies and Procedures:
 - Implement an approval process for new contractors and vendors.
 - Prohibit use of acronyms for payees on checks.
 - Dual signatures/approvals for amounts over certain threshold.
- Safeguarding Assets:
 - Limit/avoid use of cash.
 - Restrict endorsements to deposit only.
 - Secure computers, checks, and access.

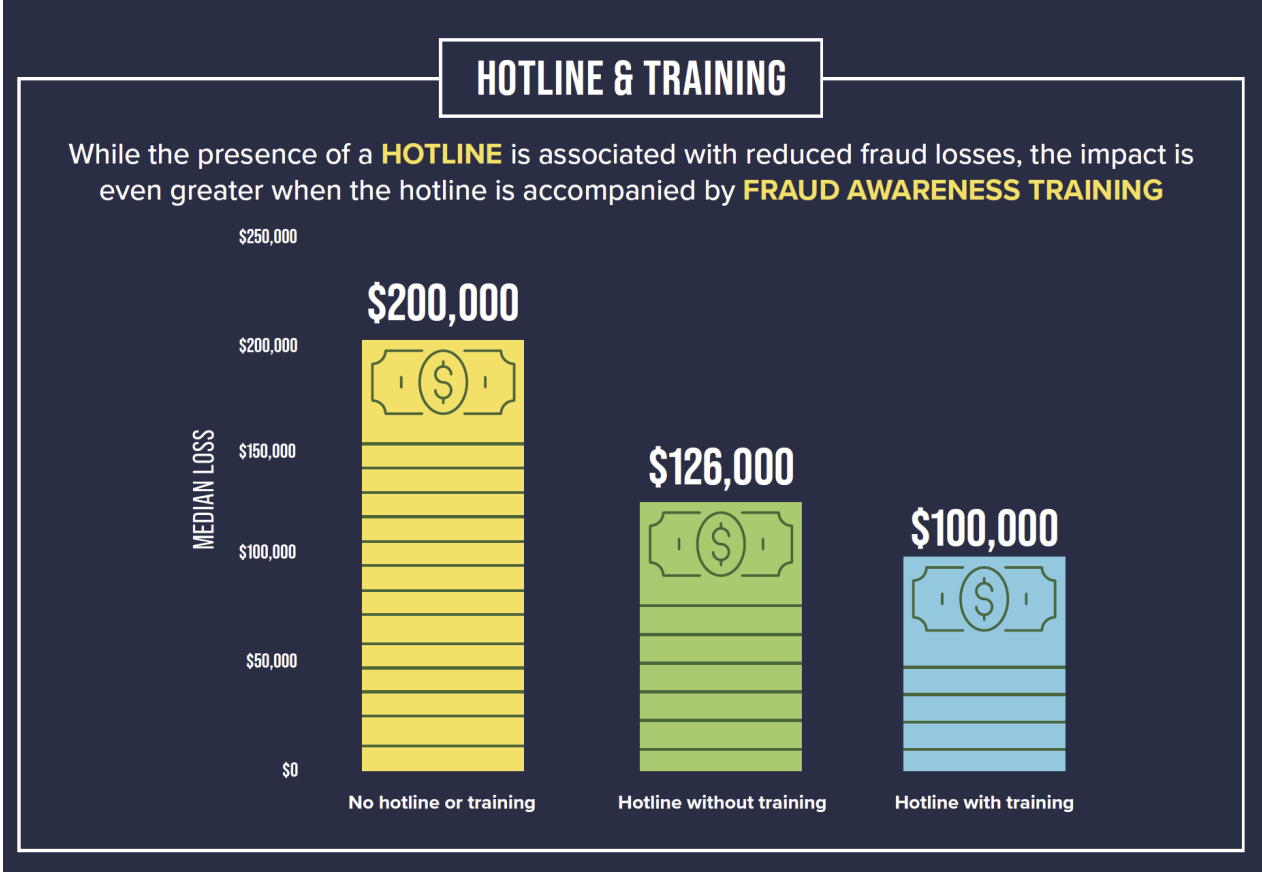


Fraud Detection: *Tip Power*

- 43% of frauds were uncovered by whistleblower tips.
 - This is more than three times as many cases as by any other detection mechanism.
 - Employees accounted for 52% of tips, followed by customers at 21%, and anonymous 15%.
 - Web-based Tip “Hotline” most common medium.
- Other notable detection methods:
 - Internal audit: 14%.
 - Management review: 13%.
 - All other methods were 6% or less.



Training and Hotline



Further Info & Questions

Further information:

- *ACFE's 2026 Occupational Fraud: A Report to the Nations*
 - Delayed release, look for it June 2026.
 - ACFE.com

Questions?



Contact the Presenter



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Dan is a Director in Kreischer Miller's Business Valuation practice. He has over 10 years of public accounting experience and specializes in providing business valuation, forensic accounting, and litigation support services. Dan is experienced in providing forensic accounting services in matters including employee fraud, theft, and accounting irregularities investigations; monitoring and compliance oversight; and insurance/business interruption claim calculations. He also provides commercial litigation support in partner/shareholder disputes, post-acquisition disputes, oppressed shareholder cases, and insurance subrogation matters and determines economic damages and values of businesses in a variety of commercial litigation settings. Dan also provides valuations to businesses across a broad range of industries for purposes including corporate planning, shareholder/partner transactions, mergers and acquisitions, and tax reporting.

Understanding Unrelated Business Income Tax (UBIT)

April 29, 2026

Katie Galaska, Director, Not-for-Profit Industry Group,
Kreischer Miller



Agenda

1. What is UBI?
2. UBI Impact and Form 990-T
3. Advertising/Sponsorship
4. Rental Income
5. Restaurants, Parking Lots and Gift Shops
6. Investments
7. UBIT Exclusions



What is UBI?

- Unrelated business income (UBI) = defined by the IRS as income from a trade or business that is regularly carried on and not substantially related to a not-for-profit organization's exempt purpose.
- Even if the income is used to fund mission-driven programs, the income may still be taxable if the activity itself does not directly further the organization's charitable goals.
- Trade or business = any activity that is conducted for the production of income from selling goods or performing services with the intent of making a profit.
- Regularly carried on = must be carried on in a frequent manner
- Not substantially related = analyze the relationship of the activity to the exempt purpose of the organization and determine if the activity contributes importantly to accomplishing that purpose (other than through the production of funds)

UBI Impact

- UBI is not inherently negative.
- The IRS allows tax-exempt organizations to engage in some unrelated business activities, provided they report the income appropriately and pay the associated taxes.
- However, excessive unrelated activity can raise red flags and, in extreme cases, threaten an organization's exempt status if the activity becomes the organization's primary activity.

Form 990-T

- Organizations are required to file a form 990-T and report the income if the sum of the organization's gross (not net) income from all unrelated business is \$1,000 or more.
- This return is required to be filed by the 15th day of the 5th month after the end of the organization's tax year (for example, May 15th for a December 31st year-end or November 15th for a June 30th year-end).
- Form 990-T does allow for deductions for items that are directly related and "allocated on a reasonable basis" but these deductions do NOT impact whether a filing is required.
- Each trade or business must be analyzed separately for their deductions – organizations cannot net business losses of one activity with income from another.
- Net losses can be carried forward with the offset being limited to 80% of taxable income.
- Corporations are taxed at 21% while trusts are taxable at the trust rates between 10-37%.

Advertising/Sponsorship

- Income from commercial advertising is typically considered UBI and is a major source of UBI for many organizations.
- The advertising income is **not** excluded from UBI just because the advertising appears in a publication that relates to the organization's exempt purpose.
- While corporate sponsorships may be exempt if structured properly, the line between sponsorship and advertising can be thin.
- Careful documentation and legal review are essential.
- "Advertising" is defined as any message or other programming material that is broadcast or otherwise transmitted, published, displayed, or distributed, and that promotes or markets any trade or business, or any service, facility, or product. Advertising includes:
 - messages containing qualitative or comparative language;
 - price information or other indications of savings or value;
 - an endorsement; or
 - an inducement to purchase, sell or use any company, service, facility, or product.

Advertising/Sponsorship

- The IRS notes that qualified sponsorship payments are excluded from UBI if there is no arrangement or expectation that the sponsor will receive any **substantial return benefit** other than the use or acknowledgement of the name or logo of the sponsor's trade or business in connection with the activities of the organization that receives the payment. This use or acknowledgement should not be advertising the sponsor's products or services.
- A "substantial return benefit" is defined as any benefit other than: (A) goods, services or other benefits of "**insubstantial value**"; or (B) a "**use or acknowledgment**". A substantial return benefit includes:
 - advertising;
 - providing facilities, services or other privileges to the sponsor (or persons designated by the sponsor), unless such privileges are of "insubstantial value";
 - granting the sponsor (or persons designated by the sponsor) an exclusive or non-exclusive right to use an intangible asset (e.g., name, logo, trademark, copyright, patent) of the tax-exempt organization; note that while payment for providing a sponsor with the right to use such an intangible asset will not constitute a qualified sponsorship payment, it may constitute a tax-free royalty; or
 - designating a sponsor as an "exclusive provider."

Advertising/Sponsorship

- **Insubstantial Value.** Goods, services or other benefits of “insubstantial value” are those that have an aggregate fair market value of not more than 2% of the amount of the payment. Note that if the fair market value of the benefits exceeds 2%, the entire fair market value (as opposed to the cost) of such benefits, not merely the excess amount, is considered a substantial return benefit.
- **Use or Acknowledgment.** A substantial return benefit does not include a “use or acknowledgment” of the name or logo (or product lines) of the sponsor’s trade or business in connection with the activities of the tax-exempt organization. Use or acknowledgment does not include advertising, but may include:
 - sponsor logos and slogans that do not contain qualitative or comparative descriptions of the sponsor’s products, services, facilities, or company;
 - a list of the sponsor’s locations (e.g., street addresses), telephone numbers, or website URLs;
 - value-neutral descriptions (including displays or visual depictions) of the sponsor’s product line(s) or services;
 - sponsor brand or trade names and product or service listings; and
 - designating a sponsor as an “exclusive sponsor.”

Rental Income

- If a not-for-profit organization rents out property that is subject to acquisition debt (debt incurred to acquire or improve a property), the rental income may be partially or fully taxable under UBIT rules.
- Examples of this would include museums or performance venues renting out their space for wedding or corporate events.
- Exclusions:
 - Rents – rents from real property without acquisition debt are excluded.
 - If substantially all (85% or more) of the use of any property is substantially related to an organization's exempt purposes, the property isn't treated as debt-financed property.
 - For example, if you use 4,500 square feet of a 5,000 square feet building for the organization's mission and rent out the remaining 500 square feet, the rental income would be excluded from UBI.

Rental Income

- Special rules apply to mixed leases of real and personal property:
 - All of the rents are excluded if the rents attributable to the personal property aren't more than 10% of the total rents under the lease.
 - If the rents attributable to the personal property are between 10 and 50%, only the rents attributable to the real property are excluded.
 - None of the rents are excluded if the rents attributable to the personal property are more than 50%.
- Personal property = any property not attached to the land or to structures on real estate, meaning it is moveable unlike real property or real estate

Restaurants, Parking Lots and Gift Shops

- Restaurants and parking lots that are **open to the public** will generate income that is classified as UBI.
- Operating a gift shop or selling merchandise unrelated to the organization’s mission—such as branded apparel or general consumer goods—can generate UBI. The key determinant is whether the activity is substantially related to the exempt purpose.
 - Does the item hold educational value that is specifically related to the organization?
 - Example – topically relevant documentary, book, children’s toy, etc.
 - According to IRS regulations, educational is defined as the instruction of the public on subjects useful to the individual and beneficial to the community.
 - The simple sale of educational items by an exempt organization doesn’t automatically mean the activity is related to the organization’s exempt purpose. General educational materials on subjects unrelated to your organization’s purpose will be considered taxable.

Investments

- Investment income – dividends, interest and other income from a not-for-profit organization's ordinary and routine investments are excluded
 - This exclusion **does not** apply to 501(c)(7) organizations (social or recreational clubs such as fraternities/sororities, sports clubs, country clubs, HOAs, etc.)
- As organizations continue to diversify their investments, it's important to be aware that alternative investments such as S corporations, partnerships, joint ventures or limited liability companies may trigger UBI.
- Schedule K-1 forms that are received should be closely analyzed for possible UBI and provided to the organization's tax preparer.

UBIT Exclusions

- Volunteer labor = any trade or business in which substantially all of the work is performed by individuals who aren't receiving compensation (example – volunteer operated bake sales)
- Convenience of members = any trade or business that is carried on primarily for the convenience of its members, students, patients, officers or employees (example – school cafeteria or a parking lot that is private for members)
- Selling donated merchandise = any trade or business that consists of selling merchandise, substantially all of which the organization received as gifts or contributions (example – thrift store)
- Bingo is excluded if it:
 - Meets the definition of bingo under the IRS/treasury regulations
 - Doesn't violate state or local law
 - Is played in a jurisdiction where bingo games are not regularly carried on by for-profit organizations

Other Exclusions

- Income from research = organizations that are operated primarily to conduct fundamental research with the results available to the public can exclude all income from research
- Gains and losses from disposition of property = other than the gains or losses from the sale of inventory or property held primarily for sale to customers, this income is excluded from UBI

Contact the Presenter



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Katie is a Director in Kreischer Miller's Not-for-Profit Industry group and leads the firm's tax-exempt organizations tax practice. Katie is passionate about education and relationship building when working with both her clients and Kreischer Miller team members. Katie has a wide range of experience providing tax, audit, accounting and business advisory services to a variety of not-for-profit and tax-exempt organizations. She also educates not-for-profit organizations on complex tax planning and compliance. Katie works with clients on implementing various recommendations for improved policies and increased efficiencies. She oversees the tax preparation and technical accuracy of the tax positions taken by her tax-exempt organization clients. Katie serves as an instructor for several of Kreischer Miller's in-house training seminars and is an active member of the firm's Not-for-Profit Industry Group. She has also presented on various industry hot topics including the role of board members vs. management, cyber security risks for not-for-profits, and preparing for a single audit.



About Kreischer Miller

Kreischer Miller is an advisory, audit and accounting, and tax firm serving the Greater Philadelphia and Lehigh Valley areas. We take an advisory approach in everything we do, working diligently to understand what your business needs to move ahead and providing the tools and guidance to help you get there.

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