MISSION

AND MONEY

What Fiduciary Actually Means for Your Board

The 7 Signs Your Nonprofit Needs a Financial Review

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Letter from the Editors

If you're reading this, you probably didn't get into nonprofit work because you love balance sheets.

Neither did we, honestly. John spent years leading Marines before he ever sat across from a client. Todd ran into burning buildings. The instinct that drives both of us has never really been about money, it's about making sure the people and organizations doing important work have what they need to keep doing it.

That's why we put this together.

It's what we wish more nonprofit board members and executive directors had access to before they had to make hard financial decisions without enough information. The concepts aren't complicated. The terminology just makes them feel that way. Our job here is to clear that up.

If something in here prompts a question or starts a conversation, we'd be glad to hear from you.

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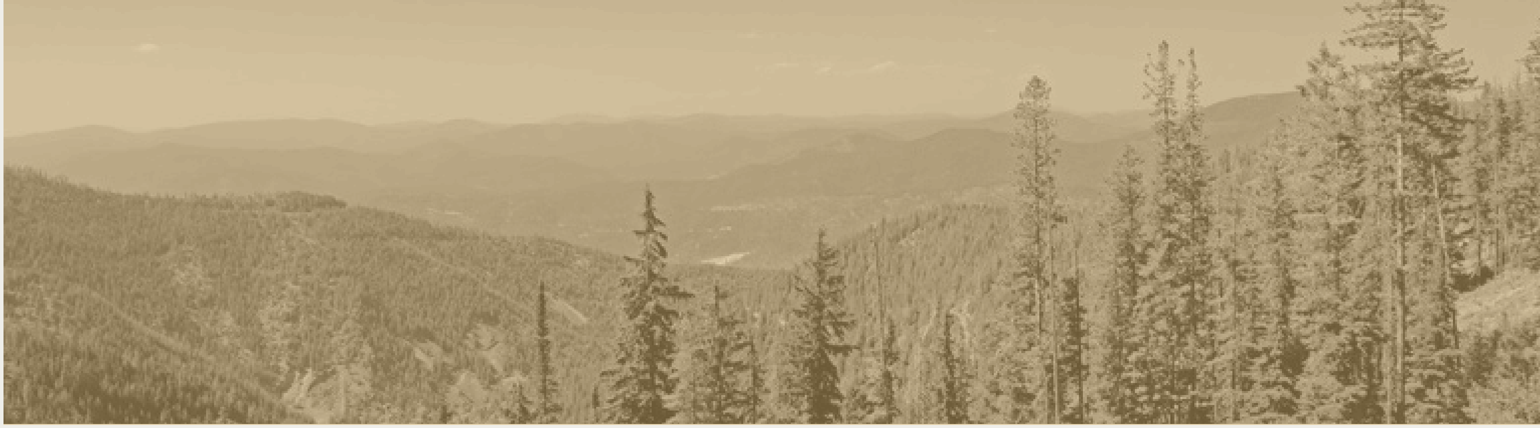

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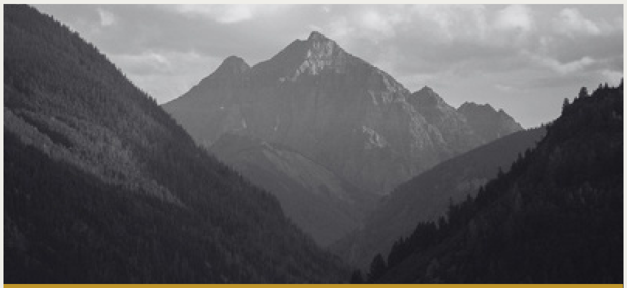


The Financial Realities of Running a Nonprofit

More than half of nonprofits in the country are operating with fewer than three months of cash on hand right now.

That single number tells you a lot about the financial pressure most mission-driven organizations are carrying. One difficult quarter, one grant that doesn't come through, one major donor who steps back, and the decisions get very hard very fast.

Most financial advisors have never worked inside an organization like this. They don't understand how the funding works, what the governance requires, or what it actually costs when something goes wrong. The challenges nonprofits face don't announce themselves. They build quietly. And the organizations that stay strong are the ones that learn to spot them early.

Here's what we see most often:

Our board expects financial stewardship, but we don't always have the right support.

The majority of nonprofit board members don't fully understand what their personal fiduciary liability actually requires of them. From the day a board member is seated, they carry legal responsibility for how the organization's finances are managed. Without the right guidance, that responsibility becomes a risk nobody saw coming.

We receive gifts in all forms, and don't always know how to handle the complex ones.

Appreciated stock, real estate, business interests. These gifts can be transformational. But only if there's a process to accept and handle them correctly. Without one, organizations either turn the gift away or accept it in a way that costs them. Complex gifts are declined or mishandled every year, not because organizations don't want them, but because they weren't set up to receive them.

(Source: Nonprofit Finance Fund, 2025)

We need our reserves to last, but we can't afford to leave growth on the table.

More than half of nonprofits report less than three months of operating cash on hand. Reserves parked in low-yield accounts don't just sit still, they lose ground to inflation every year. A better approach preserves what you have and grows it over time, without taking on risk that doesn't fit where your organization is.

Our major donors want to do more, but they need guidance we can't always provide.

Planned giving programs are one of the most underused growth tools in the nonprofit sector, and most organizations don’t have one. Your most loyal supporters often have far more giving capacity than a check reflects. Helping them structure a gift the right way benefits both sides. Most organizations don't have the tools to have that important conversation.

7 SIGNS
Your Organization May Be Overdue for a Financial Review

The organizations that stay financially sound are usually the ones who address these warning signs:

- ☐ We don't have a written Investment Policy Statement guiding how our funds are managed.
- ☐ We haven't defined how much of our reserves or endowment we can distribute each year.
- ☐ Our investments haven't had a formal review in more than two years.
- ☐ We've never talked through how to accept a gift of appreciated stock or real estate.
- ☐ Our board members aren't clear on what their fiduciary responsibilities require.
- ☐ We don't have a planned giving or legacy giving program in place.
- ☐ More than 70% of our annual revenue comes from a single source.

Two or three checks are worth a conversation. Five or more are worth a call this week.

What Every Board Member Should Know

You don't need a finance background to serve on a nonprofit board. But a few core concepts go a long way toward making every financial decision your organization faces feel clearer and more confident.

This is the short version. The one we wish more board members had before their first finance committee meeting.

What is an Endowment?

An endowment is a permanently invested fund. When a donor contributes to it, the understanding is that the original gift stays invested forever. It's never spent. What gets spent is the return the investment generates, year after year.

Think of it as a financial engine that runs in the background. A well-managed endowment generates income without a fundraising campaign, a grant application, or a donor appeal. When donations slow down, the endowment keeps the lights on.

Endowments grow two ways: through investment returns and through new contributions. Most often, new contributions come through planned gifts.
A longtime supporter leaves a bequest in their will. That gift gets added to the principal.

Terms Worth Knowing

Investment Policy Statement

A written document that spells out how an organization's money is invested. What asset classes. How much risk. How performance is measured. How much can be spent. Every organization with invested assets should have one. And the reality is, most don't have one.

Spending Policy

Defines how much of an endowment or reserve fund gets distributed each year. Most nonprofits target somewhere between 4 and 5 percent of the fund's average value. The goal is to cover current needs without dipping into the principal.

Fiduciary

The highest standard of care in financial services. A fiduciary is legally required to act in the interest of the organization, not their own. Every board member should be a fiduciary from the day they're seated. So is Alpha 3.

Restricted vs. Unrestricted Funds

Restricted funds can only be used for purposes the donor spelled out. Unrestricted funds go where the organization needs them most. Keeping these straight is one of the most basic governance responsibilities a board has.

Appreciated Asset

Any property that has grown in value since it was acquired. Stock is the most common example. When donated directly rather than sold first, both the donor and the organization get better tax treatment than a cash gift would provide.

Operating Reserve

A liquid fund that covers 3 to 6 months of operating expenses. It's what keeps the organization running when a grant falls through, a major donor pulls back, or an unexpected cost shows up. Without one, a single bad quarter can become a crisis.

What a Financially Resilient Nonprofit Looks Like

6 Things the Strongest Organizations Have in Common

1 A Funded Operating Reserve
Three to six months of operating expenses, liquid and accessible. It's what keeps the organization running when donations are delayed, a grant doesn't come through, or an unexpected bill shows up.

2 A Growing Endowment
Even a modest endowment, grown steadily over time through planned gifts and sound investment management, provides the kind of stability that a fundraising campaign can’t replicate.

3 A Written Investment Policy
Every financial decision is guided by a documented strategy. The board knows what they own, why they own it, and the plan.

4 A Spending Policy That Works
Distributions are calculated the same way every year, based on a formula rather than the pressure of the current budget. The principal stays intact. The mission keeps going.

5 A Gift Acceptance Policy
Complex gifts can be received and handled confidently. A major donor who wants to give stock or real estate doesn't hit a wall. The organization is ready.

6 A Partner Who Knows the Mission
Not just the numbers. Someone who shows up for finance committee meetings, keeps the board educated, and flags problems before they become crises.

Your Donors May Have More to Give Than You Think

Most nonprofits are set up to accept checks. Very few are set up to accept gifts that can change an organization's financial trajectory. Your most loyal donors often have giving capacity that a check doesn't reflect:

- Stock they've held for years.
- Real estate they're thinking about selling.
- An estate they haven't planned yet.

Getting set up to receive these gifts takes some work upfront. **The return is worth it.**

> **“The donors who care most about your mission often have more to give than a check can show. The question is whether you’re set up to receive it.”**

Gift Types Worth Understanding:

Appreciated Stock

When a donor gives stock directly instead of selling it and writing a check, they avoid capital gains tax entirely.

- The organization gets the full market value.
- The donor gets a bigger deduction.

It's one of the most tax-efficient ways to give, and most donors don't know it's an option unless someone tells them.

Real Estate

More complicated to accept than stock, but potentially a lot more valuable. With a gift acceptance policy in place and the right guidance, real estate donations can fund major projects or build endowment in ways that take years of fundraising to match.

Donor-Advised Funds

One of the fastest-growing giving vehicles in the country. Donors put money into a fund, take an immediate tax deduction, and recommend grants over time. Nonprofits that make it easy to receive gifts from these funds are getting a growing share of charitable dollars. Most nonprofits don’t know how to ask for DAF gifts.

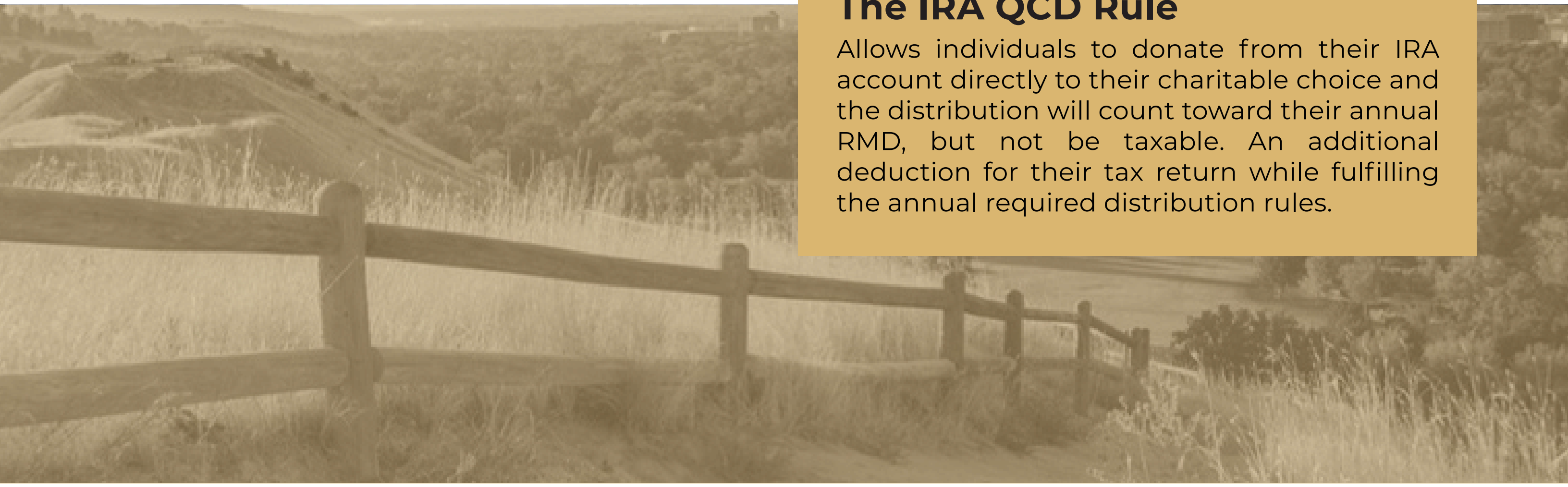
Bequests

The simplest planned gift and the most common way endowments grow. A provision in a will. Organizations that actively encourage bequests **receive significantly more of them than organizations that don't.**

WORTH KNOWING

The IRA QCD Rule

Allows individuals to donate from their IRA account directly to their charitable choice and the distribution will count toward their annual RMD, but not be taxable. An additional deduction for their tax return while fulfilling the annual required distribution rules.



What Fiduciary Means & Why the Board Should Care

The word shows up in every set of nonprofit bylaws. It gets mentioned in board orientations. But what it actually means for the people sitting around the table is rarely spelled out.

The Short Version

A fiduciary is someone who is legally required to put the organization's interests first. Not their own. Not a donor's. Not an advisor's.

The Organization's.

Every person who accepts a seat on a nonprofit board becomes a fiduciary automatically. That responsibility starts on day one and stays with them for as long as they serve.

What That Looks Like Day to Day

- Paying attention to how the organization's money is being invested and spent
- Making sure a written investment policy exists and is actually being followed
- Reading financial statements with real scrutiny, not just signing off
- Speaking up when something doesn't add up
- Keeping a record of financial decisions and the reasoning behind them

Why Your Advisor Matters Here

Not every financial advisor is a fiduciary. A lot of them operate under a lower standard called suitability, which only requires them to recommend something that's suitable for a client, not necessarily what's best for them.

Working with a fiduciary advisor means working with someone who is held to the same standard your board is. That's not a small thing when financial decisions get complicated and a lot is on the line.

“The board protects the mission. A fiduciary advisor helps protect the board.”

These aren't small problems. But they are solvable.

Your organization deserves a financial partner who understands the world you operate in.

Real Solutions, Real Results →

Real Solutions for Real Problems

An Unprotected Endowment

A regional foundation had accumulated a significant endowment but had no investment policy, no spending strategy, and reserves sitting in conservative accounts that were slowly losing ground to inflation.

How We Helped

We established a **formal investment policy**, diversified the allocation between **growth and preservation**, and implemented a sustainable distribution rate, giving the board a **clear framework for all future spending decisions.**

No Process For Accepting Complex Donations

A nonprofit was approached by a longtime donor who wanted to contribute a large block of appreciated stock. The organization had no process for accepting or liquidating non-cash gifts.

How We Helped

We guided the organization through accepting the stock, liquidating it in a tax-efficient manner, and establishing a formal gift acceptance policy so **future complex donations (e.g., stock, real estate, business interests) could be received without hesitation.**

Quietly Losing Thousands to Avoidable Taxes

An organization was generating modest returns on its reserves but had never reviewed the tax treatments of that income.

How We Helped

We conducted a full review of the foundation's investment accounts and identified repositioning opportunities that significantly reduced their unrelated business taxable income. This resulted in meaningful **annual tax savings redirected back into their programs** without changing their risk tolerance or investment objectives.

How We Help Organizations Like Yours

Protecting Your Endowment

Investment and wealth management strategies designed to preserve and grow your organization's financial foundation

Tax-Efficient Planning

Keeping more of every dollar working toward your mission, not lost to avoidable taxes

Charitable Giving Strategies

Working with your donors to structure gifts through vehicles like charitable remainder trusts and donor-advised funds

Reserve & Cash Flow Management

Helping organizations maintain healthy operating reserves, manage seasonal funding gaps, and ensure day-to-day financial stability

Maximize the Impact of Gifts

Helping you receive and steward donated assets more effectively, including complex gifts like appreciated stock or real estate

Long-Term Sustainability Planning

Ensuring your organization can fund its mission through leadership changes, economic shifts, and decades of growth

Board Financial Education

Equipping your board and finance committee with the financial literacy needed to make informed decisions

Advanced Planning

Specialized strategies for every financial situation, such as large asset transfers, organizational restructuring, and complex gift planning

More About Us

John Adams, CFP®, CDFA®

Founder/Managing Partner
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John Adams learned what it meant to lead under pressure long before he became a financial advisor.

As a Sergeant and Infantry Squad Leader with the prestigious 1st Battalion, 1st Marines at Camp Pendleton, he carried responsibility for the people in his care, and that instinct never left him.

With over 25 years in financial services, John has built his career around that same commitment. A CFP®, CDFA®, and approved Dave Ramsey SmartVestor Pro, he brings both the credentials and the character that families and organizations need when the financial stakes are highest.

Todd Halterman

Founder/Managing Partner
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Before Todd Halterman ever sat across from a client, he ran into burning buildings. As a firefighter, paramedic, and US Navy veteran, protecting people wasn't a career... it was a calling.

This calling took on new meaning when he watched both of his grandmothers struggle financially after losing their spouses. He decided then that helping families protect their financial future would be his life's work.

Two decades later, Todd is a founding partner of Alpha 3 Wealth Management, and a nationally recognized speaker, strategic planner, and nonprofit consultant.

Voted

2026 Best of North Idaho

Investment Consulting Firm

Thank you to residents and local supporters for this recognition. We're deeply honored by your trust and grateful for the opportunity to serve North Idaho.

Why Alpha 3?

Fiduciary-First

We're legally and ethically required to act in your organization's best interest.

35+ Years Serving Organizations Like Yours

Since 1990, we've worked alongside nonprofits and foundations on endowment management, major gift planning, appreciated asset strategies, and long-term sustainability.

One Relationship for Your Entire Financial Picture

We coordinate investment management, tax-efficient strategies, estate and legacy planning, charitable gift structuring, and insurance under one roof, so nothing falls through the cracks.

We Speak Nonprofit

Todd Halterman is a nationally recognized nonprofit consultant, and John Adams is a former nonprofit board member. We've sat where you're sitting, and we understand that fiduciary responsibility to a board and donor base is a different kind of pressure.

Local Presence, National Capabilities

As part of Centaurus Financial, one of the country's leading independent broker-dealers, we have access to institutional-level resources, investment platforms, and planning tools.

Veteran-Owned

Between John's service in the Marines and Todd's time in the Navy, Alpha 3 was built by people who understand what it means to operate with discipline, put others first, and never lose sight of the mission.

U.S. VETERAN OWNED BUSINESS

Dave Ramsey SmartVestor Pro

RAMSEY SmartVestor

Being named a Dave Ramsey SmartVestor Pro isn't something you apply for… it's earned. It means we've been vetted and recommended by one of the most trusted names in finance.

What to Expect When We Partner Together

Step 1 Discovery Meeting

We'll want to understand your current resources, investments or endowments, where your funding comes from, and what financial decisions are keeping leadership up at night.

Come prepared to talk openly. The more we understand, the more useful the plan.

Who should be in the room: Executive Director, Board Chair or Treasurer, and anyone with direct oversight of finances.

Step 2 Your Custom Plan

We build a strategy around what we learned.

Investment management, tax exposure, gift structuring, reserve planning, or whatever your organization needs most. We walk through it together until every piece is clear.

Step 3 Ongoing Partnership

Annual reviews, adjustments when leadership or circumstances change, and fiduciary support your board can point to.

We're also available to educate board members and finance committees who want to better understand the strategy behind the numbers.

DO YOUR HOMEWORK

Questions Worth Asking Any Financial Advisor:

- [ ] Are you a fiduciary? Are you legally required to act in our best interest?
- [ ] How much of your practice is working with nonprofits specifically?
- [ ] Can you help us put together an Investment Policy Statement?
- [ ] What's your process for handling complex gifts like stock or real estate?
- [ ] How do you get paid, and is there anything about that we should know?
- [ ] How often do you report back to us, and what does that reporting look like?
- [ ] Are you willing to work directly with our board or finance committee?
- [ ] What does a long-term relationship with you actually look like?

You take care of the community.

Let's make sure someone's taking care of you.

Schedule a conversation with us today.

(208) 665-5894

www.alpha3wealth.com