

NONPROFITS COMPENSATION



If you are an officer or director of a nonprofit organization, and you are working for the nonprofit, you can be paid for the services you have rendered on behalf of the nonprofit organization.

Many individuals and organizations mistakenly believe that you cannot be paid by a nonprofit organization. That is not true. Many charities and foundations employ hundreds of people and offer them competitive salaries to work for the organization.

But, in addition, many individuals mistakenly assume that if they're officers or directors, they cannot be paid. Though it's true that some states prohibit officers or directors from being compensated, you are permitted to be paid as an employee.

The Nonprofit can hire an officer or director to work as an employee - rather than calling yourself an officer or director, you could be an Executive Director, Fundraising Specialist, Social Media Consultant, Admin, Office Manager, Projects Manager, Website Developer, or Data Analyst.

As an officer or director of the organization, your role is limited.

As a director, you may be attending meetings once a month at most; as an officer, you may be carrying out duties in a limited capacity as well.

But as an employee, you may be working 20-40 hours per week.

You are conducting business and a variety of activities on behalf of the organization. In fact, you may be wearing many hats whether you're the Executive Director, Fundraising Specialist, Social Media Consultant, Admin, Office Manager, Projects Manager, Website Developer, or Data Analyst - or most likely a combination of all of them.

You are providing value to the organization, and you are helping the organization further its charitable purpose that benefits the general public. So, yes, you can be paid.

But of course, always keep in mind that the organization must withhold taxes if you're an employee. In addition, the Nonprofit should pay you reasonable compensation; the Nonprofit should ensure it has sufficient funds to pay you and spend on the nonprofit's operating expenses. Finally, if you are getting paid by the organization, please make sure that you are performing those activities to justify the salary that the Nonprofit is paying you.

The IRS has a standard where disinterested officers and directors should determine whether your proposed salary is reasonable based on the duties performed, hours spent, and experience, and the disinterested officers and directors compare your salary and duties to other individuals who are being compensated by similar organizations.

If Anderson set up your nonprofit, and if you have any additional questions, please attend our weekly Q&A sessions where we have answered thousands of questions from our nonprofit clients. If you don't have access, then please reach out to us at **nonprofits@andersonadvisors.com** and we can provide you with a link if Anderson set up your nonprofit.