



## **Giving Back: Separating Personal from Business –Credit Cards for Nonprofits**



**By: Pat McLennan, Senior Vice President – Director of Community Development**

Every dollar matters for a nonprofit. What isn't spent paying the monthly rent and other expenses is pumped directly into the organization's mission. When it comes to making purchases or paying vendors, a nonprofit is like any other business, and a credit card is a valuable tool that makes managing expenses more convenient. It's also a smart way to build credit.

According to MissionBox, an online knowledge and connection hub for nonprofits around the world, nonprofits should strive to establish a credit history separate from any executive or board member. Once an organization has a federal tax identification number and business bank accounts in its name, the business credit bureaus — Equifax, Experian and Dun & Bradstreet — begin generating business credit scores based on credit obligations, legal filings and company background information.

To help ensure that nonprofits build strong business credit, MissionBox recommends that nonprofits...

- Always make payments on time
- Keep balances low and try to pay the full amount, if possible
- Don't open multiple credit cards unnecessarily

**Formalize guidelines for card use**

Because 501(c)(3)s enjoy tax-exempt status, organizations need to be aware of the types of purchases made with their nonprofit credit card. Using it for personal expenses could jeopardize their status, so monitoring spending carefully is important.

Given this, boards of directors should establish clear policies for credit card use. MissionBox recommends:

- Who in the organization can obtain a credit card and for what purpose?
- Spending limits for each cardholder
- Qualifying expenses
- Expenses and/or amounts that require pre-authorization
- Procedures for approving charges
- Documentation for submitting expenses, i.e., itemized receipts
- Penalties for improper use, including revoking card privileges

### **Minimizing risk**

Like every other organization, nonprofits need to minimize the chances of fraud – and credit cards pose a definite risk. As such, nonprofits should encourage those who use its credit card to incorporate a few practices into their daily routine. These include:

1. Not giving out the account number to callers unless they are known to be reputable
2. Never signing a blank receipt
3. Saving receipts to compare with the monthly statement
4. Reporting any questionable charges or a lost or stolen card promptly

Also, nonprofits should establish a clear chain of command for reviewing credit card statements and addressing discrepancies. Supervisors should review employees' purchases, and executive leadership should review those of board members. Finally, someone in a position of authority should reconcile credit card statements against the nonprofit's books on a monthly basis to ensure that all records are in agreement.

Malvern Bank offers a business credit card through Visa®, the CommUNITY Card. This card offers competitive cash back options, merchandise, gift cards, and great travel options. The card also offers great rewards for every dollar spent, and help business owners track and manage expenses.

Here are some specifics of the Malvern Bank Visa CommUNITY Card:

- Benefits
  - Streamline spending
  - Valuable rewards program
  - Reduce corporate liability
- Minimum Requirements
  - Provide proof of nonprofit status
  - Financial statements or tax returns
  - Must pay balance in full each month

- Credit Limit
  - \$500 to \$500,000
- Annual Fee
  - Non-rewards: No annual fee
  - Rewards: \$99
- Earning Rewards
  - Optional rewards program
  - Earn 1 point per \$1 spent on eligible purchases
  - No caps or limits on total points earned
  - *A non-rewards CommUNITY Card is also available*
- Reward Redemption
  - Choice of
    - Cash Back
    - Merchandise
    - Gift Cards
    - Travel

If you've been thinking of a business credit card for your nonprofit, consider the advantages of a Malvern Bank Visa CommUNITY Card. For more information, contact me, Pat McLennan, at [PMcLennan@mymalvernbank.com](mailto:PMcLennan@mymalvernbank.com) or 610.220.7179.



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*Disclosures:*

*Elan Financial Services provides zero fraud liability for unauthorized transactions. Cardholder must notify Elan Financial Services promptly of any unauthorized use. Certain conditions and limitations may apply.*

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