

# FINANCIAL MANAGEMENT OF ALL VOLUNTEER ORGANIZATIONS (AVO)

# Next Few Minutes-

Let's talk about Accounting  
and Numbers-



# Board Meeting Presentations

- ✓ Are the reports accurate and complete?
- ✓ Does the information make sense?
- ✓ How does the data relate to the Organization's program?
- ✓ How does the information compare against expectations?
- ✓ Is the Organization financially stable?
- ✓ What do the reports tell me about the future?

# Board Meeting Presentations

- Financial presentations at board meetings should provide a quick snapshot of the current financial status of the organization.
- Detailed financial statements and comparisons to budget line item details should be discussed through the finance committee.
- The Board should receive a summary report of key issues related to the finances of the organization.
- A “Financial Dashboard” can provide your accounting measurements and metrics in a efficient and effective manner.

# As Leaders- Look at Trends to Identify a potential problem.

## WHY USE ACCOUNTING MEASUREMENTS AND METRICS ?

- Accounting measurements and metrics use financial data to summarize organizational performance
- Accounting measurements and metrics are tools used to improve financial decision making
- Provides a quick snapshot approach that is easy to understand.
- Helpful in identifying trends within the Organization.

# What types of Financial Analysis?

- Overview of Operational Results
  - Budget comparisons for key income and expense line items
  - Cash on Hand / Investment balances, Reserve Etc.
- **But... financial analysis applicable to for profit entities is only partially useful for nonprofits.**
  - Profit margins mostly do not apply.
  - Revenue streams are different.
  - Equity is much different.
  - A/R and inventory turns not typical for a NPO.

# Cash and Investment Analysis

Operating Cash

\$100,000

Annual Expense less  
Depreciation/ 365

\$200,000 less \$5,000/ 365

$\$100,000 / \$534 = 187 \text{ Days}$

You can also add the investments and cash to determine your true “out of cash” date.



# Accounting Measurement and Investment Performance

**Portfolio's Rate of Return –**

**((S&P500 Rate of Return x (equity portfolio invest. %))**

**+ (Bond Rate of Return x (bond portfolio invest.%)))**

6% - 26.99% x 55% + (5.39)% x 45%=

6% - (14.8% + (2.4) %)

6% - 12.4%

52% Underperforming.



# Accounting Measurement

## Working Capital

- $\text{Current Asset} / \text{Current Liabilities}$

## Debt Ratio

- $\text{Total Debt} / \text{Total Assets}$

## Program Service Expense

- $\text{Program Services} / \text{Total Expense}$

# Look at your peer group to determine how you stack.

## ◎ Form 990-

- 990N
- 990EZ
- 990

- Only Required to File One Form.

[www.guidestar.org](http://www.guidestar.org)



# USING TODAY'S INFORMATION FOR THE FUTURE

# Looking to the Future with Accounting

- Future Cash Flow Analysis
- Forecasting Future Results
- Floating or Flexible Budgeting
- Talk to those in the Field- What Would you do differently.
- Automating Accounting Systems

*“The more automation the less Error and Fraud”*



# Cash Flow Analysis

- Predict the cash needed to fund tomorrow's operations.
- Some Accounting Systems will do this for you.
- What is the burn rate-  
Fixed and Variable Expense
- Another way to look at this-  
What's the Current Ratio?  
What's the budget- What's the  
forecast? They're different.



# Forecasting Future Results

- Meet on a Regular Basis with the Organization Leaders. What are their needs- What are they seeing?
- Each month or after each F/S close is the time to re-forecast.
- Determine future cash needs and invest the rest.



# Floating or Flexible Budgeting

- ◉ Looking ahead for the next quarter as opposed to the next year. Update for the latest activity.
- ◉ Make better decisions with more current information.
- ◉ Does take time, but should be viewed as beneficial.
- ◉ Future of Accounting is Flexible Budgeting

*What you know today is more than what you knew yesterday.*

# Talk to Those in the Field

- What is causing you stress?
- What would you do differently?
- Is there a better way?



# Accounting Automation

- Cloud based Accounting Systems
- Outsourced Accounting Functions
- Cloud based Accounts Payable, Cash Disbursements, and Invoicing

# PROCESS DOCUMENTATION INTERNAL CONTROLS AND FRAUD

# The Focus Areas

- Contributions, Accounts Receivable and Cash Receipts
- Expenses, Accounts Payable and Cash Disbursements
- Payroll (may not be applicable)
- Financial Statement Close Process



# What to Look For

- ◎ Identify the Internal Control Weaknesses and Close the Gaps
  - Cash Reconciliations
  - 3<sup>rd</sup> Party Reviews
  - Segregation of Duties
  - Switch the tasks
  - Metrics
  - Think Existence, Completeness at all times.

# Non-Profit Fraud

## ◉ Washington Post-

**October 26, 2013-** Inside the hidden world of thefts, scams and phantom purchases at the nation's nonprofits

**October 30, 2013-** [Something's rotten in the state of nonprofits - The Washington Post](#)

**November 23, 2013-** Nonprofit groups often seek restitution, not prosecution, when money goes missing

**November 25, 2013-** A Post analysis found that more than 1,000 groups have had a "significant diversion" of assets since 2008.

The extent of fraud is high. Bart Bevers, a former Texas inspector general, estimates that \$50-billion a year is lost in nonprofit fraud-

The persistence of charity fraud endangers the integrity and reputation of the nonprofit world as well as its ability to attract substantial private donations. Pablo Eisenburg- Senior Fellow, Georgetown Public Policy Institute

