

# FINANCIAL MANAGEMENT OF ALL VOLUNTEER ORGANIZATIONS (AVO)

# You're now a Treasurer

## Financial Stewardship

### Musts-

Timely/Accurate  
Reporting

Administrative Filings

Avoid Pitfalls- Fraud



# The Basics

- ◎ Statement of Financial Position
- ◎ Statement of Activity
- ◎ **Budget to Actual**
- ◎ **Cash Projections**
- ◎ **Forecasting**
- ◎ **Financial Dashboard**

# Your Financial Review

- ✓ 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?

AACRAO Leadership Meeting, December 5, 2014

# Financial Presentations

- Financial presentations should provide a **quick snapshot**
  - Detailed financial statements and comparisons to budget line item details should be discussed through the finance committee.
- A “**Financial Dashboard**” can provide your accounting measurements and metrics in a efficient and effective manner.

# As Leaders- Use the Financial Dashboard

- Organizational performance
- **Tools** used to improve financial decision making
- Provides a **quick snapshot** approach that is easy to understand.
- Helpful in **identifying trends** within the Organization.

# The Dashboard Make-Up

- Overview of Operational Results
- Budget comparisons for key income and expense line items
- Accounting Measurements-
  - Cash on Hand / Investment balances, Reserve Etc.  
(One Year of Budgeted Expense)- Less than one year potential liquidity issues.

# Cash and Investment Analysis

Operating Cash

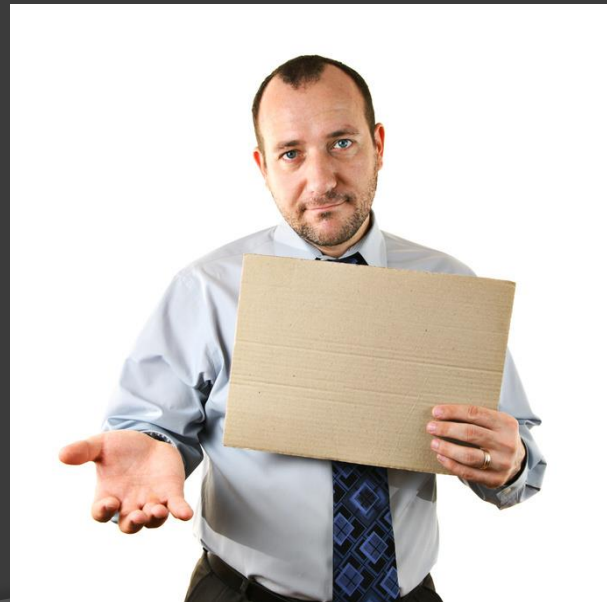
\$100,000

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

## Working Capital

- Current Asset/ Current Liabilities 1.1/1
- Liquidity Issues of less than one year

## Program Service Expense

- Program Services/ Total Expense 65% no lower than 55%
- Fundraising 10% of every Contribution Dollar
- G&A

# ADMINISTRATIVE FILINGS

# Obtaining Tax Exempt Status

- Form 1023: Application for Recognition of Exemption Under 501 C (3) or Form 1024 for other non-profits
  - 501 C (4)- Civic Leagues or Social Welfare Organizations
  - 501 C (5)- Labor or Agricultural, Horticultural Organizations
  - 501 C (6)- Business Leagues, Chambers of Commerce etc.

# 501C(3)

- ⦿ Must operate as Charitable, religious, educational, literary, scientific or certain other purposes.
- ⦿ Dissolution Test- if dissolves the assets must be distributed in furtherance of its exempt purposes or to the federal, state, or local government for public purpose
- ⦿ Public Charities or Public Foundations

# The Filing Forms

- ◎ Form 990-

- 990N- less than \$50K
- 990EZ- less than \$200K and Assets of \$500K
- 990

- Only Required to File One Form.

- Local Reporting Requirements

[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
- 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 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.



# AVOID FRAUD

# Non-Profit Fraud

- **Skimming** — Cash is stolen before the funds are recorded in the accounting records.
- **Credit card abuse** — Perpetrators either use organization-issued credit cards for personal use or use donor credit card numbers.
- **Fictitious vendor schemes** — Perpetrators set up a company and submit fake invoices for payment.
- **Conflicts of interest** — Board members or executives have hidden financial interests in vendors.
- **Subrecipient fraud** — Abuses by a subrecipient entity include intentional charges of unallowable costs to the award, fraudulent reporting of levels of effort, and reporting inaccurate performance statistics and data.

# 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.

# Talk to Those in the Field

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

