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

Annual Expense less Depreciation/ 365

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

\$100,000

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

\$100,000/\$534= 187 Days





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.%)))

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6% - 26.99% x 55% + (5.39)% x 45%=
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$$6\% - (14.8\% + (2.4)\%)$$

52% Underperforming.



Accounting Measurement

Working Capital

Current Asset/ Current Liabilities

Debt Ratio

Total Debt/ Total Assets

Program Service Expense

Program Services/ 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





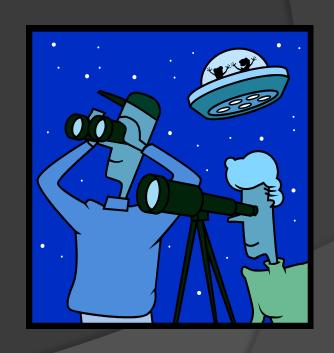
USING TODAY'S INFORMATION FOR THE FUTURE



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
 - 3rd 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







AACRAO Leadership Meeting, December 7, 2013