

Sound Nonprofit Financial Management for a Sound Nights Sleep

By: Bonnie McFarlane

When asked what about their organization keeps them awake at night, most nonprofit executive directors and senior managers will give the short and simple answer: **money.**

While most bring financial management experience to their job, many have less expertise in this area than they would like. All, however, are aware that sound financial management is linked with every function of the nonprofit and is essential for organizational success.

Macro Level Oversight

First, look at the "kind" of money your nonprofit organization has available to provide programs.

For example, foundation and government funding may restrict the type and amount of advocacy your organization can do. Unrestricted funds from individual donors provide more opportunities for advocacy.

Similarly, most grants and even government contracts don't cover all program costs.

Your nonprofit needs a mix of private and public grant money and other sources of funding to deliver the financially healthy, viable programs that you want in ways that are best for the communities you serve.

Investing for the Future
Sound financial management also requires that you broaden your focus beyond having a fund balance large

enough to finance cash flow (typically, three to 12 months of operating expenses). Figure out how to manage self investment, whether through an endowment, a major donor campaign or an annual fund. That will allow you to invest in your infrastructure (evaluation, marketing, IT, etc.) and connect your current situation to where your organization wants to be.

Understanding Financial Position

Lastly at the macro level, make sure you understand your balance sheet, known as the Statement of Financial Position in the nonprofit sector. The information on the balance sheet can give you excellent insights on a number of important areas of financial management, including:

- Short/Long-term cash-flow needs
- An ability to fund expansion
- Funds needed for future equipment maintenance
- The soundness of your cash-management strategy (or if you need one!)
- Future debt payment requirements

Operational Level Oversight

On a more operational level, are you "in the mix" when it comes to financial systems and information? Can you get details from your finance professionals in a format that you can understand? Would you be embarrassed if anything in your expenditure or salary base made the day's headlines?

Know what's going on. Look at the details, systems, and checks and balances. Make sure you can defend your budget to your board, supporters and colleagues.

Budgeting for Programs

It is crucial that managers receive the information they need to understand their programs' financial viability - information that shows them whether or not programs are paying their way, including overhead and administrative costs.

Financial reports must clearly show the restricted and unrestricted funds. This is critical for knowing what can and cannot be changed if the budget should require adjustment.

Similarly, your development professionals need to know how much it takes to raise a dollar, including personnel time. This way they ensure that their costs are at an appropriate level as they support program work - something donors and funders also need and want to know.

Passing the Logic Test

Do your financial statements pass the "logic test"? If, for example, you have a government contract that requires certain services be performed by a specific staff member, do the financials show a portion of that person's salary apportioned to those contract funds?

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Client of the Quarter: Mt. Gilead Camp & Conference Center

Nestled in the heart of the Pennsylvania Poconos, Mt. Gilead Camp & Conference Center exists to glorify God by ministering to girls through a Christ centered camping experience that equips them to impact the world for Christ. Mt. Gilead has provided an exceptional girls' Christian summer camp program for more than 50 years. Play, learn, and grow while participating in archery, swimming, riflery, drama, ceramics, horsemanship, and canoeing—to name just a few! In a warm and friendly atmosphere, Christian staff lead engaging activities and interactive, creative small-group Bible studies.

Mt. Gilead offers specialty week programs for girls who are interested in horses, outdoor adventure, leadership skills, or water activities. Our equestrian quest programs are available for girls completing 5th through 11th grades. While at camp these girls live and breathe horses. They learn horse care, stable management, and improve their riding skills. Our Adventure X5 program is for the 7th through 11th grade girl who loves adventure and wants to try it all. These girls embark on a different adventure each day with our experienced and qualified staff. Adventures may include canoeing, white water rafting, hiking, indoor rock climbing, camping out, and mountain biking. Paddling Possibilities is the right choice for the water lover. Activities include white water rafting, canoeing, and kayaking all right here in the beautiful Pocono mountains. C.I.L.T.(Campers In Leadership Training) is a leadership development program for girls completing 9th through 11th grades. Our Mom/Daughter and Dad/Daughter weekends are a great time to get away from the hustle and bustle of life and spend some quality time together. Listen to the chirping of the birds, or the rushing water of the falls, enjoy one another's company while you study God's Word together, sing songs, share meals, participate in activities, crafts, and create lasting memories. Registrations are being accepted for the events in May/June 2008.

In addition to the summer camp program, Mt. Gilead Camp & Conference Center offers a refreshing atmosphere in a scenic location for corporate conferences, retreats, or gatherings of family and friends. The campus has a number of lodging facilities as well as a dining hall and kitchen and a large recreation hall available for usage at \$12.50 per person per day. Delicious meals can also be provided for an additional fee.

The capital campaign is progressing with the majority of the funds received and new septic tanks and lines were installed this past spring. Fall 2007 through Spring 2008 we are planning to install two new septic fields to replace our current thirty-year old system. In addition, we plan to have two new buildings built by 2009. We are excited about the Lord's blessings as we celebrate Mt. Gilead's 54 year of summer camp for girls. God receives all the glory for the lives that have been touched over those years. For more information on Mt. Gilead, visit their website at: www.mtgileadcamp.org or contact them at 570-629-0920.

Whose Responsibility Is It Anyway?

Financial, Fiduciary, and Oversight Roundtable

Presented by: Cynthia Bergvall, CPA

Tuesday, November 20, 2007 9:00 a.m. – 11:00 a.m.

PICPA Offices, 1650 Arch Street, 17th Floor, Philadelphia

Financial, fiduciary, and oversight regulations have changed, affecting the roles and responsibilities of the players in the nonprofit arena. Even though you haven't changed a thing, could you get a financial report identifying significant deficiencies? Do board members understand their legal and fiduciary responsibilities? Where do management, committees, and auditors fit into the financial reporting process? What about 990s? Are you prepared to respond to users of your financial statements?

So many questions! You may be surprised to learn the answers. Please join us for a roundtable discussion on how nonprofits should operate in today's current regulatory environment. Bring your questions. Share your war stories. Learn from each other and the nonprofit accounting experts.

PANO is pleased to join with the Pennsylvania Institute of CPAs (PICPA) and Community Accountants to develop programs that will help you understand your role in the financial reporting process so you can focus on the business you are most passionate about – your organization's mission. PICPA member, Cynthia Bergvall, CPA is pleased to lead the discussion on this first roundtable program. Based on areas of interest and discussion, additional programs will be presented in the future.

Who should attend:

Executive Directors, particularly those in organizations without a robust accounting staff

CFOs that may not have technical resources available or who do not routinely prepare financial statements

Accountants for organizations where other members of management do not have a strong accounting background

Members of boards of directors that want to gain a more thorough knowledge of their organizations' financial statements, particularly members of audit, budget, and finance committees.

Registration is limited so contact Amy@pano.org for more information on the program.

Sound Financial Management

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If financials are not easily understood, take steps to rectify the problem through a change in format or additional training for those reading the statements.

Addressing Problems

Are reports, reimbursements or billings going out late or have consistent errors? A different timeline could make a difference, or you may need to provide additional training for those preparing the reports. In some instances, a change in personnel may be in order. Whatever is needed, you've got to address the problem. Tolerating it is just a house of cards.

The Forest for the Trees

To make sure your nonprofit organization is financially healthy, you need to know the details, ask questions, demand answers and understand the big picture.

The benefits? You will be able to be more entrepreneurial. You will understand where you can be creative, how you can invest, and where you have or can get the freedom to pay for programs or activities not covered by most funders. You will better meet your mission and be doing the most with the funds - and the public trust - you receive as a nonprofit organization.

Certainly, having a firm grasp on your finances on a regular basis will help you understand your organization on a deeper, more holistic level. And this knowledge - and power - should help you sleep a whole lot better.

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Bonnie McFarlane is the Director of Fiscal Sponsorship for Third Sector New England. Third Sector New England provides information and services to build the knowledge, power and effectiveness of nonprofit organizations that engage people in community and public life.

Fiscal sponsorship is an affiliation between an unincorporated group and a 501(c)3 nonprofit organization that provides such groups with the benefits of tax-exempt status. TSNE only offers financial sponsorship in New York and New England

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2007 Fall Program Series

Creating Websites that are Meaningful and Useful

November 15, 2007 PA Center for Biotechnology 3805 Old Easton Rd., Doylestown, PA

Everyone wants a good website. But what does "good" mean when it comes to designing a website or improving a website for your non profit organization?

There are specific steps you can take to better understand who your website users are, and identify their needs and priorities. This is an approach called user-centered design, and it includes steps you can take before you engage a graphic designer or HTML programmer. We'll review this concept and do some hands on practice with user-centered design for your website.

Kristy Knabe, Knabe Design. Kristy Knabe has over 15 years of experience working as a user experience designer, creating the end-to-end user experience for products and services. She understands completely how to integrate the key factors that create a positive user experience – needs assessment, product usability, change management, and customer communication.

Name: _____

Title: _____

Organization: _____

Address: _____

Registration fee: \$35 (discounts apply for clients of the firm, PANO members and past attendees of BCCNM seminars.) Make checks payable: Bee, Bergvall, & Co., PC

BBCo Community Bulletin Board

We are pleased to accept your submissions of jobs and special announcements. E-mail directly to: Liz Vibber, lvibber@bbco-cpa.com.

The **YWCA of Bucks County** is looking for a full time, experienced grant writer to help write large, multi-year grants for the organization. E-mail ywcab17@rcn.com with your resume.

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Finance Manager: Local non-profit seeking accounting professional to perform/manage all aspects of financial and accounting administration; A/P, A/R, Payroll, G/L, grant accounting. Competitive salary/benefit package. Prefer fund accounting, federal and state grant accounting experience. Proficient in Microsoft Office. Intuit Fundware knowledge a plus. Please state salary req. in response. Resumes to: Nancy Cipolla, BC-WIB, 1268 Veterans Highway, Bristol, PA 19007.

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This Fall, **Penn Foundation's Recovery Center** will be featured in *One Day at a Time: Finding Hope in Recovery*, a documentary produced by Mennonite Media that takes an in-depth look at chemical dependency, the grueling recovery process, and the emotional impact it has on families. The documentary will feature commentary and interviews with Recovery Center program, Rehab at a Home. To learn more about the Recovery Center, visit www.pfrecoverycenter.org.

Small nonprofits that were not previously required to file returns will be required to file a new Form 990-N electronically starting in 2008. This change will primarily affect small tax-exempt organizations whose gross receipts are \$25,000 or less and have not previously been required to file Form 990. Exceptions to this requirement include organizations that are part of a group return and private foundations required to file Form 990-PF. In addition, this filing requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches. IRS will revoke the tax-exempt status of nonprofits that don't file Form 990-N for three consecutive years, so it is imperative that small nonprofits comply with this new requirement.

The IRS has published a useful frequently asked questions document describing the new Form 990-N (e-Postcard) requirements.

Nonprofit Policy News info@ncna.org As of October 29, 2007

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CB Cares' 2nd Annual Fall Day of Service is scheduled for Saturday, November 10, 2007. For further details about exciting volunteer opportunities and community service projects, visit www.cbcht.org or contact CB Cares' Community Mobilizer, Stacey Mulholland at 215-489-9120 x 4 or smulholland@dh.org. Organizations with volunteer opportunities should contact CB Cares.

Fall, 2007