



Nonprofit Fiscal Management (Advanced Track)

Amanda Green | January 22, 2024





About Me

Amanda Green is an independent consultant who is passionate about supporting nonprofit organizations and leaders. She brings over 10 years of experience in the nonprofit sector and has worked with more than 100 nonprofit organizations. Amanda's specialities include strategy and strategic planning, organizational assessments, and board development. She has worked with organizations of all sizes and has led initiatives focused on financial sustainability for community-based organizations.

Learning Objectives

By the end of this training, you will be able to:

- Establish a high-level budget review process
- Effectively communicate your organization's financial state
- Clarify your board's fiduciary responsibilities and how to assess your board's level of understanding of your organization's finances
- Assess your organization's need to conduct an audit
- Understand the board's role in an organizational audit





Agenda:

- **Budgets and Financial Management**
- **The Board's Financial Responsibilities**
- **Organizational Audits**
- **Review and Wrap-up**

Budgets and Financial Management



Key Roles in the Budget Process



CEO & CFO



Advisory Team

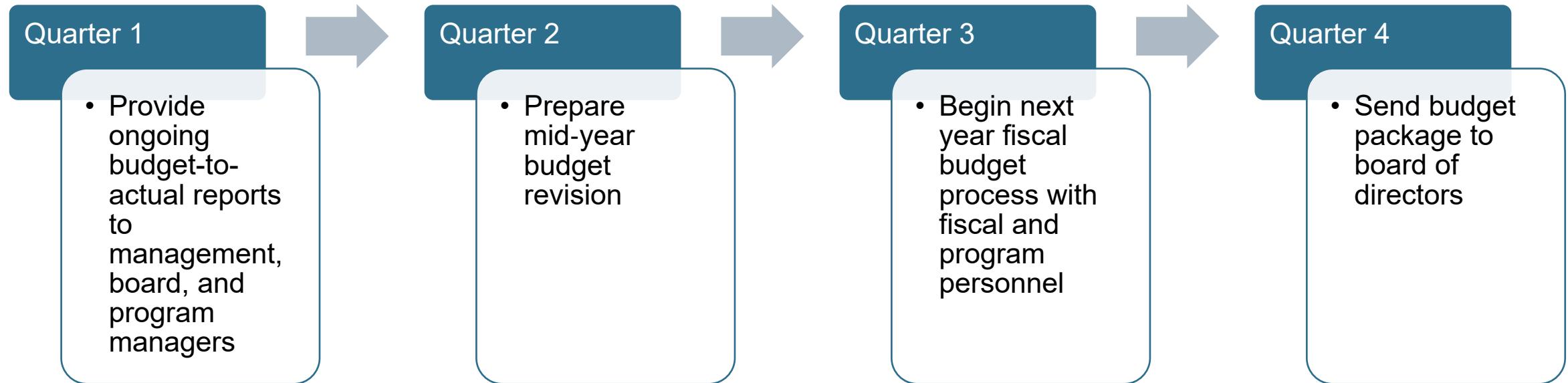


**Senior Program
Staff**



**Board of
Directors**

Key Milestones & Stakeholders in the Budget Process



The board of directors reviews and approves the organizational budget at its annual meeting.

The finance team distributes the final budget to leadership team members and program directors to ensure sound financial management.

Communicating Your Organization's Financial State

Your budget should:

- Include a summary or overview
- Give enough detail to assess and make certain decisions, but not so much detail that folks get bogged down in tangential discussions
- Include assumptions and notes
- Highlight significant changes in the operation and future plans, including details for further contingencies and scenario planning
- Include select charts and graphs to provide a visual representation of the numbers
- Be presented, discussed, and compared to actual year-to-date results at periodic board meetings (every board meeting, if the organization is in crisis)

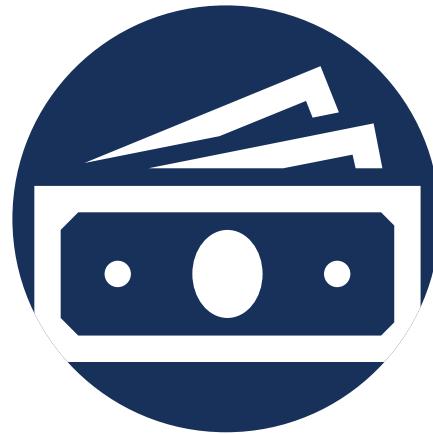
The Board's Financial Responsibilities



The Role of a Nonprofit Board



**Establish
Organizational
Identity**



**Ensure
Resources**



**Provide
Oversight**

Fiduciary Responsibilities

Board members act as trustees of the organization's assets. They must exercise due diligence and oversight to ensure that the organization is well managed and its financial situation remains sound.

Nonprofit boards members must:

- Understand financial basics, including being able to read financial statements and recognizing when an organization's financial health is in jeopardy.
- Set up and monitor key financial indicators that measure the effectiveness of organizational accomplishments.
- Ensure adequate control mechanisms to prevent fraud.
- Approve the annual budget, secure necessary funding, and question major variances in revenue and/or expenses.
- Oversee the organization's legal obligations, including that Form 990 is completed and filed on time.

Questions for the Board to Ask throughout the Budget Process

1. Are there specific financial objectives that we want for next year? Do we want a balanced budget, a deficit, or a surplus?
2. Are there desirable new projects, program expansions, or changes in compensation? Staff may be asked to prepare cost estimates.
3. Are there large expenses for which we should be saving? What strategic investments may increase our operating efficiency? What is the return on capacity-building investments?
4. Should we consider revisiting how we use our unrestricted funds? Which programs are breaking even or generating a surplus? Which are being subsidized with unrestricted funds? Consider management input.
5. Is our dollar allocation in line with our strategic priorities?

Assessing Readiness

Both board and staff can benefit from completing a Nonprofit Financial Management Self-Assessment.

Many kinds of self-assessments are available, but one that I recommend comes from the [Nonprofit Association of Oregon](#).

This assessment looks at an organization's:

- Financial planning and budget systems
- Execution on financial management and fiduciary responsibilities
- Recording of financial data
- Reporting on financial state and organizational financial health
- Monitoring financial health and solvency

Organizational Audits



What is an audit?

An audit is an in-depth examination of an organization's financial statements, records, accounts, business transactions, accounting practices, and internal financial controls, conducted by an independent licensed certified public accountant (CPA).



(Didier, 2024)

What does an audit include?

- Testing for accuracy by checking supporting documentation for randomly selected individual transactions.
- Physically or virtually inspecting and observing a nonprofit's financial practices.
- Reviewing and evaluating a nonprofit's internal financial controls.
- A report to the board that explains the auditor's opinion of a nonprofit's financials.



Who needs to complete an audit?

- In California, nonprofit organizations with gross revenues over \$2 million must prepare annual financial statements audited by a CPA. These organizations must also establish and maintain an audit committee.
- For any nonprofit that spends \$750,000 or more in federal funds in one year, the federal government requires an audit.
- Foundations, banks, and local governments may require audits as a condition for funding.

The Nonprofit Board's Role in an Audit

Nonprofit boards for organizations over \$2 million in gross revenue are required to appoint an audit committee.

Composition Requirements:

- May include persons who are not members of the nonprofit board of directors.
- Cannot include staff members, the president or chief executive officer, or the treasurer or chief financial officer of the organization.
- If an organization has a finance committee, members of that committee may serve on the audit committee, but they cannot comprise 50 percent or more of the audit committee.
- The chairperson of the audit committee may not be a member of the finance committee.

The Audit Committee's Role:

- Responsible for making recommendations to the board on the hiring and firing of CPAs; negotiate the CPA's compensation.
- Review the audit and decide whether to accept it.

Audit Outcomes

An auditor will issue their opinion as one of the following:

- **Unqualified:** Everything is in accordance with generally accepted accounting principles (GAAP) and there are no flaws. This is the goal!
- **Qualified:** There are some instances where the organization is not following GAAP, but there is no significant misstatement of the organization's financials.
- **Adverse:** The auditor found significant misstatements, or overall, the organization isn't following GAAP. The auditor is likely to mention whether they think the organization is a going concern, which means whether they think it will be able to remain in existence.
- **Disclaimer of Opinion:** A statement means that for some reason, the auditor is unwilling to express an opinion.

Important:

If a nonprofit is deemed “adverse,” it could be in jeopardy of losing its status!

Learning Objectives Review

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Next Session

Monday, February 12, 2024
12-1 p.m. PST

**Topic: SWOT Analysis and
Strategic Planning**

Supplemental Resources



Additional Resources

- [**Blue Avocado**](#): Practical tools & tips for nonprofits, by nonprofits
- [**BoardSource**](#): Leading authority on nonprofit board leadership research, leadership, and support.
- [**National Council of Nonprofits**](#): The largest network of nonprofits in North America.
- [**Nonprofit Finance Fund**](#): Supports community wealth and well-being through lending, consulting, and influencing how money flows to nonprofits.
- [**Nonprofit Hub**](#): A library of free nonprofit resources and education including on-demand webinars, helpful guides, engaging podcast episodes, and more.
- [**Nonprofit Learning Lab**](#): A national nonprofit that trains leaders in the nonprofit sector.
- [**NonprofitReady.org**](#): Free online training for the nonprofit professional.

Q&A



A grayscale photograph of a medical professional wearing a white coat and a stethoscope around their neck. They are looking down at something in their hands, possibly a patient or a medical device. The background is slightly blurred.

Thank You

Cited Sources

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