Financial Management Best Practices

presented by:

Kelli Miller, CPA - Partner
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WHY IS IT IMPORTANT TO PAY ATTENTION TO FINANCES?

Building block for managing all aspects of the Organization: programs, capital assets, human resources, fundraising.....

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WHY ARE WE HERE TODAY?

Most Organizations have room for improvement in financial matters.

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WHAT IS THE FIRST STEP?

Set an appropriate tone at the top regarding financial practices.
WHOSE RESPONSIBILITY IS IT TO ESTABLISH GOOD FINANCIAL PRACTICES?

Governance
- is legally accountable for the entity including its financial well being

Management via authority delegated by Board
- Executive Director
- Financial Personnel

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WHAT IS THE STRUCTURE OF A GOOD BOARD?

- Board
- Finance Committee
- Audit Committee
- Board Treasurer

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WHAT ARE THE ATTRIBUTES OF A GOOD BOARD?

- Dedication to best practices
- Diversity in composition
- Processes for addressing issues
- Board rotation
- Meeting schedule
- Maintain minutes
- Written policies
- Flexibility to adapt

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BOARD FUNCTIONS VERSUS MANAGEMENT

- Board - oversight
- Management – Execute day to day
  - Executive Director
  - Finance Manager (contingent on size and budget)
  - Bookkeeper (contingent on size and budget)
BUILDING A FOUNDATION

- Cash or Accrual?
- NPO Generally Accepted Accounting Principals reporting
  - Unrestricted
  - Board designated
  - Temporarily restricted
  - Permanently restricted
BUDGETS

Operating
- Expenses
- Revenue
- Key budgeting concepts

Capital

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INTERNAL CONTROL

• Defined as the processes and procedures which an organization implements for the purpose of safeguarding its assets
• Imperative for all organizations
• Developed and tailored to the specifics of the organization
PRACTICAL CONTROLS FOR ALL ORGANIZATIONS

- Tone at the top
- Cash controls
- Accountability
- Physical controls/limited access
- Whistle blower
- Mini audits
- Credit card controls
- Training
- Compliance reviews

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BASIC POLICIES

• Record retention
• Conflict of interest
• Whistle blower
• Gift acceptance
• Private inurement
• Investment
FINANCIAL CONCEPTS AND BENCHMARKS

- Indirect costs
- Cash flow concerns
- Internal interim financial statements
- Unrestricted net asset balances
- Budgets to actual
- Key metrics and ratio analysis
- Diversity in support
- Compensation matters
- Comparison to peers
- Internal trends
- **Transparency is the key!**

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EXTERNAL FINANCIAL REPORTING

• Audits
• Tax filings
• Grantor reports
EXTERNAL RESOURCES

- Google
- Monitor Guidestar and/or other public nonprofit sites
- MANO
- SPAN
- Debbie’s Faith Based NPO Resource Center
Leave your card if you would like us to send you a ‘Checklist for Reading and Understanding the Financial Statements’ and detailed slides from the presentation.