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8 Tips to Strengthen the financial health of your Non-Profit


Brent Forbush
Audit & Accounting Manager
CPA
Forbush and Associates



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Agenda


- Donations
- Effective Financial Management Oversight
 - Board of Directors
 - Executive Management
- Budgeting for Rookies
- Internal Controls for small organizations
- Do’s and Don’ts of Variable Compensation
- The Cube of Financial Reporting
- Current Regulatory Updates



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Donations


- Donations are the lifeblood of an organization
- Do you track who they come from?
 - Do you have a CRM (customer relationship management)?
- How do you record in-kind donations?
 - Minor donations (Expenses)
 - Major Donations (capital assets)
 - For sale/Silent Auctions/Raffles
 - Services
 - Hours from volunteers vs hours from the Board vs hours from qualified professionals
- Are all in-kind donations good? (It’s ok to say “No thank you”)
 - *Tax deduction is lesser of basis or fair market value*



Oversight

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- Effective oversight begins with the Board
 - Financial Literacy of the Board
 - Training of new board members
 - <http://www.bridgespan.org/Publications-and-Tools/Leadership-Effectiveness/Lead-and-Manage-Well/How-to-Talk-About-Finances.aspx#UnslAfmHu-0>
 - Checkbook authority with at least 1 member of the Board
 - Fiduciary Responsibilities
 - Meeting with finance staff w/o executive management
 - Review of Regulatory Filings by the Board
 - Budget Approvals



Oversight

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- Effective oversight continues with Executive Management
 - Cost/Benefit Analysis of Programs, Grants
 - Avoiding Mission Creep – New Programs = New Expenses
 - Maintaining Sound Financial Footing
 - Defining organizational goals
 - Being an active part of communicating the control environment (Tone at the Top)



Budgeting for Rookies

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- Choose a period to budget for
 - Fiscal year vs calendar year vs grant year
 - One year budget vs rolling budget vs 5 year budget
- Have historical information handy
- Know your labor burden rate
- Match budget to chart of accounts
- Get the Board Buy In/Approval
 - Not the rubber stamp – but the Buy In
- Be conservative/Add a contingency
- Compare Actual to Budget often



Internal Controls

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- Policies and Procedures Manual
- Control Environment
- Segregation of Duties-Authorizing, Recording, Custody
 - Cash custody with two people always
 - Expenditure approvals above certain thresholds
 - Dual signatures – 1 Board & 1 Executive Management
- IT Controls
- Policies – don’t have – need to add
 - Gift Acceptance
 - Document Retention and Destruction
 - Whistleblower
 - Conflict of Interest
 - Code of Ethics
- Fraud Triangle – Motivation, Opportunity, Rationalization



Variable Compensation


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DO's	Don'ts
1. Have a budget	1. Forget to include variable into budgets
2. Determine mix between fixed and variable	2. Research competitive pay scenarios
3. Draft the plan	3. Forget to involve the Board in design of variable compensation policies and approval of all compensation policies
4. Ensure plan ensues long-term financial success	4. Tie variable compensation to immediate fundraising goals
5. Model scenarios and organization impacts for scenarios	5. Be afraid of variable compensation arrangement if discretionary and are incentive based.
6. Monitor and correct the plan	6. Forget to return, report, and record
7. Disclose the plan to the IRS as part of the annual 990.	7. Forget to disclose variable executive compensation on Schedule J.



The CUBE

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Current Regulatory Updates

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- OMB issued a draft of changes to OMB A-133
 - Raise of threshold to \$750,000
 - Reduction in percentage of program expenditures tested
 - Change in Payroll Cost Validation time and effort reporting
- Form 1023 – Application for Tax Exempt Status cyber assistant available online –beta testing
- Application delays due to IRS Shutdown, 1024 application backlogs, and more.



Contact Info

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RenoConference.org

Forbush and associates

Certified Public Accountants

Brent Forbush

Audit & Accounting Manager

775-337-6001

brent@forbushandassociates.biz

forbushandassociates.biz
