

FINANCIAL PERFORMANCE MANAGEMENT

9/29/2022

REDF

An investment that **works.**

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



BDO FMA



Today's Session

FINANCIAL PERFORMANCE MANAGEMENT

- ▶ Financial resilience
- ▶ Introduction to performance management
- ▶ Financial reports
- ▶ Dashboards
- ▶ Audiences
- ▶ Financial storytelling
- ▶ Resources & wrap-up



Use the chat to share:

What do you hope
to take away from
today's session?

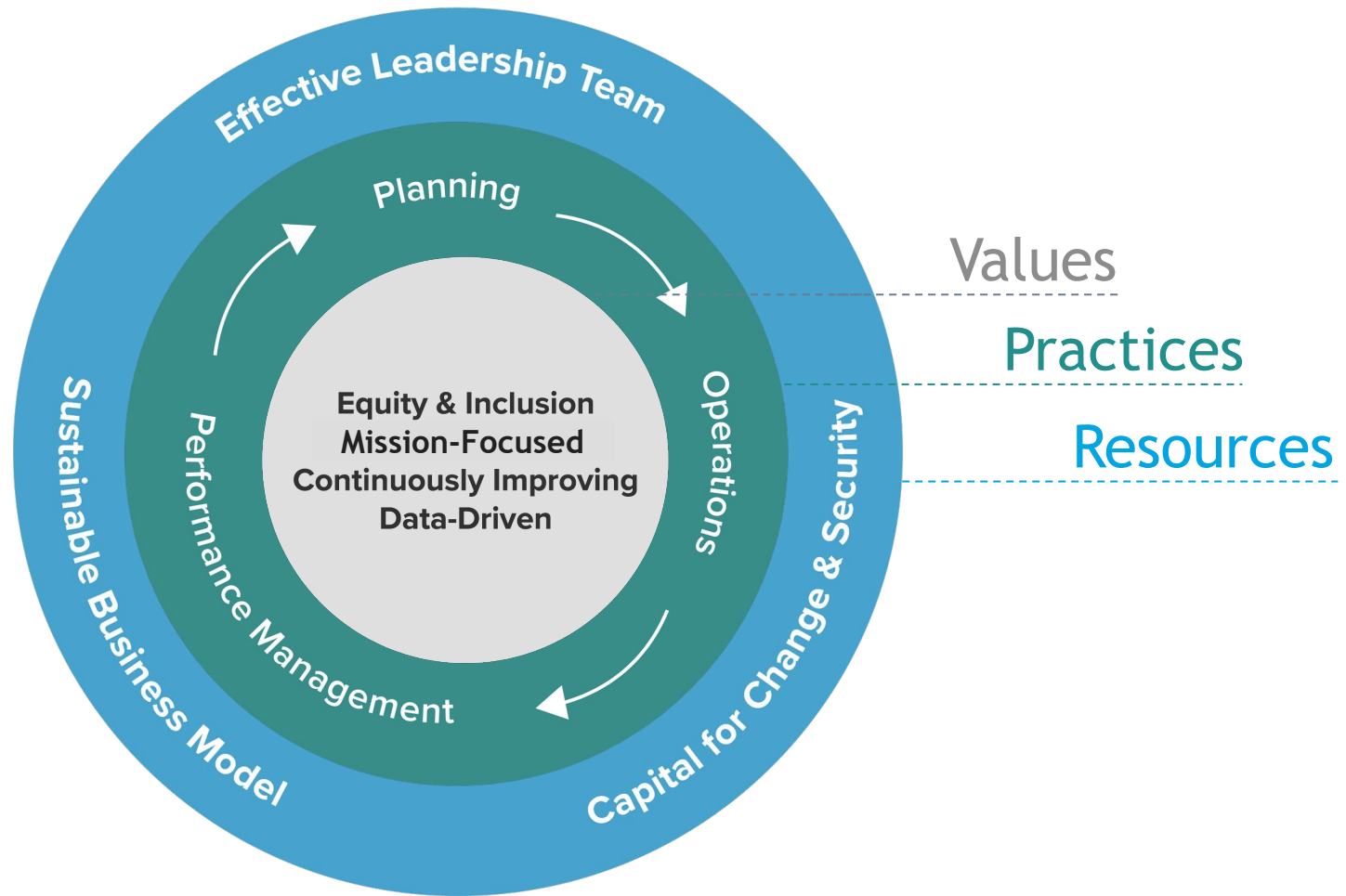
Money Stories

Take a moment to reflect on the following questions:

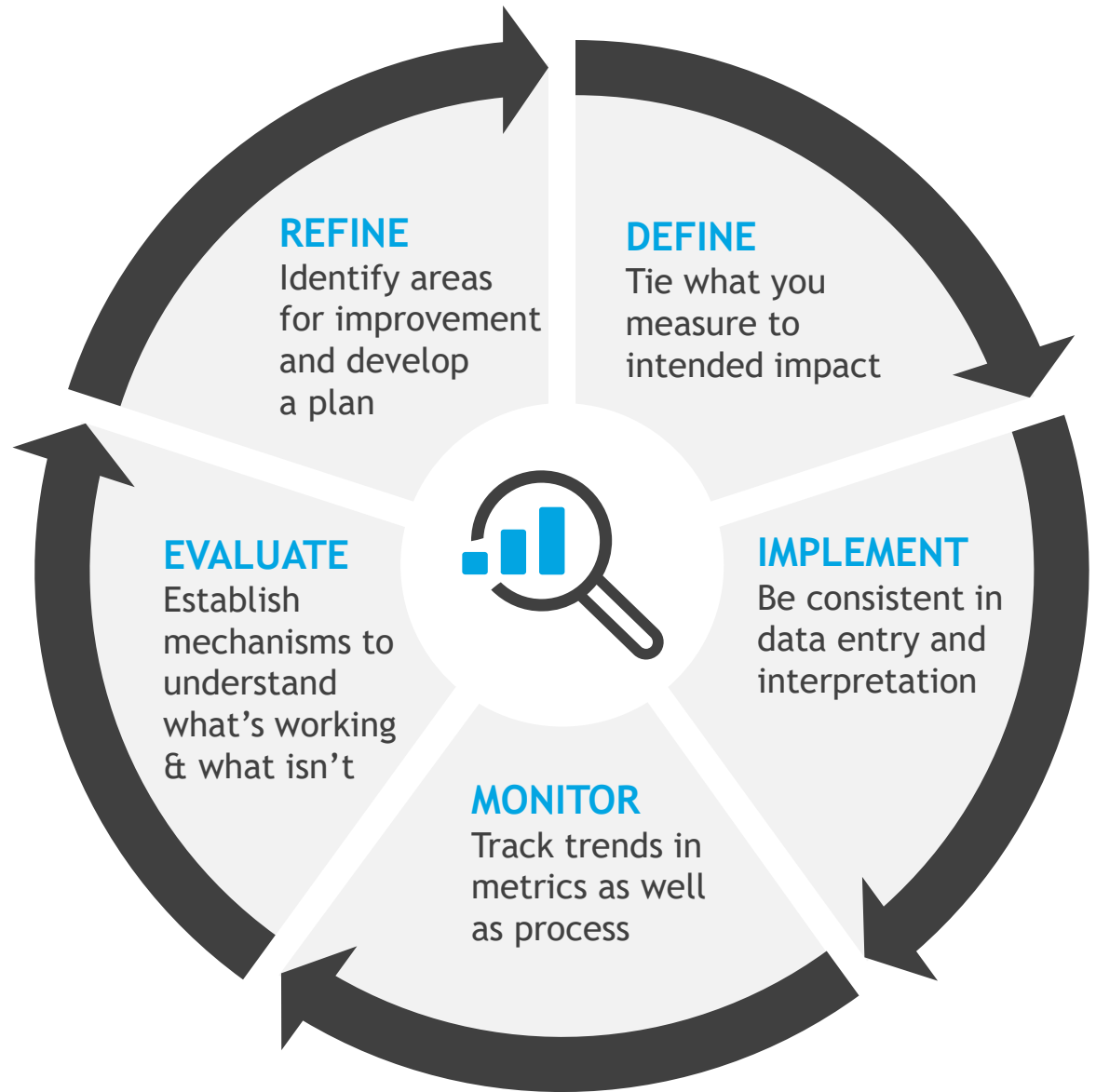
- ▶ What messages did you get from your family and/or community about money?
- ▶ How were you expected to use your own money when you had it?
- ▶ What beliefs do you have about spending and saving money?
- ▶ **How might these histories show up in your role?**



Financial Resilience



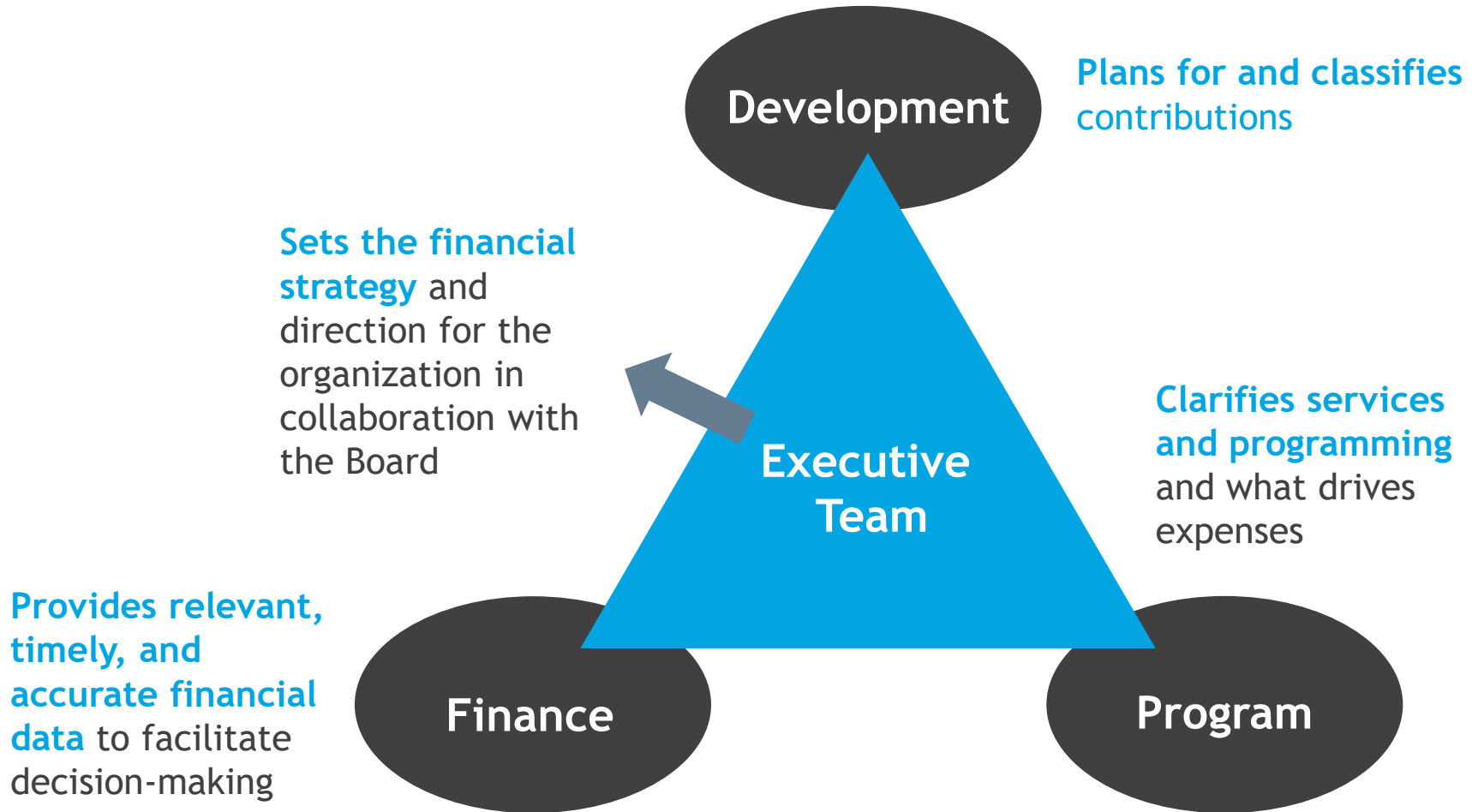
Performance Management



Financial Management: A Team Sport



Why do we need each other?



Thoughts & Questions



Financial Reports



Financial Reports

Financial Reports Should:

1

Address needs of senior management, board, and department/program managers

2

Be formatted in a user-friendly way

3

Be reviewed and discussed regularly

4

Be used to inform decision-making

Chart of Accounts, QuickBooks example

CHART OF ACCOUNTS:

- ▶ Assets
 - ▶ Liabilities
 - ▶ Net Assets
-
- ▶ Revenue
 - ▶ Expenses

Class

Program

M&G

Fundraising

Sub-Class

Program A

Program B

Sub-Class
Level 2

Customer

Funder 1

Funder 2

Job

Grant A

Grant B

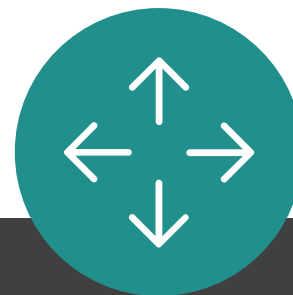
Internal vs. External Reports



INTERNAL REPORTS:

Shared with Board & Management on a regular basis

- ▶ Budget-to-actual (revenue and expense)
- ▶ Statement of Financial Position (Balance Sheet)
- ▶ Statement of Activities (Profit & Loss)
- ▶ Cash flow projections
- ▶ Management narrative



EXTERNAL REPORTS:

Shared with external stakeholders as required or at the discretion of the organization

- ▶ Independent Financial Audit
- ▶ IRS Form 990

Financial Reports: Staff

MONTHLY

PROGRAM & OPERATIONS MANAGERS*

- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for the program(s) or function(s) and grants/contracts they oversee

EXECUTIVE TEAM**

- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for
 - a) each program
 - b) organization-wide
- ▶ Balance Sheet
 - a) Accounts Receivable Aging
 - b) Accounts Payable Aging
 - c) Components of Net Assets with Donor Restriction ★
- ▶ Cash Flow Projection ★
- ▶ Year-end Forecast ★

*Includes Development, HR, IT, and other department managers, as applicable

**For small organizations, only the ED/CEO would receive this package of reports

★ Tool available on strongnonprofits.org

Financial Reports: Staff

A good starting point

MONTHLY

PROGRAM & OPERATIONS MANAGERS*

- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for the program(s) or function(s) and grants/contracts they oversee

EXECUTIVE TEAM**

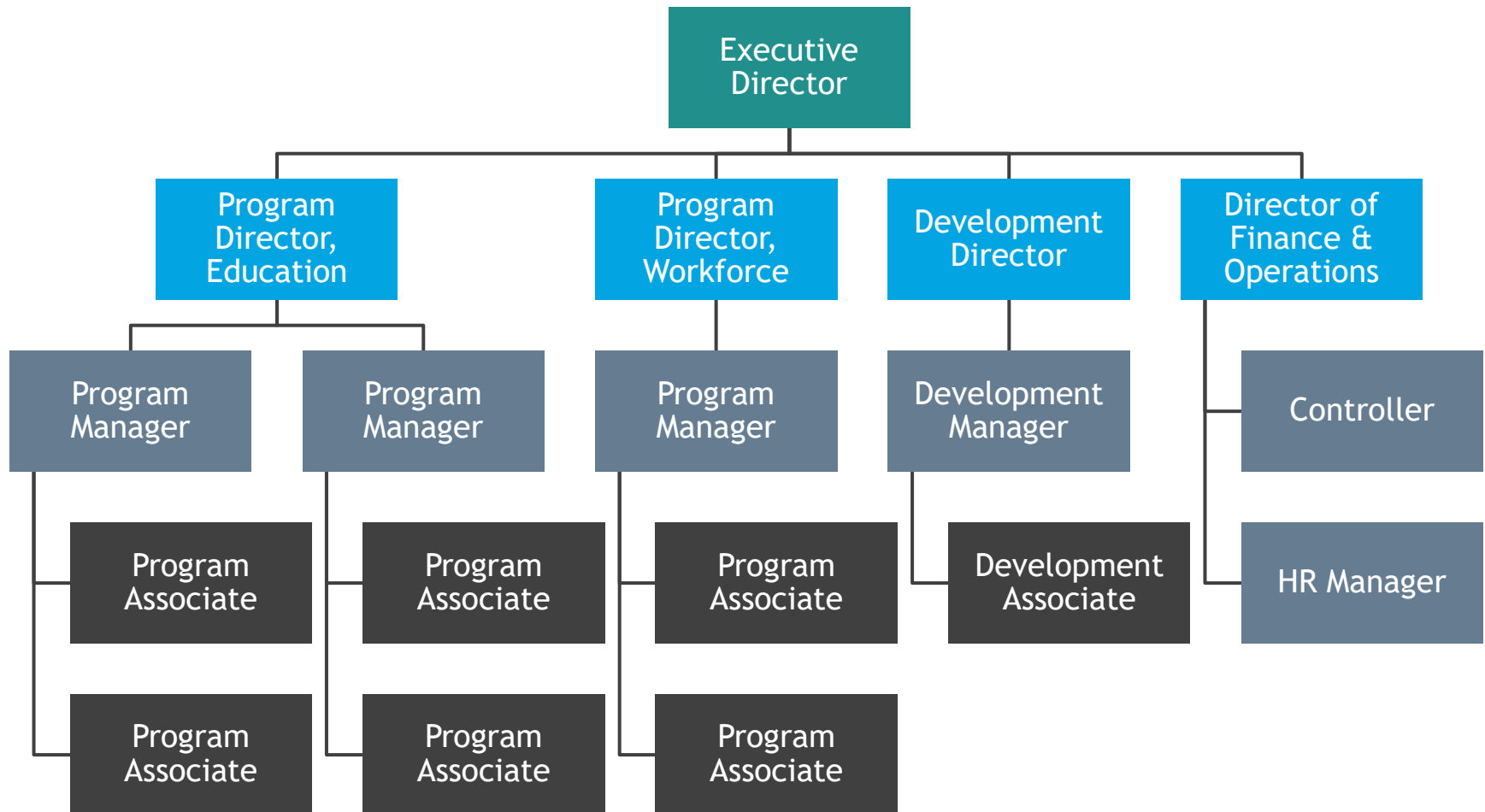
- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for
 - a) each program
 - b) organization-wide
- ▶ Balance Sheet
 - a) Accounts Receivable Aging
 - b) Accounts Payable Aging
 - c) Components of Net Assets with Donor Restriction ★
- ▶ Cash Flow Projection ★
- ▶ Year-end Forecast ★

*Includes Development, HR, IT, and other department managers, as applicable

**For small organizations, only the ED/CEO would receive this package of reports

★ Tool available on strongnonprofits.org

Distribution of Financial Reports



Financial Reports: Board

MONTHLY*

FINANCE COMMITTEE

- ▶ Management Narrative
- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for
 - a) each program
 - b) organization-wide
- ▶ Balance Sheet
 - a) Accounts Receivable Aging
 - b) Accounts Payable Aging
 - c) Components of Net Assets with Donor Restriction ★
- ▶ Cash Flow Projection ★
- ▶ Year-end Forecast ★

QUARTERLY

FULL BOARD OF DIRECTORS

- ▶ Management Narrative
- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for
 - a) each program
 - b) organization-wide
- ▶ Balance Sheet
- ▶ Year-end Forecast ★

*Larger organizations may opt to only provide reports to the Finance Committee on a quarterly basis

★ Tool available on strongnonprofits.org

Financial Reports: Board

A good starting point

MONTHLY*

FINANCE COMMITTEE

- ▶ Management Narrative
- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for
 - a) each program
 - b) organization-wide
- ▶ Balance Sheet
 - a) Accounts Receivable Aging
 - b) Accounts Payable Aging
 - c) Components of Net Assets with Donor Restriction ★
- ▶ Cash Flow Projection ★
- ▶ Year-end Forecast ★

QUARTERLY

FULL BOARD OF DIRECTORS

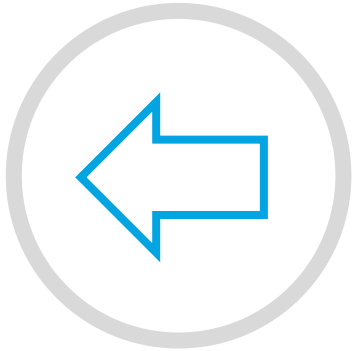
- ▶ Management Narrative
- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for
 - a) each program
 - b) organization-wide
- ▶ Balance Sheet
- ▶ Year-end Forecast ★

*Larger organizations may opt to only provide reports to the Finance Committee on a quarterly basis

★ Tool available on strongnonprofits.org

Financial Decision-Making Meetings

TOPICS FOR DISCUSSION

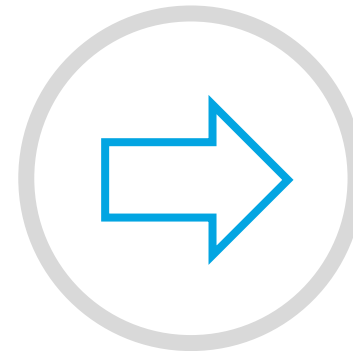


BACKWARD LOOKING

Budget-to-Actual Variances

Rate of Spending on Contracts
(if applicable)

Completion of activities funded by
restricted grants



FORWARD LOOKING

Cash Flow Projections

Revenue Projections & Pipeline

Anticipated future spending/
cost control

Financial Monitoring

Financial Decision-Making Meetings: Action Steps



Form the team: Include key representatives from Finance, Program, Development, Executive Leadership, and other departments



Establish a meeting calendar with specific dates, times, and topics for discussion/decision



Ensure the right data and reports are available 2-4 days prior to the meeting for review by participants



Take note of agreed upon action steps and circulate immediately after the meeting

Thoughts & Questions





Break

Dashboards



Dashboards as a Performance Management Tool Can Help You:



Be strategic with time and resources by focusing on **key performance indicators** that need attention



Understand your organization's performance to **better** course correct



Focus conversations with stakeholders to drive **strategic decision-making**

Dashboards Can Help You Understand Your Business Model



What are the **strategic priorities** for your organization?



What **types of revenue** drive your business model?
(e.g. contributed, earned income, government)



What **are major cost categories** to monitor?
(e.g. personnel, facilities, supplies)



What **aspects of program delivery** are driving results? (e.g. enrollment levels, member/ subscriber/ customer engagement, process efficiencies)

Key Performance Indicators

Successful KPIs:



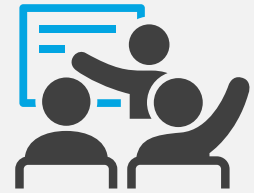
Represent
measurable
business model
drivers



Reflect progress
toward intended
outcomes



Have consistently
available **data**



Are **actionable**
and drive
decisions

A set of KPIs is not forever: Periodically Reassess

Key Performance Indicators

THINGS TO CONSIDER WHEN SELECTING KPIS



DATA SOURCE

- ▶ Where is the data source?
- ▶ Who reports on the data?
- ▶ Is the data consistently available?
- ▶ Can the data be objectively measured?



ALIGNMENT

- ▶ What does the KPI tell us?
- ▶ What questions will the KPI answer?
- ▶ What will be done as a result of measuring the KPI?
- ▶ Will it help us reach our objectives?

Effective Dashboards...



Complement, rather than replace, other reports



Are presented in a **user-friendly** format



Include a **manageable** set of Key Performance Indicators (KPI's)

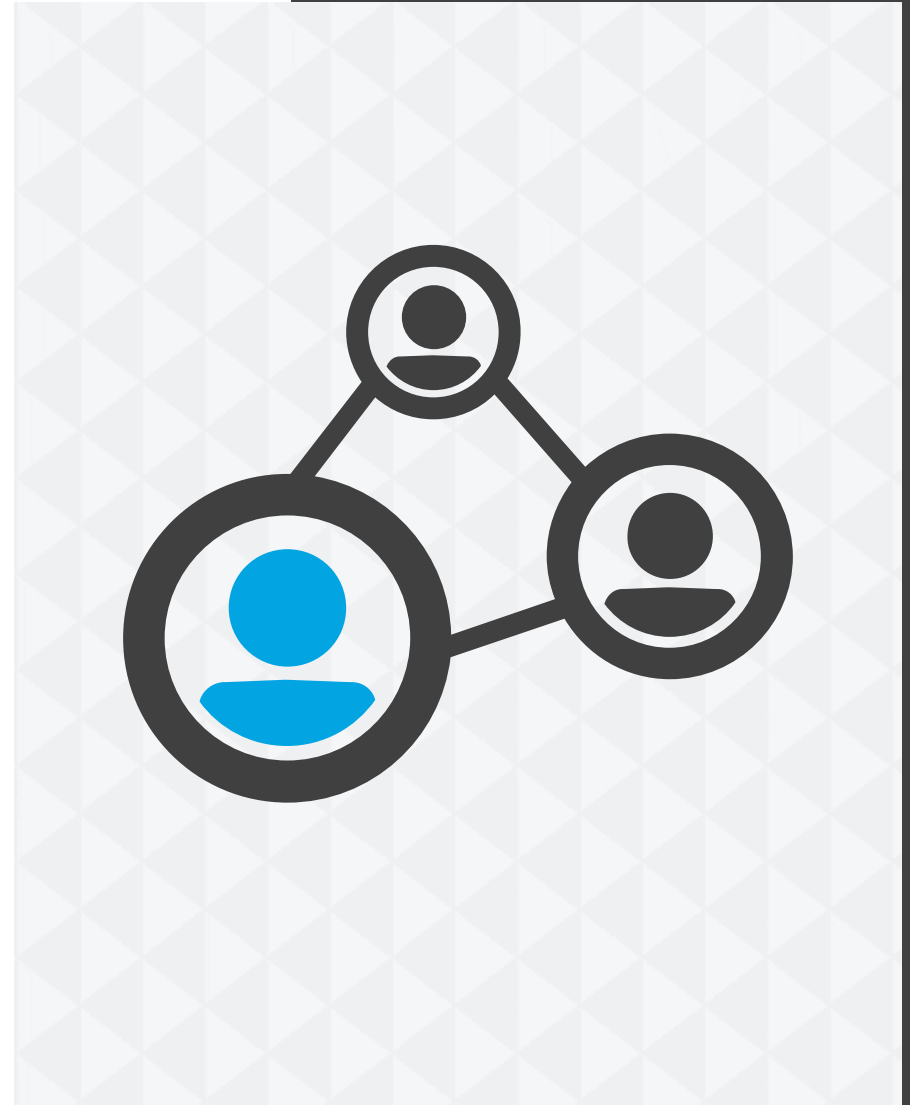


The goal is to support planning and decision-making

Activity: Audiences

- ▶ You will be placed into a breakout group
- ▶ As a group, discuss the needs of your assigned stakeholder, reflecting on the following questions:
 - What questions do they have?
 - What decisions do you need them to make?
 - What are their concerns or fears?
 - What KPIs should they see?

Capture your responses using the Padlet

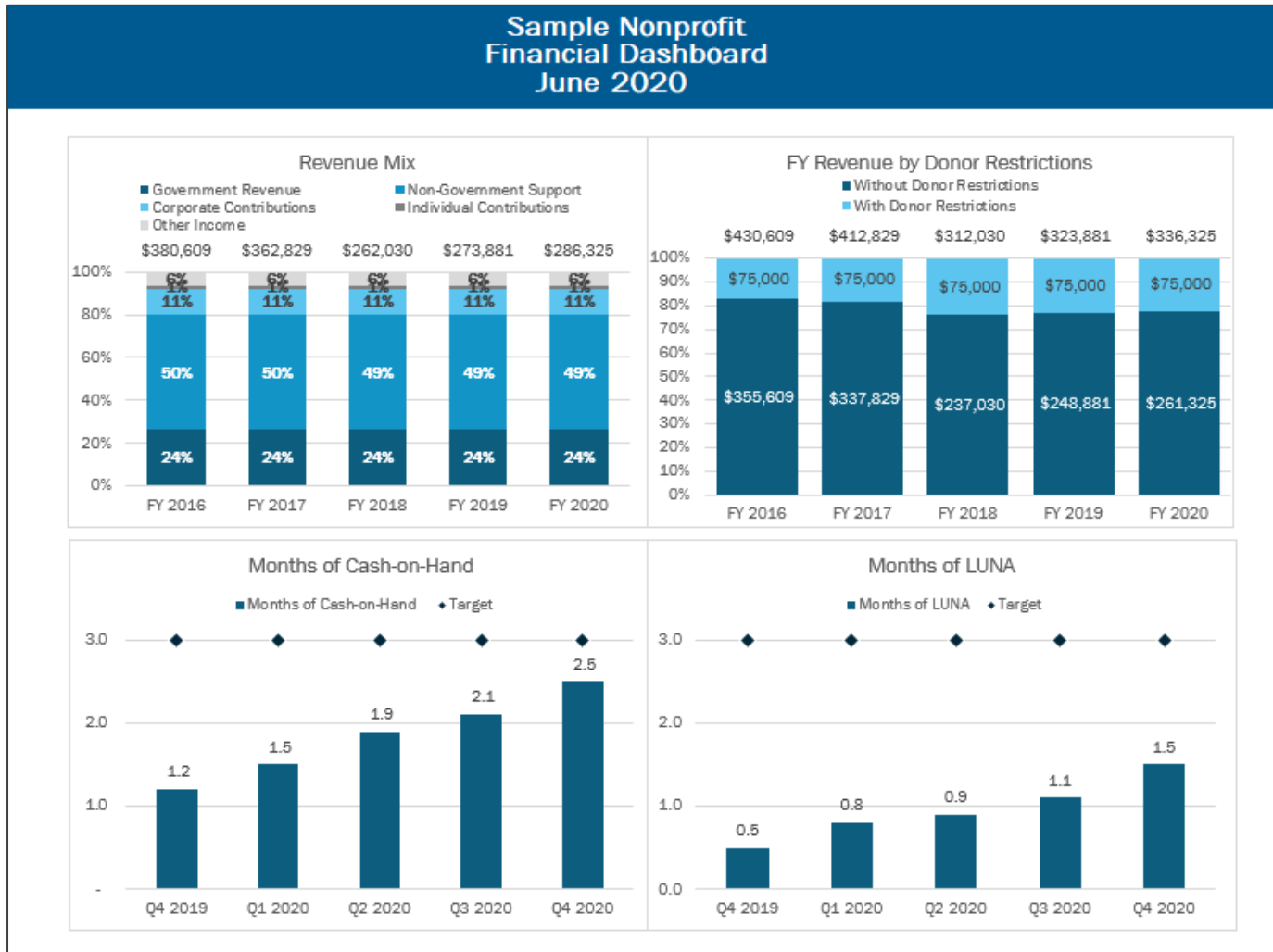


Dashboard Sample 1

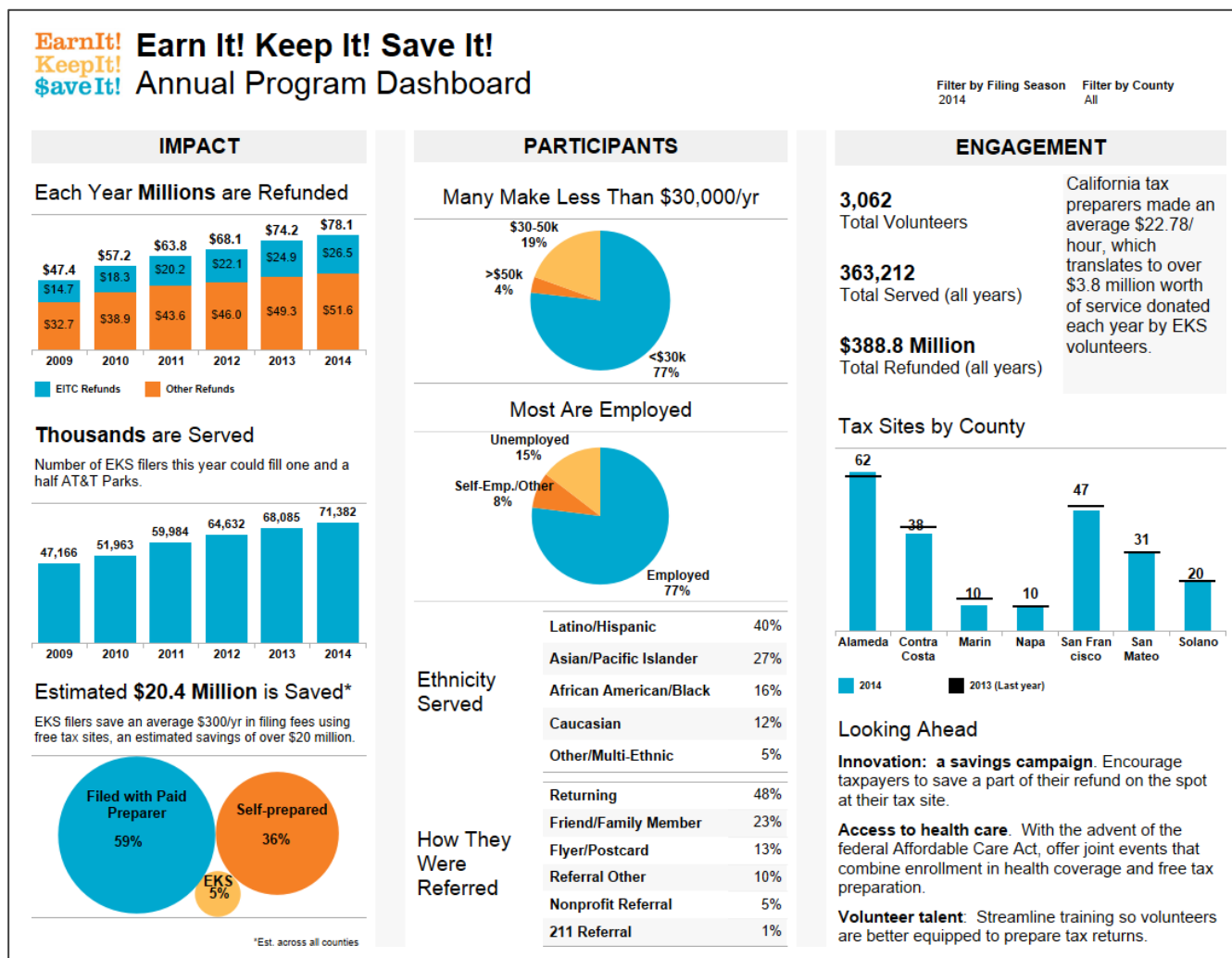
Reporting Period: June				Fiscal Year End: December
Category	Key Performance Indicator (KPI)	Last Period	Current Period Actual	Target
Balance Sheet Strength	Months of Liquid Unrestricted Net Assets (LUNA)	2.2	2.5	> 3 mos Meets Target
				1-3 mos Within Range
				< 1 mos Off Target
Operating Results	Fiscal YTD Operating Margin (Surplus/Deficit as % of Revenue)	2%	8%	>5% Meets Target
				2-5% Within Range
				<2% Off Target
Program Enrollment	Youth Program Enrollment (total for all classes)	104	118	> 110 Meets Target
				90 - 110 Within Range
				< 90 Off Target
Program Cost	Cost Per Outcome: Program C	-10%	-17%	> 0% Meets Target
				-5% to 0% Within Range
				< -5% Off Target
				<div><div>Legend:</div><div>Meets or Exceeds Target</div><div>Within Range of Target</div><div>Significantly off Target</div></div>

★ Tool available on strongnonprofits.org

Dashboard Sample 2

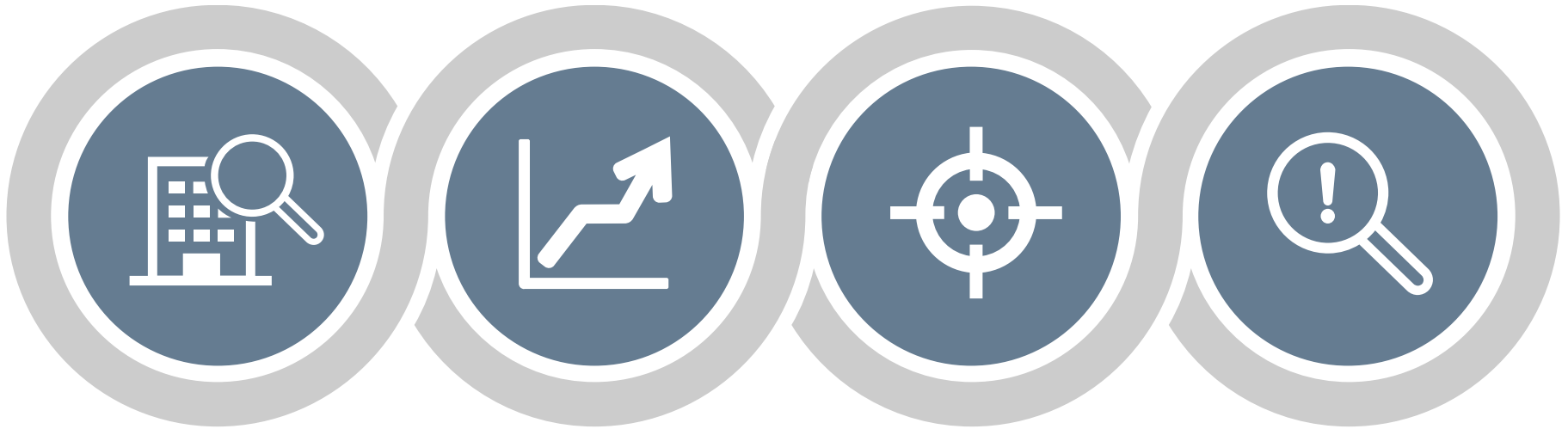


Dashboard Sample 3



Effective Dashboards

WHAT DO WE MEAN BY “USER-FRIENDLY”?



Creates a
“**snapshot**” of
organization
performance

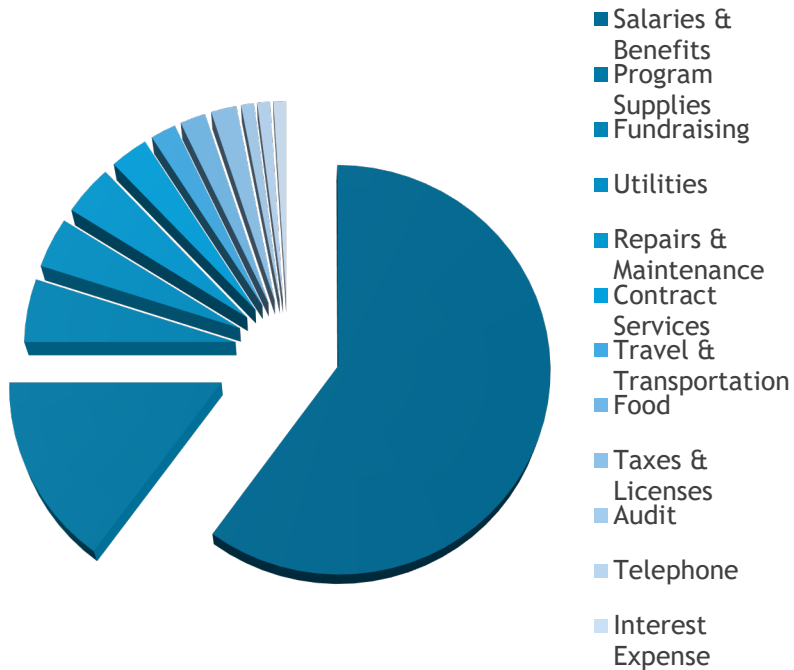
Displays
current status
and **trends**

Clearly shows
performance
against defined
targets

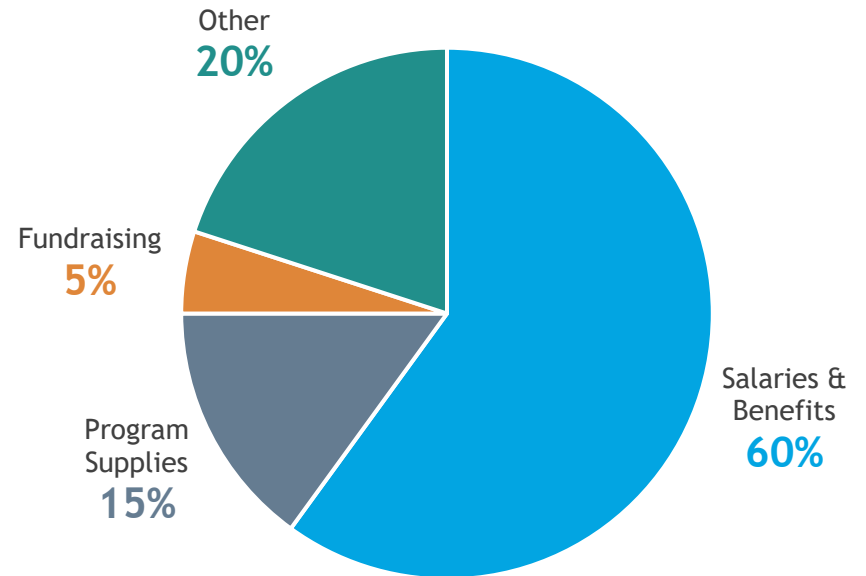
Highlights **out-
of-the-ordinary**
results

Dashboard Visualization

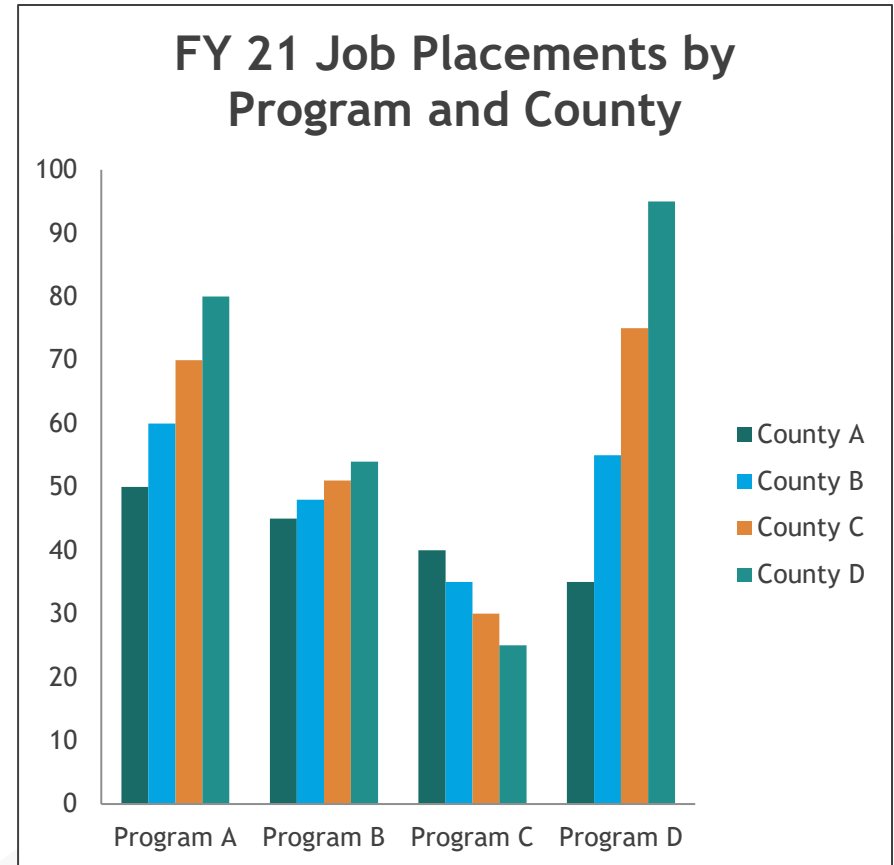
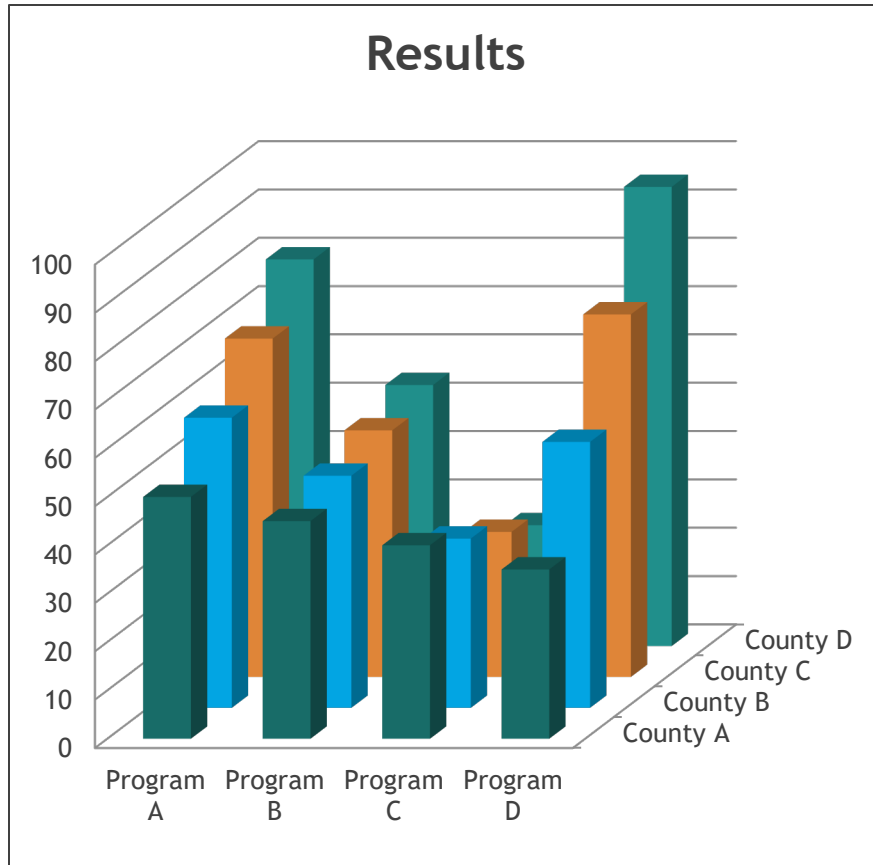
Expenses



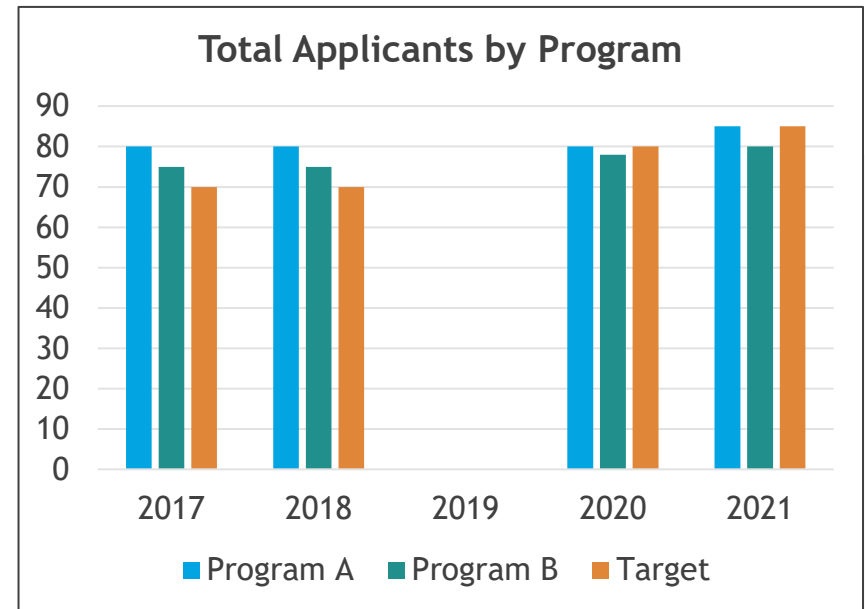
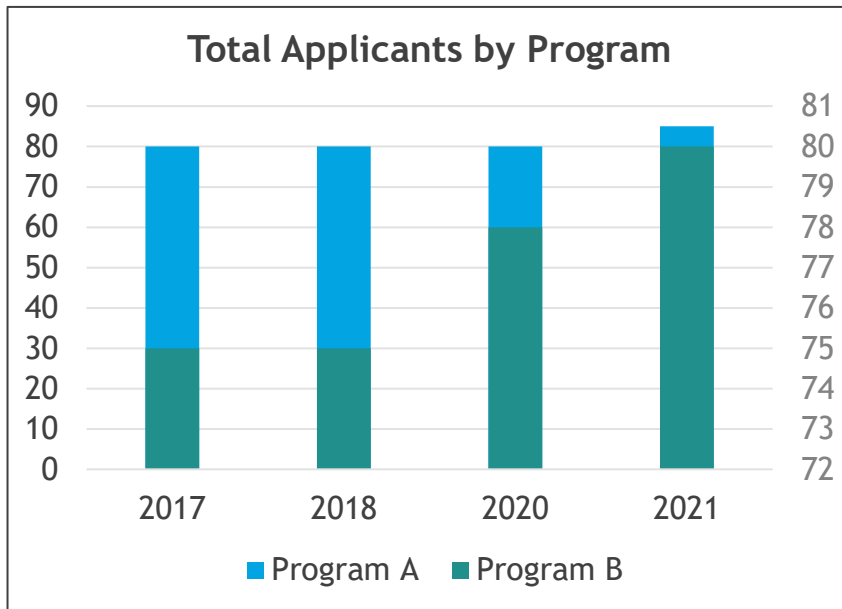
FY21 Operating Expenses



Dashboard Visualization



Dashboard Visualization



Dashboard Technology

OPTIONS INCLUDE:

Microsoft Excel/ Google products	<ul style="list-style-type: none">▶ Graph-based▶ Table-based
Modules and functionality within current data tracking systems	<ul style="list-style-type: none">▶ Accounting Software (Intacct, Abila, Financial Edge)▶ Fundraising Software▶ CRM (Salesforce)
Business Intelligence/ Dashboard software	<ul style="list-style-type: none">▶ Tableau▶ iDashboards▶ Microsoft Power BI▶ Birst



Dashboard Planning

WHO is responsible for the dashboard?	<ul style="list-style-type: none">▶ Who needs to be involved in its development?▶ Who is accountable for the measures?▶ Who will update the data?
WHAT is the purpose of the dashboard?	<ul style="list-style-type: none">▶ Which programs and/or functions will the dashboard track?▶ Which KPIs should the dashboard include?▶ Who is the target audience?
WHEN will the dashboard be needed?	<ul style="list-style-type: none">▶ What is a realistic project timeline?▶ When should the dashboard “go live”?▶ How often will the dashboard be updated?

“

*When we consider responding to a challenge with purposeful action, we ask ourselves two questions: **WHY** and **HOW**.*

Analytics helps answer the ‘how question’—how to use resources efficiently, detect opportunities, compare costs, and so on.

But to answer the ‘why question’—why this matters, why we care, why we value one goal over the other—we turn to narrative.

”

MARSHALL GANZ

Leading Change: Leadership, Organization and Social Movements

Good Financial Storytelling



Is **accurate** and based on current and relevant data



Headlines key **successes** and **challenges**



Explains **past trends** and gives insight into the future



Is **accessible** and easy to understand



Has been tailored to the interests and needs of its **audience**



Utilizes **visual** tools



Addresses **weaknesses** and anticipates **questions**



Has a clear **call to action** for its audience



Is connected to **mission**

Activity: Tell Your Organization's Financial Story

1 Use 3 minutes to reflect, choose your audience, and craft a 2-3 minute financial story for an audience relevant to your role. Example audiences include:

- ▶ new board member
- ▶ funder
- ▶ program participant
- ▶ friend or family member

3 You will be placed into breakout rooms

Introduce yourselves, sharing your name, organization and role

Take turns sharing telling your stories, with each listener providing feedback

Activity Debrief

RESPOND IN THE CHAT:



What was the experience like for those of you who presented?



Was it easy? Were there any difficult questions?



As you were listening, did you think about anything differently?



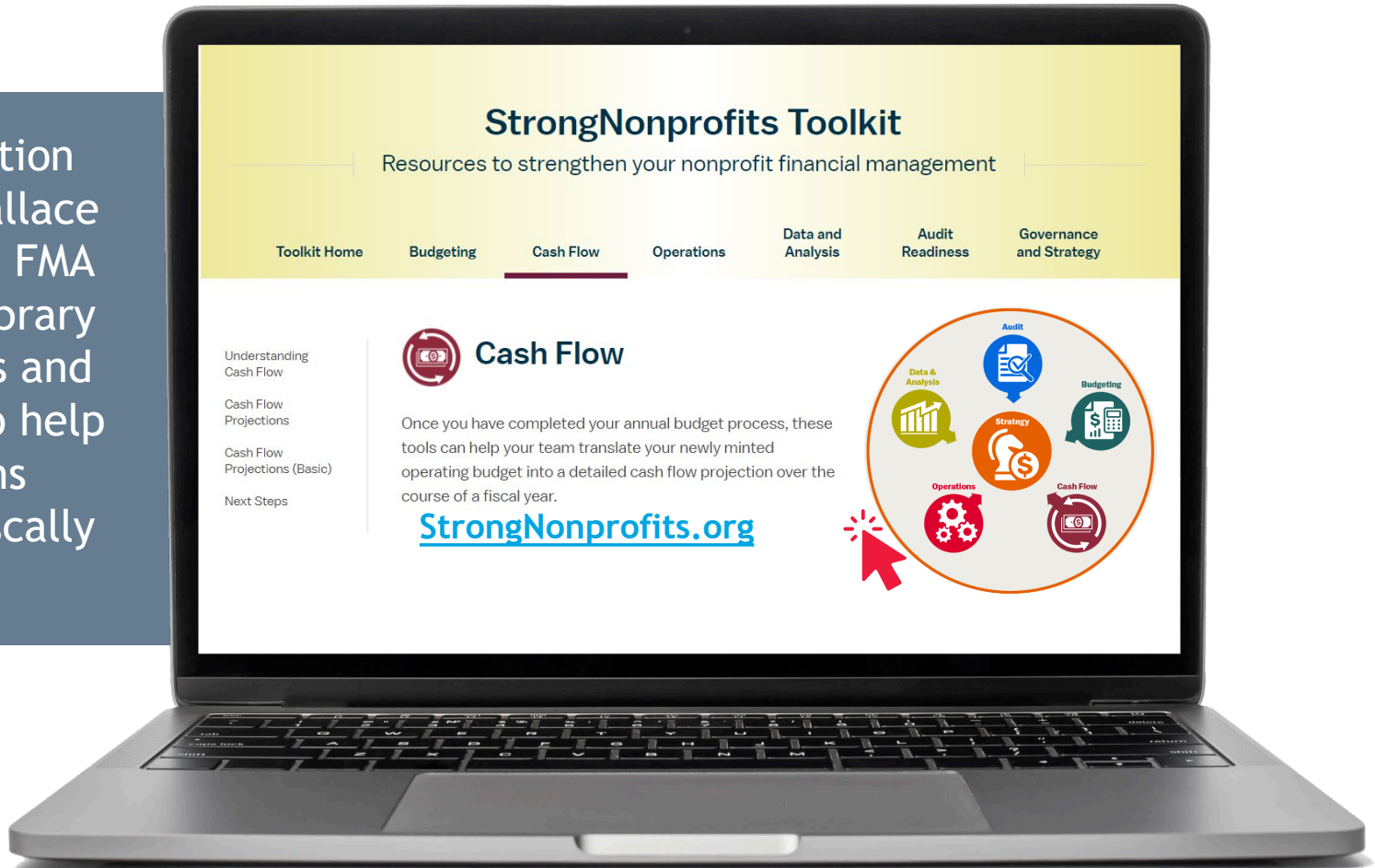
Thoughts & Questions



Resources & Wrap Up

Financial Management Resources

In collaboration with the Wallace Foundation, FMA created a library of free tools and resources to help organizations become “fiscally fit”.



Resources

STRONGNONPROFITS.ORG



A Nonprofit Dashboard and Signal Light for Boards



Multi-Year Trends Analysis

A screenshot of a KPI Dashboard Template. It features a table with columns for "KPI", "Current Period", "Target", "Variance", "Trend", "Last Period", and "Notes". The table is populated with data for various KPIs, including "Operating Budget", "Operating Budget (2011-2013)", "Operating Budget (2014-2016)", "Operating Budget (2017-2019)", "Operating Budget (2020-2022)", "Operating Budget (2023-2025)", "Operating Budget (2026-2028)", "Operating Budget (2029-2031)", "Operating Budget (2032-2034)", "Operating Budget (2035-2037)", "Operating Budget (2038-2040)", "Operating Budget (2041-2043)", "Operating Budget (2044-2046)", "Operating Budget (2047-2049)", "Operating Budget (2050-2052)", "Operating Budget (2053-2055)", "Operating Budget (2056-2058)", "Operating Budget (2059-2061)", "Operating Budget (2062-2064)", "Operating Budget (2065-2067)", "Operating Budget (2068-2070)", "Operating Budget (2071-2073)", "Operating Budget (2074-2076)", "Operating Budget (2077-2079)", "Operating Budget (2080-2082)", "Operating Budget (2083-2085)", "Operating Budget (2086-2088)", "Operating Budget (2089-2091)", "Operating Budget (2092-2094)", "Operating Budget (2095-2097)", "Operating Budget (2098-2100)".

KPI Dashboard Template



About BDO FMA

BDO FMA exists to build a community of individuals with the confidence and skills to lead organizations that change the world.

- ▶ Established in 1999 to serve not-for-profit organizations around the country – combined with BDO in 2021
- ▶ Provides customized financial management, accounting, software, organizational development, and other consulting services
- ▶ Works directly with organizations or through funder-supported management and technical assistance programs



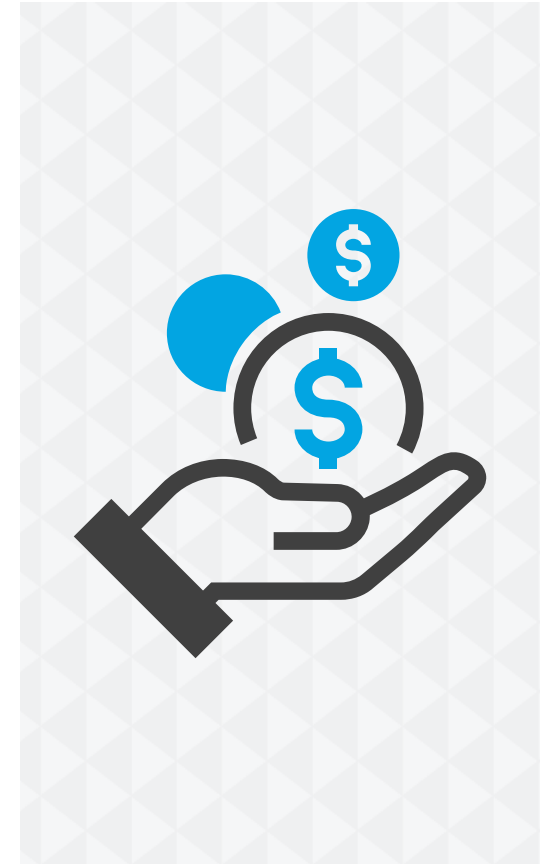
[@BDONonprofit](https://twitter.com/BDONonprofit)



linkedin.com/company/bdo-fma

New York/Chicago/Oakland/Providence/Washington DC

bdofma.com



BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, and advisory services to a wide range of nonprofit organizations and publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 65 offices and over 700 independent alliance firm locations nationwide.

As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of more than 88,000 people working out of more than 1,600 offices across 167 countries and territories.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

www.bdo.com

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2021 BDO USA, LLP. All rights reserved. www.bdo.com



BDO FMA