



EVOLVING YOUR ORGANIZATION'S FINANCIAL MANAGEMENT CAPACITY


February 29, 2024



REDF



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Today's Session

Evolving Your Organization's Financial Management Capacity

- ▶ Welcome
- ▶ A framework for financial resilience
- ▶ Financial management roles and responsibilities
- ▶ Equitable compensation
- ▶ Financial management technology tools
- ▶ Resources & close

Use the Chat

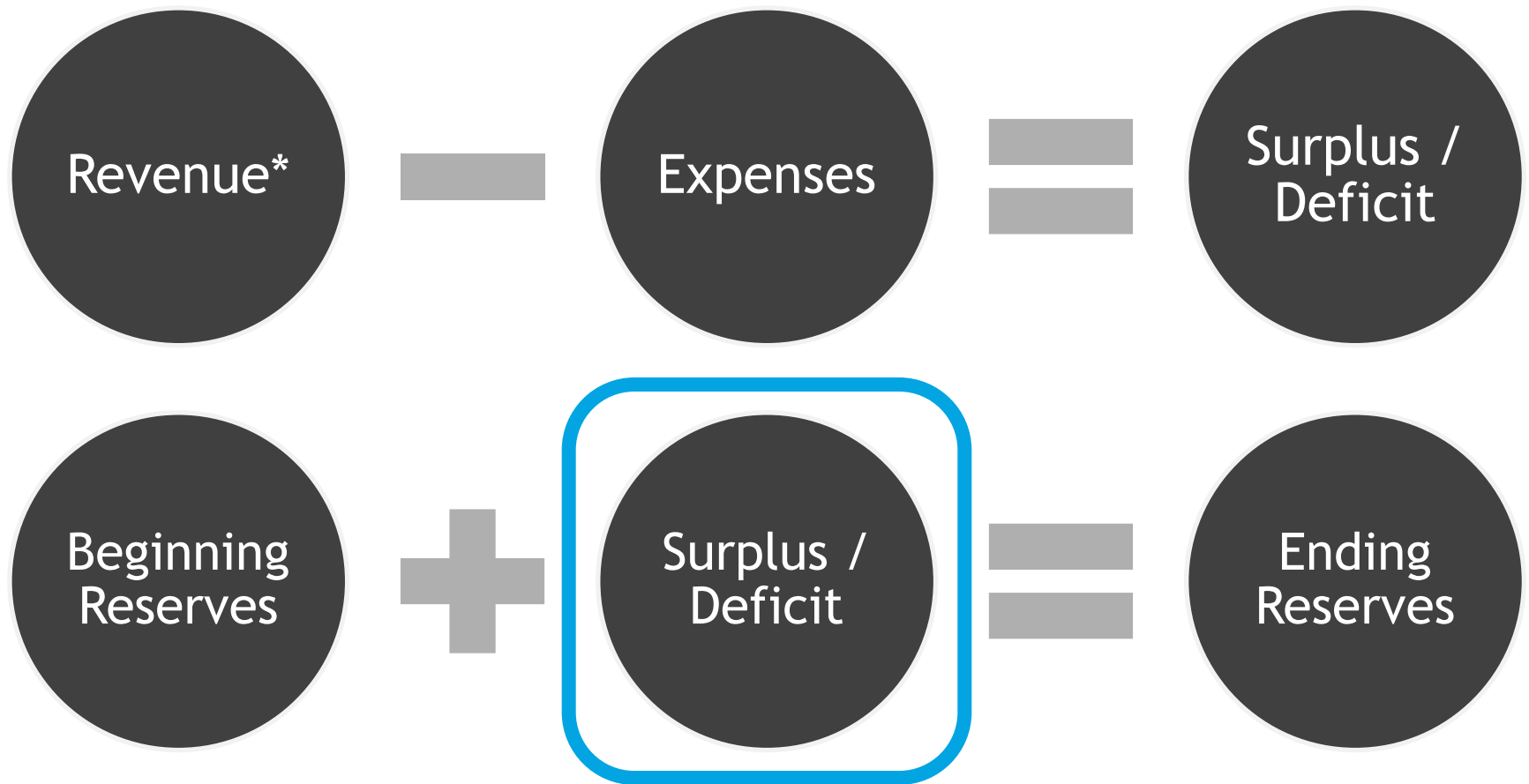
- ▶ Introduce yourself, sharing your name, organization and role
- ▶ What are you hoping to take away from today's session?



Financial Resilience



Reserves are Built By Surplus, Depleted By Deficit



*Revenue excludes portions restricted for future use

Nonprofit Leaders Must Strike a Critical Balance

FINANCIAL HEALTH



ORGANIZATIONAL STRENGTH





Financial management roles and responsibilities

Finance & Accounting Responsibilities



Controllership

- ▶ General Ledger quality
- ▶ Transactions (AP, AR, Billing, Payroll)
- ▶ Production of financial reports
- ▶ Reconciliations
- ▶ External audit



Planning & Performance Management

- ▶ Budgeting process
- ▶ Scenario planning
- ▶ Forecasting and budget-to-actuals monitoring



Grants Management & Compliance

- ▶ Grant and contract monitoring
- ▶ Fiscal policies and procedures
- ▶ Funder invoices

Levels of Financial Management



STRATEGIC

Lead and support organizational financial planning and monitoring



MANAGERIAL

Ensure finance is effectively carrying out its operational responsibilities



TRANSACTIONAL

Perform day-to-day accounting functions, data entry, and finance administrative tasks

Adapted from Jeanne Bell Peters and Elizabeth Schaffer, *Financial Leadership for Nonprofit Executives: Guiding Your Organization to Long-term Success* © 2005

Levels of Financial Management



STRATEGIC

- ▶ Conducts strategic financial planning, budgeting, and forecasts
- ▶ Reviews financial reports for strategic decision-making and course corrections
- ▶ Provides oversight and vision for the finance team and fiscal operations



MANAGERIAL

- ▶ Maintains fiscal policies & procedures, oversees internal controls and ensures compliance
- ▶ Leads monthly close & reconciliations, ensures general ledger quality
- ▶ Generates financial reports, monitors cash flow
- ▶ Manages audit process



TRANSACTIONAL

- ▶ Processes accounts payable, cash disbursements
- ▶ Creates invoices, processes accounts receivable and cash receipts, makes deposits
- ▶ Maintains accounting files, processes 1099 forms and prepares journal entries

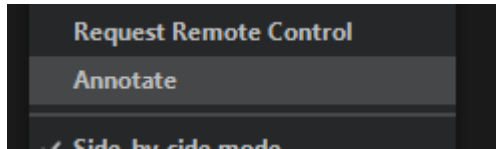
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Annotation Activity

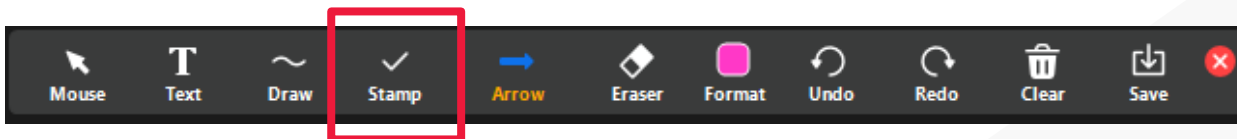
- ▶ At the top of your screen, select “View Options” next to the green bar:



- ▶ Select the “Annotate” option:



- ▶ From the toolbar, select the stamp option:



Annotation Activity

1. Take a moment to think about the following questions:



Where do you think the team at your organization spends the most time/energy on financial management?



Where do you think there are gaps?

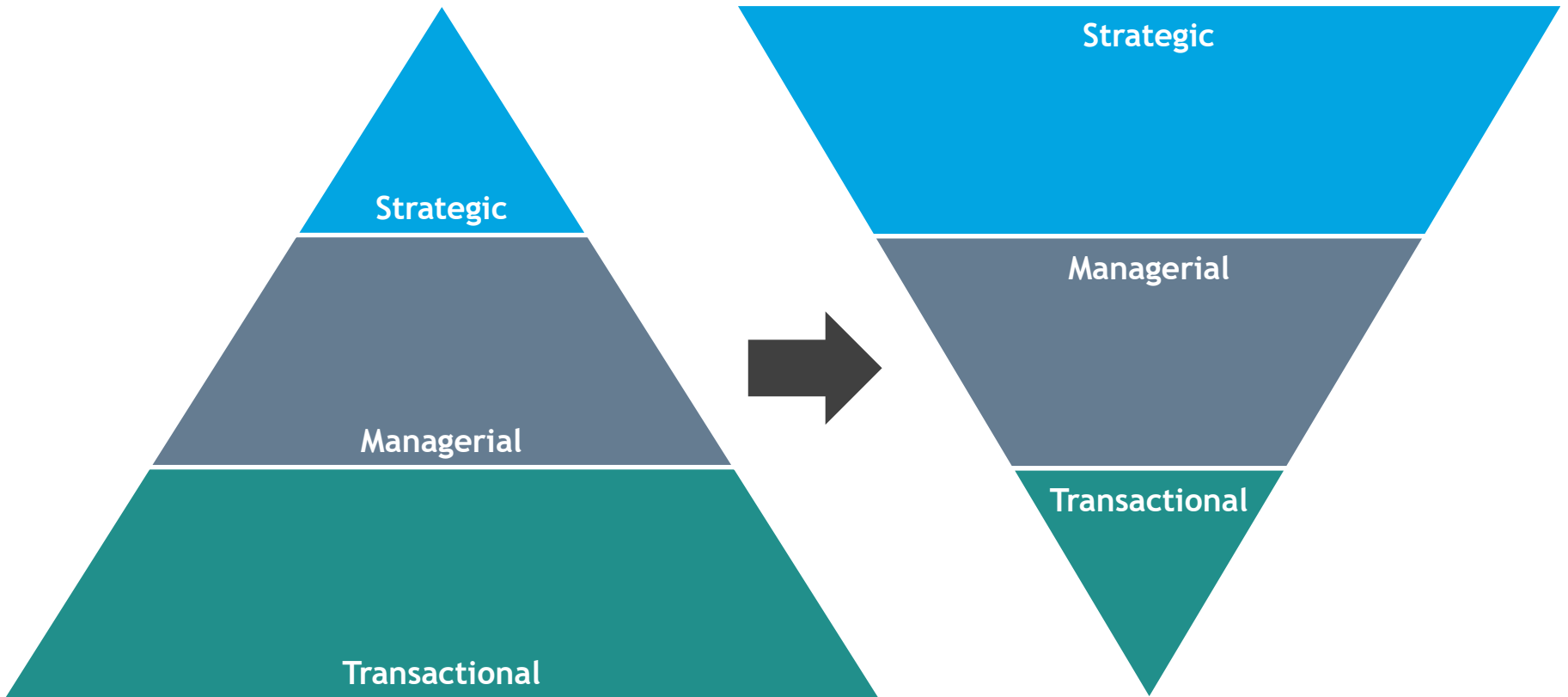
2. Use the above stamps to indicate your answers to the questions

STRATEGIC

MANAGERIAL

TRANSACTIONAL

Financial Management



Adapted from Jeanne Bell Peters and Elizabeth Schaffer, *Financial Leadership for Nonprofit Executives: Guiding Your Organization to Long-term Success* © 2005

Fiscal Staffing at Your Organization?

STAFF

- ▶ Access information and accounts quickly
- ▶ More difficult to staff all levels appropriately
- ▶ Endeavor to spread strategic, managerial and transactional across more than 1 team member
- ▶ Hiring senior finance leaders particularly difficult right now
- ▶ Long-term investment in infrastructure
- ▶ Long-term commitment to salary
- ▶ Builds team, culture

OUTSOURCED

- ▶ Relatively abundant - leverage fractional resources to get specialized capacity, quickly, at any level
- ▶ Time and scope can be flexible
- ▶ High per hour cost, though overall cost may or may not be higher than staff
- ▶ Doesn't build team, culture
- ▶ Not long-term investment in infrastructure
- ▶ May serve other clients/not always available
- ▶ Org may not have control over systems in use, operational practices
- ▶ Still need someone in-house for strategy and to manage the relationship
- ▶ Ensure nonprofit experience
- ▶ Can be powerful interim/transitional solution

Alternative Operating Models

FISCAL SPONSORSHIP

- ▶ Comprehensive services for core infrastructure including HR, finance and compliance
- ▶ Financial planning and monitoring still led by project
- ▶ Project does not have control over core finance systems in use, some operational practices
- ▶ Ask key questions about fiscal infrastructure and services when vetting potential sponsors
- ▶ Select sponsor with sufficient fiscal infrastructure, use detailed agreement
- ▶ Significant fixed assets often a barrier
- ▶ Often higher fees associated with government contracts
- ▶ Transitioning grants and contracts takes time and care
- ▶ Plan for sufficient runway to transition to standalone (1 year +)

JOINT VENTURES & MERGERS

- ▶ Improve community access or coordination
- ▶ Reduce competition for resources
- ▶ Leverage strengths
- ▶ Frame decision around best ability to serve mission
- ▶ Seek additional funding to support the significant staff time and other expenses to plan and implement
- ▶ Detailed scenario planning to understand financial implications and future sustainability
- ▶ Connect with shared funders to understand changes in support

Thoughts & Questions

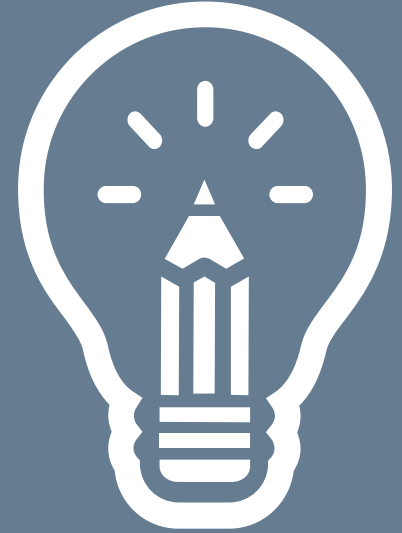




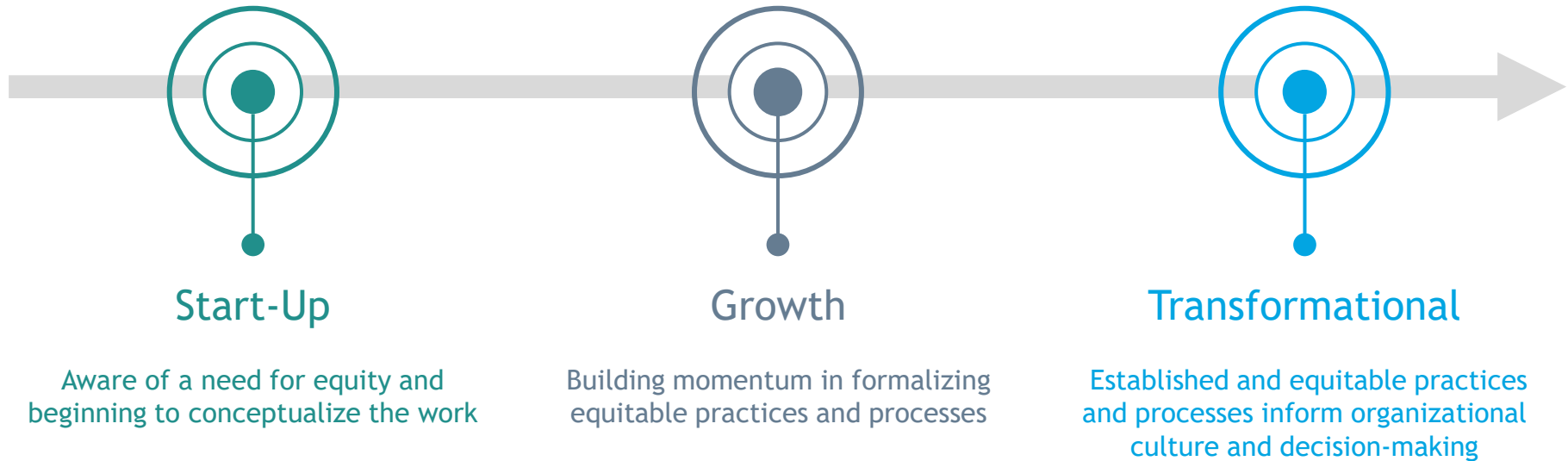
Equitable compensation

Use the Chat

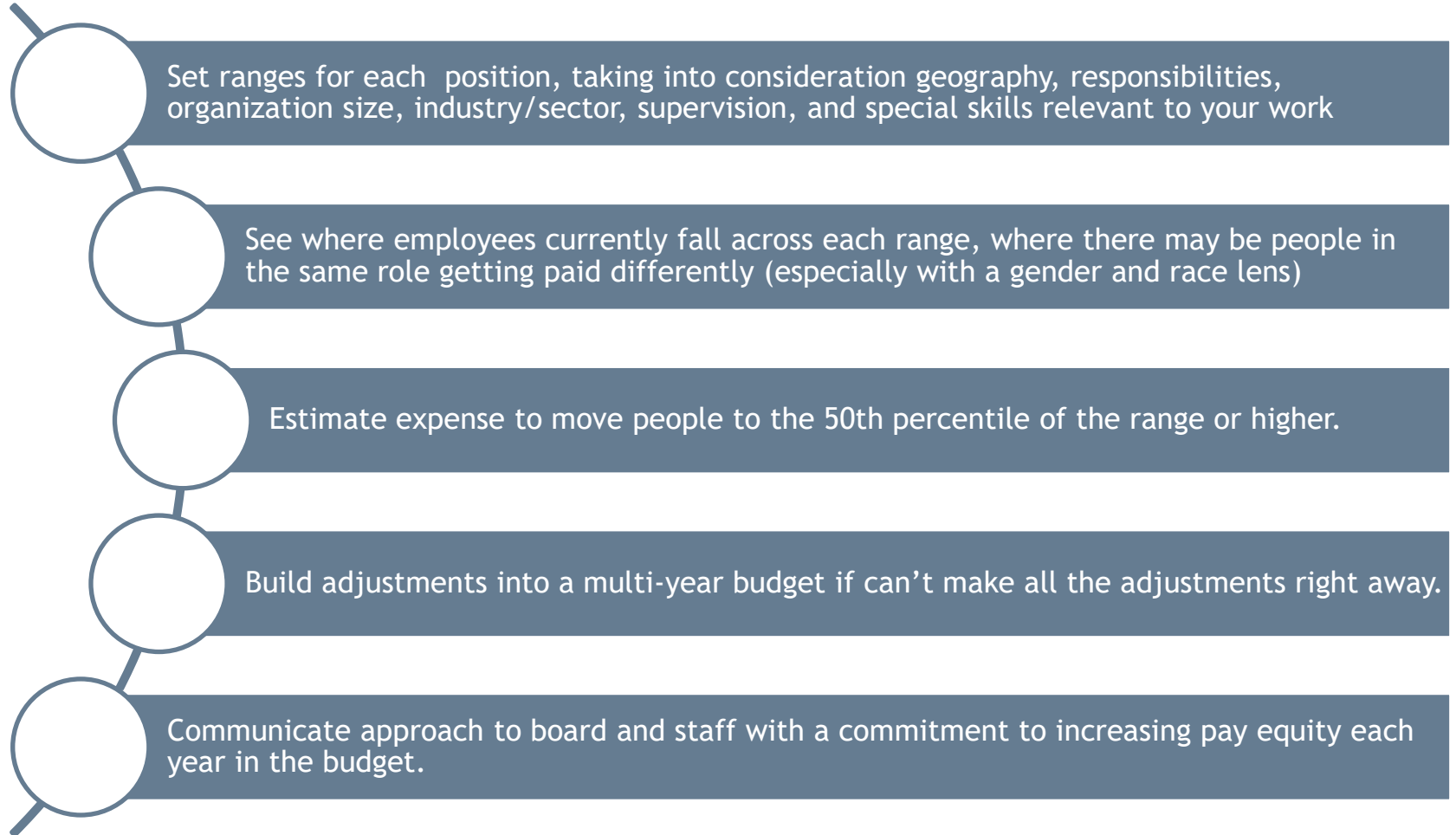
- ▶ What has been your organization's approach to ensuring compensation is increasingly equitable and/or competitive?
- ▶ What are the key challenges, and how have you tried addressing them?
- ▶ What's worked well?
- ▶ What questions do you have?



Spectrum of Equity in Compensation Practices



Implementing Compensation Guidelines



Strategies for Funding Equity Adjustments

Spread out adjustment over multiple years

Prioritize lower paid staff

Request general operating support

Raise indirect cost rates

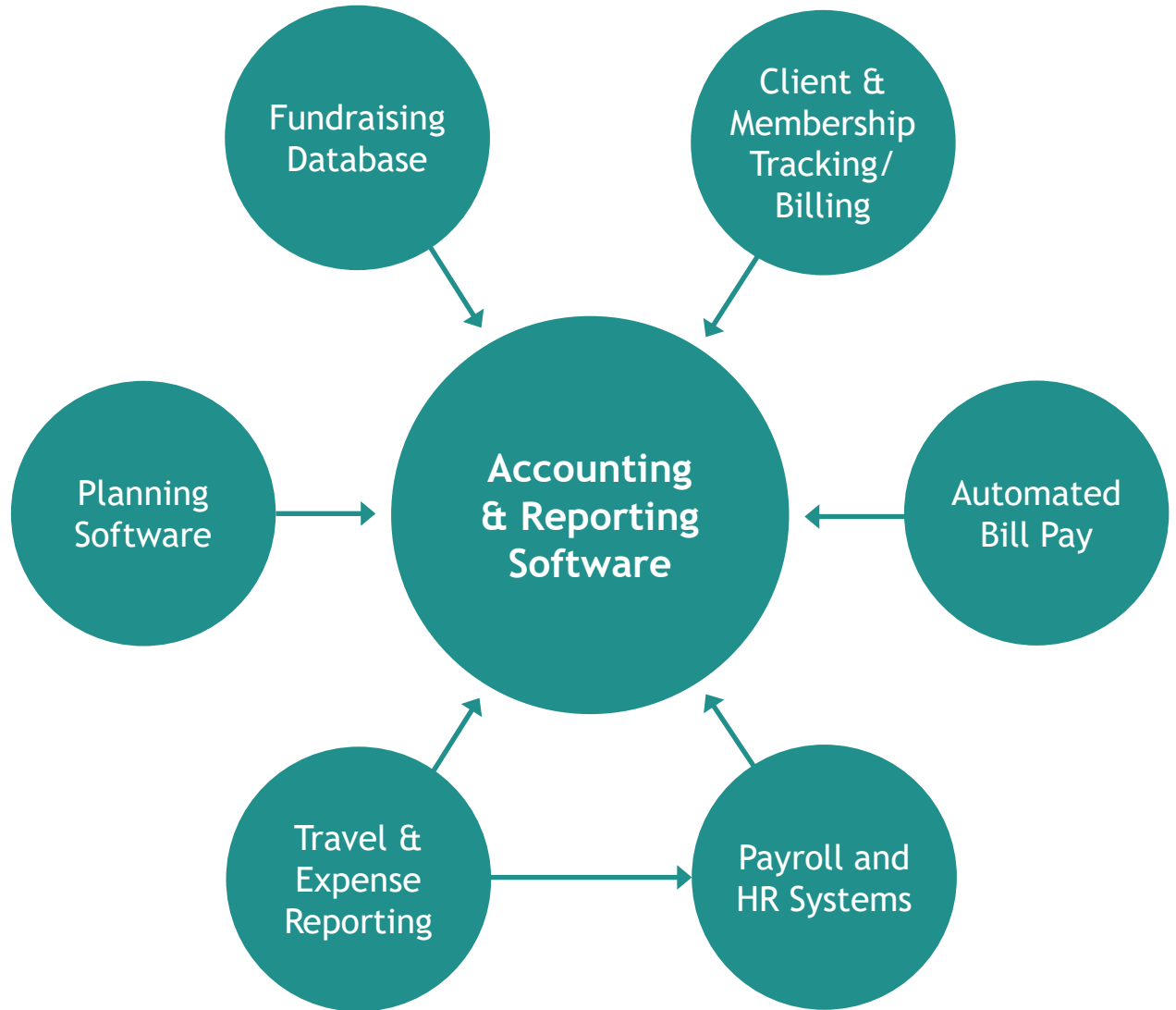
Make specific funding requests

Thoughts & Questions



Financial management technology tools

Software Systems





Poll: What accounting system is in use at your organization?

1	We don't use an accounting system
2	QuickBooks or Xero
3	Fund EZ, MIP or Financial Edge
4	NetSuite or Intacct
5	A different system not listed
6	I'm not sure

Flexible 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

Accounting Software Functionality

BASIC FUNCTIONALITY

- ▶ Flexible Chart of Accounts
- ▶ Modules for
 - Accounts Payable
 - Accounts Receivable
- ▶ Reporting against budgets
- ▶ Customizable reports
- ▶ Ability to import/export data
- ▶ View-only access for end-users

DIFFERENTIATORS

- ▶ Fund accounting
- ▶ Automated allocations
- ▶ Cloud capability / Web-hosting
- ▶ Paperless document management
- ▶ Dashboards
- ▶ Electronic workflow routing
- ▶ Purchase requisitions

Commonly used systems



Blackbaud Financial Edge NXT™



Software System Options

WHAT COULD WORK AT YOUR ORGANIZATION?

- ▶ Banking Technology
- ▶ Expense Management Software
- ▶ Online Bill Pay & Automated Check Writing
- ▶ Payroll and Time & Attendance
- ▶ Automated AR & Payments
- ▶ Monthly Close Workflow
- ▶ Fundraising
- ▶ Budgeting & Planning
- ▶ Dashboards



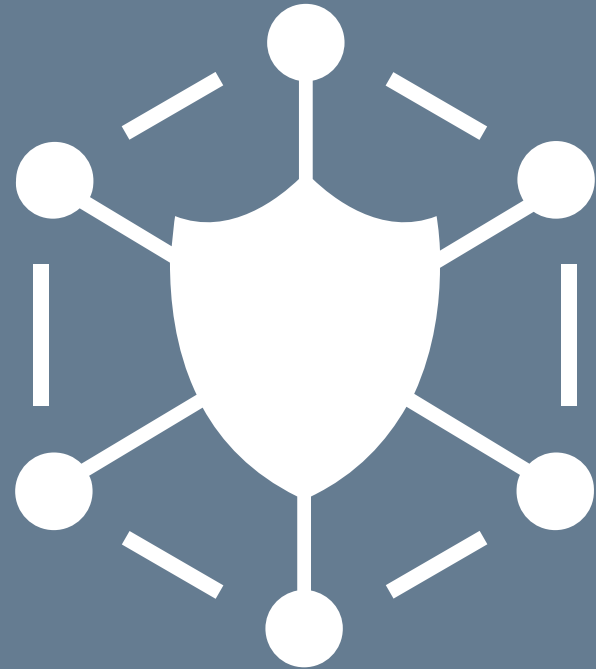
Banking Technology

EFFICIENCIES

- ▶ Electronic transfers: Reduced need for check issuance
- ▶ Remote deposit: Check scanning

CONTROLS

- ▶ Positive pay: Ensures checks are only paid to verified vendors
- ▶ ACH block and filters: Prevent unauthorized outsiders from accessing or removing funds from an account



Expense Management Software

Technology: Automated Travel and Expense Reporting Systems



Web-based,
mobile access



Scan or take a
picture of
receipts/
documentation



Electronic
approval
routing



Direct
connections
to: credit
cards, payroll,
accounting
system



Electronic
audit trail

Online Bill Pay & Automated Check Writing

AUTOMATED CHECK WRITING SERVICES PROVIDE:

- ▶ Automated invoice approval workflow that be accessed via any computer or mobile device
- ▶ Integration with accounting software
- ▶ Can use paper checks or EFT
- ▶ Elimination of the manual process of cutting and mailing checks
- ▶ Electronic archiving
- ▶ Simplified deposit process



Commonly used systems

Expense Management

Tallie

nexonia



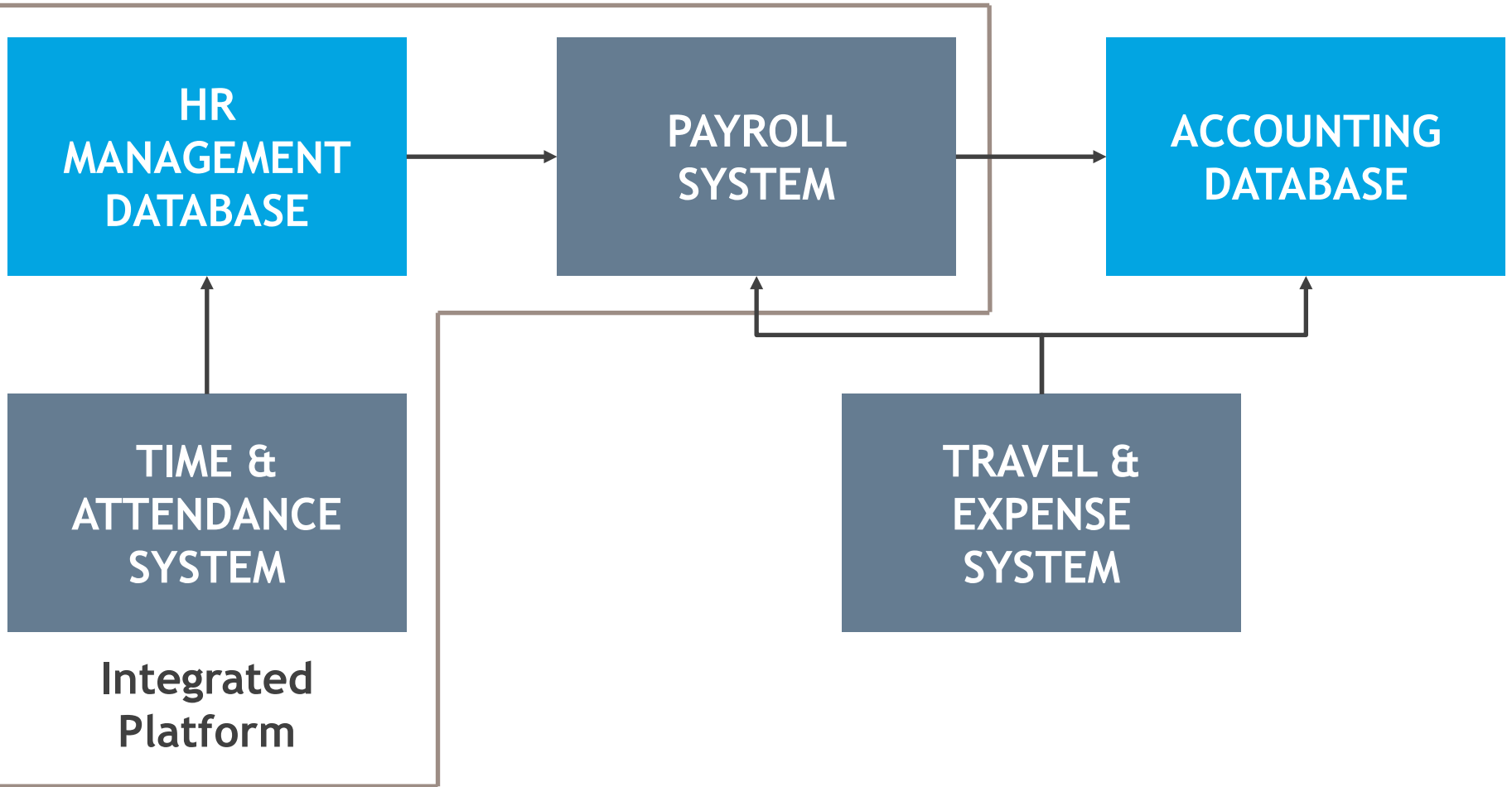
Online Bill Pay & Automated Check Writing



bill.com



Payroll and Time & Attendance



Systems: Time Tracking

▶ Personnel Time

Detailed Time Tracking

- ▶ How are staff coding time?
- ▶ What tool are you using?
- ▶ How is it recorded on the general ledger?

Time Study

- ▶ How often will you ask staff to complete?
- ▶ How many pay periods will you track?

Funder often dictates method of substantiation.

Understand requirements to ensure compliance.

Systems: Cost Allocation

Coding non-payroll shared costs

FTE (Full Time Equivalent)
based on hours spent in each activity

Square Foot or Usage of Space
based on activities occurring in a location

of Participants
based on participants enrolled in an activity

% of Revenue
based on revenue coded to each activity

% of Salary Dollars
based on salaries coded to each activity



Substantiation and allocations

- ▶ Funding source may dictate:
 - How time may be substantiated (timesheet vs time study)
 - Units of time, frequency of tracking, levels/frequency of review/approval
 - Allocable costs, allocation methodology, standards for implementation and documentation



Systems & Reporting

- ▶ Is your accounting system setup with a dimension to track expenses against specific funding sources (ex: Customer/Job in QuickBooks)?
- ▶ If you use any of the following technology tools, are they set up with categories for specific funding sources, review/approval in alignment with funding requirements, and do they sync with the accounting system?
 - Time tracking
 - AP or bill pay (ex: bill.com)
 - Expense management (ex: expensify)

Thoughts & Questions





How do you choose?

Setup and ongoing costs

Reputation

Ease of setup and ongoing use

Configuration/customization

Support & Training

Integration of data flow



How do you choose?

Prioritize inflows and outflows:

- Online Bill Pay & Automated Check Writing
- Expense Management Software
- Alternative Payment Options
- Accounts Receivable Workflow

Start with low hanging fruit: Banking Technology

Hourly/Part-Time Employees: Time & Attendance

Larger Organizations: Monthly Close Workflow



What does implementation look like?

Who needs to be involved in the process?

Why this solution and why now?

What is the time commitment for implementation?

What barriers might you face?

What training and communication is necessary for success?

Successfully managing change

What experiences have you had managing a significant change with a team of people?

- What made it successful?
- If it was unsuccessful, why do you think that may have been?

Tips for successful change management:

- Plan a communication strategy, and communicate early and consistently
- Ensure all effected by the change have an opportunity to participate in designing and implementing the change
- Be specific and transparent about the benefits and challenges, the knowns and unknowns
- Be realistic about the time horizon
- Use documentation and tools like a RACI matrix

Thoughts & Questions



Use the Chat

- ▶ What was a key takeaway from today's session?
- ▶ What's an action step you intend to take, or something you're interested in learning more about?





Resources & Wrap Up

Financial Management Resources

This library of free tools and resources was created in collaboration with the Wallace Foundation to help organizations become “fiscally fit.”



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