United Way of Greater St. Louis
STRATEGIC TRANSITION PLANNING SERIES 2018-2019

STRATEGIC TRANSITION SERIES GOAL

Help member agencies gain competence in: navigating through environmental changes, better securing diverse & sustainable funding streams, and exploring/pursuing options, all of which enhance the fulfillment of community needs-based missions

9

SERIES LEARNING OBJECTIVES

GAIN UNDERSTANDING

- About themselves, their environment and resources to be better equipped for adapting to a shifting funding environment

IMPROVE COMPETENCE

- In seeking funding from diverse sources, beyond the United Way

BUILD PROFICIENCIES

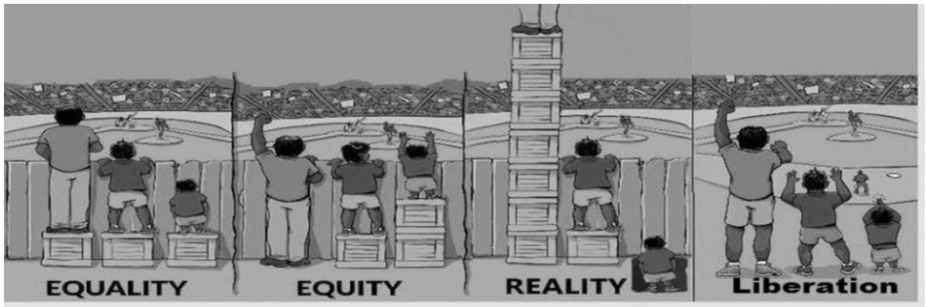
- That improve positioning, agility and navigation through environmental changes

ADVANCE EFFORTS

- To develop and implement a strategic transition plan

10

RACIAL EQUITY LENS CONTEXT



- Different communities (and individuals within communities) situated differently relative to each other
- Differences due to many factors, including history, education, language, access to community assets…
- While intent of policies & programs is to create access for all people (lifting all boats), in practice, universal policies create access to opportunity differently
- A rising tide brings less benefit or possibly hazard if one's boat is leaky or if one does not have a boat.
- Series sessions will provide an opportunity to apply a racial equity lens to topics in hopes of getting all members in our community a boat that floats so that all boats can be lifted.

17

Member Agency Strategic Transition Planning Series

Stages progressively build toward culmination of helping agencies formulate a viable plan for better positioning in the current changing funding environment

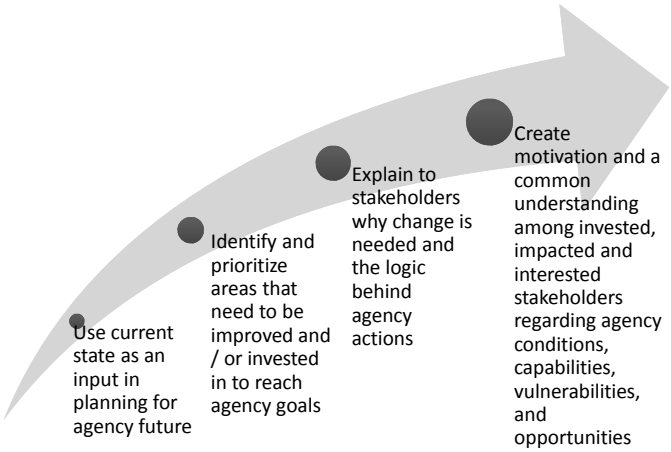
Stages:	Assessing an Agency's Current Position	Creating Vision & Setting Strategic Direction	Exploring Resources	Operationalizing the Plan
Intent:	Identifies/refines critical factors that outline agency overall environmental standing, affects current success & future viability. Informs decision-making in subsequent stages	Builds understanding and approaches to change management and consider possibilities, aligned with agency position, to shape future vision & strategic direction	Uncovers resources to be utilized to leverage agency's position amidst change and augment its ability to plan for reaching vision	Aligns vision, priorities & agency position with resources to develop a strategic workplan, outlining actions helping agency better adapt to changing landscape
Sessions:	#1. Series Overview & SWOT #2. Financial Health #3. Fund Devp Tools/Techniques #4. Prgm Financial Sustainability #5. Contingency Planning	#6. Change Management #7. Innovation #8. Vision/Strategic Direction	#9. Board Engagement & Role in Fund Devp #10. Dive into Fund Development #11. Strategic Alliances - P1 #12. Strategic Alliances - P2	#13. Creating an Actionable Transiton Plan
Learning Objectives:	Participants will improve understanding about agency condition, including capabilities & vulnerabilities overall and in finance & fund development areas	Participants will shape their agency's future vision, leveraging position, in context of change, utilizing innovation, all to pursue improved mission fulfillment	Participants will identify resources (focusing on revenue generation & program/operational effectiveness) to help further mission fulfillment	Participants will utilize understanding & insight gained to frame strategic transition plan, better positioning agencies in the shifting environment
Correlating Quality Standards:	G: Board drives direction P: Effective program design G: Board financial oversight F: Financial stability F: Financial planning/oversight	G: Board drives direction G: Program effectiveness P: Program positive Impact G: Community accountability A: Structure facilitates operations	G: Board meets strategic needs F: Financial stability F: Effective financial planning G: Board accountable to community	G: Board drives direction F: Financial stability P: Program positive impact G: Board accountable to community 5.11.18

20

STAGE 1: ASSESSING CURRENT STATE

Four reasons for assessing the present state:

emergingwisdom

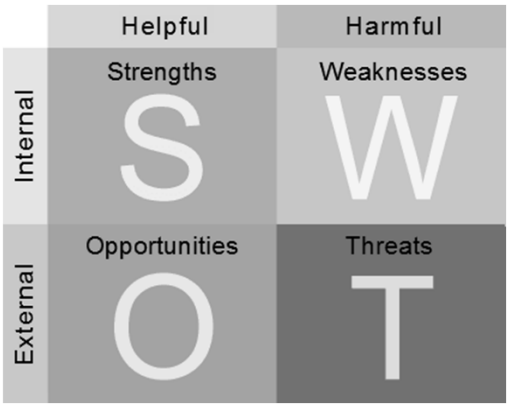


6

SESSION 1: SWOT Analysis

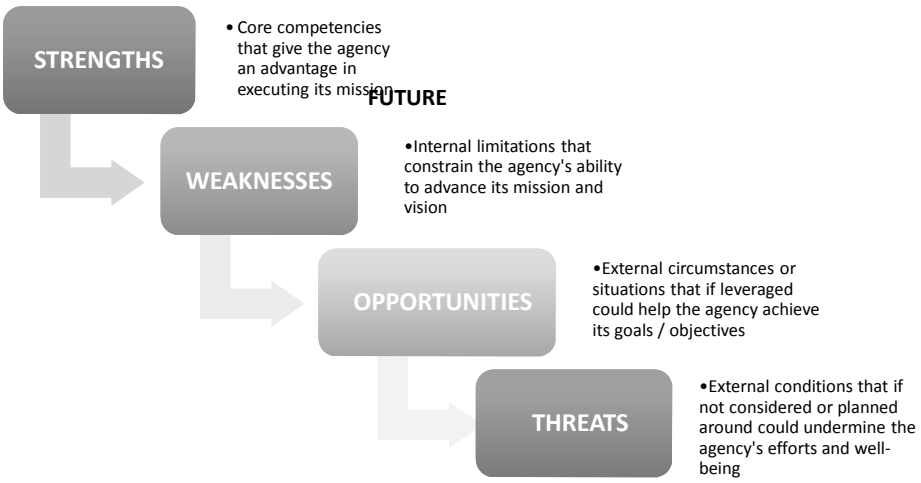
emergingwisdom

- Grounds plan
- Provides realistic view of agency's capabilities and vulnerabilities
- Identifies internal strengths and weaknesses
- Examines external opportunities and threats



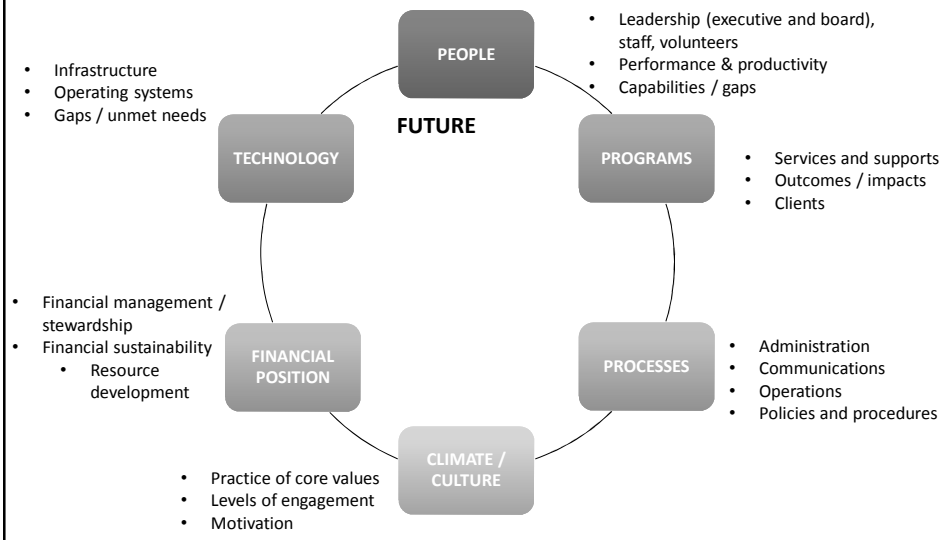
7

SWOT COMPONENTS



8

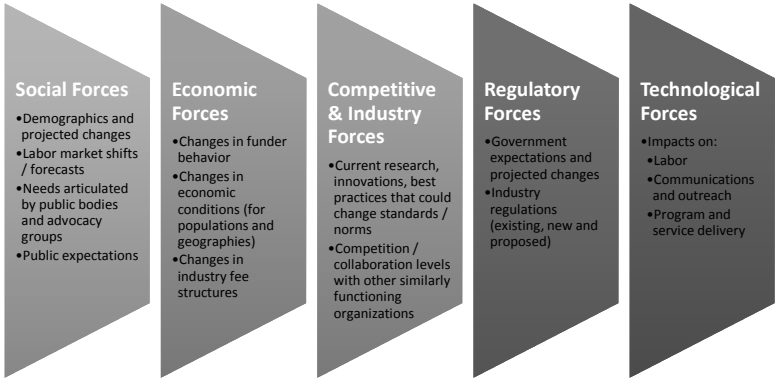
INTERNAL CONSIDERATIONS



9

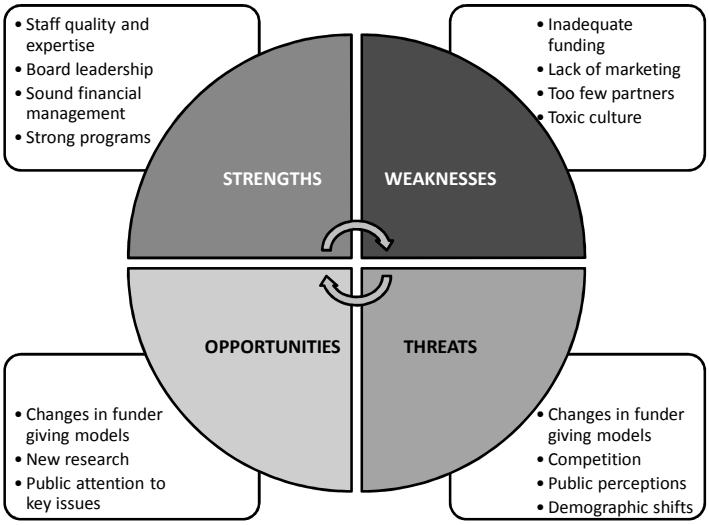
EXTERNAL CONSIDERATIONS

DEFINITION: Environmental scanning systematically surveys and interprets data to identify external opportunities and threats. Agencies gather info about the external world, their competitors and themselves.



10

SAMPLE SWOT ANALYSIS



11

United Way of Greater St. Louis
STRATEGIC TRANSITION PLANNING SERIES 2018-2019
Session 2: Financial Health
June 14, 2018

RubinBrown

SESSION PURPOSE

- Continue "Assessing Current Position" stage with a focus on Financial Health
- Provide insight on how to assess an agency's financial stability, on leaders' fiduciary responsibilities and best-practice recommendations to facilitate assessment, fulfill fiduciary responsibilities and minimize financial risk

RubinBrown

13

LEARNING OBJECTIVES

Participants:

- Gain insight on factors & tools related to assessing agency financial stability
- Advance learning about critical indicators of potential instability
- Increase understanding about fiduciary responsibilities and best practices for ensuring their fulfillment

RubinBrown

14

ROLES & RULES

Roles

Facilitators

- Guides learning and sharing
- Conducts exercises
- Maintains schedule

Participants

- Are open to learning
- Share knowledge & insight
- Check for understanding

Rules

- Manage your comfort
- Listen actively
- Ask questions and encourage others to share
- Minimize distractions
- Respect all views and opinions
- Enjoy yourself!

RubinBrown

5

Session #2: Financial Health

presented by:

Amy Altholz, CPA

Judy Murphy, CPA

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

RubinBrown

What is Sustainability?

- Per Webster's Dictionary,

  Sustainable (adjective) – ability to last or continue for a long time

RubinBrown

Topics

- Sustainability Benchmarks
- Warning Signs When Reviewing Financial Statements
- Infrastructure Development
- Dashboard Development

RubinBrown

Sustainability Benchmarks

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

RubinBrown

Sustainability Benchmarks

- Are going to be unique to each organization!!!
- But some common financial sustainability benchmarks include:
  - Operating reserves
  - Liquidity evaluation
  - "Funding gap" analysis
  - Diversified funding streams
  - Budget vs. actual analysis

RubinBrown

Operating Reserves

- What are operating reserves?
  - The portion of unrestricted net assets that is available for use in emergencies to sustain financial operations in the unanticipated event of significant unbudgeted increases in operating expenses and/or losses in operating revenues.

RubinBrown

Operating Reserves

- What are their purpose?
  - Unexpected shortfall in revenue
  - Unexpected demands on your resources
  - Unanticipated opportunities
  - Things not going according to plan
  - Change in direction is needed
  - Normal day-to-day fluctuations in income and expenses

RubinBrown

Operating Reserves

- How are they calculated?
  - First, available unrestricted net assets are calculated by taking unrestricted net assets less equity/investment in fixed assets (fixed assets, net of related long-term debt)

RubinBrown

Operating Reserves

- How are they calculated?
  - Second, these available unrestricted net assets are further divided
    - Board-designated (non-operating) funds such as quasi- or board-designated endowments
    - Undesignated operating funds including non-liquid assets such as long-term receivables, inventory, prepaid expenses, net of related liabilities
    - Board-designated operating reserves
      - Recommended that they be funded

RubinBrown

Example Calculation

Cash	$ 750,000
Accounts receivable	50,000
Promises to give	250,000
Prepaid expenses	10,000
Property and equipment	500,000
Assets restricted for permanent investment	100,000
Total Assets	$ 1,660,000
Accounts payable and accrued expenses	$ 35,000
Deferred revenue	75,000
Long-term debt	200,000
Total Liabilities	310,000
Unrestricted	
Board-designated endowment	200,000
Undesignated	700,000
Total Unrestricted	900,000
Temporarily restricted	350,000
Permanently restricted	100,000
Total Net Assets	1,350,000
Total Liabilities and Net Assets	$ 1,660,000

Total Unrestricted Net Assets = $900,000

Unavailable = $300,000
[Property and equipment of $500,000 less related long-term debt of $200,000]
Available = $600,000

Board-designated endowment = $200,000

Maximum amount of Board-designated operating reserve = $400,000

RubinBrown

Example Calculation (Another Perspective)

	Total	Undesignated	Board-Designated	Temporarily Restricted	Permanently Restricted
Cash	$ 750,000	$ 450,000	$ 200,000	$ 100,000	$ —
Accounts receivable	50,000	50,000	—	—	—
Promises to give	250,000	—	—	250,000	—
Prepaid expenses	10,000	10,000	—	—	—
Property and equipment	500,000	500,000	—	—	—
Assets restricted for permanent investment	100,000	—	—	—	100,000
Total Assets	$ 1,660,000	$ 1,010,000	$ 200,000	$ 350,000	$ 100,000
Accounts payable and accrued expenses	$ 35,000	$ 35,000	$ —	$ —	$ —
Deferred revenue	75,000	75,000	—	—	—
Long-term debt	200,000	200,000	—	—	—
Total Liabilities	310,000	310,000	—	—	—
Unrestricted					
Board-designated endowment	200,000	—	200,000	—	—
Net investment in property and equipment	300,000	300,000	—	—	—
Undesignated	400,000	**400,000**	—	—	—
Total Unrestricted	900,000	700,000	200,000	—	—
Temporarily restricted	350,000	—	—	350,000	—
Permanently restricted	100,000	—	—	—	100,000
Total Net Assets	1,350,000	700,000	200,000	350,000	100,000
Total Liabilities and Net Assets	$ 1,660,000	$ 1,010,000	$ 200,000	$ 350,000	$ 100,000

RubinBrown

Operating Reserves

- How much operating reserves do I need?
  - Varies by organization
  - At a minimum – 25% or 3 months of annual expense budget
  - Other factors to consider – risks of volatility
    - Revenue Risk Factors
    - Spending Risk Factors

RubinBrown

Operating Reserves

- Revenue Risk Factors
  - Stability of donated revenue from primary sources
  - Stability of other revenue sources
  - Predictability of pledge collections
  - Reliability of government funds
  - Level of dependence on 1-2 key donors
  - Economic health of community
  - Publicity
  - Regulatory changes

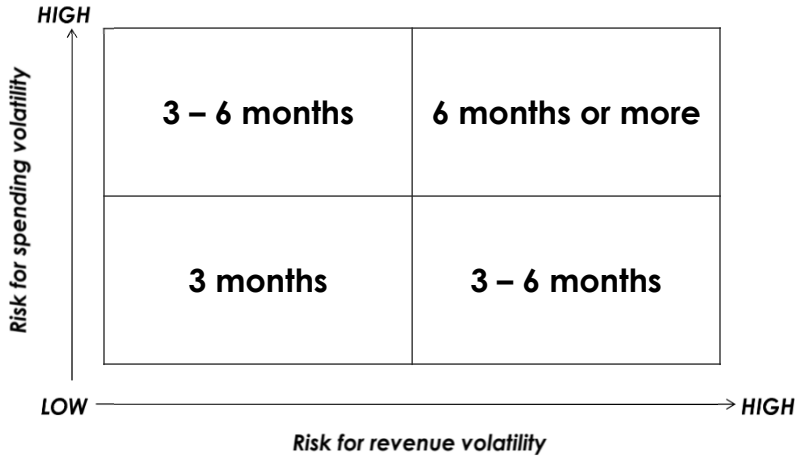
RubinBrown

Operating Reserves

- Spending Risk Factors
  - Extent to which economic downturns may affect demand for services
  - Likelihood of unexpected demands on services
  - Extent of long-term funding commitments
  - Amount of unsecured debt
  - Long-term leases with substantial penalties for cancellation
  - Ability to downsize operations quickly & still provide services
  - Level of dependency of programs on stable, individual funding streams

RubinBrown

Operating Reserves Decision Matrix



RubinBrown

Operating Reserves

- Sources of Operating Reserves
  - Unrestricted contributions
  - Net surplus or "profit" from fees for goods or services
  - Surpluses from annual operations (planned or unplanned)
  - Unrestricted investment income
  - Unused and unrestricted reserves for uncollectible pledges
  - Unused and unrestricted capital acquisition funding included in the annual cash operating budget (may require Board action)

RubinBrown

Operating Reserves

- Young Organizations
  - May not have had time to build a significant reserve
  - Set goal to have positive change in net assets each year, perhaps 3-5% of gross income.
  - 5% average annual surplus can improve operating reserve ratio of negative 10% to suggested minimum of 25% in 7 years.

RubinBrown

Operating Reserves

- Written Operating Reserve Policy
  - Purpose
  - Policy
  - Definitions
  - Funding
  - Procedures - including formula for calculating operating reserve ratio
  - Uses – including when they can be used, who is authorized to use them, and how this is reported to the Board
  - Governance

RubinBrown

Operating Reserves

- "Funded" Board-Designated Operating Reserves
  - Cash investment policy should be developed or updated
  - Timing of uses of funds should be considered
  - Investment policy can be part of overall investment policy (that includes longer-term funds) or can be a separate document

RubinBrown

Liquidity Evaluation

- Ratios to evaluate:
  - Days of cash on hand
    - Calculated as:

      Total Cash Operating Expenses / 365 Days = Cash Operating Expenses per Day

      Cash and Cash Equivalents on Hand / Cash Operating Expense per Day = # of Days the organization has the cash to pay expenses
    - # of Days Needed is unique for each organization depending on its expense and cash flow trends and the related volatility

RubinBrown

Liquidity Evaluation

- Ratios to evaluate:
  - Current liquid assets compared to current liabilities
    - Calculated as:

      Current liquid assets* / Current liabilities

      * Make sure to exclude any donor or Board restricted liquid assets
    - Goal would be for this ratio to be at least greater than 1

RubinBrown

"Funding Gap" Analysis

- Allows your organization to evaluate programs/activities to determine what additional funding is needed to "break-even"
  - Compares total costs (both direct and indirect) for each program/activity to the revenue directly generated by that program/activity
  - Any shortfalls would need to be funded by unrestricted contributions, investment income, etc.
  - Can be historically analyzed and provide insight into pricing strategies, viability of programs/activities, etc.

RubinBrown

Diversified Funding Sources

- Tracking revenue by type can provide your organization valuable insights such as:
  - Percentage of total revenue that is earned revenue vs. contributions/special events vs. investment income
  - Types of donors contributing to the organization (individuals, foundations, corporations, etc.)
  - Dependency/concentrations from a particular program, donor, etc.

RubinBrown

Diversified Funding Sources

- Analyzing historical analysis and trends can be useful
- Can also be useful in setting strategic goals and budgets

RubinBrown

Budget vs. Actual Analysis

- Allows your organization to monitor progress towards its own goals and objectives
  - Can be one of the best benchmarks of the organization's success
- The budget development process can provide a lot of valuable and useful information to the organization.

RubinBrown

Budget vs. Actual Analysis

- Your organization should make sure it has all of the appropriate budgets in place and is actively monitoring and reporting the results to management, the Board, etc.
  - Strategic Plan Budget
  - Operating Budget
  - Capital Budget
  - Cash Flow Budget

RubinBrown

Budget vs. Actual Analysis

- Types of Budgets:
  - Strategic Plan Budget
    - Provides a long-term outlook for your organization
    - Forces the NFP to look into the future – consider longer term goals and objectives
    - Should assist the Board in long-term planning
    - Relates to the Non-Profit Organization's Mission Statement
    - Usually a three, four or five year plan
    - Allows for different scenarios, estimates and assumptions

RubinBrown

Budget vs. Actual Analysis

- Types of Budgets:
  - Operating Budget
    - Provides an annual plan for operating activities
    - Takes into account the Non-Profit Organization's Business Plan and Objectives
    - Takes into account fewer scenarios, estimates and assumptions than the Strategic Plan Budget

RubinBrown

Budget vs. Actual Analysis

- Types of Budgets:
  - Capital Budget
    - Provides for major capital expenditures that will be made (items that will be capitalized)
    - Should be prepared both on an annual basis and longer term (five or ten years)
    - Should take into account committee and department recommendations
    - Identify how the expenditures are to be acquired (purchase or lease)
    - Identify the source of the funding (internal or external)

RubinBrown

Budget vs. Actual Analysis

- Types of Budgets:
  - Cash Flow Budget
    - Provides a plan for annual cash inflows and outflows
    - Could be prepared as a monthly report or a weekly report
    - Cash balance will agree to the cash on the statement of financial position
    - Identify surpluses and/or deficits for additional planning

RubinBrown

Budget vs. Actual Analysis

- Preparing a Strategic Plan Budget:
  - Establish a committee – include people with policy making roles
  - Utilize strategic plan (if available) to determine longer term goals/objectives
  - Obtain additional input/direction from Board regarding longer term goals/objectives
  - Once agreement is reached on goals/objectives, try to determine costs – don't forget inflation
  - Consider how the costs will be funded
  - Plan should be periodically reviewed and updated

RubinBrown

Budget vs. Actual Analysis

- Preparing an Operating Budget:
  - Developed based on:
    - Conservative, **realistic** estimates from management, finance committee and key employees
    - Prior year/historical results
  - Inclusive of:
    - All areas of the organization
    - Additions to operating reserves, future maintenance costs, etc.

RubinBrown

Budget vs. Actual Analysis

- Preparing an Operating Budget:
  - Considerations:
    - What is the appropriate level of detail (by department, program, person/position, etc.)?
    - Are alternative budgets prepared for different revenue assumptions?
    - Are cash flow requirements considered?
    - Are annual renewable funding sources identified?

RubinBrown

Warning Signs When Reviewing Financial Statements

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

RubinBrown

Financial Statement Review

- Monthly Internal Financial Statements
  - Presented on accrual basis
    - Format should be similar to the audit
  - Should include:
    - "Operational" revenues and expenses
    - Natural and functional expense classification
    - Performance measurements
    - Budget vs. actual analysis
    - Cash Flow Projections
    - Donor restricted activity

RubinBrown

Financial Statement Review

- Warning Signs – Statement of Financial Position
  - Does the organization have a concentration of a single or small group of donors?
  - Are all pledges collectible/is the allowance adequate to cover those that may not be collected?
  - What is the rate of return on invested assets?
  - Is the spending policy for endowments adequate and appropriate?
  - Does the organization have sufficient operating reserves?

RubinBrown

Financial Statement Review

- Warning Signs – Statement of Financial Position
  - Is the amount of liquid assets (cash, unrestricted investments, etc.) appropriate to satisfy current obligations?
  - Are total assets leveraged on one or relatively few items (i.e. significant promises to give)?
  - Is emergency funding/cash available through a line of credit?
  - If the organization has long-term debt, is a plan in place to "service" the obligation?

RubinBrown

Financial Statement Review

- Warning Signs – Statement of Activities
  - What percentage of expenses is "spent" on program activities?
  - Is the organization consistently generating increases in unrestricted net assets?
  - Does the organization have a diverse mix of revenue sources?

RubinBrown

Financial Statement Review

- Warning Signs – Statement of Cash Flows
  - Is the organization generating cash for on-going operations (i.e., day-to-day activity)?
  - Is the organization consistently financing operations (through donor contributions or bank line of credit/similar debt)?
  - Is cash being "reinvested" for the organization's future benefit?

RubinBrown

Infrastructure Development

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

RubinBrown

Infrastructure Development – Investment Management

- Best Practices for Investment Management
  - Have a written investment policy statement
    - Clearly states purpose and objective
    - Identifies responsible parties
    - Defines the role of the Investment Committee
    - Lists benchmarks for success
    - Outlines spending policy as well as compliance with applicable laws and regulations (like UPMIFA)
    - Documents criteria for rebalancing the investment portfolio

RubinBrown

Infrastructure Development – Investment Management

- Best Practices for Investment Management
  - Ensure diversification of assets
    - But understand each investment and why it is in the portfolio
  - Monitor investment options to ensure objectives are met
    - And that the organization is in compliance with the investment policy statement
  - Use prudent experts to assist in making investment decisions
    - Have appropriate policies in place to select these experts as well as subsequently monitor their activity
    - Avoid conflicts of interest
  - Control and quantify investment expenses

RubinBrown

Infrastructure Development – Corporate Governance/Internal Controls

- Areas of Concern
  - Too much trust in certain individuals
  - Insufficient management oversight
  - Lack of financial audit
  - No background checks
  - Lack of independent checks on bank/investment/credit card statements
  - Failure to use bank's fraud prevention tools

RubinBrown

Infrastructure Development – Corporate Governance/Internal Controls

- Best Practices
  - Formal, documented and frequently updated internal control policies and procedures
  - Surprise periodic reviews of selected areas
  - Senior level employee receives, opens and reviews the bank statements
  - Required staff vacations
  - Fraud awareness training
  - Employee expense reimbursement policy (including for use of the organization's credit cards)
  - Adequate segregation of duties

RubinBrown

Infrastructure Development – Corporate Governance/Internal Controls

- Segregation of Duties
  - To have segregation of duties, these functional responsibilities are performed by different work units or different persons within the same unit:
    - Authorization to execute transactions
    - Recording transactions
    - Custody of assets involved in the transactions
    - Periodic reviews and reconciliations of existing assets or records to recorded amounts

RubinBrown

Infrastructure Development – Corporate Governance/Internal Controls

- Segregation of Duties
  - When appropriate segregation is not present, consider implementation of mitigating controls
    - Increased board member involvement may be necessary

RubinBrown

Segregation of Duties – Cash Disbursements

Control Activity	Implementation Considerations
▪ Bank statements are received and reviewed by a member of the organization who is not involved in the day-to-day recording / reconciliation of accounting activities.	▪ This activity could be performed by the Executive Director or a designated member of the Board of Directors. ▪ The reviewer should examine the statements for unusual items, and make a practice of inquiring about selected items during each review.
▪ Disbursements over a certain threshold should require dual signatures.	▪ Establish the threshold based on a review of your disbursement history. ▪ Common thresholds are between $5,000 - $25,000. ▪ Dual signature stamps are not recommended.

RubinBrown

Segregation of Duties – Cash Disbursements

Control Activity	Implementation Considerations
▪ An employee other than the "signer" or "preparer" of the disbursements is responsible for mailing.	▪ If your organization has a limited number of employees in the accounting / finance area, consider utilizing other staff (i.e., receptionists, program assistants, etc.) to complete this responsibility.
▪ A member of the organization who is not involved in the day-to-day accounting activities should review a listing of disbursements by vendor on a periodic basis.	▪ Generally reviewed on a quarterly or semi-annual basis. ▪ Can be performed by the Executive Director, a Senior Member of Management or a designated member of the Board of Directors.

RubinBrown

Segregation of Duties – Cash Disbursements

Control Activity	Implementation Considerations
▪ A member of the organization who is not involved in the day-to-day accounting activities should review a vendor change report on a periodic basis.	▪ Generally reviewed on a quarterly or semi-annual basis. ▪ Can be performed by the Executive Director, a Senior Member of Management or a designated member of the Board of Directors. ▪ Should include changes in vendor addresses and names, as well as new vendors.
▪ Control activities for electronic disbursements (ACH's, wires) should be commensurate with those for normal "checks."	▪ Examine authorization features for registered users on the bank's website.

RubinBrown

Segregation of Duties – Cash Disbursements

Control Activity	Implementation Considerations
▪ Check stock and authorization tools (i.e., stamps, electronic signatures, etc.) are safeguarded and only accessible to the necessary employees.	▪ If items are included in a locked safe, how frequently is it locked, and who has access to the keys / combination?
▪ Supporting documentation is required for all employee expense reimbursements (including use of the organization's credit cards) and an appropriate review/approval process is in place.	▪ Review/approval of upper level management's expense reports and credit card transactions should be performed by a member of the Board.

RubinBrown

Segregation of Duties – Cash Receipts

Control Activity	Implementation Considerations
▪ Checks are restrictively endorsed "for deposit only" immediately upon receipt.	▪ Restrictive stamp should be given to an employee who is responsible for opening the mail.
▪ Different employees should be responsible for recording cash receipts in the accounting system (as well as the donor tracking system) and making the periodic bank deposits.	▪ If resources are limited, consider using staff not generally associated with the accounting function to assist with this task. ▪ If a member of the development staff performs this responsibility, he / she should not also have the ability to add / remove / edit donor contributions in the donor tracking system.

RubinBrown

Segregation of Duties – Cash Receipts

Control Activity	Implementation Considerations
▪ Bank deposits should be made in a timely and recurring manner.	▪ Daily deposits are encouraged. ▪ If daily deposits are not made, consider adjusting deposit schedule during peak receipt periods.
▪ Access to donor credit card information should be restricted.	▪ Credit card information that is not required to be retained should be redacted or discarded after the transaction has been processed.
▪ Log of cash receipts should be prepared by a person independent of the cash receipts process and reconciled to the deposit and general ledger.	▪ If possible, all cash receipts should be initially counted and log created by two individuals.

RubinBrown

Segregation of Duties – Payroll

Control Activity	Implementation Considerations
▪ A member of the organization who is not involved with the day-to-day payroll processing should review the payroll ledger on a periodic basis.	▪ Can be performed by the Executive Director, a Senior member of management or a designated member of the Board of Directors. ▪ Should be completed monthly or for each payroll period. ▪ Examine listing for duplicate payments, unknown payees or unauthorized amounts.
▪ A member of the organization who is not involved with the day-to-day payroll processing should approve all changes to employee wage / salary rates.	▪ Can be performed by the Executive Director, a Senior member of management or a designated member of the Board of Directors. ▪ A standard form should be utilized and maintained in the employee file.

RubinBrown

Segregation of Duties – Financial Reporting

Control Activity	Implementation Considerations
▪ Bank reconciliations should be prepared on a monthly basis and reviewed by someone other than the preparer.	▪ The Executive Director or a designated member of the Board of Directors could be responsible for the review of the reconciliation. ▪ Reconciliation differences should always be resolved – similar recurring differences should not be present each month.
▪ Journal entries should be reviewed by someone other than the preparer.	▪ The Executive Director or a designated member of the Board of Directors could be responsible for the review of the journal entries. ▪ The review can be after the fact if resources are constrained.

RubinBrown

Segregation of Duties – Financial Reporting

Control Activity	Implementation Considerations
▪ Internal financial statements should be distributed on a periodic basis to Senior management and the Board of Directors and / or the Finance / Audit Committee.	▪ Should be issued on a monthly or quarterly basis, inclusive of a reconciliation of asset and liability account balances ▪ Should include the statement of financial position, statement of activities and year / period-to-date budget
▪ Donor tracking databases should be reconciled to the general ledger.	▪ Should be performed on a monthly or quarterly basis ▪ Should be performed by the development and accounting employees together ▪ Reconciliation discrepancies should be documented and resolved each period

RubinBrown

Corporate Governance Best Practices

Area	Comments
Transparency	
1. IRS Forms 990 and 1023 available to the public	
2. Bylaws and governing documents available to the public	
3. Board minutes and agendas published on website	
4. Financial statements published on website	
5. Annual report published on website	
6. Documentation of Board and committee meeting minutes analyzed for appropriate amount of	
Conflicts Of Interest	
1. Policy is in place	
2. Statements are obtained from all Board and Committee Members annually	
3. Statements are obtained from all key Employees annually	
4. Enforcement of policy is monitored vigorously	
5. Adherence to policy is a responsibility of a Committee of the Board	
6. Recurring education of staff and board members on conflicts of interest	
7. Policy is reviewed periodically for adequacy, effectiveness, robustness, etc.	
8. Policy prohibits conflict of interest transactions unless Board approves prior to the	

NOTE: This is a tool to be utilized by not-for-profit organizations to assess their governance structure. Items listed above are a compilation of industry best practices but do not constitute a comprehensive listing of all items an organization should consider. Further, all items may not be appropriate for all organizations.

RubinBrown

Corporate Governance Best Practices

Area	Comments
Related Party Transactions	
1. Analysis and determination of related parties completed annually	
2. Analysis and documentation of related party transactions completed annually	
3. Policies in place for related party transactions to be conducted "at arms length"	
4. Significant transactions are disclosed in the financial statements	
Compensation Policies	
1. Committee of Board is involved in setting compensation (including all forms of compensation) for key employees	
2. Compensation policies include all forms of compensation (benefits, vacation, etc.)	
3. Documentation of diligence performed to set/adjust compensation is maintained	
4. Organizational procurement practices are followed when employee searches are conducted	
5. Entire benefit package for all employees is reviewed on an annual basis	

NOTE: This is a tool to be utilized by not-for-profit organizations to assess their governance structure. Items listed above are a compilation of industry best practices but do not constitute a comprehensive listing of all items an organization should consider. Further, all items may not be appropriate for all organizations.

RubinBrown

Corporate Governance Best Practices

Area	Comments
General Board Oversight	
1. Board approves the annual operating and capital budgets	
2. Investments and transactions (capital and operating) over a certain threshold require	
3. Key employee/executive expense reports reviewed by a Board Member	
4. Organization has an established Audit Committee with a formal Charter	
5. Internal Audit function that periodically reports to the Board or Audit Committee	
6. Finance/Audit Committee has a designated financial expert	
7. Budget vs. actual statements are reviewed on a monthly or quarterly basis	
8. Statement of activities is reviewed on a monthly or quarterly basis	
9. Statement of financial position (including net assets, by category) is reviewed on a monthly	

NOTE: This is a tool to be utilized by not-for-profit organizations to assess their governance structure. Items listed above are a compilation of industry best practices but do not constitute a comprehensive listing of all items an organization should consider. Further, all items may not be appropriate for all organizations.

RubinBrown

Infrastructure Development – Corporate Governance/Internal Controls

- Risk Management
  - Adequacy of insurance coverage:
    - Protection of Board of Directors with a directors and officers (D&O) liability policy
    - Organization protection via general and professional liability policies
    - Fidelity bonds on key employees and any employee who handles cash

RubinBrown

Risk Management Best Practices

	Done	Not Done	Plan to Implement
Establish a formal risk management policy, encompassing the elements listed below.	❑	❑	❑
Financial Policies			
Prepare a formal policies and procedures manual encompassing finance and accounting functions.	❑	❑	❑
Establish an investment policy and an endowment spending policy.	❑	❑	❑
Establish a policy governing what types of gifts and gift instruments the organization will accept.	❑	❑	❑

NOTE: These slides are not intended to be a comprehensive listing of all risk management policies that an organization should consider.

RubinBrown

Risk Management Best Practices

	Done	Not Done	Plan to Implement
Human Resources Policies			
Develop a "conditions of employment" agreement, including confidentiality provisions, noncompete provisions, at-will employment provisions, and the necessity to safeguard organization assets.	❑	❑	❑
Establish a conflict-of-interest policy, code of ethics, and policies regarding confidentiality. Obtain annual signed conflict of interest statements from board members and key employees.	❑	❑	❑
Establish policies for employee conduct, nepotism, and sexual harassment.	❑	❑	❑
Establish an expense reimbursement and approval policy (including policies related to use of the organization's credit card) for employees, board members, and volunteers.	❑	❑	❑
Establish policies regarding employee classifications (e.g. full time, part time) and compensation.	❑	❑	❑
Establish formal employee disciplinary procedures.	❑	❑	❑
Perform criminal background checks and reference checks on all new employees, and verify that they are legally authorized to work in the United States.	❑	❑	❑

NOTE: These slides are not intended to be a comprehensive listing of all risk management policies that an organization should consider.

RubinBrown

Risk Management Best Practices

	Done	Not Done	Plan to Implement
Information Technology Policies			
Develop an access policy for computer software and files. Periodically monitor software usage.	❑	❑	❑
Establish a password policy covering length, complexity, and how often passwords must be reset.	❑	❑	❑
Establish a computer file back-up and recovery plan. Periodically test back-up files.	❑	❑	❑
Install anti-virus software and a firewall.	❑	❑	❑
Ensure that the organization has appropriate licenses for all software used.	❑	❑	❑
Protect the Organization's Reputation			
Establish a policy regarding use of equipment, including e-mail, internet and telephone usage.	❑	❑	❑
Establish a policy regarding use of the organization's logo.	❑	❑	❑
Establish a policy to safeguard confidential member, donor, and client information.	❑	❑	❑
Determine who is authorized to speak to the media and the public on behalf of the organization.	❑	❑	❑
Establish an emergency response plan, emergency recovery plan, and business continuity plan.	❑	❑	❑

NOTE: These slides are not intended to be a comprehensive listing of all risk management policies that an organization should consider.

RubinBrown

Risk Management Best Practices

	Done	Not Done	Plan to Implement
Fraud Prevention and Mitigation			
Maintain insurance for directors and officers, worker's compensation, general liability, employee dishonesty, automobile, business interruption, and umbrella errors and omission, as applicable.	❑	❑	❑
Ensure all employees handling cash are bonded.	❑	❑	❑
Establish a lockbox account at a bank for revenue receipts. Also consider using the bank's "positive pay" service for disbursements and other fraud-prevention tools. Monitor account activity daily.	❑	❑	❑
Arrange to have a copy of the monthly bank statement mailed directly to the chief executive.	❑	❑	❑
Pay all employees via direct deposit.	❑	❑	❑
Require approval from two senior members of management for wire transfers.	❑	❑	❑
Establish a process for tagging all fixed assets and for performing an annual fixed assets inventory.	❑	❑	❑
Establish a fraud hotline and a whistleblower protection policy. Also develop a fraud response plan.	❑	❑	❑

NOTE: These slides are not intended to be a comprehensive listing of all risk management policies that an organization should consider.

RubinBrown

Risk Management Best Practices

	Done	Not Done	Plan to Implement
Protection of Records			
Maintain a readily available copy of the organization's articles of incorporation, by-laws, most recent IRS determination letter, and annual state registrations.	❑	❑	❑
Maintain significant organizational documents in a safe deposit box or fireproof safe.	❑	❑	❑
Ensure that buildings are adequately protected from fire and theft.	❑	❑	❑
Establish a records retention and destruction policy encompassing paper and electronic records.	❑	❑	❑

NOTE: These slides are not intended to be a comprehensive listing of all risk management policies that an organization should consider.

RubinBrown

Infrastructure Development – Other Best Practices

- Emphasis on goal setting and measurable outcomes
  - Statistical data to support the need in the community for the organization's programs as well as the overall organization is continuously gathered
  - Strategic goals are set for each program and measurement/evaluation tools are in place to collect information and assess progress
  - Results are aggregated, analyzed and used in future planning

RubinBrown

Infrastructure Development – Other Best Practices

- The Board provides a support system and accountability
  - Board composition – who do you need to best achieve the organization's mission and strategic goals?
    - Tools = Nominating Committee focused on developing planned action steps to achieve membership goals, assessment of current Board membership and gap analysis for areas of expertise or service

RubinBrown

Infrastructure Development – Other Best Practices

- The Board provides a support system and accountability
  - Board governance –how do members understand their roles and responsibilities?
    - Tools = up-to-date and adhered to bylaws, Board policies and procedures manual, new Board member orientation and ongoing training and education, structured Board meeting schedule

RubinBrown

Infrastructure Development – Other Best Practices

- The Board provides a support system and accountability
  - Committee structure – how do you best engage and manage volunteers?
    - Tools = strategic determination by the Board of needed standing committees and processes to manage committees from nominating, setting roles and objectives to evaluating progress and reporting back to the Board

RubinBrown

Infrastructure Development – Other Best Practices

- Compliance protocols are in place to protect and serve
  - Legal – incorporated as a non-profit entity, obtained IRS exemption letter, registered in appropriate states, and complying with relevant licensing authorities and other applicable federal, state and local laws
  - Operational – an organizational chart has been developed, qualified staff and volunteers are in place, and all personnel are governed by written policies and procedures

RubinBrown

Infrastructure Development – Other Best Practices

- Compliance protocols are in place to protect and serve
  - Ethical – the organization is transparent to the public and has written policies in place to promote ethical business practices (such conflict of interest, non-discrimination, whistleblower, etc.)
  - Safeguard Assets, Employees and Information – appropriate insurance has been obtained, data is secured, and facilities are safe

RubinBrown

Not-For-Profit Dashboards

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

RubinBrown

Why Should You Create a Dashboard?

- Simplifies complex information
- Provides information so timely action can occur
- Creates accountability when consistently analyzed
- Reveals relationships between different aspects of a NFP

RubinBrown

NFP Dashboards – Best Practices

- Present in a user-friendly visual format
- Keep it simple
- Understand the users of the dashboard
- Create a "snapshot" at a point in time, as well as reflect trends
- Concisely show performance as it relates to goals

RubinBrown

NFP Dashboards – Best Practices

- Include key items for success across the NFP
- Include context:
  - Budget
  - Prior Year
  - Benchmarks

- Highlight unexpected and unusual variances
- Include key performance metrics – those which are most important for the NFP

RubinBrown

Key Performance Metrics

- Represent important drivers of the NFP
  - What will move you forward?
  - What will hold you back?
- Lead towards performance, progress and outcomes
- Guide the NFP's priorities and decisions

RubinBrown

Key Performance Metrics – Best Practices

- Limit the number of key performance metrics
- Consistently seek feedback from users and reassess

RubinBrown

Example Key Performance Metrics – Financial Information

- Days of cash on hand
- Total revenue
- Total expenses
- Number of months of operating reserve
- Overhead percentages
- Revenues / Expenses within 10% of budget

RubinBrown

Example Key Performance Metrics-Program

- Number of individuals served
- Number of newly enrolled participants
- Employee contact hours providing program services
- Cost per employee contact hour
- Retention of staff

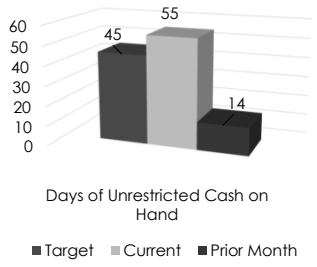
RubinBrown

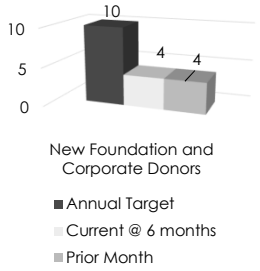
Example Key Performance Metrics - Fundraising

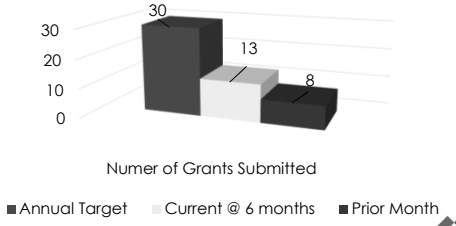
- New major donors
- Grant proposals submitted
- Total dollars raised
- % increase of total individual gift $
- % increase of total number of individual donors
- Donor retention

RubinBrown

Dashboard – Visual Indicators







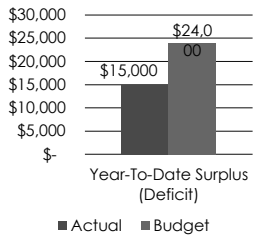
RubinBrown

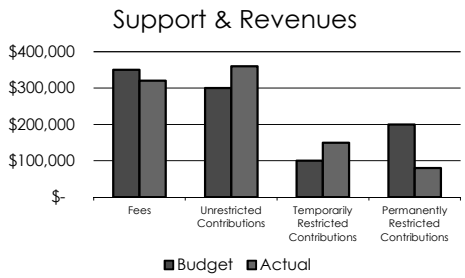
Types of Dashboards

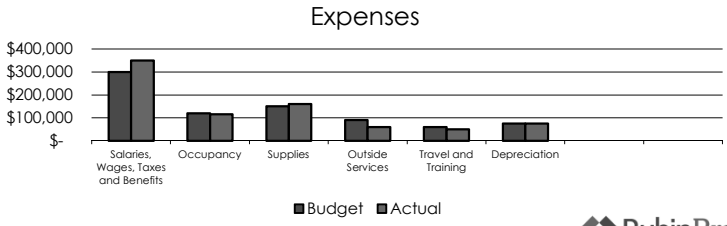
- May need more than one dashboard that is tailored to different users
  - Management
  - Finance Committee
  - Board
  - Etc….

RubinBrown

Dashboard Example - Board of Directors

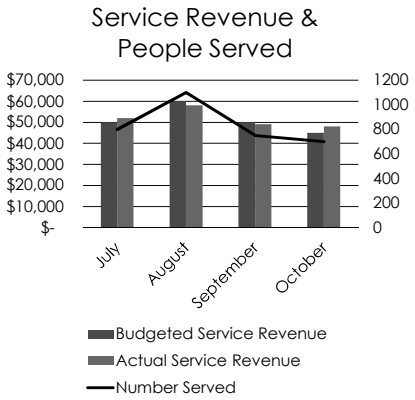


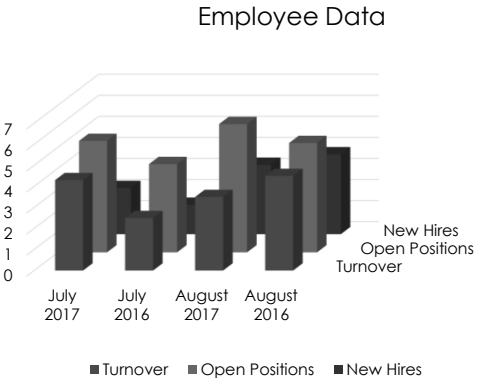




RubinBrown

Dashboard Example - Management





RubinBrown

Steps To Creating Your Dashboard

1. Form a small group within your NFP
2. Define the users of the dashboard
3. Brainstorm key performance metrics
4. Correlate key performance metrics with the NFP's strategic plan
5. Determine the context most appropriate for the dashboard information

RubinBrown

Steps To Creating Your Dashboard

6. Evaluate alternative ways to present the data in the most appropriate design to meet the goals for the dashboard
7. Determine whether the dashboard tells a story
8. Perform ongoing analysis and adjustments to the dashboard with a designated group of staff

RubinBrown

Please contact us with any questions.

Amy Altholz, Partner

amy.altholz@rubinbrown.com

314-290-3369

Judy Murphy, Partner

judy.murphy@rubinbrown.com

314-290-3496

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

RubinBrown

Member Agency
Strategic Transition Planning Series

Please contact Julie Simon at
Julie.simon@stl.unitedway.org
with questions, comments or concerns

37