

Finance Unlocked for Nonprofits


Unlocking Financial Literacy for Nonprofit Board Members to Deliver Mission & Protect Assets

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Goals for Today

- Elevate nonprofit financial literacy
- Learn how to bring these resources into your organization
- Leave with concrete ideas on how to implement FUN

“Know enough to be dangerous... enough to know whether the story you are hearing lines up with the story you are seeing in the numbers.” - Erin Welch, CPA, JJCO



Hello my name is


FUN

Unlock Financial Literacy for Nonprofit Board Members to Deliver Mission & Protect Assets



www.washingtonnonprofits.org/fun

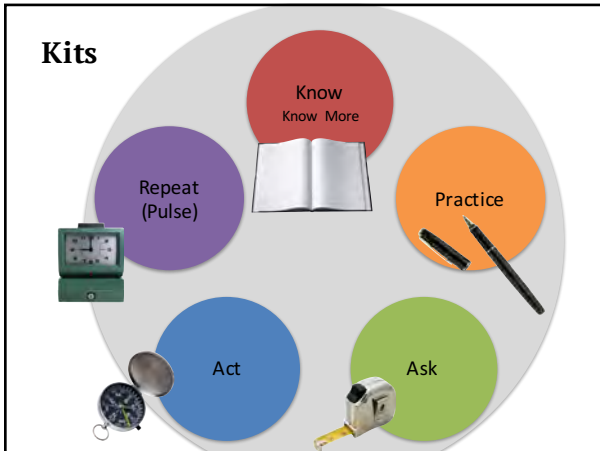
Finance Unlocked for Nonprofits




6 Short Videos

6 Kits

BINGO card + Summary




Why does nonprofit finance matter to your organization?



5 Questions To WHY

Liquidity: Is there cash in the bank?	Solvency: Are you worth anything?	Profitability: Are you generating more money than you spend?
Efficiency: How well do you use your money?	Impact: Are you doing what you set out to do?	

Finance Unlocked for Nonprofits



Why

What

Who

How

B

BALANCE SHEET



Snapshot

Liquidity

Assets

Liabilities

Reserves



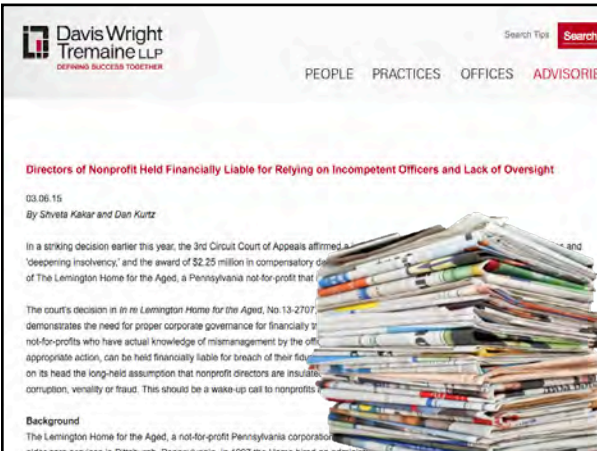
Communication

Pledge

Endowment

In-kind

Restrictions



Davis Wright Tremaine LLP
DEFINING SUCCESS TOGETHER

PEOPLE PRACTICES OFFICES ADVISORIES

Directors of Nonprofit Held Financially Liable for Relying on Incompetent Officers and Lack of Oversight

03.06.15
By Shweta Kakar and Dan Kurtz

In a striking decision earlier this year, the 3rd Circuit Court of Appeals affirmed a judgment of "deepering insolvency," and the award of \$2.25 million in compensatory damages to the directors of The Lemington Home for the Aged, a Pennsylvania not-for-profit that had been operating for decades.

The court's decision in *In re Lemington Home for the Aged*, No. 13-2707, demonstrates the need for proper corporate governance for financially troubled not-for-profits who have actual knowledge of mismanagement by the officers and directors. Appropriate actions, can be held financially liable for breach of their fiduciary duties. The court's decision on its head the long-held assumption that nonprofit directors are insulated from liability for corruption, venality or fraud. This should be a wake-up call to nonprofits.

Background
The Lemington Home for the Aged, a not-for-profit Pennsylvania corporation...



Internal controls

Access

Policies & procedures

Review


Segregation of Duty: Small Nonprofits

What does segregation of duty look like in a small organization? At least two people are involved in financial functions, dividing the tasks of bookkeeping, check signing, and bank statement/credit card statement review. Better, three people are involved. In both cases, the full board receives regular financial reports to make sure that actual expenditures line up with what they approved and are expecting to happen.

TWO PEOPLE + Full Board (Okay if that's all you got)

Person 1: Reconciles bank account, performs bookkeeping functions, writes checks, opens & posts mail

Person 2: Signs checks, completes deposit slip, reviews bank statement for discrepancies

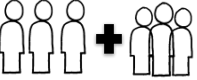


THREE PEOPLE + Full Board (Better)

Person 1: Reconciles bank account, performs bookkeeping functions, writes checks

Person 2: Signs checks, completes deposit slips

Person 3: Manages mail, Reviews bank statement for discrepancies



BOTH CASES

Cash counted by two people

Full board: Reviews Balance Sheet & Income Statement (monthly); 990 (annually)

Oversight: Creating Good Habits

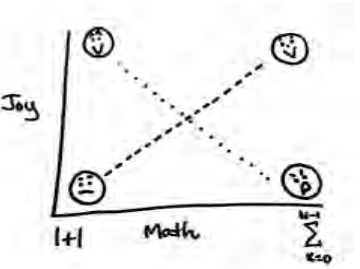
THE 3 R'S OF HABIT FORMATION

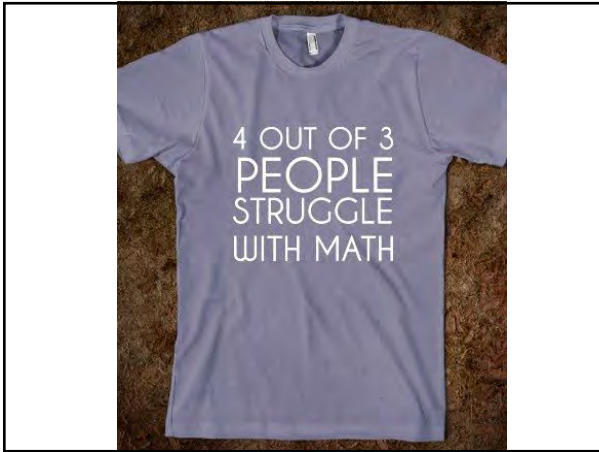


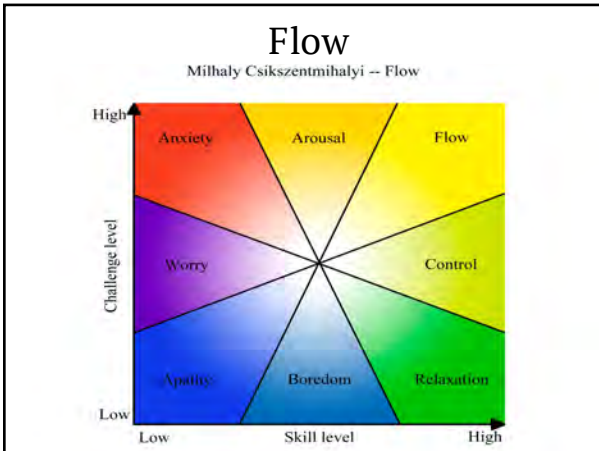
The Power of Habit: Why We Do What We Do in Life and Business by Charles Duhigg

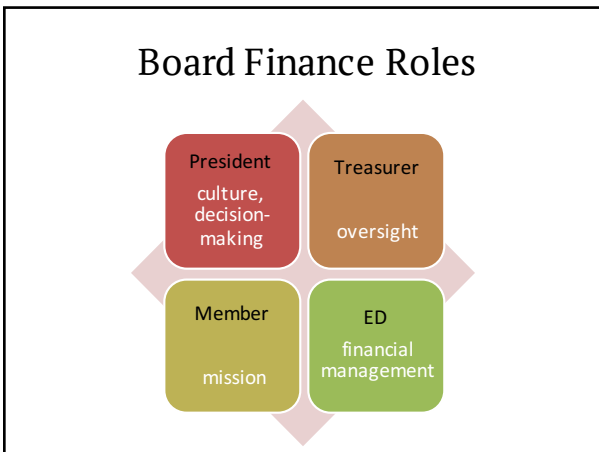
Who is involved in nonprofit finance

Why
What
Who
How









How to strengthen financial literacy

Why
What
Who
How

☐ Culture



See (stuff)
Observe
Sense

☐ Calendar



Orientation
Board mtgs
Committee mtgs
Individual learning



Nonprofit Finance! Deliver Mission + Protect Assets