

Trivia: Nonprofit Finance Edition

2019 Nonprofit Essentials Conference

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Financial Statements

Documents based on a given time frame that present an organization's income, expenses, assets, future receipt of cash and future payments.

Financial statements help an organization know where they are at financially and make decisions going forward.

Management prepares and the board of directors' review statements on a regular period. Financial statements can be shared with staff and volunteers. Input from non-finance staff assist in ensuring transactions are appropriately recorded.

Organizations can choose to share financial statements with the board and other decision makers monthly, bi-monthly, quarterly, or on whatever timeline is deemed appropriate for the needs of the organization.

Standard financial statements include a balance sheet, income & expense statement, and statement of cash flows.

Resources:

- Sample balance sheet and ratios <https://www.propelnonprofits.org/resources/balance-sheet-cheat-sheet/>
- Common financial ratios <https://www.propelnonprofits.org/resources/analyzing-financial-information-using-ratios/>
- Board Reporting <https://www.propelnonprofits.org/resources/reporting-financial-information-board/>
- Financial Literacy <https://www.councilofnonprofits.org/tools-resources/financial-management>

Internal Controls

Procedures put in place to protect the assets of an organization.

Internal controls are used to prevent fraud from happening and to ensure resources are properly used within the organization.

Staff, volunteers, and board members all play a role in creating and implementing separation of duties.

Internal controls should be reviewed periodically.

Documentation of internal controls processes is important for organizational understanding of what everyone's role is. Also document that procedures have been performed.

Resources:

- Example Financial Policies Document <https://www.propelnonprofits.org/resources/financial-policy-guidelines-example/>
- Theory of Protecting Resources <https://www.minnesotanonprofits.org/resources-tools/resources-detail/protecting-assets-and-sound-internal-controls>
- Sample Accounting Policies/Procedures <https://www.compasspoint.org/sites/default/files/documents/Guide%20to%20Fiscal%20Policies%20and%20%20Procedures.pdf>

990s and Other Filings

The IRS requires that nonprofits annual file an informational tax return, Form 990 and the state governing bodies also require annual filings.

Nonprofits are created for and by the public, the Form 990 is open to public inspections which allows for transparency to the public.

Nonprofit staff including finance staff and program staff along with outside consultants prepare the Form 990. The board of directors reviews the 990 with is filed with government agencies.

The IRS form is required to be annually filed annually, due May 15th for organizations with Dec 31 year-ends, one 6-month extension of time to file is allowed. The state attorney general requires an annual filing that is due July 15 for Dec 31 year-end organizations. The secretary of state requires an annual online filing which renews the organization's name reservation.

The IRS Form 990 is a public document and is available to the public for 3 years.

Resources:

- Online Software to file form 990 <https://efile.form990.org/>
- IRS' Charities and Nonprofits Site <https://www.irs.gov/charities-and-nonprofits> (Check the Annual Filing and Forms link for 990 specific information)
- IRS' Stay Exempt training site <https://www.stayexempt.irs.gov/>

Budgets & Cash Flow

Budget is a board approved document that guides future spending and outlines expected revenue. Cash flows analyze the expected timing of inflows and outflows of money to determine future cash balances or cash needs.

Budgets are used to have a shared understanding of planned organizational activities. Budgets and cash flows can guide decision making and can help with understanding the current financial health of an organization. Budgets and cash flows are reference throughout the year – in comparing actual income and expenses to budget, when making purchases, or when making financial decisions.

Management is involved in making the budget. It is a best practice for boards to review and approve annual budgets.

Best practice is to have a budget prepared, reviewed, and approved before the year starts.

Resources:

- National Council of Nonprofits <https://www.councilofnonprofits.org/tools-resources/budgeting-nonprofits>
- Propel Nonprofits Cash Flow Template <https://www.propelnonprofits.org/resources/cash-flow-template/>
- Propel Nonprofits Budget 10 Step Checklist <https://www.propelnonprofits.org/resources/10-step-budgeting-checklist/>

Presenter Information



Carianne Geerts, CPA
Manager, Nonprofit

Direct -- | Main 612-376-4500 x13185 | Fax 612-376-4850
CLA (CliftonLarsonAllen LLP) | 220 South Sixth Street, Suite 300, Minneapolis, MN 55402
carianne.geerts@CLAconnect.com | CLAconnect.com

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Becky Johnson
Financial Manager

bjohnson@womenventure.org

D 612.224.9571 O 612.224.9540

2021 E Hennepin Avenue, #200
Minneapolis, MN 55413

www.WomenVenture.org