Finance 101 for Non-Profits
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Welcome

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Agenda

- Donations
- Expenses
- Budgeting
- Financial Reporting
- Other Considerations
Donations - Monetary

- The more “ways to give”, the better...maybe

- Acknowledgements *Resource*

- Separation of Duties
  - Who opens mail?
  - Two counters in the room
  - Record-Keeper and Depositor → different people

- Reconciliations
Donations - Other

- In-Kind donations
  - Food *Resource*
  - Other *Resource*

- Record Retention *Resource*

- Gift Acceptance Policy *Resource*

- Donor Privacy Policy *Resource*
Donations

- Separate Duties
- Acknowledge > $250
- Reconcile to bank monthly
Expenses

❖ Payment options
  ✓ Paper checks, ACH credit card, outsource (Bill.com)

❖ Procedures and Approvals

❖ Controls
  ✓ Multiple Bank Accounts
  ✓ Fraud Protection
  ✓ Phishing
Expenses

- Consider Payment Options
- Two sets of eyes!
- Beware of scammers!
Budgeting

- Importance *Resource*
  - Tie to goals and objectives
  - Long-term sustainability!!
  - Set spending guardrails
  - Monitoring and Reforecasting

- Cash and Investments
  - Make your cash work for you!!
  - Reserves and Spending Policy *Resource*

- Periodic Vendor Review
Budgeting

- Create one!
- Track how you’re doing!
- Money makes money!
Financial Reporting

Statement of Financial Position
(Balance Sheet)

• Assets – resources or things of value owned by the organization
  • Cash and Investments
  • Accounts receivable
  • Inventory
  • Fixed assets

• Liabilities – obligations of the organization
  • Loans
  • Accounts Payable

• Net Assets – Unrestricted & Restricted

Statement of Activities
(Income Statement)

• Revenue
  • Contributions
  • Grants
  • Program Revenue

• Expenses
  • Program
  • Management and General
  • Fundraising

• Net of Revenue and Expenses = Change in Net Assets
Financial Reporting

**Cash Basis**

- Revenue = Cash In
- Expenses = Cash Out
- Similar to you balance your personal checking account each month

**Accrual Basis**

- Revenue = Income Earned
  - When service is provided, contribution pledged, grant expended
- Expenses – Obligation Incurred
  - Recognize the expense even if the invoice hasn’t been received or paid (AP / Liability)
  - Payment is made on an expense not yet incurred, prepaid expense (Asset)
- Fixed Asset Capitalization Policy
Reporting Requirements

- When do you need a financial statement audit?
  - State of CT requires an audit if **gross revenue** in a year exceeds $1,000,000
  - Gross revenue means income of any kind from all sources, without deduction of any costs or expenses

- When do you need a state or federal single audit
  - State: Expenditure of state grants exceeds $300,000
  - Federal: Expenditure of federal grants exceeds $750,000

- 990 Filing Thresholds
  - 990N – Gross receipts normally < $50,000
  - 990EZ – Gross receipts < $200,000 and total assets < $500,000
  - 990 – Gross receipts > $200,000 and total assets > $500,000
Internal Controls

- Why are they needed
  - They are procedures and policies put in place to prevent and detect errors or irregularities
  - Especially important if various volunteers are involved in a process

- Segregation of Duties – not having the same person handling various elements of a process
  - Who initiates the transaction (or journal entry)
  - Who approves the transaction (or journal entry)
  - Who is responsible for reconciling the accounts
  - Is there an independent review of the reconciliations performed

- Importance of written policies / procedures and documented review
Financial Reporting

- Board expertise a must
- Reconcile your bank account!
- Separate Duties
Other Considerations

- Whistleblower Policy
- Importance of other policies (check signing, borrowing, purchasing)
- Insurance
- Contract Review
- Business Conflicts
- Disaster Recovery/Risk management
Thank you to everyone who is helping build a thriving community free of hunger.