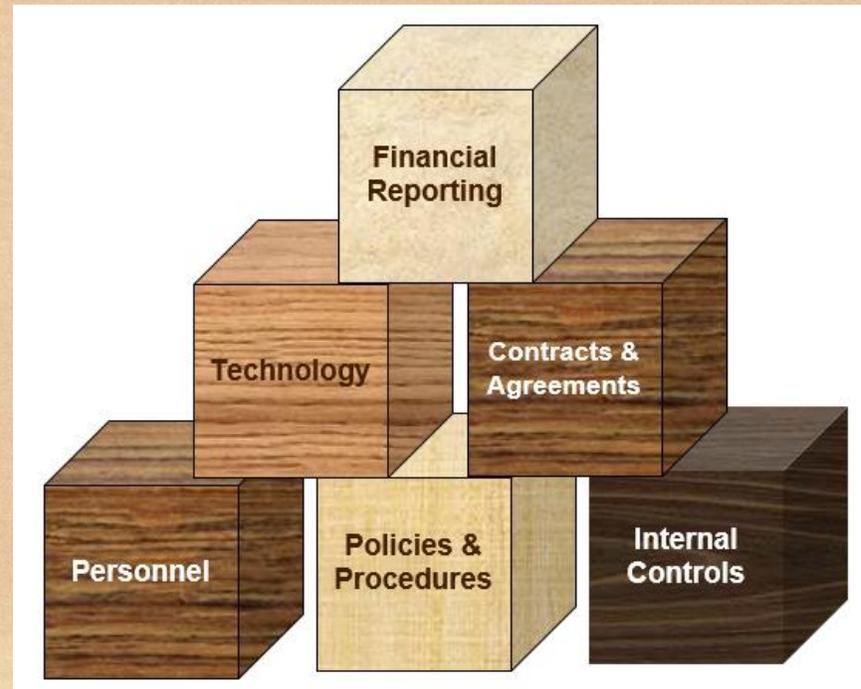


# 6 Building Blocks of a Strong Nonprofit Finance Department

A Strong Finance Department is the Foundation Upon Which You Build and Maintain a Strong Nonprofit Organization



**Roberta Katz Consulting**  
Nonprofit Webinar

## Today's Presenter

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**Roberta Katz, MBA**

Roberta began her career as an auditor for PricewaterhouseCoopers (PwC), a Big Four accounting firm and as a tax manager for a mid-sized CPA firm. Fifteen years ago Roberta decided to redirect her career to the nonprofit sector using the skills and experience she gained in the for-profit sector to help nonprofit organizations build and maintain strong finance departments.

Roberta has held senior financial management positions at several major nonprofit organizations and is now working as a finance consultant using the hands-on experience she gained to assist nonprofit organizations with innovative guidance and practical solutions that have proven to be successful in the organizations she has worked for.

## Agenda

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- The Changing Role of Finance
- 6 Building Blocks of a Strong Finance Department
- Challenges and Solutions
- Additional Resources

## The Changing Role of Finance

Then:  
“Don’t tell Finance,  
they don’t need  
this information.”



Now:  
Nonprofit  
organizations have  
come to realize that  
their finance  
departments have to  
operate with the same  
standards as those of  
for-profit companies.

## Why Has Finance Become So Important?

- Increased Board governance & oversight
- IRS policy & process questions on Form 990
- Requests from donors for more outcome analytics
- Government funders' regulations & requests
- Policies & procedures needed for fraud prevention

# Why Building Blocks?

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# The 6 Building Blocks of a Strong Nonprofit Finance Department

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1. Personnel
2. Policies & Procedures
3. Internal Controls
4. Technology
5. Contracts & Agreements
6. Financial Reporting

# The Foundation

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## Building Blocks 1,2,& 3



# Building Block # 1: Personnel

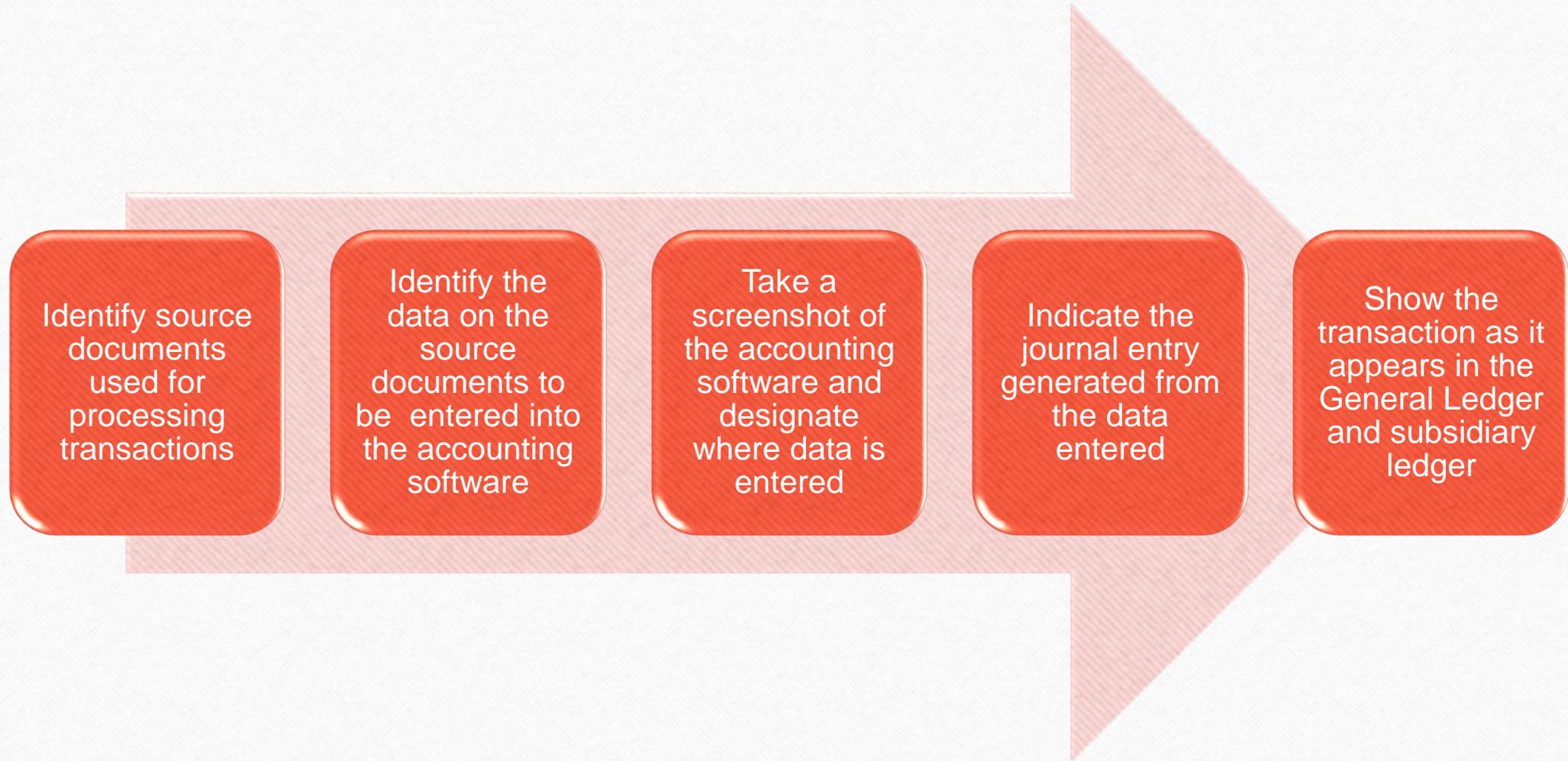
## Challenges

- Clearly defining staff roles & responsibilities
- Formally evaluating staff performance
- Understanding & documenting how each staff performs his/her role

## Solutions

- Create or update a job description for each staff position
- Perform annual staff performance reviews & request staff self-evaluations
- Create a Finance Department Operations Manual

# Finance Department Operations Manual



## Building Block # 2: Policies & Procedures

### Challenges

- Policies & procedures are not documented or are outdated
- No consistency in processing financial transactions
- Lack of effective & efficient policies & procedures to mitigate the risk of fraud

### Solutions

- Create a comprehensive Accounting Policies & Procedures Manual
- Establish policies for the handling of similar types of transactions such as capitalization of assets & depreciation, data cutoff & revenue recognition
- Implement policies that include supervisory oversight & approval, transparency in financial transactions & compliance with regulatory requirements

## What Is An Accounting Policies & Procedures Manual?

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Documents an organization's **policies** for the operation of the finance department & the **procedures** to be followed in order to carry out these policies

Serves as a **guide** for the finance staff to follow in order to produce accurate, reliable & timely financial reports

# Why Do You Need An Accounting Policies & Procedures Manual?

- Ensure consistency in processing & recording transactions
- Provide transparency in financial management & reporting
- Ensure financial resources are properly safeguarded & used only for authorized purposes
- Establish internal controls that mitigate the risk of fraud
- Ensure compliance with regulatory requirements & adherence to proper accounting principles
- Enable the ongoing operation of the finance department
- Serve as a training tool for new employees & during temporary absences of current employees

Visit [www.rpkatzconsulting.com/webinars](http://www.rpkatzconsulting.com/webinars) to learn more:

*“How to Create an Accounting Policies & Procedures Manual  
An Essential Document for Nonprofit Organizations”*

## Building Block # 3: Internal Controls

### Challenges

- No separation of duties due to limited staff
- No formal approval hierarchy established
- No formal monthly reconciliation process in place to ensure the integrity of the financial data

### Solutions

- Implement compensating controls such as additional supervisory review & approval
- Use your Organization Chart as the basis for establishing an approval hierarchy
- Prepare, distribute & strictly enforce a month-end closing process

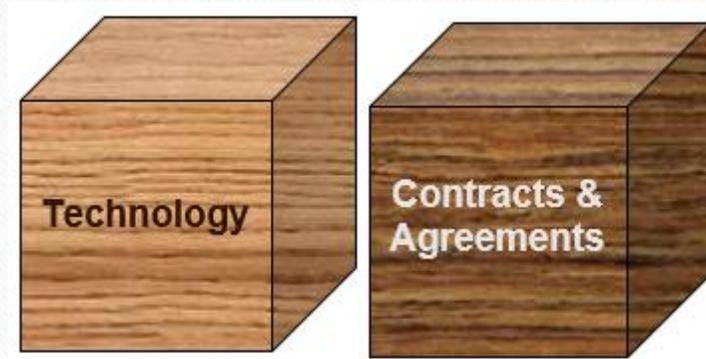
### Sample Closing Schedule

Nonprofit Organization		Sample Closing Schedule																
Month-End Closing Schedule					July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June		
FY 2020					Close	Close	Close	Close	Close	Close	Close	Close	Close	Close	Close	Close		
Cycle	Procedure	Person Responsible	Due Date			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	TBD	
			Week 1	Week 2	Week 3													
Cash	• post all cash receipts for the month	Jason	X			7	8	7	7	5	8	6	6	7	7	5		
	• record all bank transfers	Lois	X			7	8	7	7	5	8	6	6	7	7	5		
	• post automatic bank debits (e.g. fees, interest payments)	Lois	X			7	8	7	7	5	8	6	6	7	7	5		
	• reconcile all bank accounts to the bank statements	Richard		X		14	15	14	14	12	15	13	13	14	14	12		
	• reverse stale dated checks	A/P		X		14	15	14	14	12	15	13	13	14	14	12		
Receivables	• post all accounts receivable for the month	Billing Dept.		X		14	15	14	14	12	15	13	13	14	14	12		
	• reconcile A/R subsidiary ledger to the general ledger & A/R aging	Karl			X	21	22	21	21	19	22	20	20	21	21	19		
	• review A/R aging & follow up on long-aged items	Billing Dept.			X	21	22	21	21	19	22	20	20	21	21	19		
	• update A/R roll forward schedule & reconcile to general ledger	Billing Dept.			X	21	22	21	21	19	22	20	20	21	21	19		
	• review intercompany accounts	Devin		X		14	15	14	14	12	15	13	13	14	14	12		
Fixed Assets	• update fixed asset schedule for any new purchases/disposals	Lois		X		14	15	14	14	12	15	13	13	14	14	12		
	• ensure compliance with capitalization policy	Lois		X		14	15	14	14	12	15	13	13	14	14	12		
	• book depreciation/amortization	Lois		X		14	15	14	14	12	15	13	13	14	14	12		
Investments	• record all investment activity	David		X		14	15	14	14	12	15	13	13	14	14	12		
	• reconcile broker statements to general ledger	David		X		14	15	14	14	12	15	13	13	14	14	12		
Accounts Payable	• submit all invoices to Accounts Payable Department	all departments	X			7	8	7	7	5	8	6	6	7	7	5		
	• input all invoices & check requisitions	A/P		X		14	15	14	14	12	15	13	13	14	14	12		
	• reconcile A/P subsidiary ledger to general ledger & A/P aging	Lois			X	21	22	21	21	19	22	20	20	21	21	19		
	• review check register for numerical sequencing	Lois			X	21	22	21	21	19	22	20	20	21	21	19		
	• review A/P aging & follow-up on long-aged items	A/P			X	21	22	21	21	19	22	20	20	21	21	19		
Revenue	• ensure all revenue has been posted (resolve outstanding items)	Billing Dept.		X		14	15	14	14	12	15	13	13	14	14	12		
	• review advances received & allocate to revenue as appropriate	Billing Dept.		X		14	15	14	14	12	15	13	13	14	14	12		
	• reconcile fundraising revenue in the G/L with Raiser's Edge	Fundraising/Lois			X	21	22	21	21	19	22	20	20	21	21	19		
Expenses	• review all expenses for proper coding & allocation	A/P		X		14	15	14	14	12	15	13	13	14	14	12		
	• prepare accruals as necessary	Devin		X		14	15	14	14	12	15	13	13	14	14	12		
	• post expense allocations as necessary	Devin	X			7	8	7	7	5	8	6	6	7	7	5		
	• review & reclassify prepaid expenses	Devin		X		14	15	14	14	12	15	13	13	14	14	12		
Payroll	• post payroll and all payroll related adjusting entries	David	X			7	8	7	7	5	8	6	6	7	7	5		

## The Second Level

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### Building Blocks # 4 & 5



## Building Block # 4: Technology

### Challenges

- Lack of internal IT expertise
- Limited staff time available to implement & administer automated systems
- Get buy-in from organizational leadership & staff due to:
  - Cost
  - Resistance to change

### Solutions

- Engage the software vendor's technical support team or external IT consultants
- Designate an internal team lead who is knowledgeable of the financial operation
- Test system often to ensure a smooth rollout
- Provide customized training prior to launch

## Building Block # 5: Contracts & Agreements

### Challenges

- No vendor contracts or agreements exist
- Vendor contracts or agreements have expired
- No comprehensive database for executed vendor contracts or agreements
- Vendor payments do not agree to provisions in the executed contracts & agreements

### Solutions

- Establish a database of all executed vendor contracts & agreements
- Review database regularly for expirations & renewals required
- Scan copies of all documents & attach to vendor profiles in Accounts Payable software module
- Compare vendor invoices to contracts & agreements prior to payment

# The Pinnacle

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## Building Block # 6



## Building Block # 6: Financial Reporting

### Challenges

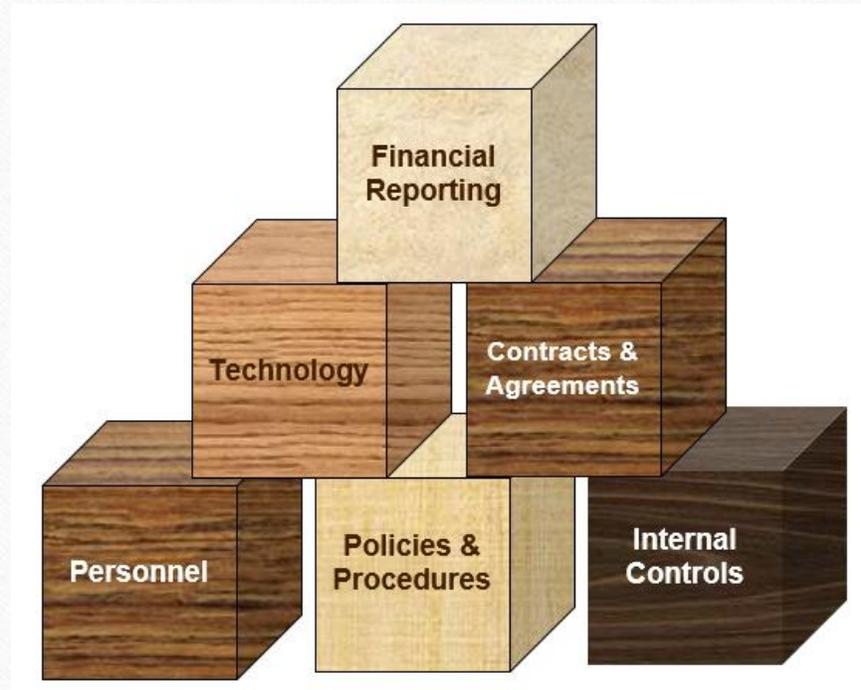
- Timely recording of all transactions prior to closing the books
- Accurate & consistent coding of expenses
- Producing useful & timely financial reports

### Solutions

- Clearly communicate to all staff & enforce due dates for submission of information needed for processing financial transactions
- Distribute a Chart of Accounts with “used for” descriptions for commonly used accounts
- Confirm with end-users the format & content of financial reports that would be most useful

# The Completed Structure

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# Additional Resources

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## Published Articles

**Making the Transition to the Nonprofit Sector**

*An Insider's Perspective*

The CPA Journal

**6 Steps for Managing Independent Contractors**

The NonProfit Times

**Preventing Fraud in Nonprofit Organizations:**

**How to Effectively Manage an Employee Credit Card Program**

LinkedIn

[Read Articles](#)

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## Published Articles

**5 Critical Missed Steps in the Nonprofit Procurement Process**

LinkedIn

**The Accounting Policies and Procedures Manual:**

**An Essential Document for Nonprofit Organizations**

LinkedIn

## Webinar

**How to Create an Accounting Policies & Procedures Manual**

[View Webinar](#)

# Contact Information

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Thank you for participating in this webinar. If you would like to discuss my consulting services & how I can assist you in any of the areas discussed in this webinar, or if you have questions or comments, please contact:

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