



EVALUATING YOUR ORGANIZATION'S FINANCIAL HEALTH



by Lisa Hoffmeyer

The development of good fiscal policies and strong financial management tools is primarily the responsibility of the organization's Executive Director/CEO and the Board. Good fiscal management helps your organization be prepared for financial fluctuations, and demonstrates to funders and monitors that funds have been used appropriately.

Use these 10 questions to give your organization a Fiscal Check Up.

Does your Board have the expertise to evaluate the organization's finances?

Your Board composition should include some members with a strong financial background, such as accountants, bankers, auditors or others with skills in managing operating and program budgets; accounting and bookkeeping; financial controls; cash management; financial statement preparation; and analysis.

Do you have a Finance Committee?

Preferably, the Board should have a separate Finance Committee composed of appropriate Board members, the organization's Executive Director and Chief Financial Officer (CFO)/Fiscal Manager. The Finance Committee should ideally meet monthly, or at a minimum quarterly to review financial statements, cash flow, budget variances, loans, grants and cash on hand.

Are financial statements prepared regularly?

An Income Statement (Statement of Activity), Statement of Cash Flows and a Balance Sheet (Statement of Financial Position) should be prepared monthly by the organization's CFO, accountant or designee and presented at the Finance Committee meeting. The Executive Director or designee should be prepared to review and

discuss the statements with the Committee, bringing any areas of concern to the Committee's attention

Do you have a Fiscal Policy Manual?

Every organization should have written policies and procedures for fiscal operations. The manual should include: Procedures for processing payroll; purchasing authority; accounts payable and receivable; petty cash; budgeting; reporting; and banking. These policies should be reviewed annually by appropriate staff and the Finance Committee and revised as needed.

Do you have an annual audit?

A full audit should be conducted annually by a firm with expertise in nonprofit management. The auditor should be willing to present the audit to either the full Board or the Finance Committee and discuss any findings. If possible, you should change auditors every 3-7 years to get a fresh perspective.

Do you have internal controls in place?

There should be a separation of financial duties among staff. The same staff person that authorizes purchases, makes deposits or signs checks should not be the same person that processes and records disbursements or receivables in the accounting system.

Are budgets prepared annually and analyzed monthly?

Annual budgets are typically prepared by staff, then reviewed and approved by the Finance Committee, then the full Board. The budget should include all sources and projected sources of income. At the Finance Committee meeting, significant budget variances should be reviewed and discussed.

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FORECLOSURE

FHC is Your NSP Expert-For-Hire

The Florida Housing Coalition can provide help in several ways. You can always start by calling 850-878-4219 or emailing us at info@flhousing.org. For NSP grantees, subrecipients, or consortium members or funded developers, consider these options:

- Just a question—perhaps an interpretation of a rule in light of what you are experiencing or considering—Call us, email us, or submit your question to HUD’s NSP Resource Website under Ask A Question. Two days a week the Florida Housing Coalition Technical Assistant Directors are on the expert answer team so you might get one of us to answer your question but any day of the week you can be sure to hear back with an answer. You may ask a question at the HUD NSP help site at: <http://hudnsphelp.info/index.cfm?do=viewAskQuestion>
- Recurring or on-site technical assistance—You need to review your reports with a critical eye, you have hit some road bumps with procurement or a developer agreement or you are not sure if one of your strategies

is working, for example. Call us, email us, or submit your request to HUD’s NSP Resource Website under “Get Assistance” at: <http://hudnsphelp.info/index.cfm?do=viewTaRequest>

HUD will review your request and assign a technical assistance provider to help you.

For NSP and Other Housing Programs:

- Management, Consulting or day-to-day assistance with NSP or any other housing program activity—Call or email and we will review your question and provide a proposal for either one-time temporary assistance or ongoing day-to-day management assistance.

You can count on your Florida Housing Coalition Technical Assistance Team to be prepared and experienced to handle your needs. Our mission and goal to be a catalyst for affordable housing in Florida guide us to the most effective solutions in timing, quality and compliance. **HNN**

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Does your organization have sufficient reserves?

The Finance Committee and Executive Director should work to establish an ideal operating reserve (i.e., two to six month’s expenses) to serve as a cushion should a regular funding source dry up or to cover unanticipated expenses.

Do you have a Capital Needs budget?

The Capital Needs budget is a multi-year plan that accounts for upcoming major maintenance and replacement of facilities and equipment. This should

be updated annually and reviewed by the Finance Committee.

Do you have an adequate accounting system?

Is your accounting software updated, efficient and backed up regularly? If not, an updated system may be something you want to include in your Capital Needs budget. Nonprofits can obtain software at discounted prices from www.techsoup.org. Agencies that want to integrate property management and accounting may need to invest in a more sophisticated system such as Yardi or AMSI.

The key to nonprofit sustainability is being able to anticipate changes in your agency’s finances and funding sources so you can adapt easily and respond quickly. **HNN**