Getting Your Financial Documents Ready for Grant Season

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Community Foundations of the Hudson Valley
Presented by MDI Consulting

Agenda

- Documents required for grant applications
  - Income and Expense Report (Statement of Activities)
  - Balance Sheet (Statement of Financial Position)
  - Annual Budget
- Nonprofit financial management: what do we need to put in place?
- Internal Controls to Control and Protect Agency and Grant Assets

Financial Reports
Revenue and Expense Report
(Statement of Activities)

Revenue and Expense Report presents the financial results of an organization, department, or grant over a given period of time. This lists sources of income and the expenses.

During the year, Budget Comparison Reports are prepared that present actual income and expenses against the annual budget.

Sections of Revenue & Expense Report

Section	What It Includes
Revenue	Contributed Revenue (Government Grants & Contracts, Foundation Grants, Corporate Sponsorships, Individual Donations), Earned Income, Annual Gala, In-Kind Donations.
Expenses	Personnel, Contracted Services/Consultants, Travel & Meetings, Occupancy, Program Expenses, Marketing & Communications, Gala Expenses,Administrative Expenses.
Net Surplus/Deficit	

Financial Reports
Balance Sheet
(Statement of Financial Position)

The Balance Sheet is a snapshot of your organization's financial position at a single point in time, typically the last day of a month or fiscal year. It shows everything the organization owns (assets), everything it owes (liabilities), and the net difference (net assets).

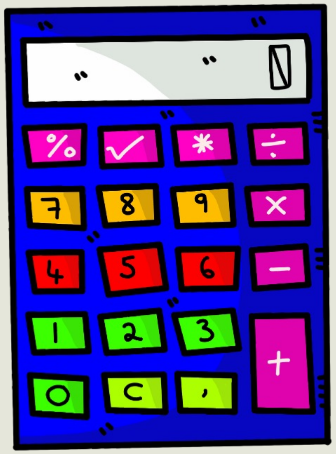
Unlike the Budget Comparison Report which covers a period of time, the Balance Sheet always reflects a single date. Think of it as a photograph of your finances on that day.

Sections of Balance Sheet

Section	What It Includes
Assets	Current assets (cash, accounts receivable, prepaid expenses, short-term investments) and fixed assets (equipment, leasehold improvements, less accumulated depreciation).
Liabilities	Current liabilities (accounts payable, accrued salaries, deferred revenue) and long-term liabilities (loans payable).
Net Assets	Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Budgets

- Types of budgets
- How to build a budget
- Structure of budgets



Budgets

A budget, the monetary expression of your objectives, outlines the financial resources required to carry out your programs.

Along with a work plan that presents the details of program implementation, the budget acts as a road map for your department or organization--guiding you in the implementation of your planned activities.

Types of Budgets

- Agency Budget
- Department Budget
- Project Budget
- Indirect/Overhead Budget

How do we build a budget?

- start with your mission, strategies, and workplans.
- Identify ALL the resources required to implement the program or activity, whether or not you already have them.
- Determine where those resources will come from. They may be in-house, they may be donated, they may consist of volunteers.
- Based on your own experience or that of others and phone calls to vendors, determine how much those resources will cost.

Planning Process

Structure of Budgets

The budget format should:

- Tell the story of your agency, department, or project.
- Conform to the foundation format.
- Follow your agency's chart of accounts.

Nonprofit Financial Management Preparing our Organization for Grants

Nonprofit financial management: what do we need to put in place?

- An accounting system such as QuickBooks that is set up to tell your story.
- A bookkeeper who can keep your records up to date.
- Periodic reports for the Executive Director, program managers, Finance Committee, and Board of Directors.
- Implementation of appropriate internal controls.

Internal Controls

Internal controls:

- Safeguard assets – prevent theft, misuse, or loss of cash and property
- Ensure accurate financial reporting – reliable numbers for the board, funders, and auditors
- Prevent and detect fraud/errors – separation of duties, approvals, reconciliations
- Ensure compliance – donor restrictions, grant terms, IRS and state requirements
- Support operational efficiency – budgets and approval workflows reduce waste
- Maintain donor and stakeholder trust – credibility with funders and the public

Internal Controls

How to implement internal controls?

- Planning—clear strategic or annual plan
- Budgeting—board-approved badger that is prepared and managed by program staff
- Control—procedures governing cash, revenue and expenses, equipment, and personnel
- Analysis—ongoing analysis of financial and program results

Questions?

Resource Library

Expect a number of documents to assist you in your journey.

- Elements of Nonprofit Management
- Nonprofit Budeting Guide
- Budget Worksheet
- Assessment of Internal Controls

Facilitator

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