

Communicating Financial Information to Nonfinancial People



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Learning Objectives

- Distinguish the responsibilities of governance, management and others users of financial data with in the organization
- Communicating accounting standards applicable to financial standards of nonprofit and governmental entities
- Identify and translate signs of financial stability and red flags

Define the parameters

- Know your audience: Will information be presented to upper management, program staff, volunteers, donors or board members?
- Understand how the users of the financial reports/data measure success.
- Determine the format: Will presentation be written or verbal? Will a full presentation or abbreviated version be used?

Group Discussion

- Discuss the type of challenges you face within your organization in terms of sharing financial data
 - Who are you sharing information with?
 - What methods are used in your organization to define/measure success?
 - Which formats (written report, charts, verbal presentation) have been used most successfully?

Make it Relevant

- How does a financial professional relate to nonfinancial people?
 - Start at the beginning, the budget
 - Understanding the fear factor
 - Get upper management involved in the process of educating nonfinancial users
 - Keep it simple, use “non-accounting” language

Group Discussion

- Discuss ways an organization can (or does) encourage input and participation from all departments in regard to production of financial reports.
- Share examples of success stories where a “nonfinancial” person was helped to understand the usefulness of the information being provided.

The Importance of Language

- “I don’t want to become an auto mechanic, I just want my car fixed – I don’t know what a distributor is, and I don’t want to”
- How can we eliminate “accountant-speak”?

Group Discussion

- Discuss options that could be used to explain technical terms such as:
 - Accrual
 - Prepaid
 - Temporary restriction
 - Fund Balance

Role-Playing Exercise

- Role play scenarios
 - Annual budget process
 - Presenting to board of directors
 - Sharing results of operations with staff
 - Addressing distressing financial information

Other Techniques to Clarify Statements

- Use of dashboards – a picture is worth a thousand words!
- The executive summary – pinpoint and highlight issues which show up in the numbers.
- Using both of these techniques may help make the financial statements more comprehensible to a wider group of people.

Resources

- www.boardsource.org
- www.aicpa.org/InterestAreas/NotForProfit
- www.councilofnonprofits.org
- www.thecaq.org

Questions?



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