

What Financial Leadership Can Mean in Your Foundation

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Speaker Introductions

- **Sarah Curfman**

Sarah is a consultant with CliftonLarsonAllen's public sector group, and the Associate Director of the CLA Foundation. Sarah has more than 17 years of experience specializing in the areas of financial and operational consulting. Her areas of experience include financial analysis, business/growth planning, philanthropic due diligence, organizational assessment, and board governance training.

- **Mark Froehlich**

Mark is the CFO of The Philadelphia Foundation. In this capacity, Mark oversees financial management and stewardship of Foundation assets, implementation of financial policies and procedures, management of finance and technology staff, and management of key service areas, including fiscal sponsorships and private foundation services. Mark actively supports TPF's change management initiatives and has led the organization's financial modeling efforts to operationalize their Second Century Strategy.



Learning Objectives

This webinar will explore the role you can play as a financial leader in training, mentoring and assisting others in better understanding and interpreting financial information.

At the end of this session, you will be able to:

- Recognize your role in effectively communicating financial information to other staff and board members
- Create tools to aid others in the interpretation of nonprofit financial statements



Today's Agenda

Topic	Time
Introduction	5 minutes
Understanding Your Audience	10 minutes
Tailoring Your Presentation For Better Understanding	15 minutes
Case Study and Tools You Can Use	20 minutes
Q&A	10 minutes





Understanding Your Audience

Identifying and exploring different stakeholders

Identifying Your Audience

- Using the chatbox, who are some of the different stakeholders, internal and external, whom you present financial information to, either formally or casually.



Senior Leaders

- Purpose: Present financial information in a way that promotes ownership of meeting budget and financial goals, helps peer leaders understand and take appropriate risks, and understand the important role numbers play in meeting mission.
- Your Role: Partner, Trusted Advisor, Guide



Board Members

- Purpose: By law, ALL members of the board have responsibility for financial oversight. Board members need to approve budget, monitor appropriate financial indicators on a regular basis, ensure adequate controls, oversee annual audit/compliance.
- Your Role: Facilitator, Trusted Advisor, Guide



Staff

- Purpose: All staff should have a general understanding of the organization's financial health and goals. All staff should understand how an organization's financial goals may affect their specific role, and vice versa.
- Your Role: Trainer, Trusted Advisor



External Stakeholders

- Purpose: You present financial information to a number of external stakeholders through your annual report, 990, etc. It is important that the information is not only accurate, but easy to understand, and tells your story!
- Your Role: Translator





Tailoring Your Presentation

Exploring adult learning styles and how financial information can be best presented based on the audience and learning style.

Tailoring Your Financial Presentation

Four Things To Consider:

- Why are they here?
- What is their financial knowledge/acumen?
- How are they different from you?
- How do adults learn?



Why Are They Here

When you are presenting financial information to your peers, is this presentation:

- Part of a larger agenda
- A special meeting just for this purpose
- A mandatory meeting
- A self-selected meeting

Using the chatbox, why might this matter?



Financial Acumen

Using the chat box:

- How might your presentation of financial information to the finance committee differ from your presentation to the full board?



Financial Acumen

Using the chat box:

- Within your own organization, when presenting to your peer leaders, what are your best practices in presenting financial information to non-financial leaders?



How Does Your Audience Differ From You?*

- May lack financial literacy.
- Individuals may be intimidated by financial data.
- Your organization/culture may not embrace financial information.

*Information on next 3 slides pulled from “How to Talk About Finance So Non-Financial Folks Will Listen”, Bridgespan, 2009



Understanding Your Audience

- Understand what motivates individuals
 - Think of your fellow staff members as your customers.
What drives them and what will be meaningful to them in regards to the finances? What key concerns do they have?
- Offer financial workshops and training programs to non-financial staff



Understanding Your Audience

- Incorporate user-friendly approaches
 - Less jargon, use images and words, present consistent metrics
- Engage people in the budget process
 - Face-to-face meetings, coach them along the way, paint the entire picture for better understanding



Adult Learners

- What Do Adult Learners Want?
 - To reach their own goals
 - Trainings/information that is relevant to their job
 - Self-directed tools
 - Not to feel like a beginner or novice



Active Learning Ideas

Name	Description
Case Studies and Role Playing	Individuals see real life examples and are able to practice, understand, and ask questions in a role other than their own.
Simulations	Individual performs as they would in real life with simulated information.
Job-Aids	Create a one-page job-aid to summarize the information and describe how the content applies to their role, or provide a template for them to do it themselves.





Tools You Can Use

Case Study: Examples from The Philadelphia Foundation and CLA

Case Study: The Philadelphia Foundation



Mark Froehlich, CPA, MBA
Chief Financial Officer at The Philadelphia Foundation

Founded in 1918, The Philadelphia Foundation (TPF) strengthens the economic, social and civic vitality of Greater Philadelphia. TPF grows effective philanthropic investment, connects individuals and institutions across sectors and geography, and advances civic initiatives through partnerships and collaboration. A publicly supported foundation, TPF manages more than 900 charitable funds established by its donors and makes over 1,000 grants and scholarship awards each year. TPF has approximately \$416 million in assets and issues over \$20 million in grants each year.



Case Study: The Philadelphia Foundation

Primary audiences

- Internal management team and staff
- Finance Committee
- Board of Managers
- External stakeholders
- Fund-holders/donors



Presentations You Can Use



Using Financial Information to Advocate Mission



Other Tools



Form 990 Public Relations Checklist for 501 (c)(3) Organizations

Many auditors work hard to ensure the Form 990 is completed properly and represents the organization appropriately to the public. At the same time, auditors do not know the organization inside and out. The staff and board need to take responsibility to review the Form 990 to ensure operations are accurately reflected. The following checklist provides the organization with a set of key guidelines that affect how the public reads your "story".

The purpose of this checklist is to:

- Maximize marketing and public relations opportunities
- Identify key areas that create "red flags" for the IRS, funders and potential donors

This list is by no means comprehensive. We intend to cover line items that are common to the majority of 501 (c)(3) organizations.

Part and Line #	Action/Suggestion	
Part I: Summary		
Line 1: Mission/Significant	Review for accuracy. This statement should be succinct. Expansion can be provided in Part III if needed. The statement should be consistent with the purpose listed in the Articles of Incorporation.	<input type="checkbox"/>
Lines 3 and 4: Governing board	Review for accuracy. See Part VI, Line 5B for definition of "Independent."	<input type="checkbox"/>
Line 5: Number of employees		<input type="checkbox"/>
Line 6: Number of volunteers	If applicable provide a description of the value, impact and/or total number of volunteer hours on Schedule O.	<input type="checkbox"/>
Lines 8 – 19: Prior Year and Current Year finance summary	If there are significant variations use Schedule O to explain why this occurred.	<input type="checkbox"/>
Part III: Program Service Accomplishments		
Line 1: Mission	Mission should be consistent with what appears on the website and other documents. The statement should be consistent with the purpose listed in the Articles of Incorporation.	<input type="checkbox"/>
Line 2: Addition of programs/activities	Review for accuracy. (Note – public charities only)	<input type="checkbox"/>
Line 3: Cessation of program services	Review for accuracy	<input type="checkbox"/>
Line 4: Program accomplishments	Descriptions should include numbers and any impact information that is available for the three largest activities. Ensure you begin the narrative on page 2 for each activity and use Schedule O if additional space is needed. This area can increase donor confidence.	<input type="checkbox"/>

Pennsylvania Association of Nonprofit Organizations
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THE OVERHEAD MYTH MOVING TOWARD AN OVERHEAD SOLUTION

To the Nonprofits of America:

We write to ask for your **help to end the Overhead Myth**—the false conception that financial ratios are a proxy for overall nonprofit performance. Last year we wrote a letter to the donors of America asking them to consider the results (especially outcomes and impact) created by nonprofits, and to not judge you solely on percent of charity expenses that go to administrative and fundraising costs. While overhead can help us identify cases of fraud or gross mismanagement and serve as a part of an organization's dashboard of financial management metrics, it tells us nothing about the results of your work (i.e., how you meet your mission).

You know as well as we that nonprofits are, to use the title of an article in the *Stanford Social Innovation Review*, prone to the "Nonprofit Starvation Cycle": a spiral of donor demands, underinvestment in core costs, and limited results. This starvation cycle hurts nonprofits and donors, but, most important, it hurts our shared work for a better world. We want to work together with you to end the Overhead Myth. To that end, we ask **three things of nonprofits to help us move toward an Overhead Solution**:

- First, **demonstrate ethical practice and share data about your performance**. Proactively demonstrate why donors should trust you. Have the courage to share information about your goals, strategies, management systems, and governance processes.
- Second, **manage toward results and understand your true costs**. We have found that many nonprofits do not manage with an eye always on results—and even if they do, they don't know how much it costs to achieve those results. Organizations need to employ effective performance management systems and recognize that financial management is not just about audits and Forms 990, it is also about understanding the cost of achieving their missions.
- Third, **help educate funders (individuals, foundations, corporations, and government) on the real cost of results**. Have honest conversations with your funders about what it takes to do your work. Too often nonprofits contribute to the Overhead Myth by highlighting financial ratios as their core accomplishment—especially in their fundraising materials. Tragically, this can be at the expense of meaningful performance metrics and reinforces funders' confusion. Funders need to understand the truth if they are to change their behavior.

On the back of this letter you will find more resources for you as you make this transition. Our three organizations strive to make the sharing of nonprofit data easier, less repetitive, and more useful. As a field, we can move beyond the Overhead Myth in an Overhead Solution, but we need your help. Let us drive a conversation about nonprofit trustworthiness and performance that is worthy of the people, the communities, and the ecosystems we all serve.

Thank you,

Art Taylor
President, BBB Wise Giving Alliance

Jacob Harold
President & CEO, GuideStar USA

Ken Berger
President & CEO, Charity Navigator



Questions?

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