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Independent Living Research Utilization

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CIL Financial Managers

April 11, 2024

What we will discuss

- CIL Boards and financial responsibility
- Common financial statements and their purpose

CIL Boards

- Every non-profit organization has a governing board of directors. The job of the board includes:
 - Protecting and guiding the public interest of a particular non-profit organization.
 - Setting its own policies and assuming legal responsibility for the organization. The board is ultimately responsible for every major decision an organization makes.
 - Full responsibility for the fiscal oversight, liability, and overall well-being of the organization.

CIL Boards

- The primary reason why centers for independent living (CILs) (and other non-profits) fail is their inability to manage their finances. Remember the board takes full responsibility for watching over the funds of the organization. Boards should involve themselves more in the area of financial oversight, and not in the day-to-day management and program operations. However, the board must maintain an active role in preserving not only the financial integrity but also the mission, values, and beliefs of the organization.

CIL Boards

- Board members should have working knowledge of these policies and ask these basic questions:
 - Does anything look unusual this month?
 - Were there any significant adjustments to the books this month?
 - Does anything look off budget?
 - Are there any unusual expenses?
 - How is our cash flow to-date?
 - Is there anything coming up that we need to prepare for?
 - Where are we in terms of our contract obligations?

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Financial Reports

- Board members need to review and understand the consolidated financial statements. Organizations typically review financials monthly. One option to present financials to the board is to have the center's auditing firm present them—this may be a particularly good practice if the center has experienced financial difficulty in the past.

Financial Reports

- These statements include an income and expense statement, which will provide a comparison between budget projections and actual results, and a balance sheet, which summarizes the assets, liabilities, and net assets of the organization. Program reports should be reviewed at least on a quarterly basis. All financial reports should be given to the board in advance of the meeting so members have ample time to review the information and formulate questions or concerns.

Statement of Financial Position

- Also know as a Balance Sheet
- Snapshot of what your organization **owns** and what it **owes** to others at a specific point in time.
- **Assets – This is anything of value that your organization possesses or is entitled to**, like cash, property, equipment, pledged donations (even if they're not received yet), accounts receivable, investments, and more.
- **Liabilities – This is anything your organization owes to anyone else**, like vendors, creditors, or even employees (outstanding payroll or reimbursements)

Statement of Financial Position

- **Net Assets – This is the difference between your assets (what you own) and your liabilities (what you owe).** Essentially, net assets are what you'd have left if you sold off all of your assets and paid off all of your liabilities. It takes the place of “equity” on a for-profit balance sheet.
- In general, a healthy organization has more assets than liabilities. It's one of the first things any CPA, bank, or large donor would look at to assess your financial health.

Profit and Loss

- Summarizes the money you've received (revenues) and the money you've spent (expenses) during a given period.
- Essentially, it shows you how much money you've "made" or "lost" during that period, which is why it's often called a Profit-And-Loss Statement (or an Income Statement) in a for-profit company.

Statement of Cash Flows

- The Statement of Cash flows is a relatively simple report that shows if your cash has increased or decreased across 3 segments of your business.
- On the report, you'll see these 3 categories:
- Cash from Operations – The change in cash generated from normal business activities (your fundraising and earned revenue minus expenses plus collection of receivables, payments of liabilities, etc.)
- Cash from Financing – The difference between cash received/borrowed from creditors, versus cash you've paid back against outstanding debts (lines of credit, mortgages, loans, etc.)

Statement of Cash Flows

- Cash from Investing – The difference between cash received from investments or sales of assets versus cash spent on the purchase of capital, equipment, or other investments
- This report can help you explain to your board why you have less cash even after a great fundraising month (maybe you invested in some much-needed equipment).
- Or help you understand why your cash increased even as you lost money that quarter (maybe you dipped into your line of credit to make payroll).

Budget vs. Actual Report

- The budget vs. actual report helps you to easily compare what happened in your business to what you expected to happen.
- Budget vs. Actual is an internal report, not part of your audited financial statements. But because the board and leadership are involved in creating a nonprofit budget, it's often more familiar and more useful on a day-to-day basis.
- As the name implies, it shows you 2 pieces of information:
 - Your budgeted revenues vs. actual revenues
 - Your budgeted expenses vs. actual expenses

IRS Form 990

- While it might not be a financial statement in the technical sense, it's more than just a tax return. It is a publicly available financial document that gives outsiders a glance at your organization's financial health.
- And secondly, if you fail to file a 990 for 3 consecutive years, you'll automatically lose your tax-exempt status. That means it's one financial document every nonprofit needs to be familiar with, even if you're too small for an audit.

Dashboard Reports

- To supplement any of the previous reports, a dashboard can often help explain financial information that board members need to understand
- It can be simple, can use visuals
- It provides extra information to understand what the Center is doing.
- **All financial reports should be given to the board in advance of the meeting so members have ample time to review the information and formulate questions or concerns.**

How do you apply these and other regulations?

- Call Paula if you aren't sure, 559-250-3082 or Paulamcelwee.ilru@gmail.com
- Or ask your Program Officer.
 - The Program Officers are assigned by federal region and are listed in contacts. Go to <https://acl.gov/programs/aging-and-disability-networks/centers-independent-living> scroll down to the bulleted OILP Program manager list at the bottom of the page.

Evaluation

Please take a few moments to go to this link and provide a quick evaluation.



https://uthtmc.az1.qualtrics.com/jfe/form/SV_eRJ7L83YJVE5Dy6

Your feedback will assist us to improve our technical assistance.

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