

NonProfit Financial Managers

Volume Twelve, Number Six

For more information, contact Mitzi Fennel at 617-547-9861, x235 or Doug Kline at 617-868-5050, x202

Mark your calendars now...

All of our meetings take place on the last Tuesday of each month. Upcoming dates are:

◆ **April 26, 2005**

Capital Financing

◆ **May 31, 2005**

Property and Liability Insurance

◆ **June 28, 2005**

Financial Standards

Job Openings...

The NonProfit Financial Managers group has a section on their website for job postings. Check out our website at www.npfm.org and you'll find the complete list of jobs. Contact David Richardson at 617-558-8112 or drichardson@templemanuel.com

Organization: NOAH, a CDC in East Boston

Job Description: Staff Accountant Contact J. Wilson, NOAH, 143 Border Street, East Boston, MA 02128

NPFM E-mail Forum

One of the benefits of membership in NPFM is a subscription to our e-mail listserv. We encourage members to post questions, announcements and new developments in finance and administration. All new members who provide e-mail addresses are automatically subscribed. To post messages send to npfm@topica.com

The Next Meeting

Topic: Capital Financing

Date: Tuesday, April 26, 2005

**Location: United South End Settlements
566 Columbus Ave., Boston**

Time: 12:00 PM – 1:30 PM

Catherine Gill, Senior Associate, Financial Services, from the Nonprofit Finance Fund will be presneting a mini-workshop on Capital Financing. What do we mean by capital structure and why does it matter? This presentation will provide a framework for making long-term, organization-wide financial decisions; help nonprofits understand and plan for the inevitable financial consequences of adding or taking on a facility; bridge the gap between mission, capacity and capital; and help managers better articulate their need for unrestricted operating support to funders. Catherine is responsible for underwriting, closing and monitoring loans, maintaining client relationships, and providing advisory services to clients throughout New England. She received her MBA from IESE, University of Navarra in Barcelona, Spain and her BA from Wellesley College.

Recap of March Meeting

Mike Burns, CPA, who is in charge of the Not-For –Profit Practice at the firm of Tofias PC, gave a presentation on what auditors look for when they perform the annual audit, beyond certifying an organization's financial statements. Mike has over 20 years of audit experience, specializing in the not-for-profit sector. He is for-

mer Chairperson of the Massachusetts Society of Certified Public Accountants' Not-For-Profit Committee, serves on the Budget and Finance Committee of the United Way of Massachusetts Bay, and is the Treasurer of Youth Build Boston, Inc.

According to Mike, auditors have been instructed under the provisions of SAS 99 to be more diligent in looking for fraud and to evaluate the risk of fraud in an organization, based on the adequacy of the system of internal controls present. The auditor should talk to the Audit Committee of the Board of Directors prior to proceeding with audit in order to set the scope of the audit. Not only are auditors being asked to determine that the end product is correct, they are being asked to examine the process by which the agency got to the end product (financial statements). A well designed and rigorously enforced system of internal control is the key to making a fair evaluation of the financial statements.

Another area where controls are being tightened is the nature of the relationship between the auditor and their clients. Auditors are now being told that they cannot perform certain functions for their clients if they are going to perform the annual audit. For instance, they cannot prepare the financial statements if they are then going to audit those statements – the auditors cannot perform the audit function on their own work. They can still act as an advisor to their clients and can review the financial statements in detail, but the preparation of financial statements is the responsibility of the client, in order to preserve the independence of the auditor.

Another area where nonprofits can expect tighter controls and scrutiny is governance. In Massachusetts, a bill will be submitted to the Legislature by the Attorney General's Office which will hold officers of the organization more responsible for the financial management of the agency and the accuracy of the financial statements, similar to the Sarbanes-Oxley Act for the For Profit sector. Since Boards of Directors are made up of volunteers, these stricter controls and measures of accountability may make the role of

serving on a Board less desirable. Management will have to figure out a way to minimize the impact of any new measures on the work of the Board.

Other areas of financial management and reporting that are receiving renewed attention are related party transactions, transactions between affiliates, and the allocation of overhead costs to programs. Auditors will also evaluate whether the quality and self-reliance of the financial staff of an organization is sufficient to meet its needs. And finally, the auditor will place increasing emphasis on whether or not the system of internal controls is tight enough and sufficient to promote good basic business procedures and to safeguard against fraud. Segregation of duties is very important, as is the capacity of the financial manager and senior management to evaluate and reflect on the reliability of the financial operations.

Finally, Mike recommended that financial managers:

- 1) Stay informed about any changes in governance regulations (State and Federal);
- 2) Stay informed about current accounting standards and any changes;
- 3) Invest more of your time in assessing your organization's business practices;
- 4) Take advantage of training opportunities for you and your staff; and
- 5) Share best practice procedures with your colleagues.

NPFM Membership Information

The annual membership fee of \$100 covers monthly mailing and other operating expenses and covers the period from September to August of each year. A part-year membership for \$60 is offered for those joining after January 1st, and covers membership through August. Students are welcome to join at any time at a rate of \$25.

In addition to attendance at monthly meetings, members receive a monthly newsletter and participation in the NPFM e-mail forum. Lunch is provided for all attendees at meetings. There is a \$12 meeting fee for non-members.

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