

# Using Nonprofit Financials as a Strategic Decision Making Tool

Presented by Timothy Warren, CPA  
Principal, Nonprofit Group

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | ©2017 CliftonLarsonAllen LLP



# Goals for Today's Session

## Learning Objectives:

- Understand the changing role of the lead financial individuals in a nonprofit organization
- Understand the starting point for financial reporting and why it is important
- Identify key users of nonprofit financial information and the delivery methods of such information
- Start the conversations to convert your financial information into a strategic decision making tool





# Nonprofit Story Telling

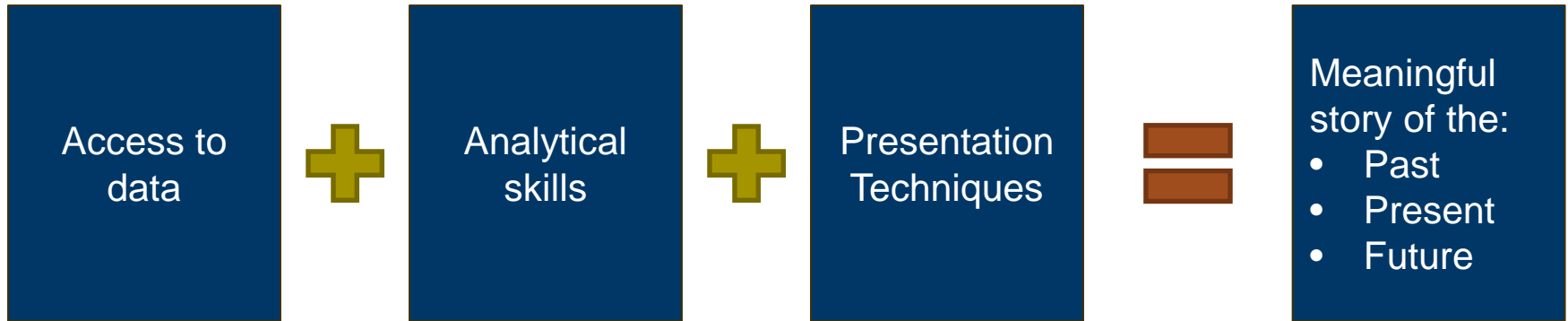
# Changing Role of the CFO

The modern CFO is a:

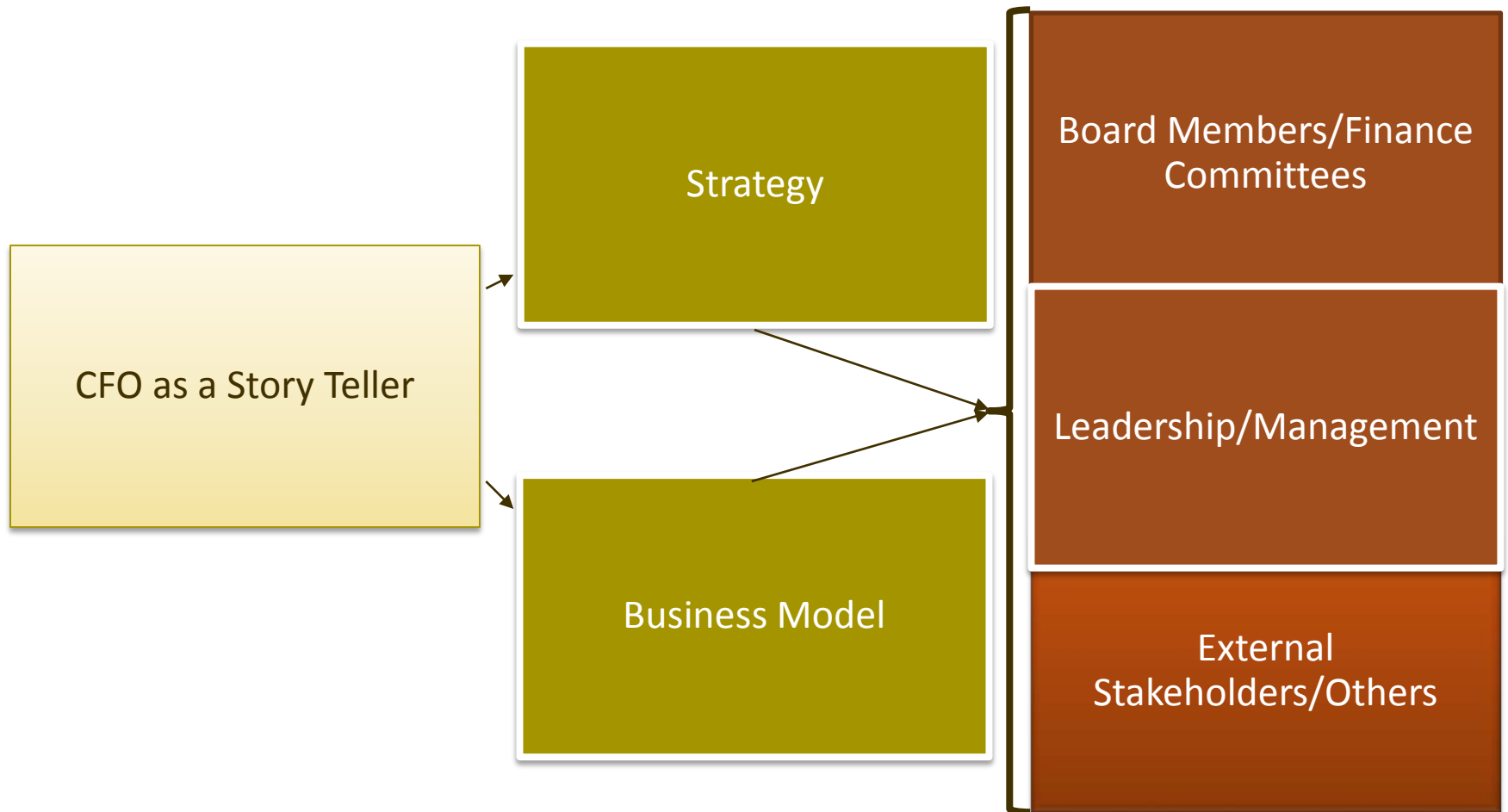
- strategist
- leader
- diplomat
- story teller/translator?



# Chief Story Teller



# Nonprofit Story Telling – Holistic View



Organizational Mission



# Discussion Questions

- CFO or Director of Finance are moving towards the Chief Story Telling Officer or Director of Story Telling.
- Discussion
  - What does this mindset shift mean to the group?
  - What does it mean to story tell?
  - How are organizations doing today with story telling?
  - How does nonfinancial data play a roll in story telling?





# Key Elements of Story Telling



# Nonprofit Story Telling – A Different Perspective

Define the audience



Determine what information is important to convey



Identify the data that is available

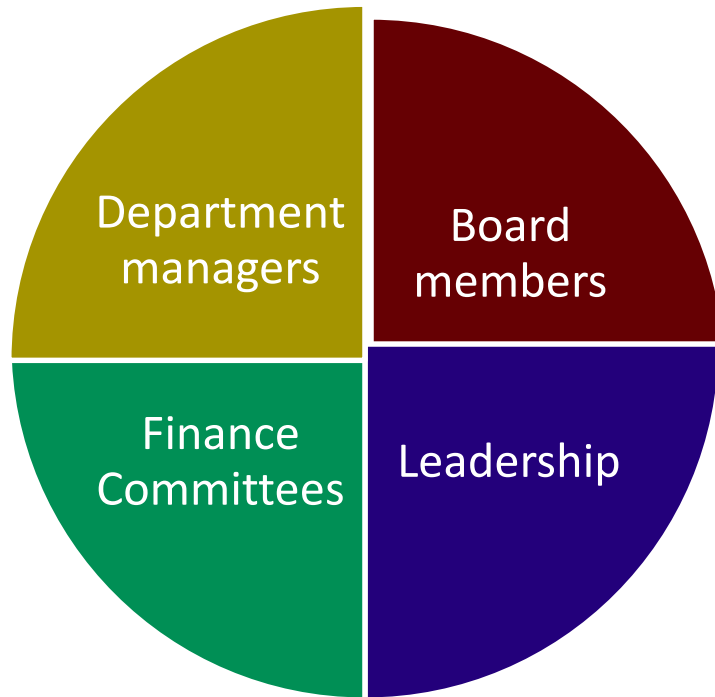


Select the best presentation technique



# Defining the Audience

# Define the Audience



# Audience Needs

Audience	Informational Needs
Board Members	Strategic/high level while meeting their fiduciary responsibilities
Leadership	Balance of strategic and operational
Department Managers	Performance focused, more detailed
Finance Committees	Enhanced financial insight





## Determining Information that is Important to Relay

# Strategic Plan

- The strategic plan is the start of the reporting process
- Generally an outcome of strategic planning will be strategic initiatives/imperatives or the goals developed in the plan
- Linking reporting to the activities that lead to success of the strategic imperative is a critical reporting element of any nonprofit organization

*Discussion Question: Has anyone linked financial results directly to a strategic plan*



# Business Model

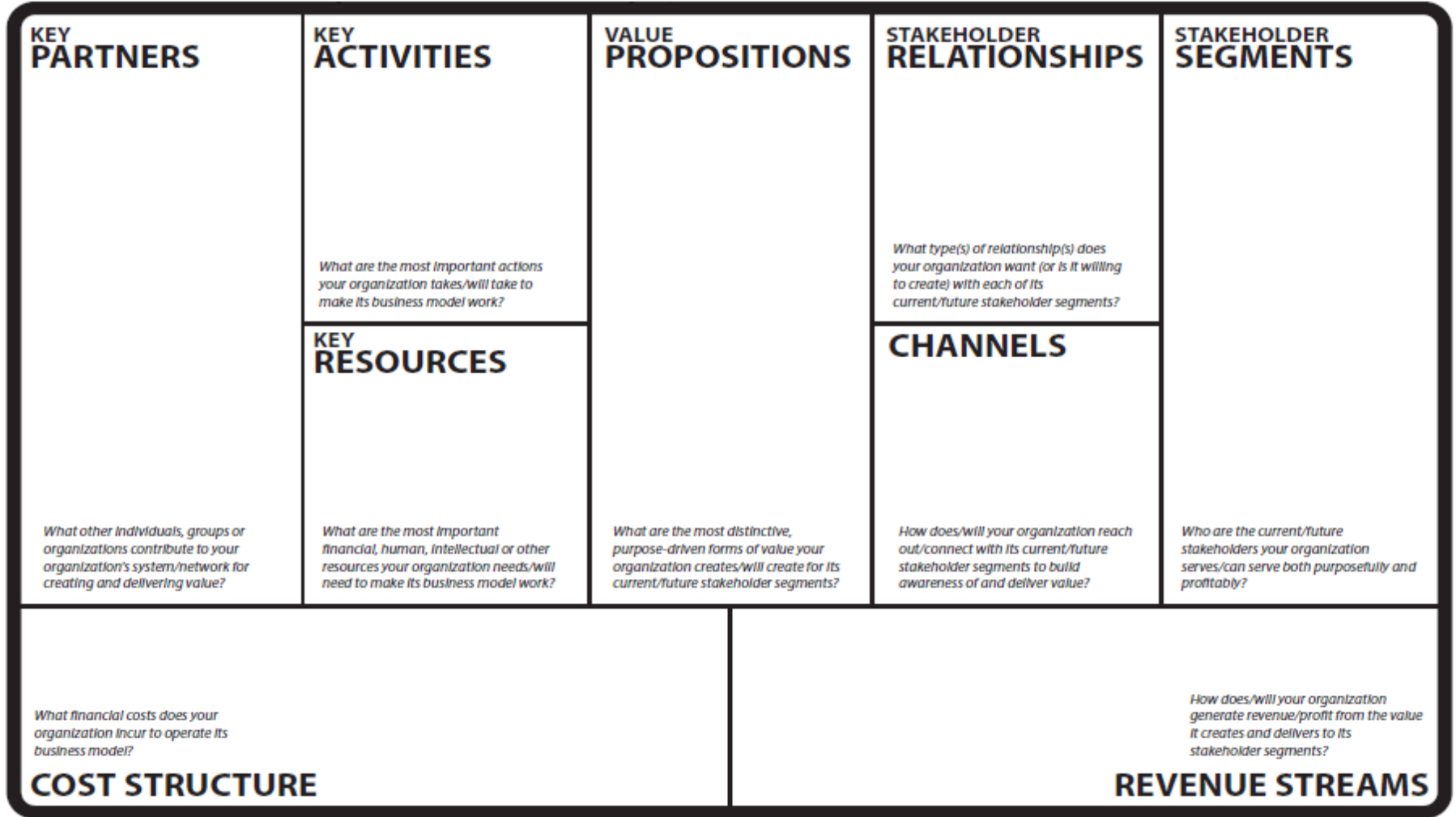
- A rationale of how an organization creates, delivers and captures value
- Nonprofit is not a type of business model
- Can serve as a “funnel” for how to report results of strategic initiatives

The Business Model Connects and Organization's Commitment to Purposeful Action and its Pursuit of a Responsible Level of Profitability

Source: CFO as Business Model Strategist; Jeff De Cagna, Executive Advisor, Foresight First LLC



# Business Model Grid



Source: CFO as Business Model Strategist; Jeff De Cagna, Executive Advisor, Foresight First LLC

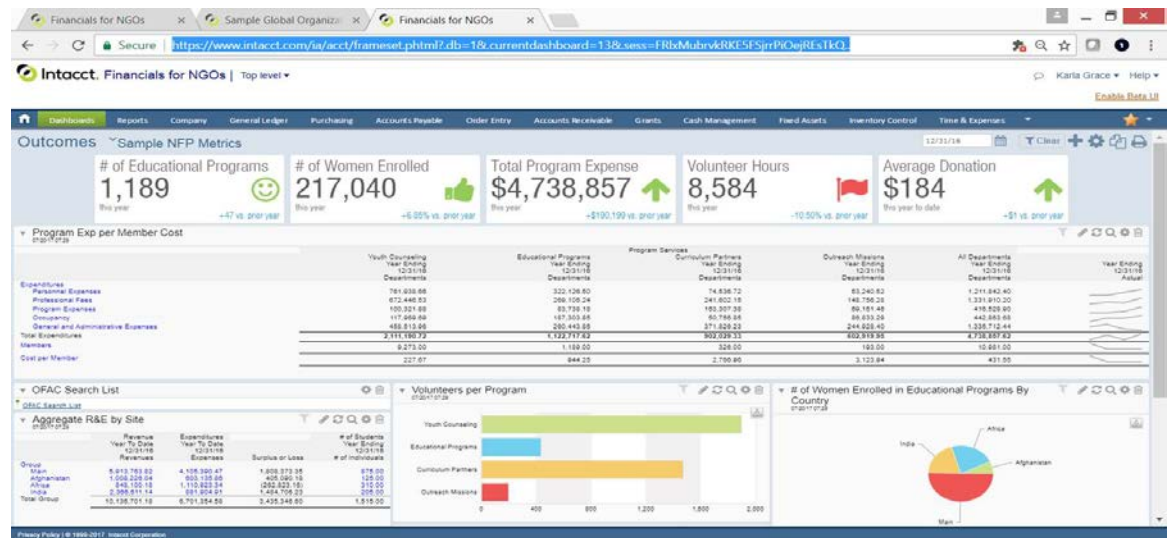




# Select the Best Presentation Technique

# Presentation Techniques

- Data Visualization
  - Charts
  - Graphs
  - Score cards
  - Heat maps

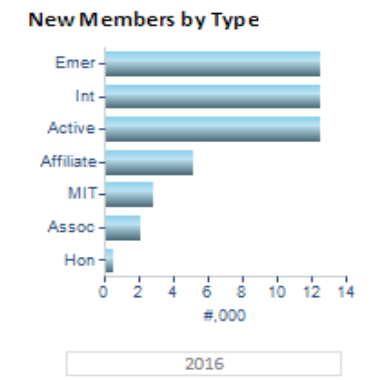
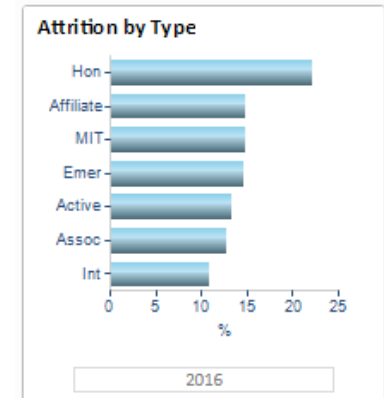
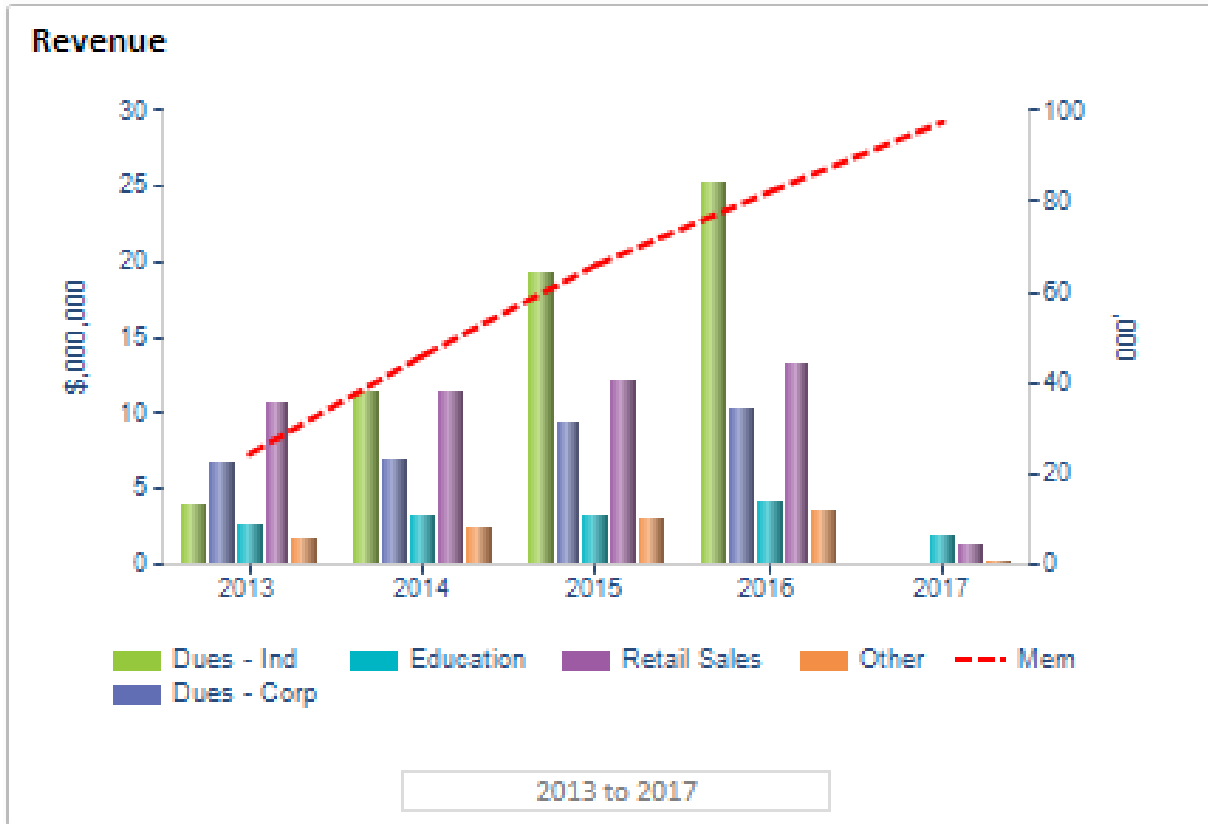


# Why Data Visualization

- Why Data Visualization?
  - Draw attention to what is important
  - Easy to understand
  - Information at a glance



# Specific Example – Strategy to Reporting



Strategy: Association wanted to (a) grow membership and (b) provide more services to its membership base.

# Group Exercise

Boys & Girls Clubs of America (BGCA) is a federally chartered, national organization that was formed to promote the health, social, educational, vocational, and character development of young people throughout the United States (U.S.). Through its national headquarters, five regional service centers, and government relations office in Washington, D.C., BGCA:

- Develops innovative program services for young people;
- Assists community leaders to form new local member clubs;
- Provides training, management consulting, and resource materials to local member clubs;
- Promotes greater public and media awareness of local member club work; and
- Addresses legislative and public policy issues affecting young people.

Source: Boys & Girls Club of America December 31, 2016 audited financial statement



# Discussion Questions

*Discussion Question: How would BGCA present this data to the board vs. leadership?*

*Discussion Question: How would this type of reporting enhance BGCA ability to use their data for decision making?*



# Summary of Learning Objectives

CFO's/DOF's need to become the story tellers of the nonprofit organization

When developing financial reporting start with the key strategies of the organization

Financial Reporting

Understand the different types of users of your information (financial and nonfinancial) and tailor the information accordingly

Use the output of the reporting to make decisions on direction/strategy



**Timothy Warren, CPA**  
**Principal, Nonprofit Group**  
**617-984-8143**  
**Tim.Warren@CLAconnect.com**

[CLAconnect.com](https://www.CLAconnect.com)







# Appendix

## Sample Presentation Techniques

# Charts – Leverage Visual Indicators

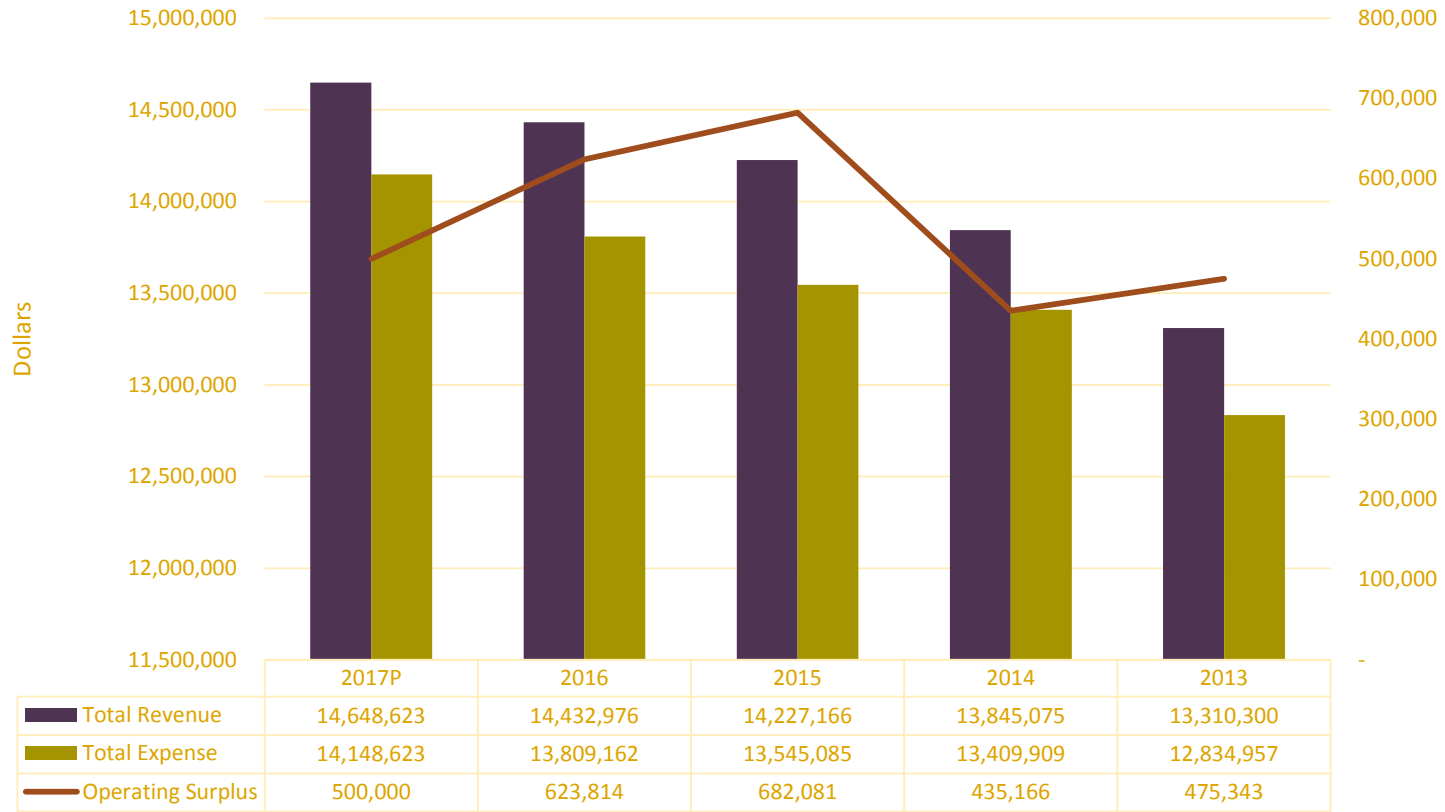
## Statement of Revenues & Expenditures - Actual vs Budget

	Year Ending 12/31/2015	Year To Date 12/31/2015	Year To Date 12/31/2015	Year To Date 12/31/2015	YTD Variance
	Original Budget Ttl	Mid-Yr Recast Ttl	Mid-Year Recast YTD	Actual YTD	
<b>▼ Operating Revenue</b>					
▶ Grant Revenue	0.00	0.00	0.00		(8,246.32)
▶ Contributions	2,958,742.27	2,961,692.99	2,961,692.99		2,947,308.22
▶ Member Fees	179,291.59	179,470.39	179,470.39		178,470.39
▶ Sales	1,152,974.68	1,154,124.54	1,154,124.54		1,154,124.54
▶ Service Fees	1,644,025.76	1,645,665.37	1,645,665.37		1,645,415.37
<b>▼ Investment Earnings</b>					
Dividends	43,480.20	43,522.92	43,522.92		43,522.92
Bank Interest Earned	183,084.12	183,245.07	183,245.07		183,245.07
Realized Gain (Loss) Investments	617,152.63	617,759.23	617,759.23		617,759.23
Unrealized Gain (Loss) Investments	226,860.76	227,078.86	227,078.86		227,078.86
Total Investment Earnings	1,070,577.71	1,071,606.08	1,071,606.08		1,071,606.08
▶ Other Revenue	971,100.89	972,058.38	972,058.38		972,058.38
Total Operating Revenue	7,976,712.90	7,984,617.75	7,984,617.75		7,960,736.66
<b>▼ Expenditures</b>					
<b>▼ Personnel Expenses</b>					
Salaries	928,723.28	929,649.49	929,649.49		838,341.25
Bonus and Incentive	45,168.58	45,213.63	45,213.63		38,007.51
Life Insurance Premium	141,044.04	141,184.70	141,184.70		121,273.70
Retirement Matching	91,961.10	92,052.80	92,052.80		85,217.18
Health Ins. Premiums	170,784.98	170,955.32	170,955.32		157,832.00
Other Employee Benefits	58,196.75	58,254.79	58,254.79		54,374.57
Payroll Tax	197,059.10	197,255.62	197,255.62		181,536.40
Total Personnel Expenses	1,632,937.83	1,634,566.35	1,634,566.35		1,476,582.61
▶ Professional Fees	1,443,142.48	1,444,569.93	1,444,569.93		1,433,069.93
▶ Program Expenses	346,066.13	346,411.25	346,411.25		330,986.25
▶ Occupancy	468,361.33	468,827.17	468,827.17		468,827.17
<b>▼ General and Administrative Expenses</b>					
▶ Advertising and Promotion	71,593.17	71,664.57	71,664.57		71,664.57
▶ Bad Debt Expenses	12,680.69	12,693.33	12,693.33		12,693.33
▶ Business Licenses and Permits	104,391.44	104,495.53	104,495.53		104,495.53
▶ Conferences, Conventions, and Meetings	108,277.67	108,385.66	108,385.66		108,385.66
▶ Insurance	249,789.52	249,937.18	249,937.18		230,677.18
▶ Office Supplies	261,839.33	262,095.51	262,095.51		259,905.51
<b>▼ Other Expenses</b>					
Janitorial Services	286,284.68	286,688.26	286,688.26		286,688.26

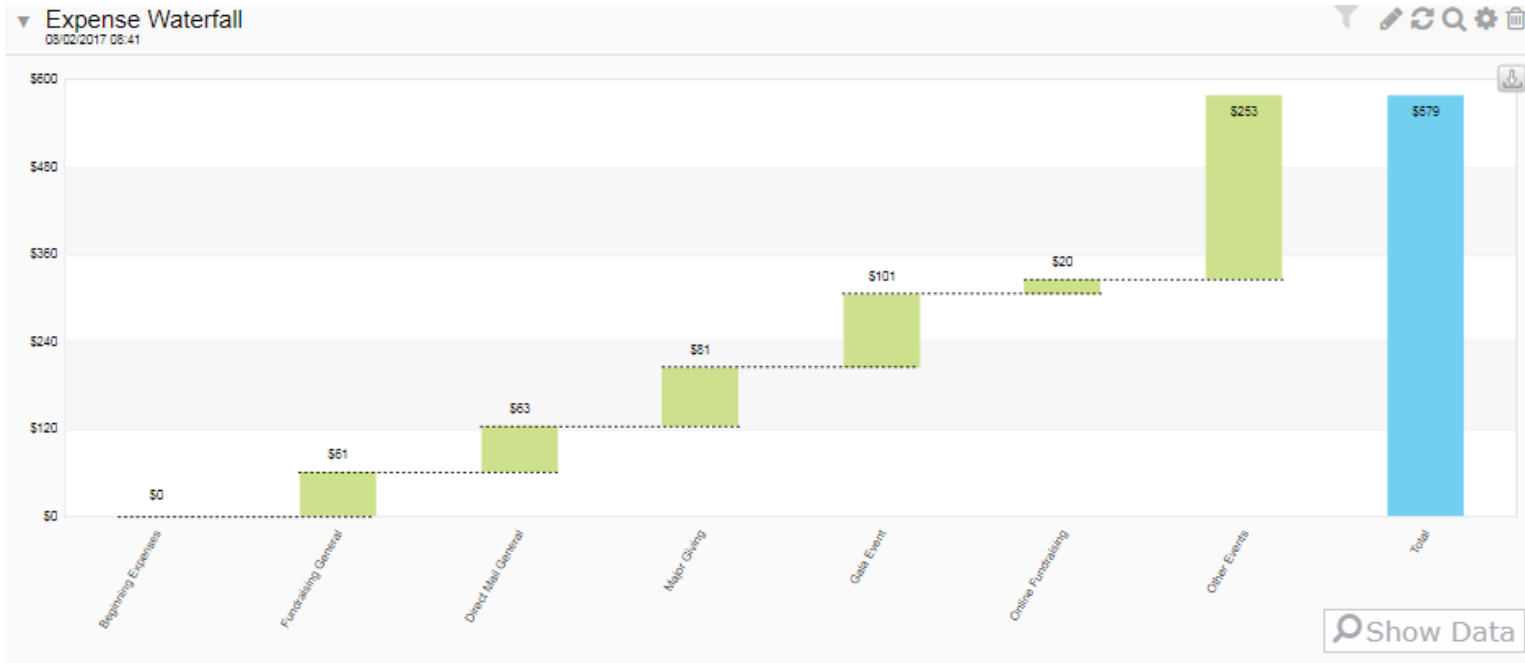


# Graphs – Combination Graphs

Revenue, Expense and Surplus - 5 Year Trend

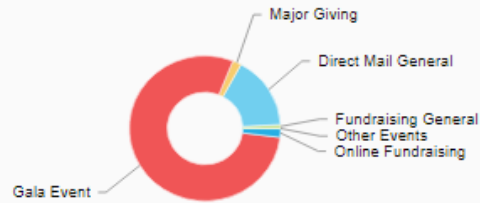


# Graphs - Waterfall

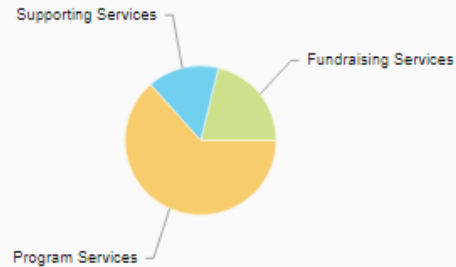


# Graphs: Pie or Donut

▼ % of Revenue by Source  
08/02/2017 08:44

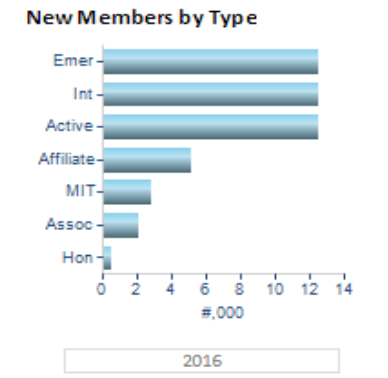
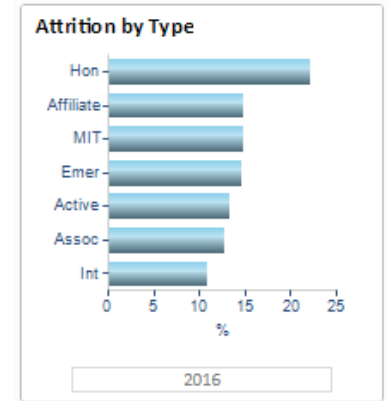
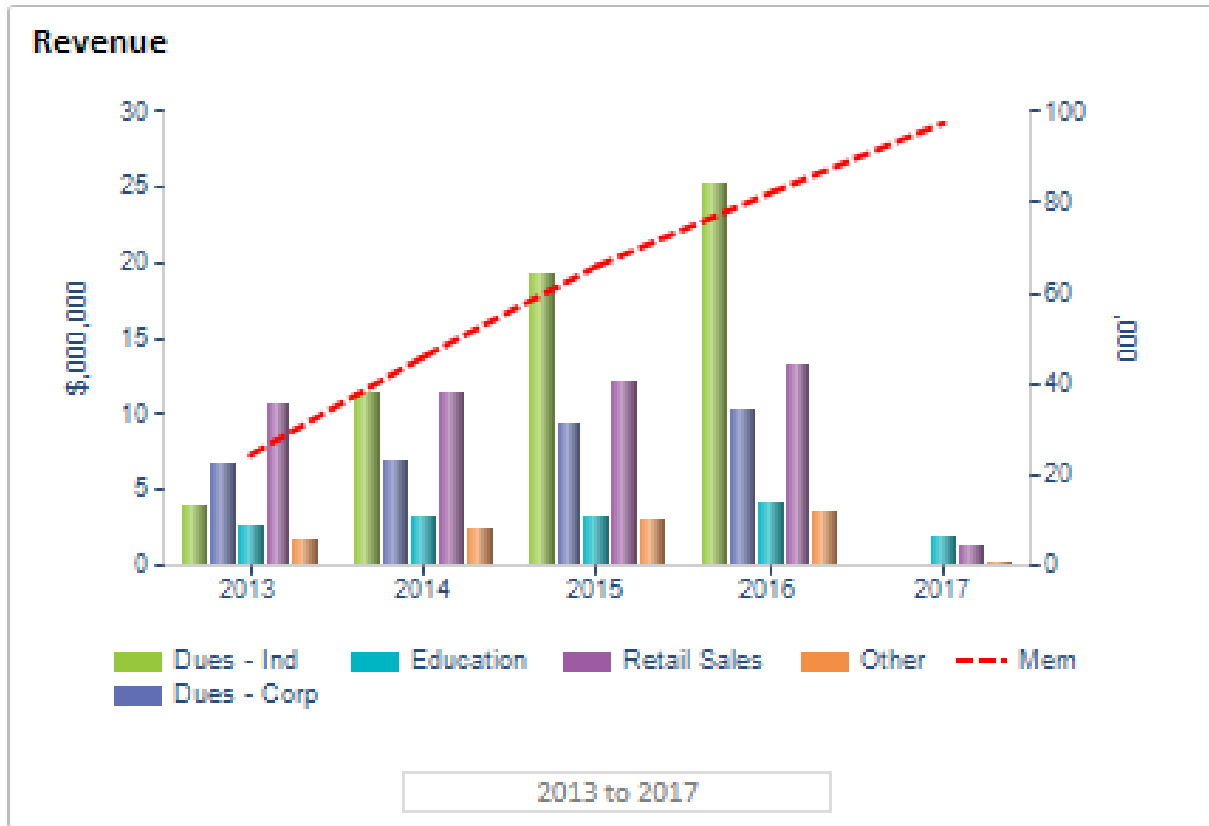


▼ Spending by Function  
08/02/2017 08:47



Show Data

# Graphs: Financial & Non Financial Data



# Score Cards

<p>Revenues    </p> <p><b>\$1,464,223</b> </p> <p>this year to date +\$624,722 vs. budget</p>	<p>Expenses</p> <p><b>\$520,023</b> </p> <p>this year to date 60.29% of budget</p>	<p>Cash Balance</p> <p><b>\$1,109,610</b> </p> <p>this month +\$331,953 vs. prior month</p>
--	---	--



# Heat maps

