

# Nonprofit Financial Managers

A Resource for the areas of Finance, IT, Human Resources, and Office/Facilities Management

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For information, go to [npfm.org](http://npfm.org), or contact Mitzi Fennel at 617-547-1063 x235 or Jessica Zander at 617-956-0215

## **Mark Your Calendars**

All of our meetings take place on the **last Tuesday** of each month. **No pre-registration required.** Upcoming dates:

- **November 30:** Understanding the Alphabet Soup of Health Benefit Accounts: HRA, HSA, FSA, HDHP, COBRA.
- **No December meeting**
- **January 25:** Cloud Computing

## **NPFM Membership Information**

The annual membership fee of \$100 covers monthly mailings and other operating expenses. The membership period is from September to August. A part-year membership for \$60 is offered for those joining after January 1, which covers membership through August. Full-time students are welcome to join at any time without paying a fee.

In addition to attendance at monthly meetings, members receive a monthly newsletter and access to the NPFM e-mail forum. Lunch is provided for all attendees at meetings. There is a \$12 meeting fee for non-members, and since membership is by organization, there is no limit of individuals from any one organization who may attend the meetings.

R.S.V.P.s for the meetings are not required.

For renewals or new membership fees, please make your check out to:

NonProfit Financial Managers  
C/O Child Care Resource Center  
130 Bishop Allen Drive  
Cambridge, MA 02139

Contact Mitzi Fennel at 617-547-1063, x235 for more information.

## **The Next Meeting**

**Topic: *The ABCs of Health Benefit Accounts***

**Date: November 30, 2010**

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

**Time: 12:00 PM – 1:30 PM**

**The Alphabet Soup of Health Benefit Accounts.** Do you get confused by all the “Tax-Favored Health Plans” allowed by the IRS: HSAs, MSAs, FSAs, HRAs? What they are and when and how to use them? What changes have occurred in the plan rules and in health insurance industry? With employers’ continued search to find ways to offset the cost of ever increasing health insurance premiums, it is worth taking a closer look at whether any of these plans could benefit your organization. Christine Hillier, a Benefits Consultant with Baystate Benefit Services, will present the options to help you think about how best to structure your organization’s health benefit offerings.

## **Recap of October Meeting**

### ***The Four Horsemen of the Nonprofit Financial Apocalypse***

Sandi Clement McKinley, Associate Director at the Nonprofit Finance Fund, gave a presentation about the state of the nonprofit financial sector at this time, where we are in the recovery cycle, and what financial managers are doing to plan for maintaining the financial stability. Her presentation was based on the article by Clara Miller, NPF CEO, “The Four Horsemen of the

Nonprofit Financial Apocalypse,” which appeared in the spring 2010 edition of the Non-profit Quarterly. The four horsemen are: 1) Too much real estate; 2) Too much debt; 3) “Under water balance sheets and negative liquidity; and 4) Torturous labor economics.

Sandi first discussed the issue of nonprofit ownership of real estate. Even if your building is brand new, problems start to creep up 5 to 7 years after going on line. Your building is really a separate business which requires a specialized skill set. Your building and your agency’s mission need to be closely aligned. You need to determine the full cost of the real estate part of the business, including depreciation, and potentially set up a separate fund to support repairs and maintenance, as needed.

The second horseman is too much debt. Nonprofits tend to be debt averse, but some have leveraged themselves out of existence. Sandi recommended that every nonprofit establish a line of credit with a financial institution while stable, to be used only for cash flow purposes when revenue is cyclical, but not to provide cash for operations. A nonprofit can use an internal reserve fund as a line of credit, as long as you pay it back. The subject of endowments vs. Board designated funds came up. Management has no control over the corpus of an endowment, but may receive payments from through a spending policy. Sandi recommended that agencies set up a Board designated fund instead of an endowment, which would be under the control of the Board and could be used in case of an emergency.

In order to be fiscally healthy, nonprofits need to have adequate liquid net assets. Your temporary restricted funds need to work for you, they need to be used and there should be substantial turnover for them (e.g., grants). During the current recession, many endowments were “under water” where the value of the investment had dropped below the original value of the gift. Many organizations were impacted at an operating level, since income from these funds was in many cases, diminished.

Finally, nonprofits generally are faced with difficult labor economics. Personnel costs makeup 60 to 80% of a nonprofit’s expense. Nonprofit workforce reductions are often very problematic either due to union contracts, the specialized nature of the work, or due to regulatory requirements (daycare ratios, etc.).

The Nonprofit Finance Fund works with nonprofits that either undergoing substantial change, are in a state of fiscal crisis, or are faced with an opportunity for growth. Many of the traditional values and practices for financially managing a nonprofit which result in a strong balance sheet (owning real estate, having an endowment, etc.) do not provide the necessary liquidity, cash, necessary to adapt to a rapidly and recently deteriorating economy. One size does not fit all and capital needs to be invested in assets that are mission critical. During times of fiscal restraint, nonprofits need to first cope (survive) and then change if necessary to fit the new reality.

### ***Job Openings...***

The NPFM group has a section on their website for job postings. Check out our website at [www.npfm.org](http://www.npfm.org) for a complete list of jobs. Contact David Richardson at [dr44@verizon.net](mailto:dr44@verizon.net) with questions or postings.

### ***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](mailto:npfm@topica.com)

### ***NPFM Steering Committee***

The Steering Committee consists of several members who are responsible for the meeting topics, speakers, and other details surrounding the group. If you are interested in joining the steering committee, or in submitting ideas for future sessions, please contact any of the existing members, by e-mail or in person at a meeting.