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**, 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:

- **January 31: How Non-Profits Can Manage Costs and Their Fiduciary Liabilities**
- **February 28: The INs and OUTs of Hiring and Firing**

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 $20 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.

RSVPs 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: How Nonprofits Can Manage Costs and Their Fiduciary Liabilities
Date: January 31, 2012
Location: United South End Settlements
566 Columbus Ave., Boston
Time: 12:00 PM – 1:30 PM

How does a nonprofit organization design and manage benefit programs that attract and retain talent while balancing budgetary constraints and regulatory obligations? In this age of increasing regulations and government oversight, nonprofit organizations must proactively manage their liabilities brought on by changes in healthcare reform and retirement plan fiduciary regulations.

At our meeting, Schuster Driscoll, LLC, the founding partner of The Alliance for Non-Profit Growth and Opportunity (TANGO) – a unique nonprofit organization that leverages its members' collective purchasing power to bring professional services, from top-tier providers, to its members on a preferred basis – will address these issues and examine how to navigate through these risky regulatory waters.

Presented by Rollin G. Schuster, Jr. Managing Principal, Schuster Driscoll, LLC

Please note: This newsletter will be mailed one last time this month. The steering committee has decided that, due to cost, the newsletters will no longer be mailed each month. However, the newsletters will continue to be available via email to members and on our website: http://npfm.org/

Recap of November Meeting

What Your Financials Statements Look Like to External Evaluators

Emily Greenstein, a vice president in the Healthcare and Nonprofit division of Citizens Bank, and Treasurer of the US Green Building Council's Massachusetts Chapter presented.

Emily represented the perspective of a lender and said the Bank's primary focus when extending credit, is determining that the Bank will be repaid. In efforts to understand the likelihood of full repayment, the Bank analyzes all aspects of the organization including management, board leadership, operating efficiency, Balance Sheet strength and overall financial sustainability. Like foundations and other external funders, the Bank is interested in the effectiveness of all money being spent.

While contact with management is key in assessing any organization, financial statements tell their own story:

1. On the Balance Sheet, she highlighted the Current versus the Non-current portions of an organization's assets and liabilities as an important measure of liquidity.
2. On the Statement of Activities, it is important to separate out operating activity from non-operating activity to identify the portion of the budget which is sustainable.
3. Having a breakdown within net assets released from restriction, and the type of release, is helpful because it reflects what portion is available for to pay debt service (or only available for specific purposes such as capital projects).
4. The Statement of Cash flows provides important information about non-cash expenses captured on the Statement of Activities as well as debt payments and capital purchases. Lenders will often back out identifiable extraordinary expenditures in efforts to determine the consistency and sustainability of operations. Lenders use the financial statements as well as management input, to calculate operating cash flow and its ability to cover debt service.

With the financials in hand, external evaluators—especially lenders—are then able to establish the level of credit risk for any particular organization. An organizations history and projections are important tools for measuring trends. They will want to have an understanding of the diversity of an organization's revenue model—how nimble and flexible it is and what kind of relationships exist with key funders. They will also often calculate ratios, such as *debt service coverage*, liquidity and leverage, in order to help them understand the organization's financial strength.

It is important for Lenders to know their customer as well as possible. They want to know what the relationship is like between management and the board and the areas of flexibility with certain donors as this provides a more complete picture of the organization's financial health for the present and future. If an organization is having a bad year and there are specific reasons why this is, lenders like to be alerted and can sometimes be flexible. But they need to be kept informed.

Finally, there was a discussion about lines of credit. Some organizations have heard this is something they should maintain, irrespective of whether they may need it or not. The size of a line of credit could be tied to a certain number of months of operating expenses; several payrolls; or the size of the accounts receivable balance. The benefits of a line of credit being structured on a *demand* basis as opposed to *committed* for a period of time (typically one year), generally include the lack of financial covenants, greater flexibility and the lower cost. As for whether they "necessary" for external perception, Emily's view is that this should not be necessary.

Job Openings…

The NPFM group has a section on their website for job postings. Check out our website at www.npfm.org for a complete list of jobs. Contact David Richardson at 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.

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.