

# NonProfit Financial Managers

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

Volume Fifteen, Number Six

March 2008

For information, go to [npfm.org](http://npfm.org), or contact Mitzi Fennel at 617-547-9861 x235 or Jessica Zander at 617-850-1752.

## **Mark Your Calendars**

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

- ◆ **March 25: Conducting an Operational Review**
- ◆ **April 29: TBD**
- ◆ **May 27: TBD**

## **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<sup>st</sup>, 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 617-547-9861, x235 for more information.

## **The Next Meeting**

**Topic: Conducting an Operational Review**

**Date: Tuesday, March 25**

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

**Time: 12:00 PM – 1:30 PM**

Presenter: Barb Breen, CPA, Director of the Nonprofit Client Practice, Accounting Management Solutions

To run lean, many nonprofit organizations over time develop their own approach to accounting and financial management, but they run the risk of getting away from best practices that can help them stay on track. A rapid diagnostic – or operational review can help. Simply put, an operational review assesses current practices for preparing and reporting financial data and the use of systems. Activities that are examined include revenue recognition, management, financial operations, accounting and financial staffing, budgeting, financial reporting, and strategic planning.

## **Recap of February Meeting**

NPFM held a stimulating panel discussion on how nonprofit organizations calculate indirect costs or overhead rates. The panel consisted of members of the Steering Committee: Mitzi Fennel, Rosemarie Boardman, and Karen Kelly. Anne Murphy moderated the panel.

Mitzi Fennel led the discussion by pointing out that overhead can be defined in varying ways and that discrepancy in terminology can pose challenges. To illustrate this dilemma, Mitzi used her organization's state contract as an example in which occupancy is considered part of ad-

ministration rather than a program cost and that there is an 8% cap imposed on allowable administration charges. Thus, true program costs need to be supplemented with private grants and other fundraising or fees.

Mitzi's organization defines the true costs of overhead applied to program to include the following items: email maintenance, depreciation, equipment lease/maintenance, storage costs, insurance liability, postage, office supplies, and telephone.

At the end of each year, overhead costs are allocated to programs in the general ledger based upon square footage (or the equivalent of cubicle space) and are shown below the line. For budgeting purposes, the allocation of overhead is based upon FTE. In Mitzi's organization, the annual indirect rate has been 18%.

Anne Murphy pointed out that if your organization has a written methodology to calculate overhead as specified in SAS 112, you should be sure that your organization is following those written policies since they will be reviewed at audit time.

Next, Rosemarie Boardman spoke about the challenges of providing finance & administration services for two legally separate nonprofit organizations that share these services. They have an approved federal indirect rate of 31%. Using Peachtree, they have created a separate Admin department to track indirect costs.

Rosemarie described an innovative methodology they developed for calculating indirect costs. Base costs are calculated per FTE for the following: dial tone, occupancy, IT support, insurance, meetings, supplies, fees, dues/subscriptions, admin, development, and communications staff salaries plus making phone calls, travel, individual memberships/subscriptions, if applicable. Her organizations calculate this cost to be \$26,000 per FTE.

Rosemarie also discussed the challenges of receiving a large grant that pays for three staff, but does not cover occupancy for those people and only 10% for employee benefits. Again, true program costs need to be captured through supplemental funding.

Finally, Karen Kelly provided two handouts: Cost Principles 101 or What You Always Wanted to Know About Indirect Costs, But Were Afraid to Ask (prepared by Steve Garfinkel, Costing Solutions, Inc.) and Sample Indirect Cost Proposal Format for Nonprofit Organizations. These handouts will be circulated electronically to members via the NPFM listserv.

Karen's organization's indirect rate is over 50%, due to the nature of its work providing technical assistance as a lender to community economic development organizations. The rate for the current year is based upon actual costs from the prior year.

In allocating admin time, Karen suggests tracking staff time spent on programs for supporting documentation. Anne pointed out that for small organizations with budgets of less than \$750,000, the executive director's time can be attributed to program.

Nearly all organizations make allocations of admin costs using supplemental spreadsheets outside of the accounting system.

Obviously, determining indirect costs is a topic of high interest to our members since we had a record turnout for February's meeting.

### ***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.