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Featured in this Edition of Nonprofits Count!

Feature Article:
Rethinking Your Budget

FMA Institute Member Spotlight:
The Anti-Violence Project

Upcoming FMA Institute Events

What's New at FMA

FMA Jobs site

The Double Bottom Line

Quick links:

www.fmaonline.net

www.fmainstitute.net

www.fma.jobs

[Past E-alert articles](#)

Dear Anita,

As part of our series on the “Six Building Blocks for Stronger Nonprofits”, we are dedicating this issue of *Nonprofits Count!* to the second building block: *Budgeting for the New Normal*.

June is not only the beginning of summer, but for FY June nonprofits it is also the time when we often seek final board approval of next year’s budget.

Under the demands of the not so new economic realities, the role and focus of budgeting is changing. Developing a budget that focuses on building your balance sheet, prioritizing your activities and defining your business plan will ensure that you not only can identify your organization’s goals, but that you will have a clear document that charts the way through the financial lens.

As we continue to explore the other building blocks, we look forward to your input and comments. In regards to where you can send your comments, we are happy to announce that Terence Cook, MPA, is the new Manager of the FMA Institute. Please contact him at tcook@fmaonline.net to provide us with insight into how your budgeting process works or how this e-letter can better serve you.

With Warmest Regards,

Hilda H. Polanco, CPA
Founder and Managing Director
Fiscal Management Associates, LLC

Feature Article

Rethinking Your Budget

By Sarah Walker, MPA, Senior Consultant, FMA

In the “new normal” of today’s economy, there is increasing need for organizations to refocus on their budget development process. In the past it may have been feasible to look forward on only a 12 month horizon when matching dollars to your organization’s planned activities. However, to address the challenges of the economic paradigm as we now know it, and to ensure sustainability in the long-term, organizations must work to broaden the scope of their financial planning process. Below are some steps that you may want to incorporate as you lead your organization through a more comprehensive financial planning process.

Use the Balance Sheet to assess the organization’s financial position

Before beginning the budget development process, step back and take time to understand, from a financial perspective, where your organization has been, where it is now, and what the goals are for the future. Begin by analyzing and understanding the Balance Sheet (also referred to as the Statement of Financial Position) which is the statement that best captures a snapshot of the organization’s financial health at a point in time.

In analyzing the Balance Sheet, take a look at each asset category and determine the trends over the past three to five years, with a special focus on liquidity.

What has been the trend in cash?

What is the rate of collection on receivables?

Do temporarily restricted net assets best support the organization’s core programs?

Analyze the organization’s historical reliance on debt, as well as its

ability to meet current liabilities. Finally, gain an understanding of the makeup of the unrestricted net asset balance:

How liquid are the unrestricted net assets?

What percentage of those assets are tied up in a building or other fixed assets?

How has the unrestricted net asset balance been trending over time?

Think of the liquid portion of the unrestricted net asset balance as an organization's operating reserve – if this balance is low and trending downward, what will the organization have to rely on in a future crisis?

Ask yourself: if past trends continue into the future, what will the impact be? Will we run out of cash? Will we deplete our unrestricted reserves? Based on your analysis, determine what long- and short-term strategies need to be put in place – from a financial planning perspective – to course correct.

Prioritize all activities

Now that you understand the financial reality of your organization from a Balance Sheet perspective, take a look at each activity.

How does each program align with the mission?

Which programs are generating revenue?

Which are draining resources?

Determine whether the organization can continue to support programs that are running significantly in the red, especially if they are not core to the organization's mission.

In a "zero-based" budgeting exercise, build up your organization from scratch activity by activity, prioritizing those programs that make the most sense from both a mission-based and financial perspective, and excluding those that don't.

Develop a three to five year business plan

Taking into consideration the analysis the organization's Balance Sheet and the assessment of program activities, begin to build a long-term strategy. Develop a business plan that looks forward at least

two-three years and incorporates strategies that will ensure the sustainability of your organization.

Through your financial and programmatic analysis, it may become clear that you need to incorporate some of the following strategies into your long-term plan:

- Build up an operating reserve by generating unrestricted surpluses each year
- Diversify revenue streams to increase the reliability of the organization's revenue base
- If possible, move away from government or other sources of funding that induce recurring cash flow issues
- Expand program services in areas that scored high in the mission-match and financial sustainability criteria

Once in place, ensure plans for developing reserves are incorporated into the business plan, if necessary. Define a plan to maintain those reserves so that they provide an adequate safety net for the organization to weather future economic storms. Finally, develop guidelines around the use of reserves so that there is clarity around what circumstances warrant their use, should there be another crisis looming over the horizon.

Put the business plan into action

A long-term business plan must be put into action year by year, month by month. Begin by drafting the operating budget for next year. Each annual operating plan should reflect the implementation of a portion of the long-term business plan. As each new fiscal year begins, progress against that annual budget, which is a piece of the long-term business plan, should be carefully monitored monthly.

Sarah Walker is a senior consultant for FMA. She holds an MPA from New York University's Robert F. Wagner Graduate School of Public Service and has led a variety of team based, nonprofit budgeting initiatives.

[To download a pdf copy of this article, please click here.](http://fmaonline.net/media/NPCounts_RethinkingYourBudgeting.pdf)

[To view past articles, please click here.](#)

http://fmaonline.net/custom/resourcecenter_publications_articles.html

FMA Institute Member Spotlight

Every e-alert we spotlight one of the FMA Institute Members. If you'd like to be featured as the next spotlight, please contact us at

fmainstitute@fmaonline.net



The New York City Anti-Violence Project is dedicated to eliminating hate violence, sexual violence and domestic violence in lesbian, gay, bisexual, transgender, queer and HIV-affected communities through counseling, advocacy, organizing and public education. We provide free and confidential assistance to victims and survivors of violence through our 24-hour bilingual (English/Spanish) hotline: 212-714-114. If you or anyone you know needs help, please call us today.

To learn more about the New York City Anti-Violence Project please visit them at www.avp.org.

FMA Institute Upcoming Courses

Is your organization a member? Receive complimentary access to the nonprofit financial management courses with [FMA Institute membership](#) using your organization member code. If you are a member and need your code, please contact us at fmainstitute@fmaonline.net.

You may also take the courses individually without membership. Course fees are listed on the page.

Nonprofit Financial Management Courses

Upcoming in-person courses (NYC location) include:

[Finance for Program Managers](#) on July 14. Designed with the concerns of Program Managers in mind, this course will provide guidance on a variety of financial management topics, with a special focus on budget development and monitoring. Other topics covered will include understanding the accounting cycle, interpreting financial reports, and building the critical relationship between program and fiscal staff. *The June NYC course is geared towards organization will*

budgets of \$5 million and under.

As these are in-person courses, seating is limited so please register ASAP to ensure a seat for your organization. This course will be held in our Training room at 440 Park Ave South, New York City.

Upcoming on-line course include:

Controls, Efficiencies, and Transparency on **July 5.** This course will help you to understand the best practices in developing, revising and implementing financial policies and procedures helping you operate more efficiently and present the best possible face to external agents. *Please pass this information on to anyone responsible for fiscal functions in your organization.*

Top 10 Strategies for Effective Fiscal Management on **July 7.** From budget planning and monitoring, to infrastructure and governance, this course will highlight the key essentials for making your finance operation run smoothly and effectively. With a focus on providing practical recommendations, this training will help staff at all levels in your organization understand the role of the financial function.

Certified Nonprofit Accounting Professional

If you play a role in a nonprofit finance office, CNAP is for you. CNAP is the abbreviation for Certified Nonprofit Accounting Professional, a national program that offers nonprofit finance office staff professional certification. Initiated and developed through The National Association of Nonprofit Accountants & Consultants (NPAC) formerly known as the Not-for-Profit Services Association, it is quickly growing to become the gold standard basic training for nonprofit financial professionals.

CNAP Online October Session

CNAP In-person - Now offered in Chicago & New York in the Fall.

FMA Institute members always get a 15% discount off of the CNAP program when they use the special CNAP code provided to them!

FMA Institute Membership Opportunities

The FMA Institute offers several types of membership opportunities for individual nonprofit organizations and foundations/associations. Membership fees for nonprofit organizations are based on budget size. Benefits include *unlimited professional development courses for your staff and board*, invites to an annual nonprofit seminar, discounts on the CNAP course, and frequent updates on the latest news in nonprofit financial management. **To learn more about membership please visit us at www.fmainstitute.net and**

click on membership.

FMA.Jobs

The www.fma.jobs site was established to help connect FMA's clients to job seekers who are committed to excellence in nonprofit financial management and is exclusively for job openings in the fiscal office with a starting salary of \$50,000 or more. We invite you to visit the site and invite you to post openings (free of charge for FMA clients, FMA Institute Members, and Friends of FMA).

[Click here to read more about the current open positions](#) that may include:

Chief Financial Officer - **NEW!**

Director of Finance and Administration - **NEW!**

Controller (2 openings)

Assistant Controller

Director of Finance (2 openings)

Director of Business Process Improvement

[Click here to read more about posting your open jobs.](#) Posting instructions are listed below. Please note jobs openings must be in the fiscal office with a starting salary of \$50,000 or more.

1. Go to www.fma.jobs
2. Click on the "Employers" tab on the left menu
3. Click on "Submit Job"
4. Use the login: **fmajobs** and password: **client**
5. Click on the "Submit Job" tab on the left menu
6. Enter Job Description, Qualifications, and How to Apply information, as well as Contact Information of the person to notify when the post expires, or in case we have questions.

Text space is limited. Please double check the text in the confirmation email that you receive. If you have any questions regarding posting or the site please email us at jobs@fmaonline.net.

What's New at FMA

FMA and MBAF-ERE's "We are Worth it!" Framing the Case for Full Cost of Programming

On June 2, over 100 nonprofit financial leaders, funders, and community leaders gathered in New York City to discuss understanding the *true* cost of running programs. President and CEO of United Way of New York City, Gordon Campbell, presented the keynote address at the event hosted by FMA and MBAF ERE. Following Mr. Campbell, a distinguished panel of experts was facilitated by Gretchen Dykstra, Senior Advisor to FMA and the former Commissioner of the NYC Department of Consumer Affairs. The panel, representing a diverse array of leadership, offered their unique perspective and candid input in a lively discussion on the cost of programming, strategies that include and go beyond grants, and innovative ways to deal with *true* cost. Panel members included Attie Gutttag, Executive & Development Consultant, Mary Jo Mullan, Consultant to Atlantic Philanthropies and Former VP for Programs at F.B. Heron Foundation, Alex Neuhoff, Partner from The Bridgespan Group, and Stephanie Palmer, Executive Director of New York City Mission Society.

A full press release and video highlights will be released in the near future.

Building a Common Vision for Shared Services - Nonprofits Sharing Resources

Amy Gudgeon, Manager of the Midwest FMA office, served on the panel event, "Building a Common Vision for Shared Services" at Dominican University in early May. The panel included discussions on the benefits of sharing technical expertise and resources among the nonprofit community. An article and photos are featured in the *Oak Park Online Journal*.

To read more about the event [click here](#).

The FMA Institute is providing free software user groups in Chicago!

For over 10 years Fiscal Management Associates has been strengthening nonprofits by cultivating strong financial leaders and leading the best practices in fiscal management. The FMA Institute has brought these premier trainings to desktops across the country with online instruction. But we know that for some, there is nothing like the face-to-face. That's why we are proud to announce that we will now be offering live, in-person training and FUND E-Z software user groups from our downtown Chicago office for those in the midwest. The first in-person [FUND E-Z software user group](#) will be held on July 21st.

Welcome and Congratulations to new and current

FMA staff

FMA welcomes **Pauline Poompan**, MPA, Associate Consultant, and **Jeffrey Perez**, FMA Institute Academic and Membership Associate. Congratulations to **Terence Cook**, MPA, former FMA Senior Consultant. He will become the new Manager of the FMA Institute!

Recent FMA Case Studies

Whether working with a small start-up nonprofit with two staff members or a multiservice organization with a budget of \$15 million or more, we tailor our services to the specific needs and circumstances of each client. **To read a few of our recent case studies, [please visit us here.](#)**



The Double Bottom Line

Should You Be Considering a Merger?

By David La Piana – May 11, 2011

When times are tough, funders start to think that mergers are a good idea for nonprofits.

Read more: <http://www.blueavocado.org/content/should-you-be-considering-merger>

Foundation Boards Can't Just Be Filled With Wealthy People

By Pablo Eisenberg- June 1, 2011

Nowhere are class divisions more visible than in the most elite of American institutions, the philanthropic foundations.

Read more: <http://philanthropy.com/article/Foundation-Boards-Shouldnt-Be/127738/>

Robin Hood Inspires Los Angeles Schools Chief On Poverty Battle

By Patrick Cole - May 31, 2011

Deasy, who took the helm of the 750,000-student Los Angeles Unified School District last month, said he wants to help launch a charity as early as two years from now that would “emulate” Robin Hood.

<http://www.bloomberg.com/news/2011-05-31/robin-hood-foundation-inspires-los-angeles-schools-chief-on-poverty-battle.html>

Giving to Charity by Managing Your E-Mail

By Stephanie Strom – May 27, 2011, *New York Times*

Send an e-mail, make a charitable donation. Delete an e-mail, make a charitable donation.

Read more:

<http://www.nytimes.com/2011/05/28/technology/28charity.html>

Exempt or Not Tax-Exempt? Find out here.

Use the searchable database from OpenData by Socrata and browse the list of 275,000 organizations that have lost their tax-exempt status because they did not file the legally required documents. The IRS announced the revocations on June 8. It's been reported that the report may contain some errors. Donors should not solely rely on this list, please check with the IRS.

Search the database here:

<https://opendata.socrata.com/Government/Search-The-Groups-That-Have-Lost-Their-Tax-Exempt-/j5va-k6fu>

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