A NEW WAY FORWARD:
REIMAGINING THE
NONPROFIT WORKPLACE

Virtual Engagement Series
Planning for Your Nonprofit’s Financial Health
Today’s Program

• Welcome & Housekeeping Notes

• Panelist Presentations

• Q&A with the Panel

• Closing Comments

• Lobby
Housekeeping Notes

• This entire webinar session is being recorded.
• Q&A time is built into each portion of the program.
• Use the “chat” function to share your questions anytime.
• Conversations are based on our best understanding at this time.
• The attorney presentation features legal guidance, not legal advice.
Next in Our Series

Upcoming Topics Include:
Mergers, Collaborations, Dissolutions, Transfer of Assets – September 10th

Advocacy and Civic Engagement in Relation to 501(c)3 Status

Final Series Session: Strategic Thinking for a way forward
A NEW WAY FORWARD: REIMAGINING THE NONPROFIT WORKPLACE

Thomas Linn
Chairman Emeritus
Miller Canfield

Katie Thornton
Partner
Plante Moran

Paul Trulik
Founder
Apparatus Solutions
OUR MISSION IS HELPING YOU DRIVE YOURS.
MAKING IT WORK IN MICHIGAN

Apparatus supports nonprofit organization’s business, accounting, and hiring needs so that you can focus on your core mission and reach your goals: making Michigan a great place to live, work, and play.

Our client organizations span advocacy, education, outreach, direct service, and arts & culture, all driven by the desire to positively transform their communities.

Apparatus Solutions is a strong, experienced team of professionals who understand the unique accounting, finance, and talent retention needs of the nonprofit community. We’re passionate about our work and consistently deliver exceptional value to nonprofit organizations.

Our mission is helping you drive yours.
UNDERSTAND:

Your Business Model or Income Statement (Statement of Activities)
- Reliable Revenue
- Consistent Surplus or Reserves

Balance sheet (Statement of Financial Position)
- Liquidity
- Manage Debt and Steward Facilities
- Net Assets – What You Own
MEASURE:

- Liquidity
- Unrestricted Reliable/Recurring Revenue
- Debt/Liability as a Percentage of Total Assets
- Full-cost Coverage
- Fundraising as a Percentage of Total Revenue
- Cash Flow from Operations
Financial Statements* are critical historical information.

Forecasts / Projections / Scenario Planning provide a prospective view of your business and are of critical importance in changing environments.

*Statement of Activities and Financial Position
WHAT SERVICES YIELD THE HIGHEST IMPACT?

Measure social impact
- Assess current outcome measurement methods
- Measure incremental impact of program components
- Benchmark against organizations with similar missions

Analyze financial costs to impact
- Labor intensity
- Cost per participant or program
- Highest yield – cost versus impact
Efficiencies in program delivery

- Can we modify our method of delivery?
  - Break tradition
  - Utilize technology: online meetings, webinars, and social media
  - Specialize or target specific services or populations

- Can we change our specific levels of service?
  - Modify service levels based on highest impact
  - Reduction of services based on impact
  - Individualize services based on need
LEVERAGING RESOURCES

Consolidation

- **Shared Space**
  - Multiple organizations in one administrative facility
  - Neighborhood Centers – One Stop/Multi-organization locations

- **Shared Services**
  - Finance and accounting
  - Human resources
  - Program referrals - specializations

Merger

- Identify organizations with similar missions
- Joint fundraising events
- Expand breadth/impact of services while creating cost efficiencies
- Reduce staffing plans
Revenue & Expenses

Revenue:

Variances in funding levels

- **Talk to key funders**
  - Extension of grant timelines
  - Reallocation of funds to operations
  - Emergency or bridge funding

- **Explore new revenue streams**
  - New grant opportunities
  - Collaborations
  - Fee-for-service schedule
  - Corporate sponsorships
  - Social media campaigns
REVENUE & EXPENSES

Program Expenses:

- Utilize methods from previous analyses and decisions
  - Impact & Outcomes
  - Service Delivery
  - Leveraging Resources

- Create staffing and compensation plans
  - Organizational Design Structure
  - Reductions based on service delivery for highest yield
  - Benchmark for marketability
  - Review benefit structure
Operational Expenses:

- **Utilize methods from previous analyses and decisions**
  - Shared or consolidated ancillary services
    - Finance and accounting
    - Human resources
  - Staffing and compensation plans
  - Benefit packages

- **Fixed Costs**
  - Negotiate with landlord
  - Negotiate interest on building mortgage or notes payable
  - Analyze current insurance package
  - Utility cost reductions from remote working/service delivery modifications
PREPARATION FOR SUCCESSFUL FINANCIAL SCENARIO PLANNING

- Know your current state – have high quality financial statements
- Assess your impact – have relevant outcome measurements
- Determine modifications to service delivery
- Explore leveraging resources through collaboration or merger
- Use relevant financial forecasting models
Katie Thornton
Plante Moran, Partner
COVID Considerations for Not-for-Profits
Government programs

• CARES Act
  • Paycheck Protection Program (PPP)
  • Other benefits
• Families First Act
Accounting Standards Delayed

• Financial Accounting Standards Board (FASB) delayed certain standards to provide relief
  • Revenue recognition
  • Leases

• Not delayed: Contributions standard
Audit considerations

- Virtual audit approach
- Internal controls in a remote environment
- PPP loan vs. revenue at 6/30
- Valuation of alternative investments
- Going concern
- COVID disclosures
Increased/New funding: New auditees

Single audits applicable to entities who expend $750K or more in federal funds

<table>
<thead>
<tr>
<th>TYPES OF FEDERAL AWARDS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants, cost reimbursement contracts, cooperative agreements, &amp; direct appropriations</td>
<td>Donated property, including donated surplus property</td>
</tr>
<tr>
<td>Amounts passed through to subrecipients</td>
<td>Food commodities</td>
</tr>
<tr>
<td>Loans &amp; loan guarantees</td>
<td>Interest subsidies</td>
</tr>
<tr>
<td>Program income</td>
<td>Insurance</td>
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</table>
New COVID-19 grants: Subject to single audit

<table>
<thead>
<tr>
<th>Program title</th>
<th>CFDA</th>
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<tbody>
<tr>
<td>Coronavirus Emergency Supplemental Funding Program</td>
<td>16.034</td>
</tr>
<tr>
<td>Coronavirus Relief Fund (CRF)</td>
<td>21.019</td>
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<tr>
<td>Disaster Assistance Loans (EIDL)</td>
<td>59.008</td>
</tr>
<tr>
<td>Educational Stabilization Fund</td>
<td>84.425</td>
</tr>
<tr>
<td>Uninsured COVID Testing and Treatment</td>
<td>93.461</td>
</tr>
<tr>
<td>Provider Relief Fund</td>
<td>93.498*</td>
</tr>
<tr>
<td>Grants for New and Expanded Services under the Health Center Program</td>
<td>93.527</td>
</tr>
<tr>
<td>Emergency Grants to address Mental and Substance use Disorders During COVID 19 Pandemic</td>
<td>93.665</td>
</tr>
<tr>
<td>Rural Health Clinic Testing</td>
<td>93.697</td>
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</table>

* Includes for profit entity requirements
New COVID-19 grants: **NOT** subject to single audit

<table>
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<tr>
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<tr>
<td>Coronavirus Food Assistance Program</td>
<td>10.130</td>
</tr>
<tr>
<td>Coronavirus Relief – Pandemic Relief for Aviation Workers</td>
<td>21.018</td>
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<tr>
<td>COVID-19 Telehealth Program</td>
<td>32.006</td>
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<tr>
<td>OED Resource Partners Training Portal</td>
<td>59.074</td>
</tr>
<tr>
<td>Economic Injury Disaster Loan <em>Emergency Advance</em></td>
<td>59.072</td>
</tr>
<tr>
<td>Payroll Protection Program Loans</td>
<td>59.073</td>
</tr>
</tbody>
</table>

*Not to be confused with Emergency Injury Disaster Loans (EIDL) received for purposes related to the COVID-19 pandemic under the SBA’s existing EIDL program (CFDA 59.008) are subject to single audit.*
Manual journal entry process

Example: New process

<table>
<thead>
<tr>
<th>Journal entry functions</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Finance clerk initiates journal entry by preparing a paper copy manual JE form. (This can be electronic. Think about ways to automate this through financial software workflows, or even through PDF copies). The journal entry is initiated into the manual journal entry module of the financial reporting software. (<em>All paper copies should be scanned</em> and attached to the journal entry support). Clerk forwards the electronic packet to the assistant finance director.</td>
<td>Assistant finance director reviews support for the journal entry and logs in to the manual journal entry module of the financial reporting software to ensure the PDF copy matches the initiated entry.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Process step:</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Responsible department:</td>
<td>Finance</td>
<td>Finance</td>
</tr>
<tr>
<td>Ability to do remotely?</td>
<td>Manual process</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Ensure secure and encrypted method for scanning*
### Manual journal entry process

#### Example: New process

<table>
<thead>
<tr>
<th>Journal entry functions</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process step:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After approving, the assistant finance director electronically signs off on the journal entry form and authorizes the entry in the software, effectively posting the entry.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Journal entries cannot be initiated and approved by the same individual. Only the assistant finance director can approve (&quot;post&quot;) entries. Any entries initiated by the assistant finance director have to be approved by the finance director.</td>
<td></td>
<td></td>
<td>The CFO reviews a log of journal entries posted at the end of each month. The CFO’s review also includes a review of budget to actual income statement reports, as well as a balance sheet at the income statement line item.</td>
</tr>
<tr>
<td>The software attaches a nonmodifiable date/time stamp to each manual entry which also includes the user that posted the entry and the user that approved the entry.</td>
<td></td>
<td></td>
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<td>Finance</td>
<td>Finance</td>
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<td>Yes</td>
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<td>Yes</td>
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</table>
Thomas Linn

Miller Canfield, Chairman Emeritus
Hard Times Ahead

• Good percentage of nonprofits will not survive the next two years.

• Financial needs have increased. Funding challenged as funding sources are strained.

• Issues are primarily financial rather than legal, but there are ancillary legal issues.
Cash is King

• Do careful cash on hand analysis and monitoring.

• Look for Line of credit if possible.

• Be honest with funders.

• Get board members engaged and involved.

• May need a consultant. Look for support from funders.

• Do not fail to remit payroll taxes and withholdings in a timely way.
Organizational Rationalization/Restructurings

• Mergers, shared administrative structures

• Funders may force or encourage. Funders may facilitate/finance

• Orderly dissolutions

• Bankruptcies liquidation or reorganizations

• The Attorney General may have a role.
Q&A
Resources

- Apparatus Cares Initiative
- Miller Canfield-Covid-19 Resource Center
- Plante Moran COVID-19 Resources
- Council of Michigan Foundations
- Michigan Community Resources
- Michigan Nonprofit Association
- Co.Act Detroit
- Detroit Means Business
Thank you for being a part of today’s conversation!

Please be sure to complete the evaluation at the end of the session.
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