

## **Best Practices in Financial Management for Nonprofits**

*Pro Bono Partnership of Atlanta*

August 5, 2009

### Case Studies

#### **CASE STUDY 1**

Sally Smith is a teacher by trade and has over the years owned and run daycare centers. She has always wanted to start a non-profit daycare to allow working homeless or indigent mothers a safe place to keep their children. She converted a garage and first floor of her home to a daycare, obtained the necessary certifications and opened the doors. She formed a 501(c)(3) entity, which has 3 officers so far, including Sally. Her other officers are her aunt Penny Page and her friend Jane Johnson. They have had one Board meeting.

Sally is often short on donations and supplies, so she will often loan paper products and food from her personal pantry to assist the daycare. Once in a while, when she runs short herself, she has to borrow some back.

Sally is pleased with the number of donations of supplies and clothes she's been receiving from friends and church members, and last week she solicited contributions from the community in the amount of \$2,000. One of her church members mentioned something about registration required for solicitations but she has not had a chance to look into it yet.

Sally opened a bank account for the daycare but she is so busy that she hasn't prepared a budget or set up a bookkeeping system.

Sally plans to evaluate her need for insurance. A number of people have expressed an interest in her cause, and she plans to enlist them, as well as some friends and church members, to serve on her board once she gets a chance to get organized.

#### **CASE STUDY 2**

Mary Mac has worked with Lovey Dovey NFP for 10 years. Because she has been with the organization for many years, she has been entrusted to handle a variety of finance functions. Mary Mac's current responsibilities include:

- Receiving, handling, opening, and reading all mail
- Processing all Contributions Received and Accounts Payables
- Processing and preparing employee and volunteer reimbursements
- Processing, signing, and mailing checks for Accounts Payables
- Making deposits and taking them to the bank
- Performing bank reconciliations
- Preparing annual budgets and financial reports as needed for Board and funders

Mary Mac's responsibilities have evolved over time, but nothing has been created to document the finance policies that she is expected to follow. The Executive Director has not expressed concern over the lack of documentation.

Mary Mac has proven that she can manage her time well; however, she has had unexpected situations arise from time to time, both personal and with work, that have made it difficult to handle all of her responsibilities on a timely basis. Mary Mac does not have the time to prepare monthly reconciliations. She is often behind on preparing the nonprofit's quarterly financial statements, and she is not sure that she is doing them properly given her lack of training.

### **CASE STUDY 3**

A Happy Place, Inc., a Georgia non-profit corporation, hired Carlos Maya in October 2008 to serve as its financial officer. Carlos's first task is to prepare the nonprofit's annual budget for calendar year 2009. He is optimistic about the economy and projects 300% increase in revenues. He also plans to increase salaries by 20%, including the salary of the executive director. Carlos heard that the Board, which includes the Executive Director, usually approves the budget with little or no discussion. In addition to his responsibilities in preparing the budget, Carlos is also responsible for managing payment of the nonprofit's expenses and responding to requests for financial information. During his first month on the job, the following issues came up:

- Dinara Safina joined the nonprofit's board of directors last week. She has inquired whether she will be paid a salary for her service as a director of the nonprofit. In addition, she is relocating to Atlanta from Macon and would like to buy a house near the nonprofit's office. Dinara has requested the nonprofit loan her \$50,000 for a downpayment on her new home.
- Andy Murray, an employee of the nonprofit, is traveling to Los Angeles on nonprofit business. Since it is such a long flight from Atlanta to Los Angeles, he has requested that the nonprofit purchase a first-class plane ticket for him. In addition, Andy has requested that the nonprofit pay the expenses for his wife Anne to travel with him. She has always wanted to visit Los Angeles and is hoping to run into many celebrities during her visit. Anne is not an employee of the nonprofit.
- Lindsey Davenport, an employee of the nonprofit, needed office supplies at Staples last week. She took money from the petty cash drawer and forgot to get a receipt.
- Joe Smith walked in off the street and asked to see a copy of the nonprofit's Form 990 for the last 3 years.