

WHAT YOUR ACCOUNTANT WANTS YOU TO KNOW

Presented by: David Piscorik, CPA

Stancil & Company, CPAs
4909 Windy Hill Drive
Raleigh, NC 27609
919/872-1260
dpiscorik@stancilcpa.com



ABOUT THE SPEAKER

- Director of Auditing Services – Stancil & Company, CPA's.
 - Concentrate my efforts in serving not-for-profit organizations and closely-held family-owned businesses, overseeing 60+ attestation engagements a year.
- A member of the Association Executives of North Carolina, serving on its Professional Development Committee and Membership Committee.
- A member of the North Carolina Association of Certified Public Accountant's Not-For-Profit Committee.
- AICPA and NCACPA Member
- Graduate of the University of Scranton
- Three children, Aniela, Thomas & Samuel.

WHAT YOUR ACCOUNTANT WANTS YOU TO KNOW

- Treat Your Not For Profit Organization like a Business
- Accounting Cost Considerations
- Accounting Recommendations That You Can Implement Into Your Business Today!

WHAT YOUR ACCOUNTANT WANTS YOU TO KNOW

- Treat Your Not For Profit Organization like a Business
 - Take steps to clearly define the organization's mission, promote its cause, and focus on the finances to ensure you have enough capital to sustain your mission.

TREATING YOUR NOT FOR PROFIT ORGANIZATION LIKE A BUSINESS

- Take steps to clearly define the organization's mission, promote its cause, and focus on the finances to ensure you have enough capital to sustain your mission.
 - **Value your donors (customers)**
 - Donors have options, make sure you appreciate them
 - Send prompt acknowledgments of their donations
 - Stay connected
 - Consider purchasing donor management software

TREATING YOUR NOT FOR PROFIT ORGANIZATION LIKE A BUSINESS

- Take steps to clearly define the organization's mission, promote its cause, and focus on the finances to ensure you have enough capital to sustain it.
 - **Invest in good people (employees)**
 - They are the face of your organization
 - May be difficult to compete on wages.
 - Focus on your differentiators. Not all benefits have to be monetary.
 - » vacation time, flexible schedules.
 - Look for training programs/ seminars
 - » Stay on top of new developments in your field.
 - **Volunteers**
 - Volunteers want what your paid staff want. Recognition, Thanks, Communication, Training. Let them know the impact their making.

TREATING YOUR NOT FOR PROFIT ORGANIZATION LIKE A BUSINESS

- Take steps to clearly define the organization's mission, promote its cause, and focus on the finances to ensure you have enough capital to sustain it.
 - **Don't neglect marketing**
 - Just as a business has to promote their product in the marketplace, so do you. There are over 60,000 NFP's in North Carolina alone.
 - Draft a marketing plan
 - » Set long term goals and initiatives.
 - » Promote your mission statement in the community.
 - » Plan for capital campaign fundraisers
 - » Website
 - » Direct Mail
 - » Social Media

TREATING YOUR NOT FOR PROFIT ORGANIZATION LIKE A BUSINESS

- Take steps to clearly define the organization's mission, promote its cause, and focus on the finances to ensure you have enough capital to sustain it.
 - **Establish a strong board of directors**
 - Form strong bonds with board members
 - Use as a source of fundraising
 - Designate reoccurring tasks for them to complete to stay engaged
 - Add members with a wide array of professional expertise
 - » Accountants
 - » Attorneys
 - » Utilize their knowledge

TREATING YOUR NOT FOR PROFIT ORGANIZATION LIKE A BUSINESS

- Take steps to clearly define the organization's mission, promote its cause, and focus on the finances to ensure you have enough capital to sustain it.
 - **Establish an annual budget**
 - Create a responsible budget that is achievable.
 - Bottom-up approach (expenses)
 - Top-down approach (revenue)

TREATING YOUR NOT FOR PROFIT ORGANIZATION LIKE A BUSINESS

- Take steps to clearly define the organization's mission, promote its cause, and focus on the finances to ensure you have enough capital to sustain it.
 - **Treat your 990 as a marketing tool to tell your story and stand out**
 - Form 990 provides an opportunity to promote your work to your donors, potential donors and other important constituents.
 - Treat the 990 as your organizations resume.
 - » Provides section to describe your organizations mission.
 - » Provides section to describe your program activities for the year.
 - Form 990 is a public document available on guidestar.org.
 - » It helps donors understand how their contributions and your fundraising efforts are utilized and what costs are associated with your nonprofit's administration.

WHAT YOUR ACCOUNTANT WANTS YOU TO KNOW

- Accounting Cost Considerations
 - **Does your organization really need an annual audit?**
 - Non Profit organizations dealing with shrinking budgets are carefully examining each budget line item to identify areas of potential cost savings. One such area is the annual audit; which can represent a significant expense, especially for a smaller organization.

ACCOUNTING COST CONSIDERATIONS

- Does your organization really need an annual audit?
 - Non Profit organizations dealing with shrinking budgets are carefully examining each budget line item to identify areas of potential cost savings. One such area is the annual audit; which can represent a significant expense, especially for a smaller organization.
 - **What is an audit?**
 - professional standards require the independent auditor to obtain sufficient evidential matter in order to render an opinion as to whether the Association's financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles or GAAP.
 - The audit procedures are quite extensive and are planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. The audit process is very thorough and exhaustive, and as such, expensive.

ACCOUNTING COST CONSIDERATIONS

- Does your organization really need an annual audit?
 - If outside parties (grantors, lenders) or the organization's bylaws do not require an annual audit, then the organization may want to consider stepping down to a Review engagement
 - **What is a Review?**
 - Review procedures consist primarily of analytical procedures performed and inquiries made of management. There is no opinion expressed regarding the reviewed financial statements; the accountant's review report provides limited assurance regarding any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with GAAP.

ACCOUNTING COST CONSIDERATIONS

- Does your organization really need an annual audit?
 - A significant benefit to the organization for choosing a review engagement is cost. A review engagement is significantly less in scope than an audit and can save the organization anywhere from 30%-60% from the cost of having an annual audit conducted. Additionally, the organization continues to receive a complete set of financial statements for their records on an annual basis
 - **Is a Review engagement for me?**
 - . Check with your grantor/ lender as many outside parties typically accept reviewed financial statements for their needs in lieu of audited financial statements.
 - If your accounting books and records are in fairly good shape and typically only require minor adjusting journal entries, if any..
 - If you receive little to no material weaknesses, significant deficiencies or management letter comments from your auditors.
 - Consider a 3 year rotating schedule, whereas a audit is conducted every three years.

ACCOUNTING COST CONSIDERATIONS

- Does your organization really need an annual audit?
 - **Alternative Attestation Services**
 - Compilation Engagement
 - » A compilation engagement is particularly appropriate when your need is only for a set of financial statements to assess the financial aspects of programs and activities.
 - » The accountant simply takes financial information that is the representation of management and puts that information into the form of financial statements in accordance with generally accepted accounting principles or GAAP.
 - Agreed Upon Procedures (AUP)
 - » Agreed upon procedures focus on what you specifically want the accountant to look at.
 - » The accountant issues a report of findings on the specific procedures

ACCOUNTING COST CONSIDERATIONS

- Consider Outsourcing Your Accounting Department
 - Free up staff to focus fully on the mission of the organization and providing for it's members.
 - Monthly financial statements accurate, reconciled and timely.
 - Opportunities for cost savings
 - Example, save \$20k annually.

ACCOUNTING COST CONSIDERATIONS

- Example: Setup: 3 employees
 - Executive Director, Program Director, and a Communications / Administration/ Member Services/ Bookkeeping
 - Organization is considering hiring ½ time position
 - \$2,000/mo. Salary, + \$750/mo. Benefits
 - = \$2,750 monthly cost
 - Consider outsourcing Accounting Duties
 - Outsource billing, deposits, check writing, payroll, reconciliations, monthly reporting
 - \$750 month
 - Organization Saves \$2,000/mo., reduces annual audit costs; plus provides more dedicated time/ services to achieving it's mission!

WHAT YOUR ACCOUNTANT WANTS YOU TO KNOW

- Accounting Recommendations That You Can Implement Into Your Business Today!
 - Strengthen the organizations Internal Controls
 - Provide relevant accounting information to the Board of Directors

ACCOUNTING RECOMMENDATIONS THAT CAN POSITIVELY IMPACT YOUR BUSINESS TODAY!

- Strengthen the organizations Internal Controls
 - **Review Bank Statements**
 - A person independent of the accounting cycle should receive and review the unopened bank statement
 - Independent person (recommend using a board member)
 - Scan for unusual items ACH debits and Transfers
 - Review cancelled checks (scanned images)
 - » Note proper signor of check
 - » Review endorsement of check
 - » Scan payee and amounts
 - Document review procedures by initialing and dating bank statement and submitting to the finance committee and entered into the minutes.
 - Helps reduce segregation of duties issues within an organization

ACCOUNTING RECOMMENDATIONS THAT CAN POSITIVELY IMPACT YOUR BUSINESS TODAY!

- Strengthen the organizations Internal Controls
 - **Review Bank Reconciliations**
 - A person independent of the accounting cycle should receive and review the monthly bank reconciliations.
 - Independent person (recommend using a board member)
 - Scan for unusual reconciling items
 - » Note adjustments posted to “force” reconciliation.
 - » Review outstanding check list for stale dated checks
 - » Review deposit in transit list for stale dated deposits.
 - Document review procedures by initialing and dating bank reconciliation and submitting to the finance committee and entered into the minutes.
 - Helps reduce segregation of duties issues within an organization

ACCOUNTING RECOMMENDATIONS THAT CAN POSITIVELY IMPACT YOUR BUSINESS TODAY!

- Strengthen the organizations Internal Controls
 - **Utilize Lockbox Service**
 - Brings your bank into your internal control environment.
 - Check payments to the organization are mailed to a PO box located at the bank.
 - Bank employees prepare deposit on behalf of the organization.
 - Bank sends a report to organization with daily activity for recording and documentation purposes.
 - Helps reduce dedicated staff time that can be better utilized focusing on the mission of the organization.
 - Helps reduce segregation of duties issues within an organization

ACCOUNTING RECOMMENDATIONS THAT CAN POSITIVELY IMPACT YOUR BUSINESS TODAY!

- Strengthen the organizations Internal Controls
 - **Utilize Positive Pay Service**
 - Brings your bank into your internal control environment.
 - Fraud detection tool to reduce risk of unauthorized checks from being cashed by the bank.
 - Organization uploads file to bank detailing “approved” checks to be cashed.
 - File includes payee name, amount and check number.
 - When a check is presented at bank. The bank electronically compares the check to the approved list of transmitted checks.
 - Any discrepancies would be investigated by the bank.

ACCOUNTING RECOMMENDATIONS THAT CAN POSITIVELY IMPACT YOUR BUSINESS TODAY!

- Provide relevant accounting information to the Board of Directors
- Financial presentations at board meetings should provide a quick snapshot of the current financial status of the organization.
- Detailed financial statements and comparisons to budget line item details should be discussed through the finance committee.
- The Board should receive a summary report of key issues related to the finances of the organization.
- A “Financial Dashboard” can provide your accounting measurements and metrics in an efficient and effective manner.

ACCOUNTING RECOMMENDATIONS THAT CAN POSITIVELY IMPACT YOUR BUSINESS TODAY!

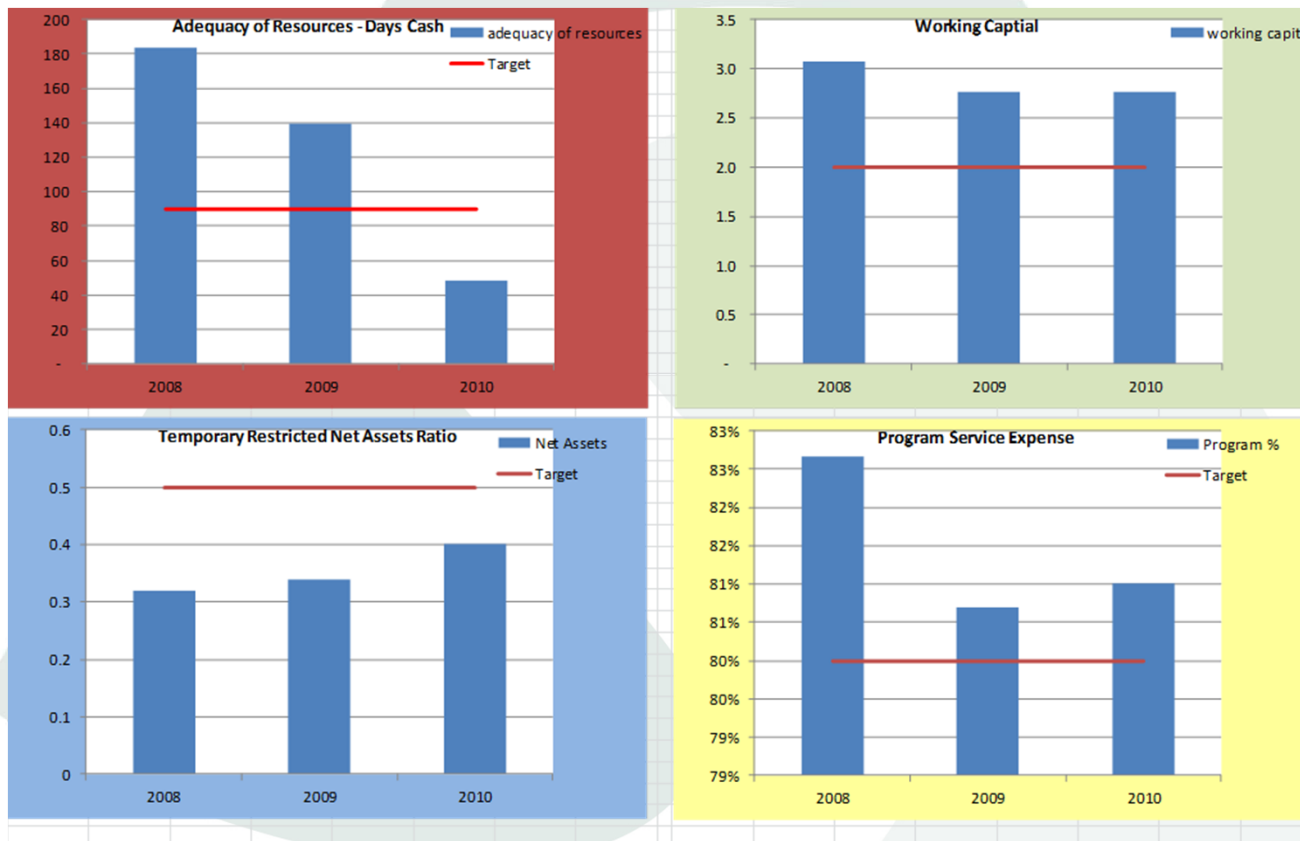
- Creating a color coded financial “dashboard” provides a quick and easy reference to relevant information

September	MONTH				YEAR TO DATE			
	Actual	Budget	%Variance	Year to Date	Budget	%Variance	Year to Date	%Variance
REVENUE								
Net Sales	78,000	88,200	88.5%	88,200	88,200	88.5%	218,447	88.5%
Other Revenue	17,500	17,500	100%	17,500	17,500	100%	52,500	100%
EXPENSES								
Cost of Goods Sold	47,000	52,000	90.4%	52,000	52,000	90.4%	155,000	90.4%
Operating Expenses	12,500	13,500	92.6%	13,500	13,500	92.6%	40,500	92.6%
Income								
Operating Income	18,500	22,700	81.5%	22,700	22,700	81.5%	21,947	81.5%
Other Income	1,000	1,000	100%	1,000	1,000	100%	3,000	100%
Net Income	19,500	23,700	82.3%	23,700	23,700	82.3%	24,947	82.3%
PER SHARE								
Operating Income	0.45	0.57	78.9%	0.57	0.57	78.9%	0.55	78.9%
Net Income	0.49	0.59	83.1%	0.59	0.59	83.1%	0.62	83.1%
FINANCIAL STATEMENTS								
Balance Sheet	1,000	1,000	100%	1,000	1,000	100%	3,000	100%
Income Statement	1,000	1,000	100%	1,000	1,000	100%	3,000	100%
Statement of Cash Flows	1,000	1,000	100%	1,000	1,000	100%	3,000	100%
Statement of Retained Earnings	1,000	1,000	100%	1,000	1,000	100%	3,000	100%



ACCOUNTING RECOMMENDATIONS THAT CAN POSITIVELY IMPACT YOUR BUSINESS TODAY!

- Blue = Exceeds Targets, Green = Meeting Targets, Yellow = Slightly Below Targets, Red = Below Targets



ACCOUNTING RECOMMENDATIONS THAT CAN POSITIVELY IMPACT YOUR BUSINESS TODAY!

- Accounting measurements and metrics use financial data to summarize organizational performance
- Accounting measurements and metrics are tools used to improve financial decision making
- Provides a quick snapshot approach that is easy to understand.
- Helpful in identifying trends within the Organization.

ACCOUNTING RECOMMENDATIONS THAT CAN POSITIVELY IMPACT YOUR BUSINESS TODAY!

- Accounting Measurements & Metrics for Non Profit Organizations.
 - Adequacy of Resources
 - Investment Returns
 - Working Capital
 - Debt Ratio
 - Net Asset Ratios
 - Income Reliance Ratios
 - Program Service Expense Ratio
 - Fundraising Efficiency
 - Savings Indicator
 - Cost Per Unit of Service Ratio

CONTACT INFORMATION

David J Piscorik, CPA
Stancil & Company, CPAs
4909 Windy Hill Drive
Raleigh, NC 27609
919/872-1260
dpiscorik@stancilcpa.com

