2012 Summer Institute

Non-Profit Financial Management in Behavioral Health Environment

Center for Applied Behavioral Health Policy
13th Annual Conference
July 17-20, 2012
Sedona, Arizona

July 18, 2012 Carol Luna-Anderson, PhD, LPCC
Learning Objectives

* What is Basics of Nonprofit Financial Management
* What is role of Executive Director
* How to understand budgeting and managing budgets
* Learning relationship of business practices, strategic planning and financial viability
Executive Director is responsible for determining how the organization spends its money and generates financial support. Managing and raising funds effectively is critical to the sustainability of the organization and will be an issue of particular concern to the Board of Directors.
This is not what your job looks like!
Everything’s Changing …especially health care right now

How can I (Leader of agency) handle it??

- Sometimes its hard dealing with all the new changes
- Change can be good!
- Change is also scary and challenging.
  - Health Homes, EHR, EBP, Health Reform
  - Change happens all the time.
  - Be informed.
  - Don’t be afraid of things going well.
  - Don’t be overwhelmed with the thought of things going bad
How To Manage The Money

Budget, Budget, Budget

- Statement of financial position
  - Assets and liabilities for a moment in time
  - Balance sheet
- Statement of Activities – profit and loss
  - Funding sources and program expenses
- Monitoring, Managing, Making the hard decisions
What are the basic principles of financial management?

- Funding-raising strategies and funding sources are consistent with and supportive of organization mission;
- Systemic preparation of budgets are linked to strategic, operational and program plans;
- Budgeting supports the human resources and organizational capacity necessary to achieve the mission;
- There are internal control systems that enable production of regular, consistent and reliable financial information;
- There are internal or external accounting systems that provide regular financial reports;
What are the basic principles of financial management?

- That financial reports can be utilized to track resources, monitor program spending against budget allocation and assess the cost-effectiveness of program;

- There is an efficient grant programming system and provision of finance and administrative technical support;

- There is regular financial reporting to management, the governing board, donors and communities/constituencies, and annual financial auditing of accounts, and;

- There is transparent annual reporting.
Self-Assessment Checklist: Financial Management
Developed by the Caribbean Regional Network

**Exercise:**

Assess the degree to which organization is successfully implementing the principle.

The questions are designed to be thinking points/guidelines to help you identify areas that are already at a good practice level, and areas that need to be developed and strengthened.
Self-Assessment Checklist: Financial Management

Exercise: see handout

In completing the self-assessment checklist, you are likely to identify some areas that are in need of improvement and some that are already at a good practice level.
Key Questions

1. Does your organization have a comprehensive annual budget, which includes sources and uses of funds for all aspects of operations, as well as grant and contract agreements with funders?
Key Questions

2. Does the Board formally authorize the annual budget and revisions to the budget?
Key Questions

3. Does the organization have written policies and guidelines for fiscal operations including procedures for processing payroll, purchases, accounts payable, accounts receivable, etc?
Key Questions

4. Is the concept of separation of duties implemented as much as possible within the limitations of the size of the organization?
Key Questions

5. Is there a complete written chart of accounts that provides appropriate account titles and numbers for Assets, Liabilities, Net Assets, Revenues and Expenses?
Key Questions

6. Are all accounting records backed up daily?
Key Questions

7. Are all general ledger balances sheet accounts for the organization reconciled at least quarterly and all cash, payroll, and accounts receivable control accounts reconciled monthly?
8. In organizations with multiple programs, are statements of revenue and expenses of each distinct programs/funding source developed to include monthly preparation, fiscal (year to date) activity and a comparison to year to date or annual budget by line item?
Key Questions

9. Does the fiscal manager highlight unusual items and identify potential problems in notes to the financial statements, which are shared with the Executive Director and Board?
10. Does the Board review the annual audit and report on internal controls and compliance with governmental law and regulation?
The following action plan table can be used to improve your organization’s work on Financial Management.
## Action Plan

<table>
<thead>
<tr>
<th>Expected Outcomes</th>
<th>Key Activities</th>
<th>Action Points</th>
<th>Resources</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(What do we want to achieve?)</em></td>
<td><em>(What we need to do?)</em></td>
<td><em>(How do we do it?)</em></td>
<td><em>(What kind of support do we need to do it?)</em></td>
<td><em>(When will we do it?)</em></td>
</tr>
</tbody>
</table>

|   |   |   |   |   |
Something more Fun!
Picture this as your Agency!
Every person is vital in making the organization sustainable and fiscally sound.

- Inventory management (paper and pens)
- Billing, Claims submissions
- Risk management
- Delivery of services
- Staff to client/patient/participants/member ratio
Before we can manage the finances we must obtain / get the funds!

We can’t manage what we don’t have
Raising Funds

- Fundraising
  - Donation
    - Individuals, corporations, foundations
  - Grant writing
  - Events
  - Revenue producing sources within agency
    - Cookies, gift bags, pet grooming (Job training)
Contracts / Agreements

- Federal, State and Local funding
  - Medicaid, Medicare
  - HUD, SAMHSA, DOJ, etc
  - State or Local contracts
    - State general fund to regional authority to provider
    - County or City funding to provider
Cost Allocation

- Direct Cost is an expense that can be directly identified and attributed to specific department or function. The expense is obviously and easily related to the specific aspect of a project or department.
Administrative Cost is management expenses, program support and shared costs, such as depreciation, operations and maintenance of facilities, rental equipment and are Prorated as direct costs to each of the programs.
Cost Allocation

Indirect Cost is the process of accounting for all the costs incurred that do not directly lead to some sort of output. Indirect costs are costs for supportive activities that are necessary to maintain the direct effort involved in providing services.

- Such as telephone/fax, computer/IT, charting, transportation
Cost Allocation

Example Life Link Policy
Cost Allocation Plan

The Life Link

Rental Assistance Program (RAP)
Cost Allocation Plan
May 16, 2012

Costs that benefit two or more housing programs, but not all programs, are allocated to those programs based on the ratio of each program’s personnel cost, benefits, administrative cost and indirect cost.

Housing Services Program: Expenses Amount = $165,311.08

<table>
<thead>
<tr>
<th>Grant/Funding</th>
<th>ES</th>
<th>RAP</th>
<th>HH</th>
<th>LLA</th>
<th>Private</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$0.00</td>
<td>$6,880.00</td>
<td>$24,442.00</td>
<td>$18,875.00</td>
<td>$78,752.24</td>
<td>$128,949.24</td>
</tr>
<tr>
<td>Admin. Cost</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$6,750.00</td>
<td>$14,461.84</td>
<td>$21,211.84</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$1,375.00</td>
<td>$13,775.00</td>
<td>$15,150.00</td>
</tr>
<tr>
<td>Contract Cost</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$0</strong></td>
<td><strong>$6,880.00</strong></td>
<td><strong>$24,442.00</strong></td>
<td><strong>$27,000.00</strong></td>
<td><strong>$106,989.08</strong></td>
<td><strong>$165,311.08</strong></td>
</tr>
<tr>
<td><strong>% Allocated</strong></td>
<td>0%</td>
<td>4%</td>
<td>15%</td>
<td>16%</td>
<td>65%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Direct and Indirect Services Percentages

Most claims systems can calculate this now, but you must understand what you are looking at.

The Life Link standards of service delivery of direct service staff is 60%.

Example and Discussion
# Direct and Indirect Percentage

**Billing February 2012**

| Client Name | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | TOTALS |
|-------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-------|
| 1           | 2  | 4  | 2  | 2  | 1  | 4  | 2  | 2  | 1  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 19    |
| 2           | 10 | 4  | 2  | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 32    |
| 3           | 2  | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1    |
| 4           | 2  | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 16    |
| 5           | 1  | 1  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 14    |
| 6           | 2  | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 4     |
| 7           | 1  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 3     |
| 8           | 3  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 11    |
| 9           | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 8     |
| 10          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 2     |
| 11          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 12          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 13          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 2     |
| 14          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 4     |
| 15          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 11    |
| 16          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 10    |
| 17          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 18          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 21    |
| 19          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 6     |
| 20          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 2     |
| 21          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 22          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 6     |
| 23          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 24          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 25          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 2     |
| 26          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 27          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 6     |
| 28          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 2     |
| 29          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 30          | 2  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 5     |
| 31          | 1  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 32          | 1  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 33          | 1  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 34          | 1  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 35          | 1  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |
| 36          | 1  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | 1     |

**Totals**

|          | 0  | 17 | 20 | 0  | 0  | 22 | 0  | 18 | 14 | 21 | 0  | 0  | 23 | 20 | 17 | 17 | 17 | 0  | 0  | 0  | 19 | 19 | 15 | 20 | 0  | 0  | 45 | 16 | 12 | 301 |

**Total Clients**

- Total Billed Hours: 87,75
- Hours Paid: 158,25
- Hours pd not worked: 15,5
- Total Hours Paid: 168,75
- Direct Serv %: 52.00%
- Dir Ser % hs pd: 57.26%
Conclusion

- Discussion
- Questions
- Resources
  - www.managementcraft.com
  - http://managementhelp.org
    - Free management library
  - www.strengtheningnonprofits.org
  - www.thenationalcouncil.org