From Numbers to Action: Supporting Boards in Financial Decision-Making

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LET'S TALK MONEY
NONPROFIT FINANCE BASICS

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BOARD MEETING AGENDA

- Mission moment
- Consent agenda
- Cien años de soledad
- Committee reports
- Event planning
- Closure

CIEN AÑOS DE SOLEDAD

Muchos años después, frente al pelotón de fusilamiento, el coronel Aureliano Buendía había de recordar aquella tarde remota en que su padre lo llevó a conocer el hielo. Macondo era entonces una aldea de veinte casas de barro y cañabrava construidas a la orilla de un río de aguas diáfanas que se precipitaban por un lecho de piedras pulidas, blancas y enormes como huevos prehistóricos. El mundo era tan reciente, que muchas cosas carecían de nombre, y para mencionarlas había que señalarlas con el dedo. Todos los años, por el mes de marzo, una familia de gitanos desarrapados plantaba su carpa cerca de la aldea, y con un grande alboroto de pitos y timbales daban a conocer los nuevos inventos.

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1. Meet people where they are.

Prior knowledge drives future knowledge.

What someone knows will determine what they can learn, remember, and use.

"Experts are not fully aware of about 70% of their own decisions and mental analysis of tasks and so are unable to explain them fully even when they intend to support training... or the work."

Clark, Richard & Feldon, David & Van Merrienboer, Jeroen J. G. & Yates, Kenneth & Early, Sean. (2008). Cognitive task analysis.

Tip
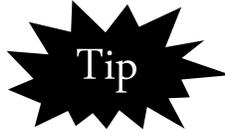
Know where your people are in their finance knowledge.
Invest in nonprofit finance learning.
Adopt a beginner's mind to identify the 70%.

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2. Focus their attention on what matters.

Tip

When we direct people where to look, we reduce cognitive overload and improve comprehension and retention.

ABC NONPROFIT
BALANCE SHEET
SEPTEMBER 30, 20XX

ASSETS

	20XX	Last year
Current assets		
Cash and cash equivalents	$ 25,843	$ 29,829
Investments	17,855	17,440
Accounts receivable	6,833	5,750
Grants receivable	5,467	2,602
Promises to give	18,751	12,144
Prepaids and deposits	3,284	1,743
Total Current Assets	78,033	69,508
Land	86,839	84,839
Building and Equipment, net	190,745	189,176
Promises to Give, long-term	6,600	12,550
Endowment Investments	23,203	21,959
	$ 385,420	$ 378,032
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 7,320	$ 5,530
Accrued Liabilities	13,220	12,421
Line of credit	15,000	0
Current portion of long-term debt	2,662	2,758
Total Current Liabilities	38,202	20,709
Long-term Debt, less current portion above	47,731	50,489
Total Liabilities	85,933	71,198
Net Assets		
Without donor restrictions	256,115	255,710
With donor restrictions	43,372	51,124
Total Net Assets	299,487	306,834
	$ 385,420	$ 378,032
Current Ratio	2	3

What to look for

1. Amount of money outside of your organization
2. Current ratio
3. Big changes from year to year
4. Restrictions

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3. Give them a chance to make meaning from the numbers.

Stories create meaning. They allow us to understand the world and ourselves better.
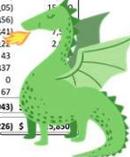
Tip

Use storytelling to explore 3 layers of your org's finances

Understanding
They understand the numbers

Business Model
- Implications of the numbers
- Income- and expense-related scenarios

Myths and stories
Values and beliefs (Overhead vs. core admin expense, Fair pay, etc.)

(Income statement table for ABC NONPROFIT, INCOME STATEMENT, SEPTEMBER 30, 20XX)

	YTD Actual	YTD Budget	Budget Variance	20XX Budget
INCOME				
SUPPORT				
Individual donor contributions	$ 75,636	$ 64,375	$ 11,261	$ 87,000
Foundation grants - Acme Foundation	15,000	50,000	(35,000)	50,000
Foundation grants - other	25,000	35,000	(10,000)	40,000
State contracts	21,107	23,000	(1,893)	25,000
County contracts	8,849	10,000	(1,151)	10,000
In-kind	9,750	8,500	1,250	10,000
Special events	5,055	5,000	55	28,000
Other	1,027	1,000	27	2,000
Total support	$ 161,424	$ 196,875	$ (35,451)	$ 252,000
REVENUE				
Admissions	$ 31,758	$ 28,000	$ 3,758	$ 38,000
Membership fees	9,737	9,200	537	12,000
Sales of items	3,689	3,700	(11)	5,000
Interest income	128	125	3	200
Other	165	170	(5)	500
Total revenue	$ 45,477	$ 41,195	$ 4,282	$ 55,700
Total support and revenue	$ 206,901	$ 238,070	$ (31,169)	$ 307,700
EXPENSES				
Salaries, benefits, & taxes	$ 141,359	$ 138,750	$ 2,609	$ 185,000
Occupancy (rent, utilities)	24,686	24,911	(225)	34,000
Communication (phone, internet)	1,872	1,875	(3)	2,500
Technology	1,936	1,875	61	2,500
Professional development	1,011	1,000	11	1,000
Program expenses	11,087	18,050	(6,963)	24,000
Professional fees (CPA, attorney...)	10,145	11,250	(1,105)	15,000
Supplies	5,749	6,205	(456)	
Printing	6,832	7,373	(541)	7,2..
Insurance (liability/ D&O)	3,386	1,264	2,122	2,..
Fundraising (general)	1,243	1,200	43	
Fundraising (special event)	2,237	1,800	437	
Depreciation	2,138	2,138	0	
Other	567	500	67	
Total expenses	$ 214,248	$ 218,191	$ (3,943)	
Excess (Deficit)	$ (7,347)	$ 19,879	$ (27,226)	5,8..

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4. Make it social.

Adults learn best when they can engage with others—sharing experiences and solving real problems together—because it deepens understanding and builds confidence.

Full group

Tip

Pair

- ✓ Scenarios
- ✓ Storytelling
- ✓ Strategic questions

Small group

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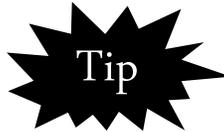## 5. Tap into their emotions.

We all have a money story around which we have an emotional connection.

"
Money.

Money!

Emotions create habits. Not repetition. Not frequency. Not fairy dust. Emotions.
"

BJ Fogg, author of *Tiny Habits: The Small Changes That Change Everything*

Tip

Talk about board members' money stories. Anchor in why something matters. Help each person know their role.

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