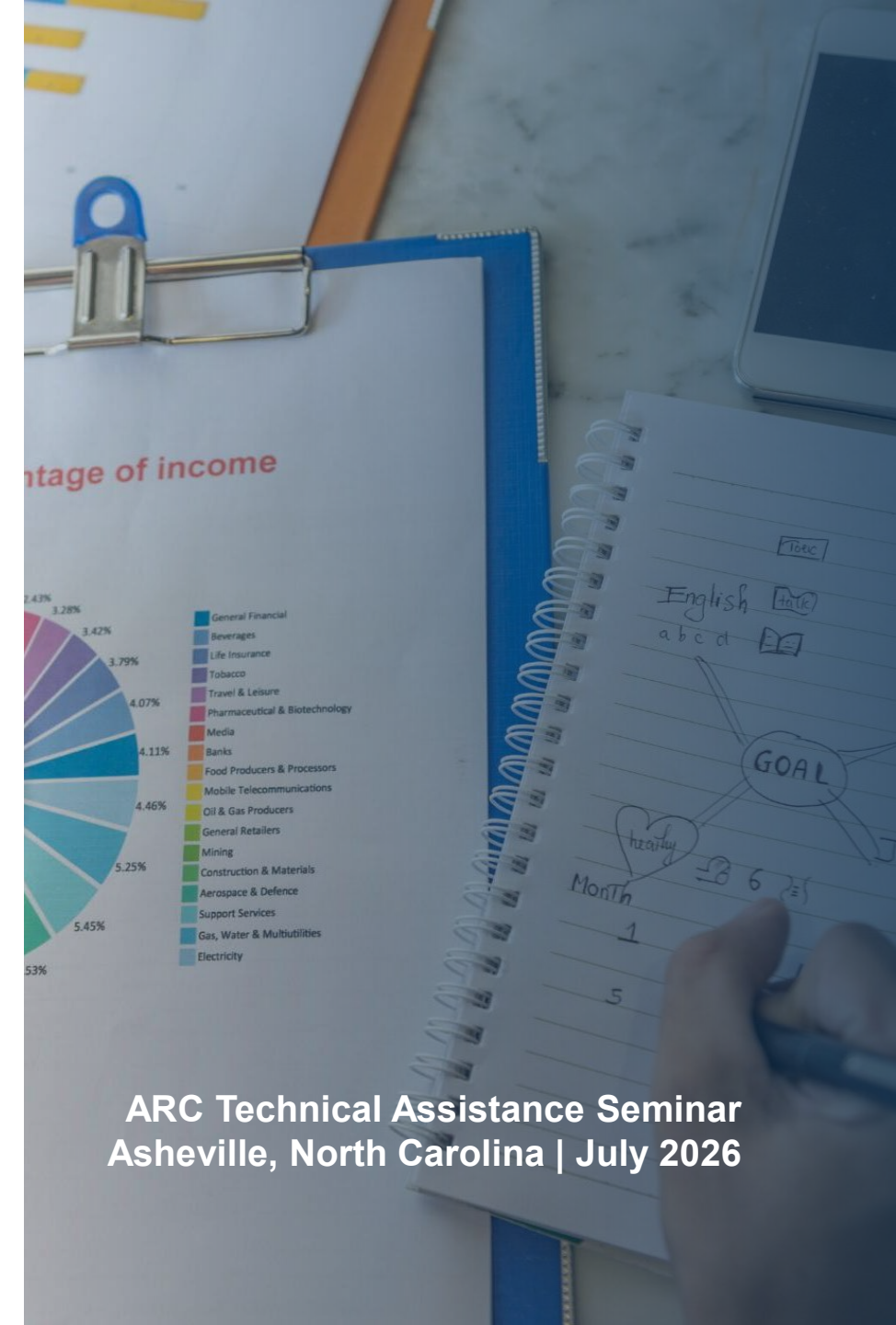


Building Strong Financial Foundations for Communities

Empowering communities through effective financial strategies



PRESENTER | CORPORATE F.A.C.T.S. INC.

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Michelle has more than 24 years of accounting experience across corporate, nonprofit, and for-profit organizations. She provides financial management services and has supported organizations in a range of financial capacities.

Since joining Corporate F.A.C.T.S. in 2010, Michelle has helped Community Development Corporation clients establish stronger, more sustainable financial structures.



The Difficult Cases Are Rarely About Knowing The Rule

How often have you received financial information too late to influence a decision?

- Frequently
- Sometimes
- Rarely
- Never

OPENING POLL

Raise Your Hand



Meeting Objectives

By the end, you should be able to:

- Evaluate whether financial systems, staffing, technology, and internal controls produce accurate and timely information.
- Apply 2 CFR Part 200 requirements to cost allocation, time documentation, procurement, subrecipient oversight, and recordkeeping.
- Use financial statements, budgets, cash-flow projections, and performance data to identify emerging risks.
- Strengthen communication and accountability among fiscal staff, program staff, leadership, and governing boards.
- Identify practical actions to improve financial management, compliance, and monitoring readiness.

Purpose: Why Financial Management Matters

1

Role of Financial Management

Financial management enables better decisions and sustains mission-driven work through accountability and transparency.

2

Accountability and Trust

Strong financial management honors trust by ensuring responsible stewardship and clear documentation of resource use.

3

Supporting Sustainable Growth

Effective financial practices help organizations plan for growth, manage cash flow, and invest strategically.

Getting Financial Data You Can Trust

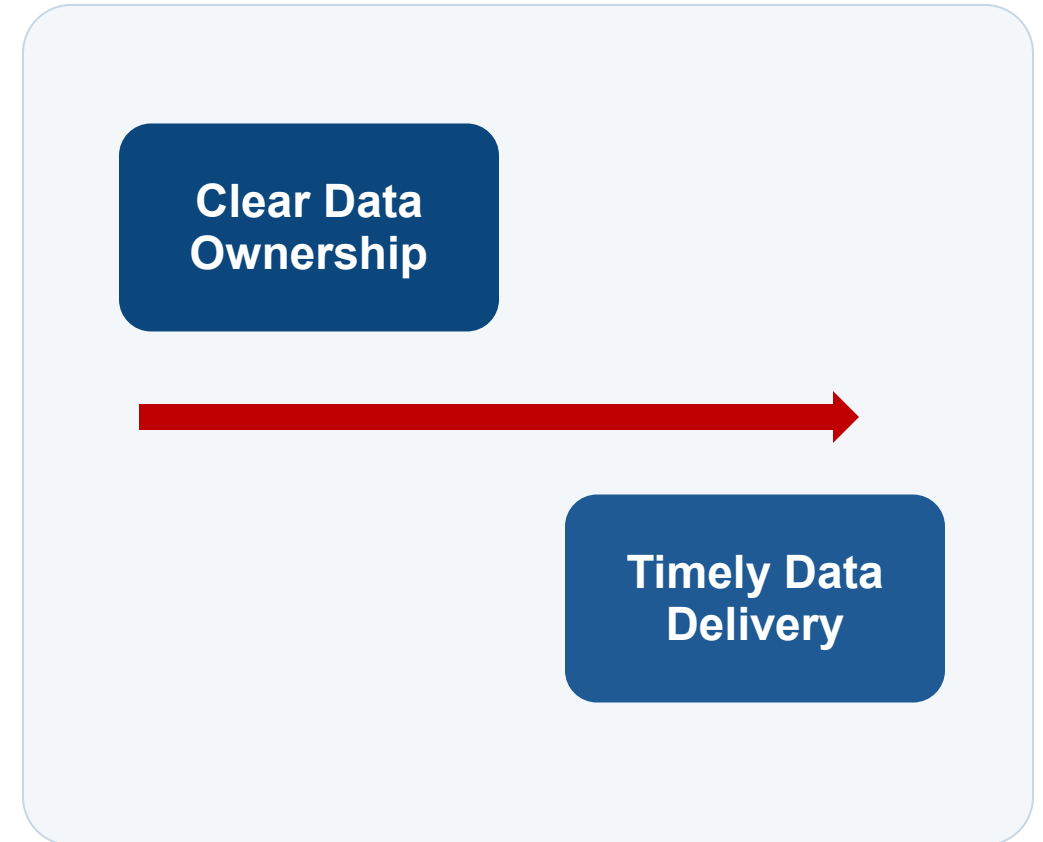
Set the tone of financial accountability and transparency

Clear Data Ownership

Assigning clear responsibilities ensures accountability for accurate and reliable financial data throughout the process.

Timely Data Delivery

Delivering financial data promptly enhances decision-making and preserves its relevance for leaders.



Getting Financial Data You Can Trust

Consistency and Quality Control

Standardized methods and internal audits improve data accuracy and allow meaningful comparisons across departments.

Technology and Skilled Staff

Effective financial data depends on both advanced systems and well-trained personnel operating disciplined processes.



Staffing and Structuring Finance Functions

A strong finance function is essential to ensuring financial accountability, compliance, and long-term sustainability

Organizations should:

- Be confident that they have adequate financial staffing.
- Assess whether they have the right number of qualified finance professionals.
- Ensure staff possess the proper accounting experience.
- Feel assured that staff are not undertrained, overworked, or inappropriately isolated,
- Consider whether the organization needs a full-time senior finance manager.

Staffing and Structuring Finance Functions

Effective finance staffing should be structured across three key levels

- **Strategic finance Role**
Focuses on long-term planning, forecasting, and advising leadership for major financial decisions.
- **Operational finance Role**
Operational finance manages budgeting, monitoring, and reporting to ensure plans align with actual results.
- **Transactional Finance Role**
Transactional finance handles daily tasks like payroll, accounts payable, and bank reconciliations with accuracy.



Raise Your Hand

How many of you have all three roles filled at your organization?

- Yes
- No
- Not sure

AUDIENCE POLL

Cast Your Vote



Key Accounting Practices



Essential Accounting Practices for Public and Nonprofit Organizations

Key Accounting Practices

1 Treatment of Restricted Contributions

Properly track and recognize restricted grants and donations to ensure compliance and transparency.

2 Functional Classification of Expenses

Report expenses by function — program services, management, and fundraising — for clear resource assessment.

3 Employee Time Tracking

Track how employees use their time. Per 2 CFR 200.430, charges to Federal awards for salaries must be based on records that accurately reflect the work performed.

4 Cost Allocation & Policies

Allocate shared costs — facilities, administrative support — using reasonable, documented methods. Per 2 CFR 200.405, costs must be necessary, reasonable, allocable, and given consistent treatment.



Personnel Activity Report (PAR)

Exhibit C — Sample Personnel Activity Report

Director of Community Housing • Bi-weekly pay period • Hours allocated across grants and administration based on actual time worked

Date	SA	SU	M	TU	W	TH	F	SA	SU	M	TU	W	TH	F	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Admin. CoC			1	0	2					0	1	2	0	1	7
ESG Grant - HMIS			1	2		5				1	2	3	4	7	25
CoC Grant - Tenant Recertification			4	6	6	3				3	1	1	4		28
Admin. ESG															
Admin			2									2			4
Total - Hours Worked	-	-	8	8	8	8	-	-	-	4	4	8	8	8	64
Sick Leave							8								8
Vacation										4	4				8
Holiday															0
Other															0
Total Hours	-	-	8	8	8	8	8	-	-	8	8	8	8	8	80

Best practice: this payroll activity report is signed by both the employee and the supervisor.

Sample Citation for a Cost Allocation Policy

“Shared or common costs will be allocated in accordance with 2 CFR 200.405 based on the relative benefit received by each program or cost objective using a reasonable, documented allocation methodology.

Costs will be treated consistently in accordance with 2 CFR 200.403.”

Allocation Follows Relative Benefit—not Administrative Convenience

COST	POSSIBLE DRIVER	EXPERIENCED-PRACTITIONER TEST
Shared facility cost	Usable square footage	Reassess when occupancy or program use changes
Shared technology licenses	FTE or assigned licenses	Exclude inactive accounts and unrelated users
Administrative support	Direct labor hours	Avoid defaulting to revenue when it does not reflect benefit

Document the causal relationship, apply it consistently, and update it when the underlying facts change.

Methodology for Allocating Common Costs

Common costs (also called shared costs) benefit multiple programs, grants, departments, or activities and cannot be readily assigned to one funding source.

Examples and allocation methods

FTE method

Used for costs driven by employee presence, such as office supplies and telecommunications.

Square-footage method

Used for facility-related expenses, such as rent, utilities, building insurance, and maintenance.

Example: \$10,000 annual rent

Grant A	4,000 sq.	40%	\$4,000
Grant B	3,000 sq.	30%	\$3,000
Administration	3,000 sq.	30%	\$3,000
Total	10,000 sq. ft.	100%	\$10,000

Allocate common costs based on relative benefit and apply the method consistently.

Essential Accounting Practices for Public and Nonprofit Organizations

Match Funds

Portion of project costs not paid by federal award but contributed by recipient, subrecipient, or third party.

How Match Funds Should Be Handled

- Match funds should be tracked separately
- Maintain Adequate Documentation
- Avoid Double Counting
- Ensure costs are allowable
- Properly Value In-Kind Contributions
- Monitor Match Throughout the Grant Period

What are match funds

- Cash contributions
 - State Or local government funds
 - Organization funds
 - Private or Foundation donations
- In-kind contributions
 - Volunteer services
 - Donated supplies
 - Donated space or facilities
 - Donated equipment

Reporting

2 CFR 200.403–200.405, 200.407, and 200.430



Question to the Audience

Can two or three of you share what your financial packets consist of?

- Do you find those statements helpful?
- Are there other statements or reports you would like to see included in your packet?

GROUP DISCUSSION

Share With the Group



Financial Reporting

Purpose of Accounting Systems

Accounting systems translate financial data into useful information for leaders and stakeholders to support decision-making.

Types of Financial Leadership Reports

- Statement of Financial Position (Balance Sheet)
- Statement of Activities (Profit and Loss statement) with budget to actual comparison
- Dashboard/Narrative
- Functional Income and Expenses
- Restricted Funds Detail – TRNA Schedule
- Updated Cash Flow

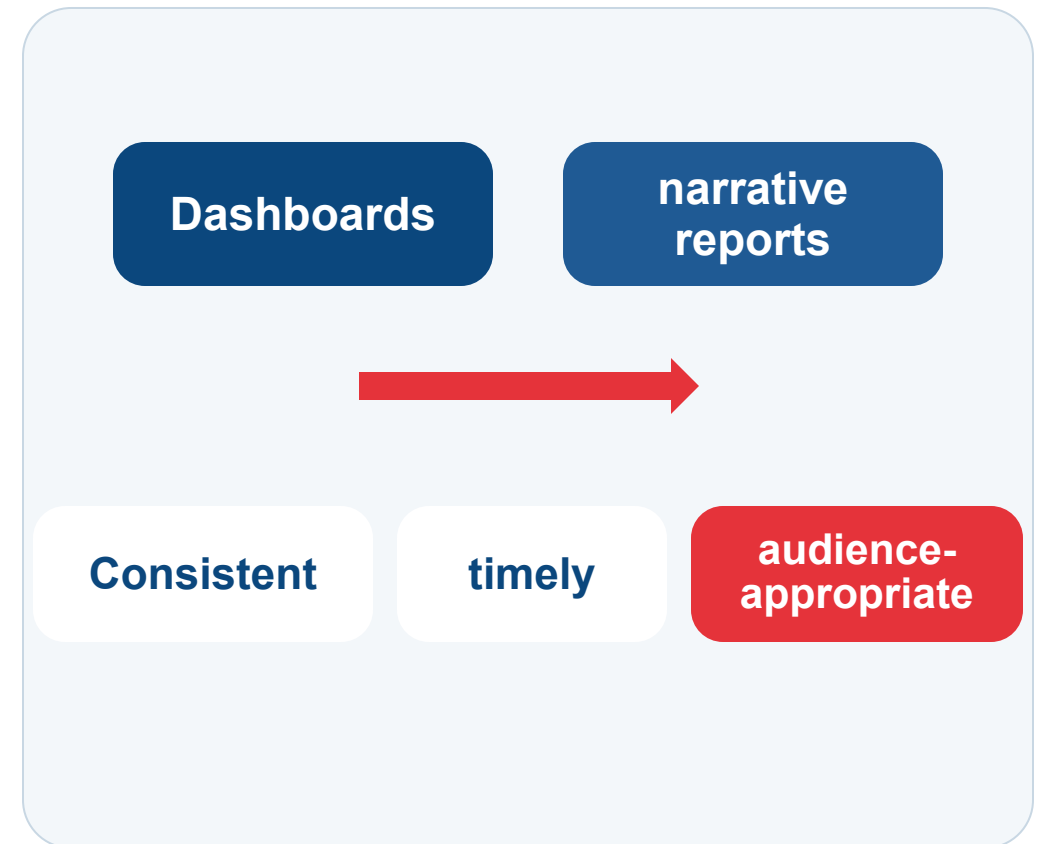
Financial Reporting

Communication Through Reporting

Dashboards and narrative reports help non-financial audiences understand trends, risks, and key messages clearly.

Effective Reporting Principles

Consistent, timely, and audience-appropriate reporting builds confidence and supports effective organizational oversight.



Decision-ready Reporting Explains the Operational Consequence

WEAK

Personnel costs are under budget.

DECISION READY

Personnel costs are 12% below budget because two positions remained vacant through May. The delayed hiring may affect the September performance target. Leadership must decide whether to approve interim staffing and reforecast the remaining budget by August 5.

Cash Flow Projection

\$000s	W1	W2	W3	W4	W5	W6
Beginning available cash (restricted cash excluded)	180	125	77	40	(18)	137
Receipts	—	—	25	—	220	—
Payroll + operating obligations	(55)	(48)	(62)	(58)	(65)	(51)
Projected ending cash	125	77	40	(18)	137	86

Intervene in Week 3—before the balance turns negative.

Illustrative six-week cash-flow scenario

Raise Your Hand

If a federal reimbursement were delayed 60 days, would you know how long your organization's cash would last?

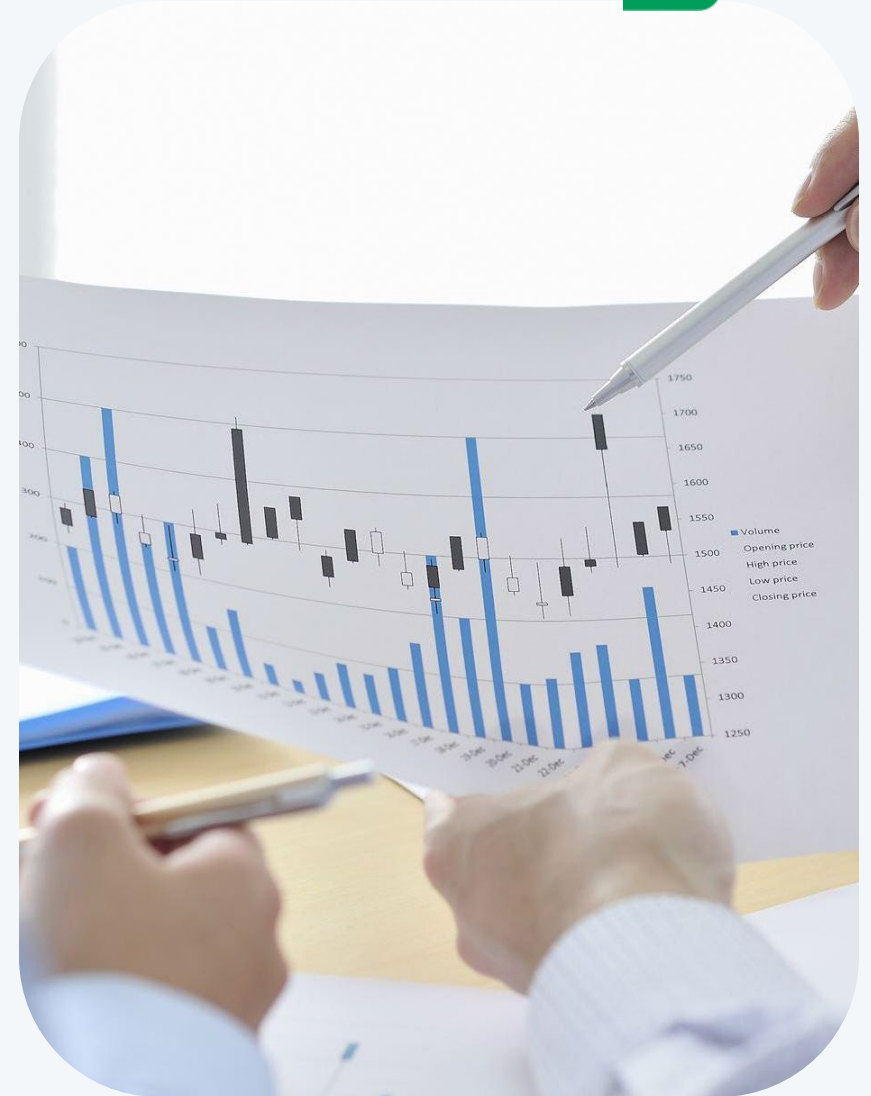
- Yes
- No
- Not sure

AUDIENCE POLL

Cast Your Vote



Budgeting



Budgeting and Financial Planning

Budgeting for nonprofit or governmental organization requires more than balancing revenues and expenses. The budget must align with the organization's purpose, mission, strategic priorities, objectives and activities.

Tips for Developing A Budget

1 Anchor the Budget to Strategic Goals

2 Engage Program and Department Leaders

3 Estimate Revenue Conservatively

4 Separate Restricted and Unrestricted Funds

5 Budget by Program and Funding Source

6 Build In Full Cost Recovery

7 Fund Adequate Operating Reserves

8 Plan for Risk and Scenarios

9 Track Budget-to-Actual Monthly

Budgeting and Financial Planning

The budgeting process could take between two and six months.

The budget manager should create and distribute a budget timeline with time frames and staff responsible for each activity.

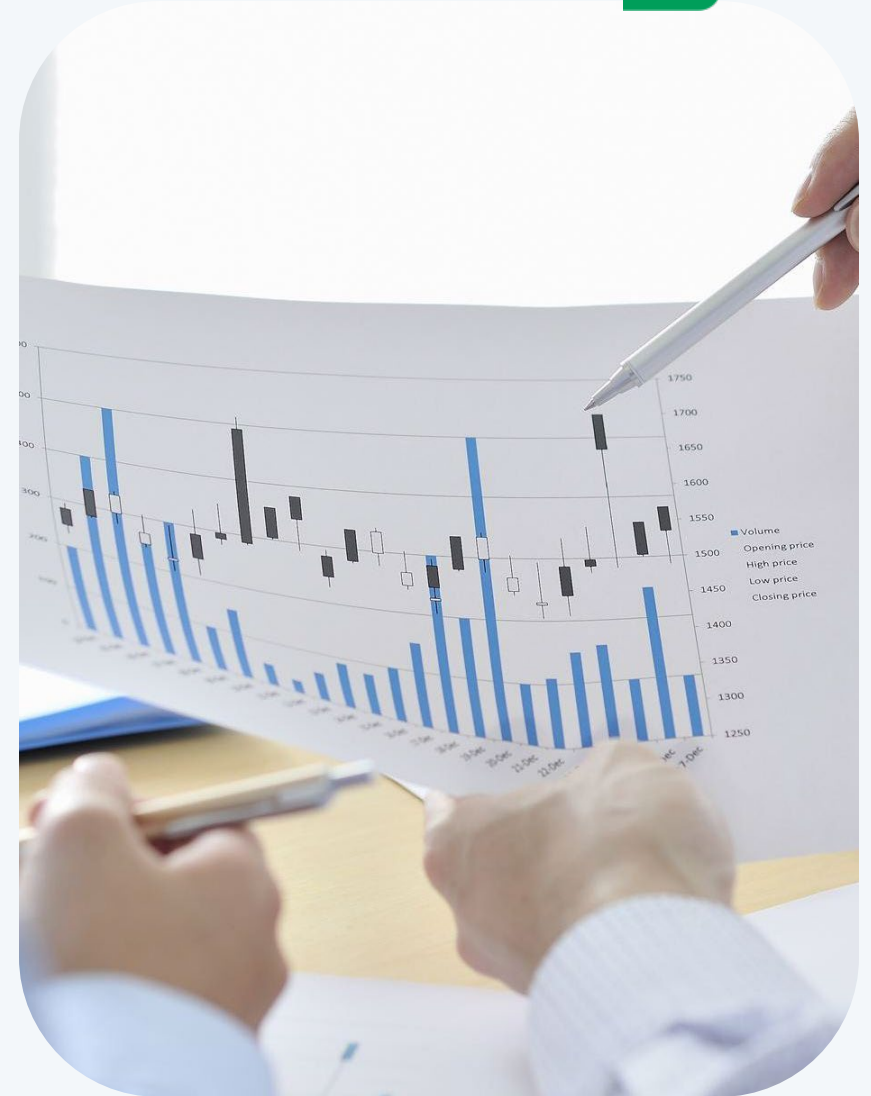


Budget Process Timeline

Nine sequential steps—from the first internal review to Board approval—and who owns each one.

ACTION		RESPONSIBLE
1	Review budget timeline and process with President/CEO	CFO
2	Meet with CEO, Program Director & Director of Development for budget input	CFO / Client Staff
3	Provide draft budget to President/CEO for review	CFO
4	CEO comments to CFO for budget revisions	ED
5	Revised draft budget to President/CEO for final review	CFO
6	Provide draft budget to Finance Committee	CFO
7	Meet with Finance Committee to review budget	CFO/ ED / Finance Committee
8	Revise draft based on Finance Committee input	CFO
9	Provide proposed budget to Board of Directors	Treasurer

Controls and Risk Management



Internal Controls and Financial Controls

Purpose of Internal Controls

Internal controls safeguard assets, ensure accurate financial reporting, and promote compliance with laws and regulations. Requirements for internal controls can be found in 2 CFR 200.303.

Segregation of Duties

Dividing responsibilities prevents any individual from controlling all aspects of a transaction, reducing risk.



Test Your Knowledge: Segregation of Duties

What you see

- One employee initiated, approved, and recorded the transaction.
- Bank reconciliations are 90 days behind; review is not documented.
- One person enters purchase requisition, and another approves it.
- Clerk prepares deposit and supervisor makes deposit.

YOUR TURN

Raise Your Hand



TIPS for Segregation of Duties

Increase Management or Board Oversight

- Executive Director or Treasurer should review and sign off on Bank statements, reconciliations and approves wires.
- Executive Director or Treasurer review of credit card activity, reimbursements and reviews payroll.

Separate Authorization from Processing

- Program Manager approves purchases.
- Accountant processes AP and records entries.
- Executive/Supervisor approval FOR payments and disbursements.

Separate Cash Handling Duties

- Accountant prepares deposit and records transaction to accounting records.
- Executive/Supervisor makes deposit.

Assign an Independent Reviewer

- Assign Bank reconciliation to an independent reviewer.

Rotate Duties & Require Leave

- Fraud schemes are often uncovered when someone else performs the employee's duties.

Procurement



Key Financial Risk Areas

Procurement Risks

Procurement involves significant spending and vendor interactions, requiring clear policies and competitive bidding to prevent waste and favoritism. Procurement standards are detailed in 2 CFR 200.317–200.327.

Five Methods of Procurement

- 1) Micro purchase
- 2) Small purchase
- 3) Competitive sealed bids
- 4) Competitive proposals
- 5) Non-competitive proposals

Procurement Safeguards

clear policies

competitive bidding

**reports, site visits,
and follow-ups**

Key Financial Risk Areas

Subrecipient Monitoring

Organizations must monitor partners receiving grant funds to ensure compliance through reports, site visits, and follow-ups. Subrecipient Monitoring guidance is in **2 CFR 200.331-200.333**.

Key Requirements

- **2 CFR 200.331** – Determine whether an entity is a subrecipient or contractor.
- **2 CFR 200.332** – Conduct risk assessments, communicate award requirements, monitor performance and compliance, review audits, and implement corrective actions.
- Verify subrecipients are not suspended or debarred through SAM.gov.
- Follow requirements of the **Uniform Guidance (2 CFR Part 200)** and applicable grantor-specific regulations.

The Substance Of The Relationship Matters More than the Label

SUBRECIPIENT SIGNALS

- Carries out part of the federal program.
- Makes programmatic or eligibility decisions.
- Performance measured against program objectives.
- Responsible for applicable program requirements.

**USE
JUDGMENT**

CONTRACTOR SIGNALS

- Provides goods or services for the entity's use.
- Operates in a competitive environment.
- Provides similar goods or services to many purchasers.
- Not subject to federal program compliance as a result of the agreement.

Mixed characteristics are common. No single factor is necessarily determinative.

One Partner Can Display Characteristics of Both Relationships

The agreement is labeled “Vendor Contract.”

A workforce partner receives a fixed fee and provides workshops from a commercial price sheet. It also determines participant eligibility, applies federal program standards, makes programmatic decisions, and reports outcomes against the award’s objectives.

Is this a Vendor contract?

AUDIENCE POLL

Cast Your Vote



Grant Management

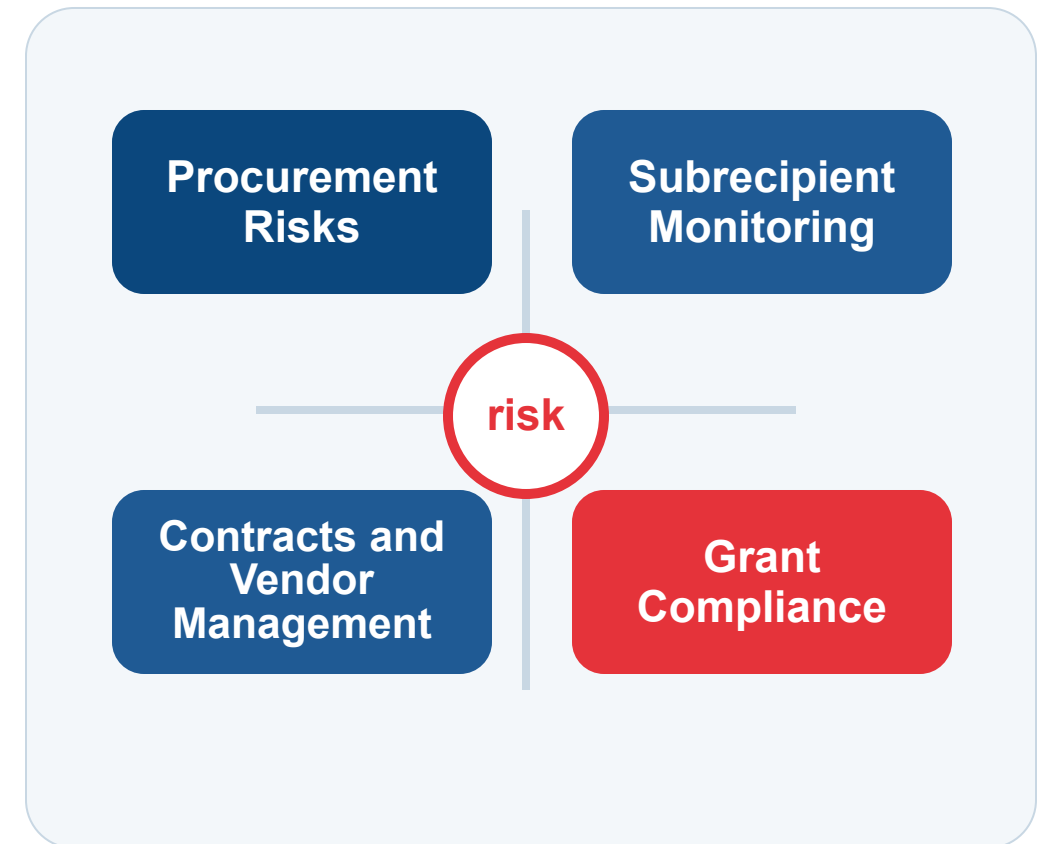
2 CFR 200.317–200.327



Key Financial Risk Areas

Grant Compliance

Careful attention to allowable costs, deadlines, and documentation is essential to meet grant compliance requirements.



Federal Award Requirements Tracker

Upcoming compliance deadlines, owners, and status across the current federal award period

Requirement	Frequency	Period Covered	Due Date	Days Remaining	Owner	Status
Financial report	Quarterly	Q3 2026	Oct 30, 2026	100	Finance Director	Not Started
Performance report	Quarterly	Q3 2026	Oct 30, 2026	100	Program Director	Not Started
Reimbursement request	Monthly	July 2026	Aug 10, 2026	19	Grant Accountant	In Progress
Cost share reconciliation	Monthly	July 2026	Aug 12, 2026	21	Grant Accountant	Not Started
Subrecipient report review	Quarterly	Q3 2026	Oct 15, 2026	85	Program Manager	Not Started
Record retention check	Annual	FY 2026	Jan 31, 2027	193	Compliance Manager	Not Started

Take Two Tools—and One Commitment— Back to Your Organization

- **Timekeeping** – The process of recording and tracking the hours an employee spends on an activity.
- **Cost Allocation** – process of assigning costs to specific programs, projects, or activities based on how resources are used.
- **Cash-Flow Management** – Process of planning, monitoring, and controlling the flow of money into and out of the organization to ensure it has enough cash available to meet its obligations and support its mission.
- **Grant Tracking** – Process of monitoring and managing grants throughout their lifecycle.

Monday-morning commitment: One practice our organization should strengthen is _____.



Appalachian
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Commission

Q&A

Thank you for joining today's session—let's take your questions.



Raise Your Hand

Two quick questions—answer with a show of hands:

- Did you find today's training valuable?
- Would you like to follow up on more of the topics we covered?

SESSION FEEDBACK

Show of Hands





Let's Stay Connected

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