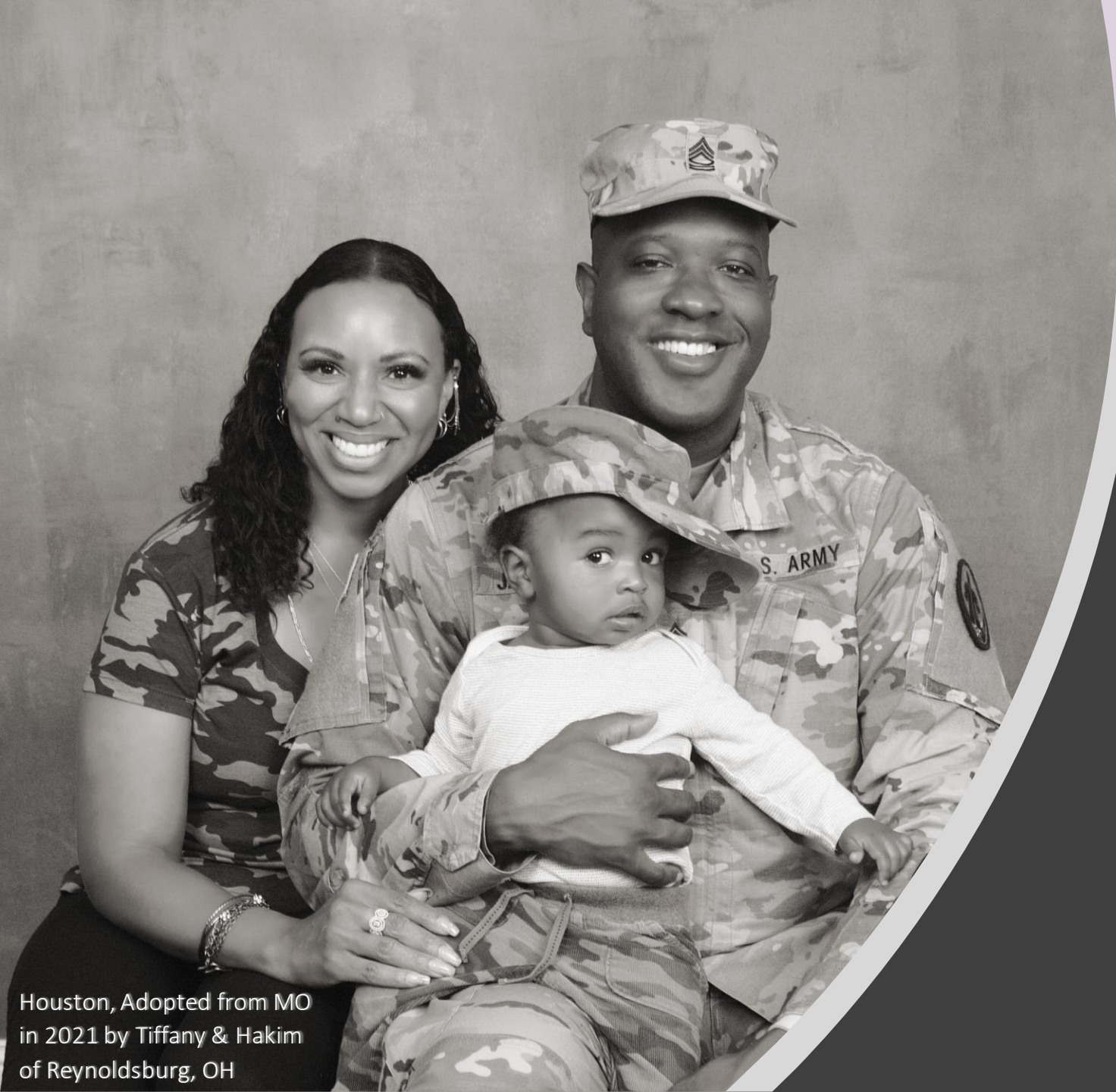




## National Board Orientation Session 2: Financials



Houston, Adopted from MO  
in 2021 by Tiffany & Hakim  
of Reynoldsburg, OH

# AGENDA

- Financials
  - Finance Policies
    - Governance
    - Spending
    - Investment
    - Gift Acceptance
  - Audit
  - Key Metrics
  - Performance History
  - Budgeting Process
  - Budget Constraints/Dynamics
  - Financial Report

Schedule Orientation Session 3 – Grant Program

# Finance Policies

POLICY TYPE: EXECUTIVE LIMITATIONS | POLICY TITLE: FINANCIAL PLANNING/BUDGETING

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a 3-year plan.

Accordingly, the CEO shall not allow budgeting which:

1. Fails to provide for grant numbers and average grant amounts consistent with board's END priorities and the organization's 3-year plan.
2. Fails to maintain a 75/25% ratio for Program vs. Fund-raising and Administration expenses.
3. Fails to include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
4. Plans the expenditure in any fiscal year of more funds than are conservatively projected to be received in that period.
5. Allows cash to drop below a Safety Reserve of less than an average of 30 days of operating expenses, with target reserves of not less than an average of 60 days of operating expenses.
6. Provides less for board prerogatives during the year than is set forth in the Cost of Governance policy.

# Finance Policies

POLICY TYPE: EXECUTIVE LIMITATIONS POLICY TITLE: FINANCIAL CONDITION AND ACTIVITIES

With respect to the actual, ongoing financial condition and activities, the CEO shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Ends policies. Accordingly, the CEO shall not:

1. Expend more funds than the sum of funds that have been received in the fiscal year plus the Safety Reserve.
2. Indebt the organization for any other items other than trade payables, and then, not in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 120 days.
3. Use any endowment funds, without explicit direction of the board.
4. Fail to perform adequate screening of volunteers and employees.
5. Fail to settle payroll and debts in a timely manner.
6. Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.
7. Execute a financial instrument, enter into a contract, including those related to chapter activities or make a single purchase or commitment of greater than \$ 7,500. Splitting orders to avoid this limit is not acceptable.
  - A. Exception: The CEO may raise this limit to \$15,000 for individual grant recipients with the following restrictions:
    - a. An extenuating circumstance exists with the adoption.
    - b. The CEO will report any instances when this exception is used to the National Board of Governors within 7 days.
    - c. The additional expenditures to not adversely affect the financial condition or violate the financial policies of the organization.
    - d. This exception is utilized no more than ten (10) times in any fiscal year.
8. Operate without a 3-year strategic plan that supports achievement of ENDS policy objectives.
9. Acquire, encumber or dispose of real property.
10. Fail to responsibly pursue pledge commitments and aggressively pursue receivables after a reasonable grace period.
11. In the acceptance of gifts, shall not deviate from the Gift Acceptance Policy established by the Finance Committee.

# Finance Policies

**Spending Policy:** Outlines how funds in Board Designated and Donor Designated Endowment Funds can be spent. Approved each December for the following fiscal year.



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**Investment Policy:** The Investment Policy Statement (IPS) sets forth the goals, objectives and criteria to guide the Finance Committee in prudent investment management of GOA assets.



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**Gift Acceptance Policy:** The Gift Acceptance policies and guidelines govern acceptance of gifts made to GOA for the benefit of any of its operations or programs.



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# Audit

- Audit completed at close of each fiscal year. Required of any non-profit w/ revenues in excess of \$50,000
  - Finance Committee authorizes/oversees audit contract/work
  - Finance Committee and National Board review/approve audited financials
- Auditor completes IRS Form 990 each year as part of audit contract
- Staff creates annual report once audit completed
- Executive Committee hosts annual investor webcast to present results/upcoming year goals & initiatives
- Auditor:
  - ORBA (Ostrow Reisin Berk and Abrams, Ltd), Chicago, IL
  - Kenneth L. Tornheim, CPA, CFE, Director

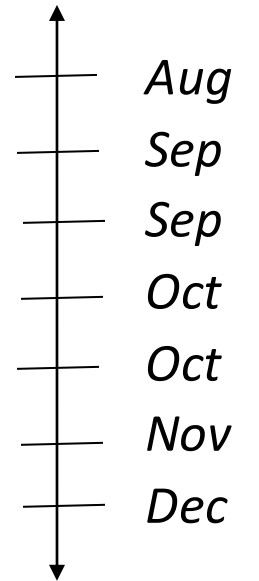
View recent Annual Reports, Audited Financials and 990s here: <https://giftofadoption.org/2016/10/24/9285/>

# Performance History

	FY10	FY15	FY20	FY21	FY22 (Unaudited)
Children	105	212	469	548	615
Grants	89	170	364	456	496
Avg. Grant	\$ 3,411	\$ 3,704	\$ 3,768	\$ 4,057	\$ 4,352
Chapter Revenue	\$ 249,756	\$ 531,627	\$ 1,145,629	\$ 1,818,743	\$ 1,619,304
National Revenue	\$ 407,814	\$ 598,731	\$ 1,043,051	\$ 1,866,314	\$ 2,038,667
Total Revenue	\$ 657,570	\$ 1,130,358	\$ 2,188,680	\$ 3,685,057	\$ 3,657,971
Grant Expense	\$ 303,594	\$ 629,723	\$ 1,371,382	\$ 1,850,214	\$ 2,158,616
Core Expense	\$ 351,393	\$ 458,876	\$ 802,891	\$ 1,024,726	\$ 1,130,697
Total Expense	\$ 654,987	\$ 1,088,599	\$ 2,174,273	\$ 2,874,940	\$ 3,289,314
Net Income	\$ 2,583	\$ 41,759	\$ 14,407	\$ 810,117	\$ 368,658
Program Ratio	75%	79%	79%	78%	TBD
Cost Per Dollar Raised	\$ 0.14	\$ 0.09	\$ 0.09	\$ 0.08	\$ TBD
# of Chapters	7	10	24	26	27

# Budgeting Process

- Staff prepares annual budget draft using 3-year strategic plan and policies to provide framework
  - Staff prepares high level budget overview for Finance Committee directional approval
  - Staff fine-tunes budget (line-item details, confirms meets policy requirements)
  - Staff gets chapter input for chapter budget targets
  - Finance Committee and National Board review/approve overarching goals
  - Finance Committee final review (policy compliance) / recommendation to Board to approve
  - National Board final approval
- 
- Continuing to expand Chapter expectations as part of FY23 planning (each chapter produces annual plan)



# Budget Constraints / Dynamics

- Cash Flow: Policy requires cash reserves of at least 30 days with a goal of 60 days.
- Program Ratio: The percent of every dollar spent that supports the program/mission. Industry best practices  $\geq 75\%$ . BBB requires better than 60%. Board policy requires better than 75%. Generally, to keep program ratio in target area, we must spend \$4 in program for every \$1 we spend on fundraising or administration.
- Cost per Dollar Raised (CPD): Measure of fundraising efficiency. The cost to raise \$1. For National budget, this is calculated by dividing the fundraising expense into total revenue. For events, this is calculated by dividing the event contra revenue into the total revenue (chapter event CPD cannot exceed \$0.45).
- Contra Revenue: Special event expenses are considered Contra Revenue and do not impact program ratio.
- In Kind: Reduces cash cost of events. Program In-Kind (airline miles, hotel accommodations, etc) contributes to helping more families and improves program ratio.
- Other Factors/Considerations:
  - Charity Navigator: <https://www.charitynavigator.org/index.cfm?bay=content.view&cpid=1284>
  - BBB Standards for Charity Accountability: <https://www.give.org/charity-landing-page/bbb-standards-for-charity-accountability>
  - Candid (formerly Guidestar)/America's Best Charities/Great Nonprofits

# Funding Core vs. Funding Grants

Commitment to chapters/donors that 100% of all chapter revenue is used to fund grants. Core expenses (central administration/fundraising costs) are funded by Investor Board, National Board, Gather for the Gift and other national funding programs.

FY	Give	Get		Cal \$	Total	TI Rev %	Of Core %	Total Rev	Total Core Exp
FY16	\$82,950	\$115,000			\$197,950	13%	32%	\$1,554,321	\$616,887
FY17	\$117,000	\$121,000			\$238,000	13%	32%	\$1,771,760	\$740,843
FY18	\$110,500	\$155,306			\$265,806	14%	38%	\$1,881,221	\$695,065
FY19	\$120,300	\$338,390			\$458,690	19%	61%	\$2,431,891	\$753,474
FY20	\$171,820	\$131,313			\$303,035	14%	38%	\$2,188,680	\$797,892
FY20	\$171,820	\$131,313			\$303,035	14%	38%	\$2,188,680	\$797,892
FY21	\$200,000	\$530,000			\$730,000	20%	71%	\$3,685,057	\$1,024,726
FY22	\$209,036	\$717,752			\$926,788	25%	82%	\$3,657,971	\$1,130,697
FY23 budget					\$913,250	24%	70%	\$3,811,000	\$1,304,562

# Monthly Finance Report

- Contents of Monthly Finance Report:
  - FYTD Summary vs. Budget/Narrative
  - Chapter FYTD Performance vs. Budget
  - Grant Summary and National Grant Details
  - National YTD Comparison to Prior Year
  - Balance Sheet
  - Cash Position



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# Next Finance Committee Meetings

- Tuesday, March 28, 10 a.m. Central
- Tuesday, April 25, 10 a.m. Central
- Tuesday, May 30, 10 a.m. Central



# National Board FY22 Calendar

**Thursday, March 16, 2023,** | Zoom Conference call from 9:00 - 10:30 am CST

Board Business: Quarterly organizational performance / initiatives scorecard review, Board revenue goals, committee work discussion. FY22 Audit.

**Thursday, June 15, 2023,** | Zoom Conference call from 9:00 – 10:30 am CST

Board Business: Quarterly organizational performance / initiatives scorecard review, Board revenue goals, committee work discussion.

**Thursday September 21, 2023,** | **National Board Meeting in Chicago** 10am – 4pm CST.

Board PLANNING meeting: Organizational update, Board goals and committee discussion for FY23. Planning for FY24 w/ directional approval of goals and initiatives.

**Thursday, December 14, 2023,** | Zoom Conference call from 10am -11:30 CST

Board Business: Fiscal year-end performance estimates, Board revenue and committee performance review and goal finalization for FY24. Finalize FY24 budget and initiatives for approval. National board member renewals and officer slate vote and individual Board member FY24 give + get goals.



THANK YOU

