



# THE TRUST FACTOR & NONPROFIT FINANCIAL MANAGEMENT

EBook

# TABLE OF CONTENTS

INTRODUCTION .....	3
TRUST IN NUMBERS .....	4
TRUST IN REPORTING .....	5
TRUST IN OUTCOMES .....	6
THREATS TO THE TRUST FACTOR—ORGANIZATIONAL INERTIA .....	7-8
THREATS TO THE TRUST FACTOR—FRAUD .....	9
THREATS TO THE TRUST FACTOR—REPORTING VALUE .....	10
CONCLUSION .....	11
ABOUT ACCUFUND .....	12

While FUNDING  
has often  
been referred  
to as the  
LIFEBLOOD  
of an  
organization,  
TRUST  
is the primary  
prerequisite.

*The impact of nonprofit organizations in changing lives and communities for the better can never be fully calculated.*

*The wonderful goodness of combining the resources of knowledge, ability, funding, and delivery of service, in order to accomplish good - optimal assistance and transformation - is something nonprofit employees, funders, donors, advocates and volunteers should be proud of.*

*It could be said that the whole is greater than the sum of its parts when it comes to nonprofits and their function in society. And, it could be said that the connection and deployment of the parts springs from collective commitment to the mission.*

*Stewardship is entrusting the careful and responsible management of the mission to the nonprofit. While funding has often been referred to as the lifeblood of an organization, trust is the primary prerequisite. Without trust, there is no gift or grant award.*

*In light of that, what consideration does the trust factor have in your organization? What does your organization and the individuals running your organization do to protect the trust that ultimately ensures your mission?*

# TRUST IN NUMBERS

## FOLLOW THE MONEY

Whether you rely on donations or grants, agencies and donors want to follow the money and expect you to be following the money very carefully as well.

Simply verifying funds were spent as designated isn't enough anymore. Donors expect you are already doing that. Donors want to know the impact of their gift in the scheme of things: what is the outcome of their \$50 gift? What could the outcome be if their gift was \$100?

Grant funders want to know that you are following the money as well. In most cases the next installment of the award won't be released unless proper reporting is submitted. Usually organizations have developed the processes to meet grant demands. However, the processes can be limiting. The more manual the reporting, the more time and resources it requires – severely limiting the ability to analyze new sources of funding, expand services and outreach.

Savvy nonprofits are investing in technology and software to automate the repetitive requirements of financial reporting and report distribution. The more you can trust the numbers internally, the better you can develop trust with external stakeholders.

### [FUNCTIONAL EXPENSE REPORTING ON-DEMAND WEBINAR](#)

In this webinar GAAP guidelines and requirements are reviewed as well as desired methodologies for allocating key costs, and answers to commonly asked questions around performing all necessary internal, funder, board and FER reporting.



“The most positive impact [of implementing AccuFund] – and most critical – was the accurate and efficient financial reporting. Our ability to pull data on an actual basis, directly from our accounting system, improves the timeliness and accuracy of our reporting.”

~T. Pennington, Business and Accounting Supervisor,  
Rancho Simi Recreation and Park District, California

# TRUST IN REPORTING

## KNOW YOUR IMPACT – INTIMATELY AND IMMEDIATELY

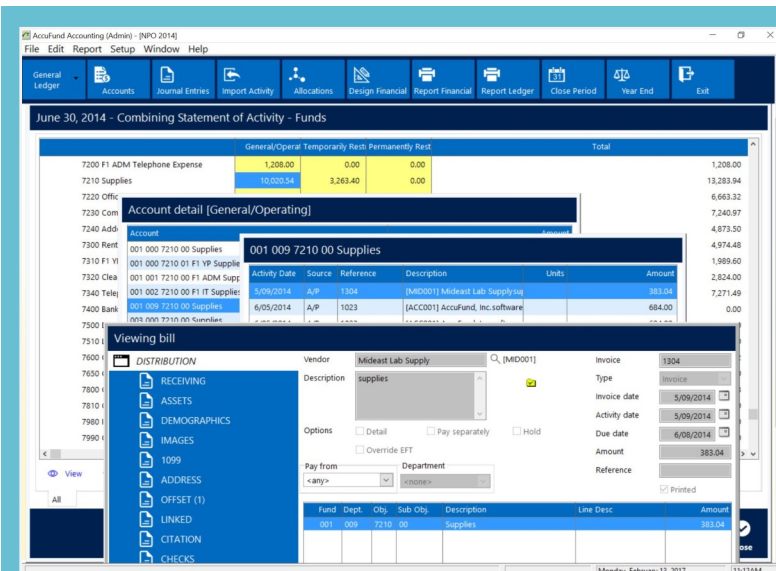
The reality is, if your financial reporting is delayed for days or weeks, it's difficult to have a clear picture of your financial status and the necessary data to be optimal stewards.

Transparency and accountability begin with accurate, up-to-date financial reporting. The greater the distance between the present moments (real-time data) and when your financial packets are delivered, the more your challenges and risks will be amplified.

The ability to have real-time information at both a summary and granular level, delivered and presented automatically, frees up your time, the development director's time, and the executive director's time, to analyze and present the information in the most meaningful way for critical audiences – be they donors, grantors, or the board.

Being able to tell your story immediately, complete with the most recent data to back it up, engenders the trust and loyalty that will safeguard your supporters' commitment to your organization.

There is a danger in leaving their inquiries unanswered for a period of time in order to compile and create the supporting reports – in the meantime they may be investigating other organizations to see if their gifts might be better utilized elsewhere. Increasingly, research data is showing that donor loyalty is tied to the organization's ability to show the impact of the donor's gift. Today's donors are more disposed to shifting their support if they believe their gifts can be put to better use elsewhere.



Access to financial data, not only in the form of financial reports but also in the ability to drill down to the original source document, improves efficiency at all levels of the organization.

In addition to hundreds of reports that can be generated and distributed directly from a fund accounting system, utilize dashboards to display critical information so that every manager has their key data metrics visible throughout the day.

# TRUST IN OUTCOMES

## BETTER STEWARDSHIP ENTAILS MORE THAN GOOD INTENTIONS

Feeding the hungry, providing educational opportunities, helping at-risk youth, protecting the environment, fighting disease – and many other worthy causes – all clamor for funding.



Sustaining your mission requires more than a vague “we are helping.” Your advocates believe in your good intentions. Safeguarding that trust requires that you demonstrate that your stewardship is continuously improving – your organization is committed to looking at every

opportunity to expand the reach, scope and impact of the mission.

The trust factor is strengthened by every step you take to make sure that funding is easily translated to impact the desired outcomes – we have fed 10,000 and will be positioned to feed 15,000 in the next six months; we have provided education services to 3,000 with 80 percent graduating this year and are on track to see graduation rates increase next year by another 5 percent; we have increased our greenbelts by 40 acres and have identified another 15 acres to be preserved in the next quarter, etc.

The trust factor intensifies with each piece of evidence that shows impact and mission fulfillment.

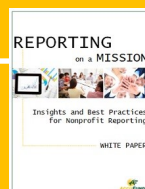


“We were hostages to our accounting system, spending our time working around it. With AccuFund the system empowered us. The managers get the reporting they need and the accounting staff can now focus on analysis and management instead of maintaining manual systems for financial reporting, cash balances and accounts receivable status.”

~ Fiscal Director,  
Lynn Economic Opportunity,  
Massachusetts

### [NONPROFIT REPORTING WHITE PAPER](#)

For detailed insights and best practices of nonprofit reporting, download the Reporting on a Mission White Paper.





# Threats to the Trust Factor

There are passive and active threats to the level of trust an organization has built with its advocates. Failing to consciously maintain and strengthen trust is the biggest threat. Not knowing areas of vulnerability, or knowing and not addressing the weaknesses, blinds the organization to factors eroding trust.

We see **THREE COMMON AREAS OF RISK** all too frequently in our work with nonprofits:

- ◆ Organizational Inertia,
- ◆ Vulnerability to Fraud, and
- ◆ Underestimating the Value of Timely, Thorough Reporting.

## ORGANIZATIONAL INERTIA

The root of organizational inertia is aversion to change.

A six-month listening tour convened by the Independent Sector in 2015 focused on management, fiscal, and corporate practices in the nonprofit sector. As Dr. Brian C. Mitchell wrote in The Huffington Post:

*Perhaps the most significant finding was that “many nonprofits and foundations are operating with organizational structures and revenue models that are decades old.” The report concluded: “There is a need for new operational and business models to reflect the changing environment.”*

Based on what we’ve seen when consulting with nonprofit organizations, the accounting processes and tools are equally as dated. More surprising is discovering that among some nonprofit accounting departments there is no appetite for progressive change. We expect to see enthusiasm for updating accounting tools and a desire to work with more agile technology, with the latest in dashboards and real time data displays – but sometimes that is not the case. Quite simply there is a reluctance to implement change.

Reluctance to change is usually accompanied by comments like, “This is the way we’ve always done it,” or “Yes, we need to invest in a better accounting solution, but the funds are needed more elsewhere.” And so, the organization puts up with inadequate and delayed financial reporting. In either case, decision-making is not informed with the best information possible.

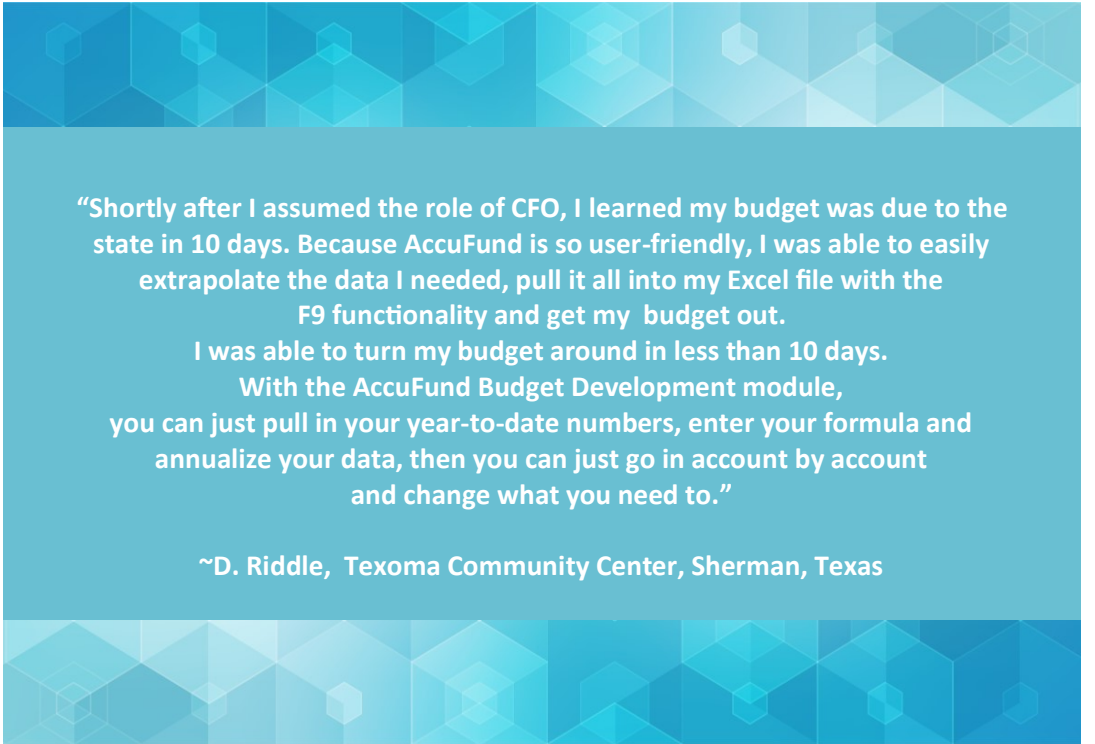
## ORGANIZATIONAL INERTIA

Trust begins with credible numbers. If your organization has been limping along with inadequate reporting, trust is eroding. Dynamic leaders are aware of this danger. Often it's when an organization brings in a new finance director that change begins to happen. The inefficiencies and unnecessary manual processes stick out like a sore thumb, and are addressed quickly.

Savvy Finance Directors know that donors and funders want quick answers to their questions. When equipped with the systems, tools and technology to respond to questions promptly, the organization can protect the trust and loyalty it has worked so hard to develop.

An investment in fund accounting software not only makes finance and accounting more efficient, it provides program and grant managers with the information they need to better manage their duties and better serve constituents.

Effective Finance Directors know that the necessary foundation of a thriving nonprofit, demonstrating transparency and accountability, is sound financials.



“Shortly after I assumed the role of CFO, I learned my budget was due to the state in 10 days. Because AccuFund is so user-friendly, I was able to easily extrapolate the data I needed, pull it all into my Excel file with the F9 functionality and get my budget out.  
I was able to turn my budget around in less than 10 days.  
With the AccuFund Budget Development module, you can just pull in your year-to-date numbers, enter your formula and annualize your data, then you can just go in account by account and change what you need to.”

~D. Riddle, Texoma Community Center, Sherman, Texas



## FRAUD

Warren Buffett said, “It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.” The news headlines are full of examples of nonprofits that are victim to fraud. Most of the time, sadly, it’s an inside job.

Failure to update accounting systems, automate processes and segregate duties put your organization at risk. The more manual accounting systems are, the more vulnerable they are to fraud.

AccuFund’s Peter Stam has written about fraud and points out the internal vulnerabilities and steps to address those weak areas. He points to three critical areas that should be reviewed:

1. Cash Receipts,
2. Accounts Payable, and
3. Payroll.

Processes for executing these transactions should be both documented and set up to include separation of duties. Separation of duties goes a long way in fraud prevention – each process has multiple individuals involved which serves as a check and balance – no one person controls all steps in any cash-related activity.

Investing in a nonprofit accounting software solution, combined with documenting accounting processes and internal controls, adds an effective layer of protection against fraud.

There is also a need to examine the opportunity for fraud perpetrated by external sources. Vulnerabilities include misuse of corporate credit cards, fraudulent check writing, and bogus invoices and bills. The use and processing of these assets need to be documented and monitored.

Grant funders may continue with awards so long as the organization can execute in accordance with the terms of the grant. However, fraud can destroy donor trust overnight. It is very difficult to pitch a capital campaign in the shadow of fraudulent activity. Donors are not willing to put their gifts at risk and will opt to find another organization in which they can trust.

### [NONPROFIT FINANCIAL FRAUD – INTERNAL VULNERABILITIES AND STEPS TO ADDRESS THEM](#)

**Blog article highlights internal activities or functions that leave a nonprofit vulnerable to fraud as well as detailing tips for countering fraudulent behavior.**

## REPORTING VALUE

The trust factor is not something that can be left alone. It must be nurtured or you risk erosion. One of the best ways to nurture trust is to be proactive in telling your story.

- ◆ How have you been successful in fulfilling your mission?
- ◆ How have lives been changed?
- ◆ How much of an impact are you making?

The need to tell your story goes beyond a one-time summary in the Annual Report or gathering information when writing grants. Increasingly, individual donors want to know how their gifts translate – how many children were clothed, elderly fed, or providing training to at risk adults, for example. Answering these questions shouldn't involve days and weeks of data export and spreadsheet work. This information should be available with a few clicks of a mouse.

Additionally, immediate access to information allows program and department managers to manage more effectively.

Small course corrections implemented in a timely matter makes for more potent programs – added together over time this makes for more dramatic strides in mission fulfillment. These dramatic strides can then be communicated to stakeholders.

This is good news for everyone. Your internal team is energized. Your funders receive validation that their gifts and grants were bestowed to right organization. And, most importantly, your constituents benefit.

Being proactive in telling your story inspires donors and prospective donors alike, building the trust factor.



“Emailing reports to a multitude of departments at one time and allowing our managers to get their reports and access transaction details themselves saves us tons of time. For our managers, being able to get those details when they need them is huge.”

~V. Corliss, Vice President of Finance and Controller, United Way of Greater St. Louis.

# CONCLUSION

Your nonprofit provides critically needed services for individuals and our communities. Funding your programs requires building the trust necessary to ensure an ongoing stream of grants and donations.

To proactively and continuously look for ways to bolster that trust, you must have a complete grasp of your financial position and the impact of your programs and communicate your results. This is the most powerful way to strengthen trust and loyalty.

Investing in the right tools and leveraging technology is no longer a “someday” goal but rather a necessary requisite for optimal delivery of services and securing the funding that ensures the sustainability of those services. The residual effects of such an investment will dramatically improve and display your impact – strengthening the trust of your funders.

Improving the trust factor involves serious organizational review. To help you get started, here are some questions to ask yourself and your team.

- ◆ **WHEN WAS THE LAST TIME WE UPDATED OUR ACCOUNTING SOFTWARE?**
- ◆ **WHAT PERCENTAGE OF OUR BUDGET AND EXPENSE REPORTING IS MANUAL?**
- ◆ **HOW MANY SPREADSHEETS ARE IN USE THROUGHOUT THE ORGANIZATION?**
- ◆ **ARE OUR INTERNAL CONTROLS DOCUMENTED? WHEN WAS THE LAST TIME THEY WERE REVIEWED?**
- ◆ **WHEN WAS THE LAST TIME A DIFFERENT PERSON PERFORMED THE BANK RECONCILIATION?**
- ◆ **HOW LONG DOES A DONOR OR MANAGER WAIT FOR A REQUESTED SPECIAL REPORT?**
- ◆ **ARE WE EVEN ABLE TO PERFORM SPECIAL REPORTING REQUESTS?**
- ◆ **WHAT IS THE ANNUAL DONOR CHURN? IS IT INCREASING OR DECREASING?**
- ◆ **HAVE YOU TESTED THE TRUST FACTOR – IS THE ORGANIZATION’S PERCEPTION OF THE TRUST FACTOR THE SAME AS THAT OF THE DONOR’S?**

When AccuFund works with nonprofit organizations these are some of the questions we review with the executive team as they look to implement technology and software to improve operations – and by extension the trust factor.

Take some time to rigorously evaluate whether you are taking the necessary measures to protect the trust you’ve earned and strengthen the trust required for ongoing sustainability.

# ABOUT ACCUFUND

AccuFund Accounting Suite was designed specifically for fund accounting and the unique reporting requirements needed by nonprofits and government entities—it's one reason nonprofits and government entities have put their trust in AccuFund for over 20 years. Another reason they trust AccuFund is because we do not offer a one-size-fits-all accounting solution. Our solution is for nonprofits and governments. It's not sold to manufacturing, distribution, construction or field services companies.

AccuFund is known for its scalability, core function capabilities, reporting, integration and support. It enables organizations to streamline every aspect of their operations. Additionally, organizations are able to customize their solution to fit their needs with AccuFund's all-encompassing module selection. As nonprofits grow, they can trust AccuFund to accommodate their growth.

Nonprofits can trust their numbers. The AccuFund system will free your accounting team, department managers, and project managers from the burden of maintaining spreadsheets. In addition to hundreds of reports that can be generated and distributed directly from the system, critical information can be displayed through dashboards so that every manager has their key data metrics visible throughout the day.

AccuFund offers three platform choices:

- **On-premise.** The traditional method of housing your software. You license a solution that is installed on a server that resides physically within your organization.
- **Hosted solution.** License the software and it resides on a "host" server that resides in a facility operated by the hosting service company.
- **Cloud-based solution.** Subscription-based. After the initial set up and associated costs, you pay a monthly subscription fee to access the software through a browser.

**AccuFund works with you to implement technology and software to improve your organizational operations – and by extension the trust factor.**



*AccuFund, Inc. is a nonprofit and government financial improvement systems specialist. AccuFund uses award-winning financial software, consulting services and industry best practices to help organizations streamline processes, improve efficiency and lower costs while generating more detailed strategic reports.*