



Fiscal and Fiduciary Responsibilities of Board Members

**By
Dr. Kaase GBAKON**

Los Angeles County Training Course

Welcome

- Fiscal and fiduciary responsibilities are critical aspects of non-profit board governance
- Board members oversee financial activities ensure legal and regulatory compliance for their organization's health
- We will learn how to analyze cash flow statements, interpret financial reports, and develop effective fundraising strategies



Instructor Introduction

- **Background:** Dr. Kaase has more than 10 years in strategy development, supporting boards with financial analytics, and fundraising. He is involved with several not-for-profit organizations in executive capacity.
- **Education:**
 - PhD from University of Port Harcourt
 - MSc from Robert Gordon University, Scotland





Course Objectives

- To provide participants with comprehensive understanding of financial management principles and practices
- Expected outcomes:
 - Grasp fundamentals of cash flow analysis
 - Understand components of a financial report
 - Recognize significance of audits for financial oversight
 - Develop the skills to review and interpret financial statements
 - Identify key financial metrics and indicators

Agenda Overview

- **DAY1**

- CASH FLOW ANALYSIS
- FINANCIAL REPORTS & AUDITS

- **DAY 2**

- UNDERSTANDING FUNDRAISING STRATEGIES
- BOARD'S ROLE IN FUND RAISING
- FINANCIAL STATEMENT REVIEW





Housekeeping

DAY 1

- **8:30AM – 9:00AM:** Registration and Welcome
- **9:00AM-10:30AM:** Cash Flow Analysis
- **10:30-10:45:** Break
- **10:45 – 12:30PM:** Financial Reports and Audits

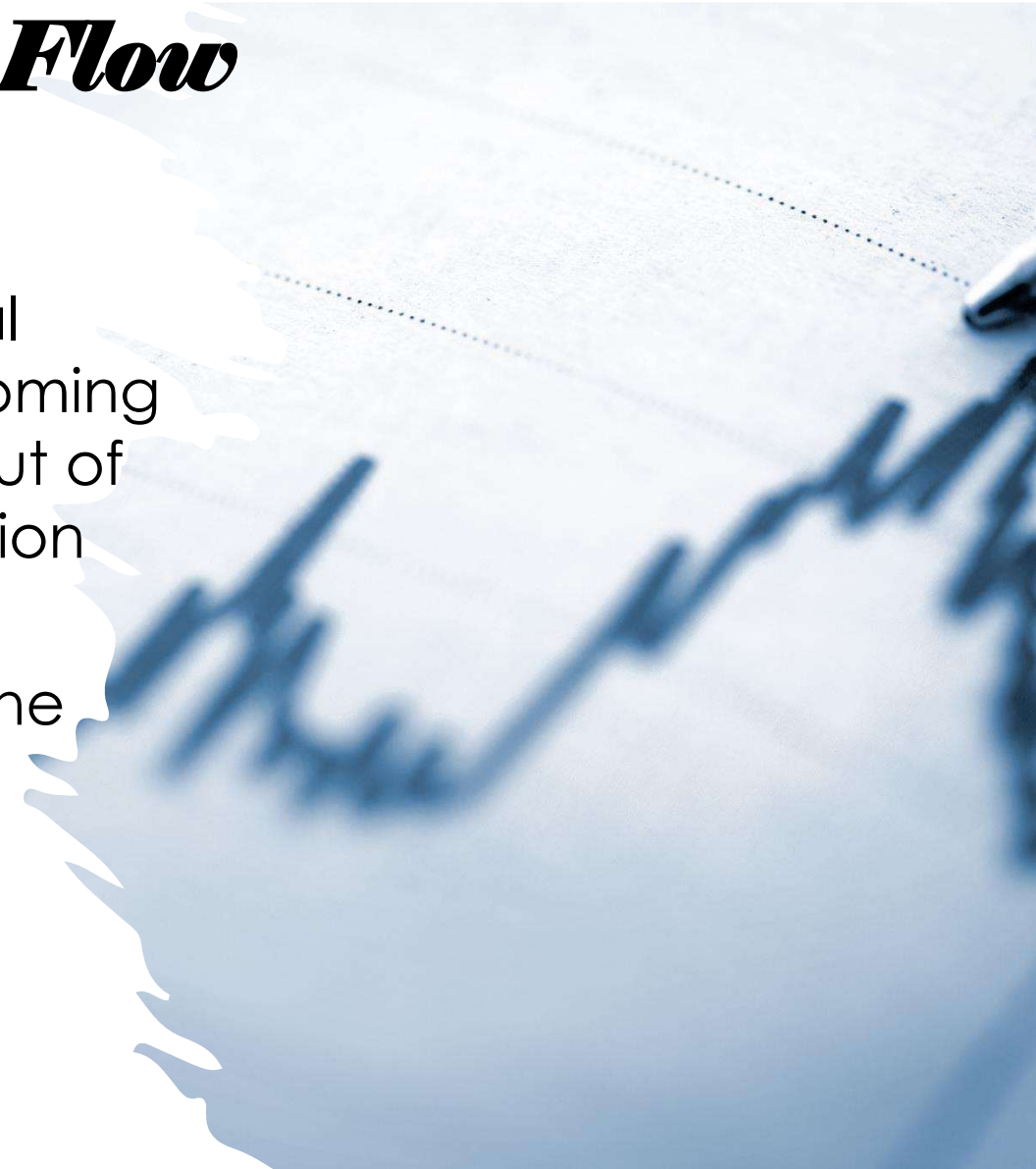
DAY 2

- **8:30AM – 9:00AM:** Registration and Welcome
- **9:00AM-10:30AM:** Financial Statement Review
- **10:30-10:45:** Break
- **10:45 – 12:30PM:** Understanding Fundraising Strategies, Board's Role in Fundraising, and Restricted and Unrestricted Revenue

- We will make this an interactive learning experience
- Though there's a formal Q&A session at the end, you can raise the hand to ask questions during the presentation

Introduction to Cash Flow Analysis

- Cash flow analysis is a financial activity examining the cash coming into (cash inflow) and going out of (cash outflow) of an organization over a specific period.
- The analysis is conducted on the financial statement of the organization



Components of Cash Flow

- Cash flow statement is a financial report that tracks cash coming into (cash inflow) and going out of (cash outflow) an organization over a specific period
- Components of the cashflow provide granular overview of the cash moving in and out of your organization
- Three main Components:
 - Operating activities
 - Investing activities
 - Financing activities



TIP: it can be helpful to include a column for the current year and a column for the previous year in cash flow statement

Sample Business, LLC Statement of Cash Flows For the Year Ended 12/31/22

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 250,000.00
<i>Adjustments to Reconcile Net Income to Net Cash from Operating Activities:</i>	
Depreciation and Amortization Expense	24,000.00
Increase in Accounts Receivable	(37,000.00)
Decrease in Accounts Payable	(18,000.00)
Loss on Sale of Vehicle	8,000.00
Net Cash Flow Provided By Operating Activities	227,000.00

CASH FLOWS FROM INVESTING ACTIVITIES

Capital Expenditures	(48,000.00)
Proceeds from Sale of Vehicle	33,000.00
Net Cash Flow Used In Investing Activities	(15,000.00)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Dividends Paid	(13,000.00)
Proceeds from Business Loan	150,000.00
Payments to Current Debt	(52,000.00)
Net Cash Flow Provided By Financing Activities	85,000.00

TOTAL CASH INFLOW	297,000.00
CASH AT THE BEGINNING OF THE YEAR	118,000.00
CASH AT THE END OF THE YEAR	\$ 415,000.00

Components of Cash Flow – Operating Activity

- **Operating Activity:** refer to the revenue and expenses associated with operating your nonprofit. You'll log staff salaries, program fees, and donations in this section



Components of Cash Flow – Investing Activity

- **Investing activities:** This captures long-term investment purchases and sales, including property and equipment. Includes revenue such as interest earned on your investments.



Components of Cash Flow – Financing Activity

- **Financing activities:** Refer to any revenue generated from savings and financial expenses, like credit card or loan payments.



Cash Flow Statements – The Benefits (1)

- Provides accountability by showing a breakdown of how your organization spends money.
- Improves financial decision-making enabling strategic adjustments to budget and resource allocation.
- Secure more major gifts to power organization's programs, capital campaigns, or general operations by demonstrating track record and impact
- Build stronger corporate partnerships

Cash Flow Statements – The Benefits (2)

- Helps win more grants by proving the organization's fiscal stability required to make effective use of grant funding
- Facilitates the board financial oversight. The board can ensure that the organization is compliant with reporting rules
- Performance Evaluation of the nonprofit. Useful for cross-organization comparative analysis to identify gaps and improve strategies.



Understanding Inflows and Outflows

- Identifying sources of cash
- Common cash outflows in non-profits

Understanding Inflows and Outflows– The Sources of Cash Non-Profits

- Contributions and Pledges
- Government Grants
- Individual Donations
- Membership Dues and Fees
- Selling merchandise
- Corporate Gifts
- Fundraising (Crowdfunding)

Statement of Activities Template

Revenues	Without Donor Restrictions	With Donor Restrictions	Total
Contributions			
Membership dues			
Program fees			
Grants			
Investment income			
Total Revenues			

Understanding Inflows and Outflows– Common Outflows

- Salaries
- Upfront costs in running campaigns
- Utilities, Administrative costs, Financing costs
- Program cost
- Property lease costs
- Legal fees
- Travel
- Volunteer expense

Statement of Functional Expenses Template

	Program Services	Management and General	Fundraising	Total
Salaries and benefits				
Travel				
Rent and utilities				
Equipment				
Marketing				
Postage and shipping				
Other expenses				
Total Expenses				



Double *the* Donation

Cash Flow Forecasting

Cash flow forecasting is a process by which financial trends are anticipated thus allowing non-profits to plan and strategize ahead of challenges or opportunities.



Cash Flow Forecasting

- Considerations

Several Components are required to create a cash flow forecast

- **Historical Data:** used to establish a baseline for projecting future cash flows.
- **Revenue Sources:** Identify source and level of revenue
- **Timing of Transactions:** The schedule of revenues receipts and expenses
- **Program Changes:** This can impact schedule and level of income and expense by the nonprofit.



Cash Flow Forecasting - Steps



- Estimate expected level and timing (schedule) of income and expense
- Add up all expected income
- Add up all expected expense
- Calculate the **net = Total Income – Total Expense**
- Calculate **month-end balance = balance at month start + net**
- Balance at end of one month =
Balance at the start of next month

Case Study: Non-Profit Cash Flow

EXAMPLE ANALYSIS



Importance of Cash Reserves

- Reserves is the amount of cash set aside by the organization as backup or emergency funding.
- This amount is driven by the organization's reserve policy.
- The board is to ensure that the organization's financial reserve targets is met.
- If not, what needs to improve



Cash Flow Challenges for Non-Profits

- Limited Funding Sources
- Budgeting and Forecasting
- Cash Flow Management
- Economic Downturns
- Program Evaluation and Impact Measurement
- Board Oversight and Governance
- Tax Complexity
- Competition for Funding
- Fundraising Fatigue



Best Practices in Cash Flow Management

- Cash flow monitoring
- Budgeting and forecasting
- Maintain Cash reserves
- Cash flow optimization
- Risk Management



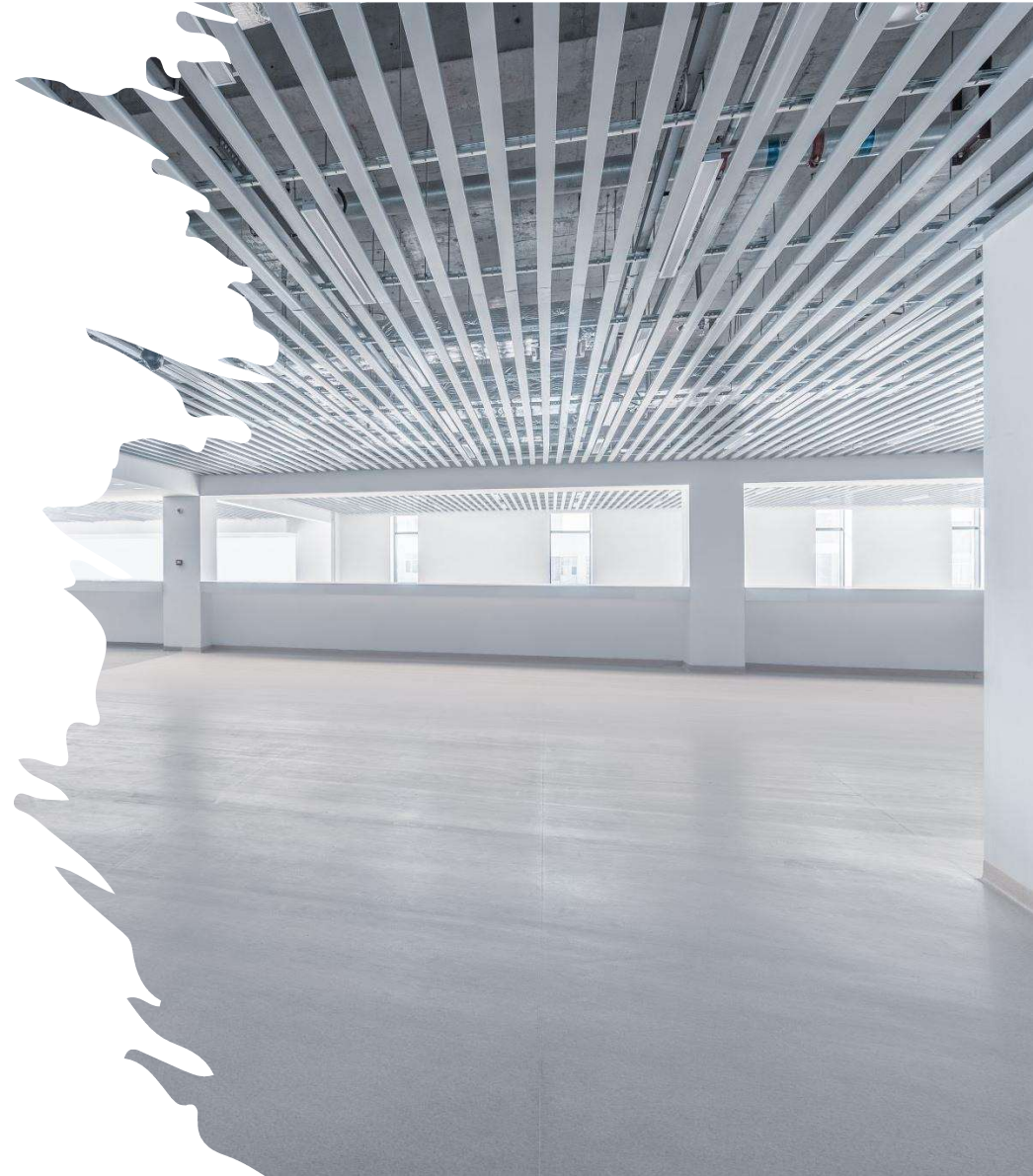


Interactive Exercise

ANALYZING A SAMPLE CASH FLOW
STATEMENT

Q&A Session

- Open floor for questions



The background of the slide is a collage of financial-related items. On the left, a portion of a black calculator is visible, showing buttons for '6', '3', '=', '+', and '-'. In the top right, there is a silver compass with a black face and white directional markings. The central area is dominated by a large, dark, irregular shape that serves as a backdrop for the title. The background also features various financial charts, including a bar chart at the top with months from July to December, and a line graph on the left with data points for months from February to September. At the bottom, there are several columns of numerical data, likely representing financial figures, with some numbers like 125,058, 125,487, 124,000, 154,568, 56,845, 110,000, 150,000, 35,000, 95,054, 97,511, 99,011, 99,216, 101,090, 101,684, 101,962, 124,500, 125,000, 154,000, 95,000, 154,200, 110,000, 89,000, 50,000, and 10,700 visible.

Introduction to Financial Reports

IMPORTANCE AND PURPOSE

Types of Financial Reports



Balance Sheet



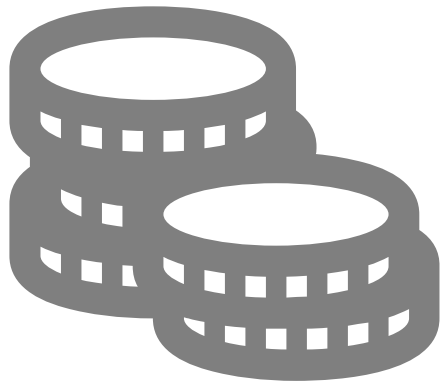
Income
Statement



Cash Flow
Statement

Financial Reports – Importance and Purpose

Financial reports allow management to identify trends, potential roadblocks, and actively track their financial performance in real-time



- Make Better Financial Decisions
- Debt Management
- Simplify Tax filing
- Compliance
- Financial Transparency



Audits: Definition

- An independent audit is an examination of the:
 - financial records,
 - accounts,
 - business transactions,
 - accounting practices, and
 - internal controls of a charitable nonprofit
- Its goal is to determine if the financial statements present a “fair and materially correct” representation of a business’s activity and financial position, in accordance with the GAAP

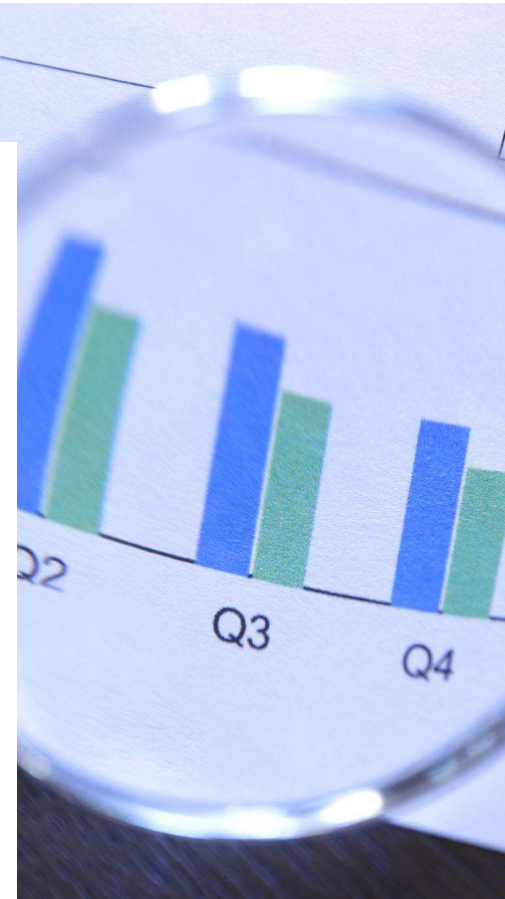
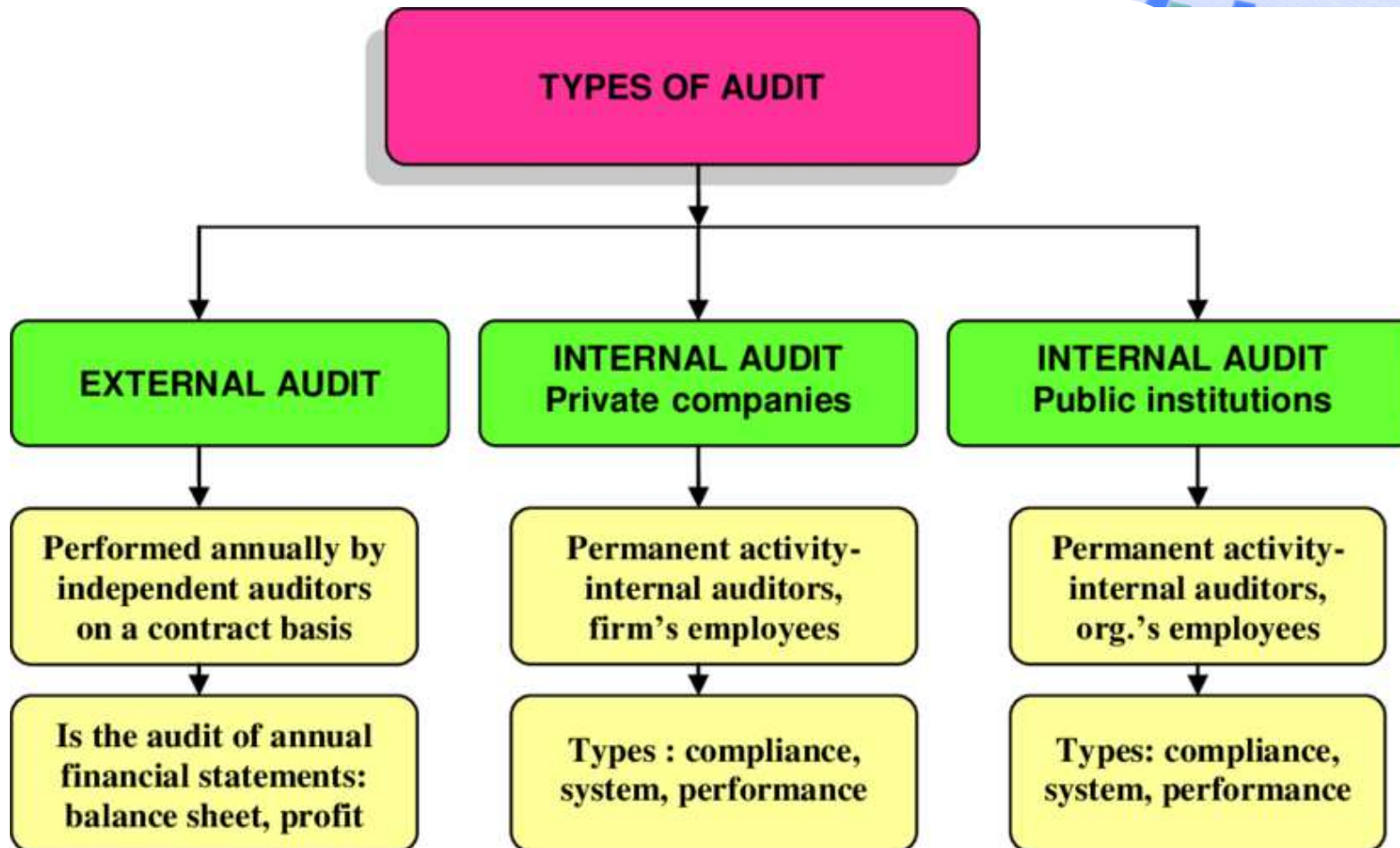


Audits: Importance

- Requirement for compliance with state or federal regulations.
- Independent audits inspire and maintain donor trust as they demonstrate a commitment to financial transparency and accountability.
- Audited financial statements help the board of directors have more confidence in the organization's finances



Types of Audits

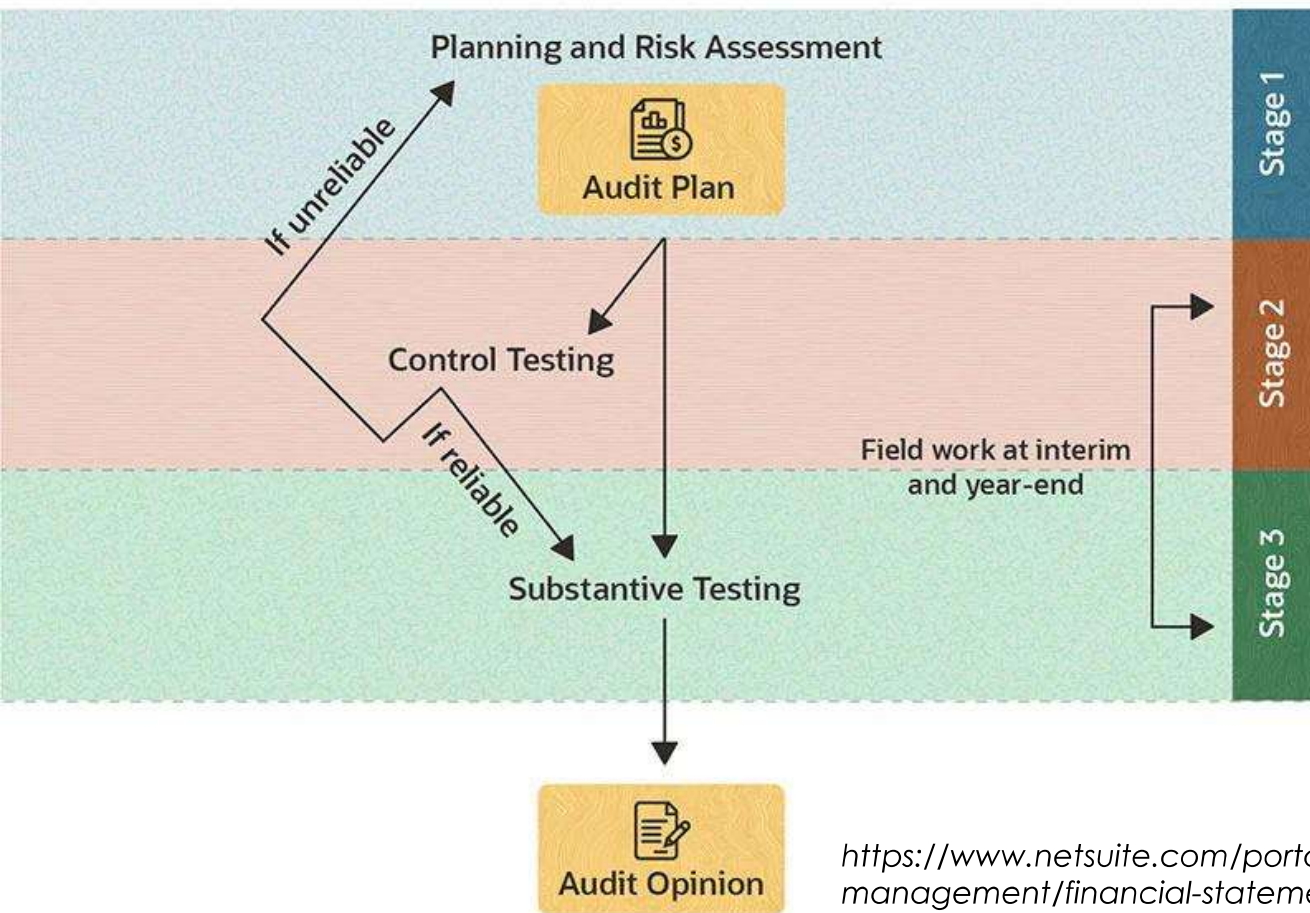


Source: Anda Gheorghiu, <http://www.id-hyperion.ro>

- **Planning and risk assessment:** This first stage begins when a company's audit committee or board of directors hires the external auditor and signs an engagement letter.
- **Internal controls testing:** This step involves identifying, documenting and evaluating a company's internal controls
- **Substantive testing:** The purpose of substantive testing is to verify balances in the accounting data. It involves sampling transactions and gathering evidence to support the data in accounting records.

3-Stage Audit Process

Stages of the Financial Statement Audit Process

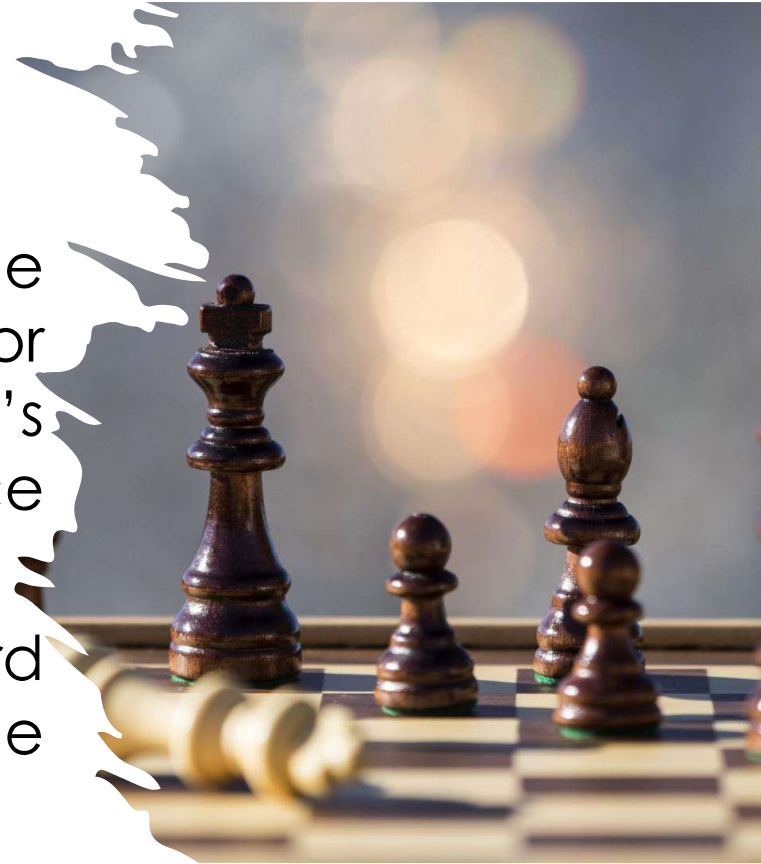


<https://www.netsuite.com/portal/resource/articles/financial-management/financial-statement-audit.shtml>



Role of Board Members in Audits

- As part of its fiduciary responsibilities to the nonprofit, the board is responsible for oversight of the charitable nonprofit's accounting functions and the performance of the independent auditor if one is hired.
- Audit committee drawn from the board engages auditors post-audit and prior to the presentation of audit report to the board
- The audit committee can enlist the support of the auditor to undertake new initiatives.



Preparing for an Audit

- **Select An Audit Firm:** select an auditor who has the expertise and knowledge to perform an audit for a tax-exempt charitable nonprofit.
- **Prepare for the Audit:** Ensure the nonprofit's accounting records are up-to-date, accurate, and organized. Audit firm may provide an "audit prep packet" that describes what the auditors will ask to review
- **After the Audit:** The audit committee review the draft audit report, asking questions about the auditors' findings, and evaluating any recommendations prior to board presentation



Interpreting Audit Results ... I

- **Unqualified opinion:** This is the best outcome hoped for. Also known as a “clean” opinion. It indicates that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the entity, in conformance with GAAP.
- **Unqualified with explanatory language:** In this case, the auditor is issuing an unqualified opinion, with an explanation about an issue worth mentioning but doesn't change the nature of the opinion.
- **Qualified:** which signals that the auditors found one or two situations where the nonprofit is not following GAAP, or that the organization is following GAAP in most cases although perhaps not all, but overall, there is not a material misstatement of any financial position(s)



Interpreting Audit Results ... 2

- **Adverse Opinion:** signals that the auditors found a material misstatement or that overall, the organization is not conforming to GAAP.
- **Disclaimer of Opinion" report:** This report essentially signifies that: "Something prevented us from forming an opinion, therefore we refuse to do so."

FASB principles require the auditors to issue a report to the board of directors of the nonprofit expressing a professional opinion about the organization's financial practices.



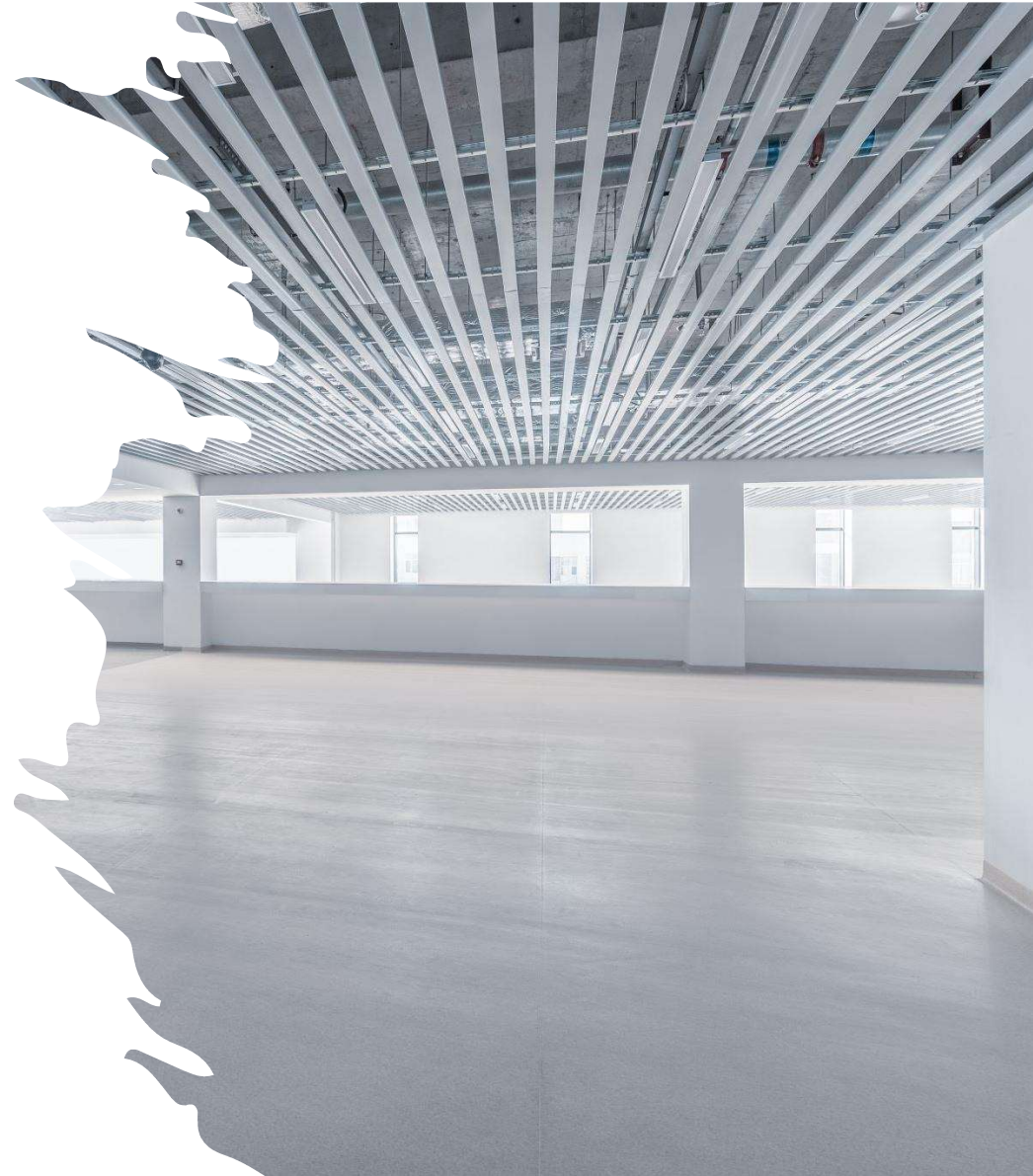
Case Study: Non-Profit Audit

- Example scenario



Q&A Session

OPEN FLOOR FOR QUESTIONS



Welcome Back Slide



Recap of Day 1



Overview of Day 2
agenda



Instructor Check-In

ADDRESSING ANY CONCERNS FROM
DAY 1

Housekeeping

REMINDERS AND GUIDELINES



OVERVIEW AND SIGNIFICANCE



Balance Sheet Analysis

ASSETS, LIABILITIES, AND NET
ASSETS

Dropbox, Inc.	
Consolidated Balance Sheet	
Condensed and adapted for educational use only	
As of December 31, 2017	
	<i>In millions</i>
Assets	
Current assets	\$ 518.1
Long-term assets	501.8
Total assets	\$ 1,019.9
Liabilities and stockholders' equity	
Liabilities:	
Current liabilities	\$ 738.4
Long-term liabilities	178.6
Total liabilities	\$ 917.0
Stockholders' equity:*	
Common stock and additional paid-in capital	\$ 1,564.0
Retained earnings (deficit) and other	(1,461.1)
Total stockholders' equity	\$ 102.9
Total liabilities and stockholders' equity	\$ 1,019.9

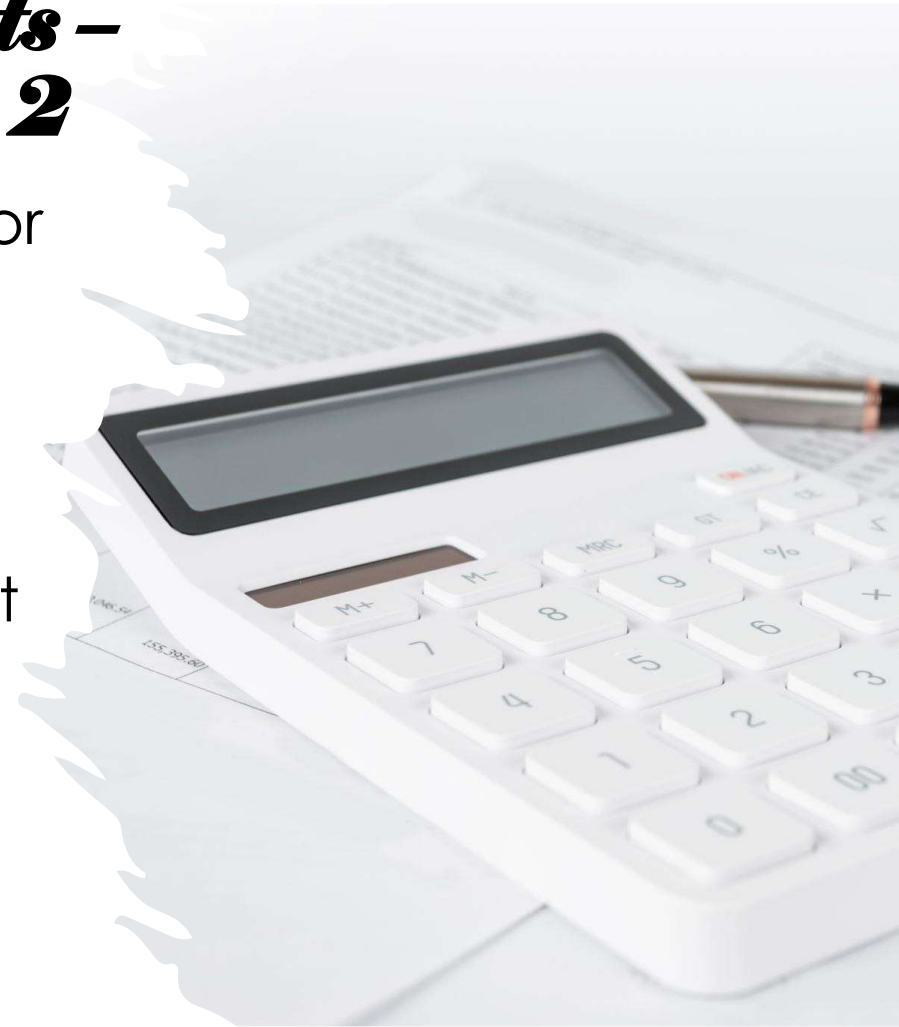
Reading Financial Statements – Structure of Balance Sheet... 1

- A balance sheet is a statement or report showing an organization's financial position – **assets**, **liabilities**, and **net assets** – at the close of business on a particular date (statement of financial position)
- It is always arranged with assets at the top, followed by liabilities, and then net assets



Reading Financial Statements – Structure of Balance Sheet ... 2

- **ASSETS:** What your organization owns or has the right to use
- **LIABILITIES:** What your organization owes to others
- **NET ASSETS:** the difference between total assets and total liabilities (aka net worth)
- Net assets are classified based on the presence of donor restrictions on their use.
 - “without donor restrictions” and
 - “with donor restrictions.”



Reading Financial Statements – Structure of Balance Sheet ... 3

- Knowledge of current assets and current liabilities, you can calculate the current ratio, which is the ratio of assets to liabilities and a measure of liquidity.
- Current ratio should be 1.5 or greater for financially stable organizations. A ratio less than 1 means challenges in meeting short term liabilities
- $\text{NET ASSETS} = \text{ASSETS} - \text{LIABILITIES}$



Reading Financial Statements – Structure of Balance Sheet ... 4

A REALLY GREAT NONPROFIT ORGANIZATION (SAMPLE) STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2024 AND 2023		
ASSETS	2024	2023
Current assets		
Cash and cash equivalents	\$25,843	\$29,843
Investments	17,855	17,440
Accounts receivable	4,833	5,750
Grants receivable	3,467	2,588
Promises to give	18,751	12,144
Prepays and deposits	1,284	1,743
Total Current Assets	72,033	69,508
Land	84,839	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
	\$377,420	\$378,032
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$7,320	\$5,530
Accrued Liabilities	3,220	2,421
Line of credit	15,000	0
Current portion of long-term debt	2,662	2,758
Total Current Liabilities	28,202	10,709
Long-term Debt, less current portion above	47,731	50,489
Total Liabilities	75,933	61,198
Net Assets		
Without donor restrictions	258,115	265,710
With donor restrictions	43,372	51,124
Total Net Assets	301,487	316,834
	\$377,420	\$378,032
Current Ratio	3	6



Income Statement Analysis

REVENUES AND EXPENSES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except number of shares which are reflected in thousands and per share amounts)

	Years ended		
	September 28, 2019	September 29, 2018	September 30, 2017
Net sales:			
Products	\$ 213,883	\$ 225,847	\$ 196,534
Services	46,291	39,748	32,700
Total net sales	260,174	265,595	229,234
Cost of sales:			
Products	144,996	148,164	126,337
Services	16,786	15,592	14,711
Total cost of sales	161,782	163,756	141,048
Gross margin	98,392	101,839	88,186
Operating expenses:			
Research and development	16,217	14,236	11,581
Selling, general and administrative	18,245	16,705	15,261
Total operating expenses	34,462	30,941	26,842
Operating income	63,930	70,898	61,344
Other income/(expense), net	1,807	2,005	2,745
Income before provision for income taxes	65,737	72,903	64,089
Provision for income taxes	10,481	13,372	15,738
Net income	\$ 55,256	\$ 59,531	\$ 48,351
Earnings per share:			
Basic	\$ 11.97	\$ 12.01	\$ 9.27
Diluted	\$ 11.89	\$ 11.91	\$ 9.21
Shares used in computing earnings per share:			
Basic	4,617,834	4,955,377	5,217,242
Diluted	4,648,913	5,000,109	5,251,692

Reading Financial Statements – Structure of Income Statement

The following items are present on the income statement:

- **BUDGET:** an organization's financial plan, usually for the coming year
- **ACTUALS:** True financial results – numbers that show performance
- **INCOME:** Two main types of income for non-profits – support and revenue
- **EXPENSES:** nonprofits are also required to track expenses by functional classification in addition to their natural classifications
- **BUDGET VARIANCE:** quantifies the difference between budgeted and actual figures for a particular accounting category.



Reading Financial Income Statements

A REALLY GREAT NONPROFIT ORGANIZATION (SAMPLE) STATEMENT OF ACTIVITIES SEPTEMBER 30, 2024				
	YTD Actual	YTD Budget	Budget Variance \$	Annual 2024 Budget
Support				
Contributions	\$75,626	\$66,370	\$9,256	\$88,494
Foundation grants-FUN Foundation	15,000	50,000	(35,000)	50,000
Foundation grants - other	25,850	33,750	(7,900)	45,000
Government grants	31,956	24,643	7,313	32,857
Special events	5,055	4,583	472	27,500
Total Support	153,487	179,346	(25,859)	243,851
Revenue				
Admissions	29,759	28,320	1,439	37,759
Membership fees	9,480	9,375	105	12,500
Return on investments	1,659	1,275	384	1,700
Other revenue	674	413	261	550
Total Revenue	41,572	39,383	2,189	52,509
Total Support and Revenue	195,059	218,729	(23,670)	296,360
Expenses				
Salaries, benefits, & taxes	144,764	143,073	1,691	190,764
Occupancy (rent, utilities)	24,686	24,911	(225)	33,214
Grants to others	11,081	18,061	(6,980)	24,081
Professional fees	10,659	11,250	(591)	15,000
Supplies	5,749	6,205	(456)	8,273
Printing	6,832	7,373	(541)	9,830
Insurance	1,386	1,264	122	1,684
Communications	2,237	1,811	426	5,433
Interest	1,865	1,867	(2)	2,490
Miscellaneous	684	713	(29)	950
Depreciation	2,138	2,138	0	2,850
Total Expenses	212,081	218,666	(6,585)	294,569
Excess (Deficit)	(17,022)	\$63	\$(17,085)	\$1,791
Beginning Net Assets	316,834			
Ending Net Assets	\$299,812			



Cash Flow Statement Review

DETAILED ANALYSIS

ML Company Cash Flow Statement For the year ended December 31, 2020	
Cash as of January 1, 2020	<u>43,500.00</u>
Operating Activities	
Cash received from customers	79,690.00
Cash paid to suppliers	(26,500.00)
Cash paid to employees	(14,560.00)
Cash spend on expenditures	(16,000.00)
Taxes paid	<u>(12,620.00)</u>
Net cash from operating activities	10,010.00
Investing Activities	
Sale of building	120,000.00
Acquisition of new machinery	(18,000.00)
Acquisition of new building	<u>(140,000.00)</u>
Net cash from investing activities	(38,000.00)
Financing Activities	
New loan agreement with bank	60,000.00
Issuance of new shares	10,000.00
Payment of loan	<u>(25,000.00)</u>
Net cash from financing activities	45,000.00
Net Cash Flow	<u>17,010.00</u>
Cash as of December 31, 2020	<u>60,510.00</u>

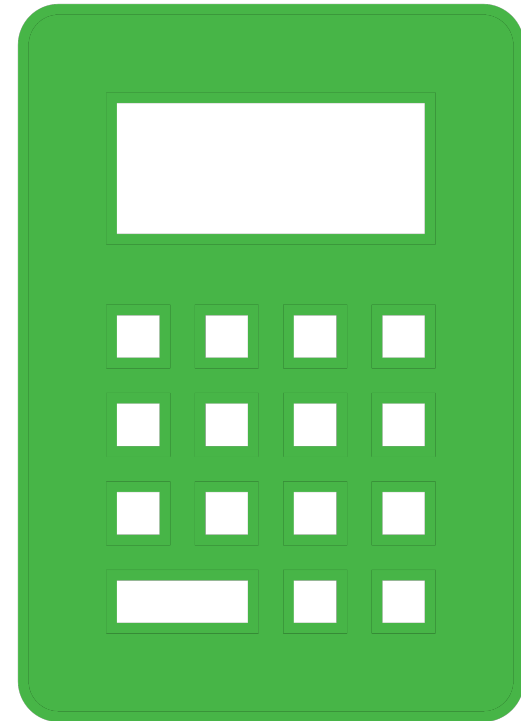
Reading Cash Flow Statements

- The cash flow statement summarizes an organization's cash management. It measures cash inflows and cash outflows, and it helps with determining a company's financial health and making sure there is enough cash available to pay off expenses.



Key Financial Ratios

LIQUIDITY, SOLVENCY, AND
PROFITABILITY RATIOS



Interpreting Financial Health

- Financial Health is ascertained using financial ratios
- Key types of Ratios:
 - Liquidity Ratio
 - Profitability Ratio
 - Debt Ratio
- The values to determine these ratios are extracted from the financial statement



Interpreting Financial Health- Liquidity Ratio

- **Liquidity Ratio:** These measure an entity's ability to meet short-term obligations.
- The Current Ratio, Quick Ratio, and Cash Ratio are common liquidity ratios.
- A higher liquidity ratio indicates stronger financial health, as the company has sufficient liquid assets to cover its short-term liabilities.

Current Ratio Equation

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Quick Ratio Equation

$$\text{Quick Ratio} = \frac{(\text{Current Assets} - \text{Inventory})}{\text{Current Liabilities}}$$



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Interpreting Financial Health- Profitability Ratio

- **Profitability Ratio:** Profitability ratios assess a company's ability to generate profits relative to its sales, assets, and equity.
- Common profitability ratios include Gross Profit Margin, Net Profit Margin, and Return on Assets
- Higher profitability ratios indicate stronger financial performance and efficient operations.

Gross Profit Margin Equation

$$\text{Gross Profit Margin} = \frac{(\text{Revenue} - \text{Cost of Sales})}{\text{Revenue}} \times 100$$



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Interpreting Financial Health- Debt Ratio

- **Debt Ratio:** Debt ratios evaluate a company's levels of debt relative to its total assets or equity.
- Key debt ratios include Debt-to-Assets Ratio, Debt-to-Equity Ratio, and Interest Coverage Ratio
- Lower debt ratios signify lower financial risk and a healthier financial position.

Debt-to-Equity Ratio Equation

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$



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The debt-to-equity ratio is a solvency ratio that measures how much a company finances itself using equity versus debt

Interpreting Financial Ratios

- The ratios should be calculated based on timely released reports to ensure the use of valid and current information for decision making.
- Financial ratios should be compared across periods and against competitors.
- This is so that the entity performance can be tracked over time as well as against the competition.
- No single ratio or statement is sufficient to analyze the overall financial health of your organization. Instead, a combination of ratio analyses across all statements should be used.



A blue pen with a silver tip is resting on a document. The document features a bar chart with several blue bars of varying heights. The background is a light blue and white grid. The text 'Case Study: Financial Statement Review' is written in a large, white, serif font, with the first part in italics.

Case Study: *Financial* *Statement* *Review*

EXAMPLE ANALYSIS

Interactive Exercise

Assets	XYZ	ABC
Fixed Assets	200,000	300,000
Other Non Current Assets	50,000	75,000
Current Assets		
Account Receivables	100,000	200,000
Inventory	50,000	100,000
Cash	50,000	50,000
Total	450,000	725,000
Liabilities		
Capital	200,000	300,000
Long Term Debt	100,000	225,000
Current Liabilities		
Account Payables	100,000	100,000
Other Current Liabilities	50,000	100,000
Total	450,000	725,000

Balance Sheet of XYZ Ltd. & ABC Ltd

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Interactive Exercise

Particulars	XYZ	ABC
Sales	200,000	300,000
Less: Cost of Goods Sold	100,000	150,000
Gross Profit	100,000	150,000
Less: Selling & Distribution Expenses	30,000	50,000
Less: Depreciation	10,000	10,000
Earning Before Interest & Tax (EBIT)	60,000	90,000
Less: Interest	10,000	20,000
Earning before Tax	50,000	70,000
Less: tax	20,000	28,000
Earning After Tax	30,000	42,000

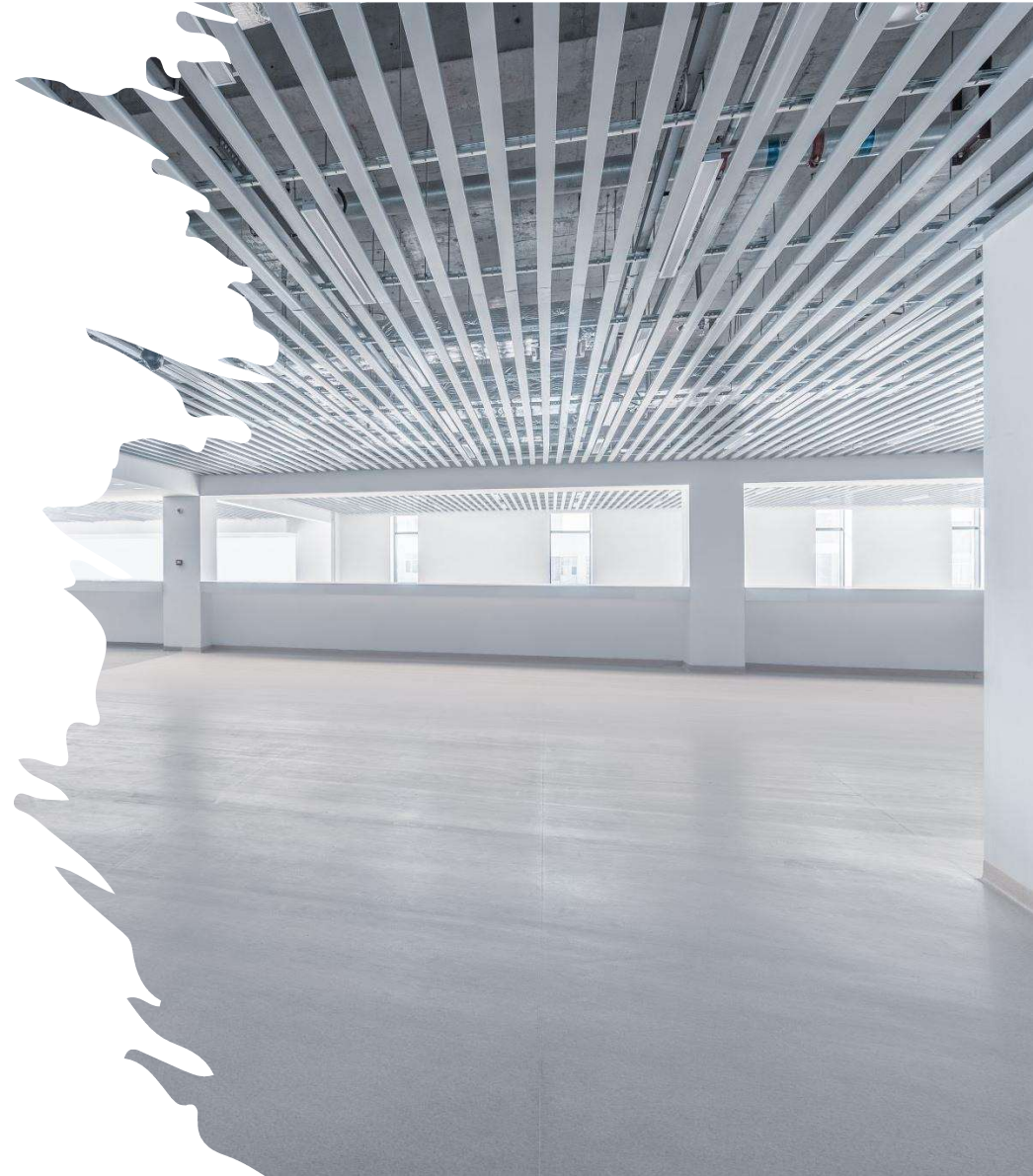
$$\text{Gross Profit Margin} = \frac{\text{Revenue} - \text{Cost of Goods Sold}}{\text{Revenue}}$$

$$\text{Net Profit Margin} = \frac{\text{Net Profit} - \text{Revenue}}{\text{Revenue}}$$

P&L Statement of XYZ Ltd. & ABC Ltd.

Q&A Session

- Open floor for questions



Introduction to Fundraising Strategies

- Fundraising is a vital tool to generate necessary funding for programs, expand the organization's reach, and build community support.
- An effective fundraising strategy identifies where you are, what resources you have at your disposal and where you want to go.
- A SWOT analysis is important in this process.



Fundraising Strategies – Best Practice

- Know your donors
- Understand your goals and develop KPI
- Develop donor relationships
- Automate processes – volunteer recruitment, email messages, event registrations etc
- SMART goals
- Recognize relevant regulations



Fundraising Strategies by Channels

- Decide the channel(s) via which your fundraising activity will be executed.
- Common channels include:
 - Email
 - Direct mail
 - Social media
 - Phone calls
 - Dedicated website
 - Grant Applications
 - Face to face solicitation
- Each channel has its pros and cons, and a multi-channel approach is often adopted to reach as many supporters as possible.



Traditional Fundraising Methods

- Fundraising Events
- Direct mail Campaigns
- Grants applications
- Face-to-face interactions



Traditional Fundraising Methods - Pros

- **Established Trust:** The traditional methods build strong, trust-based relationships with donors, particularly major donors, and foundations (institutional donors).
- **Personal Connection:** In-person events and meetings prioritise personal interaction/networking - pivotal in securing large donations.
- **Structured Approach:** Traditional methods often follow a well-defined process, making it easier to manage and track progress.



Traditional Fundraising Methods - Challenges

- **High Costs:** Organizing events, doorstep canvassing, and managing direct mail campaigns can be expensive and resource intensive.
- **Limited Reach:** Traditional methods often have a geographical limitation, restricting the donor base.
- **Time-Consuming:** The process of planning and executing traditional fundraising activities can be time-consuming, often requiring months of preparation.



Modern Fundraising Techniques

- Digital campaigns
- crowdfunding, and
- social media



Modern Fundraising Techniques - The Pros ...I

- **Wide Reach:** A global audience can be reached, breaking geographical barriers.
- **Lower Costs:** More cost-effective than traditional techniques, reduces the need for physical events and materials.
- **Speed and Flexibility:** Campaigns can be launched quickly and adjusted in real-time based on donor response.
- **Increased Engagement and Awareness:** These modern techniques often use storytelling and social media promotion, which increases engagement and awareness about the cause.



Modern Fundraising Techniques - The Pros ...2

- **Real-Time Updates:** Donors can receive real-time update on campaign progress and achievements, fostering transparency and trust.
- **Social Media Integration:** Integration with social media helps in promoting campaigns and engaging with a wider audience.
- **Data Analytics:** Advanced analytics tools help charities understand donor behaviour and optimise future campaigns.
- **Peer-to-Peer Fundraising:** Many platforms support peer-to-peer fundraising, where supporters can create their own mini-campaigns to raise funds on behalf of the charity.



Modern Fundraising Techniques - The Challenges

- **Competition:** The popularity digital media techniques imply stiffer jostling for attention, making it harder to stand out.
- **Short Campaign Lifespan:** Modern techniques are typically short-term, requiring a rapid influx of donations.
- **Dependence on Technology:** Success heavily relies on effective use of digital tools and platforms, which can be a barrier for some organizations.



Role of the Board in Fundraising

To help an organization raise funds to ensure it can fulfill its mission and maintain financial stability



Role of the Board in Fundraising

- Develop a strategy
- Collaborate with stakeholders
- Provide oversight
- Track performance
- Reiterate



Best Practices for Board Members

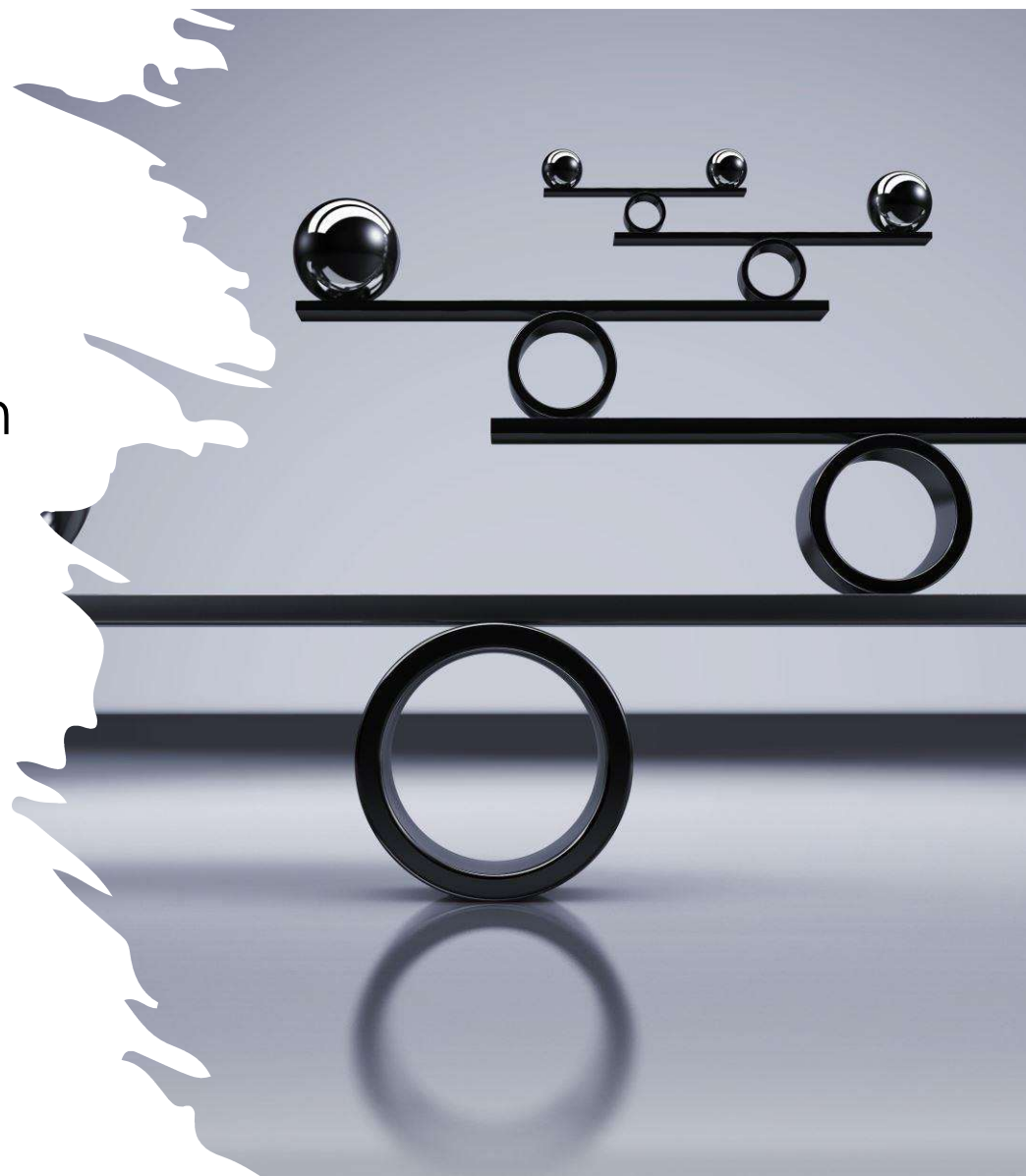
- Train the Board To Be Better Fundraisers
- Leverage Corporate Giving
- Craft a successful fundraising ask or case statement
- Build Out Your Board Fundraising Toolkit



Restricted vs. Unrestricted Revenue

Restricted funds are those grants, or donations that come with limitations or restrictions of how an organization can manage them

Unrestricted funds are free from any external restrictions and available for general use. Many individual contributions are given without donor restriction.



Managing Restricted Funds

- Unique accounting standards require nonprofits to report contributed income in one of two categories: [donor] restrictions or without [donor] restrictions.
- Donors may legally restrict the use of their contributions, specified in a “gift instrument” document. This document can be the award letter.



Managing Restricted Funds- Principles

- For a grant is identified as restricted, the accounting and recordkeeping requirements are of paramount importance
- Two principles are at the core of the accounting requirements.
 1. Restrictions are imposed by the donor when they make the gift or grant.
 2. Income must be recognized, or recorded in the accounting records, in the year that an unconditional commitment for the funds is received, regardless of when the related expenses will occur.



Restricted vs. Unrestricted Revenue

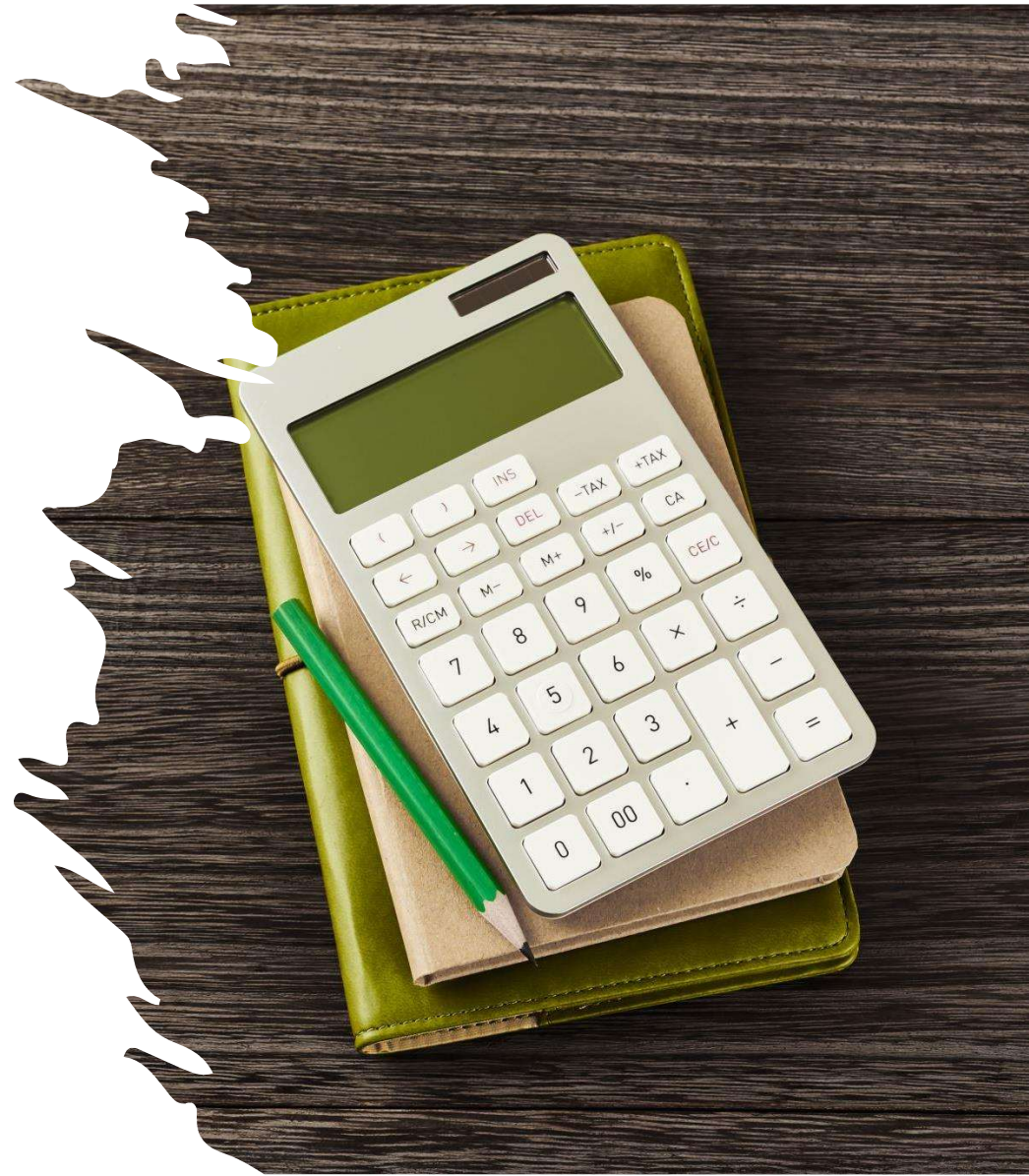
Illustration of how
restricted grant is
recorded in income
statement

Family Advocacy Network
Income Statement
For the Twelve Months Ending December 31, 20XX

	Without Donor Restrictions	With Donor Restrictions	Total
INCOME			
Individual Contributions	8,285		8,285
Grants	-	60,000	60,000
Net Assets Released from Restrictions	20,000	(20,000)	-
User Fees	5,250		5,250
Contract Income	3,900		3,900
Total Support & Revenue	37,435	40,000	77,435
EXPENSE			
Personnel	24,000		24,000
Program Related Materials	6,985		6,985
Rent & Utilities	4,750		4,750
Marketing	1,375		1,375
Total Expenses	37,110	-	37,110
Change in Net Assets (Surplus/Def)	\$ 325	\$ 40,000	\$ 40,325

Case Study: Fundraising Success

- Example scenario



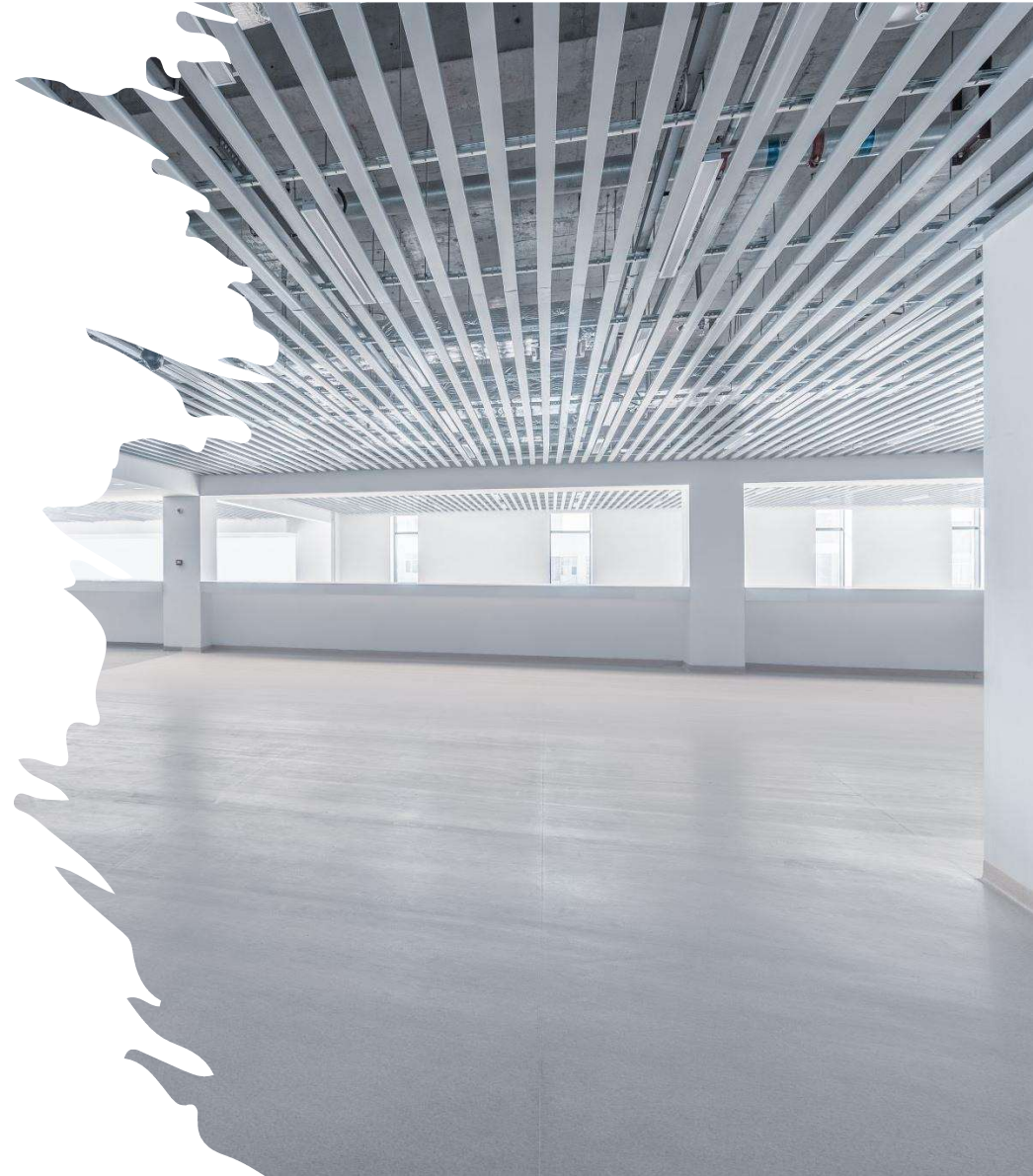
Interactive Exercise

- Developing a fundraising plan



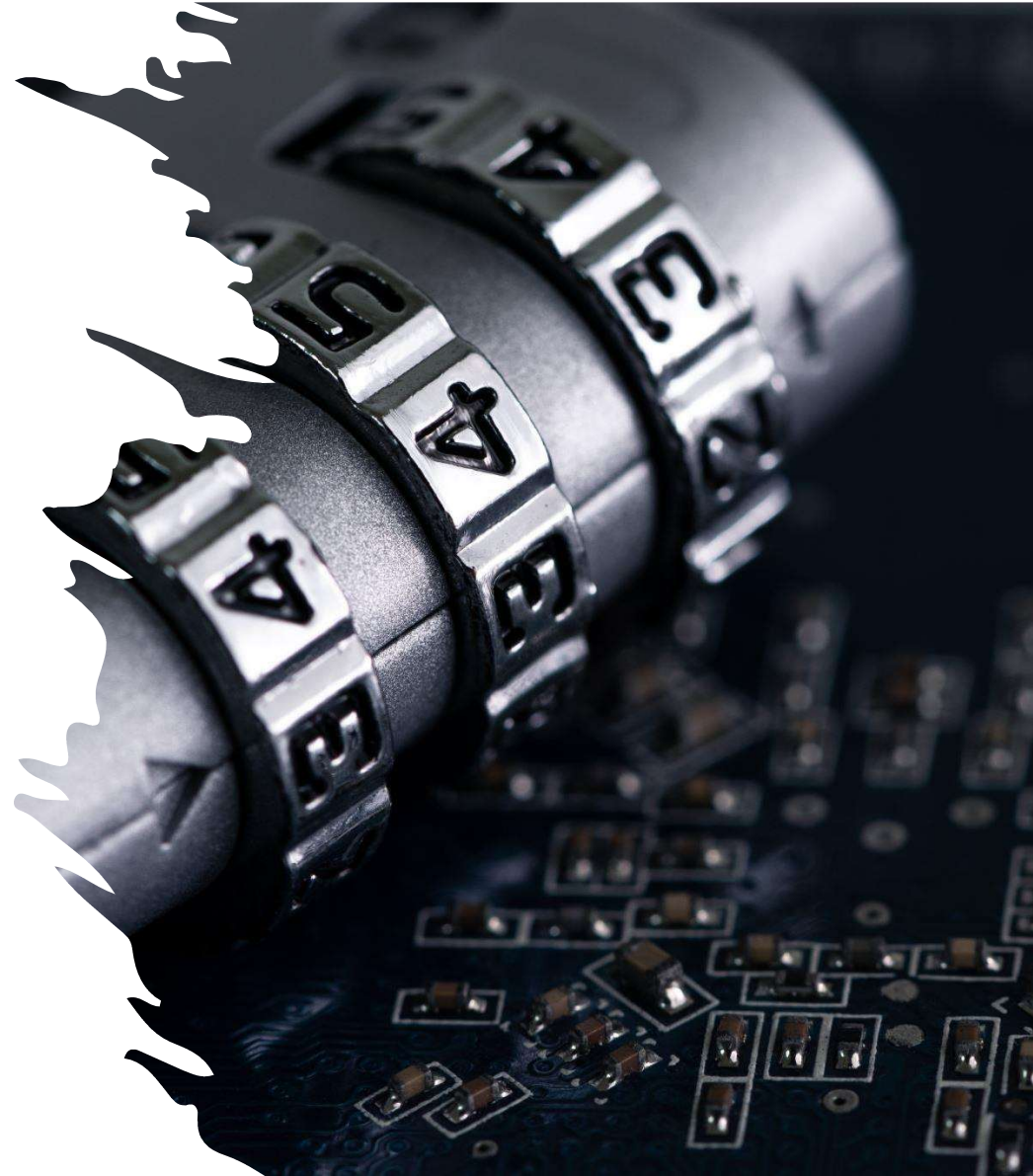
Q&A Session

- Open floor for questions

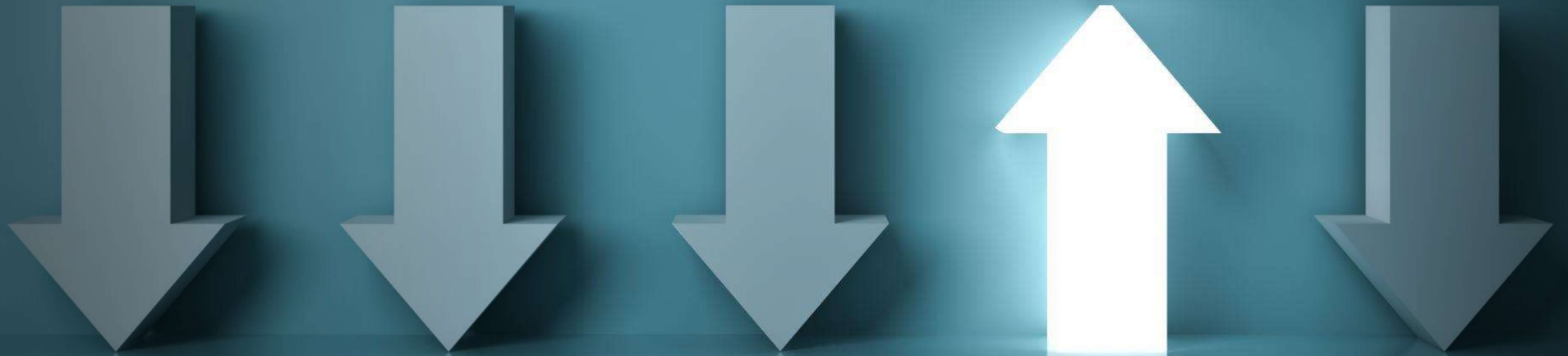


Conclusion and Wrap-Up

- Recap of key points



Next Steps



ADDITIONAL RESOURCES AND
FOLLOW-UP