



Fundamentals of Financial Leadership

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Welcome!



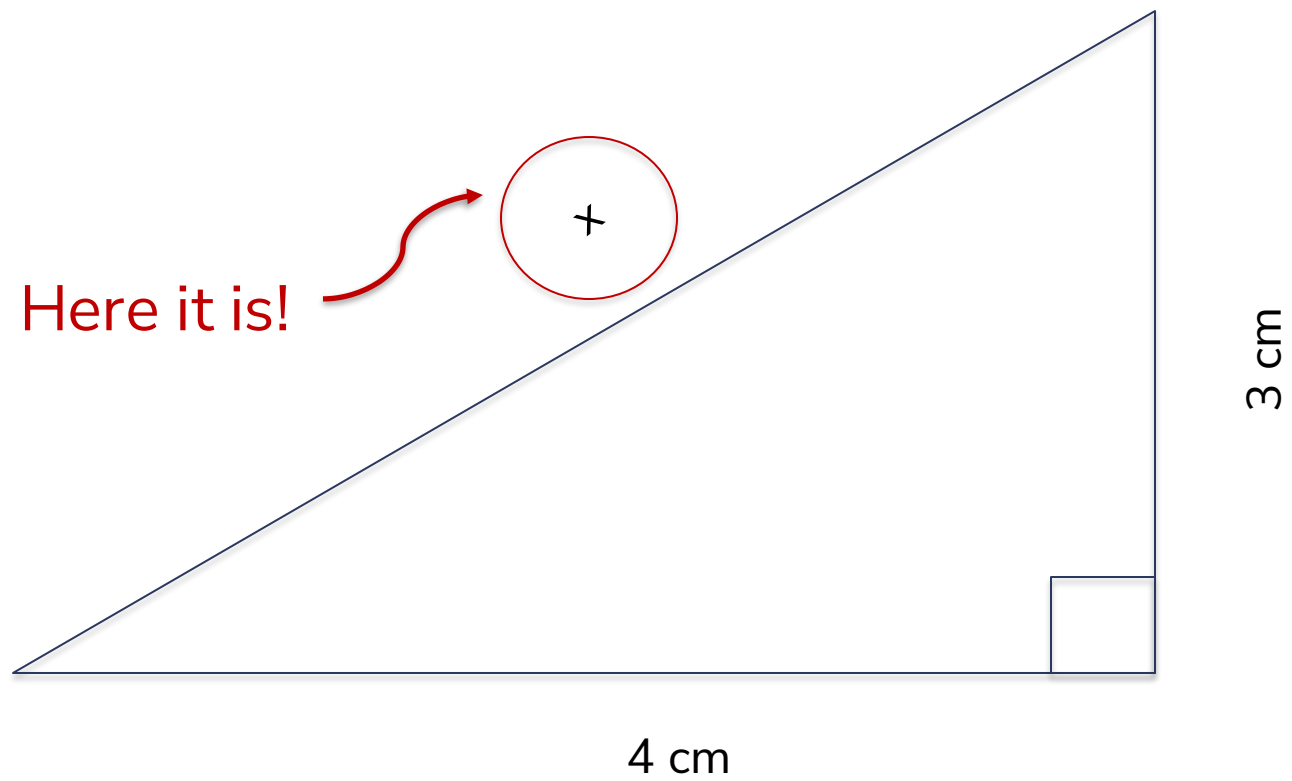
Our Conversation Today

- ✓ Introduction
- ✓ Tenets of Financial Leadership
- ✓ Staffing
- ✓ Internal Controls
- ✓ Reading Financial Statements
- ✓ Up Next

Who is in the room?

Budget	Role
<\$500K	Board Member
\$500K-\$1M	CEO / Executive Director
\$1M - \$2.5M	CFO / Director of Finance / Accountant / Bookkeeper
\$2.5M - \$5M	Development
Over \$5M	Program

Find x



The financial leader of your organization is...?



The Tenets of Financial Leadership

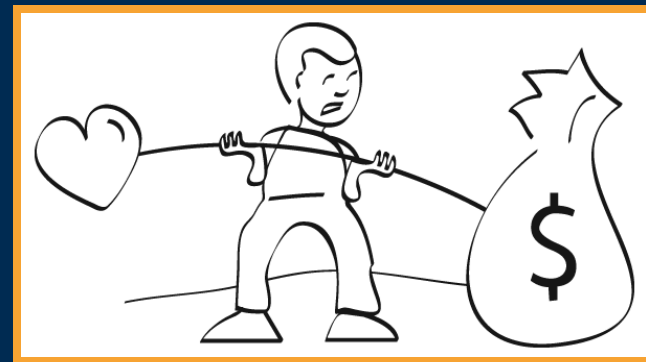
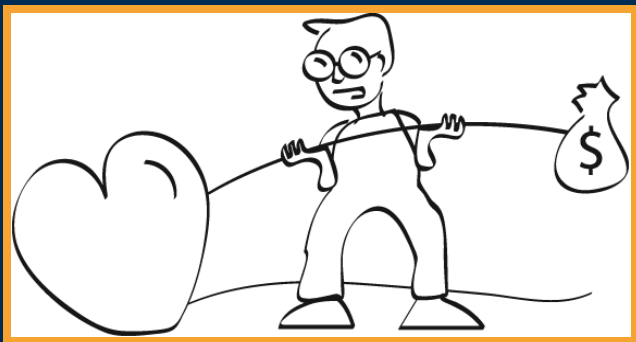
5 Tenets of Financial Leadership

What makes a financial leader?

1. Move beyond mission vs. money thinking
2. Cultivate financial leadership
3. Understand your business model
4. Recognize the relationship between strong infrastructure and strong programs
5. Create trust

Mission & Money

Finding Balance





Who is involved?

Everyone!



Bring People Along



Bring People Along

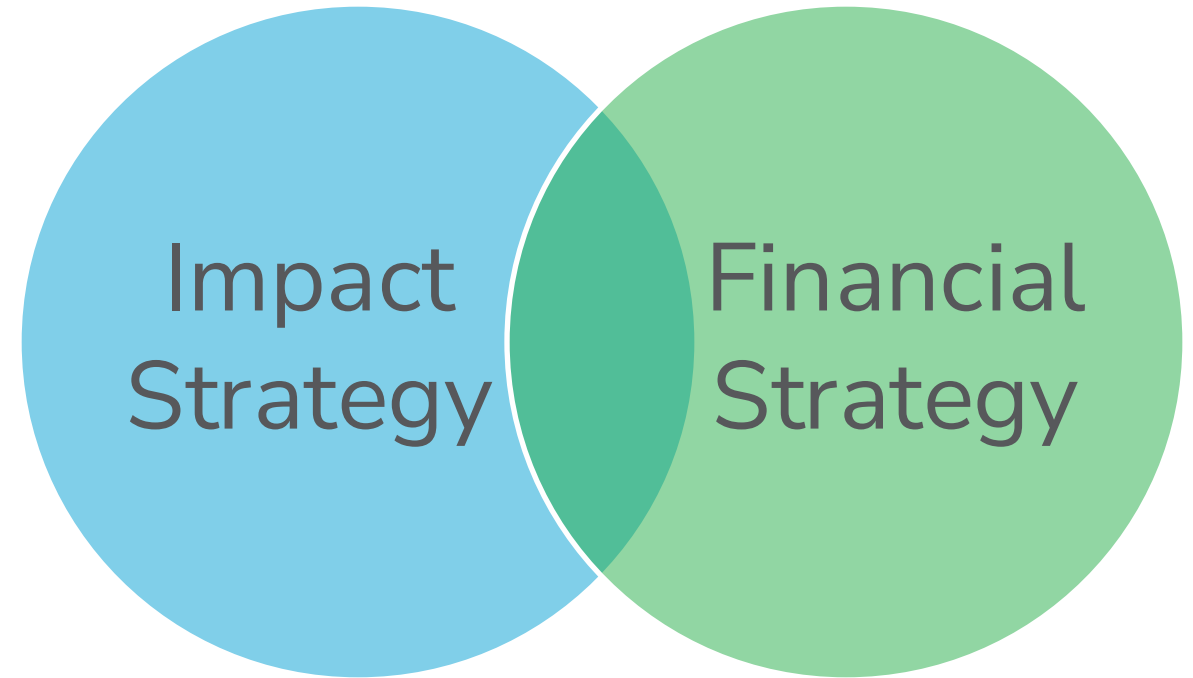


Cultivate Financial Leadership

Demand & Invest in Financial Education

- ❖ Share financial statements
- ❖ Structure financial statements by program
- ❖ Communicate your revenue drivers
- ❖ Engage everyone in budgeting
- ❖ Have fun!

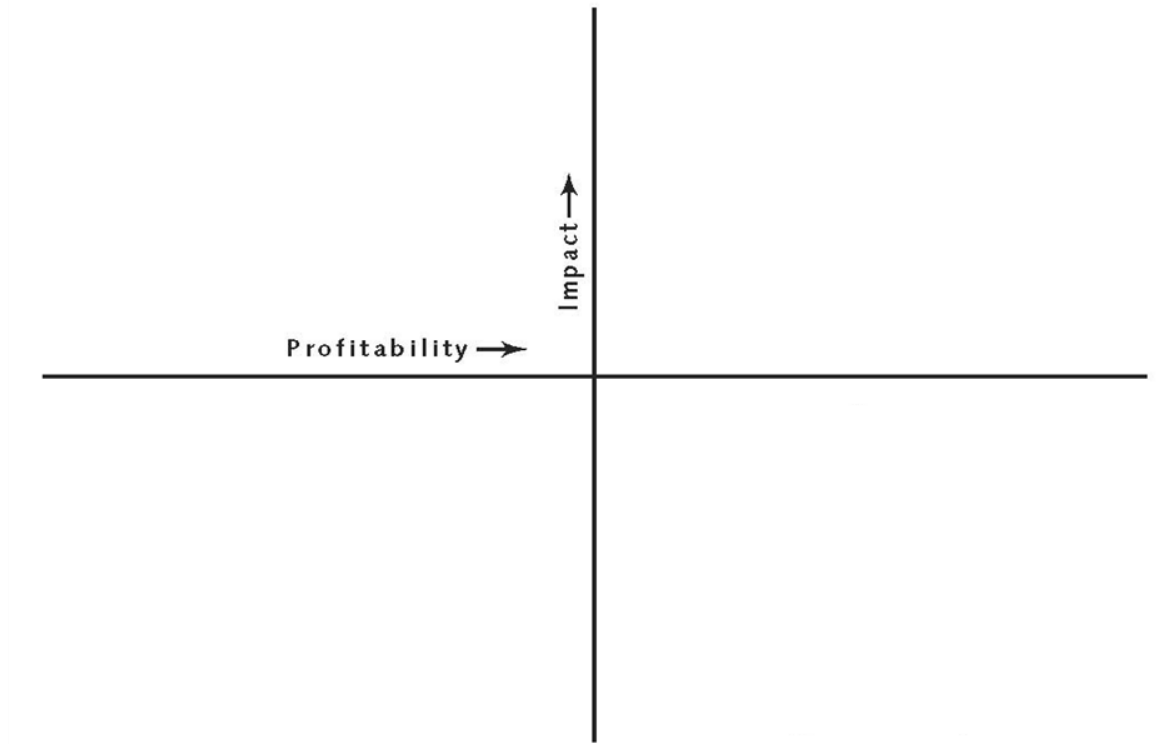
Understand Your Business Model



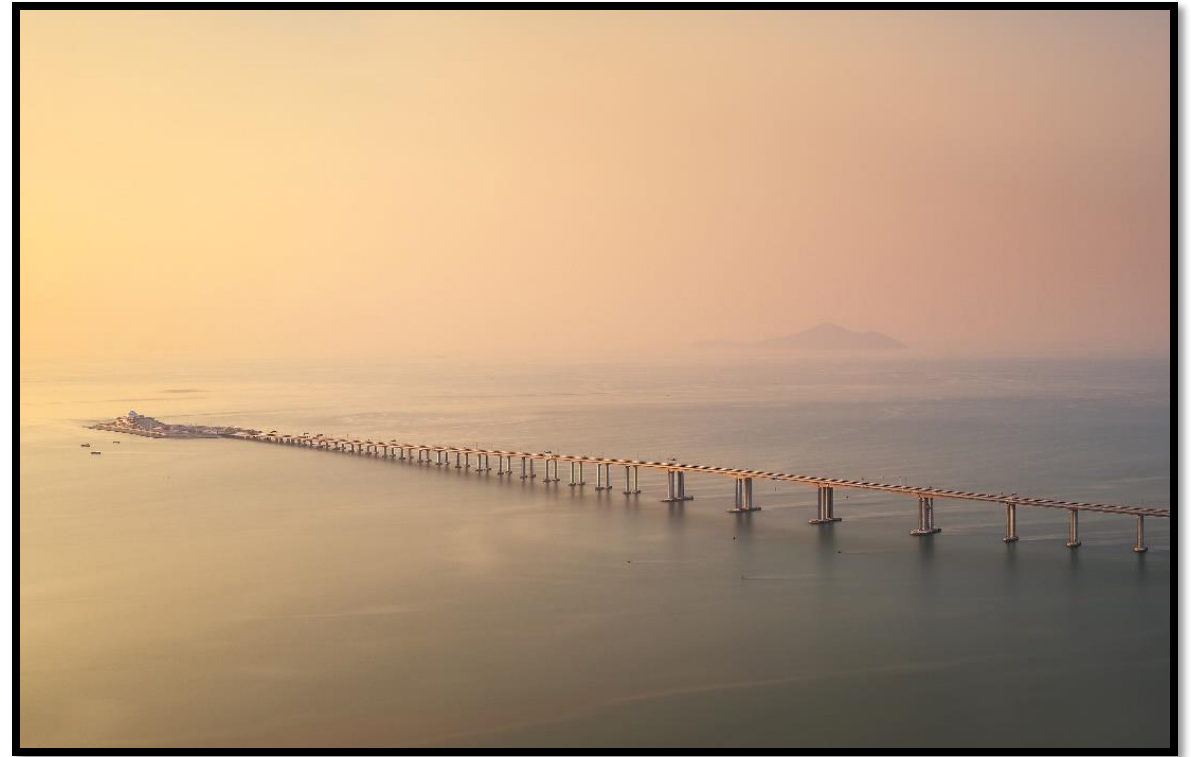
Defining Business Model

A nonprofit business model is leadership's thinking of how a set of activities work together to generate resources and achieve impact to accomplish the organization's mission.

The Matrix Map

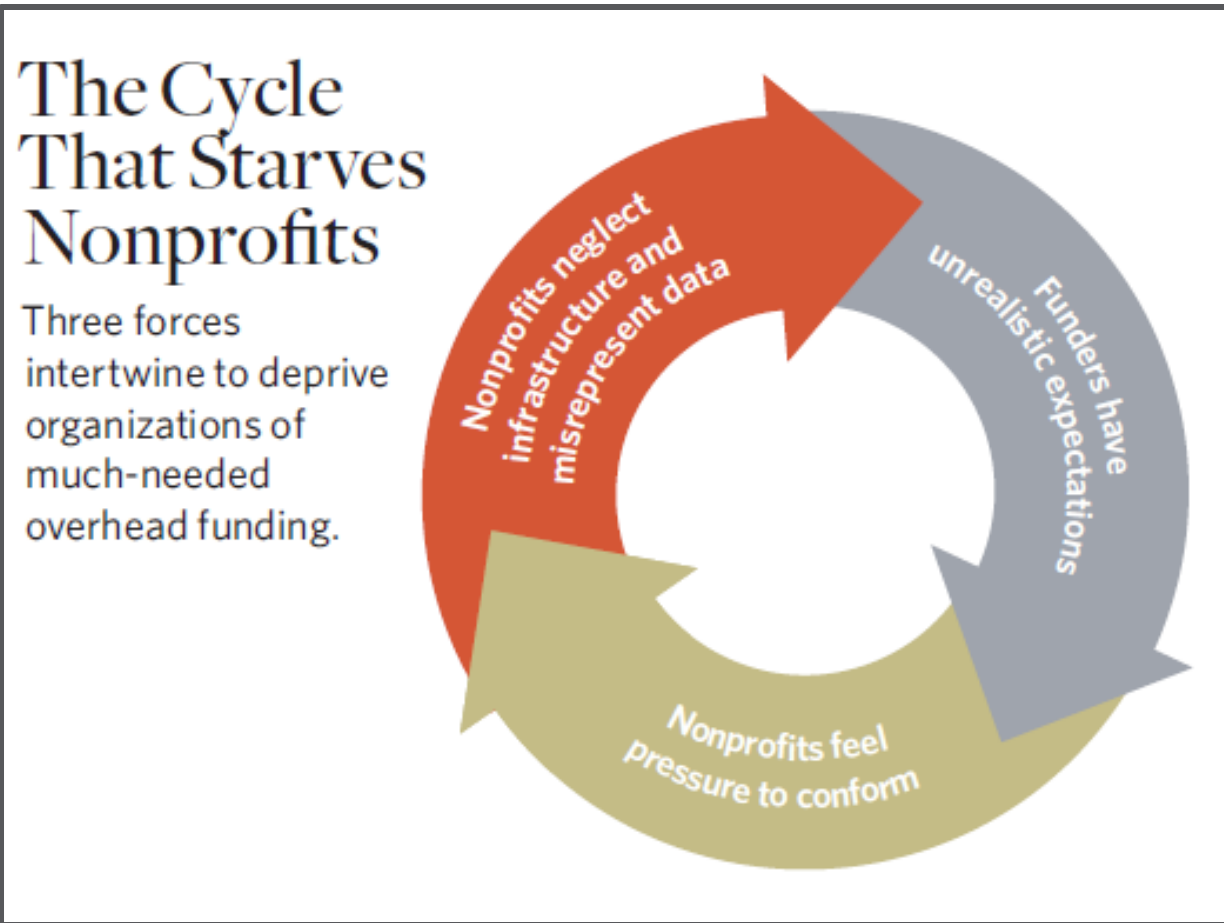


Invest in Infrastructure



Strong Infrastructure ↔ Strong Programs

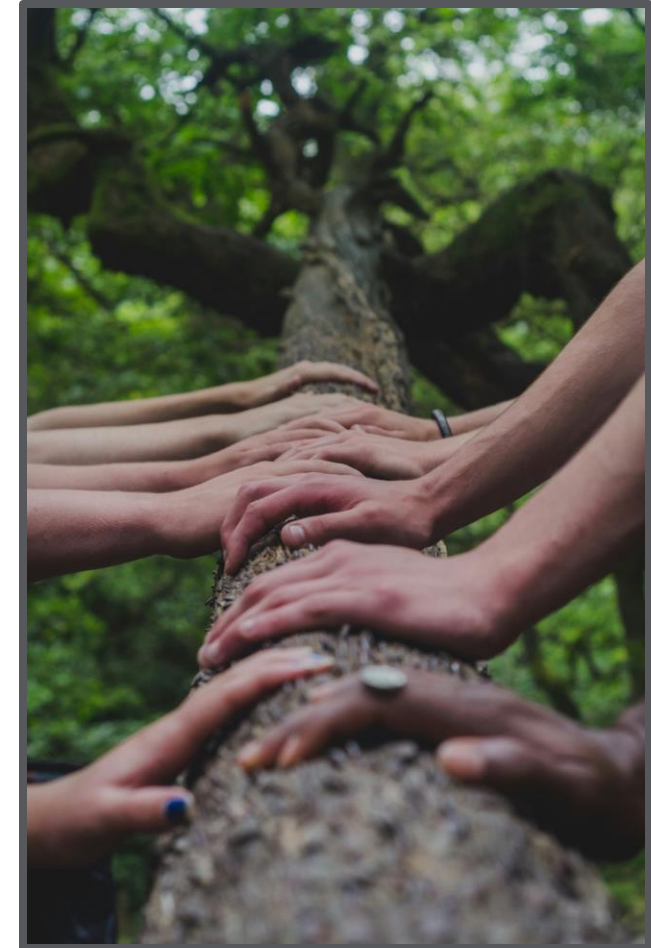
Invest in Infrastructure



The Nonprofit Starvation Cycle,
Stanford Social Innovation Review
[The Nonprofit Starvation Cycle \(ssir.org\)](https://ssir.org)

Create Trust: Accountability & Transparency

- IRS Form 990
- Website
- Annual Report
- Board review of internal controls
- Audit

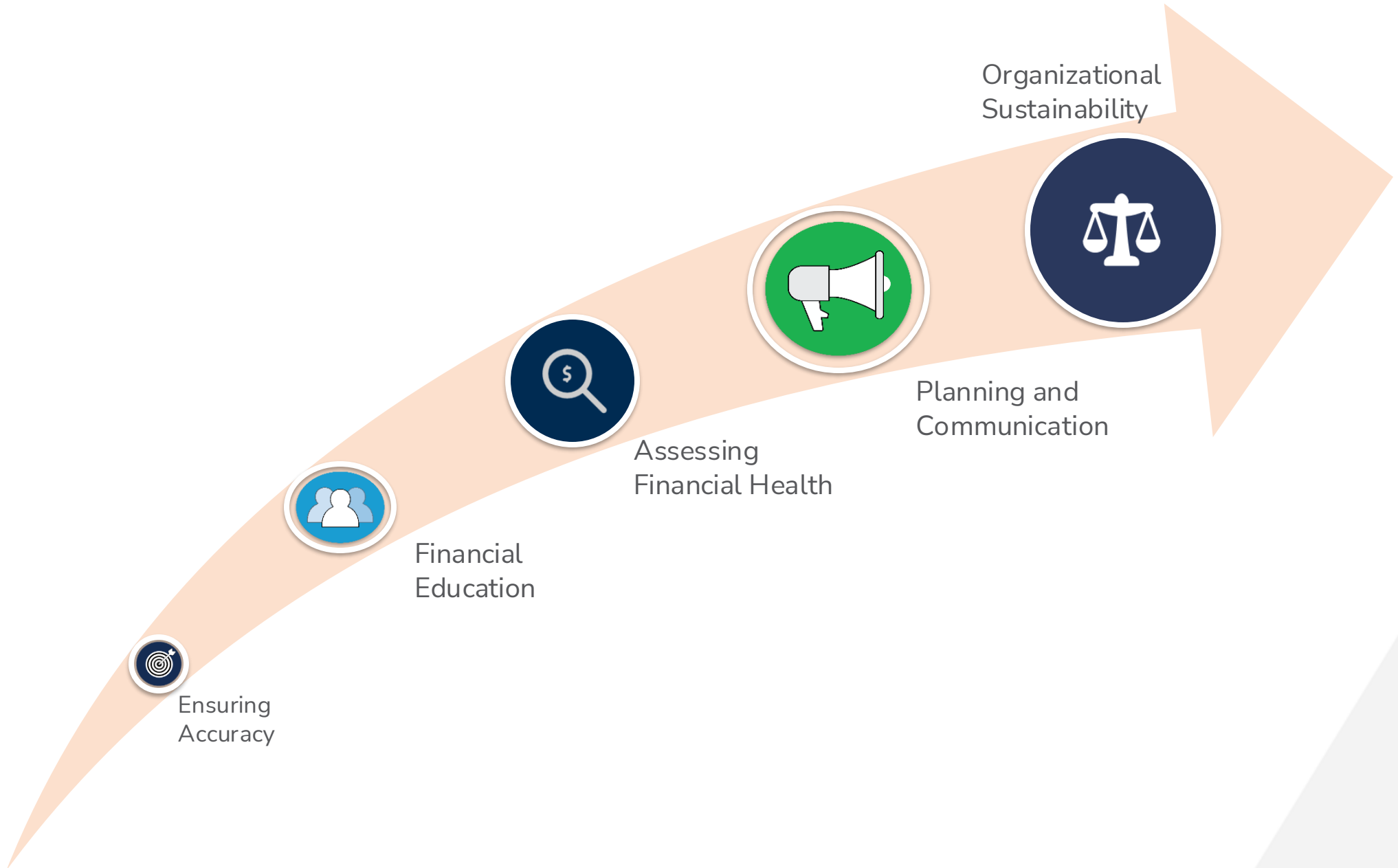


5 Tenets of Financial Leadership

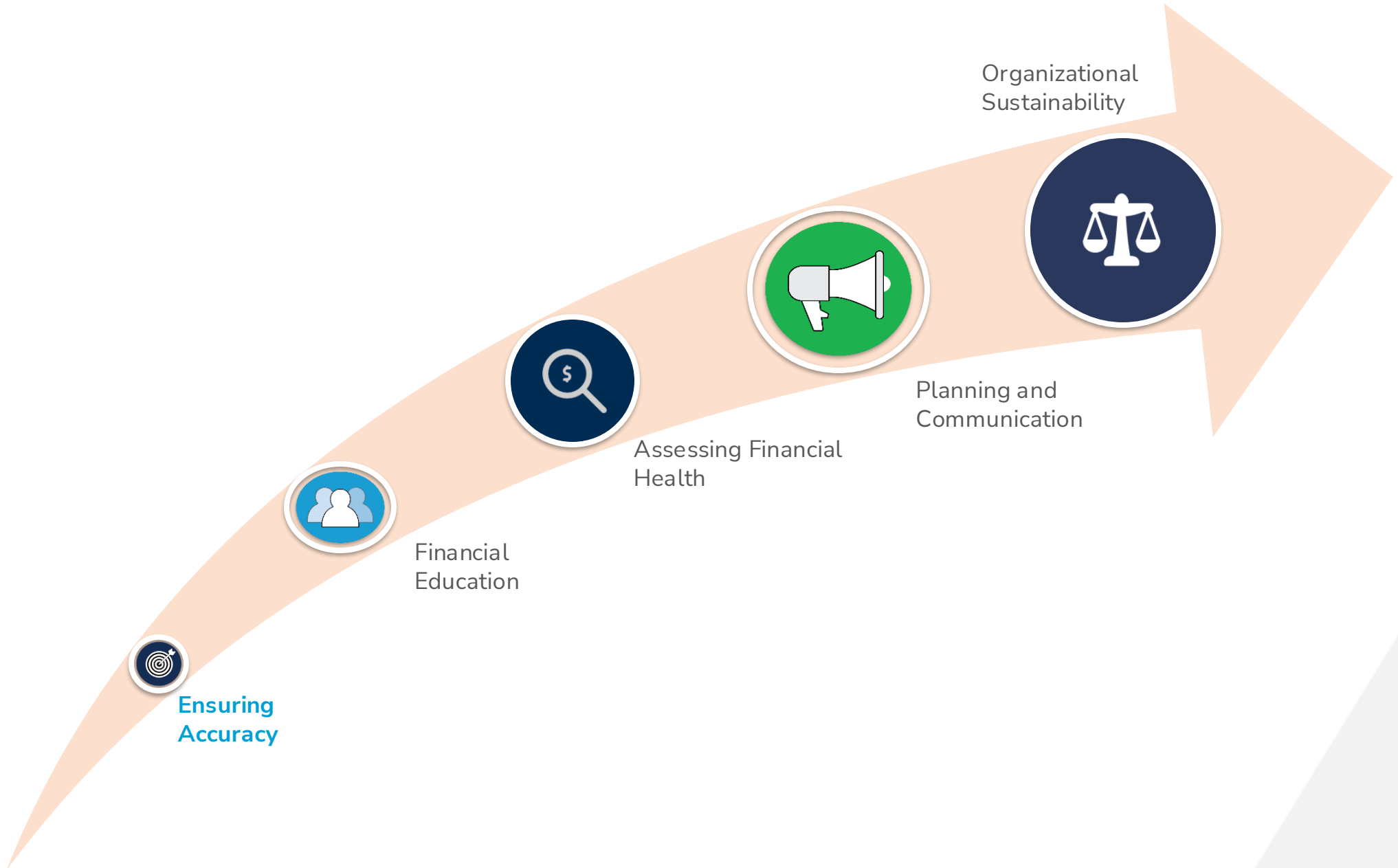
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The Financial Leadership Model



The Financial Leadership Model



Staffing

Staffing Roles & Skills

Role

- Strategic
 - Planning & Analysis
- Operational
 - Accumulation & Reporting
- Transactional
 - Inputting & Filing

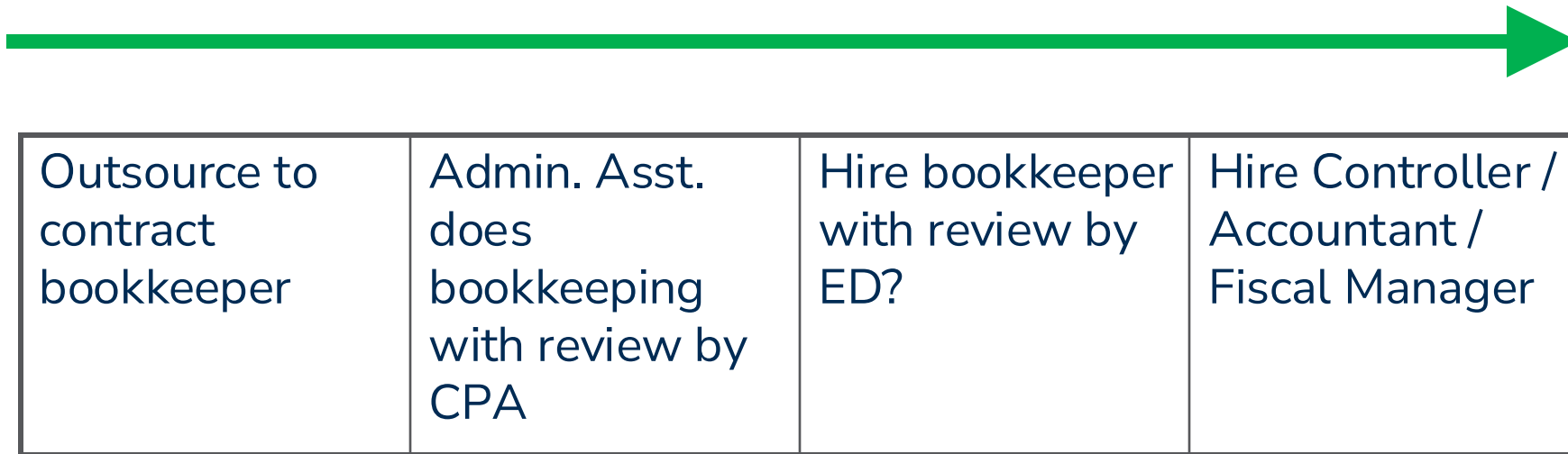


Skills Needed

- Big picture thinking
- Communication
- Accounting rules and regulations
- Attention to detail

The Hiring Spectrum

Financial Staffing





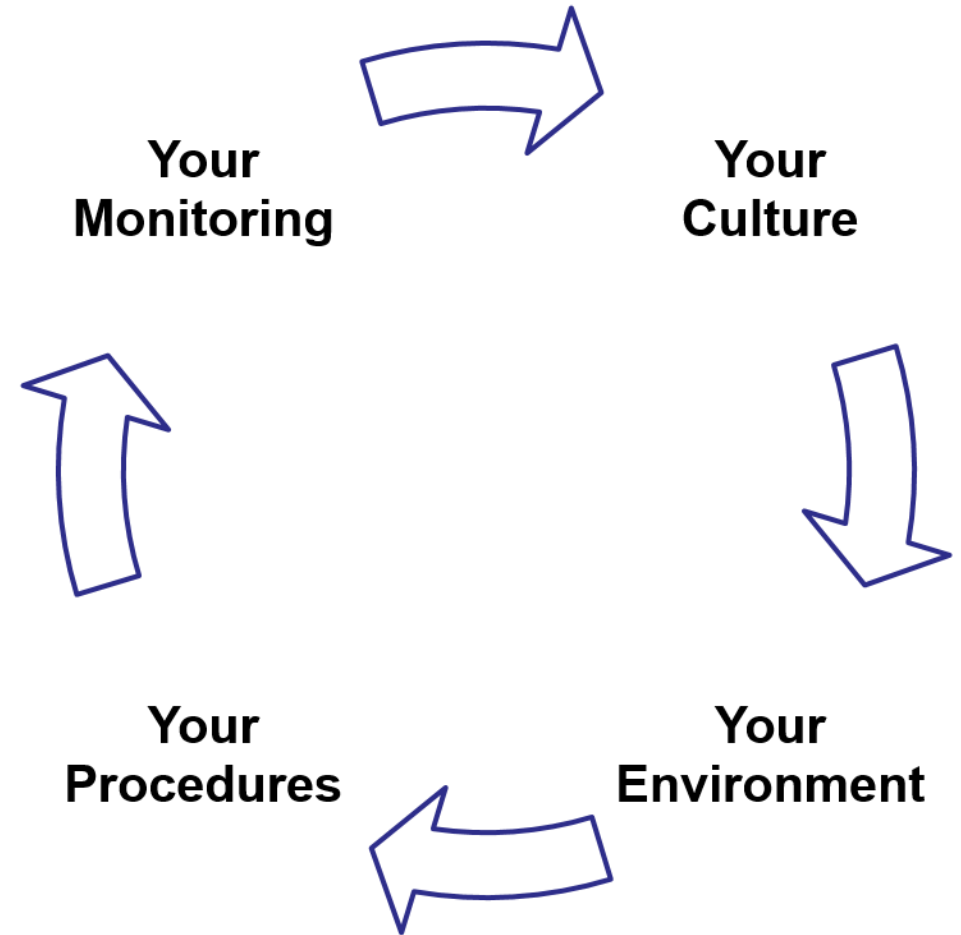
Outsourcing

Considerations

- Understand the services being offered
 - Transactional
 - Operational
 - Strategic
- What is the time commitment?
- Who will present to the board?
- What will the software be?

Internal Controls

Internal Controls

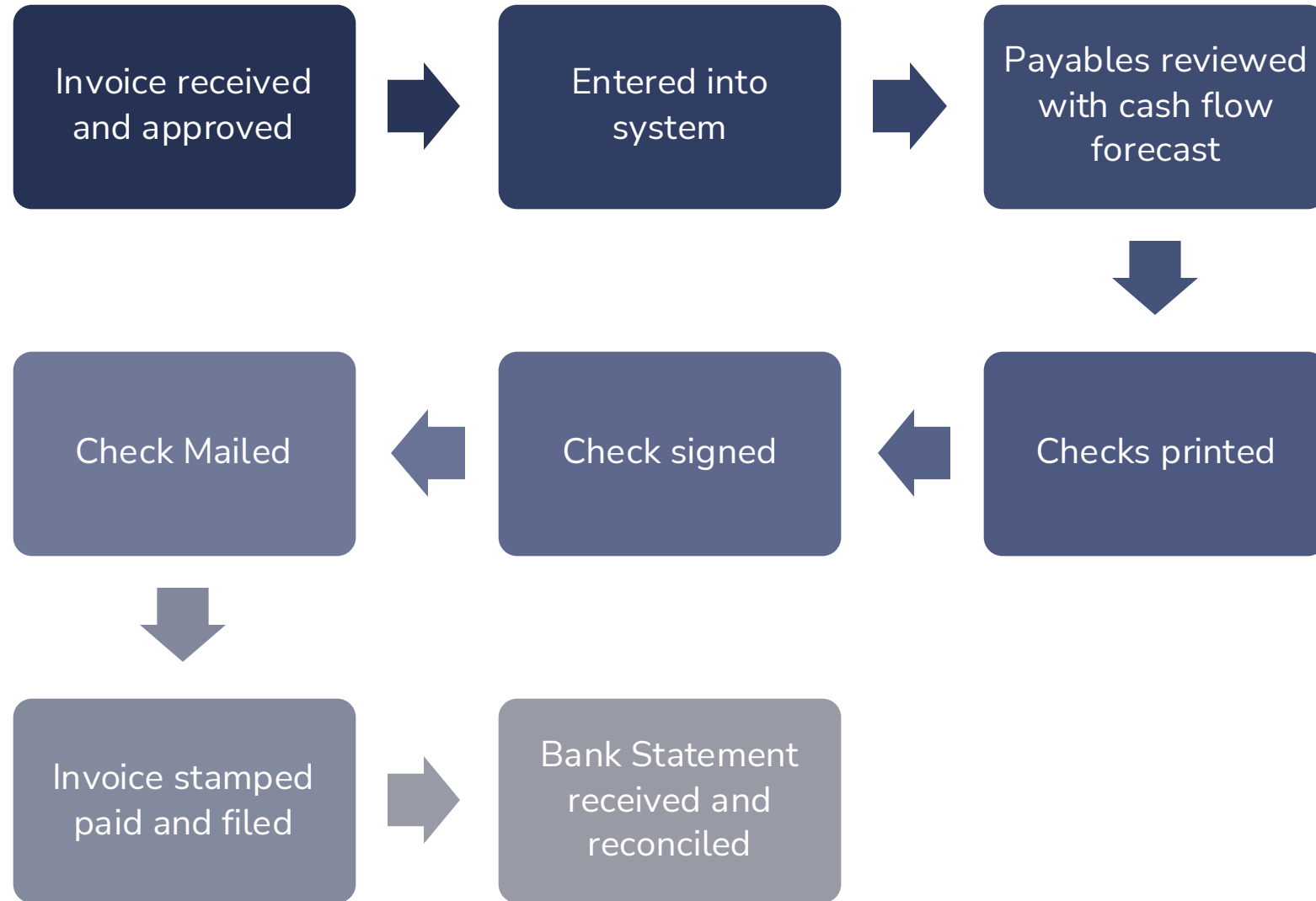


Roles



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Roles



Segregation of Duties

Making sure no one person touches every part of a process

Receiving Money

Depositing Money

Reconciling Bank
Stmt

Receiving Invoice

Approving Invoice

Writing Check

Signing Check

Segregation of Duties

Three Roles

Accounting Staff

- Write checks
- Reconcile bank statement
- Record credit/debits
- Reconcile petty cash
- Distribute payroll

Accountant

- Approve payroll
- Process vendor invoices
- Mail checks
- Disburse petty cash
- Open mail and log cash
- Perform analytical procedures
- Receive bank statements

Executive Director

- Sign contracts
- Sign checks
- Complete deposit slips
- Perform interbank transfer
- Review bank reconciliation and account activity
- Set compensation

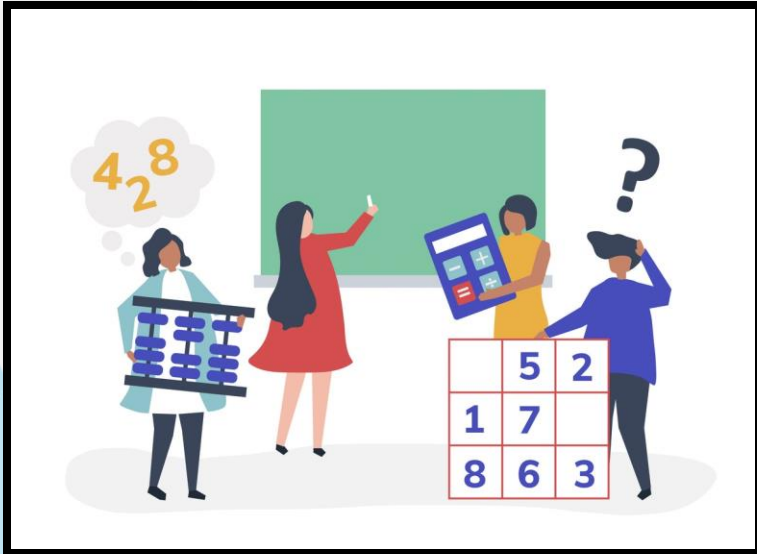
Other Steps to Take

Internal Controls

- More than one check signer
- Payroll service
- Board review: budget and financial statements
- Segregation of duties: Think about your processes and define responsibilities – process map?

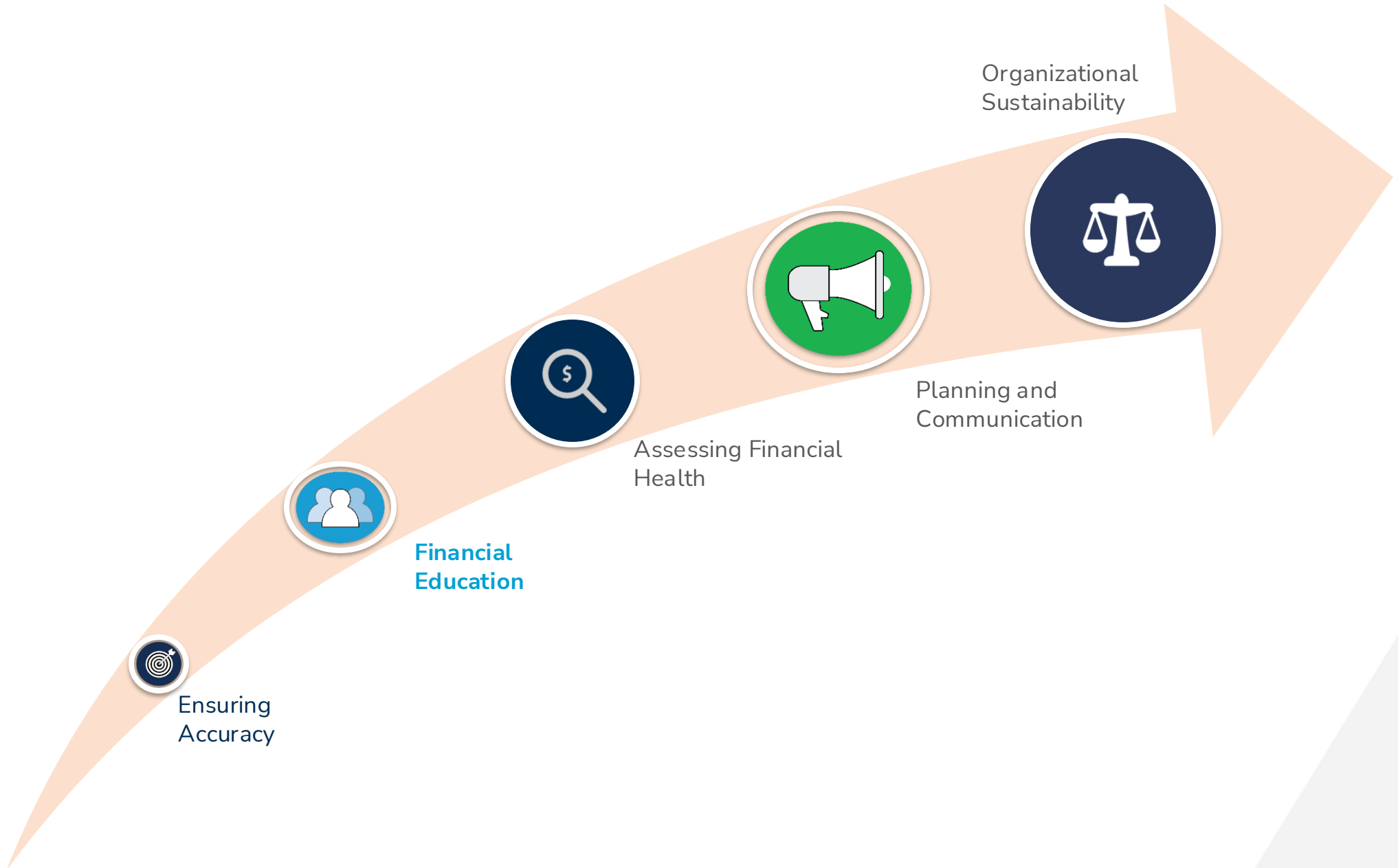
Your Turn

Internal Controls Quiz



	TRUE	FALSE
An accounting procedure and policies manual should be reviewed and revised annually.		
The Fiscal Manager should be the only check signer.		
Organizations are required to have a document retention policy.		
To create efficiency, the same person may authorize an expense and sign a check.		
Employment records for each employee should include detail wage rates, benefits, tax rates, and other pertinent information.		
All mail should be opened by the Fiscal Manager.		
Checks should never be signed before they have been completely filled out.		
While the accounting staff takes annual vacations, their basic duties can wait to be completed upon their return.		
There is a limit to the amount of cash that can be reimbursed through the petty cash account.		
Approved invoices can have checks signed and waiting for better cash flow before being mailed.		

The Financial Leadership Model



Reading Financial Statements



Nonprofit Financial Statements

- Statement of Financial Position
- Statement of Activities

Financial Statements

Statement of Financial Position

Balance Sheet

- Cumulative performance
- What do we own?
- What do we owe?

Statement of Activities

Income Statement

- Year to date performance
- Where we're investing resources

Statement of Financial Position

Statement of Financial Position September 30, 2025

ASSETS

	9/30/2025	12/31/2024
Current Assets		
Cash and cash equivalents	\$ 122,290	\$ 135,940
Donations and grants receivable	105,035	145,340
Other receivables	9,320	12,265
Prepaid insurance	1,330	5,575
Total Current Assets	237,975	299,120
Fixed Assets		
Equipment furniture and fixtures	143,505	125,275
Less accumulated depreciation	(41,525)	(36,580)
Total Fixed Assets	101,980	88,695
Long Term Investments	76,870	75,000
Total Assets	\$ 416,825	\$ 462,815

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	29,100	85,540
Accrued expenses	25,350	18,300
Current portion of Long term debt	2,420	2,420
Total Current Liabilities	56,870	106,260
Long term debt	8,540	10,960

Net Assets

Without Donor Restrictions		
Board Designated Funds	50,000	55,000
Fixed Assets, Net	101,980	88,695
Undesignated	44,685	41,100
Total Net Assets Without Donor Restriction	196,665	184,795
With Donor Restrictions		
Purpose Restricted	42,500	55,000
Time Restricted	37,250	30,800
Perpetually Restricted / Endowment	75,000	75,000
Total Net Assets With Donor Restriction	154,750	160,800
Total Net Assets	351,415	345,595
Total Liabilities and Net Assets	\$ 416,825	\$ 462,815

Net Asset Types

Without Donor Restrictions

The organization is free to utilize these assets to accomplish the organization's mission as the board sees fit.

- Undesignated
- Board Designated
 - For capital
 - For reserve
- Fixed Assets

WITH Donor Restrictions

Assets restricted by a donor for a particular project or time.

- Purpose Restricted: For a specific program.
- Time Restricted: Multi-year gift
- Perpetually Restricted: Also commonly called an endowment, only the income may be used by the organization.

Statement of Activities

Statement of Activities For the nine months ending September 30, 2025			
	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUES</u>			
Contributions	90,000		90,000
Foundation grants	25,000	198,530	223,530
Fundraising events, net	76,300		76,300
Total Support	191,300	198,530	389,830
Government contracts	340,000	-	340,000
Fee for Service	4,700	-	4,700
Investment Income	3,965	-	3,965
Total Revenue	348,665	-	348,665
Net Assets Released from Restriction	204,580	(204,580)	
Total Support and Revenues	744,545	(6,050)	738,495
<u>EXPENSES</u>			
Program Services			
Education & awareness	150,979	-	150,979
Counseling services	424,860	-	424,860
Consulting	29,944	-	29,944
Total Program Services	605,783	-	605,783
Supporting Services			
Administration	67,031	-	67,031
Fundraising	59,862	-	59,862
Total Support Services	126,893	-	126,893
Total Expenses	732,675	-	732,675
Increase in Net Assets	\$ 11,870	\$ (6,050)	\$ 5,820
<u>NET ASSETS</u>			
Beginning of the year	184,795	160,800	345,595
End of the year	196,665	154,750	351,415

Expense Classifications

Natural

Describes what the expense was for:

Examples

- Salaries
- Rent
- Technology
- Depreciation

Functional

Describes the purpose of an expense by its category.

Examples

- Programs
- Management & General / Administration
- Fundraising

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Your Turn

Financial Statements Search



Statement of Activities	Stmt of Financial Position
How much cash the organization has in the bank?	
The amount a special event raised?	
Organization's overhead percentage?	
Whether the organization has a mortgage?	
Whether the organization operates a fee-for-service social enterprise?	
The organization's largest program?	
Amount owed to vendors?	
Whether any funds have been board designated for some purpose?	
The organization's pipeline of restricted work?	
How dependent the organization is on a single revenue stream?	

Up Next

Telling your Financial Story



August 19, 2025

2:00pm – 3:30pm CT

See you next time!

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