



## Basic Financial Management for Coalitions

Sexual assault coalitions are responsible for maintaining a high level of ethical and legal standards. These standards come from a variety of institutions, including the Internal Revenue Service, the Office of the Comptroller at the DOJ, and others. In order to meet the needs of sexual assault crisis centers, survivors, and coalition constituents, it's imperative that coalitions meet and/or exceed these standards to help ensure that quality services are provided to coalition constituents and to ensure that public funds are utilized with great care and in accordance with Generally Accepted Accounting Principles (see Financial Accounting Standards Board at [www.fasb.org](http://www.fasb.org)).

A solid financial management system has many components. Coalitions must be able to manage their grants in compliance with funding requirements, uphold Generally Accepted Accounting Principles, meet the standards set by the Internal Revenue Service, and meet requirements and expectations set by its donors, members, and contributors. Meeting all of these requirements successfully requires that coalitions build and maintain complete financial management systems. Like all parts of a coalition's infrastructure, financial management systems must grow along with the rest of the coalition's programming, in order to make sure the financial system can support the entirety of the coalition's operations.

The coalition's staff and board of directors (or at least finance committee) must build these comprehensive systems together--- and when possible, it is wise to build these systems with the help of a trained accountant who knows how to help the coalition meet the requirements that govern nonprofit organizations.

The following pages explain some of the different facets of a financial management system. This packet is intended to provide you with a starting point for a broader conversation about coalition financial management. Links to additional resources are included at the end of this document. Due to the complex nature of this topic, the majority of the following pages are reprinted with permission from a variety of experts - all sources are cited. For more information, please see the source documents directly.

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## About Coalition Funding

Coalitions often receive a variety of types of funding. They may receive a combination of federal, state, and private dollars. The private dollars may include restricted and unrestricted funds, and all of that funding needs to be managed according to different timelines and fiscal years. When coalitions have more funding, they are able (hopefully) to pursue more projects and build a stronger infrastructure, which is a definite plus. Along with more funding comes more responsibility and more details to manage, both of which require planning and system development to accomplish successfully.

Some things to note about coalition funding:

- Usually, coalitions receive federal funding, at a minimum from the Grants to Sexual Assault and Domestic Violence Coalitions Program. This funding is managed on a Sept-Sept fiscal year and must be reapplied for annually. The reporting requirements for this funding are outlined in the OVW Funding Quick Tipsheet at the end of this packet.
- Most Coalitions receive some form of dues payments from their membership. This funding is often unrestricted funding and can be used for a variety of activities in pursuit of the coalition's mission.

Federal Funding for Coalition includes, but is not limited to:

1. Funding from the Violence Against Women Act, such as:
  - STOP Grants,
  - Legal Assistance for Victims Grants,
  - Rape Prevention and Education Grants,
  - Sexual Assault and Domestic Violence Coalition Grants,
  - Rural Grants,
  - Disabilities Grants,
  - Grants to Encourage Arrest Policies and Enforcement of Protection Orders,
  - Transitional Housing Program Grants,
  - Technical Assistance Program Grants, and
  - Family Justice Center Initiative Grants.
2. Funding from the Victims of Crime Act;
3. Funding from the Office for Victims of Crime;
4. Funding from the Department of Health and Human Services.

Budget amounts for coalitions vary widely, from \$74,373 to \$15 million, with an average of \$1,676,555.<sup>1</sup>

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<sup>1</sup> Little, Kristin. Sexual Assault Coalition Organizational Survey 2005-2006: A Report on Responses for the National Sexual Assault Coalition Resource Sharing Project.

## Board of Directors Oversight

The Board of Directors of a nonprofit agency is required to serve as the guardian of the public trust, and as such the Board is responsible for ensuring that the agency manages its funds with great care and in pursuit of the agency's mission. The Board has a primary role in ensuring the financial health of the organization.

Many Board Members understand their role as the guardian of the public trust, but do not recognize the many different ways that this role can be pursued. Some individuals may bring financial expertise to their roles as Board Members; the Board Treasurer may be a Certified Public Accountant (CPA) or the President may be a financial planner. Every Board Member does not need to bring this level of expertise to the organization, but it is critical that every Board Member understand the basic financial structure, financial position, and financial statements of the organization. Often, it is wise for the organization's leadership to engage the services of a CPA or other professional to assist with developing or revising major components of the accounting system.

In order to oversee the finances of the organization, the board is responsible for items such as:

- ✓ establishing financial policies and procedures,
- ✓ developing and approving the annual budget,
- ✓ reviewing financial statements,
- ✓ making investment decisions, and
- ✓ arranging for the agency's audits.

Because the Board is ultimately responsible for the business of the organization but the Staff often manage the day-to-day finances, the Board must set the parameters for the Staff's work. The following pages contain information about the types of internal controls, reporting & audit requirements, and budgeting processes for which Boards must establish systems and policies.

Please note that every Board and every organization has a different set of needs and interests to address in any kind of policy/procedure/system development. Every Board is responsible for governing the organization and overseeing its activities in pursuit of its mission and its accounting in accordance with regulations and standards. How it meets these responsibilities can vary from organization to organization and must be determined for each with great care.

## Internal Controls

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According to Price Waterhouse's booklet, Effective Internal Accounting Control for Nonprofit Organizations: A Guide for Directors and Management, the objective of internal controls for cash disbursements are to ensure that cash is disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded.

### Internal Accounting Controls Checklist

The following questions reflect common internal accounting controls related to paying bills. You may wish to use this list to review your own internal accounting controls and determine which areas require further action.

- ✓ Are all disbursements, except those from petty cash, made by pre-numbered checks?
- ✓ Are voided checks preserved and filed after appropriate mutilation?
- ✓ Is there a written prohibition against drawing checks payable to Cash?
- ✓ Is there a written prohibition against signing checks in advance?
- ✓ Is a cash disbursement voucher prepared for each invoice or request for reimbursement that details the date of check, check number, payee, amount of check, description of expense account (and restricted fund) to be charged, authorization signature, and accompanying receipts?
- ✓ Are all expenditures approved in advance by authorized persons?
- ✓ Are signed checks mailed promptly?
- ✓ Does the check signer review the cash disbursement voucher for the proper approved authorization and supporting documentation of expenses?
- ✓ Are invoices marked Paid with the date and amount of the check?
- ✓ Are requests for reimbursement and other invoices checked for mathematical accuracy and reasonableness before approval?
- ✓ Is a cash disbursement journal prepared monthly that details the date of check, check number, payee, amount of check, and columnar description of expense account (and restricted fund) to be charged?
- ✓ Is check-signing authority vested in persons at appropriately high levels in the organization?
- ✓ Are the number of authorized signatures limited to the minimum practical number?
- ✓ Do larger checks require two signatures?
- ✓ Are bank statements and canceled checks received and reconciled by a person independent of the authorization and check signing function?
- ✓ Are unpaid invoices maintained in an unpaid invoice file?
- ✓ Is a list of unpaid invoices regularly prepared and periodically reviewed?
- ✓ Are invoices from unfamiliar or unusual vendors reviewed and approved for payment by authorized personnel who are independent of the invoice processing function?
- ✓ If the organization keeps an accounts payable register, are payments promptly recorded in the register to avoid double payment?
- ✓ If purchase orders are used, are all purchase transactions used with pre-numbered purchase orders?
- ✓ Are advance payments to vendors and/or employees recorded as receivables and controlled in a manner which assures that they will be offset against invoices or expense vouchers?
- ✓ Are employees required to submit expense reports for all travel related expenses on a timely basis?

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## Audits

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An audit is a process for testing the accuracy and completeness of information presented in an organization's financial statements. This testing process enables an independent certified public accountant (CPA) to issue what is referred to as an opinion on how fairly the agency's financial statements represent its financial position and whether they comply with generally accepted accounting principles (GAAP).

Some nonprofits are legally required to obtain audits. Many states require an audit for nonprofits which receive contributions over a specified amount (the amount varies from state to state) and/or nonprofits who hire a paid fundraiser. You may contact the Secretary of State or Office of the Attorney General for regulations in those states where you raise money. In addition, nonprofits which receive \$25,000 or more in direct or pass-through federal funding during a single fiscal year are usually required to have an audit.

You may choose to obtain an audit even if you are not legally required to do so. Many funders commonly request audited financial statements. In some cases, they will accept statements prepared in-house. Alternatively, they may accept a CPA review (see below.)

In addition to these external requirements, the board may seek reassurance that the financial information they are considering as part of their oversight function is accurate and complete. In cases where financial problems or irregularities in the financial system have occurred, the board and the general public may look to an audit to provide assurance that these problems have been resolved. Also, the audit process can be valuable to your executive director and finance staff since it confirms the financial picture and helps you strengthen internal control procedures.

Finally, an audit signals a new phase in the organization's maturity. As your organization's financial transactions become more complex, undergoing the rigors of an audit will help your staff understand and develop the financial systems required to track and manage finances responsibly. In addition, as others become attracted to your organization's work, many will expect you to be able to provide them with audited financial statements as they are considering making a contribution as a donor and/or a volunteer.

### Alternatives to an Audit

A review is a more limited examination of the financial statements by a CPA. During a review, the CPA asks questions of management and conducts some analysis, but does not undertake the extensive testing required for an audit. As a result, the review provides only limited assurance that the financial picture is fairly presented. A review may cost less than half of an audit and may satisfy state requirements for smaller nonprofits.

A compilation is a report prepared by an accountant using financial data supplied by the organization. The accountant organizes this financial information into standard financial reporting formats, but does not review the numbers for accuracy or provide assurance regarding the information that is included.

### What is an A-133 Audit?

In 1990, the Office of Management and Budget (OMB) issued Circular A133, Audits of Institutions of Higher Education and Other Nonprofit Institutions, which defines audit requirements for nonprofits receiving more than \$25,000 in federal funding. Your organization is subject to these audit requirements even if the federal money you receive is passed through another agency. For example, a city housing authority may make a grant to a local nonprofit housing developer which contains H.U.D. funding. The local housing developer is subject to

A-133 audit requirements even though the grant was not directly from H.U.D.

### When is an A-133 Audit required?

Fortunately for smaller nonprofits, the federal guidelines may permit you to combine a regular audit of your whole agency with a program-specific-133 audit of the program receiving federal funding. The amount of your total combined federal funding will determine the type of audit you are required to have under A-133. The following table shows when an A-133 audit is not required, when a program-specific A-133 audit may be elected, and when you must have an agency-wide angle federal audit:

| <b>Total Amount of Federal Awards</b> | <b>One Program</b>                        | <b>More than One Program</b>              |
|---------------------------------------|-------------------------------------------|-------------------------------------------|
| \$0 -- \$24,999                       | No Audit                                  | No Audit                                  |
| \$25,000 -- \$99,999                  | Program Specific or<br>A-133 Single Audit | Program Specific or<br>A-133 Single Audit |
| \$100,000 or More                     | Program Specific or<br>A-133 Single Audit | Program Specific or<br>A-133 Single Audit |

A-133 audits, like non-federal audits, test financial statement information. However, the A-133 audit looks more closely at tracking and classifying revenue from federal sources. In addition, the auditor looks for compliance with general and specific government audit requirements, which cover both financial and non-financial factors such as program effectiveness, client eligibility, efficiency with which resources are used, etc. The auditor must also test internal control procedures more rigorously than in a standard audit, making sure that adequate systems are in place for complying with the requirements noted above. Because of the expanded procedure involved and increased reporting requirements for the auditor, the audit may cost substantially more than a traditional audit and involve more time from your staff. You should be allowed to build these additional audit costs into your grant. In practice, however, many nonprofits receiving pass-through federal funding have had difficulty convincing their government funders to include audit money in their grant.

In summary, if your organization receives over \$100,000 in federal funding, whether directly or indirectly, and that funding is for more than one program, you are required to have an agency-wide A-133 audit. In addition, a program which receives more than \$100,000 in combined federal awards is likely to be classified as a major program, and, therefore, subject to significantly more testing by the auditor. Whether a program is major or non-major is based on the dollar value of expenditures during the audit period. A program is a major program when total expenditures equal or exceed three percent of total federal funds expended or \$100,000, whichever is greater. A program is non-major when expenditures are below this threshold. In other words, if one program spends \$100,000 or more in total federal funds it is a major program, unless you have received more than \$3,333,333 in total federal funding for all programs.

How often will you be audited?

You are subject to A-133 guidelines for each year in which you receive federal monies of \$25,000 or more. However, the guidelines are somewhat unclear as to how often these audits must be conducted. According to Position Statement No. 6 issued by the President Council on

Integrity and Efficiency Standards Subcommittee, the A-133 single audit must be annual when the not-for-profit has annual financial audits. On other words, if you are usually audited annually, you must also have an A-133 audit annually. If, however, you are usually audited every other year, you may also undergo an A-133 audit every other year, but the report must cover both years under consideration.

As you can see, receiving federal money can require a lot of extra work. This work begins as soon as you receive a grant award. If your organization receives funds from a non-federal agency or grantor, you are expected to ask whether your grant includes federal monies. In some cases your funder will not know the answer, even though they are required to inform you whenever federal funding is included in your award. You are required to make a good faith effort to determine whether federal money is included, and if so how much. Each federal award is identified with a number from the Catalogue of Federal Domestic Assistance (CFDA). Your granting agency should tell you the CFDA number(s) for any federal funds included in your award since you are required to report this information as part of your audit. When you do receive federal funding, alert your auditor right away so you can get help setting up the proper systems for complying with government regulations. You may also want to get a copy of the OMB Compliance Supplement, which describes the A-133 requirements. Alternatively, your auditor may have prepared guidelines for you to follow. Then identify the person on your staff who will monitor compliance with the federal guidelines. The sooner you learn of the extensive requirements which go along with federal funding, the better able you will be to incorporate them into your accounting system.

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## OVW Coalition Funds Quick Checklist

| <b>Requirement</b>             | <b>Deadlines</b>                                                                                               | <b>Explanation</b>                                                                                                                                                                                                                                                                                                                                                                                       | <b>Status</b> | <b>Resources</b>        |
|--------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------|
| Progress Report                | Semi-annually<br>January 31, July 31                                                                           | This report describes the status of meeting the objectives of the award. All progress reports must be submitted through GMS.                                                                                                                                                                                                                                                                             |               | GMS manual              |
| Financial Status Report/SF 269 | Every calendar quarter.<br><br>Final financial reports are due 90 days following the end of the award          | This report described the status of the coalition grant funds.<br><br>These reports contain the actual expenditures and unliquidated obligations as incurred (at the lowest funding level) for the reporting period (calendar quarter) and cumulative for the award. The award recipients will report program outlays and revenue on a cash or accrual basis in accordance with their accounting system. |               | DOJ OJP Financial Guide |
| Audit                          | Audits are due no later than nine (9) months after the close of each fiscal year during the term of the award. | Effective FY ending after December 31, 2003, non-Federal entities that expend \$500,000 or more in Federal funds (from all sources including pass-through subawards) in the organization fiscal year (12- month turnaround reporting period) shall have a single organization-wide audit conducted in accordance with the provisions of OMB Circular A-133.                                              |               | DOJ OJP Financial Guide |
|                                |                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                          |               |                         |



|                 |                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                         |
|-----------------|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Approved Budget | In advance of grant spending | <p>The recipient should prepare an adequate budget on which its award commitment will be based. The detail of each project budget should be maintained on file by the recipient.</p> <p>Grant Budget Modifications:<br/>Change in approved budget categories in excess of 10 percent of the total award amount. Movement of dollars between approved budget categories is allowed up to 10 percent of the total budget cost (total award amount) as last approved by the awarding agency provided there is no change in project scope. When the cumulative changes exceed 10 percent of the total award amount (includes the initial award plus the supplements) or change the scope of the project, prior approval from the awarding agency is required. (This 10-percent rule applies to awards over \$100,000; however, if the total award is equal to or less than \$100,000 and the scope of the project doesn't change, PRIOR APPROVAL IS NOT REQUIRED.)</p> | DOJ OJP Financial Guide |
|                 |                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                         |

Resource Links:

GMS Progress Report Users Manual: <https://grants.ojp.usdoj.gov/gmsHelp/ProgressReportsUserManual1.pdf>

Financial Guide: <http://www.ojp.usdoj.gov/FinGuide/>

Resource Sharing Project's New Executive Director Manual (request from your RSP contact)

## Financial Assessment

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| Indicator                                                                                                                                                                                                                                                            | Met | Needs Work | N/A |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------|-----|
| 1. The organization follows accounting practices which conform to accepted standards.                                                                                                                                                                                |     |            |     |
| 2. The organization has systems in place to provide the appropriate information needed by staff and board to make sound financial decisions and to fulfill Internal Revenue Service requirements.                                                                    |     |            |     |
| 3. The organization prepares timely financial statements including the Balance Sheet [or statement of financial position) and Statement of Revenue and Expenses [or statement of financial activities!] which are clearly stated and useful for the board and staff. |     |            |     |
| 4. The organization prepares financial statements on a budget versus actual and/or comparative basis to achieve a better understanding of their finances.                                                                                                            |     |            |     |
| 5. The organization develops an annual comprehensive operating budget which includes costs for all programs, management and fundraising and all sources of funding. This budget is reviewed and approved by the Board of Directors.                                  |     |            |     |
| 6. The organization monitors unit costs of programs and services through the documentation of staff time and direct expenses and use of a process for allocation of management and general and fundraising expenses.                                                 |     |            |     |
| 7. The organization prepares cash flow projections.                                                                                                                                                                                                                  |     |            |     |
| 8. The organization periodically forecasts year-end revenues and expenses to assist in making sound management decisions during the year.                                                                                                                            |     |            |     |
| 9. The organization reconciles all cash accounts monthly.                                                                                                                                                                                                            |     |            |     |
| 10. The organization has a review process to monitor that they are receiving appropriate and accurate financial information whether from a contracted service or internal processing.                                                                                |     |            |     |

| Indicator                                                                                                                                                                                                                         | Met | Needs Work | N/A |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------|-----|
| 11. If the organization has billable contracts or other service income, procedures are established for the periodic billing, follow-up and collection of all accounts, and has the documentation that substantiates all billings. |     |            |     |
| 12. Government contracts, purchase of service agreements and grant agreements are in writing and are reviewed by a staff member of the organization to monitor compliance with all stated conditions.                             |     |            |     |
| 13. Payroll is prepared following appropriate State and Federal regulations and organizational policy.                                                                                                                            |     |            |     |
| 14. Persons employed on a contract basis meet all Federal requirements for this form of employment. Disbursement records are kept so 1099's can be issued at year end.                                                            |     |            |     |
| 15. Organizations that purchase and sell merchandise take periodic inventories to monitor the inventory against theft, to reconcile general ledger inventory information and to maintain an adequate inventory level.             |     |            |     |
| 16. The organization has a written fiscal policy and procedures manual and follows it.                                                                                                                                            |     |            |     |
| 17. The organization has documented a set of internal controls, including the handling of cash and deposits, approval over spending and disbursements.                                                                            |     |            |     |
| 18. The organization has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified dollar amounts.                                                                     |     |            |     |
| 19. All expenses of the organization are approved by a designated person before payment is made.                                                                                                                                  |     |            |     |
| 20. The organization has a written policy related to investments.                                                                                                                                                                 |     |            |     |
| 21. Capital needs are reviewed at least annually and priorities established.                                                                                                                                                      |     |            |     |
| 22. The organization has established a plan identifying actions to take in the event of a reduction or loss in funding.                                                                                                           |     |            |     |
| 23. The organization has established, or is actively trying to develop, a reserve of funds to cover at least three months of operating expenses.                                                                                  |     |            |     |

| Indicator                                                                                                                                                                                              | Met | Needs Work | N/A |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------|-----|
| 24. The organization has suitable insurance coverage which is periodically reviewed to ensure the appropriate levels and types of coverages are in place.                                              |     |            |     |
| 25. Employees, board members and volunteers who handle cash and investments are bonded to help assure the safeguarding of assets.                                                                      |     |            |     |
| 26. The organization files IRS form 990's in a timely basis within prescribed time lines.                                                                                                              |     |            |     |
| 27. The organization reviews income annually to determine and report unrelated business income to the IRS.                                                                                             |     |            |     |
| 28. The organization has an annual, independent audit of their financial statements, prepared by a certified public accountant.                                                                        |     |            |     |
| 29. In addition to the audit, the CPA prepares a management letter containing recommendations for improvements in the financial operations of the organization.                                        |     |            |     |
| 30. The Board of Directors ,or an appropriate committee, is responsible for soliciting bids, interviewing auditors and hiring an auditor for the organization.                                         |     |            |     |
| 31. The Board of Directors, or an appropriate committee, reviews and approves the audit report and management letter and with staff input and support, institutes any necessary changes.               |     |            |     |
| 32. The audit, or an organization prepared annual report which includes financial statements, is made available to service recipients, volunteers, contributors, funders and other interested parties. |     |            |     |
| 33. Training is made available for board and appropriate staff on relevant accounting topics and all appropriate persons are encouraged to participate in various training opportunities.              |     |            |     |

This is a publication of the  
Resource Sharing Project of the  
Iowa Coalition Against Sexual Assault.  
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This project was supported by Grant No.  
2005-WT-AX-K012 awarded by the Office  
on Violence Against Women, U.S. Department  
of Justice. The opinions, findings, conclusions,  
and recommendations expressed in  
this publication/program/exhibition are those  
of the author(s) and do not necessarily reflect  
the views of the Department of Justice,  
Office on Violence Against Women.