Bridging the Gap:
Program and Finance Staff

2017 Community Action Partnership Conference

Workshop Leader: Kay Sohl

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Why does the “gap” matter?

• Your best experiences?

• Your worst experiences?
What difference would closing the gap make?

• Improved budget & funder negotiation
• More accurate reporting
• Early identification of problems
• More strategic brainpower
Workshop Topics

- Budget communication tools
- Organizational financial goals
- Useful financial reporting
- Projections - how to get all brains on board
Budget Tools to Close the Gap

• Format to identify full cost of services & resulting income streams
• Support to get info from those with the most direct knowledge
• Newer electronic tools
Full Cost of Each Service

Direct costs
+ Fair allocation of shared costs
+ Fair allocation of admin costs

= Full Cost

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## Functional Cost Center Format

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Management</th>
<th>Fund raising</th>
<th>Senior Services</th>
<th>Homeless Services</th>
<th>Energy Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof. Services</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy</td>
<td></td>
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<td></td>
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<tr>
<td>XXXXX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td></td>
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<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

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# Funding Agreement

Cost Center Format

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Management</th>
<th>Fund raising</th>
<th>Award 1</th>
<th>Award 2</th>
<th>Contract 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof. Services</td>
<td></td>
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<tr>
<td>Occupancy</td>
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<tr>
<td>XXXXXX</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Income Associated with Cost Centers

• Grants/contracts
• Program fees
• In-kind contributions
• Donor contributions
• Other?
### Exhibit 11

**Organization A - Program A by funding source with multiple caps and limitations**

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Gov't grant</th>
<th>Private grant</th>
<th>General ops.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; wages</td>
<td>$5,000</td>
<td>0</td>
<td>13,613</td>
<td>18,613</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>0</td>
<td>0</td>
<td>2,792</td>
<td>2,792</td>
</tr>
<tr>
<td>Materials &amp; supplies</td>
<td>2,600</td>
<td>0</td>
<td>2,600</td>
<td>5,200</td>
</tr>
<tr>
<td>Postage &amp; shipping</td>
<td>0</td>
<td>605</td>
<td>0</td>
<td>605</td>
</tr>
<tr>
<td>Printing &amp; publications</td>
<td>0</td>
<td>1,000</td>
<td>0</td>
<td>1,000</td>
</tr>
<tr>
<td>Telephone</td>
<td>115</td>
<td>0</td>
<td>641</td>
<td>756</td>
</tr>
<tr>
<td>Occupancy</td>
<td>400</td>
<td>0</td>
<td>1,819</td>
<td>2,219</td>
</tr>
<tr>
<td>Depreciation</td>
<td>0</td>
<td>0</td>
<td>684</td>
<td>684</td>
</tr>
<tr>
<td><strong>Total direct expenses</strong></td>
<td>8,115</td>
<td>1,605</td>
<td>22,149</td>
<td>31,869</td>
</tr>
<tr>
<td><strong>Allocation of shared costs</strong></td>
<td>243</td>
<td>106</td>
<td>1,763</td>
<td>2,112</td>
</tr>
</tbody>
</table>

**Total** $8,358, 1,711, 23,912, 33,981

1. Government grant caps salaries at $5,000, benefits and depreciation at 0, and shared costs at 3%
2. Private grants pays only postage and shipping, and printing and publications, but accepts the 6.6% shared cost rate
Expense Projection - Ask an expert!
Program Managers know more about…

• Positions needed to do the work
• Turn-over & hiring challenges
• Supplies, travel, training need
• Timing
Expense Projection - Ask an expert!
Fiscal Knows More About....

• Agency-wide admin
• Facilities, phones, etc.
• Fringe benefit rates
• Indirect cost rates
• Trend lines

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Income Projection
Need Program-Fiscal Mind–meld

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Program-Fiscal Mind–meld

• Funding mechanism
• Payment mechanism
• Compliance requirements
• Performance requirements
• Negotiation process & timing
• Threats & opportunities

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Budget Tools

• Excel
• Adaptive - http://www.adaptiveinsights.com/

• Free budget template tool
  • http://www.wallacefoundation.org/knowledge-center/resources-for-financial-management/Pages/Program-Based-Budget-Template.aspx
Budget Challenges

- **Timing** – multiple, nonaligned grant periods
- **Impact of change on allocated costs**
- **Uncertainty**
- **Plug numbers**
# Award Worksheet

<table>
<thead>
<tr>
<th>Line item</th>
<th>Total Award/Contract</th>
<th>Prior FY portion</th>
<th>Current FY portion</th>
<th>Next FY portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Supplies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractual</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Shared Goals: Organizational Financial Health

- Resources needed to achieve mission
- Cash when it’s needed
- Unrestricted equity
- Diversified funding base
Role Clarification

• Program manager responsibility & authority for achieving financial outcomes
• Responsibility/authority of fiscal manager/ CFO & CEO
• Board and Finance Committee
Financial Info for Program Managers

- Cost center income and expenses
- Fiscal Year-to-date actual compared to budget
- Grant-to-date actual compared to budget
## Grants Manager Report: Fiscal Year-to Date Program Actual to Budget

<table>
<thead>
<tr>
<th></th>
<th>Yr-to-date</th>
<th>Annual Budget</th>
<th>Actual as % of budget</th>
<th>Projected year end</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Grants Manager Report:
## Grant to-Date Actual to Grant Budget

<table>
<thead>
<tr>
<th></th>
<th>Grant-to-date</th>
<th>Grant Budget</th>
<th>Actual as % of grant budget</th>
<th>Projected grant end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expense</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Net Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Language Barriers

• Accrual accounting
• Cost allocation methodology
• Actual, budget, projection
• Program versus funding source
Responsibility for Cost Control

• Program Direct Costs:
  o Personnel, supplies, training, travel

• Allocated Costs
  o Facilities
  o Admin
Revenue Related Responsibilities

- Timely submission of invoices
- Ensuring payment of invoices
- Monitoring performance & compliance requirements
- Award budget amendments
- Match documentation
Are we all clear now?

• How costs are charged when multiple sources fund the same service?

• What happens when costs are incurred that are “not allowable” by funding source but are necessary to doing the program?
Projections – All Hands On Board

• Year-end projection essential tool
• Multiple minds provide better predictions
• Thinking together not blaming each other
• Spotting problems earlier increases options for resolution

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Process for Projections

• Timely cost center financial reports
• Identification of key variables that influence outcomes
• Analysis of progress/problems
• Clarifying assumptions & identifying indicators

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Your Next Steps

• Budget format improvements
• Role clarifications
• Identification of communication breakdowns & barriers
• Joint problem solving strategies
• Progress indicators