

# Financial Management for Non-Financial Managers

## Resources for Survival in Tough Economic Times

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# LEARNING OBJECTIVES

You Will Learn About:

## Part I:

- Non-Financial Managers
- Behavior based budget techniques

## Part II:

- Other Critical Budget Considerations
- Three Common Pitfalls

# Disclosures

- Michael Gellman, CPA has no financial interests or relationship to disclose.
- HRSA Education Committee Disclosures  
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# Key Stakeholders

- Non-Financial Managers:  
(three W's)
  - Who
  - What
  - When

# Key Stakeholders

## Non-Financial Managers:

- Everyone but the Accountants:
  - Who:
    - Project Managers, Directors, Board Members, Committee Members, Even Staff of All Levels
  - What:
    - They all are making decisions that directly effect the financial health of your organization
  - When:
    - Every minute of everyday decisions both small and large are made that involve dollars and cents

# Key Stakeholders

## Non-Financial Managers:

- Need (Must) Raise the Financial Awareness Levels of Non-Financial Managers

### *How:*

- Incorporate Budgets into Their EVERYDAY Decision Making Process

# Key Stakeholders

Even Better:

Get Non-Financial Managers to Interact  
with:

- Each Other
- Budgets

Interact implies a high level sharing and  
giving of information with an outcome to  
improve results



# Key Stakeholders

End Result:

Get Non-Financial Managers to take:

- Ownership
- Responsibility

Leads to:

- Accountability





# Key Stakeholders

## Method:

- Get Non-Financial Managers to Adopt:
  - An effective budget tool that will help them to safeguard operational results and predict outcomes of programs and efforts that will allow them to improve results and performance.
  - Give them a tool they can work with.

# Budgeting for Nonprofits

Adopt a:

## User Based Budget Approach



# WHAT'S WRONG WITH BUDGETS TODAY?

- Conceptually

- Budgets are most often viewed as an end product or as a static document



- This view point is 180 degrees in the wrong direction



# WHAT'S IS WRONG WITH BUDGETS TODAY???

continued

- Budgets should be viewed as an interactive user-based platform that supports today's most advanced managerial systems

# NEW PERSPECTIVE ON BUDGETING!!!

- First Step

- View budgeting backwards

- 🏆 Teach the importance of how to use a budget before how to build a budget

# NEW PERSPECTIVE ON BUDGETING!!!

- Why should we teach someone how to ride a bicycle if they have no use for a bicycle?



# NEW PERSPECTIVE ON BUDGETING!!!

- We have to get staff and management to buy into the concept that:

 Budgets Work

? IF

 Put to Use

# Glossary >>>> of Budget Terms

## CONCEPTS

- Use
- Everyday
- Simple
- Understandable
  - A Tool for Improvement

## TECHNICAL

- Projections
- Time is on Our Side
- Raise Awareness
- Change Behavior
  - Behavioral Based Budgeting





# Financially - Are We OK???

Good Question to Ask Yourself:

# Financially - Are We OK???

## How Am [ I ] Doing? (as a manager)

Financially - Are We OK???

More Importantly - How  
are [ WE ] Doing?  
(as an organization)

# Financially - Are We OK???

- To Answer the Question:

- Goals are the KEY

- Budgets are critical to managing goals



# Managing Through >>>> Financial Reports

- This is How it Works:

**Raise Awareness**

**Change Behavior**



EQUALS =

Improved Bottom-line Results

# Managing Through >>>> Financial Reports

## REMEMBER

- Re-direct the Budget System to Gear it Towards:

# EVERYDAY USE

# Everyday Use >>>> Example

- Lets Now Look at a Four-Part Budget Application Example

# Budget >>>> Cycles

- Budgets From Two Points of View:

**Process View (traditional budget cycle)**

**Management View (working monthly cycle)**

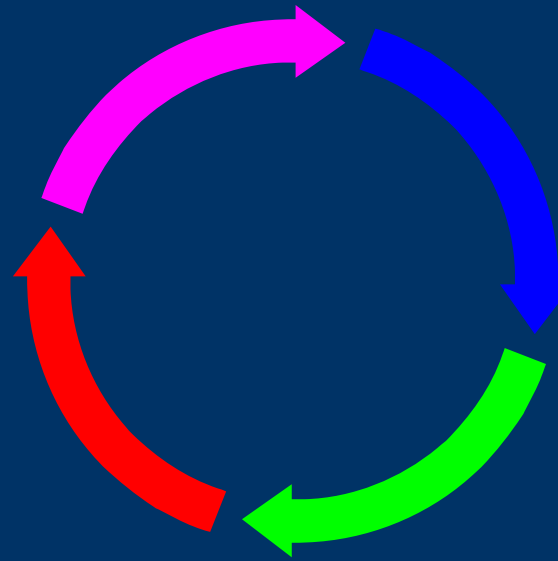


# Budget >>>> Cycles

Continued

## Process View (budget cycle)

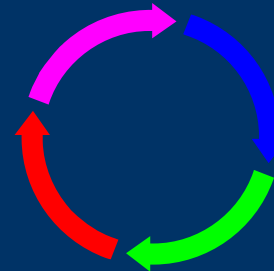
- Preparation
- Approval
- Installation
- Measurement
- Projection



# Budget >>>> Cycles

Continued

- Management View (monthly cycle)
  - Monitor
  - Feedback
  - Override
  - React



# Results Through >>>> Financial Reports

■ Get:



## EVERYONE INVOLVED

In the Budgeting Process

# Results Through >>>> Financial Reports

**BUDGETS,  
NOT A DOCUMENT,  
A PROCESS**

# Results Through >>>> Financial Reports

Continued



- Make Projections:

## PART OF THE SYSTEM

# Results Through >>>> Financial Reports

Continued

## Projections - The Magic

- **View Current Transactions in Terms of Year-end Results**
- **A Clearer Picture**
- **Achieving Goals through Projections**
- **How they Work**
- **Projections are Flexible Budgets in Disguise**

# Results Through >>>> Financial Reports

Continued

## History - Has Its Place

### What Role Does History Play

- History is FREE
- History Cannot be Changed

### Is History a Direct Predictor of the Future

- NO
- Can be Misleading

# Results Through >>>> Financial Reports

Continued

- Painting the Perfect Picture Through:

## ENHANCED REPORT DESIGN



# Results Through >>>> Financial Reports

Continued

- Time is the:

## ENEMY

Put Time to Work



# Results Through >>>> Financial Reports

Continued

- Political Bottom-lines:

## HAVE A STRATEGY

# Results Through >>>> Financial Reports

Continued

Do Not Forget the Three Secret Weapons:

- Monthly Budgets
- Projections
- Contingency Budgets

# Unlocking Results by USING Budgets

Summary

## The Goal: (for your Budget)

- A WORKING Budget System
- for EVERYDAY USE that
- RAISES AWARENESS which
- CHANGES Staff BEHAVIOR which
- Equals = RESULTS

# OTHER BUDGET CONSIDERATIONS

- In-Kind Contributions
- Indirect Costs and the Allocation of Overhead
- Contingency Budgets
- Cash Flow Considerations and Reports
- Start Early with Preparation of Next Year's Budget
- Review of the Chart of Accounts

# OTHER BUDGET CONSIDERATIONS

- Documenting Assumptions
- Reserves
- Budgets and Link to Strategic Plans
- Budgeting for Grants and Awards
- Capital Budgets
- Budgeting for Salaries

# COMMON BUDGET PITFALLS #1

## Assumption Documentation

- Not Emphasized
- No Consistent Methods or Procedures
- All in the Preparation
  - What-to-Do
  - What-Not-to-Do

# COMMON BUDGET PITFALLS #2

- Cash Flow
  - Ignored
  - Misunderstood
  - Needs to be Monitored Closely



# COMMON BUDGET PITFALLS

## #3

### Get Staffed Involved Where

- Everywhere
  - Monitoring Budget Reports
  - Building the Budget
    - Ownership
    - Responsibility
    - Accountability

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