



Enhancing the Synagogue Budget Process: Monitoring and Internal Controls

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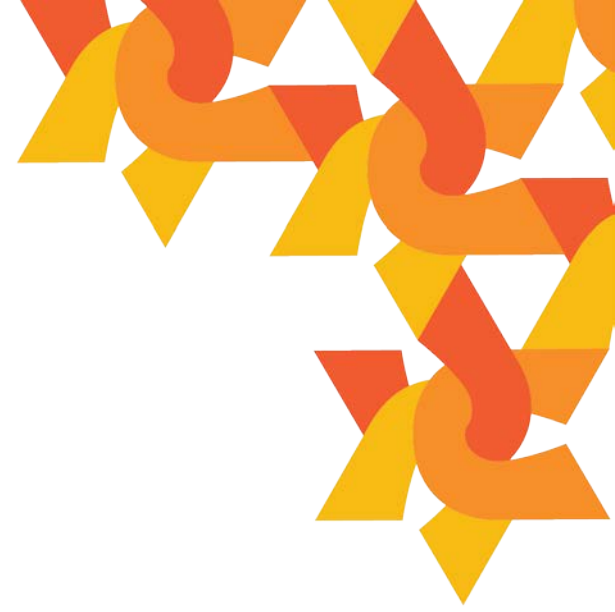
December 5, 2017



AGENDA

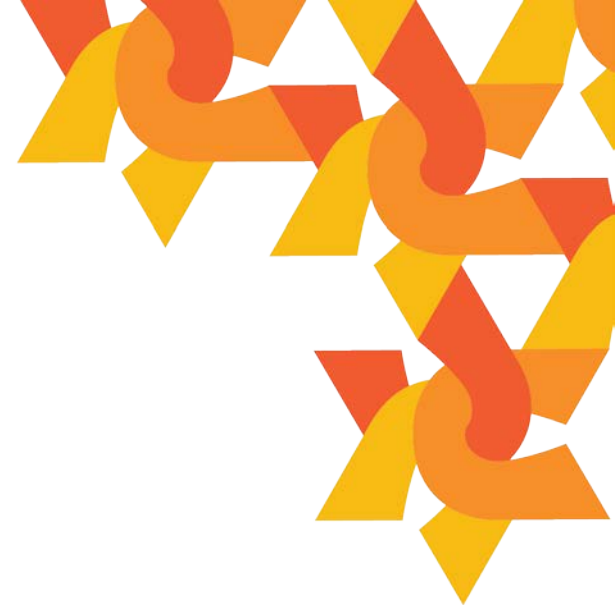
OVERVIEW/TEXTS

- **Tips for enhancing your budget process**
- **Monitoring your budget throughout the year**
- **What about internal controls?**
- **Key indicators of financial health**
- **Q & A**



Pirkei Avot 2:17
Ethics of Our Fathers

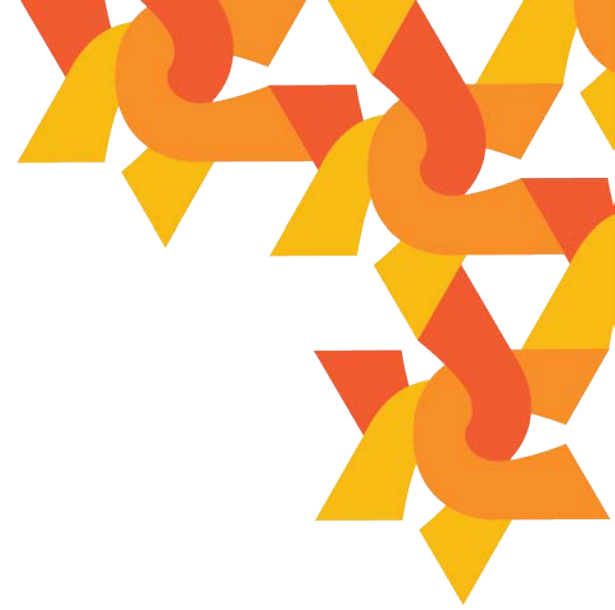
*Rabbi Yose says: Let your
friend's property be as
dear to you as **your own**.*



Tips for Enhancing Your Budget Committee Process

The basic characteristics of effective budgeting

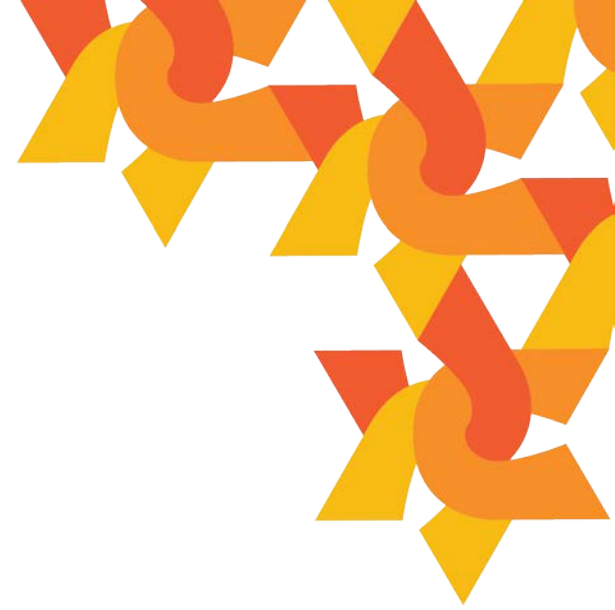
- **Thoughtful and deliberate**
- **Inclusive**
- **An ongoing process**



What is the budgeting process?

“The budgeting process is the way an organization goes about building its budget. A good budgeting process engages those who are responsible for adhering to the budget and implementing the organization’s objectives in creating the budget.”

Elizabeth Hamilton Foley

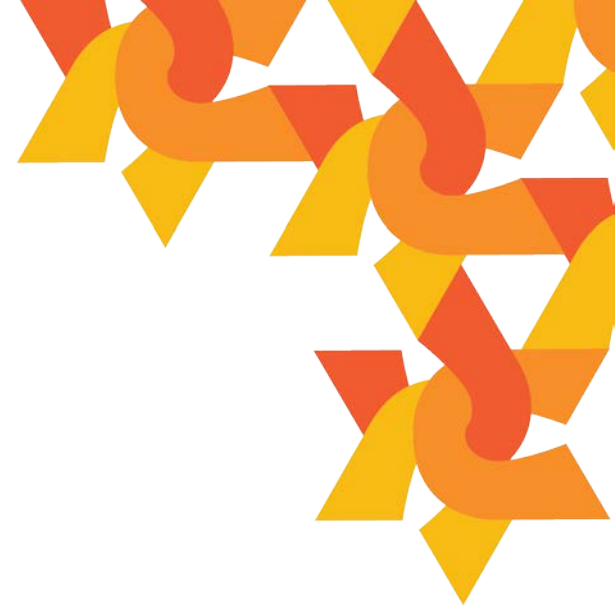


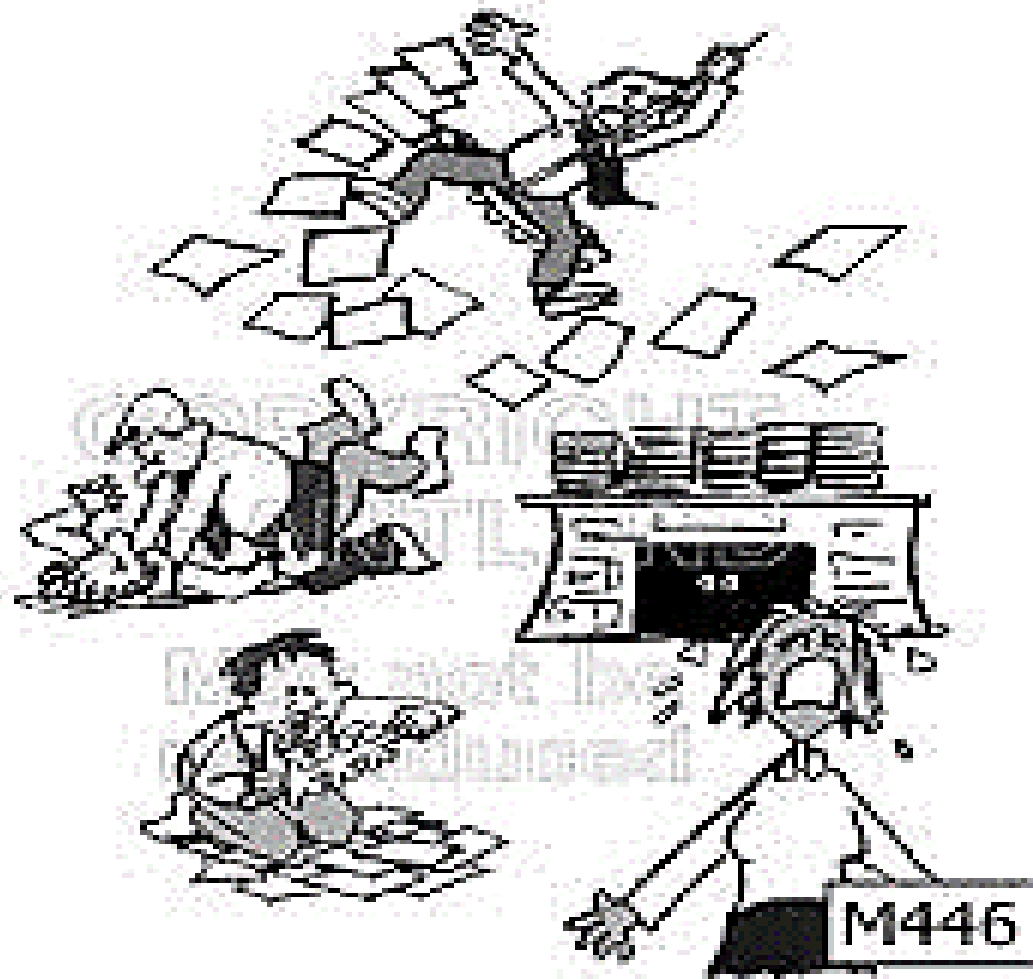


"Everyone agreed the old way of budgeting took too long."

Who should be involved in the process?

- **Every person who is responsible for specific programs or activities of the *kehilla* should be involved in determining the annual budget for their areas of responsibility, clearly document the assumptions upon which the budget estimates are made, and monitor the budget throughout the year**
- **Even if your organization has only one staff member or is run by volunteers, budgeting should be a group effort**





Budgeting brings out the best
in everyone.

#1 - Establish a Timeline

- **Based on a July 1- June 30 fiscal year, the process should have already begun**
- **Identify when the budget needs final approval and work backwards to set time markers**
- **Who needs to approve the budget throughout this process?**
- **How much time is allowed for feedback and revisions?**



Sample Timeline

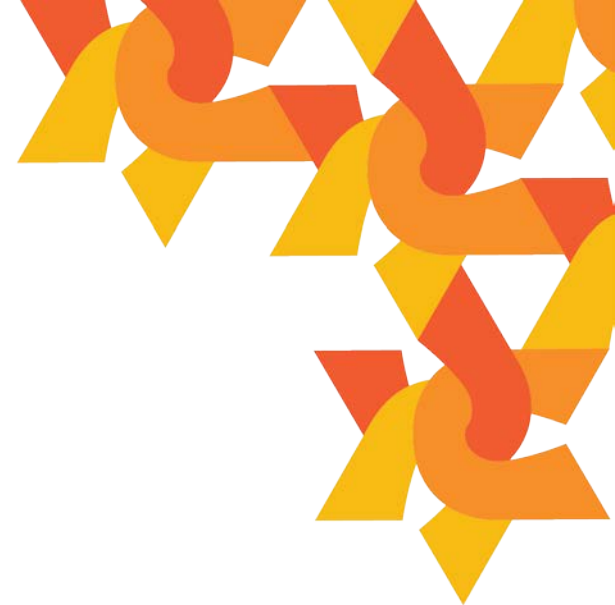
- **January - budget committee meets, create a process timeline, develop templates and distribute with instructions and timeline to staff and/or committee chairs**
- **February - presentations by departments, staff and committee chairs of budget requests to the committee. Data collection by the budget committee of current numbers and two year past actuals, contractual obligations and commitments**
- **March - compilation of material into a draft budget, reviewed and approved by committee and presented to executive committee. Comments and feedback are reviewed, adjustments made**



Sample Timeline

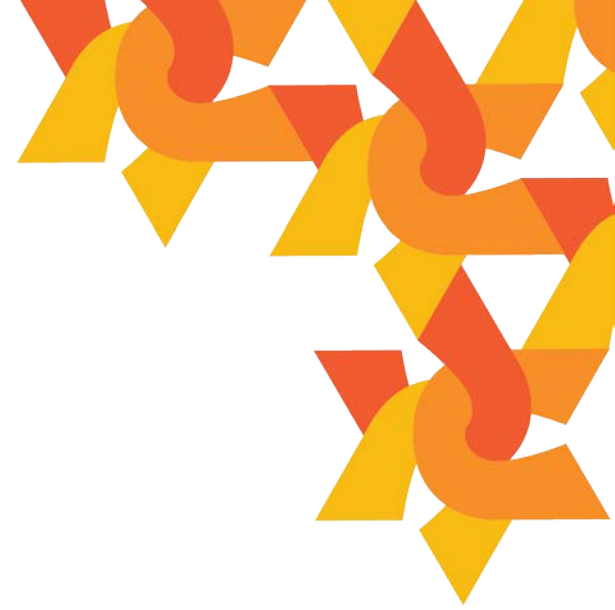
- **April - Budget presentation made by budget committee chair or treasurer to the board of directors. If approved, it is scheduled to be presented to the congregation. If voted down, goes back to the committee for revisions and brought back to board**
- **May - Either goes to congregation for approval or goes to second board meeting and then to congregation by early June**
- **June - Budget is approved by the congregation and budgets are distributed to all staff and lay leaders by department**

Planning the Budget



#2 - Write It Down

- **Put the timeline in written form**
- **Create a checklist as a measurement tool in order to monitor your progress**
- **The process gets formalized when it is written down. It becomes a management tool rather than something that exists in the mind of a few people**



#3 - Communicate the Process

- **Let people know what their role is and expectations are for the process**
- **What do you need from them and when?**
- **Who will answer questions?**



#4 - Review the Current Year

- **How is the current year's budget doing?**
- **Are adjustments needed?**
- **A six-month review with the board and all committees and staff is very important**
- **Action steps for budget adjustments must be written, reviewed and given a timeline for implementation**
- **Another review should be scheduled for no later than the ninth month**

#5 - Gather Adequate Information for a Realistic Budget

- **The more data the better**
- **Use multiple year averages when available**
- **While budgets are indeed comprised of both fact and assumption, such assumptions should be conservative, supportable and measurable**
- **BE REALISTIC!**



#6 - Establish Priorities and Related Projects that Reflect the Goals of the Institution

- **What are your *kehilla's* core values and priorities and how are they represented in the budget?**
- **Understanding fixed costs versus discretionary spending**

#7 – Don't Keep the Budget a Secret

- **The more people involved in the process, the better**
- **Make sure people know how to read and monitor their budgets**
- **Take the time to present the budget in an organized and detailed fashion**
- **Give people the budget in advance with time to review and ask questions**
- **Let the leadership and congregation know what WASN'T included in the budget**



#8 - Once the Budget is Approved...

- **Give a final copy to everyone who is responsible for a section of the budget and review with them**
- **Do a thorough orientation of the approved budget for the new board and committee chairs and staff**
- **All questions are good questions!**



#9 - The process continues throughout the year...



- **Set up a schedule for monitoring the budget**
- **At least quarterly, a complete budget report should be made to the board**
- **Chair members and staff should see budget updates monthly**
- **Create a system for identifying issues or changes from the original budget and what corrective actions will be taken**

What about internal controls?

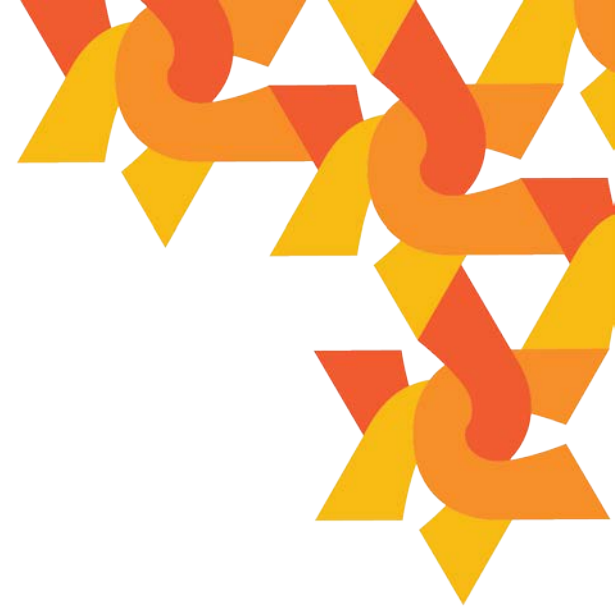
“Internal controls” are financial management practices that are systematically used to prevent misuse and misappropriation of assets, such as occur through theft or embezzlement. Internal controls are generally described in written policies that describe the procedures that the nonprofit will follow, as well as who is responsible. The goal of internal controls is to create business practices that serve as “checks and balances” for staff (and sometimes board members) or outside vendors in order to reduce the risk of misappropriation of funds/assets.

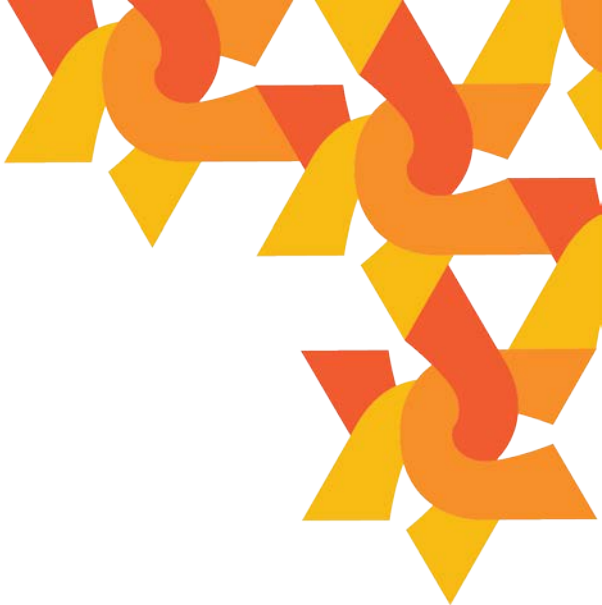


Examples of internal controls

Example of a basic internal control: A policy that requires two signatures on a check. This business practice is designed to prevent one person from having sole authority for writing checks on the nonprofit's behalf.

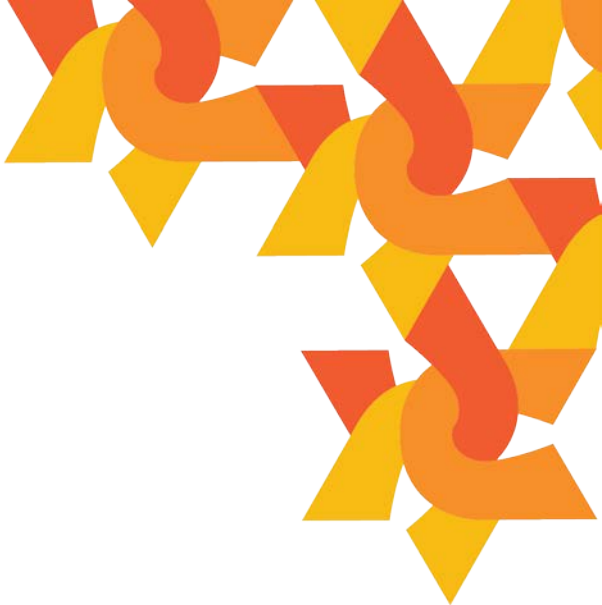
Example of an internal control that every employee can practice: A policy to lock the office door when no one is monitoring the entrance. This policy is designed to minimize the risk of theft of computers that can happen in broad daylight, and with very little time needed to unplug, pick up, and carry away some of the nonprofit's most precious assets.





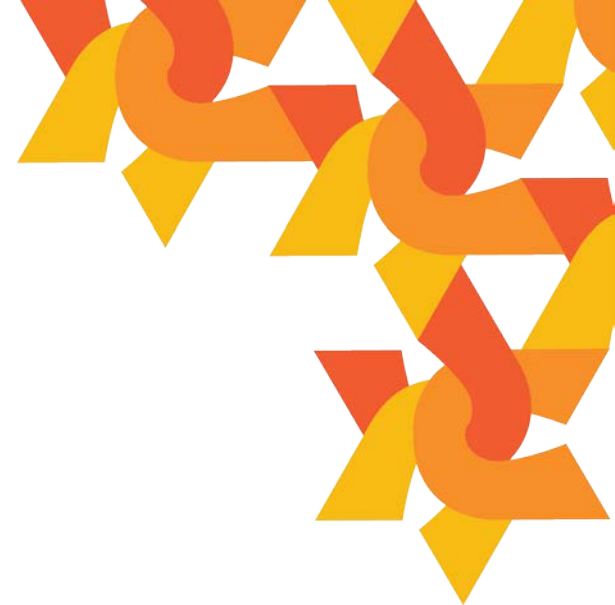
Internal Controls

- **Policies and procedures manual**
- **Financial software**
- **Segregation of duties**
- **Alignment of charts of accounts**
- **Bank reconciliations**
- **Role of Board of Directors and subcommittees**



Cash Flow Forecasting

- 1. Prepare a list of assumptions**
- 2. Forecast receipts**
- 3. Detail all estimated cash outflows**
- 4. Assemble all the gathered details to create the cash flow forecast**



Financial Reporting

Output

- **Statement of activities**
- **Balance sheet**
- **Dashboard and KPIs**

Measurements–Analytical Procedures

- **Trend analysis**
- **Performance measurement**
- **Comparisons**
- **Financial statement analysis**
- **Ratio analysis**



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Thank you