

## How to Talk About Finances So Non-Financial Folks Will Listen

### Introduction

Nonprofit staff members almost universally understand the importance of achieving the mission of the organization and are trained in delivering direct services such as feeding the hungry, educating low-income children, or advocating for a more sustainable environment. However, many of these individuals, while highly skilled in a particular program area, do not have a lot of training and experience in working with financial data. Understandably, when prioritizing their work, nonprofit line managers will often choose to spend their time feeding the hungry over examining numbers on a departmental budget spreadsheet.

The challenge and opportunity for the nonprofit chief financial officer (CFO) is to learn how to make numbers come alive for those on the frontline of the organization, and help them embrace numbers as a critical step on the path to achieving the mission of the organization. The following are ideas and advice from a variety of CFOs of nonprofit organizations and technical assistance providers on how to talk about finances so non-financial management and staff will listen. The summary is: It's not easy, but with some creativity and perseverance it is possible to get people to understand and to care about the numbers.

### Why is it so hard to get people to pay attention?

There are several reasons why it can be difficult to get non-financial staff to pay attention to the numbers:

**Individuals may be intimidated by financial data.** Jeanne Bell, chief executive officer of CompassPoint Nonprofit Services, described it this way: "Finance, similar to technology, is an area where people may be afraid but also feel entitled to exempt themselves from being on the learning path about it." Whether caused by a lifelong math phobia or an adverse reaction to spreadsheets, it is not uncommon to find people who are intimidated by the idea of having to deal with numbers. In her work with many nonprofit organizations, Bell has heard people declare, "I'm just not a numbers person" or "I'm not a finance person." Miriam Katowitz, chief operating officer of Educational Alliance, described this as the "MEGO syndrome: My Eyes Glaze Over." Bell added, "In contrast, no organization would accept the premise of any staff (even its CFO) that 'I'm just not a mission person' or 'I'm just not a program person.'"

**Some organizational cultures do not embrace financial information.** In some nonprofit organizations, "there's a tug of war about responsibility for financial information," said Lawson Shadburn, chief financial and administrative officer (CFAO) for Turnaround for Children. "People

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have the attitude throughout the organization that ‘If I don’t look at the financials, I’m not responsible...it’s not a problem I have.’” If there is little accountability tied to individuals’ jobs as they pertain to financial information, then “there’s no reason why they should care,” suggested Martha Ferry, CFO for the Association of Junior Leagues International.

Interest in financial information should come from the top, beginning with the executive director (ED) and senior management, in order for the rest of the staff to buy in. It is especially important for the ED to engage financial information in a meaningful way. “If they don’t, they can’t expect their non-financial staff to either—it informs the culture and permeates the organization,” said Bell. “It needs to be part of management’s vision about the kind of climate that they want to create,” added Shadburn, “otherwise; no one is going to look at the numbers.”

**Staff within nonprofit organizations may lack financial literacy.** In many nonprofits, CFOs are the only staff within the organization with any formal training in accounting or finance and the level of financial literacy among staff and management is often quite low. As David Stollow, former CFO of several organizations, explained, “In the corporate world, staff might have backgrounds in finance or marketing where accounting was a part of their job. In the nonprofit world, people tend to have expertise in issues such as youth development, education, or the environment, and may have no experience with financial matters.”

The following solutions from fellow CFOs can help you encourage every staff member at your organization to understand and care about the bottom line.

### **CFO Solution 1: Understand what motivates individual people**

“Why do these numbers matter?” This is the key question CFOs need to be able to answer for the individuals within their organizations. What are people responsible for and what do they care about? How will knowing about their finances or certain numbers help them in their jobs?

Jan Dahms, CFO of International Planned Parenthood of the Western Hemisphere, suggested that CFOs need to think of the other staff members within the organization as their customers. The CFOs then need to try to understand what drives those customers, both as individuals and as members of their departments/teams. With that understanding, the CFOs need to figure out what is going to be meaningful to those customers and what information is going to get their attention. “It’s much more than presenting balance sheets or profit/loss statements,” said Dahms. “Instead, it is trying to understand how each team measures success in terms of what outcomes they’re trying to achieve. If I know that abc or xyz is

important to a certain team, I go to the drawing board and figure out how to best present data that they're going to embrace.”

Shadburn described his process in working with program managers, “I had to think first, ‘What’s the key concern that the person has?’ It’s usually not financial. Then I had to find the one number they should care about and tell them, ‘The reason you need to look at this is so you’ll know whether you have the funds available to do what you want to do.’” Ferry honed in on the two numbers her staff needs to pay attention to: the dues collection rate and the registration rate for their annual conference. Without having to understand how to read the organization’s income statement, her staff is motivated to track these two numbers in order to know how well their program areas are doing and in fact, how the organization is doing as a whole.

### **CFO Solution 2: Offer financial workshops and other training programs to non-financial staff**

The resources available to register staff and free up their time to attend courses on how to read financial statements are often limited. A few CFOs offered alternative solutions. Stolow has created and offered a training workshop called “Finance for Poets” for his staff in the past. He designed a two-hour interactive seminar during which he explained how organizations use balance sheets and income statements using role plays and other lighthearted approaches<sup>1</sup>. Bell co-wrote a workbook called “Financial Leadership for Nonprofit Executives: Guiding Your Organization to Long-Term Success” to help EDs understand financial information and she has suggested that the leaders of the many nonprofits with whom CompassPoint works go through the workbook.

Ultimately, as Ferry pointed out, “What’s important is not financial statement literacy—rather financial literacy—all staff should know what certain numbers mean to their programs and to their organization.” Figuring out what those certain important numbers are for individuals within an organization is critical to success.

### **CFO Solution 3: Incorporate user-friendly approaches**

In addition to understanding what motivates individual people, and involving them in the budgeting process, CFOs should also incorporate user-friendly approaches to getting financial information across to non-financial staff. The following are some recommendations:

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<sup>1</sup> See Example 1: “Finance for Poets” Training Workshop at the end of this article.

**Use less jargon.** Stolow advised CFOs to banish jargon, saying, “Accounting and finance have a jargon that’s extremely intimidating and off-putting for people not experienced with it. You can’t underestimate this. ‘Receivables’ can be very hard to understand and people have a fear of being embarrassed. Eliminating jargon helps to win their trust and makes them feel you’re on their side.”

**Build trust.** Caroline Horton, CFO of Aeon (formerly Central Housing Community Trust), talked about how she built trust with the staff at Aeon when she began as the organization’s first finance person: “I started out by asking a lot of questions, gaining people’s trust over time. I needed to show them that I really had good advice to offer. I had to think a lot about how to be helpful to them in their job. As they saw that I could be helpful, the more they came to me to ask questions. We have a joke around here about my first year when we had a small office. I found it very important to overhear and understand people’s conversations in the hallway. Sometimes they’d be talking about the financial part of their job and I would go into the hallway and ask them questions, saying, ‘Tell me more about this.’ The more I could feed back financial reports that were easier for them to use, the more they came to me, the more the process became easier.”

**Use images and words instead of numbers where possible.** While this may seem contrary to what a CFO is supposed to do, many of the CFOs suggested using fewer numbers to communicate financial information with people whenever possible. Harry Bonsu, CFAO of Safe Space, reported that he “tried charts, colorful stuff to differentiate the different numbers within a statement, but I still got a lot of questions. When I gave them words and put meaning to the numbers, then I had fewer questions.” Brad Dudding, COO of Center for Employment Opportunities, agreed, “People don’t want to look at spreadsheets; they always tell me they want more narrative. I do highlights by bullet for each financial statement.”

Bell advocated for the use of dashboard reporting—a process through which an organization selects certain indicators of performance for the organization as a whole and for each department and then tracks these by color (red = act now, yellow = monitor, green = celebrate) on a regular basis. The dashboard method captures the organization’s most critical financial indicators in a few memorable and easy to follow metrics that anyone in the organization can understand<sup>2</sup>. Dudding recommended the Nonprofit Finance Fund’s Nonprofit Business Analysis (NBA), which boils down years of numbers into easily digested charts and graphs.

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<sup>2</sup> See Example 2: “Dashboard Reporting” CompassPoint at the end of this article

Some CFOs have used less orthodox methods to grab their audience's attention. Consider what one person did to illustrate how much money was being spent in numerous—and in his opinion, often unnecessary—staff meetings. He showed up with a placard around his neck that read, “During this meeting, we will spend \$13,000 in staff salaries.” He succeeded in getting his message across.

**Use consistent metrics.** In the process of being creative about presenting financial information, Stolow advised CFOs to stick with consistent metrics. “If one week you’re talking about surpluses and deficits, next week the run rate, next week net assets, people will think, ‘Boy, those finance people are busy!’ but that won’t help them understand what’s important.” Andy Kaplan, CFO of DonorsChoose.org, is developing metric dashboards for staff that will pop up when they boot up their computers each day. “There will be common measurements for everyone and specific measures for specific jobs, to help them do their jobs and get them excited about seeing the results of their efforts,” said Kaplan.

#### **CFO Solution 4: Engage people in the budgeting process**

It is probably faster and easier for most CFOs to just do the budgets for people than to have to walk staff through the process and coach them along the way. But it seems fairly self-evident that if people are not involved in the budgeting process, they will likely be less invested in managing those budgets. As Bell explained, “I think it’s 100-percent true—I don’t think it’s possible for a CFO to not engage others in the budgeting process and then expect them to meaningfully monitor it over time.”

Getting staff involved has to go beyond merely sending out financial forms that they must fill out and return by a certain date. As Dudding recounted, “When I used to send a spreadsheet via email, it was hard to force someone to open it, look at it, and fill it in. Now, we’re meeting with each program manager to review it. What really helps is structured time to review things—that’s where the confusion is clarified, where things are addressed.” Stolow agreed, saying, “The process is what’s important.”

In addition to engaging staff in the budgeting process for their individual departments, several CFOs argued that it is also important to provide people with information about the entire organization’s financial situation. When Ferry joined her organization, she began providing her staff with a quarterly, one-page activity statement giving the overall picture for the organization. At DonorsChoose.org, the management holds a monthly company-wide conference call to talk about organizational strategy, new staff, and the numbers. These varied approaches serve to demystify the budgeting process, build trust, and further engage individuals in the numbers.

## Summary

Getting staff members who are busy fulfilling other aspects of the mission to pay attention to financials is challenging. Even with all these great tips and suggestions, the truth is as Horton summarized, “It’s going to be harder or easier depending on whether the people in the organization will listen to you, but it’s our job to give them a reason to listen to us by showing what the value is of the information. We need to keep promoting this from within, knowing it will add such tremendous value to our nonprofits. There’s so much opportunity, we need to keep at it.”

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## Sample Tools To Help Convey Financial Information to Non-Finance Folks

There are many tools that can help make financials more accessible to non-financial staff in nonprofit organizations. Here are just a few examples CFOs have found useful in making financial information more interesting to non-financial staff within their organizations.

### Example 1: “Finance for Poets” Training Workshop

David Stolow, former CFO of several nonprofit organizations, has created and offered a training workshop for his staff in the past. He designed a two-hour interactive seminar during which he explained how organizations use balance sheets and income statements using role plays and other lighthearted approaches.

The following are notes Stolow put together to kickoff the training workshop. They describe a warm-up exercise he uses to get the workshop participants actively engaged in the subject matter and to illustrate how the basics of financial accounting work. After this introductory exercise, Stolow then presents an overview on the process of accounting, explaining what balance sheets and income statements are and how financial information is presented and interpreted.

I need two volunteers to create an accounting firm, Smith & Jones. I’ll get back to you in a second—work on your company logo.

I need three to five more volunteers. Here’s a stack of green cards. Go in and out of the room and take things with you. Add and take away from the stack of green cards. Some of you start inside the room. Some start outside. It doesn’t matter where you end up.

Accountants: One of you starts by taking a snapshot of the room. Then everyone starts moving. The other one of you takes a video of the

activity in the room. After a little while I'll say freeze and we'll take another snapshot.

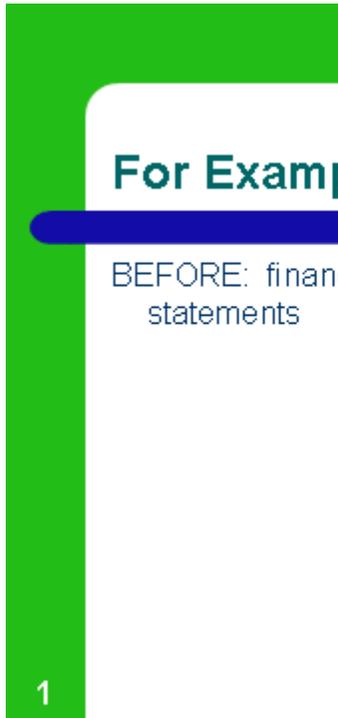
What's happening here? How is this about accounting? There's no money, no numbers, no spreadsheets, no green eyeshades, no suits with white shirts.

What we just saw is basically the process of accounting. I'm now going to try to explain why...

### **Example 2: Dashboard Reporting**

A growing number of organizations use dashboard reporting—a process through which an organization selects certain indicators of performance for the organization as a whole and for each department and then tracks these by color (red = act now, yellow = monitor, green = celebrate) on a regular basis. The dashboard method captures the most critical financial indicators that everyone needs to understand and track into a few memorable and easy to understand metrics that anyone in the organization can understand. Jeanne Bell, CEO of CompassPoint Nonprofit Services advocates for the use of dashboard reporting in her work with nonprofit organizations, and offered an example of how to transform financial information into a dashboard report.

In this first page below, Bell shows how a fictitious organization presented its financial information “before” going through the dashboard process—basically a printout of the financial statements with many columns and rows of data.



## For Example: Finance Metrics

BEFORE: financial statements



Figure 12. Budgeted Statement of Activity - Unrestricted

Domestic Violence Intervention & Prevention Agency  
Budgeted Statement of Activity - Unrestricted  
for the Nine Months Ending March 31, 2005

	YTD Actual	YTD Budget	Variance \$/(%)	Annual Budget	\$ Remaining	% Remaining
Contributions	23,200	43,500	(20,300)	50,000	34,000	68%
Fundraising events - net	92,430	93,750	(1,320)	525,000	523,570	26%
Foundation grants	92,000	86,250	5,750	115,000	23,000	20%
<b>Total support</b>	<b>207,630</b>	<b>223,500</b>	<b>(15,870)</b>	<b>290,000</b>	<b>90,570</b>	<b>31%</b>
Government contracts	574,382	577,850	(3,468)	270,000	198,000	27%
Interest and dividends	3,761	4,313	(552)	5,700	1,900	33%
Unrealized gain/loss on investments	(2,400)	-	(2,400)	-	3,400	n/a
<b>Total revenue</b>	<b>575,743</b>	<b>585,163</b>	<b>(9,420)</b>	<b>770,700</b>	<b>296,470</b>	<b>28%</b>
Net assets released from restriction	322,335	326,750	(4,415)	413,000	130,665	29%
<b>Total income</b>	<b>1,300,708</b>	<b>1,341,813</b>	<b>(41,105)</b>	<b>1,327,217</b>	<b>427,135</b>	<b>28%</b>
Shelter Services	305,866	302,478	(3,388)	609,975	164,105	24%
Support Groups	272,286	268,695	3,591	384,026	107,640	28%
Administration	167,148	156,025	(11,123)	208,053	40,865	20%
Fundraising	165,769	161,854	(3,915)	215,779	52,898	24%
<b>Total expenses</b>	<b>1,114,069</b>	<b>1,306,052</b>	<b>(191,983)</b>	<b>1,478,789</b>	<b>346,819</b>	<b>23%</b>
Change in net assets	(8,361)	36,180	(44,541)	48,500	16,890	11%
Beginning net assets	283,690	283,690	-	283,690	-	-
<b>Ending net assets</b>	<b>275,329</b>	<b>320,870</b>	<b>(45,541)</b>	<b>332,190</b>	<b>16,890</b>	<b>5%</b>

⊕ = Better than budgeted  
⊖ = Worse than budgeted

Dashboard Reporting for LISC  
Webinar

In the second page below, Bell illustrates how the key information from the financials is highlighted in a dashboard format after going through the dashboard reporting process. Four key indicators of the organization's financial performance are highlighted, and the color codes indicate how well the organization is meeting its goals over time.



## ... and after: Dashboard

Indicator	Target	6 months ago	3 months ago	This Month
Days of cash on hand	60	25	48	57
Net surplus or deficit YTD compared with YTD budget.	0.0	\$10,450 better	\$2,500 worse	\$5,400 better
Total expenses	On budget	\$2,500 worse	\$760 worse	On budget
Days from end of month to financial statement completion	45 days	65	52	40

Dashboard Reporting for LISC Webinar

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