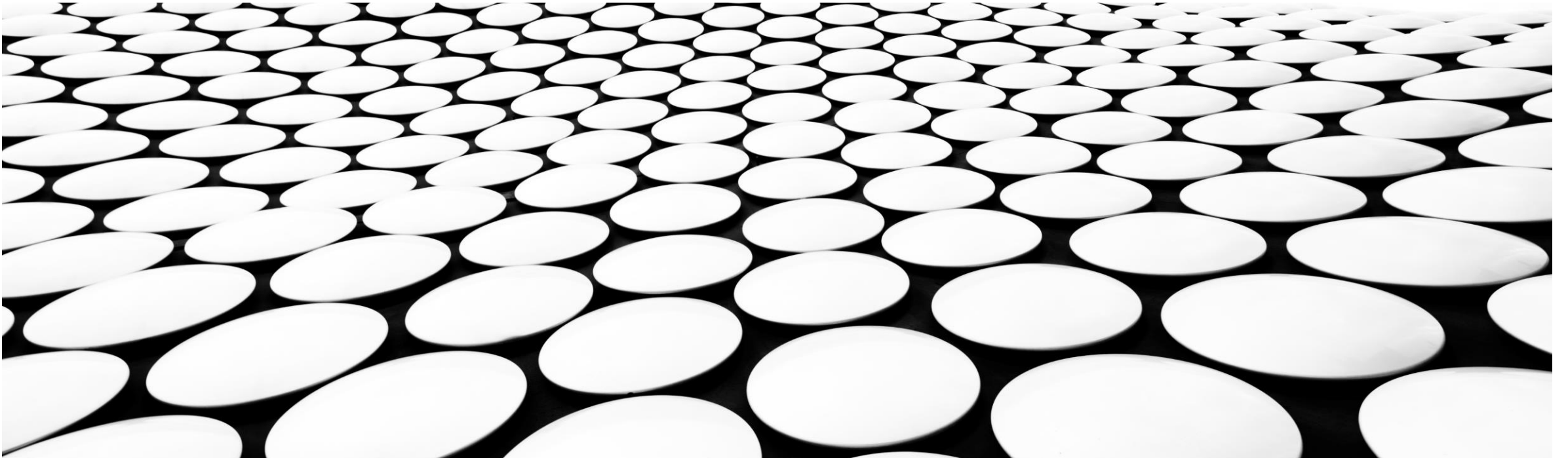

BEST PRACTICES ON GLOBAL NOT FOR PROFIT ORGANIZATIONS

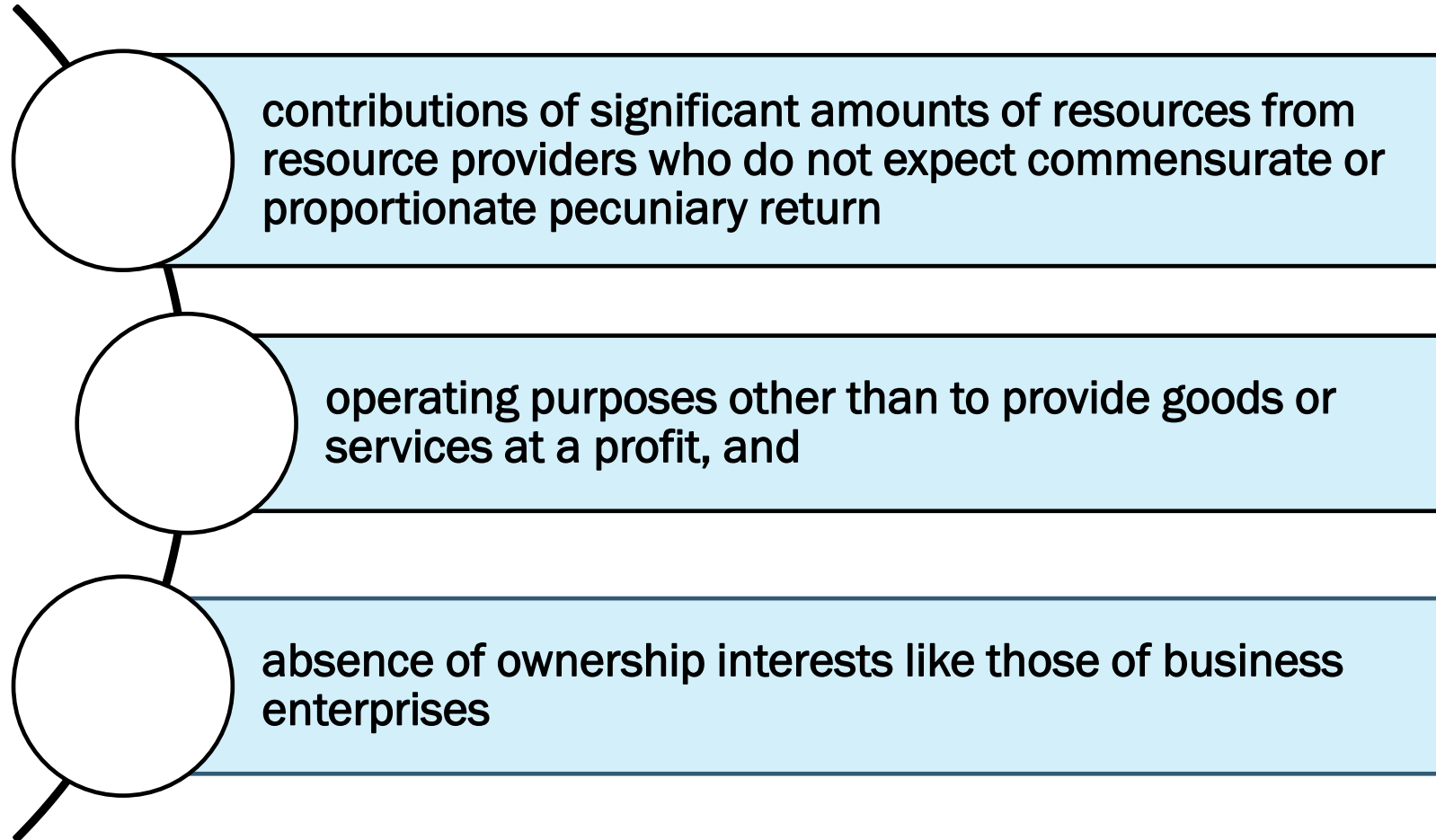
BY B D CHATTERJEE *FCA, ACMA, ACS, DIP (IFR) ACCA – UNITED KINGDOM*





BEST PRACTICES ON GLOBAL NOT FOR PROFIT ORGANIZATIONS

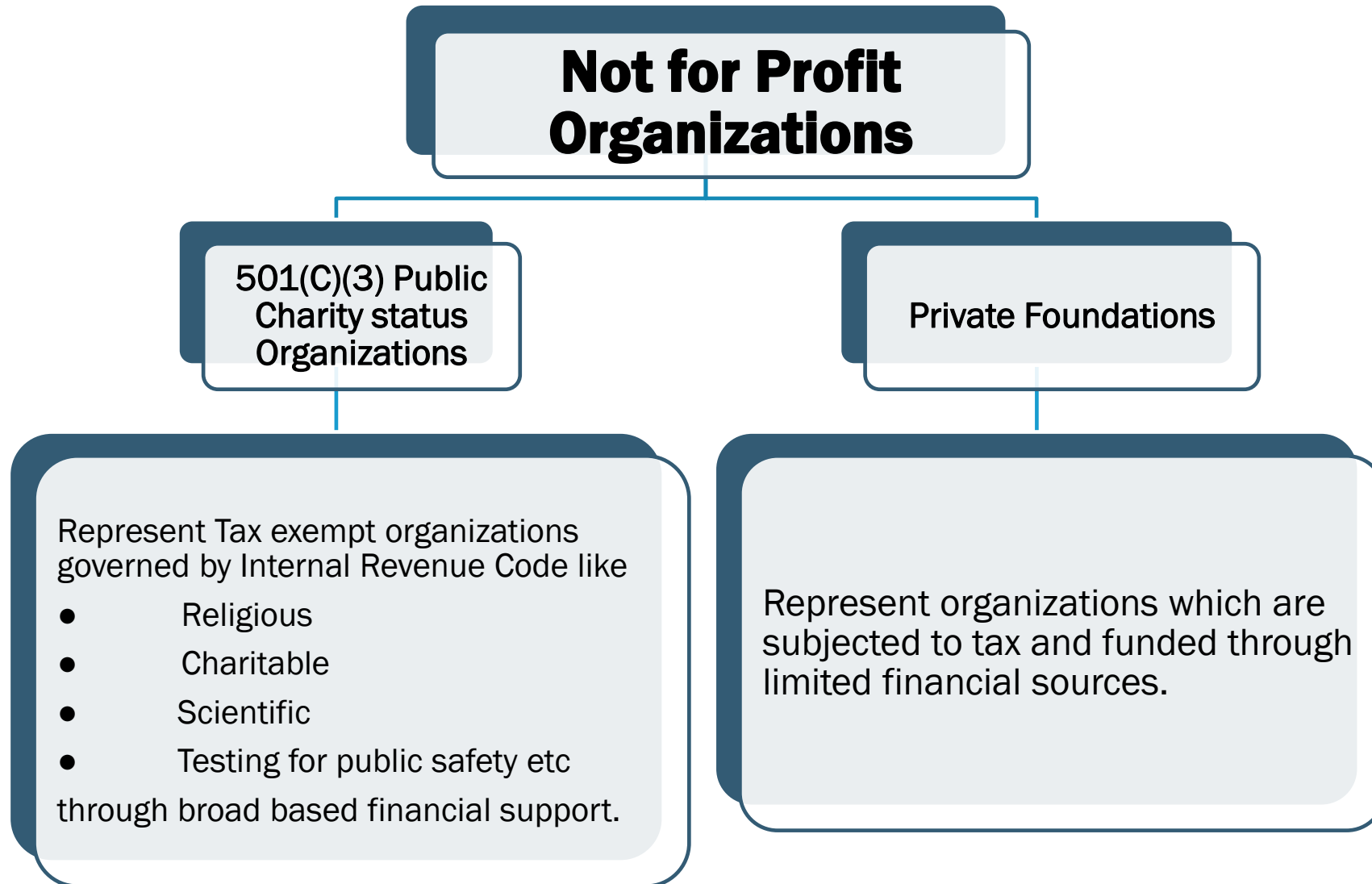
WHAT IS A NOT FOR PROFIT ORGANIZATION?



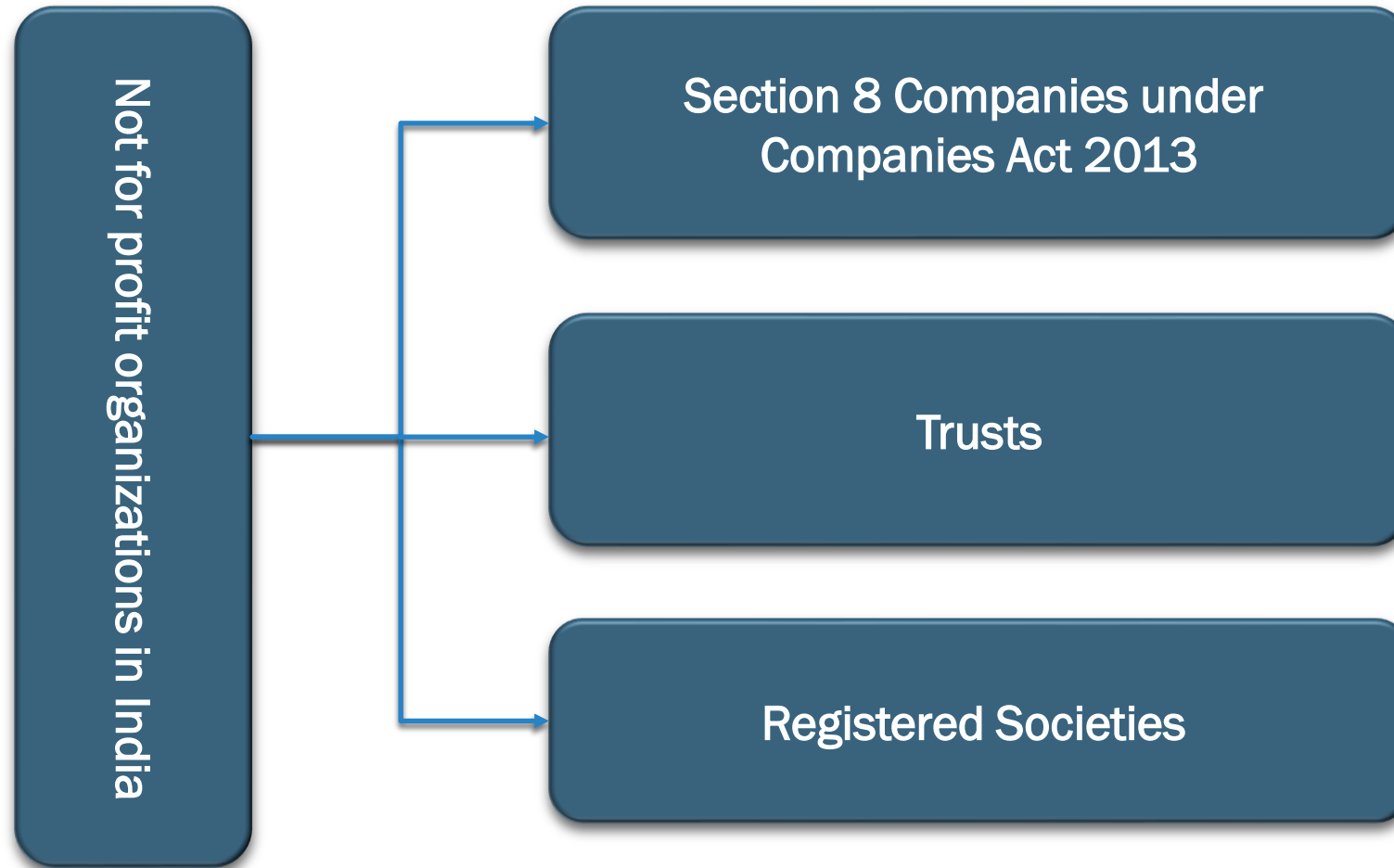
EXAMPLES OF NOT FOR PROFIT ORGANIZATIONS

- Civic and community organizations
- Colleges and universities
- Elementary and secondary schools
- Crowd funding organizations
- Libraries
- Other cultural organizations
- Performing arts organizations
- Private and community foundations
- Professional associations
- Public broadcasting stations
- Research and scientific organizations
- Social and country clubs
- Trade associations
- Voluntary health and welfare organizations

NOT FOR PROFIT ORGANIZATIONS IN UNITED STATES



CLASSIFICATION OF NOT FOR PROFIT ORGANIZATIONS IN INDIA



SECTION 8 COMPANIES

- Section 8 company is a Company incorporated under the Section 8 of the Companies Act 2013 with the charitable objective.
- The main objectives of the Section 8 Companies are to promote fields like arts, science, commerce, sports, education, religion, charity etc.
- The profit raised by the Company is used to promote the main objective of the Company.

SECTION 8 COMPANIES – PRINCIPAL FEATURES

Item	Narrative
Separate legal entity	In a Section 8 Company, the company and its members have completely distinctive identities.
No dividend	Members of the Company don't get any dividend.
Profits	Any kind of Profit or incomes of the Company is applied only for the promotion of the objects of the Company.
Share holders and directors	The Company must have at least 2 shareholders. At least 2 Directors are essential. The Directors and the Shareholders can be the same person.
Share capital	No minimum share capital required. The necessary funds are brought in the form of donations, subscriptions from members or the general public.
Limited Liability	In simple words, in case any liability rises, the members of the company are not personally affected; members are liable for unpaid shares held by them and not more than that.
Transferability of ownership	Shares and other interest of the members are easily transferable as provided by the Articles of Association of the company.

TRUSTS

Generally, organizations that are classified *as Trusts* are those that

- are churches, hospitals, qualified medical research organizations affiliated with hospitals, schools, colleges and universities,
- have an active program of fundraising and receive contributions from many sources, including the general public, governmental agencies, corporations, private foundations or other public charities,
- receive income from the conduct of activities in furtherance of the organization's exempt purposes, or
- actively function in a supporting relationship to one or more existing public charities.

REGISTERED SOCIETIES

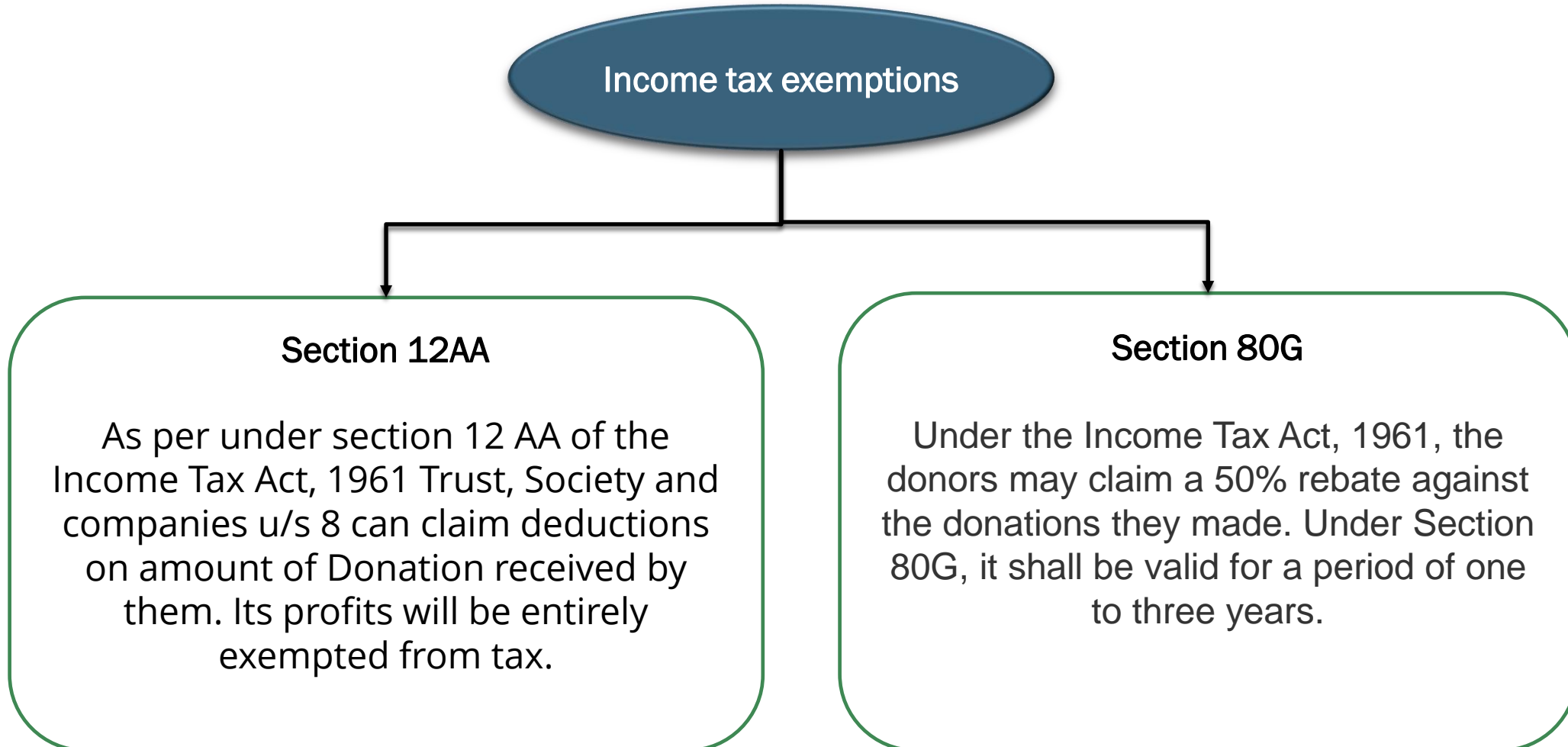
According to section 20 of the Societies Registration Act, 1860, the following societies can be registered:

- charitable societies,
- military orphan funds
- societies established for the promotion of literature, science or fine arts, etc.

COMPARISON - TRUSTS AND REGISTERED SOCIETIES

Item	Trusts	Registered Societies
Legislation	The Indian Trusts Act 1882.	Societies Registration Act, 1860.
Meaning	A legal relationship, in which author (first party) assigns property to the trustee (second party) for the benefit of the beneficiary (third party).	A society is an organized group of persons, who are joined together for fulfilling any purpose relating to literature, science or charity.
Office bearers	Minimum two Trustees	A minimum of seven managing committee members
Main instrument	Trust deed, containing: aims and objects of the trust, minimum and maximum number of trustees, how other trustees may be appointed or removed, how the trust should be managed etc	The memorandum of association and rules and regulations.

INCOME TAX EXEMPTIONS - TRUSTS, SOCIETIES AND SECTION 8 COMPANIES



FOREIGN CONTRIBUTION AND REGULATION ACT (FCRA)

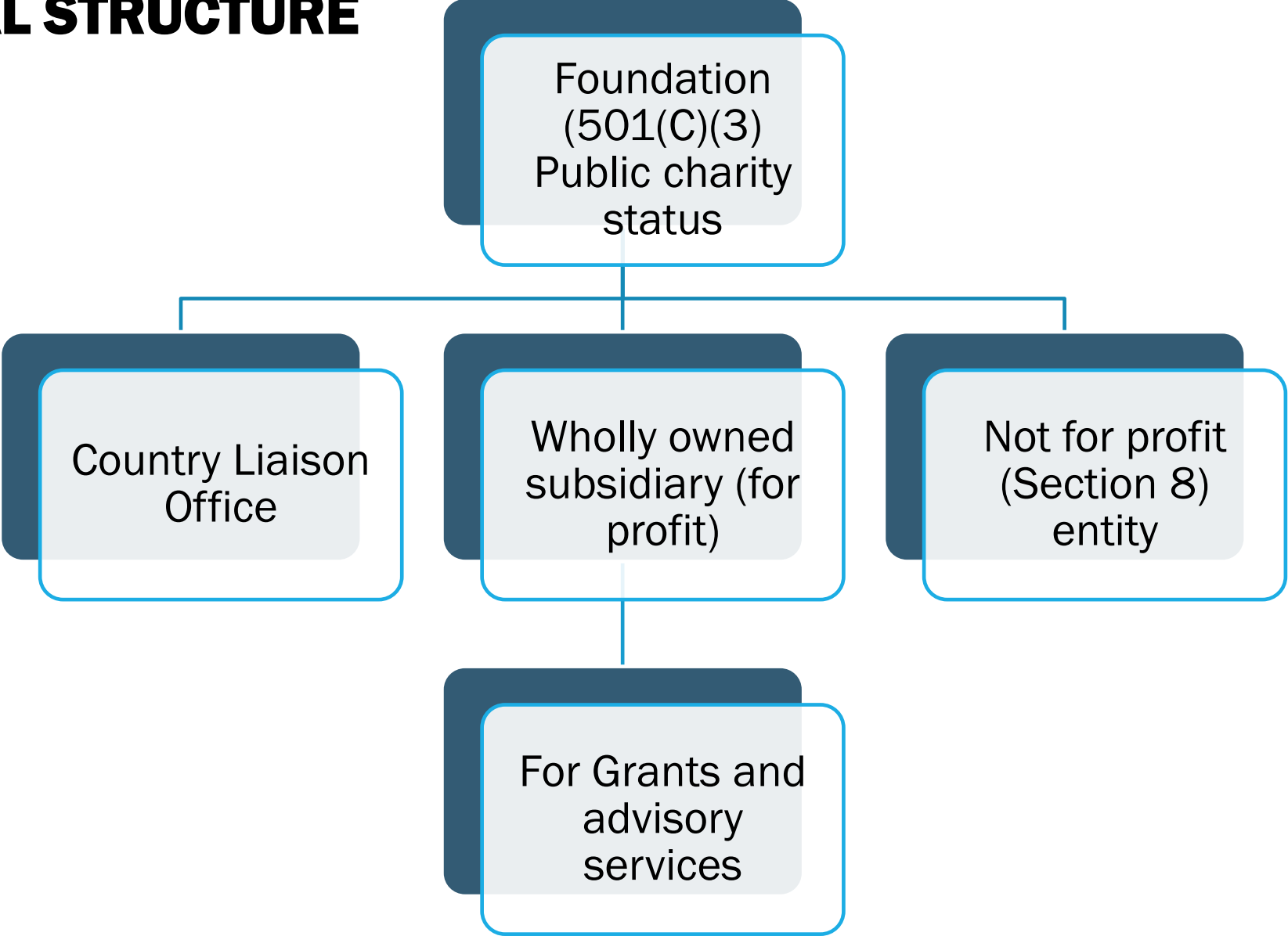
A Trust, Society and a Section 8 Company can register under FCRA to receive funds from foreign source.

- It needs to open a dedicated account in State Bank of India for this purpose
- It needs to highlight activities for which foreign funds are required.
- The board members need to be of Indian origin to run the operations of the organization.

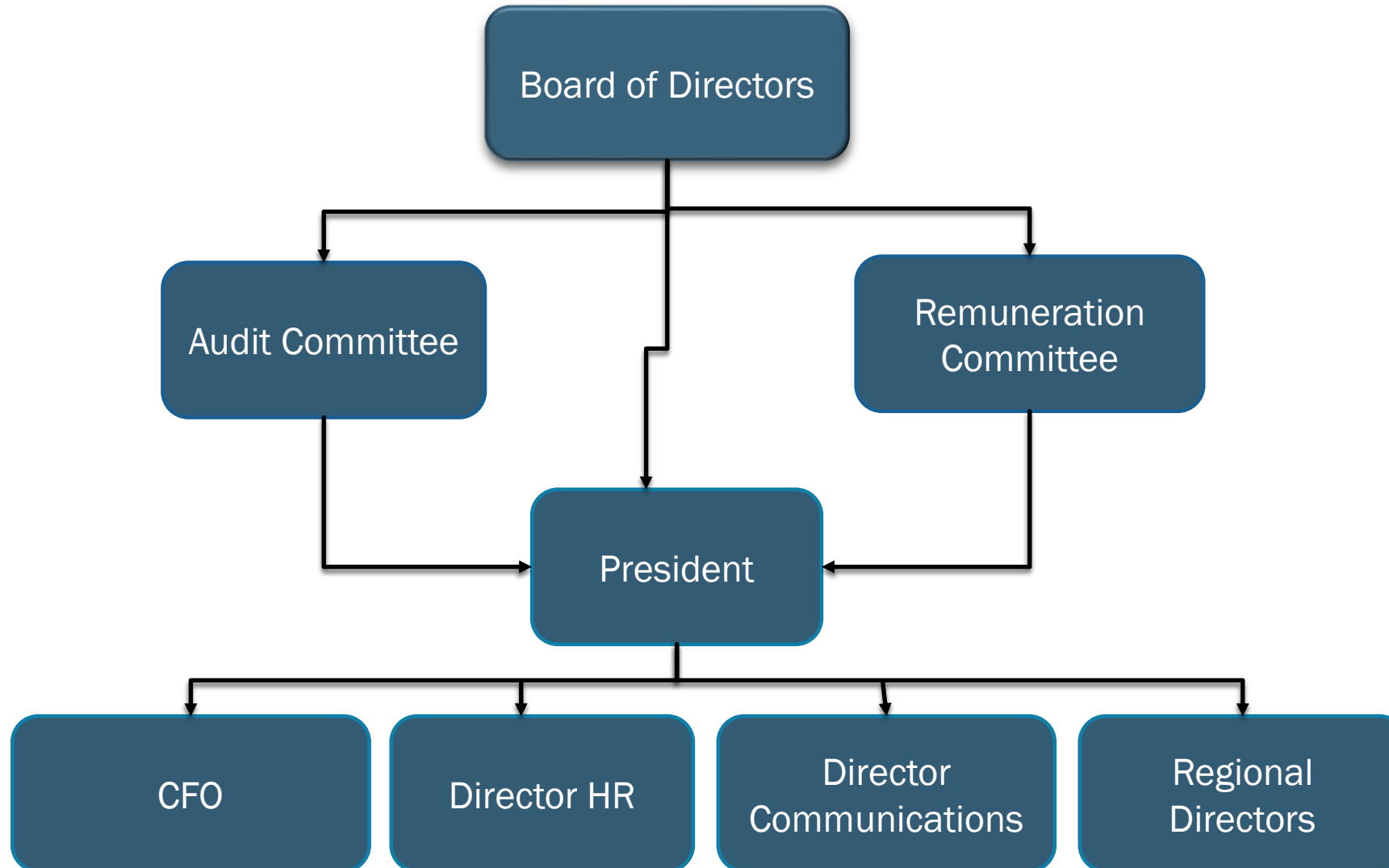
BEST PRACTICES OF NOT FOR PROFIT ORGANIZATIONS

- Legal structure
- Governance Process
- Building a strategy
- Develop a Business Plan, Annual Budget and rolling Cash Forecast
- Fund raising
- Enterprise Resource Planning solution
- Human Resources Management
- Delegation of Authority
- Transaction processing
- Enterprise Risk Management
- Communication

LEGAL STRUCTURE



GOVERNANCE PROCESS



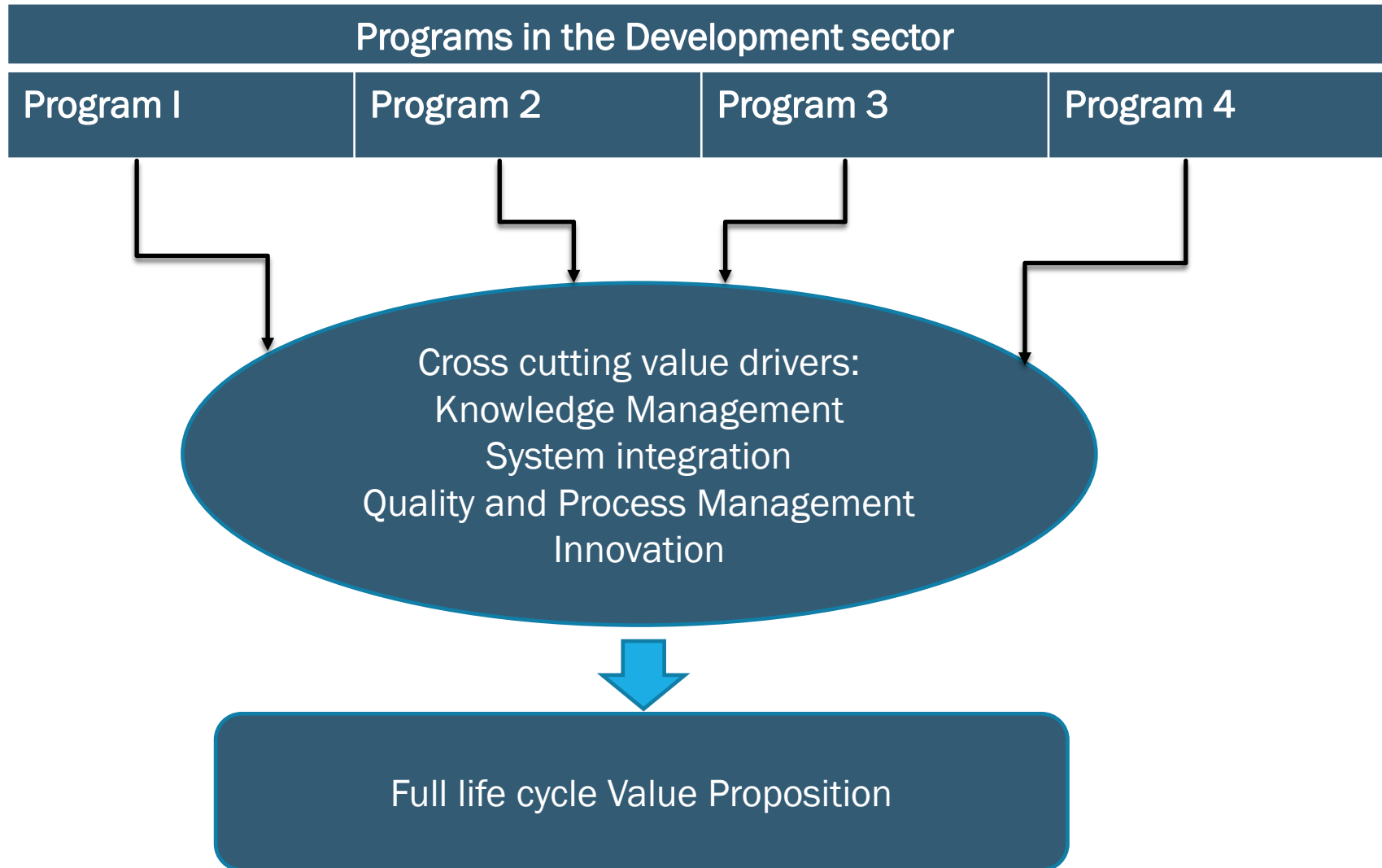
BENEFITS OF ROBUST GOVERNANCE PROCESS

- Improves Corporate performance through effective strategy and execution capabilities
- Augments Accountability
- Enhances investor trust and confidence
- Combat corruption through robust enterprise control processes
- Builds trust from donors
- Opens doors to prospective funding opportunities
- Improves Enterprise Risk Management
- Assists quality of decision making

BUILDING A STRATEGY



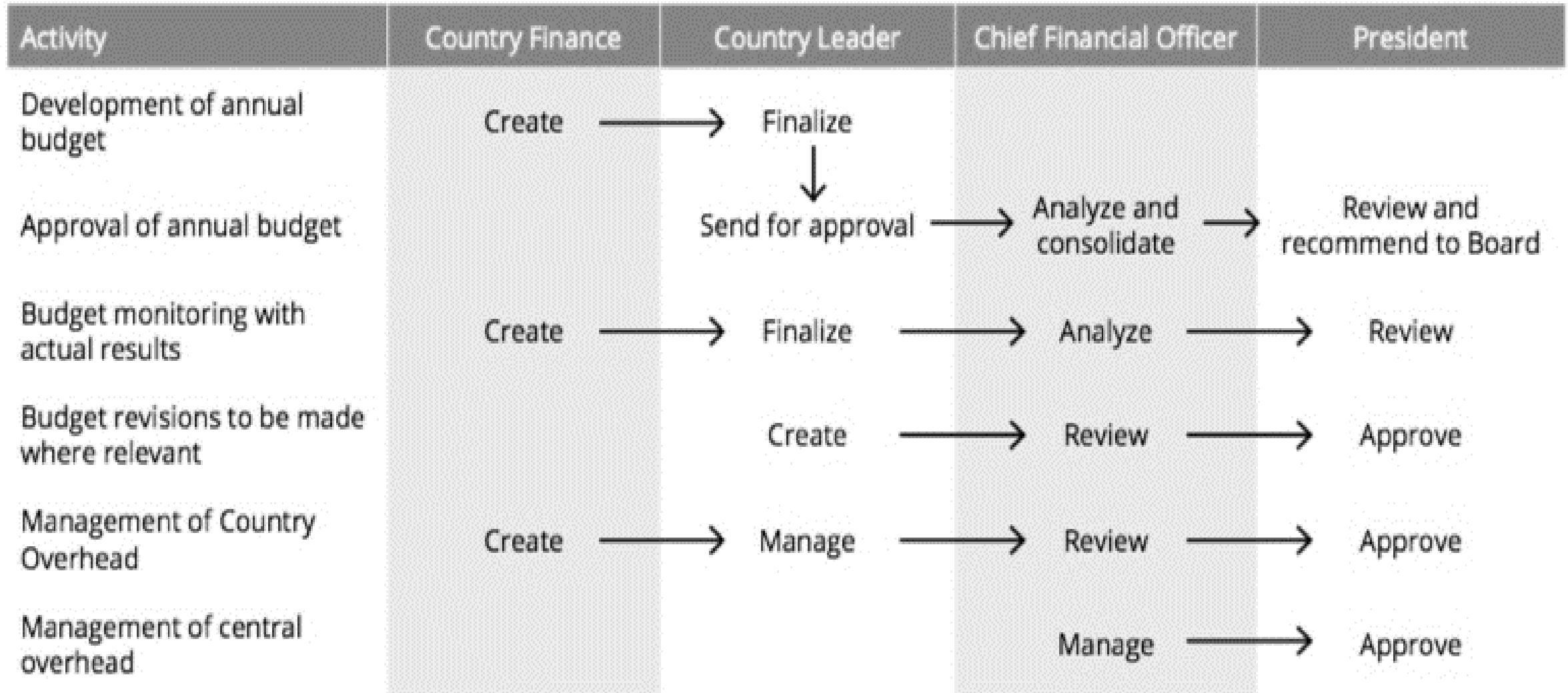
STRATEGY FOR NOT FOR PROFIT ORGANIZATION



DEVELOP A BUSINESS PLAN

- Executive Summary
- Vision, Mission, values statement and a SWOT analysis of the organization
- Market intelligence including a summary of other players in the market and their strengths and weaknesses
- Operational Plan
- Resource Plan
- Social Impact
- Risk Assessment
- Financial Plan

DEVELOP AN ANNUAL BUDGET



DEVELOP ROLLING CASH FORECAST

- Annual revenue and expenditure Budget by program and by country needs to be broken down by month to determine the cash burn rate per month.
- Rolling cash forecast needs to be prepared for each major grant and summarized into country to depict for how long the grants available can sustain the monthly cost base. A specimen format is shown below.

ROLLING CASH FORECAST										
Group:										
Actual										
Head	Budget 2017	Jan- May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Opening Balance										
Revenue										
Staff related expenses										
Employee Benefits										
Travel										
Office Related Expenses										
Service Fees-Financial, Audit, Accounting										
Communications										
Other Program expenses										
Insurance										
Exchange Rate Gain/loss										
Indirect Expenses -Overhead										
Total	-	-	-	-	-	-	-	-	-	-
Surplus/Deficit	-	-	-	-	-	-	-	-	-	-
Opening bank balance	-									
Closing bank balance	-									
Surplus / Deficit Bank	-	-	-	-	-	-	-	-	-	-

FUND RAISING

The main sources of funding are:

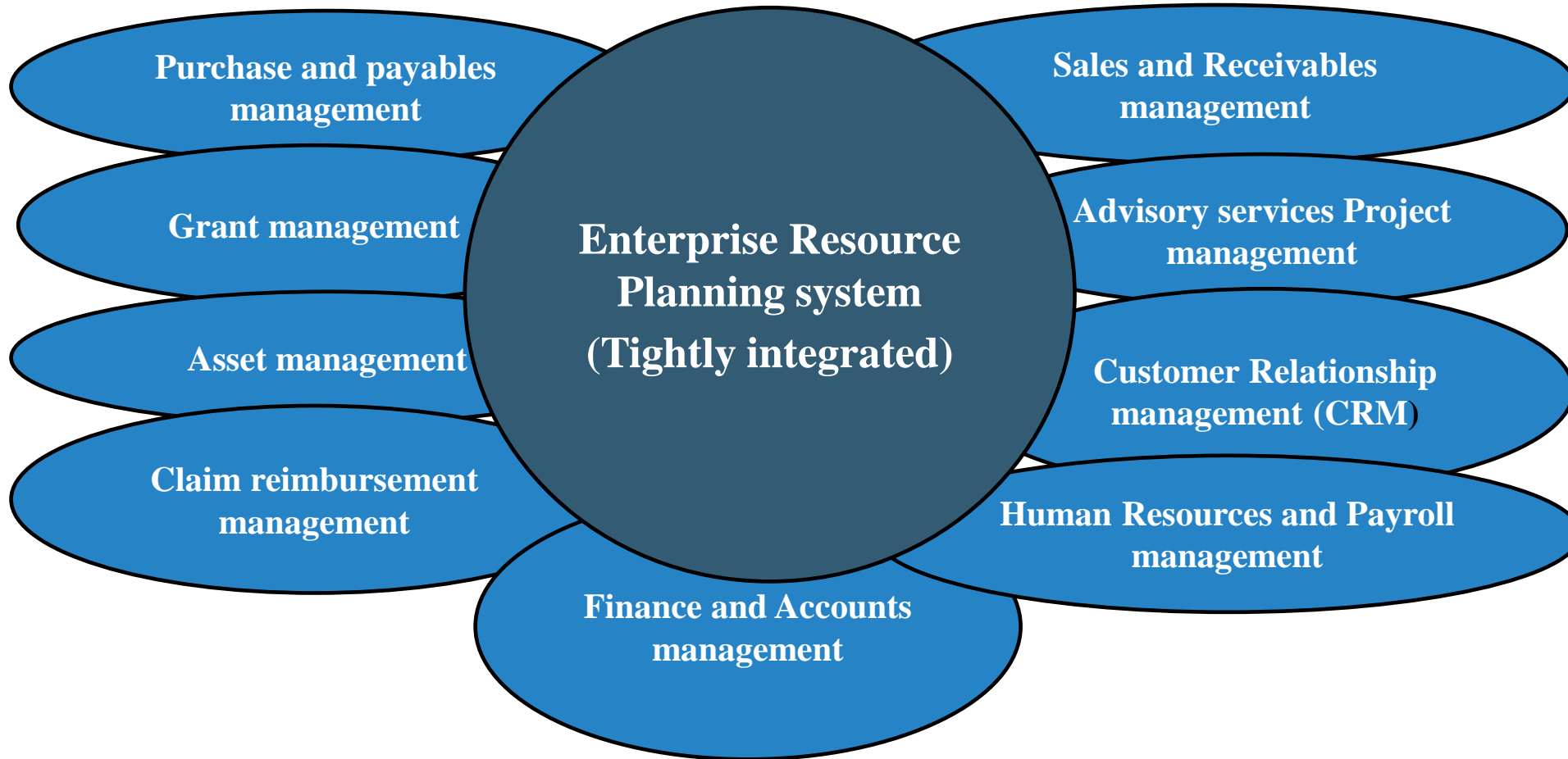
- Gifts and donations – Cash or kind
- Grants – Foundations or Corporates
- Loan financing and equity capital
- Contracts – for education and research
- Events and advisory services
- Crowd funding

ENTERPRISE RESOURCE PLANNING SOLUTION

Eliminate island systems and implement an simple state-of-the-art integrated software solution preferably in cloud to handle:

- Scalability of operations.
- Data can be accessed from anywhere.
- Critical data can be preserved with regular back up.
- Data is entered into the system only once leading to zero reconciliation and minimum manual efforts.
- Management information system and management reporting can be more reliable as it will not have dependency of manual efforts.

ENTERPRISE RESOURCE PLANNING SOLUTION



HUMAN RESOURCES MANAGEMENT

- Organisation chart approved by Board of Directors
- Structured roles and responsibilities
- Employee grading structure
- Effective Performance Management system
- Policies related learning and development
- Policies related to compensation and benefits
- Competency mapping
- Incentive policy
- Effective exit policy and Full and Final settlement.

DELEGATION OF AUTHORITY

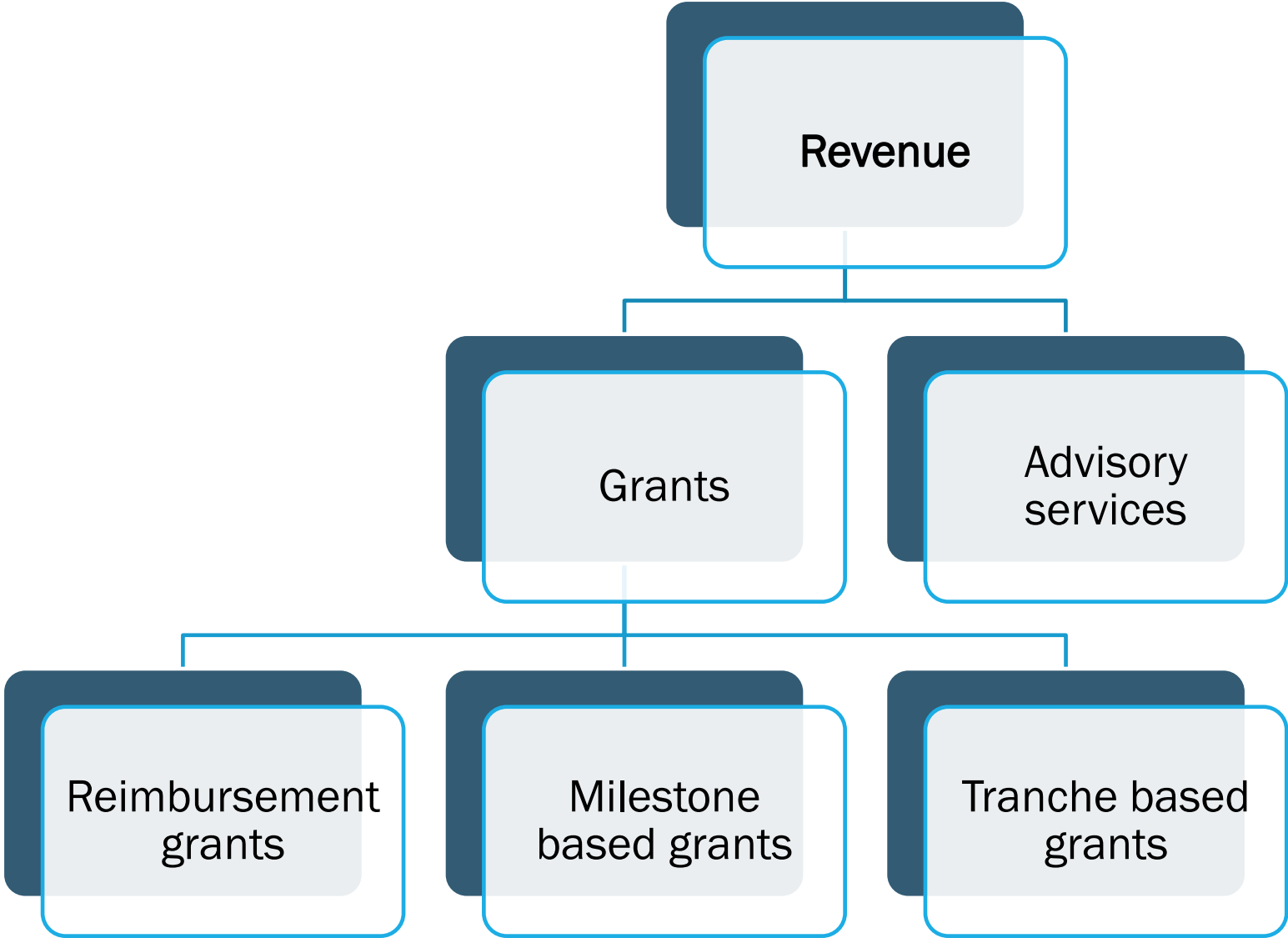
Delegation of Authority is a set of structured financial authority limit approved by the Board of Directors based on executive roles and responsibilities as a part of the corporate governance process and control. An example of delegation authority matrix is shown below.

Item	Board of Directors	President	CFO	Regional Director	Program Lead
Expenditure if budgeted	-	All expenditure as per budget	Up to \$ 50,000	Up to \$ 50,000	Up to \$ 15,000
Expenditure if not budgeted	Above \$ 50,000 if not budgeted	Up to \$ 50,000 if not budgeted	-	-	-
Approval of grant proposals	-	Above \$ 50,000	Up to \$ 50,000	Up to \$ 50,000	Up to \$ 15,000
Program contracts	Above \$ 100,000	Up to \$100,000	Up to \$50,000	Up to \$50,000	Up to \$15,000
Employment contracts		Above \$50,000	Up to \$50,000	Up to \$50,000	Up to \$15,000
Expense reimbursement		Above \$50,000	Up to \$50,000	Up to \$50,000	Up to \$15,000
Sub grants		Above \$50,000	Up to \$50,000	Up to \$50,000	Up to \$15,000
International travel		All approvals by President			
Domestic travel			Approval on portal	Approval on portal -	Approval on portal -
Capital expenditure			More than \$ 250		
Petty cash			Up to \$ 100	Up to \$ 100	Up to \$ 100

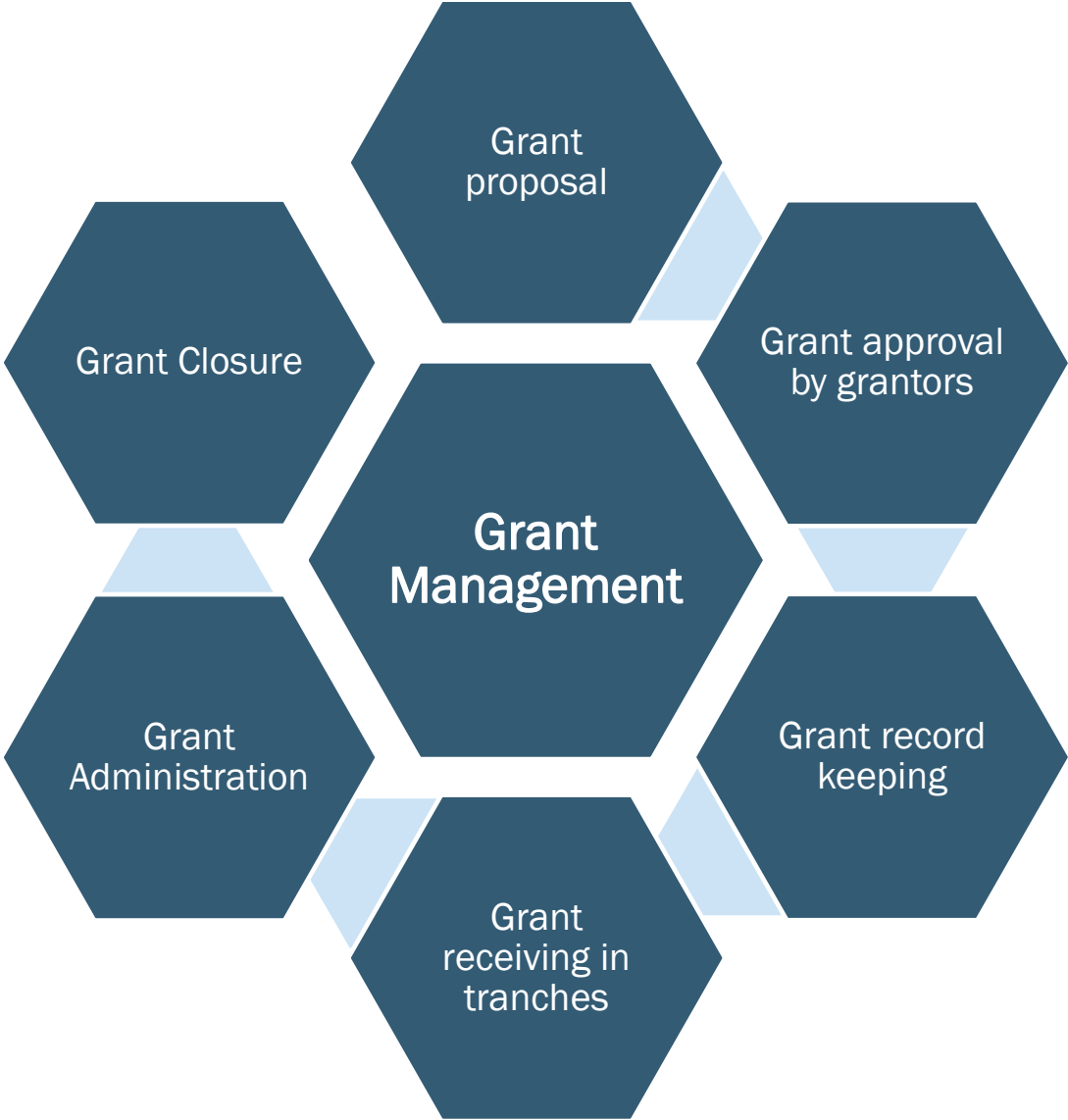
TRANSACTION PROCESSING








REVENUE FROM GRANTS AND ADVISORY SERVICES




GRANT MANAGEMENT PROCESS



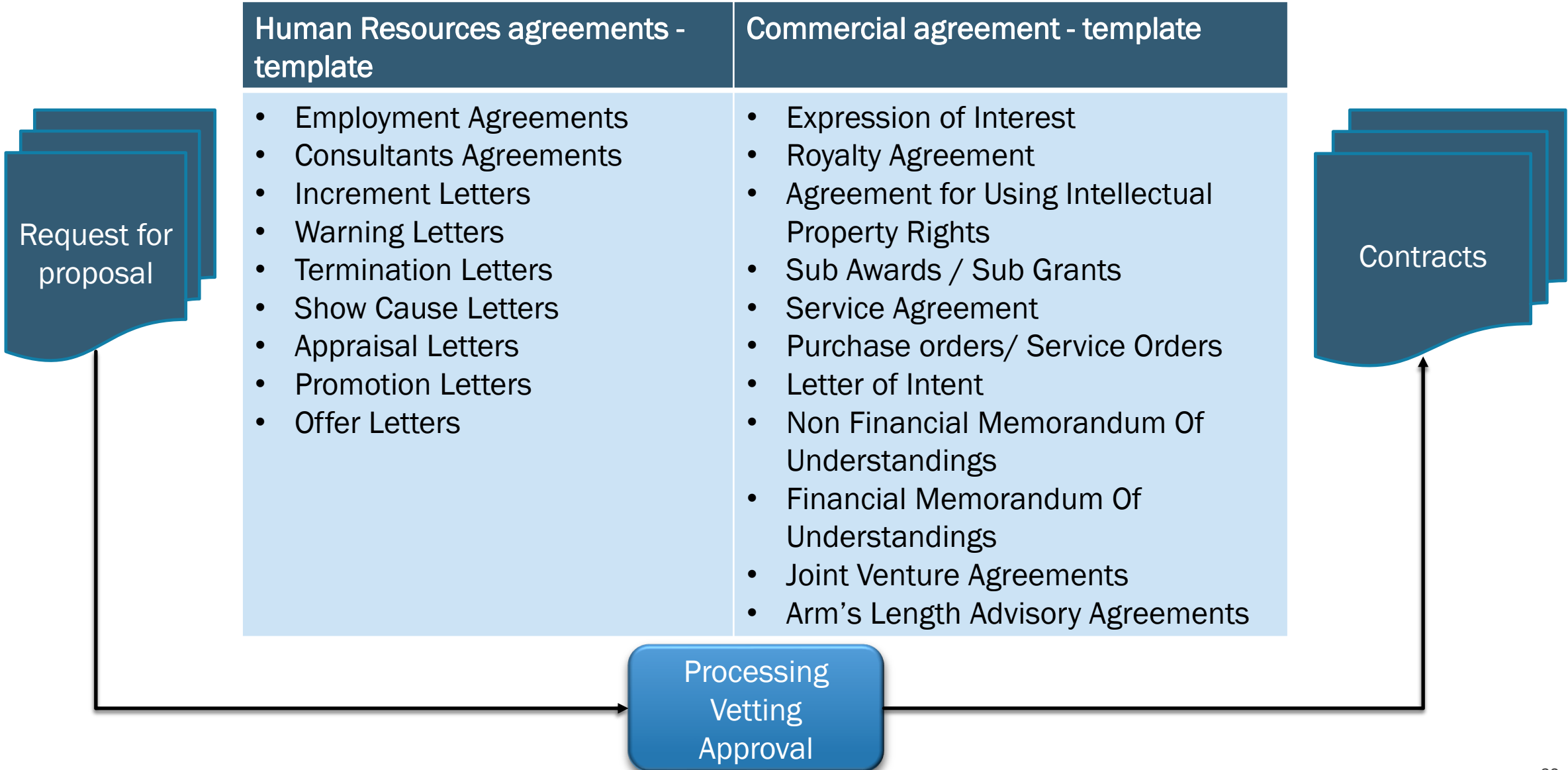
PURCHASE TO PAYABLES

Process cycle	Document
Purchase Requisition processing	Approved Purchase Requisition → 
Quotation request and quotation management	Quotation → 
Purchase Order Processing	Approved Purchase Order → 
Good Receipt	Goods Receipt Note → 
Invoice verification	Invoice verification → 

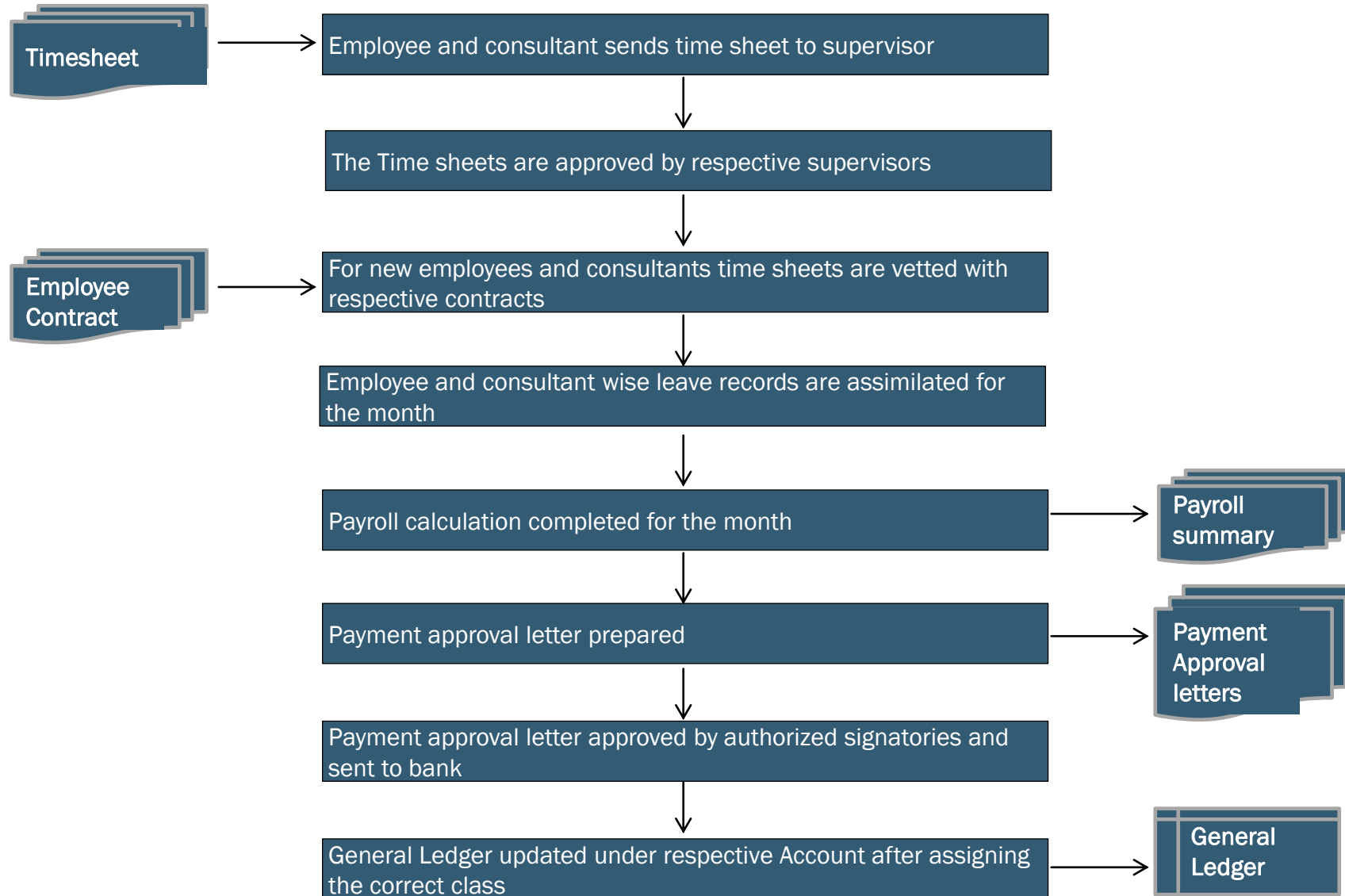


Three Way match

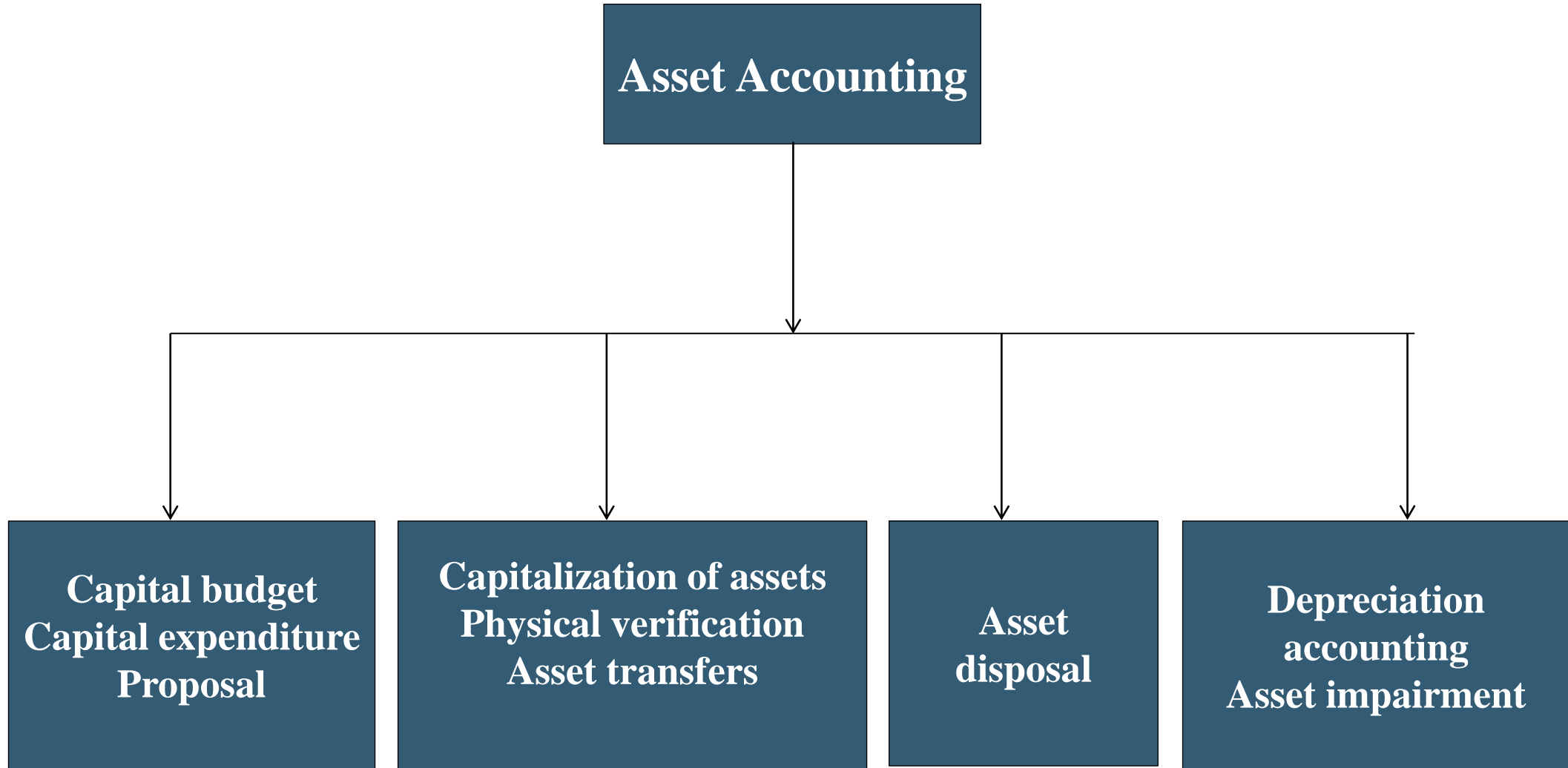
CONTRACT MANAGEMENT



TIME SHEET AND PAYROLL MANAGEMENT



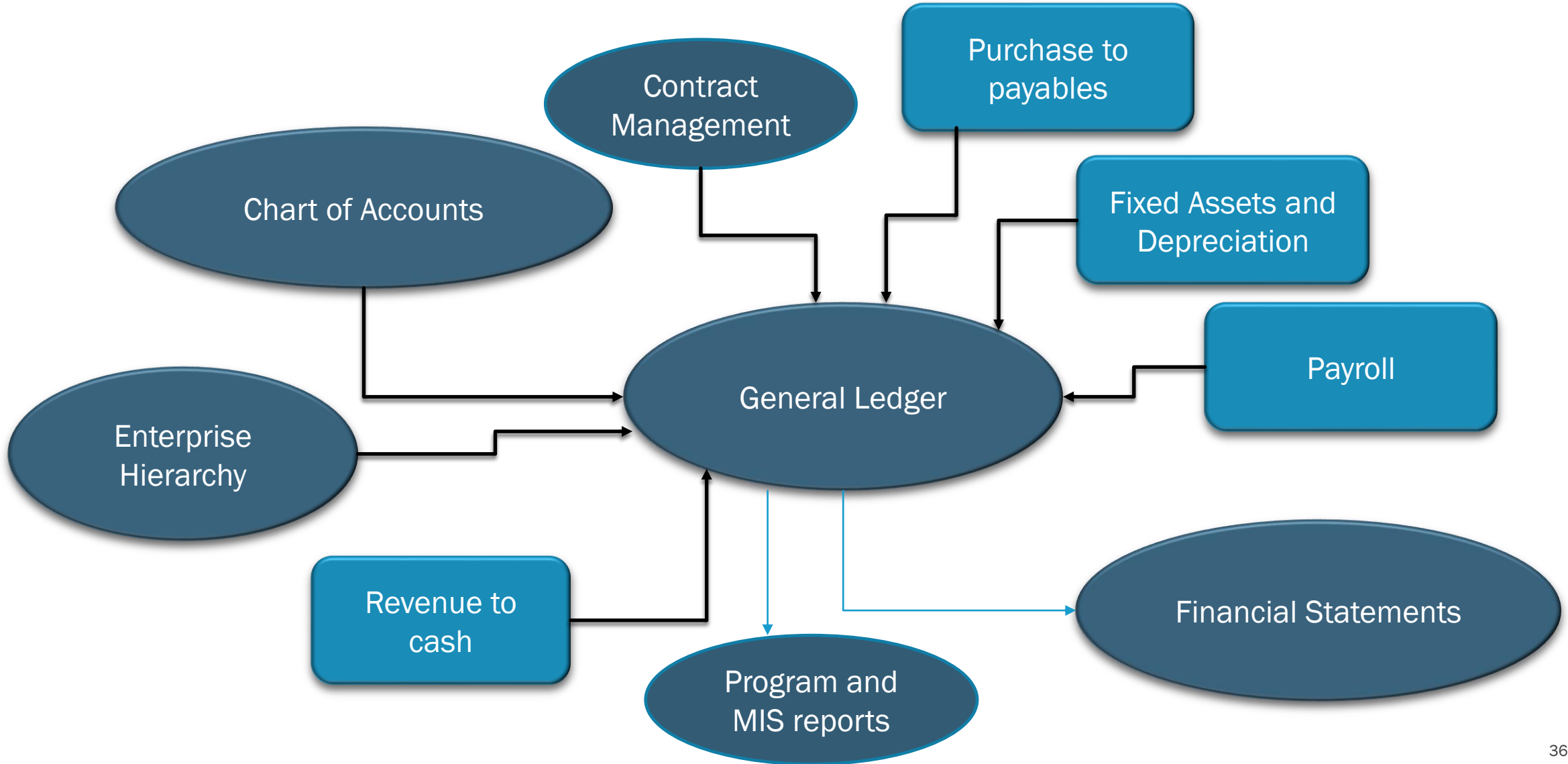
FIXED ASSETS AND DEPRECIATION



FINANCIAL CLOSURE

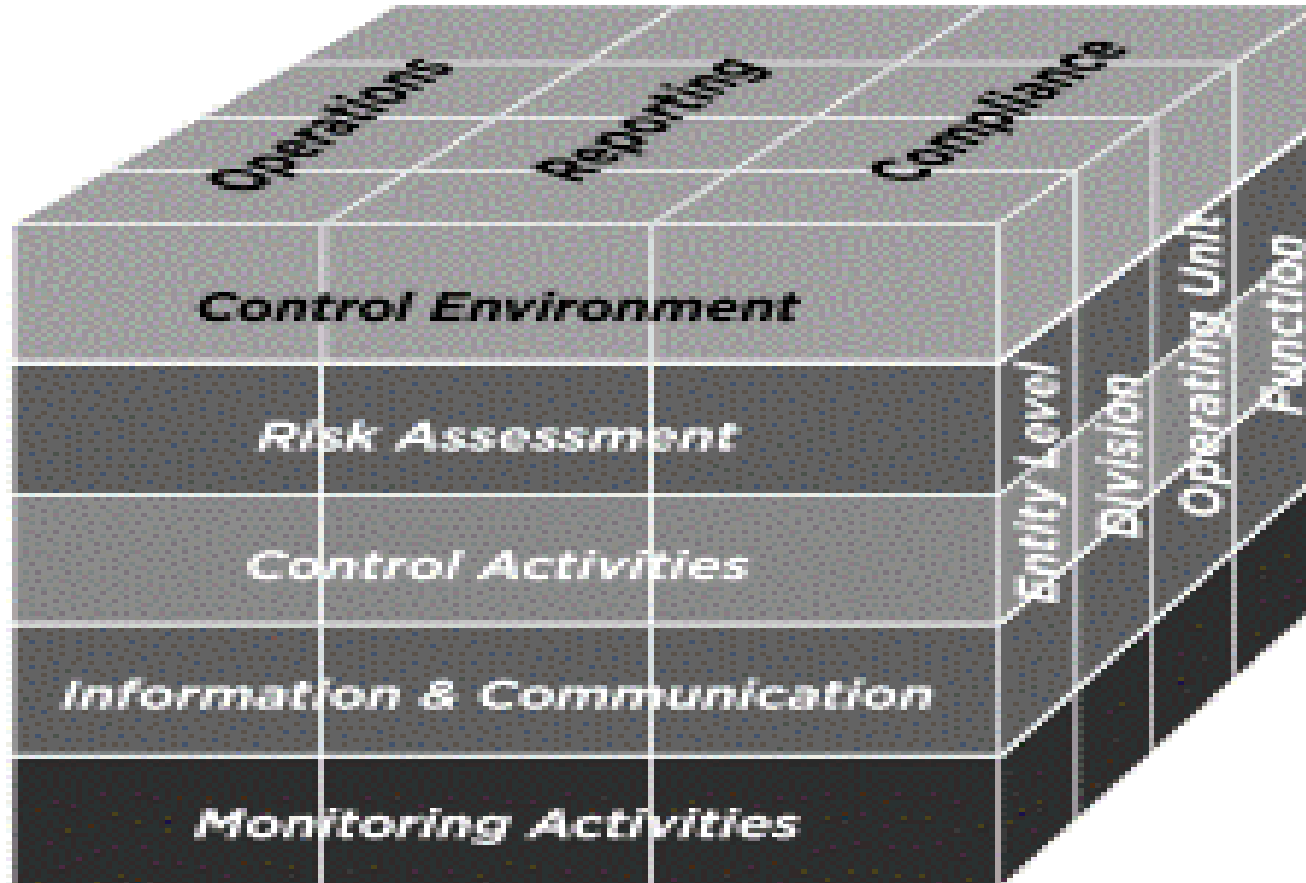
Process	-2	-1	0	1	2	3
Post all invoices, receipts and vouchers in the books of account	x					
Complete bank reconciliation			x			
Complete reconciliation of customer account with receipts		x				
Complete reconciliation of all vendor account with payments		x				
Complete reconciliation of all stock and consumption account			x			
Post all adjustment entries/rectification entries			x			
Complete updation of all provision related to statutory liabilities			x			
Generate General Ledger				x		
Finalize Financial Statements					x	
Finalize Financial Dash Board						x

FINANCIAL REPORTING



RISK MANAGEMENT

Enterprise Risk Management is a process-based approach where the various components interact as part of an on-going, iterative process. The three dimensional cube is shown below.



CONTROL ACTIVITIES



INTERNAL CONTROL PRINCIPLES

Internal control principles	Process Narrative
<i>(a) Establish Delegation of Authority</i>	Across organization hierarchy and value chain
<i>(b) Assign Accountability</i>	Assign each task to only one person and make him accountable
<i>(c) Segregate Duties</i>	Don't make one employee responsible for all parts of a process, preferably in the lines of segregation of custody, recording and approval functions
<i>(d) Restrict Access</i>	Don't provide access to systems, information, assets, etc. unless needed to complete assigned responsibilities; except for the power user/system administrator, no single user can have access to the entire system
<i>(e) Document Procedures and Transactions</i>	Prepare documents to show that activities have occurred; Develop audit trail of each activity
<i>(f) Independently verify</i>	Check others' work, introduce maker, checker and approver concept

COMMUNICATION

Develop an effective communication strategy through :

- Develop a logo which effectively explains the mission of the organization,
- Build and continuously update organization website,
- Regular presence in Social media,
- Periodic Email flyers to stakeholders and connects,
- Physical and virtual conferences.



THANK YOU!