

**A LOOK AT NONPROFIT FINANCIAL PRACTICES
BASED ON A SURVEY OF NONPROFIT CEOs AND CFOs**

Is There An Expectation Gap Between CEOs and CFOs?

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Background

Tate & Tryon surveyed more than 70 nonprofit CEOs and CFOs to gain insight into how they view their financial operation. Some have suggested the existence of an expectation gap between CEOs and their CFOs, and that some CEOs are critical of their CFOs. This survey results suggest that if such perceptual differences exist, they tend to be narrower than many believe.

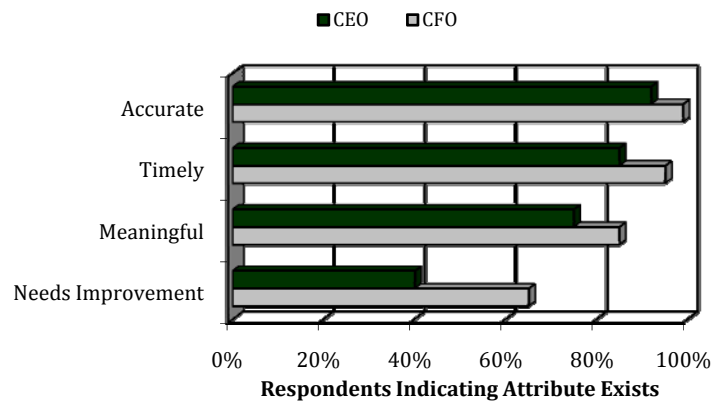
Is the Financial Information Timely, Accurate, and Meaningful?

The Survey results show that 92% of CEOs have confidence in the accuracy of the financial information produced by the CFO.

It is not surprising that 99% of CFOs indicated that they provide accurate information. When it comes to timeliness, 85% of CEOs indicated that the financial information is provided within an acceptable timeframe whereas 95% of CFOs responded that they provide timely financial information. A similar gap exists

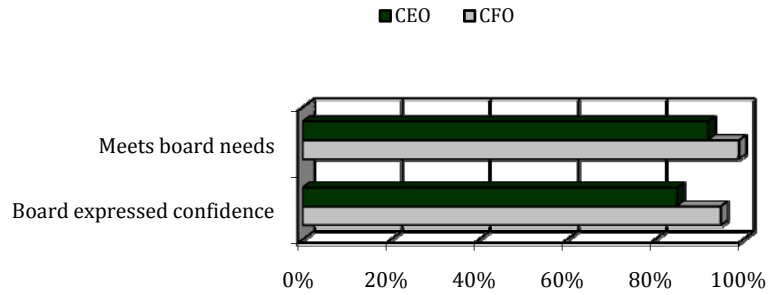
when it comes to the meaningfulness of the financial information provided. 75% of CEOs responded that the financial information is meaningful, compared to 85% of CFOs.

The results of these three questions suggest that CFOs provide accurate financial information but that it could be provided more timely and with more meaning and relevancy. 40% of CEOs and 65% of CFOs responded that the quality of the financial information could be improved.



What is The Board's Perspective?

CEOs (83%) and CFOs (82%) indicated that the financial reporting information needs of the board are being met. However, only 75% of the CEOs indicated that their board expressed confidence in the effectiveness of the finance department.



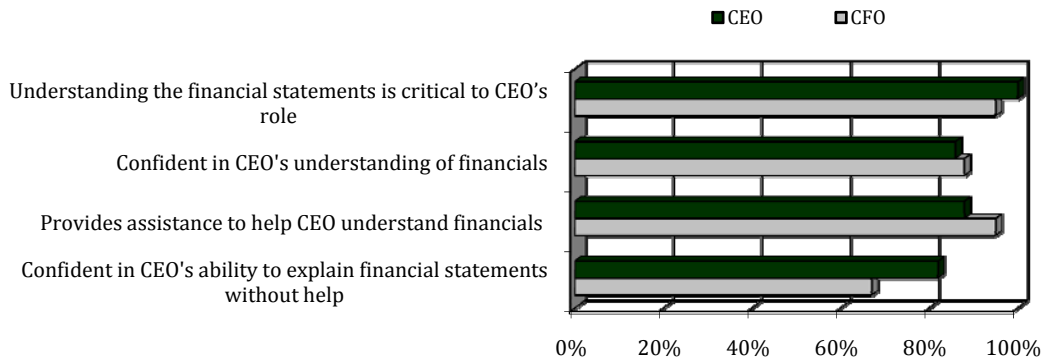
Respondents Indicating Attribute Exists

Conversely, 94% of CFOs responded that the board expressed confidence in the finance department suggesting that CFOs are receiving mixed messages from the board or that CEOs may be hearing more candid feedback from the board.

How Well Does the CEO Understand the Financial Statements?

While not surprising, 100% of CEOs and 95% of CFOs strongly agree that understanding the organization's financial statements is essential to the CEO's role.

88% of CEOs agreed that they are comfortable with their understanding of the organization's financial statements. This appears to be consistent with the CFOs' perceptions – 86% of CFOs reported that they were confident in their CEO's understanding of the financial statements. In addition, according to CEOs, 88% agree that the CFO provides enough assistance to help them understand the financial statements, which also appears to be consistent with the CFO responses in which 95% agreed that they provide adequate assistance to help their CEO understand the financial statements.



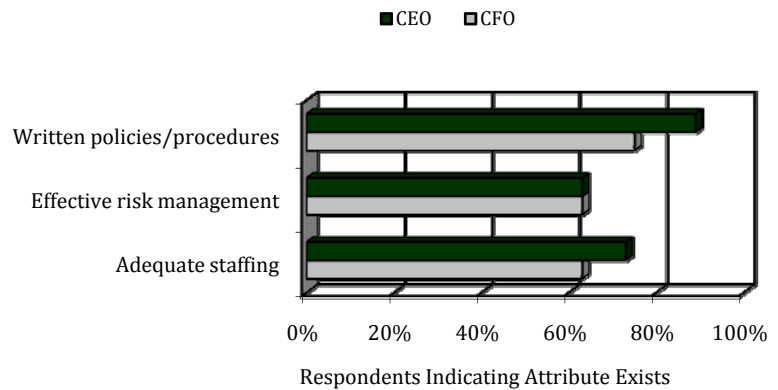
Respondents Indicating Attribute Exists

However, where the CEO and CFO's perceptions do appear to differ is on the CEO's ability to sufficiently explain the financial statements without help. 82% of CEOs indicated that they were confident in their ability to explain the financial statements without the CFO's help. On the other hand, only 67% of CFOs indicated confidence in their CEO's ability to explain the financial statements without help. This is interesting given the previous responses from CFOs in which 86% expressed having confidence in their CEO's understanding of the organization's financial statements. The reason for this discrepancy could be that perhaps some CFOs believe the CEO's understanding of the financial statements to be more of an overall understanding rather than the detailed level necessary to be able to sufficiently explain them.

While most CEOs agreed that their CFO does in fact provide enough assistance to help them understand the organization's financials, the survey data seems to suggest there is still an opportunity for CFOs to enhance their CEO's understanding of the organization's financials through better insight into the meaning behind the financial information and how that translates to the overall picture.

What about Policies, Procedures, and Staffing?

Concerning documentation of financial processes and internal controls, 89% of CEOs indicated that their organization had written documentation compared to only 75% of CFOs. This gap could mean that CFOs have different standards for what is considered adequate written documentation. Only 63% of CEOs and CFOs indicated that their organization has an effective risk management program in place, suggesting that many organizations are lacking an enterprise-based risk management program.



Finally, 73% of CEOs responded that their finance department is adequately staffed, compared to only 63% of CFOs. Inadequate staffing is generally an indicator of a weakness in internal control that could increase the risk of errors and fraud.

Summary

While the survey reveals narrow gaps between CEOs and CFOs, there does not appear to be major disagreement in the way each views their organization. Many respondents indicated that their organizations need to improve in their financial reporting, risk management, and staffing.