

WASHINGTON, D.C., MAY 4-6, 2026

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Being Audit-Ready and Board-Ready: Financial Leadership for Nonprofit CFOs

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Being Audit-Ready and Board-Ready: Financial Leadership for Nonprofit CFOs

Preparing CFOs for strong nonprofit governance and compliance

Meet The Presenter



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Setting the Context

Being Audit-Ready and Board-Ready



Integrated Leadership Role

Audit-ready and board-ready responsibilities complement each other, enhancing trust and strategic stewardship.

Audit Readiness Essentials

Requires year-round discipline, detailed documentation, and consistent accounting policy application.

Board Readiness Skills

Involves translating complex financial data into actionable insights for effective governance decisions.

Navigating Current Challenges

CFOs must anticipate risks and guide boards amid regulatory scrutiny and economic uncertainty.

Session Objectives and Key Takeaways



Strengthening Audit and Board Preparedness

Equip CFOs with strategies to improve audit readiness and board engagement in a changing nonprofit sector.

Impact of External Forces

Understand how funding shifts, economic changes, and compliance affect nonprofit financial management.

Budgeting and Risk Management

Explore budgeting approaches that enhance risk management and support organizational sustainability.

Governance Reporting and Documentation

Learn governance reporting practices and documentation standards that reduce audit risk and increase transparency.

Why This Conversation Matters

- Audit expectations continue to increase
- Boards face heightened fiduciary and oversight scrutiny
- The CFO sits at the intersection of accounting, governance, and risk
- A smooth audit is no longer enough
- Audit ready organizations are disciplined
- Board ready organizations are trusted

Sector-Wide Financial Environment

The Current Economic Environment

Economic Challenges for Nonprofits

Nonprofits face elevated costs and narrow margins due to inflation, labor market pressures, and higher interest rates.

Interest Rates and Investments

Higher interest rates increase borrowing costs and affect investment portfolio performance and volatility.

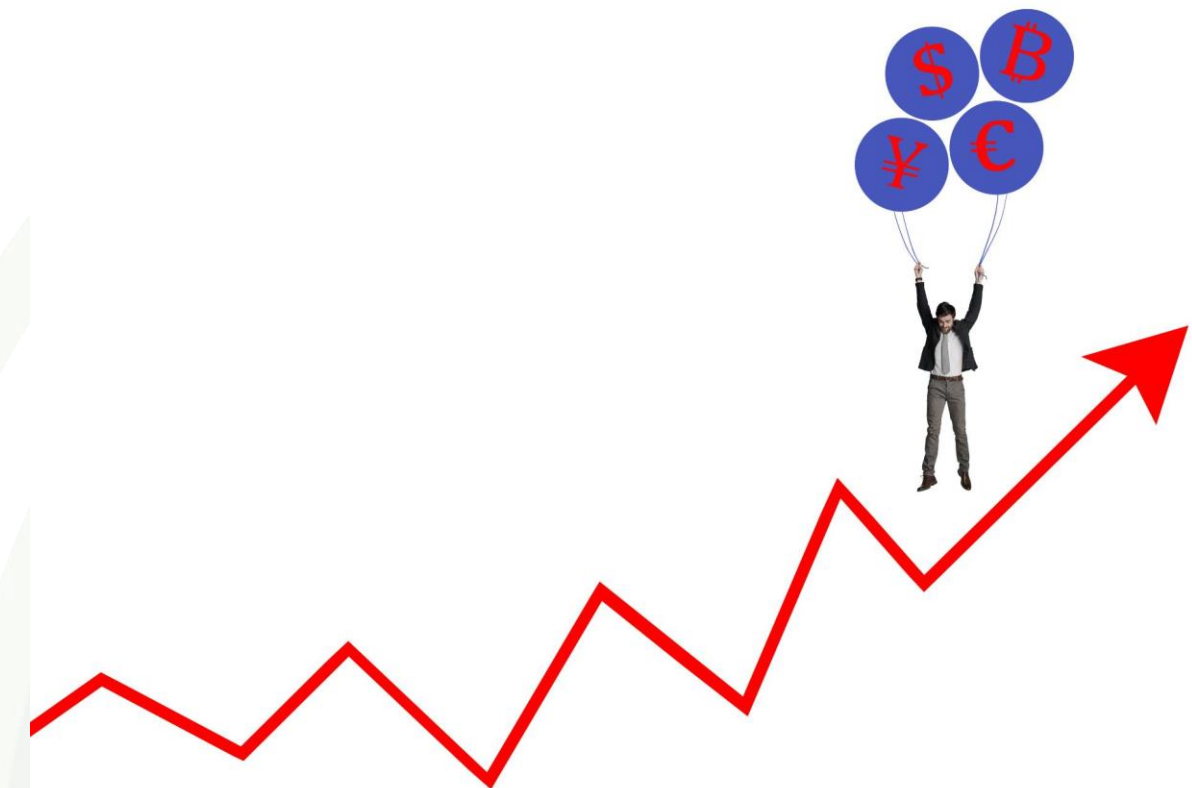
Strategic Financial Management

CFOs must align budgeting, liquidity management, and planning with economic trends for sustainability.

Board Expectations

Boards increasingly demand forward-looking financial insights beyond retrospective reporting.

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Federal Funding Pressure and Demand Growth



Funding Constraints Impact

Nonprofits face delays, compliance issues, and funding cuts, stressing cash flow and operations.

Reduced Organizational Flexibility

Restricted federal funding limits nonprofits' ability to quickly respond to emerging needs or disruptions.

Finance Leadership Strategies

CFOs focus on discretionary resources, reserves, scenario planning, and transparent board communication.

Long-term Structural Challenge

Federal funding pressure is a sustained issue requiring integration into long-term financial strategies.



The One Big Beautiful Bill Act (OBBBA)



Impact on Funding

OBBBA reduces funding for key social programs like Medicaid and SNAP, increasing demand and decreasing reimbursements for nonprofits.

Charitable Giving Changes

The act introduces a universal charitable deduction but sets new thresholds, affecting mid-level and corporate donations.

Operational and Compliance Risks

Expanded compliance requirements heighten operational risks, requiring nonprofits to adjust governance and reporting practices.

Strategic Adaptation

Nonprofits must revise fundraising strategies, forecast revenue changes, and communicate proactively with boards to adapt effectively.



Budgeting, Liquidity, and Endowment Oversight



Contingent Budgeting and Liquidity Management



Contingent Budgeting Benefits

Contingent budgeting uses multiple financial scenarios to help organizations manage risks and adapt to changing conditions.

Liquidity vs. Cash Balances

Liquidity management distinguishes truly available cash from reported assets, accounting for restrictions and timing differences.

CFO Role in Governance

CFOs translate liquidity data into practical insights, supporting informed decisions and organizational resilience.





UPMIFA and Endowment Pressure



Fiduciary Responsibilities under UPMIFA

UPMIFA requires prudent investment and spending decisions balancing donor intent and organizational needs.

Managing Spending Pressures

In funding shortfalls, nonprofits face pressure to increase spending or use endowment principal carefully.

Communication and Oversight

Clear dialogue with boards ensures balanced decisions and strengthens audit readiness and stakeholder trust.



Audit and Board Readiness

Modern Audit Readiness

Expanded Audit Focus

Modern audits emphasize documentation, internal controls, and management judgment beyond just financial accuracy.

Scrutiny of Estimates

Auditors closely examine estimates like allowances for uncollectible receivables and liquidity assessments for reasonableness.

Year-Round Readiness

Maintaining updated policies, clean schedules, and organized documentation year-round reduces audit risks and disruptions. Year-end should validate work already done.

Enhanced Financial Quality

A disciplined audit readiness approach improves the quality of financial information for boards and funders.



Communication with Auditors

Auditor Communication

Auditor dialogue happens all year, not just at year-end. Avoid surprises by resolving issues in real-time, not under audit deadlines.

Auditors should be a thought partner, not just a year-end compliance checkpoint.

Be proactive to discuss such things as:

- Grant reviews and revenue recognition
- Unusual or complex transactions
- New or changed funding streams
- Collectability of receivables and related allowances
- Liquidity, going concern, and cash flow stress
- Internal control changes and staffing changes
- Accounting policies and new pronouncements





Setting up Internal Financial Records to Expedite Reporting



Chart of accounts aligned to major programs and funding streams

Use of cost centers to track program-level activity

Ability to segregate:

- Restricted vs. unrestricted activity
- Federal vs. non-federal funding

Internal records structured to support:

- GAAP financial statements
- Grant reporting
- Cost reports and other regulatory filings



Don't Relive Last Years Audit – Learn from it



Using Prior-Year Audit Feedback to Strengthen the Current Year Audit Package

- Review prior-year audit adjustments and proposed entries
- Obtain and revisit auditor-prepared schedules from last year
- Read and understand management letter comments and observations
- Assign ownership and timelines to remediate identified issues
- Resolve prior-year findings before auditors arrive on-site/commence the audit
- Review auditor request list so analysis can be prepared on an ongoing basis



Auditors Will Read These – CFO's should too



Key Internal Documents to Review Prior to the audit

- **Board of Directors** minutes Including approval of major actions, budgets, debt, reserves, and significant decisions
- **Committee minutes** Audit, finance, investment, executive, and any other key committees
- **New or amended contracts and agreements** Vendor contracts, leases, debt agreements, and related-party arrangements
- **Grant agreements and award documents** New grants, modifications, extensions, matching requirements, and clawback provisions
- **Policies and governance documents** Conflict of interest, whistleblower, investment, reserve, and spending policies
- **Significant operational or financial developments** Program expansions/closures, litigation, financing discussions, or known subsequent events
- **Internal audit report and compliance reports**, Issued reports and corrective action plans
- **Government audit reports**

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Being Board-Ready

Beyond GAAP Compliance

CFOs must deliver insights that go beyond standard financial reporting to support governance effectively.

Insightful Board Reporting

Effective reports highlight trends, risks, liquidity, and projections with clear narrative explanations.

CFO as Translator

CFOs connect financial data to mission impact and strategic decision-making for the board.

Aligned Readiness Builds Trust

Aligning audit and board readiness enhances organizational resilience, credibility, and sustainability.



Being Board-Ready (Continued)

Making the Board Board-Ready

Board should routinely receive:

- Financial statements
- Budget vs actual analysis with explanations
- Cash flow forecasting
- Analysis of key metrics
- Compliance considerations
- Emerging Risks

Many Board members do not have a financial background, so it is important to translate the information for the Board so they can understand what the information is telling them

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Being Board-Ready (Continued)

Translating Finance into Governance

Avoid:

Overly technical explanations and dense reports with no context

Focus on:

Trends, risks, sustainability, and compliance exposure

Information should be easy to read and understand. Consider visuals (charts and graphs) to better translate information



Being Board-Ready (Continued)

Risk

Boards need insight into:

What could go wrong, what changed, and how management is addressing.

Risk Categories:

- Financial: Liquidity, concentration, trends, available resources, cash flows
- IT: Cyber-concerns, AI, Access controls, HIPAA/FERPA compliance, Data breaches
- Compliance: Grant monitoring, Single Audit, Government funding, laws
- Operational: Staffing, Services, Fundraising, Systems, Segregation of Duties, Communication
- Reputational: Donor trust, Findings, Transparency, Best Practices
- Governance: Conflicts of interest, Operations, Information Flow, Board engagement

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Being Board-Ready (Continued)

Risk Registers that Work:

A board/risk committee level risk register should include:

- Risk description
- Likelihood and impact (establish a rating system)
- Current controls in place
- Responsible party (management vs board)
- Concerns and corrective action plan/Status



Practical Take-aways for CFOs

1. Audit readiness is a year-long operational discipline
2. Strong monthly closes eliminate most audit pain
3. Documentation beats memory—every time
4. Board readiness requires translation, not just reporting
5. Risk discussion is where audit, governance, and strategy intersect

A smooth audit doesn't impress auditors ... it reassures donors, funders, and boards



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