

the
Cinefamily
AT THE SILENT MOVIE THEATRE

FINANCIAL REVIEW

&

YOU

What's a financial review again?

- A CPA investigates all our documents and our site and certifies that the financial statements of the organization are not misrepresentations
- And that the organization in general is living up to the laws and responsibilities of a nonprofit.
- In our case, it's also the first step to being able to pass a financial audit.

What's the upside of passing a review/audit?

- We become eligible for hundreds of thousands of dollars in grants such as:
 - Durfee Sabbatical: Exec Dir is given \$35,000 to take 3 months off, and an additional \$5,000 goes to other staff for professional development
 - Artplace: has awarded 76 orgs an avg of \$354,000
 - LACAC that we got when we were too small to require an audit and would have been \$60,000
 - Ralph M. Parsons, does operating support, \$50,000
 - Grants for projects that demonstrated media as art, or produce new works about media, \$10,000 - \$100,000 per project
 - The business managers of major donors who could make us \$100,000 or endowment-size gifts won't freak out and not let them

**What do we need
to do?**

RED ALERTS

- We do not have any financial policies and controls
- We do not have any administrative or HR/protocols or policies
- There is a strong chance that our past 3 years of IRS tax filings are incorrect
- Our General Liability insurance for liquor, special events, and employee theft may be insufficient
- Our Fire Permit is expired (required by the City for a 1-6 screen theater to operate)

YELLOW ALERTS

- We are consistently late in filing annual 990s and our extensions are getting denied
- The rentals business MAY be considered “unrelated business income” -- Phloe and the CPA are testing this now

Aaaaaaaaaaaa

- We need to make sure the Cinefamily is protected **WITHOUT** compromising the culture of the organization.

Our To-Do List

- Put the computer that holds all the financial information and sensitive employee files in a lockable area.
- Institute basic cash-handling and HR procedures and make sure they are clearly understood by all staff (such as: vacation policy, timecards must be signed, pre-paid Visas instead of the debit card available to all)
- Create Org Chart so that all staff members have direct oversight to hold them accountable and help them follow procedures

- Maintain documentation standards: contracts, invoices, etc for all our employees and vendor transactions
- Using a template for cash flow and projections for the current fiscal year, create a real org budget for FY 2013-2014
- Reconcile past tax returns with internal records
- Hire new CPA firm that doesn't suck to both file our current 990 and conduct the review and audit

- Make sure all federally required policies are in place and adopted by the board: Conflict of Interest, Whistleblower, Document Retention/ Destruction etc.
- Have our cleanliness in the office ready for a funder visit within a couple hours notice

What are the consequences if we don't?

- **DEFINITE:** Bad rep in the nonprofit community if we are a million dollar org with no audit
- **STRONG:** chance of fraud, embezzlement and theft of intellectual property
- **POSSIBLE:** temporary facility shutdown
- **POSSIBLE:** Legal action against the Cinefamily

- **POSSIBLE:** Action against the board of directors if there is legal trouble and they are shown not to be exercising their duties of care, etc., on issues such as:
 - Employment (discrimination, harrassment, wrongful termination)
 - Failure of the org to provide services described in its mission
 - Mismanagement of assets

- **DOOMSDAY: 501c3 status revoked and we have to pay taxes on all revenue generated since the date on the Letter of Determination.**

What is this Committee's Role?

- Meet monthly to hold us accountable in this process and monitor our progress.
- Allocate Cinefamily resources and your own time as needed. (help get bank accounts switched, help make org chart, etc).
- Draft policies for approval by the full Board
- Draft budget for approval by the full Board
- Report to the full Board on our progress quarterly