Financial Review Process Article

For the Lyle S. Hallman Foundation
Submitted by Jennifer King

It's 8:30 p.m. and in an upper-floor classroom in Hagey Hall at the University of Waterloo, about 20 fourth-year accounting students are carefully reviewing a batch of financial statements that show absolutely no profit. The statements are not snapshots of underperforming corporations. They are from non-profits applying to two local foundations for grants and the students are part of a volunteer team brought together to learn about and analyze their financial health.

Now in its fourth year, the unique initiative is an innovative financial review process supporting the work of the Lyle S. Hallman Foundation and The Kitchener and Waterloo Community Foundation. A highly successful partnership between the two foundations, the university's School of Accounting and Finance, and the Waterloo Wellington Chartered Accountants Association, it is the brainchild of Professor David Carter, a chartered accountant and tireless community volunteer who has been involved with each of the participating organizations.

As a way of better understanding the organizations submitting proposals to her foundation, Hulene Montgomery, Executive Director of the Lyle S. Hallman Foundation, approached Carter several years ago asking for his volunteer help reviewing the financial pictures of the applicants.

"That year, David personally did so, on one condition – I would work with him and the community foundation to engage students in the process," Montgomery says.

Carter's goal was to get the students involved with the non-profit sector while also utilizing the resources and knowledge that the students could provide. Montgomery also saw the opportunity to encourage students' future community involvement.

"We're fortunate that David approached us on this," says Donna Psutka, Director of the Accounting and Financial Management Program at the University of Waterloo. "It is a wonderful opportunity for students." David has a deep understanding of what's involved at the school and was able to match students' financial expertise with a need in the grant review process, she says. "David recognized that this would be a win-win for everyone."

Before launching the student financial review process, the two foundations depended largely on teams of reviewers that looked at all areas of the grant application. While some of the reviewers had financial backgrounds, others did not. Carter says the program fills the knowledge gap by providing a more thorough financial review.

“We’re providing a service at the beginning of the process for a better result at the end,” Carter explains. “The professional organization, plus the university, the students, the agencies, and foundations make a wonderful mix of a lot of people working together to do something that’s really necessary in our community,” he adds. “When foundations allocate funds for various projects and they’re all worthwhile but there are limited resources, the more good information you can get when you’re doing the review, the better the review and the better for the community.”

Students work in teams of two, looking at the organizational budgets and financial statements of every proposal submitted to the two foundations. They spend time learning about the goals of the applications and the foundations’ assessment criteria. They develop a complete report for each proposal that allows the foundations’ grant committees to ask important financial-related questions of potential grantees.

“It’s a perfect program,” Montgomery says. “It provides very concrete and essential information and analysis that helps us when making our investments.” One third of the proposals reviewed by the students identify red flags of concern. The reports often lead to questions the funders can explore further, ensuring that the organizations’ goals, priorities, and strategies are in line with the financial picture they present.

“I love the process,” Montgomery adds. “I love the questions the students come back with. They are often questions not about finances, like why does a particular problem exist?”

While the benefit to the foundations is substantial, the benefit to students may be ever greater.

“You’re exposed to what you haven’t seen before,” says Grace Li, a Loran Scholar who jumped on board the program when she heard about it. “It opens up your vision of what accounting can be.” Unlike other faculties like engineering or health studies where students can volunteer locally or abroad and put their skills directly to work, accounting is not front line work, Li says. “But for the first time I felt that I could use what I do and make a direct impact. From this experience, I can see how I would use my skills in this sector.”

The School of Accounting and Finance promotes the volunteer opportunity to students at the beginning of their fourth year and accepts applications which include a statement of interest and academic background.

“The skills that you gain from being in this program, you can’t get anywhere else,” says student, Vamsi Gandikota. He says that the program has helped him learn about grant making and the thought process behind it.

For many of the students, the program is the first time they have ever been exposed to the financials of a non-profit organization. Guidance from Carter and Chartered Accountants from the association is critical to the process.

Yuan Wang, another fourth-year student volunteer, was surprised by how differently the financial information of non-profits is presented. “It was challenging to figure out,” he says, adding that having people review his work and give feedback was essential to learning new skills.

“I think the important thing is that the students feel comfortable in doing the review – they’re not going to be left out on a limb if they’ve gone on the wrong track,” Carter adds. “I want to give them a safety zone. They’re getting instant feedback, which is helpful in a non-threatening way.”

Experiential learning is an intentional focus of the School of Accounting and Finance. In the last couple of years, the program has strategically developed its own learning model based on a better understanding of how real learning happens.

“We know that there is better knowledge when combined with experience,” Psutka says. Rather than reading a chapter in a book about non-profits, these students are able to put their knowledge to use first-hand.

Students commit to giving more than 24 hours of their time throughout the school year. The program starts with an orientation session which includes background on the foundations, explanation of the process, and a run-through sample financial review.

This year, the program also gave students the opportunity to experience first-hand the work of a local non-profit. Participants toured The Working Centre, a 30-year-old, $6.5 million dollar community-based organization and one of the region’s most innovative non-profits. The centre’s many volunteer-inspired projects include a bike shop, a computer recycling venture, a café and market, a used furniture store, a cinema club, as well as educational initiatives, public access computers, social housing, and a resource centre.

Co-founder, Joe Mancini, led the tour and met with students to talk about his organization and the unique needs of non-profits versus traditional businesses. Mancini is proud of the fact that The Working Centre’s programs are self-sufficient; while they use a business model and generate revenue he emphasizes that “revenues are for social good.” He adds that the centre’s approach is always entrepreneurial and always people-centric. “Our model is about including people in the work. Unless you do, it only perpetuates the problem.”

Opportunities like this help students see the important, behind-the-scenes work of the types of organizations they are reviewing. The university wants to grow the program by increasing its awareness on campus and in the community. Gandikota also hopes the program can expand to include students in earlier years of study. He believes that, if introduced earlier, the positive experience could influence future career choices such as co-op placements.

Not only does the program teach students new skills, it also builds a bridge between the university and the community while exposing students to the vital work of non-profits and the contribution they make to the region.

“There are so many wonderful pieces to it,” Psutka says. “The students get to see what’s going on in the community that they’ve lived in for four years. They learn more about the community and they feel like they’re giving back.”

“It was an interesting insight into non-profits,” Wang adds. “The process helped me understand the challenges they face. There are organizations struggling to raise sufficient funds. Before, I never really thought about the financial aspect of non-profits.”

That’s music to Carter’s ears, who has always hoped that the program would help lead students to become active members of the non-profit sector.

“I have much more awareness of the community now,” Wang says. “It’s surprising how much is going on here.”