Fall 2025 CAE Study Group

Domain 4: Operations
October 23, 2025

ASSOCIATIONS West

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Domain 4: Operations Content Outline (14-16% of exam)

FINANCE MANAGEMENT

HUMAN RESOURCES

LEGAL OVERSIGHT AND RISK MANAGEMENT

INFRASTRUCTURE AND TECHNOLOGY

VENDOR RELATIONS

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Operations

Key Competencies

- Finance: planning, budgeting, analysis, and reporting support management decisions
- HR: recruitment/retention of talent, staffing management, compensation and benefits, skills development and work environment, and legal compliance happen
- Keen financial, planning, analytic, and risk management acumen
- The capacity and ability to ensure that the organization is effectively and efficiently managed toward its strategic goals.

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Financial Management

Guiding Principles

- Healthy associations employ financial management practices that build **stability** and **flexibility** through the sharing of **clear**, **accurate**, and **timely** financial **data.**
- **The CSE** must have the fiscal savvy and knowledge to guide the organization through budgeting, planning, and financial analysis based on generally accepted best practices.
- Nonprofit is a tax status recognized by the IRS. This status exempts the org from some **but not all** tax liabilities.
- Nonprofit organizations are **still required** to pay taxes for certain items

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Financial Management

Guiding Principles

Sarbanes-Oxley

- illegal to knowingly destroy relevant documents while under federal investigation explicitly applies to nonprofit org
- whistleblower protection – applicable by extension
- Audit committee comprised of board members
- CSE and CFO must personally account for accuracy of financial reports
- Code of ethics for BOD
- Board trainings + board evaluations
- Regular CSE compensation review

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Financial Metrics – OH MY!

Metrics allow organizations to identify and track trends and provide a means for evaluating financial health.

!! FLASH CARD MOMENT !!

Current Ratios

Revenue Growth

Revenue Diversificatio

Expense Percentage

Profitability

Liquid Reserves

Total Reserves

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financial Statements

Statement of Financial Position (aka, the balance sheet) – snapshot of the org's financial health and includes:

- Assets, liabilities, and net assets.

Statement of Activities

- Taking revenues and reducing by expenses over time.

Statement of Cash Flows – Shows change in Net Assets from the Statement of Activities

- Provides data on changes on operating, investing, and finance activities.

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Financial things continued…

Ideal Financial Reserves Amount

- Depends on many factors including revenue diversification, program stability, competition, industry changes, and planned expenses.

Investment Management: a key fiduciary responsibility of the CSE

- Investment strategy should come from the BOD with input and advice from the CSE and the org's expert financial advisors

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Essential Financial Health

External review: of financial statements and internal controls – board's responsibility to hire an auditor.

Scenario planning models: allows CSE to anticipate events that could have significant impact on both revenue and expenses.

The BUDGET is the most common financial plan…and should be updated throughout the year.

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Human Resources Guiding Principles

Human Resources Policies

Set the tone for an inclusive, accessible, productive, and positive workplace.

Designed to protect the organization and should include guideposts for:

- Recruitment/hiring/onboarding
- Job expectations/performance eval/disciplinary action
- Compensation and benefits
- Legal compliance
- DEI training/mentorship opportunities

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“I fought the law – and the law won” (but you can avoid it with preparation)

CSE’s should consult legal counsel to ensure compliance with all federal, state, and local laws and regulations related to HR.

Thoughtfully crafted, and legally compliant, policies and procedures, will mitigate legal challenges with recruiting, hiring, disciplinary action, and termination.

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A few more HR things…

Job Descriptions – well-written with clear objectives and expectations

Performance Evalations – best practice is annually – but informal along the way encouraged

Regularly updated **Employee Handbooks** – that abide with federal employee protection and rights (ADA, FMLA, and anti-harassment)

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Final HR principle –

6 signature traits of highly inclusive leaders

1. **Commitment** to diversity, equity, and inclusion
2. **Courage** to accept their own limitations and invite the contributions of others
3. **Cognizance** of internal and external biases
4. **Curiosity** and an open mindset
5. **Cultural** intelligence
6. **Collaboration** by empowering others

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Legal Oversight and Risk Management – Exam Tips

- Expect scenario-based questions that test whether you can identify the most compliant or risk-aware action.
- Eliminate answers that involve board micromanagement or executive inaction—the CEO ensures compliance and implementation.
- Think “preventive and proactive”: the CAE exam rewards foresight, not just reaction.

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Legal Oversight and Risk Management – Exam Tips

Know	Know the role of the board in legal compliance and the CEO's duty to implement policies.
Understand	Understand federal, state, and local laws affecting nonprofits: tax exemption, lobbying, political activity, employment law, and ADA.
Understand	Understand data protection principles (collection, storage, access, and retention).
Know	Know what to do if a third party misuses association content.
Review	Review examples of emergency policies (natural disasters, cyberattacks, leadership transitions).

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Infrastructure & Technology-

Exam Tip #1

Focus on Strategic Alignment

Choose	Choose answers that integrate technology or facilities decisions with the strategic plan — not ones that treat them as stand-alone operations.
Look	Look for language about long-term sustainability, alignment with organizational values, or supporting the mission — those are often correct answers.
Avoid	Avoid answers that are overly tactical (e.g., "purchase new software immediately") without strategic context.

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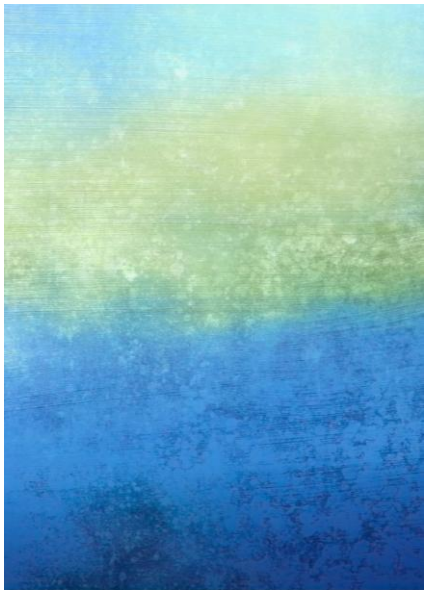
Infrastructure & Technology-Exam Tip #2

Prioritize CSE's Role in Oversight, Not Execution

The CAE exam emphasizes the CSE's responsibility to oversee and ensure integration of technology and facilities within broader strategy — *not to personally handle IT issues*.

Correct answers usually reflect leadership and delegation — establishing plans, hiring experts, or aligning staff efforts.

Choose responses that demonstrate empowerment and governance, not just management.



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Infrastructure & Technology Exam Tip #3

Think "Digital First" and "Member-Centered"

1

Select options where technology enhances member engagement, data-driven decisions, and customized experiences.

2

Avoid choices that are inwardly focused ("staff convenience," "vendor preference").

3

Remember the "three convenience principles":

- Members access services **when** they want,
- **where** they want,
- at a **fair** and accessible price point.

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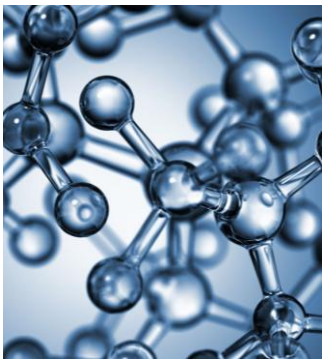
Vendor Relations
Think Strategically About Vendor Use



- Choose answers that show **assessment** before action — determining if staff, volunteers, or board have capacity first.
- Look for responses that link vendor engagement to **organizational goals** or operational efficiency.
- Avoid options that outsource without **a needs analysis or internal capacity review.**
- **Remember**: Strategic use of vendors **supports the mission**; it's never a shortcut for weak internal planning.

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Vendor Relations
Policies, Process, and Transparency Win

- Select answers that reference established policies for vendor selection and evaluation.
- Look for mention of clear criteria: experience, outcomes, DEI commitment, no conflicts of interest, and references.
- Favor actions that promote transparency (e.g., RFPs, documentation, timelines, authority limits).
- **Remember**: The CAE exam rewards structured, policy-driven decision-making — not informal or "gut feel" choices.

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Vendor Relations

Contract Review and Communication Are Critical

Correct answers include **legal counsel** review before execution and CEO oversight of final agreements.

Choose responses that emphasize ongoing **monitoring** and open communication to ensure performance and compliance.

Avoid answers that imply "sign and forget" — **accountability** is part of effective vendor management.

Remember: The best answers **integrate** legal diligence + relationship management + follow-through.

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ASSOCIATIONS West

Questions?

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