

**Twelve Golden Rules of Nonprofit Finance**



FREE and PUBLIC WEBINAR  
12/19/2018

© 2018 Propel Nonprofits

---

---

---


---

---


---

---

---



**Our Mission**  
Fuel the effectiveness of nonprofits  
with guidance, expertise, and capital.



---

---

---

---

---

---

---

---

**Today's Presenter**

---



Sara Wessling  
Training Manager

---

---

---

---

---

---

---

---

### Goals for Today

---

- Target audience – for nonprofit staff and board members who are new to nonprofit finance
- Overview of 12 key elements of nonprofit financial health – from budgeting to cash flow to operating reserves and more
- Highlight other nonprofit finance resources to extend learning

---

---

---

---

---

---

---

---

### Poll

---

- What's your role?
  - Nonprofit board member
  - Nonprofit staff member – ED/CEO
  - Nonprofit staff member – Manager/Director
  - Nonprofit staff member – CFO/Finance Director
  - Other

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

### Financial Leadership

Financial health as component of mission	Importance of organizational culture and communications	Commitment to integrity in all activities
Support of financial management function	Integration of financial decisions in all planning	Responsibility for information and decisions

---

---

---

---

---

---

---

---

### 1. Budgeting

- Budgets matter ... budget assumptions matter more
- Assumptions answer the questions
  - **How much** income/expense to expect
  - **Why** it is expected
  - **How** it will be generated/managed
- Realistic budgets use well considered assumptions

---

---

---

---

---

---


---

---

### 2. Program Costs

What are program costs?

- Direct program expenses
- Allocated or shared expenses
- Pass-through expenses
- Share of indirect, overhead expenses



---

---

---

---

---

---

---

---

### 3. Diverse Funding Sources

Different types of income require:

- Systems to bring in income
- Operational structures
- Program management approaches
- Relationships with community and funders



---

---

---

---

---

---

---

---

### 4. Core Mission Support (aka Overhead)

- Core Mission expenses are...
  - Functional expenses
  - General & Administrative and Fundraising
  - GAAP and IRS requirements
- Differences in definition of overhead
- Role of overhead in achieving mission

**Overhead = Infrastructure**

---

---

---

---

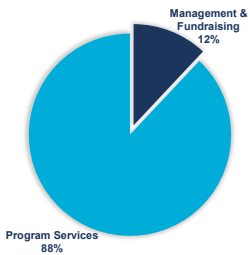
---

---

---

---

### Retire this Pie Chart



Infrastructure seen as diminishing "real" work of our mission.

Work vital to nonprofit organizations needs to be communicated.

---

---

---

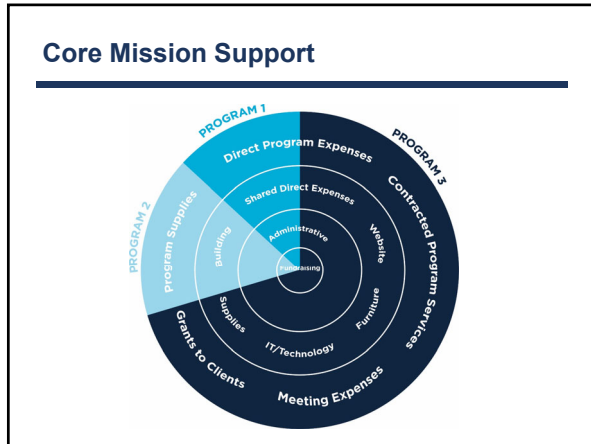
---

---

---

---

---



---

---

---

---

---

---

---

---

### 5. Cash Flow

- Day to day, it's cash in the bank that counts
- Managing cash flow
  - Plan and project
  - Anticipate problems
  - Look for options
  - Monitor and project again

A woman wearing a black cap and a black t-shirt is smiling and holding a fan of US dollar bills. She is standing in what appears to be a community event or fundraiser.

---

---

---

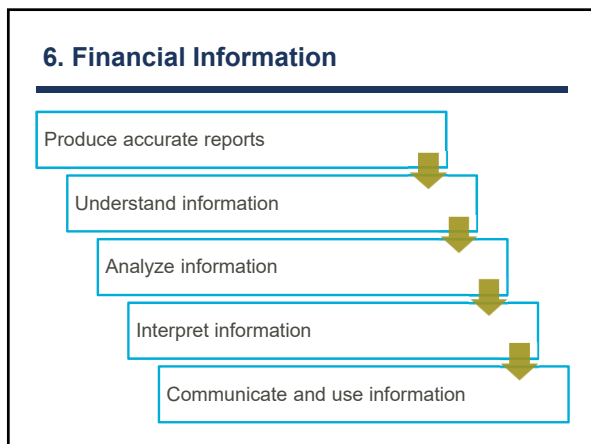
---

---

---

---

---



---

---

---

---

---

---

---

---

### 7. Financial Responsibility

- Shared throughout an organization
- Frequent tension points:
  - Silo thinking about income and expense
  - Budget culture of hoarding
  - Disconnect between program level and overall
  - Minimal information sharing
  - Financial information mystique

Responsibility needs comparable authority.

---

---

---

---

---

---

---

---

### 8. Operating Reserves

- Why reserves are needed
- How to determine the “right” amount
- How to accumulate reserves
- When to tap into the reserves
- Other types of designated reserves



---

---

---

---

---

---

---

---

### 9. Accountability and Transparency

- Financial information is tangible evidence
- Nonprofits are public charities with tax exempt status, responsible to:
  - Donors
  - Attorney General and IRS
  - Public



---

---

---

---

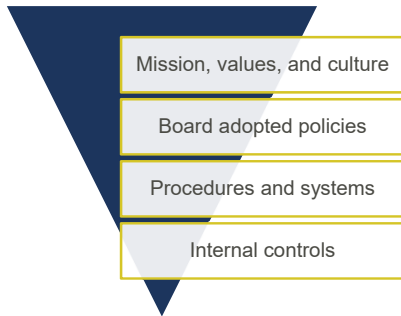
---

---

---

---

### 10. Financial Integrity



---

---

---

---

---

---

---

---

### 11. Responding to Financial Problems

- The majority of serious organizational problems have a financial aspect
- Financial problems get worse without treatment – and can be fatal
- Mission drives priorities and trade-offs
- Solutions involve interdependent factors
- Plan – authority – decisions – communication

---

---

---

---

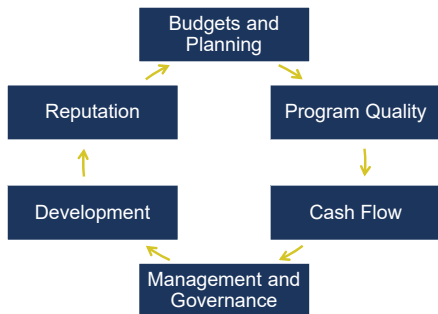
---

---

---

---

### 12. Interdependence



---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---