

## Module 8.0 Financial Management for Non-Profits – Monitor and Measure<sup>i</sup>

- [8.1 Business Metrics](#)
  - [8.2 Financial Reports: revenue streams from all sources](#)
  - [8.3 Financial Management Policies](#)
  - [8.4 Responsibilities of the Board of Directors and Executive Director](#)
- 

### 8.1 Business Metrics: I.E., Net Profit Margin; Pledge Collection

- The success of your organization depends on revenue – where is the funding coming from and what level of effort (staff resources) are required to keep the funding streams sustainable. Is your organization running a surplus or a deficit? Monitoring the organization's metrics is essential to a financially stable organization.

### 8.2 Financial Reports

- Financial reports can be as simple as spreadsheet with revenue sources across the columns and expenses down the rows. If, for example, you have three funding sources (listed as column headers) and have expenses of rent, staff salaries and communication costs; you can spread the cost of each of those expense items across the three funding sources.
- More established organizations will typically use some type of accounting package but they are based on the principle stated above.
- Develop performance metrics from every revenue stream: fundraising, special events, membership related revenue, cultural events, alumni engagement, etc.

### 8.3 Financial Management Policies

- Leaders of charitable nonprofits know that financial transparency will help preserve the very-important trust each donor places in a nonprofit with each contribution. Additionally, and no less importantly, conduct that is accountable and transparent earns employees' trust and creates a positive workplace culture.
- Financial policies clarify the roles, authority, and responsibilities for essential financial management activities and decisions. Developing and adopting a written financial policy is a valuable practice for any nonprofit organization, no matter how small or large. Financial policies clarify the roles, authority, and responsibilities for essential financial management activities and decisions.
- 5 Essentials for Financial Policies - The purpose of the financial policy is to describe and document how the board wants financial management activities to be carried out. In order to accomplish this, every financial policy needs to address five areas:
  - Assignment of authority for necessary and regular financial actions and decisions, which may include delegation of some authority to staff leaders.
  - Policy statement on conflicts of interest or insider transactions.
  - Clear authority to spend funds, including approval, check signing, and payroll
  - Clear assignment of authority to enter into contracts
  - Clear responsibility for maintaining accurate financial records

#### **8.4 Responsibilities of Board of Directors and Executive Director**

- The Board of Directors is ultimately responsible for the financial management of all activities. The Treasurer is authorized to act on the Board's behalf on financial matters when action is required in advance of a meeting of the Board of Directors.
- The Executive Director is responsible for the day-to-day financial management of the organization. The Board authorizes the Executive Director to hire and supervise staff and independent consultants, pay bills, receive funds, and maintain bank accounts.

---

<sup>i</sup> Websites Consulted: <https://prosper-strategies.com/inspiring-nonprofit-marketing-plan-example/>;  
<https://www.wildapricot.com/blogs/newsblog/2017/12/01/nonprofit-marketing-plan>; and  
<https://bloomerang.co/blog/3-reasons-why-your-nonprofit-needs-a-crisis-communications-plan/>