Reports that Enable Collaboration: Tools for Nonprofit Boards and Management that Help Achieve Your Mission

5 min read

Key Takeaways

- Management is not only responsible for executing the organization's agenda, but must also effectively communicate an organization's day-to-day struggles and triumphs to the board while presenting ideas for a clear plan of improvement. This makes tools that enable collaboration critical.
- Having financial information readily available to individuals responsible for collaborating to make decisions on behalf of the organization not only allows for improved strategy, but also provides board members with the financial confidence to entice potential donors.

In a perfect world, your organization's staff, management and board of directors all operate together as a well-oiled, well-planned machine, while making the most of every cent contributed to gracefully fulfill your nonprofit's mission statement.

In reality, however, in addition to employees and managers, there are countless moving parts such as expenses, donations, budgets, programs, events, and fundraisers in a nonprofit organization making them difficult to organize. The moving parts and the nonprofit label placed on an organization often impedes a healthy agenda for profitability which facilitates sustainability.

In spite of a nonprofit organization's many parts, two components are vital for success:

1. Well-defined roles, which allow key management and board members to collaborate seamlessly.
2. Clear and accurate financial management reporting to promote collaborative strategic planning and decision-making.

Define Your Organizational Hierarchy and Independent Roles to Improve Collaboration

According to BoardSource's report *Leading with Intent: 2017 National Index of Nonprofit Board Practices*, " Executive Directors and board chairs agree that the board has an impact on organizational performance, and that two particular board characteristics matter most: the board's understanding of its roles and responsibilities, and the board's ability to work as a collaborative team toward shared goals." Having the same understanding of roles and responsibilities to the board will also improve management's ability to carry out board decisions and present the board with the right information to drive smart decisions.

The Role of the Board

Traditionally, the primary role of a board has been advisory and financial oversight. While oversight is necessary to prevent fraud and ensure regulatory compliance, boards – especially nonprofit boards – have a much greater capacity for driving the organization's mission statement. Nonprofit board members are usually the primary drivers behind the organization's fundraising efforts. By effectively collaborating with the organization's chief management team, the board can also **take on a position of planning for sustainability by focusing on future strategies**, in addition to overseeing the organization's macro level decisions.

The Role of Management

A nonprofit's management team is responsible for achieving the organization's mission by executing strategic plans, organizational decisions and operational advice set in motion by the board.

How to Improve Collaboration

Management members are most in tune with the needs, shortcomings and achievements of the organization. They know which strategies are working, which ones are not effective and they are best able to make recommendations based on their direct involvement in the organization's daily operations.

Management is not only responsible for executing the organization's agenda, but must also effectively communicate an organization's day-to-day struggles and triumphs to the board while presenting ideas for a clear plan of improvement. With the flow of **clear, direct communication between the board and executive managers**, both will be able to work together to ensure the success of the organization and fulfill its mission.

Nonprofit Management Reporting Pitfalls to Avoid

Instinctively, you might think the more information available to individuals in your organization, the better. This notion, however, is actually false. Too much information can adversely affect your organization.

- *Too many reports can overwhelm recipients with information.*

- *Distributing financial information to individuals who might not understand it or not need to understand it can leave these individuals feeling incompetent. As a result, overly distributing financial reports has a negative effect on morale.*

In addition to potentially overwhelming employees, management or board members, these reports cost money. Your organization spends precious resources – money and time – on generating, distributing and reading financial reports. In other words, determining what information is necessary to which members of your organization (and why) is essential to efficiently reaching your nonprofit's goals.

Determine the Reports You Need

The reports you generate and distribute to board members, management and/or staff members should help each reader fulfill specific aspects of their roles and responsibilities within the organization. If individuals receive too much or not enough information, they will not be able to fulfill their responsibilities as effectively.

To avoid generating reports which no one sees or uses, ask these questions:

- *What is the purpose of this report?*
- *Who needs to see this report?*
- *How often should this report be generated?*
- *What actions should be incited as a result of the information provided within this report?*

If you don't know the answer to the use of a particular financial report, then it might be a good idea to omit it from your meetings or include it less frequently.

Generally, board members and/or key management need access to certain reports in order to fulfill or evaluate the following aspects of their responsibilities to the nonprofit organization:

Governance - To ensure compliance, execute checks and balances and prevent or detect fraud, the board should receive:

- *management reports of budget vs actual spending*

- *Payroll summary budget vs actual spending*
- *tax returns*
- *audit reports*

Strategic Planning - To make data-driven decisions and outline future strategies for sustainability, generate reports including:

- *key performance indicators*
- *high-level summary of financial reports*
- *cash flow reports*

Organization - Reports of this type will allow board members and management to make decisions together on issues concerning the organization as a whole. These reports focus heavily on payroll and employee expenses because these costs can take up over seventy percent of a budget, warranting heavy oversight. These reports include:

- *payroll reports and budget*
- *salary variances*
- *budgeted people per department vs. actual people per department*

Operation - These reports allow board members and management to look at the operations from a financial perspective and include:

- *budgeted costs vs. actual costs*
- *metrics (such as gross profit) broken down based upon smallest common denominator units, such as events, programs, clients, donations and fundraisers*

With this caliber of financial management reporting, your nonprofit's board can make data-based decisions on questions of whether or not to continue certain programs, fill open staff positions or to cut back on employees.

Having this type of **financial information** readily available to individuals responsible for collaborating to make decisions on behalf of the organization not only allows for **improved strategy**, but also **provides board members with the financial confidence to entice potential donors**. When soliciting donations, the ability to make claims such as, "A donation of $10,000 dollars will feed 10,000 hungry individuals," goes a long way in terms of convincing potential donors of your cause's worthiness and organization's fitness.

Fulfill Your Mission with Professional Nonprofit Management Reporting Tools

At GrowthForce, our bookkeeping and accounting experts can help you determine which reports and key performance indicators will help your organization's board members and management improve collaboration. By having professional financial management reporting, your organization's board and chief members of management will enable you to collaborate and make data-driven decisions for the success of your mission.