

Turn Financial Data Into Intelligence for NonProfits

3 min read



Key Takeaways

- Unlike for-profit businesses that can generally use year-over-year analysis to estimate their annual budget, nonprofits have a lot of other variables to consider for financial planning.
- The nonprofit CFO is responsible for the “big picture” of the financial status of the organization and therefore should have access to all of the organization’s budgets and accounting reports.
- Getting payroll information from the outsourced provider or having a snapshot of employees, job descriptions, and vacancies can help non-profits plan for hiring and possibly provide incentives to employees to stay on board.

A good way to get an entire nonprofit organization on the same page is to engage different departments in gathering financial data to discuss at team meetings. This helps everyone contribute, and it allows the whole organization to get a better sense of

their mission, where they are headed, and how the work they do directly impacts the organization's success.

Businesses work at their best when each department is aware of how their work affects the bottom line, and C-level executives can make better business decisions when the entire organization is on board. The same ideology goes for nonprofits, with some minor variances.

Nonprofit Accounting & Reporting

Unlike for-profit businesses that can generally use year-over-year analysis to estimate their annual budget, nonprofits have a lot of other variables to consider for financial planning. For one, there is no guarantee a nonprofit's budget will stay the same year over year due to fluctuations in the number of donors, fundraising activities, and the cost of programming. Additionally, many non-profits rely on government grants and corporate foundations. Since these funds cannot be guaranteed each year, it is important for nonprofits to have financial meetings with the whole team frequently to help keep the organization on track.

The following are three areas of key financial data that management should cover prior to attending their nonprofit financial meetings.

1. ORGANIZATIONAL COSTS

The nonprofit CFO is responsible for the "big picture" of the financial status of the organization and therefore should have access to all of **the organization's budgets and accounting reports.**

Oftentimes the CFO works hand in hand with the executive director in making key business decisions. However, all staff members ranging from membership, development, and even communications and community relations should be able to see the overall financial resources and status of the organization. This knowledge can influence productivity and outreach among staff members and provide a better sense of where the organization is headed during the year.

2. FUNDRAISING ACTIVITIES

The director of development or development manager will have the data for **the status of current fundraising efforts** as well as a plan for upcoming events.

Besides mailings, phone-a-thons, and email campaigns, the Development Department is often in charge of major events such as fundraising dinners, galas, and community programs.

Analyzing how much cash has come in for the year in comparison to the schedule of events to come can help teams adjust their budgets, alter future plans and make better decisions for the rest of the year and years to come.

3. STAFFING INFORMATION

Some nonprofit organizations do not have the luxury of having an in-house human resources professional. Oftentimes they outsource HR processes like payroll and benefits administration or assign the responsibilities to another job. For instance, the operations director may also be placed in charge of employee-related matters. Either way, **staff information is an important factor in financial reporting.**

Getting payroll information from the outsourced provider or having a snapshot of employees, job descriptions, and vacancies can help nonprofits plan for hiring and possibly provide incentives to employees to stay on board.

4. MEASURING SUCCESS

As a closing note, success isn't measured for a nonprofit in dollar signs – it's the fulfillment of your organization's mission. The true motivation lies in helping others in need and raising money to continue doing so.

In order to propel your nonprofit's initiatives, you need to be diligent about maintaining profits in the most actionable way, and letting the board do its central job.

Beyond Financial Reports - What Should Nonprofit Board Members Be Looking At?