

# What Financial Reports Should My Nonprofit Program Director Look At?

5 min read



## Key Takeaways

- **Nonprofit P&L by Program:** This is useful not only because you can use it to rank your nonprofit's programs in terms of their success, impact, or payoff (i.e. "profits"), but your program directors can also use the P&Ls by program to...
- **Nonprofit Budget vs. Actual by Program in Real-Time:** The nonprofit budget vs. actual by program enables program directors to see what they have budgeted for their programs, how much they have spent, and how much money they have left to spend.
- **How Budget vs. Actuals and P&Ls by Program Work Together to Maximize Impact:** Every nonprofit fundraiser knows that most donors and foundations prefer to give money that goes directly to your cause.

What's the secret of successful nonprofits? Their executive directors use management accounting and budgeting for nonprofits to make data-driven decisions just like the most successful leaders of for-profit businesses.

In a nonprofit, however, decision-making power, leadership, and strategy do not lie solely with the executive director and the nonprofit board; responsibility also lies with the nonprofit's program director who is directly in charge of the strategic planning, budgeting, and execution of each program within your organization.

In order for your program director (or directors) to make sound decisions and stay on top of their program budgets, they need access in real-time to two essential financial reports.

## **Essential Reports Your Nonprofit Program Director Needs To Be Looking At**

### **Nonprofit P&L by Program**

A nonprofit profit and loss report by program is, in your accounting software, a profit and loss by class that uses unit economics and accurate cost allocation to run financial reports on specific parts of your nonprofit. <sup>[1]</sup>By allocating costs (both direct and indirect) in your organization to specific programs, your program directors can clearly track how much they're spending both above and below the line on the specific programs they are managing.

This is useful not only because you can use it to rank your nonprofit's programs in terms of their success, impact, or payoff (i.e. "profits"), but your program directors can also use the P&Ls by program to create budgets specifically for each program. Creating a budget for your nonprofit as a whole and for each program individually is essential to maximizing the ROI and impact of your funding, making sure no funds go to waste, and ensuring your programs operate smoothly.

### **Nonprofit Budget vs. Actual by Program in Real-Time**

The nonprofit budget vs. actual by program enables program directors to see what they have budgeted for their programs, how much they have spent, and how much money they have left to spend.

Program directors need to be able to look at their budget vs. actual reports by program in real-time with convenient access on a mobile phone or an iPad because in order for your nonprofit to be well run, each of your programs also needs to be well run and that means giving your program managers access to the data that can help them make smart decisions to maximize the ROI on their programs.

## 6 Simple Steps To Create Your Nonprofit Budget!



[!\[\]\(21199eb166cc97331a0c54c649195dcc\_img.jpg\) Click to download the Nonprofit Budget Guide for more tips to simplify & streamline this essential tool for organizational success.](#)

## How Budget vs. Actuals and P&Ls by Program Work Together to Maximize Impact

### Cover Overhead Costs With Program-Specific Funding

Every nonprofit fundraiser knows that most donors and foundations prefer to give money that goes directly to your cause.<sup>[2]</sup> Everyone working in a nonprofit also knows that, while they want money to fund their programs, they also need money to operate, pay the rent, hire employees, buy desks and computers, and pay the utility bill. As a result, it can be extremely challenging for nonprofits that don't use cost allocation to raise enough money to cover their overhead expenses.

Having a program budget and P&L by program available, however, can help you overcome the challenge of covering overhead costs. Program budgets are typically based on grants received to fund those programs, and cost allocation (made possible by expense categorizing and running profit and loss statements by program) is pivotal to asking for money and successfully obtaining funds to cover operating expenses.

While foundations understand that you have operating costs that need to be covered, you can't simply list rent and desks on your grant proposal. Instead, you need to demonstrate how the money will impact your mission and the community. You need to show how the funds, for example, will help you raise awareness by speaking in the community and how they will help you introduce your program to 500 new people in the year. When you can show how your programs function financially, the exact percentages of funds dedicated to programs, and the overhead costs that are allocated to the programs, you provide transparency to foundations, making it simpler to win grant awards.

So, for example, you could apply for a \$100,000 grant, earmarking \$80,000 for above-the-line costs and \$20,000 below-the-line. Once awarded the grant, you can create a budget in QuickBooks equal to the amount of the \$100,000 grant award. Then you track

direct expenses, subtracting the cost of the items that go directly to your mission (i.e. books, blankets, baby supplies, whatever your cause might be). In addition to tracking the direct costs, you also track the indirect costs that go toward that specific program by primarily keeping track of how much time your employees spend working on tasks related to that program.

As a result, program directors can effectively allocate overhead costs to grant money and program budgets while also knowing exactly how much money they have available in the budget.

**Read More:** [Grant Tracking Problems And How To Fix Them](#)

## **Make the Most of Your Funding**

Keeping track of program budgets ensures you don't go over budget in addition to making sure you make use of all your funds so that you don't wind up leaving grant money unused and then having to send it back to the government at the end of the grant period.

Unused funds reflect poorly with decision-makers at foundations, as well. If you have not made good use of the funds from a foundation's grant by the end of the grant period and have money left over, then you likely won't be awarded as large of a grant during the upcoming grant cycle. You can't blame a foundation for wanting to put their money to good use, rather than letting it sit idle for another year.

## **Nonprofit Accounting That Can Truly Support Your Mission**

To produce timely, accurate financial reports <sup>[3]</sup> like profit and loss statements by program and program budgets vs. actuals in real-time, a nonprofit must have a robust bookkeeping and accounting system that supports automated time-tracking and expense categorization with fully integrated tools and technology that streamline the flow of data from employees directly to the back office.

With a back-office designed to support management accounting, you and your program directors can begin making data-driven decisions that will help you maximize the ROI of your funds and the impact of all your programs.

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[1]

<https://nonprofitaccountingbasics.org/reporting-operations/statement-financial-activities>

[2] <https://nonprofithub.org/how-showing-donors-the-roi-will-boost-your-fundraising/>

[3] <https://nonprofithub.org/the-2022-nonprofit-financial-management-checklist/>