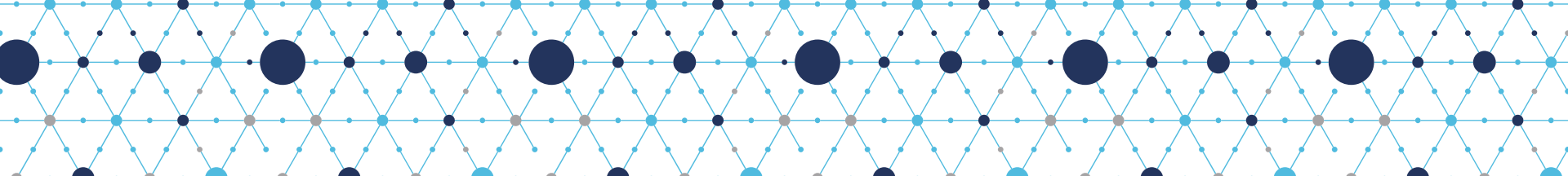


Twelve Golden Rules of Nonprofit Finance



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Our Mission

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

power your mission
propel
● ● ● ● nonprofits



What is Financial Health?

What is Financial Health?

Financial
resources
directed to
achieve mission

Sufficient cash to
pay the bills

Reliable income
sources that
support
programs

Flexibility to try
new things and
manage
surprises

Adequate
investment in
facility,
technology,
and staff
development

Good stewards
of all funds
received

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

The school district pays \$1,500 for a half day lecture demonstration program.

How much does it cost to provide that program?

- a) \$ 1,500
- b) \$ 1,000
- c) \$ 3,000
- d) we have no idea**



2. Program Costs

What are program costs?

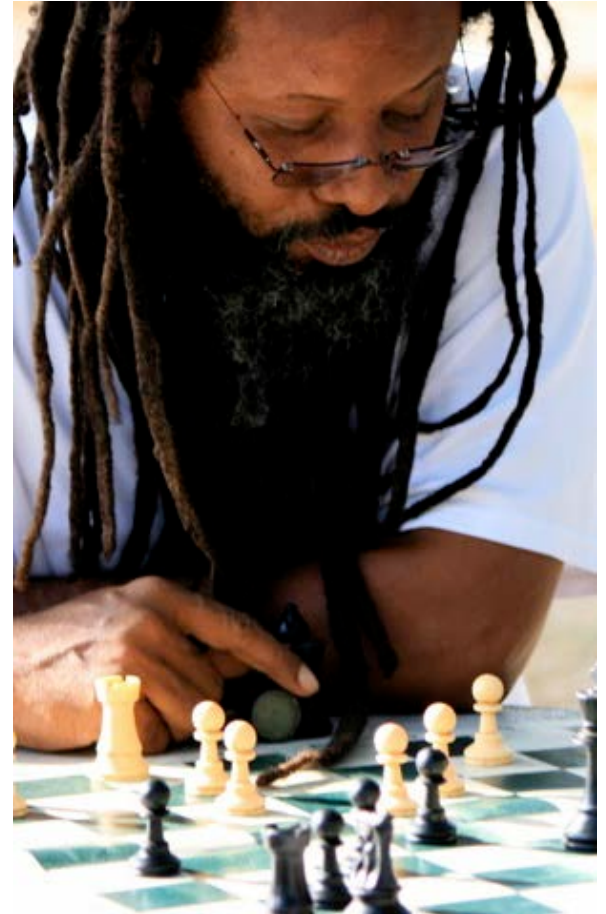
- Direct program expenses
- Allocated or shared expenses
- Pass-through expenses
- Share of indirect or infrastructure (sometimes called overhead expenses)



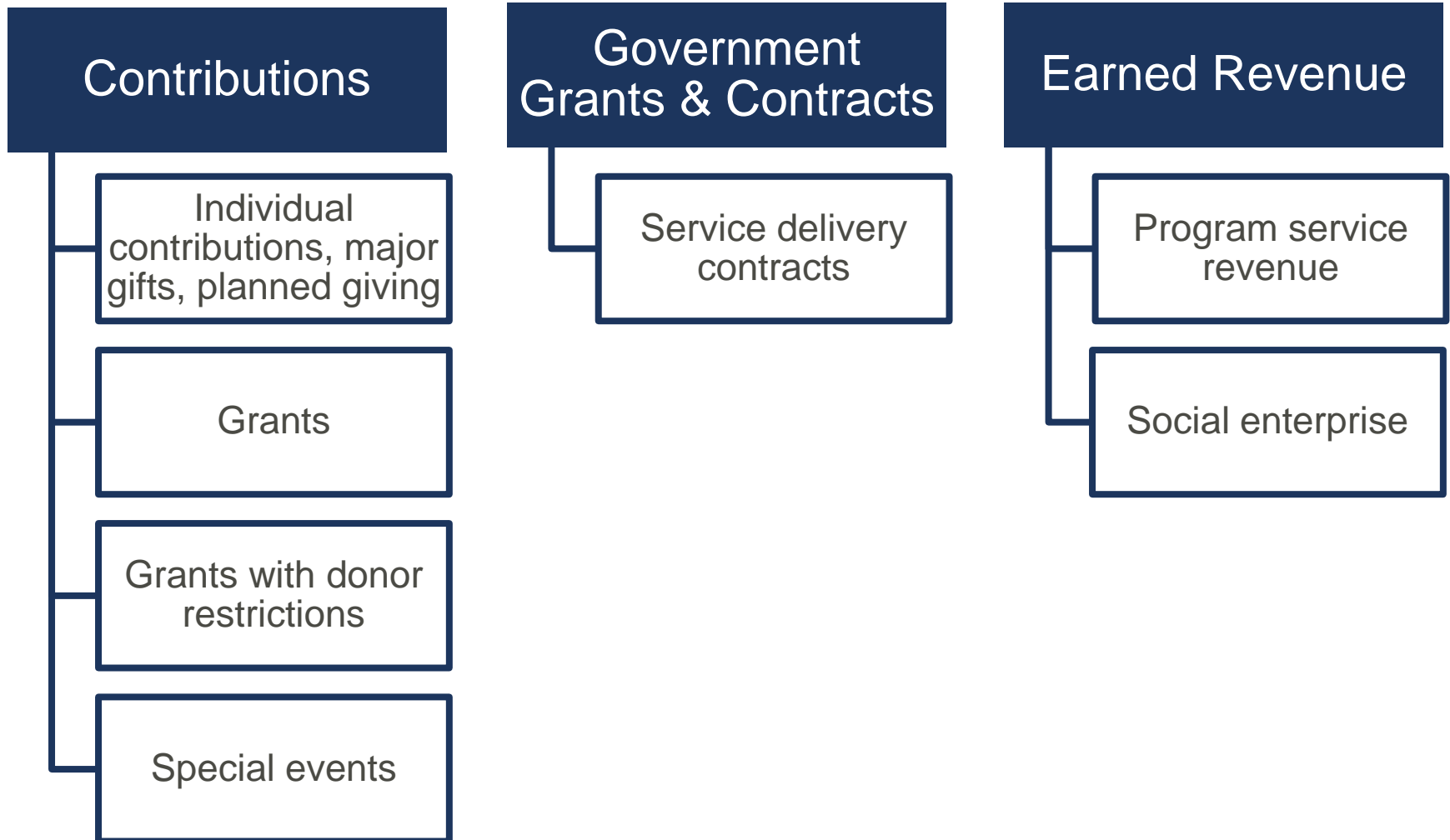
3. Diverse Funding Sources

Different types of income require:

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



3. Diverse Funding Sources



3. Diverse Funding Sources

Without Donor Restrictions	With Donor Restrictions
<ul style="list-style-type: none">Funds available for general use	<ul style="list-style-type: none">Funds in which restrictions expire over a defined period or time or by performing defined activities – often program grantsFunds in which the principal remains intact (in perpetuity), but investment income can be used – often endowment or scholarship fund

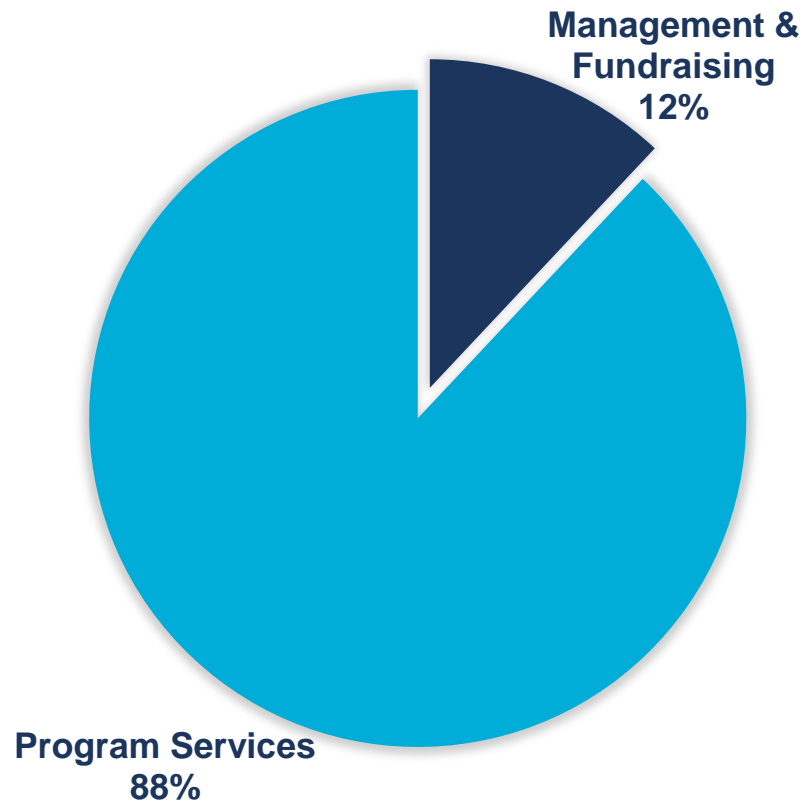
Not all contributed income is the same.
Contributions may have restrictions based on
donor intent and direction.

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

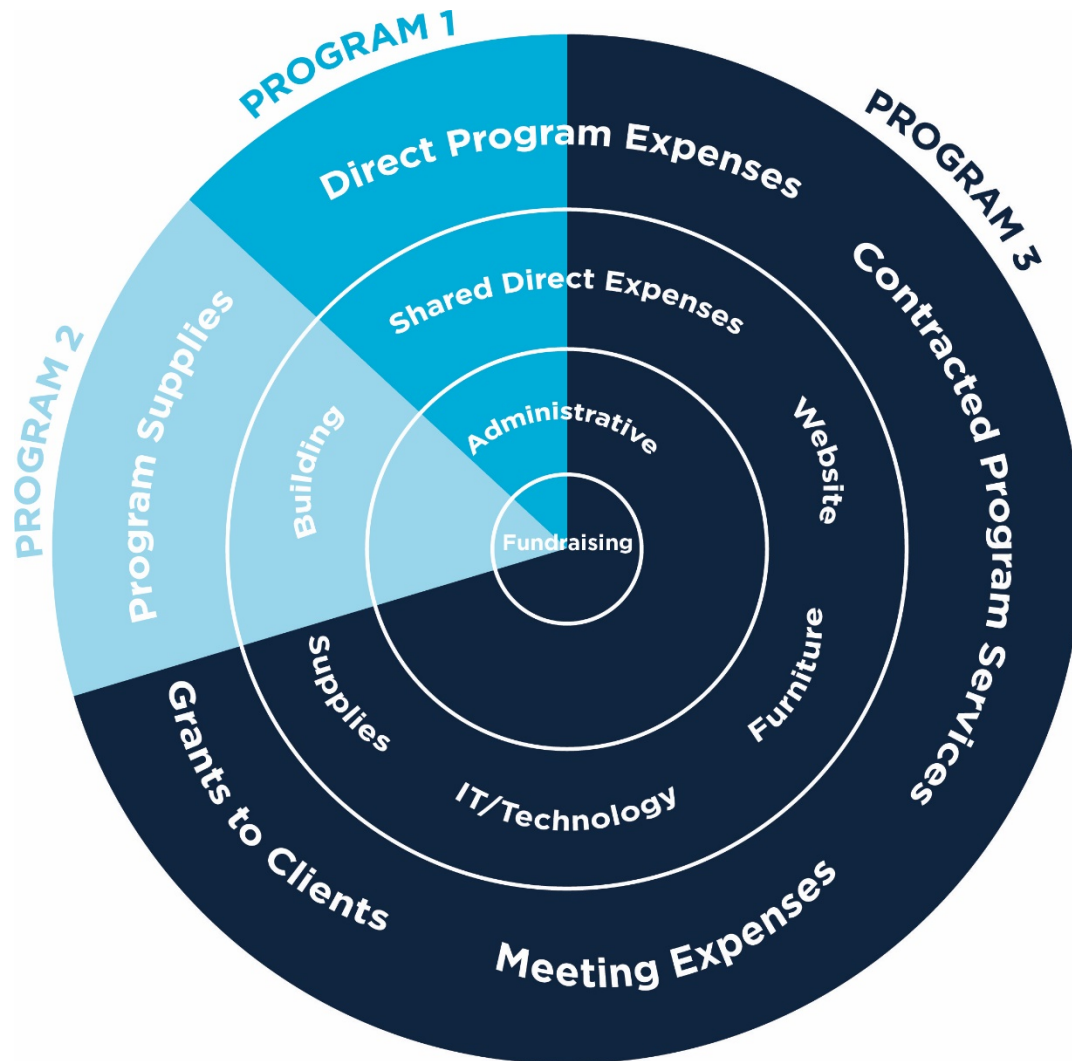
Retire this Pie Chart



Infrastructure seen
as diminishing
“real” work of our
mission.

Work vital to
nonprofit
organizations
needs to be
communicated.

Core Mission Support



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



6. Financial Information

Produce accurate reports



Understand information



Analyze information



Interpret information



Communicate and use information

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

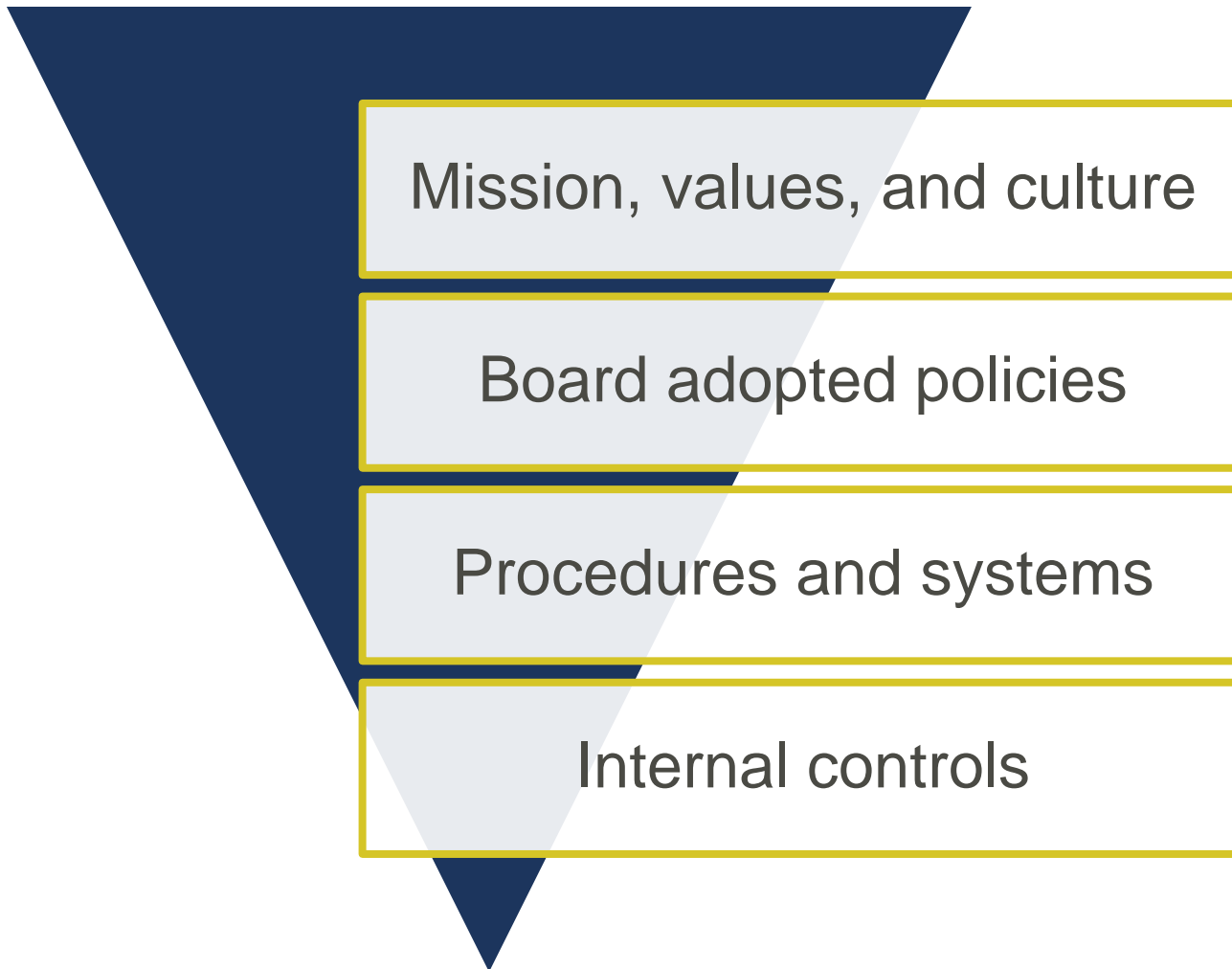


9. Accountability and Transparency

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



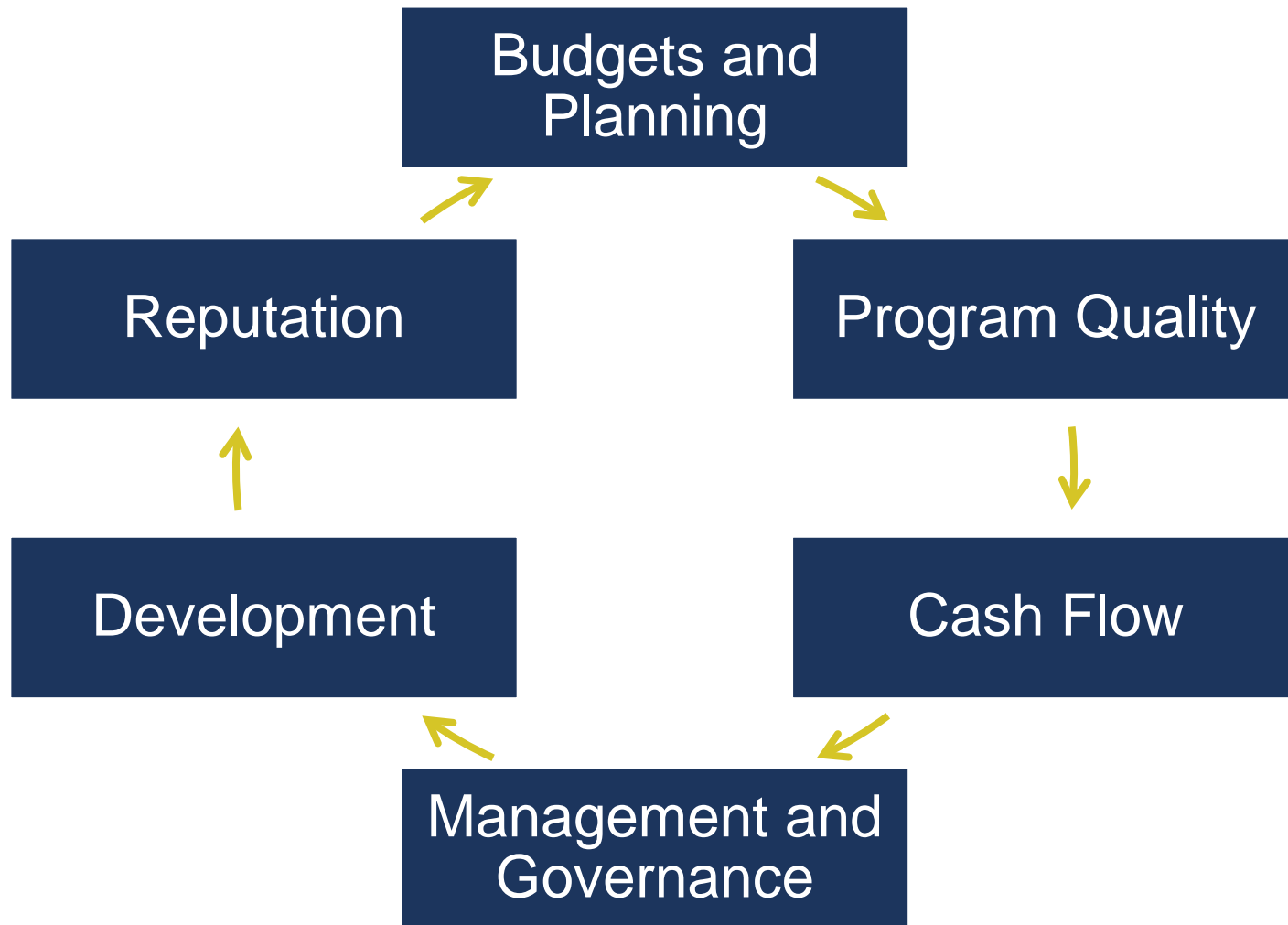
10. Financial Integrity



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





Financial Leadership

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



Thank you!

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