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Page Title: 6 Best Practices for Managing Nonprofit Finances | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] provides 6 best practices that help nonprofits stay on target for achieving sustainable growth.

Headline: 6 Best Practices for Managing Nonprofit Finances

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Behind the scenes at every nonprofit are the financial activities and decisions that enable the organization to carry out its mission. While most nonprofits have growth strategies in place for the current fiscal year, it's not as common to reflect on long-term sustainability. In fact, [a survey of 1,100 respondents](#) by Concord Leadership Group revealed a significant gap between top-performing nonprofits and the remaining organizations.

While there are myriad reasons behind a nonprofit's viability, it is important to develop a business model that is grounded in smart finances. Instead of focusing on financial sustainability only in reaction to a problem, these best practices regarding financial management can help to support a nonprofit's success.

1) Develop a Realistic Budget

Set a reasonable budget that takes into account all of your planned expenses to support all of the nonprofit's programs, events and fundraising strategies. Leaders or financial managers must spend time on processing an effective budget that's both realistic and workable. If your cost structure cannot be supported by the organization's revenue, you will need to reorganize it and make sure it aligns with your incoming and outgoing funds.

2) Understand Program and Overhead Costs

Every financial decision your nonprofit makes should rely on detailed information. Do you know the true costs of your programs? Before you determine your contract terms, fundraising needs and plan for modifying or updating your programs, you should make a point to understand the real costs involved. The same idea applies to overhead costs, such as program services and administrative/general fundraising fees. While "low overhead" may appeal to donors, it is critical to be upfront about the actual costs involved; otherwise, the management of finances will prove unsustainable and destabilizing.

3) Be Aware of Cash Flow

Although setting long-term financial goals may seem like the most important factor to the longevity of an organization, day-to-day cash flow is crucial. After all, having money on hand to pay the bills is what matters most. Monitoring the nonprofit's cash flow, whether by using an accounting tool or designating a money manager for the task, is key to the organization's financial health.

4) Share Financial Responsibility

To be most effective, leaders should encourage all people involved in the organization to develop their financial literacy. This means learning the terminology so that they can

understand, use and question financial reports. Over the long term, this will lead to better financial decisions, as more staff members will be able to carry out financial activities with confidence and familiarity. Taking responsibility for finances should ultimately be supported with appropriate authority, frequent communication among leaders and detailed information.

5) Foreground Transparency

Increasingly, people want to know the breakdown of a nonprofit's financial resources. Donors, foundations and the IRS are likely to demand information with regard to the organization's funding. This shouldn't be startling; rather, nonprofits should be willing to make transparency a shared value. By doing so, organizations can maintain their standards of honesty and accountability in all financial activities, which is important to garner support.

6) Set Standards for Problem-Solving

If your nonprofit experiences an unexpected downturn in funding or other financial challenges, it's critical to have a methodology in place to respond to crises. It is wise to keep cash in reserve so that you can account for any immediate losses. Losing contracts, confronting steep expenses and bungling fundraising plans are all part of the business. By setting standards for dealing with these types of conflicts, you can still maintain finances while taking decisive action.

Following these best practices of financial management will ensure your nonprofit's sustainability is backed by a solid plan. By sharing these responsibilities among your leadership, you can trust that everyone is aligned on your financial decisions, policies and strategies for the long term.

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