

SEO DETAILS:

Page Title: Financial Best Practices for Nonprofit Organizations | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: Accurate and timely financial reporting is vital to the health of your nonprofit, but why are certain best practices used and is it really important that your nonprofit follow these same practices? In this article, [NAME OF FIRM] covers the importance of these practices and why you should follow them.

Headline: How to Apply Financial Best Practices to Your Nonprofit Organization

Though it's understood that accurate, timely financial reporting is a key aspect of financial best practices for nonprofits, why is it so important? It's important because stakeholders rely on the financial reporting that's provided to them to make vital decisions. Bad information leads to bad decisions. Similarly, accurate information is needed when applying for grants, when complying with funder reporting requirements, to stay within loan covenants and to manage your organization effectively. In this article, we'll discuss financial best practices for nonprofit organizations, specifically financial reporting, and why it's so vital to do so.

Applying Financial Best Practices to Your Nonprofit Organization

To keep your nonprofit's financial reports timely and accurate, you'll need to make it a continuous part of your operational process. This includes aspects such as regular budgeting, monthly reports to a Board of Directors, annual IRS reporting on Form 990 and annual reporting to external stakeholders in the form of annual program reports, annual reports and audited financial statements.

Best Practice #1: Budgeting

Budgeting is more than a formality but is a key best financial practice for nonprofits because it creates goals for the organization's financial performance. You'll want to create budgets that are in line with your set budget policy. But simply creating a budget and having it passed by your Board of Directors isn't the end of the process. You'll want to continue monitoring how that budget performs against your actual expenses every month so that you can make changes when the unexpected arises.

Best Practice #2: Monthly Board Reporting

Another best practice that helps your nonprofit keep your financial reporting accurate and timely is having your Board of Directors review financial statements, key performance indicators and budget-to-actual details. This is vital because it makes it much easier for your Board to understand and review the financial details that are presented to it, which is part of the fiduciary duties that it should undertake.

A nonprofit board should look for possible issues which may include increasing debt balances, failing to pay debt obligations, increasing expenditures, continuous cash balance declines, continuous budgetary overruns, increasing employees to do the same job as in the past, borrowing out of reserves to meet current expenses, volunteer hour declines, lower numbers of constituents served and lowering investment returns compared to trends in the investment yields.

These issues may show that your nonprofit is having financial issues and may have problems remaining financially independent in the future, or can show that your organization has ineffective management or a declining public image. These warning signs should be regarded very seriously by both the Board and the organization's management, as continued declines could cause the nonprofit to fail.

Best Practice #3: Annual IRS Reporting on Form 990

Though it can be very tempting to simply gloss over preparing your IRS Form 990 as just another piece of paperwork that's required for your nonprofit to remain in operation, giving this form the attention it deserves is vital to your nonprofit's success in the future, making it a vital best practice.

Though it's important to make sure the data you enter on Form 990 is accurate, consider it as another way to tell the story of your organization. It's not just the IRS that looks at these forms, but also many other people to learn more about your organization. But who are these parties?

Charity Navigator and similar nonprofit watchdogs use these forms to determine a nonprofit's accountability, financial health and transparency. Considering the weight that many donors place on these watchdogs and their reporting, not having accurate information on your IRS Form 990 can actually cause harm to your organization's image with potential donors.

Best Practice #4: External Stakeholder Annual Reporting

Similar to how potential donors use watchdog agencies, providing accurate and timely financial reports, specifically annual reports, to your funders, donors and volunteers can make a huge difference in how well your nonprofit is able to perform and achieve its mission.

Consider it this way: a donor or volunteer wants to give their assets and time to nonprofits that will be around for a long time because they're financially stable. For funders, they'll want you to provide some amount of financial reporting so that they can keep an eye on their investment. On all three viewpoints, inaccurate financial reporting can put you at risk for reputation and financial harm.

Financial damage could include your donors donating to another organization or funders deciding to stop funding you or asking for their funding back. If inaccurate reporting is because of misappropriation, fraud or negligence, your organization's reputation will be damaged. Annual program reports, annual reports and audited financial statements should be available in a timely manner.

In Conclusion

By using these best practices for your nonprofit's financial reporting, you can keep your organization operating efficiently and meeting its mission.

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If you have questions or need help with your nonprofit's financial reporting, please contact [NAME] in our [DEPARTMENT] at [NUMBER/EMAIL].

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