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Financial Management

Boards of directors have a fiduciary duty to ensure that the assets of a charitable nonprofit are used in support of the charitable mission, and in accordance with donors' intent. One way to ensure prudent financial management is for the board of directors to adopt **financial policies**.

Financial policies clarify the roles, authority, and responsibilities for essential financial management activities and decisions. In the absence of an adopted policy, staff and Board members are likely to operate under a set of assumptions that may or may not be accurate and productive."

– Propel Nonprofits www.propelnonprofits.org



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Examples of financial policies commonly used by nonprofits include a policy that describes how cash is handled; whether and how a board member or an employee's travel expenses will be reimbursed; and the board's role in reviewing the executive director's compensation. Perhaps the most important financial policy for any charitable nonprofit is a [conflict of interest policy](#). Another example of a financial policy is one that addresses how the nonprofit's assets are invested.

Do you have questions about your nonprofit's financial practices? Perhaps it's time for a financial management check-up! The following self-assessment tools can help you focus specifically on *financial management practices*. How is your nonprofit doing?

- [Financial Management Self-Assessment Tool](#) (Nonprofit Association of Oregon)
- [Financial sustainability check-up chart](#) (Social Impact Architects and Charles River CFO)

Basic financial policies for nonprofits

Just starting out? These [financial policy guidelines](#) (Nonprofit Financial Commons) offer a framework for drafting and adopting financial policies for your nonprofit. For additional guidance on financial policies, consult these pages:

- [Accounting procedures manual template](#) (Blue Avocado)
- [Annual review of the executive's compensation](#) (National Council of Nonprofits)
- [Conflict of interest](#) (National Council of Nonprofits)
- [Gift acceptance policy](#) (National Council of Nonprofits)
- [Investment policies for nonprofits](#) (National Council of Nonprofits)
- [Resources for nonprofit financial management](#) (Wallace Foundation and FMA)
- [Whistleblower protections](#) (National Council of Nonprofits)

Financial Literacy Resources

- [An Executive Director's Guide to Financial Leadership](#) (Nonprofit Quarterly, authors Kate Barr and Jeanne Bell)

- [Balance Sheet Cheat Sheet](#) (Nonprofit Financial Commons)
- [Characteristics of financially healthy nonprofits](#) (Propel Nonprofits)
- [Finance Unlocked for Nonprofits](#) (Nonprofit Association of Washington)
- [Glossary of financial terms](#) (Nonprofit Finance Fund)
- Making sure board members understand their oversight role in [internal controls](#) (National Council of Nonprofits)
- [Nonprofit Financial Commons](#) has numerous free resources (some of which we've linked on this page)
- [Take the fear out of financial statements](#) (BoardSource)

Practice Pointers

- Sit down with the finance committee and discuss [what makes a great board treasurer](#) (Propel Nonprofits)
- Make sure your board (and staff) are comfortable [managing restricted funds](#) (Propel Nonprofits)
- The software your nonprofit uses to track its expenses and income matters. These reviews can help you [select financial management software](#), courtesy of TechImpact and FMA.
- Curt Klotz's article [Financial Leadership in the Face of Impossible Choices](#), published early in the COVID-19 pandemic, is a helpful guide to making compassionate and equitable decisions when faced with leading a nonprofit through a downturn or other financial crisis. (CLA)

More About Financial Management

- [Budgeting for Nonprofits](#)
- [Nonprofit Audit Guide](#)
- [Operating reserves](#)

Additional Tools and Resources

- [Cash is King: Managing Cash Flow for Nonprofits Webinar](#) (Video) (Nonprofit Financial Commons)
- [See this data visualization page](#) for examples of interactive and static dashboards showing different ways to present financial data (YPTC)
- [Understanding Cost Allocation](#) (Video) (Nonprofit Financial Commons)

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