

Financial Management

making strategic financial decisions;
budgeting in a changing funding
environment.

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Financial Management

The term 'not-for-profit' can be misleading. Profitability does have a role in ensuring that NFP organisations have the financial resources to achieve their objectives.

Financial Management

Sound financial management for NFPs is important

- To ensure that there is best use of resources to meet their objectives;
- To ensure that there is available cash flow to support operations over the duration of the NFP's life (sustainability) and
- To ensure ongoing community support.

Financial Management

Sound financial management includes:

1. Budgeting and forecasting (planning for the future)
2. Good financial systems and precise record keeping
3. Reading and understanding of financial statements and reports (monitoring)

Budgeting and forecasting

Budgeting and forecasting are the future financial plans of the organisation. This is where the strategic and annual plan is translated into financial numbers.

Budgeting and forecasting

Good budgeting and forecasting require the following:

- Budgets and forecasts prepared based on the strategic plan and approved by the committee
- Regular monitoring of budgets against actual financial results in the monthly financial statements
- Scope to amend activities and targets during the year when actual results indicate that budgeted outcomes will not be met

Planning for the future

Budgeting and forecasting provides the opportunity to plan ahead for several years in an effort to identify changing conditions that may impact on the organisation's operations and cause financial difficulty.

This enables organisations to be proactive in achieving its goals.

Documenting assumptions worksheet

Good financial systems

Is about ensuring that the right policies and procedures are in place.

This will help to ensure that the financial information that you are using is reliable.

Financial controls are procedures design to detect and prevent errors, theft or fraud and non compliance with policy.

Financial Controls

Are put in place to ensure the following criteria:

1. Accuracy and Completeness of information
2. Expenditure has the appropriate Authorisation and is Valid
3. All assets and liabilities recorded actually Exist
4. Errors and fraud can be Detected
5. Segregation of Duties

Monitoring

Financial statements and other reports enable committees and management to evaluate and monitor plans

Variances should be noted and explained.

What reports should go to the committee?

Don't be afraid to ask questions!

Monitoring

Key areas to be overseen by the committee and management are:

- Solvency – ensure there is adequate funds, cash flow
- Budgeting – preparation of, completeness, monitoring
- Financial Statements
- Prevent fraud and mismanagement

Strategic Decision making

- What do we need to consider when making financial decisions? (to discuss)
- The fundraising dilemma
- How to cost a project? NAO uses the 50/40/10 formula.

50% = Centre direct costs to undertake the work

40% = Centre overhead costs

10% = National office costs