

Standards of Excellence in Nonprofit Financial Management

Outcome: Informed Strategic Financial Decision-Making

STANDARDS	Risk Management: Organizations establish and implement processes for assessing and mitigating financial risks.	Financial Planning: Organizations plan based on relevant data and historical performance, while maintaining a strategic look to the future.	Financial Monitoring: Organizations monitor financial results promptly, based on reliable and relevant reports which form the basis for overall team decision making.	Contract & Grants Management: Organizations have the tools and capacity to effectively evaluate current and new funding opportunities.	Finance Operations: Organizations operate efficiently with the appropriate fiscal staffing structure, internal controls, accounting software, and workflow systems.	Governance: The Board of Directors provides oversight of the organization's financial operations and ensures transparent disclosure of information.
INDICATORS	<ul style="list-style-type: none"> ○ The organization has a process for identifying and quantifying the financial impact of changes in the operating environment (ex. new legislative requirements). ○ Policies are in place for assessing strategies for revenue diversification and building sufficient reserves. ○ The organization regularly analyzes staff salaries and benefits to inform strategies for staff retention. ○ The organization is aware of and addresses risks associated with the security of technology systems used to process and maintain financial data. ○ A risk committee comprised of the appropriate staff and board members is in place. 	<ul style="list-style-type: none"> ○ Key organizational decision-makers (including Executive Director, Finance Director/ CFO, Development Director, Program Directors, and other senior management personnel) participate in the budget development process. ○ The budget development process incorporates relevant historical financial data and reflects the organization's goals for carrying out its mission. ○ Budgets are developed at relevant levels (i.e. consolidated, program, contract) for organization financial monitoring. ○ Cash flow monitoring instruments that project 6-12 months of cash resources and needs are developed and continuously updated. ○ Processes for completing and reviewing annual budget modifications are implemented regularly. 	<ul style="list-style-type: none"> ○ Reliable financial reports are produced and distributed to senior staff on a monthly basis (see attached for report details). ○ Relevant analytical tools (including financial and nonfinancial reports) are used by the organization's leadership team in reaching financial decisions. ○ Orientation program for management staff includes training on usage of financial reports, as well as role in monitoring and communicating on financial performance. ○ Customer service orientation of the Finance office includes an appropriate level of accountability, responsiveness, timeliness, and the ability to explain financial data. 	<ul style="list-style-type: none"> ○ Leadership understands the financial and mission impact of each contract and grant and uses this to inform key decisions. ○ The organization has processes and frameworks in place for assessing the financial and administrative requirements of securing new funding and/or scaling back existing funding and programming. ○ The organization maintains a cost allocation methodology that aligns with service needs and funder requirements. ○ Policies are in place to ensure timely contract billing and sufficient spending of contract funds within the contract timeframe. ○ The organization has structures and practices in place to ensure compliance with funder guidelines. 	<ul style="list-style-type: none"> ○ An appropriate staffing plan and reporting structure is in place, based on the organization's size and complexity. ○ Finance staff members have the skill sets required to fulfill their responsibilities and/or individual professional development plans to increase their skills to the necessary levels. ○ The structure of individual fiscal staff roles and responsibilities outlines an appropriate segregation of financial duties to provide for internal control. ○ An appropriately configured accounting software is used to produce financial reports and monitor budgets. ○ Workflow is designed to maximize efficiency of financial transaction processing, leveraging technology and automation opportunities where possible. 	<ul style="list-style-type: none"> ○ The Board receives and reviews a financial reporting package quarterly at a minimum (see attached for reporting package details) ○ The Board sets the organization's strategic financial direction, including understanding full costs of programming, planning for capital needs, and establishing operating reserves. ○ The Board hires the independent audit firm and oversees the audit process, including evaluating and responding to auditors' management letter comments. ○ The Board acts as the steward of the organization's internal control structure and assesses and manages operational risk. ○ A structure is in place to approve and communicate financial information both internally and externally, including the annual audit. ○ The Board includes separate committees for Finance and Audit oversight with processes and charters in place for recording minutes, making key decisions and ensuring compliance.

*Adapted from the Strengthening Financial Management Initiative, funded by The Wallace Foundation and delivered by Fiscal Management Associates, LLC
For tools to support nonprofits' efforts to meet these standards, visit StrongNonprofits.org*

Standards for Nonprofit Financial Reporting

Monthly Reports – For Executive/Senior Staff	Quarterly Reports – For the Board of Directors and Senior Staff
<p>1) Monthly Executive Liquidity Reports that include the following Key Performance Indicators:</p> <ul style="list-style-type: none"> a) Unrestricted Cash and Cash Equivalents on Hand b) Days Cash on Hand with Available Line of Credit c) Accounts Payable Days Outstanding d) Accounts Receivable Days Outstanding e) Quick Ratio <p>2) Supporting Reports that include the following:</p> <ul style="list-style-type: none"> a) Cash Flow projections that include and specify line of credit usage b) Accounts Payable aging report c) Accounts Receivable aging report <p>3) Other Reports:</p> <ul style="list-style-type: none"> a) Budget-to-actual reports for the organization b) Budget-to-actual reports for each program <p><i>Note: Reports should be published within 20 business days of the monthly close</i></p>	<p>1) Management Narrative/CEO-ED report</p> <p>2) Performance Dashboard based on Key Performance Indicators (KPIs)</p> <p>3) Supporting Reports that include the following:</p> <ul style="list-style-type: none"> a) Statement of Financial Position (Balance Sheet) <ul style="list-style-type: none"> i) Summary of Accounts Payable aging status ii) Summary Accounts Receivable aging status b) Cash Flow projections that include and specify line of credit usage c) Budget-to-actual reports for the organization d) Budget-to-actual reports for each program <p><i>Note: If in place, an active Finance Committee should review detailed reports prior to board meeting and present highlights to the full board in the meeting.</i></p>