

10 Tips to Build Financial Literacy Within a Nonprofit

Tip #1: Educate yourself and your employees on financial best practices.

Research what financial practices other organizations like yours seem to have adopted. Look for case studies. Subscribe to financial experts' newsletters, YouTube channels, blogs, etc. Invest in formal training or a workshop. Whatever makes sense to really hone in on building your awareness, your practices and your organization's impact.

Tip #2: Create financial policies and procedures for your organization.

Discover your existing processes. Discover gaps in your procedures (or lack thereof). Write it all down. Synthesize what works and what doesn't. Note inconsistencies. By tackling your finances in terms of creating policies and procedures, you are clearly defining roles and responsibilities for key aspects of your nonprofit's financial well-being. Further, you are protecting your organization's leadership from getting stumped by uncomfortable financial decisions, or making terrible ones, by having set policies in place.

Tip #3: Adopt a budget-tracking system.

As with personal finances, creating and sticking to a budget can give you clarity and freedom with your nonprofit's finances. Seeing the true cost of running a nonprofit can result in more efficient practices, and more realistic expectations. Find a template that works best for you (there are hundreds of programs or spreadsheet/document templates that you can find online), give every dollar a job, learn to track and plan your organization's spending clearly and efficiently – and then live by that system.

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Tip #4: Involve board members in financial decision-making.

Why do you need to involve board members in your nonprofit's financial decisions? For starters, your board members are an integral part of your organization. Going off of tip #2, this is a practice that involves direct communication among leadership and demands that they take financial matters as seriously as they would any other crucial organizational matter. Additionally, this will build trust, clarity, and accountability in this new routine you're establishing to reform your nonprofit's financial literacy, and get you back on track with your central mission.

Tip #5: Regularly improve fundraising strategy and processes.

An up-to-date fundraising strategy is so important. Yes, it increases your nonprofit's earning potential from donors and successful campaigns. But a solid strategy also frees you to take on more and diverse initiatives with the energy and time that squeezing the juice from a dated strategy would have cost you. This is also an opportunity to intentionally educate yourself on further funding and investment options besides donor relations — with the caveat of making the most sense for your organization's public face and work, of course.

Tip #6: Make financial decisions that are driven by data.

Let the numbers talk. Regularly present the data of your organization's financial activities and results in a synthesized, visual manner to assuage any uncertainty about your processes among leadership, donors, and members. It's easy for a nonprofit to let the emotional impact of news headlines and donor scrutiny drive their financial decisions. But if undisputed data is the primary force driving your strategy, your organization members will feel confident and empowered by the transparent, orderly operations they abide by. In addition, well-organized presentations of data, showing where every dollar is going and what it's doing, will put your donors at ease.

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Tip #7: Utilize third-party financial experts.

Sometimes, you can't — and shouldn't — do it all yourself. Whether you need bookkeeping, annual filing assistance, or just sound counsel on a regular basis, a virtual accountant like the ones at Temple could be just what your organization needs to completely refresh its financial literacy and standing.

Tip #8: Invest in financial management software and technology.

By investing in the right software and technology, nonprofits can streamline their financial processes, improve accuracy and efficiency, and gain a clearer understanding of their finances. This also makes it easier for organizations to track donations and expenses, manage billing, and create accurate financial reports. A variety of software and technology solutions are available to nonprofits. These include accounting software, budgeting software, donor management software, and financial analytics software. Depending on your organization's needs and scope of work, you may want to invest in a combination of these solutions.

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Tip #9: Create a donor database.

A donor database is a tool used by nonprofits to keep track of donors and their giving history. It allows organizations to store contact information, donor preferences, and other essential details about each donor. The database also helps track donations and generate reports, so that nonprofits can better understand donor behavior and ensure compliance with fundraising laws. Creating a donor database can be a time-consuming process, but it's worth the effort. Decide on a system, gather and organize your data, set a process for managing and updating it, and you're set! Just a few of the advantages of using a donor database as part of your financial literacy overhaul:

- **Improved donor relationships.** Having a donor database allows the organization to easily access donor information, and create more personalized experiences for donors in communications.
- **Enhanced reporting.** A donor database can be used to track donations and generate reports, making it easier for nonprofits to assess donor behavior and fundraising performance.
- **Easier compliance.** By providing an easy way to track donations and donors, donor databases can help nonprofit organizations remain compliant with fundraising laws and regulations.

Tip #10: Implement an internal audit system.

An internal audit system can help your nonprofit stay organized, accountable and account for all of its finances. This independent consultation approach is meant to periodically assure an organization that its governance, processes and risk management are all operating effectively and in compliance. It can also provide valuable insight into spending patterns and potential areas for improvement.

With an internal audit system, your nonprofit could benefit from an objective and comprehensive view of its financial health and be better prepared to make informed decisions.