



Published on *National Council of Nonprofits* (<https://www.councilofnonprofits.org>)

[Home](#) > Financial Management

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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 accordance with donors' intent, and in support of the charitable mission. One way to ensure prudent financial management is for the board of directors to adopt **financial policies**. Perhaps the most important financial policy for any charitable nonprofit is a [conflict of interest policy](#). [1].

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](http://www.propelnonprofits.org) [2]

Examples of financial policies commonly used by nonprofits include a policy that describes when a board member or an employee's travel expenses will be reimbursed; how cash is handled, and how the nonprofit's assets are invested. Are you concerned about your nonprofit's financial practices?

- This self-assessment, [Indicators of a Financial Crisis](#) [3] (The Foraker Group) may be a great way to focus the board of directors' attention or help you prioritize next steps.
- This short [Financial Management Self-Assessment Tool](#) [4], (Nonprofit Association of Oregon) is useful to explore the types of financial practices that may be beneficial for your nonprofit to follow and/or document in a written policy.

Just starting out? These [financial policy guidelines](#) [5] (Propel Nonprofits) offer a framework for drafting and adopting financial policies for your nonprofit.

### Basic financial policies for nonprofits

- [Conflict of interest](#) [1] (National Council of Nonprofits)
- [Gift acceptance policy](#) [6] (National Council of Nonprofits)
- Learn why [expense reimbursement policies](#) [7] are important (Minnesota Council of Nonprofits)
- [Annual review of the executive's compensation](#) [8] (National Council of Nonprofits)
- [Whistleblower protection](#) [9] (National Council of Nonprofits)
- [Nonprofit Fiscal Policies & Procedures: A Template and Guide](#) [10] (Compasspoint)
- [Resources for nonprofit financial management](#) [11] (Wallace Foundation)
- [An Executive Director's Guide to Financial Leadership](#) [12] (Nonprofit Quarterly, authors Kate Barr and Jeanne Bell)
- [Does your nonprofit need to conduct an independent audit?](#) [13] (National Council of Nonprofits)
- [Template \[14\] accounting procedures manual](#) [15] (Blue Avocado)

### For Boards: Finance is Fun!

- [Finance Unlocked for Nonprofits](#) [16] (Washington Nonprofits)
- [An appreciation for depreciation](#) [17] (Video) (Propel Nonprofits)
- [Cash is King: Managing Cash Flow for Nonprofits Webinar](#) [18] (Video) (Propel Nonprofits)
- [Understanding Cost Allocation](#) [19] (Video) (Propel Nonprofits)
- [Understanding reserves](#) [20] (Video) (Propel Nonprofits)

## Financial Literacy Resources

- Make sure board members understand their oversight role for [internal controls](#) [21]
- [Take the fear out of financial statements](#) [22] (BoardSource)
- [Glossary of financial terms](#) [23] (Nonprofit Finance Fund)
- Ideas for board orientations: [Balance Sheet Cheat Sheet](#) [24]; [characteristics of financially healthy nonprofits](#) [25]; [how to manage restricted funds](#) [26] (Propel Nonprofits)
- Share the past year's IRS Form 990 and help board members [understand how to read the Form 990](#) [27] (Nonprofit Coordinating Committee of New York)
- [Having Fun with Nonprofit Financial Literacy](#) [28] (National Council of Nonprofits)
- [How to Talk About Finances So Non-Financial Folks Will Listen](#) [29](Bridgespan)
- [Audits and audit committees](#) [13](National Council of Nonprofits)
- [Operating reserves](#) [30](National Council of Nonprofits)
- [Endowments](#) [31](National Council of Nonprofits)

## Practice Pointers

- Have you considered clarifying the board and staff's role in financial accountability? [Sample board/staff financial accountability agreement](#) [32] (Blue Avocado)
- Sit down with the finance committee and discuss [what makes a great board treasurer](#) [33] (Propel Nonprofits)
- [Budgets that Breathe](#) [34] (Propel Nonprofits)
- Make sure your board (and staff) are comfortable [managing restricted funds](#) [26] (Propel Nonprofits)

**Category:** [Financial Management](#) [35]

**Tags:** [financial management](#) [36]

[Fraud](#) [37]

[Nonprofit](#) [38]

[Management](#) [39]

[Risk Management](#) [40]

**Source URL:** <https://www.councilofnonprofits.org/tools-resources/financial-management>

### Links

[1] <https://www.councilofnonprofits.org/tools-resources/conflicts-of-interest>

[2] <https://www.propelnonprofits.org/>

[3] [http://www.forakergroup.org/wp-content/uploads/2017/04/FG\\_Fin\\_Ind\\_web.pdf](http://www.forakergroup.org/wp-content/uploads/2017/04/FG_Fin_Ind_web.pdf)

[4] <https://nonprofitoregon.org/sites/default/files/uploads/file/Fin%20Mgmt%20Self%20Assessment.pdf>

[5] <https://www.propelnonprofits.org/resources/financial-policy-guidelines-example/>

[6] <https://www.councilofnonprofits.org/tools-resources/gift-acceptance-policies>

[7] <http://www.minnesotanonprofits.org/nonprofit-resources/financial-management/form-990-disclosures/payment-and-reimbursement-disclosures>

[8] <https://www.councilofnonprofits.org/tools-resources/executive-compensation>

[9] <https://www.councilofnonprofits.org/tools-resources/whistleblower-protections-nonprofits>

[10]

<https://www.compasspoint.org/sites/default/files/documents/Guide%20to%20Fiscal%20Policies%20and%20%20Procedures.pdf>

[11] <http://www.wallacefoundation.org/knowledge-center/resources-for-financial-management/pages/default.aspx>

[12] <https://www.propelnonprofits.org/resources/executive-directors-guide-financial-leadership/>

[13] <https://www.councilofnonprofits.org/nonprofit-audit-guide>

[14] <https://www.councilofnonprofits.org/nonprofit-audit-guide/need-independent-audit>

[15] <http://blueavocado.org/content/accounting-procedures-manual-template>

[16] <https://www.wanonprofitinstitute.org/finance/>

[17] <https://www.youtube.com/watch?v=BdSCB9Tule4>

[18] [https://www.youtube.com/watch?v=\\_B6QWzCi0ek](https://www.youtube.com/watch?v=_B6QWzCi0ek)

[19] <https://www.youtube.com/watch?v=kbCgCNMzbb4>

[20] <https://www.youtube.com/watch?v=983ypp07HEU>

[21] <https://www.councilofnonprofits.org/tools-resources/internal-controls-nonprofits>

[22] <http://blog.boardsource.org/blog/making-financial-statements-less-scary>

[23] <http://www.nonprofitfinancefund.org/glossary>

[24] <https://www.propelnonprofits.org/resources/balance-sheet-cheat-sheet/>

- [25] <https://www.propelnonprofits.org/resources/characteristics-financially-healthy-nonprofits/>
- [26] <https://www.propelnonprofits.org/resources/managing-restricted-funds/>
- [27] [https://www.npccny.org/form\\_990/](https://www.npccny.org/form_990/)
- [28] <https://www.councilofnonprofits.org/thought-leadership/how-much-doggy-the-window>
- [29] <https://www.bridgespan.org/insights/library/organizational-effectiveness/how-nonprofit-leaders-can-talk-about-finances-so-n>
- [30] <https://www.councilofnonprofits.org/tools-resources/operating-reserves-nonprofits>
- [31] <https://www.councilofnonprofits.org/tools-resources/endowments>
- [32] <http://www.blueavocado.org/content/board-staff-agreement-financial-accountability>
- [33] <https://www.propelnonprofits.org/blog/makes-great-board-treasurer/>
- [34] <https://www.propelnonprofits.org/blog/budgets-that-breathe/>
- [35] <https://www.councilofnonprofits.org/tools-resources-categories/financial-management>
- [36] <https://www.councilofnonprofits.org/tools-resources-tags/financial-management>
- [37] <https://www.councilofnonprofits.org/tools-resources-tags/fraud>
- [38] <https://www.councilofnonprofits.org/tools-resources-tags/nonprofit>
- [39] <https://www.councilofnonprofits.org/tools-resources-tags/management>
- [40] <https://www.councilofnonprofits.org/tools-resources-tags/risk-management>