

# 12 Golden Rules of Nonprofit Finance

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*Sarah Jackson, Portfolio Director*

**April 9, 2025**

# Our Mission

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Fuel the effectiveness of nonprofits with guidance, expertise and capital.



Nonprofits are  
**champions of good.**

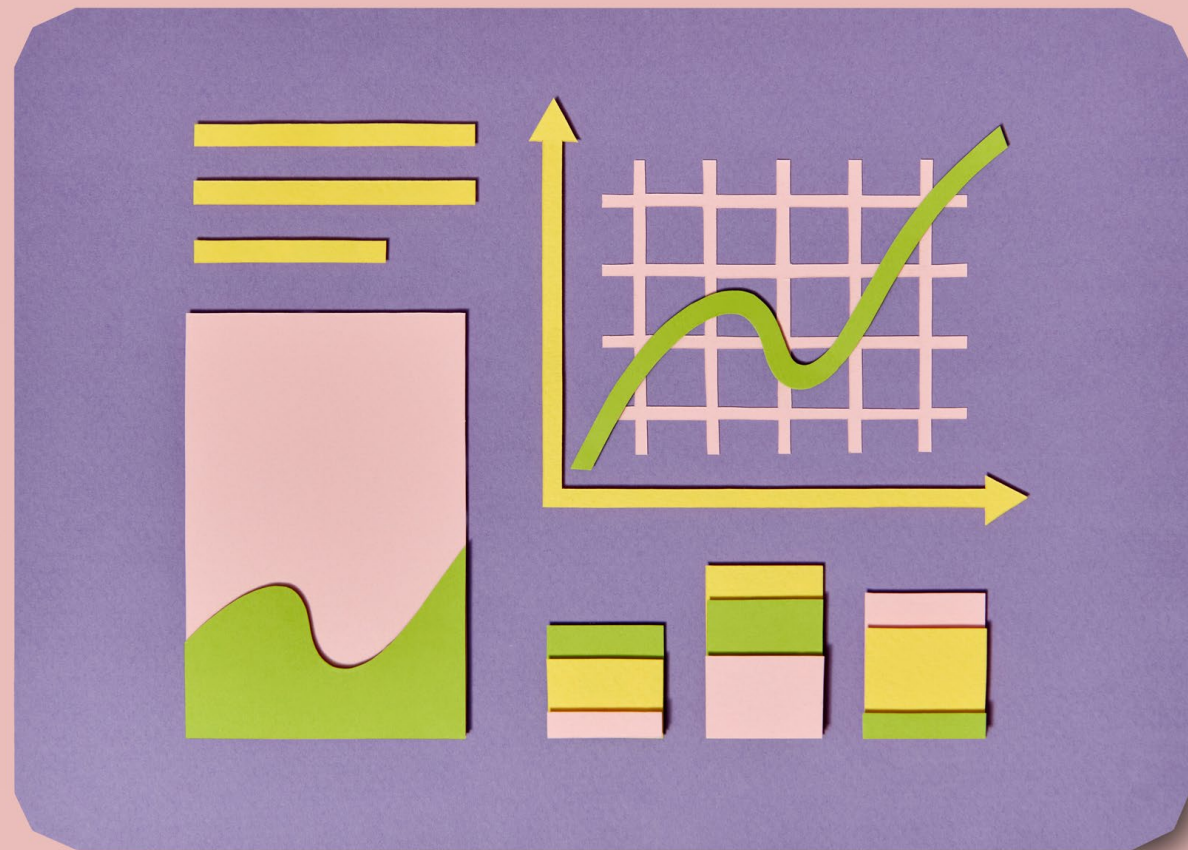
We are  
**champions of nonprofits.**

# Today's Presenter:

## Sarah Jackson, Portfolio Director

# Goals

- Overview of 12 key elements of nonprofit financial health – from budgeting to cash flow to operating reserves and more
- Highlight other nonprofit finance resources to extend learning





# What is Financial Health?



# What does Financial Health look like?

Financial  
resources  
directed to  
achieve mission

Sufficient cash to  
pay the bills

Reliable income  
sources that  
support  
programs

Flexibility to try  
new things and  
manage  
surprises

Adequate  
investment in  
facility,  
technology,  
and staff  
development

Good stewards  
of all funds  
received

# 1. Budgeting



Budgets matter ... budget assumptions matter more



Assumptions answer the questions

**How much** income/expense to expect

**Why** it is expected

**How** it will be generated/managed



Realistic budgets use well considered assumptions

## 2. Program Costs

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The school district pays \$1,500 for a half day lecture demonstration program.

How much does it cost to provide that program?

- a) \$ 1,500
- b) \$ 1,000
- c) \$ 3,000
- d) **we have no idea**





## 2. Program Costs

What are program costs?

- **Direct** program expenses
- **Allocated** or **shared** expenses
- Share of **indirect** or **infrastructure** (sometimes called overhead expenses)
- **Pass-through** expenses



## 2. Program Costs

### Direct Expenses

- Expenses that are required to carry out a program
- Might be exclusively for the program
- Frequently shared with other program areas

### Indirect Expenses

- Expenses that benefit all areas and programs and cannot be specifically assigned but are essential for the health and functioning of the organization
- Often called General and Administrative expenses or “overhead”
- Can be allocated to each program area

### 3. Diverse Funding Sources

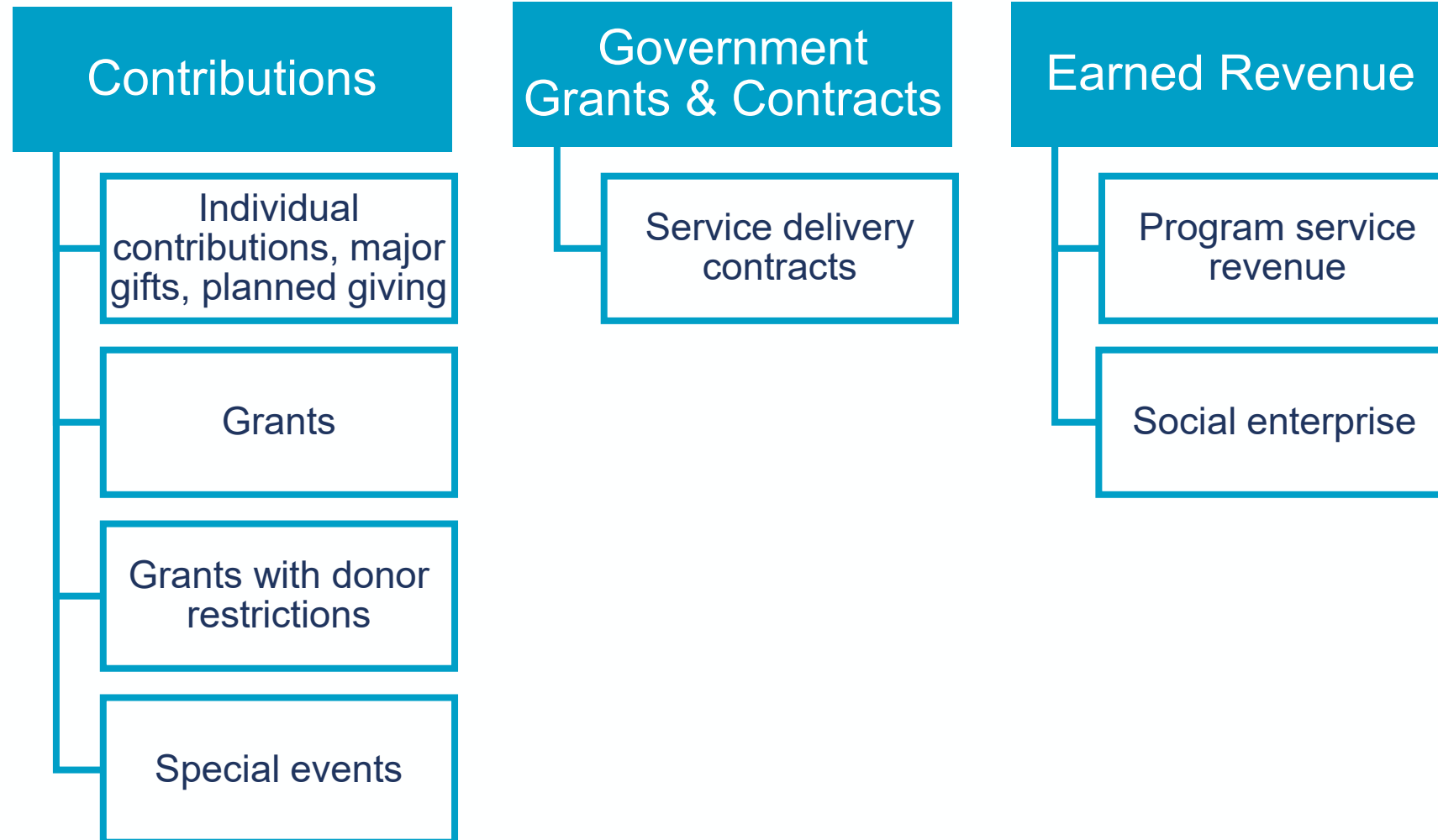
Different types of income require:

- Systems to bring in income
- Operational structures
- Program management approaches
- Relationships with community and funders





# 3. Diverse Funding Sources





## 4. Core Mission Support (aka Overhead)

- Core Mission expenses are...
  - Functional expenses
  - General & Administrative and Fundraising
  - GAAP and IRS requirements
- Differences in definition of overhead
- Role of overhead in achieving mission

**Overhead = Infrastructure**

# 5. Cash Flow

- Day to day, it's cash in the bank that counts
- Managing cash flow
  - Plan and project
  - Anticipate problems
  - Look for options
  - Monitor and project again



## 6. Financial Information

Produce accurate reports



Understand information



Analyze information



Interpret information



Communicate and use information

## 8. Operating Reserves

- Why reserves are needed
- How to determine the “right” amount
- How to accumulate reserves
- When to tap into the reserves
- Other types of designated reserves





## 9. Accountability and Transparency

- Financial information is tangible evidence
- Nonprofits are public charities with tax exempt status, responsible to:
  - Donors
  - Attorney General and IRS
  - Public



# 11. Responding to Financial Problems



The majority of serious organizational problems have a financial aspect



Financial problems get worse without treatment – and can be fatal



Mission drives priorities and trade-offs

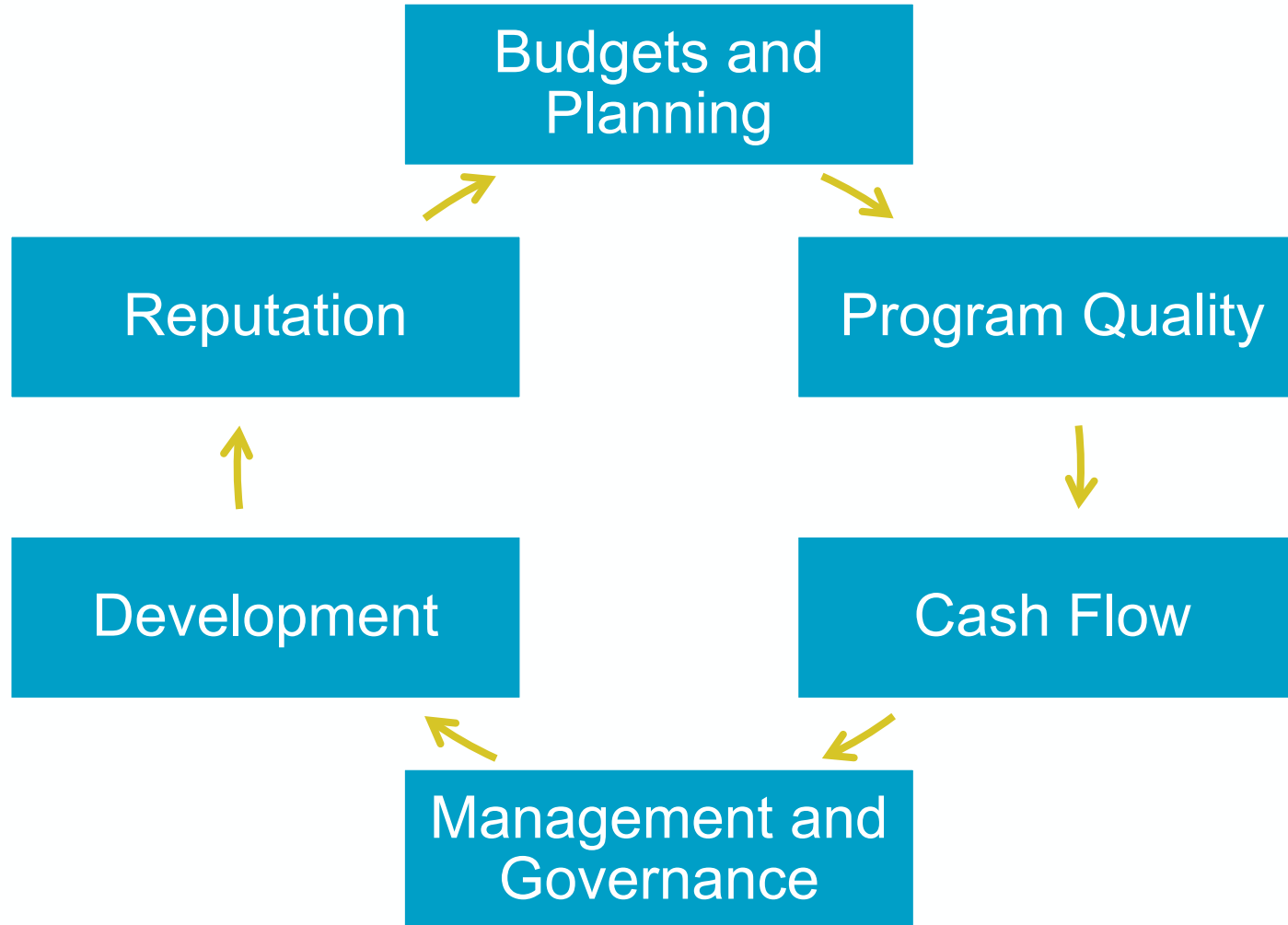


Solutions involve interdependent factors



Plan – authority – decisions – communication

## 12. Interdependence



# Financial health at your organization

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- What is going well in your organization?
- What resources might you look into?
- What questions do you have?





# Upcoming Trainings

## **Free Monthly Webinars**

- April 30: Strategy, Planning, and Outcomes
- June 4: Buying Real Estate – An Overview for Nonprofits

## **Workshops**

- May 21: Fundamentals of Nonprofit Finance
- June 17: Fundamentals of Nonprofit Budgeting
- July 9: Managing Cash Flow

Thank you!

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