

FINANCIAL POLICY

Developing and adopting a written financial policy is a valuable practice for any nonprofit organization, no matter how small or large. 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 not be accurate or productive. If the idea of creating a financial policy seems daunting, this basic guideline and example for policy development may be helpful.

FIVE ESSENTIALS FOR FINANCIAL POLICIES

The purpose of the financial policy is to describe and document how the board wants the financial management activities to be carried out. In order to accomplish this, every financial policy needs to address five areas:

1. Assignment of authority for necessary and regular financial actions and decisions, which may include delegation of some authority to staff leaders
2. Policy statement on conflicts of interest, or insider transactions
3. Clear authority to spend funds including approval, check signing, and payroll
4. Clear assignment of authority to enter into contracts
5. Clear responsibility for maintaining accurate financial records

DEVELOPING AND APPROVING A FINANCIAL POLICY

This example financial policy is intended to be short and simple to address some of the basic elements of a good policy. Some nonprofits develop more comprehensive and detailed policies that incorporate more specific responsibilities and add more detail. The most important action is to create and adopt a policy that meets your organization's needs.

There are some helpful steps you can take to make the policy as helpful as possible:

- Discuss policy needs with the Treasurer and Finance Committee of Executive Committee
- Conduct informal risk assessment
- Draft financial policy, followed by review and discussion by staff and Board leadership
- Present to board for adoption
- Train staff on policy
- Review at least bi-annually

CONSIDERATIONS WHEN YOU START WITH A POLICY TEMPLATE

We offer an example of a financial policy to get you started, but keep in mind that no example will be an exact fit for your organization. Never adopt a policy without a thorough review and consideration of the risks, operations, and structure of the organization.

WHO WE ARE

Nonprofits Assistance Fund's mission is to build financially healthy nonprofits that foster community vitality.

Our financial experts help nonprofits strengthen their capacity to address unexpected events, finance new opportunities, and realize strategic goals. We fulfill our mission by helping you thrive.

Find out more about Nonprofits Assistance Fund's loans, training, resources, and financial advice tailored for nonprofits at www.nonprofitsassistancefund.org.