ABC OF NGO FINANCES

Finance Management Toolkit for IVS NGOs

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INTRODUCTION

This is a specific mix of financial management backed up by project management and organisational management. It combines strategic management with day-to-day activity level in order to show that these not only are linked but if we pay attention to both, they lead us to the desired flexibility in our organisational structure. This structure will provide us with the security we all search for: which is not only a dream or promise but a realistic framework built strongly on our values we believe in.

I have worked for many organisations already and what I can say for sure is that the most successful projects/workplaces were those in which people enjoyed working, had an atmosphere of clarity and trust, and everybody was allowed to make a mistake.

I truly believe that financial management cannot be chemically separated from the other elements of organisational management: these together lead us to success.

How to generate funds will be the topic of the other Evolve training and Toolkit – Marketing and Communication (www.ccivs.org/resources) – and you can find many good toolkits and handbooks on the internet about the topic free for download.

It is rather more difficult to find a Financial Management Toolkit which would assist you in your challenge to stabilise your organisation's / project's finances.

The goal of this Toolkit is now clear: to fill this gap and help you not only to understand basic financial terms but also to provide you with practical advice on how to build up a fine financial management structure without generating too much bureaucracy.

We have a saying in Hungarian: "They fell on the other side of the horse" – which we say when somebody switched from one extremity to the other. The balance is hard to find and it's easy to get overwhelmed with all data and administrative sheets of finances.

I wish you all to find the gentle balance between the two approaches and be able to "ride your horse" in stability but still moving towards achieving your vision.

Katalin Somlai

WHO

IN this chapter we will discover our own relationship with money, and how that might affect the NGOs financial situation where we work/volunteer. We take a look first on how to build a team in order to improve our finances – as this task cannot be successfully done alone. What motivates us and others? We take a closer look at finance-related roles in an IVS organisation and provide you with some basic advice – so that you won't be surprised when an auditor visits you!

OUR OWN RELATIONSHIP WITH MONEY

"All the things I could do
If I had a little money"
ABBA - Money, money, money

Richness can be interpreted in many ways.

Our IVS organisations are usually very strong when it comes to moral and ethical values, motivated to do something good for the world and society, drivers of change and organising actions for this.

During these world-changing activities we tend to forget about money, and that only a few communities in the world can make themselves quasi-independent from money. We acknowledge with sadness that our organisation's existence, the salaries of employees and many aspects of our projects depend on our financial situation.

Then we start to think of it: we realise we do not have much, and we do not know how to get more. This makes us feel demotivated, since in this area we do not have expertise, experience and success. Furthermore, we do not even like those people who "only" think of money, right? We, in our NGO, are not-for-profit, so let's not even think about how we could make money – that is too much like at a for-profit company!

So we turn to realising actions again, and hope for the best possible fate as regards finances.

This is a vicious cycle in IVS organisations, which only can break if more of us can find that thin balance between NGOs value-driven work ethics and sound, planned financial management ensuring capital growth.

Let's start with ourselves, before we ask anyone else.

Ask yourself the following questions and answer them only to yourself first. When you feel confident enough, ask your colleagues and the volunteers at your next team meeting.

- What did you learn about money growing up?
- Which feelings do you associate with being in debt?
- Should an NGO set a financial goal?
- Can NGOs be rich?

Any answers are fine. You only need to be conscious whether there are any obstacles in the way of strengthening your NGO financially. Such obstacles can be:

"We do not need money at all"

We all know that in IVS organisations money is not a value itself. We need it for our actions, through which we realise our value-driven goals and objectives. This Toolkit will help you to connect your strategies to finances so you can be aware of implications and consequences.

Money does not have to drive your decisions about strategy, goals and actions.

However, it is a constraint: after the initial planning it has to be taken into consideration, even during the monitoring and evaluation phases.

Imagine you draw a tree to show someone how diverse the activities are in your NGO to make a change in the world. Lots of big plans, lots of nice ideas, a very wide tree with lots of branches and leaves.

Then comes the 3 scissors: money constraint, time constraint, capacity constraint.

They cut down branches and leaves, and what remains, will be your realistic, feasible action plan for the timespan you planned.

There can be different capitals in our NGO, not only financial: usually we are strong in human capital. Therefore, we start with the team, the people, and motivation!

We all have implemented some great projects with a small budget, and we did not need millions to achieve that. Keep that in mind when next time you feel bad about not having much money. On the other hand, be open to embrace the idea that an IVS organisation can have a truly strong financial situation – and what changes it can make with the help of it, if it keeps its values straight!

This toolkit concentrates on supporting IVS organisations to strengthen their financial situation internally. However, external advocacy with other organisations can also help a country's NGOs to be more sustainable financially. Such actions can pay dividends in the long term.

THE HUMAN CAPITAL

"The most important capital of IVS organisations
is the Human Capital."
Ratherford Mwaruta, Zimbabwe Workcamps Association

After we carefully examined our relationship with money, and how we think about wealth in our NGO, it is worth turning to the topic of motivation.

Our volunteers are highly motivated by our mission – they want to change the world, spread the culture of peace and understanding, and be a role model for non-violent communication and responsibility for nature, people and humanity.

This motivation and enthusiasm drives them to perform the tasks of organising an international volunteer project, where they meet with other like-minded volunteers.

Staff members in certain positions however do not necessarily have that direct connection to the mission so clearly manifested in their work on an everyday level. When we create an invoice, or calculate a project budget, it requires a strong abstract thinking skill to create the connection between the task and the NGOs mission.

Let's take a closer look at what can motivate staff and volunteers to be involved in finance management of the organisation!

Before you read on, ask your staff and volunteers who deal with any finance task, why they like to do it? What is their motivation? Then take a look below on the possible factors listed. Were all of these popping up in your organisation?

<u>Possible motivational factors of finance staff:</u>

- Improve NGO goals
- More people understand finance than the admin team
- Less stress within the organisation
- Career goals
- Link to mission
- Impact of finance work on decisions
- Organisational culture, place of finance department in the organisation
- Benefits provided by the organisation to staff members (eg. pension, health insurance, social security

Possible motivational factors of finance volunteers:

- Success of staying within budget (when workcamp leaders get a budget and they can cover all expenses out of it)
- Improve skills
- Career goals
- Improve NGOs goals
- Expand the network
- Recognition
- Community - company of like-minded people

MOTIVATION

McClelland's Three Needs Theory[1]

David McClelland's Human Motivation Theory allows you to identify people's motivating drivers. In the early 1940s, Abraham Maslow created his theory of needs, David McClelland built on this work in his 1961 book, "The Achieving Society." He identified three motivators that he believed we all have: a need for achievement, a need for affiliation, and a need for power. People will have different characteristics depending on their dominant motivator. McClelland says that, regardless of our gender, culture, or age, we all have three motivating drivers, and one of these will be our dominant motivating driver. This dominant motivator is largely dependent on our culture and life experiences.

Dominant Motivator	Characteristics of This Person
Achievement	• Has a strong need to set and accomplish challenging goals. • Takes calculated risks to accomplish their goals. • Likes to receive regular feedback on their progress and achievements. • Often likes to work alone.
Affiliation	• Wants to belong to the group. • Wants to be liked, and will often go along with whatever the rest of the group wants to do. • Favours collaboration over competition. • Doesn't like high risk or uncertainty.
Power	• Wants to control and influence others. • Likes to win arguments. • Enjoys competition and winning. • Enjoys status and recognition.

[1] Cihan Kilic's presentation, ABC of NGO Finances, Hollókő, Hungary, 2022. 05., based on the book of David C. McClelland: The achieving society, Van Nostrand, Princeton, N.J., [1961]

How to manage and motivate people based on their dominant motivator?

- Achievement:
    - People motivated by achievement need challenging, but not impossible, projects. They thrive on overcoming difficult problems or situations, so make sure you keep them engaged this way.
    - When providing feedback, give achievers a fair and balanced appraisal. They want to know what they're doing right – and wrong – so that they can improve.
    - Assign them to the workcamps organisation team.
    - Communicate to them how their work contributes to achieving the organisational goals.
- Affiliation
    - People motivated by affiliation work best in a group environment, so try to integrate them with a team when possible.
    - They also don't like uncertainty and risk. Therefore, when assigning projects or tasks, save the risky ones for other people.
    - When providing feedback to these people, be personal.
    - Start by being positive
    - Remember that these people often don't want to stand out, so it might be best to praise them in private rather than in front of others.
    - Assign networking tasks.
    - Make sure they can work in a team.
    - Express to them that you believe that together we can achieve more.
- Power
    - They work best when they're in charge.
    - They may also be very effective in negotiations.
    - When providing feedback, be direct with these team members. And keep them motivated by helping them further their career goals.
    - Assign them tasks like dealing with governmental partnerships.
    - Give them the opportunity to try themselves in leadership positions.

Affiliation and Achievement are accepted motivators when it comes to someone related to an NGO. Affiliation-motivated people are really good with networking, meeting new people, making contacts. They can be great mentors for new volunteers and are good at organising events. Camp coordinators' dominant motivator is usually achievement: they enjoy solving issues quickly, and have great responsibility for a well-defined project.

What about Power?

Could it be that holding decision making power is a motivator, particularly in case of finance roles? Making decisions which shape the future of an NGO and make it sustainable is an important part of organisational culture and operations.

Usually the roles related to finance decision making are at the level of the board, the president or director, in some cases managers. An important demotivator for people with financial acumen to join the board is the internal politics which can go on at the leadership levels of the organisation.

It can be difficult for people working in the NGO sector to deal with power, or to see it dominating another person. Power is not necessarily evil, and if we put this theory in perspective in our own environment and organisation, we can identify where it can be seen as an actual asset to be motivated by power.

In Zimbabwe, our friends use the technique "Appreciative inquiry". They identify who is motivated mainly by power in their environment, then they approach this person very peacefully and friendly, appreciating the value these people create by their work and efforts. When connection is made, these power-motivated people are offered tasks where they need to communicate with similarly oriented people: for example building relationships and partnerships with governmental institutions or big companies.

As a leader, you probably need all the 3 motivators in you quite equally balanced.

Accepting the presence of power, if used carefully and peacefully for the mission of the organisation, can help our NGO to stabilise organisational structure in (on) the long term.

Reflect together with staff members and volunteers, which motivator is or should be present as a director, as a finance coordinator, as a finance volunteer and as a programme volunteer of an NGO! Should everyone have the same motivation? Are all of you of the same opinion?

HOW TO GIVE FEEDBACK?[2]

- Be clear and specific
- Be constructive
- Be respectful and supportive
- It should be asked for
- Feedback is not about character / personality – it is about skills, competences, attitudes
- Use "I-messages" – How did I feel?
- Express feelings, observations, interpretations (What I understood is... is that what you meant?)
- The closer the relation between the action & the feedback is, the bigger the learning will be
- It might not always be the right time for advice

[2] Cihan Kilic's presentation, ABC of NGO Finances, Hollókő, Hungary, 2022. 05

The Boombox Model of Feedback

The Boombox Model of Feedback is helping you to give feedback by suggesting a structure for the discussion. There are 4 elements you can highlight during a feedback session with your colleague or volunteer:

- Start doing
- Stop doing
- Do more of
- Do less of

Try this model on 'how to give feedback' to one of your colleagues or fellow volunteers! When you finished the feedback session, ask them how they felt about the discussion.

How to receive feedback? What to do with feedback?

- No excuses
- Do not defend yourself
- It's not the time to justify ourselves
- Ask for clarification
- Respect the feedback by active listening: try to understand it
- Thank the person who gave us feedback – it took time and energy from that person to deliver it

FINANCE ROLES IN THE ORGANISATION

The advantage of having finance roles assigned to a particular individual or group is that we know who to turn to with questions or when a new task arises. These people can continuously develop their finance skills and so not everyone has to know all the details.

In many organisations (also for-profit) finance/economy professionals feel "alone" as their knowledge is so unique compared to others, that even though they try to share their views and disseminate finance information, others do not understand them. This is something to avoid, as it results in these people leaving your organisation. On the topic of motivation in this Toolkit we will elaborate further how important teamwork is when it is about a financially balanced and sustainable operation.

Let's take a look at the roles and tasks which can be related to finance in an IVS organisation!

Director/President/Vice-president

Leaders of the organisation are usually responsible for keeping up a healthy finance situation. They are the ones who make decisions, and are typically the signatories of the organisation for the bank and on all contracts. Depending on the country's law they can be personally responsible for the organisation's actions during their term.

Most of the time however they are not a finance professional. Our leaders are experienced volunteers, camp leaders, incoming and outgoing officers, program managers who are highly engaged to our mission and can drive others to work together for the same goals. Our director and president roles usually do not require specific education or leadership profile. Bringing in someone "external" is regarded as a risk and it is true: the risk is that the person will not have the one characteristic which is the most important for us, the IVS attitude. This attitude is complex and includes values such as solidarity, tolerance, anti-discrimination, humanity, cooperation, inclusion, humility and of course, volunteering.

Therefore it makes sense to work with our existing staff and volunteers, enhance capacities internally so people can gain the necessary skills for leading the organisation.

One important skill is decision making. As you will see when you read through this Toolkit, decisions of every kind have an effect on the organisation's finances. Therefore directors need to be conscious about their vision for the organisation during their term, they need to be responsible and accountable for it. They need to to keep the organisation's operations in line with collective decisions (eg. strategic plan and action plans) and be ready to adapt to a changing environment. There is no need to be a certified accountant, only an inner motivation is required to understand finance on a management level. Another important task is to create human resources within the organisation who actually can do the specific work (accountant, auditor, finance administrator..) and ensure they are given clear goals and role descriptions. Directors – since they are the ones signing – need to keep deadlines so they need to be aware of the finance calendar. They need to be able to understand the documents they sign. Also, they have to evaluate the work of finance people and choose the right external service providers.

Since our leaders are typically not finance persons, there is a need of "translating for decision". This means that management and statutory reports have to be summarised, simplified, worded without jargon, and when possible presented in different versions with detailed consequences on what happens when any of the versions is chosen by the board. Many IVS organisations realise this and have cheatsheets, templates and other tools which help them not only to monitor and control finance but also to report to management. Please have a look at the Monitoring tools topic of this Toolkit to see some actual examples from CCIVS members.

Finance officer/Administrator/Office coordinator

Many IVS organisations have at least an office coordinator who is responsible for basic administration, such as invoicing and keeping up with daily documentation. These roles do not require a certified accountant: attention to detail, ability to organise and prioritise, enjoy having things in order and doing repetitive tasks are the skills and competencies needed to fulfill the role with confidence.

The admin side of finance – which is actually the basis for advanced finance as without proper data there is nothing to analyse – is the most important aspect. Digital tools, softwares and automations can help to reduce the workload of the coordinator.

In case you have a limited amount of money to pay staff, then at least have one administrator part-time and have the right internal monitoring and controlling processes in place. This person together with an external accountant can prepare the necessary reports and the board then has someone who knows the everyday operation of the organisation.

Project/Program manager

Project coordinators can have control over their project finances, so they need to know about basic finances - we can talk with them about finance at team meetings and the board can be aware of main finance issues. Nevertheless it is not possible to control everything as a project coordinator!

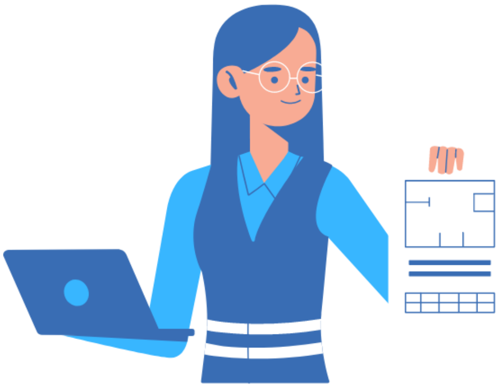
In larger NGOs there can be project managers working who run specific projects (eg. grant-related ones) or even program managers who run several projects relating to a specific activity type or goal of the organisation.

This Toolkit can be useful for these managers too, only they have to consider their project or program as a whole NGO – the way of building the budget and improving processes are the same.

Information has to come most of the time from the central organisation unit and main decisions from the board, who can be thought of as the biggest donors of your project/program.

NB! Probably there are several authorisation and approval processes set centrally which you have to follow, so be aware of these before you start working with your project's finances. Identify the colleagues who you need to inform or ask for approval .

Accountant



In most countries a certified accountant is aware of the current rules on financial reporting and taxation. So either you hire one (which is usually quite expensive) or you commission an external accountancy firm which does these tasks for many other companies and/or NGOs.

It can happen that we consider that contracting this person/firm is the only thing we have to do with finance. They will notify us about deadlines, will automatically prepare all reports and submit them, we only have to pay the bill.

This is not the case!

We need to raise finance literacy and capacity in our organisation, as without proper data no accountant can work with us. On the other hand, since NGO finance rules usually differ quite a lot from for-profit companies' finance, not all certified accountants will be our trusted allies.

<u>What are the factors to think through when selecting an external accountant?</u>

- That the person is a qualified (certified) accountant.
- It is advantageous but not necessary to have NGO experience.
- Needs to be up to date with legislation, laws, NGO reporting requirements and specific finance regulations. Will need knowledge about law on tax exemption, donations, membership fees.
- Should be interested in working with us and be competent.
- Clearly defined expectations of data. It is highly recommended to agree at the very beginning with the accountancy firm what their expectations are towards us, what kind of data we need to provide, in order for them to be able to work properly? Eg. sharing bank statements at the beginning of each month, sharing cash book, receivable and payable invoices, receipts, etc.
- Well defined responsibilities. What are the responsibilities they take on for the amount of money we can pay them? Many times the contracts with these firms are way too complicated – take your time to read them through and ask questions before you sign anything. For example, ask if they will notify you in advance about any statutory reporting deadline and what information you have to provide to them? Ask who is the supervisor of the accountant and for the contact details of that person so in case your accountant does not know something or is on holiday you still have somebody to turn to. In case you have any specific recurring issue in finance (eg. currency translation issues) then make sure the support on that topic is included in the contract.

- Use of digital tools and automations. Do they require original invoices or can you work from copies shared on the cloud? Is their software compatible with yours?
- Ability of clear explanation and reporting. Ask some questions about the NGO final accounts they need to prepare and consider how clearly they explain this to you..
- Strict attitude when it comes to the justification of expenses – the accountant needs to track these and ask for justification from you. They should be able to tell whether your expenses are in line with your organisation's activities.
- Keeping deadlines.
- Keeping authorisation and approval processes.
- Communication methods and habits. Are they open to phone calls or only emailing? Are they billing the phone calls by minute if they call you? Availability is one of the most important things of an accountant!

<u>What is the right attitude to have while working with an external accountant?</u>

- The accountant should know the goals of our organisation, our main activities and work processes. Be prepared to explain to them in simple terms and be brief and patient with reminders. Your activity may be far from their expertise, as advanced finance may be from yours. Sometimes NGOs have the approach: "I do my job, you do yours and that's all" but this will result in improper financial management.
- Expenses should be in line with the goals. This is your task to ensure. In many countries – even without knowing regulations – it is highly probable that receiving money for something which is not written in your organisation's Statutes (Founding document) is against accounting rules.
- Sometimes we may not understand what the accountant says, we feel incompetent. To avoid this problem we need to start communication within our organisation, as it is impossible that one person will know everything. Ideally a minimum of two people from your organisation should be in contact with the accountant and they should be able to ask the right questions.
- The accountant should not have to tell us when we spend too much, ideally there should be more people within the organisation who know how to manage finances. The board should be able to scrutinise the results, cash flow and ensure proper resource allocation. A system of approvals can help to stop overspending.
- Meetings with the accountant are important, make sure you allocate time for it regularly.
- Sometimes accountants can make mistakes too. We may also forget to give them something and they close accounts considering there are no more documents. It is important that we read through the reports they prepare before approving them, and if we do not understand something or the figures do not add up, we ask about it. It's not the accountant who is responsible for the content of the reports and the figures at the end, it's the organisation!

Workcamp leader

Workcamp or voluntary project leaders cannot avoid dealing with the organisation's money. There is a budget for every camp or project, no matter how local and small it is. Since the camps are often far from the office, campleaders have to be aware of basic finance rules which they need to keep. Set a time when they can meet your finance admin after they come back from the field – so they can submit documents and discuss any questionable situations.

It is recommended to discuss basic financial rules. You can look for examples of such advice in the topic 'Advice of an auditor' (p.16) in this Toolkit. If possible, provide the project leader with the phone number of a staff member who can provide quick finance advice to them in case this is necessary.

Talk with your volunteer project/workcamp leaders and make a list of possible scenarios where money is involved! Make sure that for each situation there is good advice on how to handle these from an accounting point of view.

Finance support volunteer

In case you have a volunteer who enjoys dealing with your finances, make sure you keep that person – it is quite rare, but not impossible! You can ask retired accountants who have the necessary knowledge and the time to volunteer, send a call for a pro bono accountant to Firms in your city or region, and ask your volunteers to share this call in their personal network.

The volunteer can be a good help for the finance administrator/office coordinator. Assign tasks which are not linked to hard deadlines, are rather continuous, and ensure there is always someone who monitors the report or documents prepared by the volunteer. The work time of the administrator is then freed up by the support of the volunteer. This can be essential as the coordinator then can deal with other important matters (more controls or analytics).

Examples of tasks for a finance volunteer:

- Preparing reports, matching payments with invoices, verifying if all invoices are prepared for the income available and all invoices are received for the costs incurred
- Archive these documents in the right place
- Organising cash receipts, matching them with cash book items
- Categorising income items by project, expense items by cost centre
- Preparing simple reports about monthly/quarterly income and expense figures

Take into consideration that if you find a senior finance person to volunteer for you, you need to be able to give senior finance tasks to that person. This is rather an option for larger NGOs with several programs and projects and a great central administration. However, being asked to be an internal auditor is a very fitting volunteer task for a high profile manager

Auditor

First let's make a difference between internal and external auditor.

An internal auditor is someone from your organisation, who has affinity for finance and organisational development, and is motivated to review your processes and figures from time to time. This person does not officially verify that your processes are adhering to actual legislation, but rather performs a "pre-check" before an external auditor will go through your books. An important difference is that the internal auditor reports to your board, while the external auditor has the obligation to report to the authorities if they find something improper.

"An independent audit occurs when an auditor or auditing firm outside of your organisation examines your nonprofit's financial statements, records, transactions, accounting practices, and internal controls."[3] Smaller NGOs are not usually required to have an independent audit. However, there can be some specific cases (eg. a condition of a governmental fund or a bigger grant) when you are obliged to ask an auditing firm to conduct an external audit in your organisation.

There are many advantages of having an audit, but never forget that it requires a lot of preparation from your side. It is recommended to start with internal audits as soon as possible.

"The benefits you'll encounter when you conduct an audit include:

- Increased transparency. You may decide to communicate that a nonprofit audit took place and even the improvements that you're making as a result of this deep financial analysis with your supporters. This way they'll know that you take your funding and your financial management seriously and will effectively protect and use their contributions.
- Regular accountability. If you conduct a financial audit regularly (whether that's every year, two years, or even five), you'll find that you're held accountable to the same high standards of controls and financial reporting over time. Even as your organisation changes and expands, you'll be confident that your finances are always secure and well-allocated.
- Find opportunities for improvement. Your nonprofit audit may not be perfect, and that's ok! One of the great things about auditing is that it can help identify opportunities for your organisation to improve upon its policies and procedures."[4]

The auditor won't make decisions about how your organisation should operate. They can give advice, prepare a report about their findings and notify you on priorities.

Gather all people in your organisation who have to deal with finances/money in one way or another. Make a list of all roles which have any finance-related task. Did you find any others than those listed above? Identify together which level you are with your knowledge and experience, and which level the roles should be. This helps you to see where you would need expert support or maybe training for your volunteer/staff.

[3] https://www.jitasagroup.com/jitasa_nonprofit_blog/nonprofit-audit/ , downloaded 2022. 07. 30.
[4] https://www.jitasagroup.com/jitasa_nonprofit_blog/nonprofit-audit/ , downloaded 2022. 07. 30.

Best Practice – Egyesek Youth Association

Tamás Mahner, leader of Egyesek Youth Association shared the best practice of his organisation on how to overcome financially difficult times during the ABC of NGO Finances training :

"The main income of the organisation was always dependent on grants and this was creating a problem. In 2014 it became harder to get Erasmus grants in Hungary. They looked for other fundraising opportunities, such as crowdfunding, in which they were not successful at first, they needed to learn how to use this fundraising type properly. They identified 3 steps to implement an effective crowdfunding campaign:

- Organisational basics: clear mission, vision and activities
- Efficient impact management: Collecting data of the impact of the activities. Present this data in a user friendly format for the public.
- Communicating the data: Communicating the impact proven by data.

They kept on working by introducing new types of income, but still they did not feel their financial situation stable enough. Their staff turnover was 1-2 years. Their reserves went down till the point that they had crisis table discussion and started an organisational development process. The new processes went well, stability was created and they could do even more projects than before. They introduced automatic admin processes. They separated operational organisation (office and basic operations) and projects finance. Now all the projects give 10% of their income to the operational organisation center (which runs office and basics), and the rest of money they are free to deal with as they can. The project staff even defines their own salaries, so it is a natural motivational system. They are motivated to generate income. Like this there is shared responsibility for finance sustainability within the organisation. In case a program/goal fails to get a grant, then the running projects finish in 2-3 years so the staff have time to figure out what to do in the future.

Keys to success are:

- Very good cooperation with their external accountant, they meet regularly, and explain to each other what they do and how.
- Having a solid mission, vision, meaningful activities, strong impact measurement and communication, and thanks to all of these, the fundraising is basically almost done.
- The attitude of “Money is not evil” - we need money to change something in society. Difference between companies and NGOs in the IVS sector is how do you use the money, for directors’ salaries or for the good of the society.
- Setting the minimum amount of income they need to have to cover the fees of the office and basic expenses, and all other income is a plus after that.”

ADVICE OF AN AUDITOR

Excelling at an audit is a source of pride for all finance people. Since NGOs are not making profit it can seem useless, time consuming and difficult. Even though we make our minds up and would like to try, we do not know where to start. We receive advice to look at our reports and our processes of handling money. We try and realise that we hardly have the data necessary to determine whether we have outstanding invoices to collect or if we do owe someone or not. We know we need to fundraise and we try it, and only later we realise we forgot to document donations properly. The feeling of not understanding what finance management is about and the pressure on transparency starts to under motivate us to deal with finance issues.

To help organisations who are in that state of mind, below is some basic advice which an auditor would give you even without knowing your processes or seeing your figures. How you prioritise the order you start to work on these, can differ and can be dependent on what role somebody has in the organisation. It can also happen that you are in a situation where you just do what you can and do not prioritise – that is also ok! No matter where you start to improve, making efforts to strengthen your financial processes will pay back in the long term.

Read the list below and discuss in your organisation, how do you interpret the points, which ones do you find the most important. Do you have any other advice to add?

- Keep cash transactions to a minimum.
- Do not give money to anyone without receiving a receipt/invoice. In some countries cash payments to small vendors who can't give receipts is usual – in that case prepare a voucher to ensure the cost is in your administration. In Zimbabwe the IVS organisation prepares an acknowledgement receipt when they give money to the volunteers and do paperwork when the volunteer project is over. Any solution can be good – just verify it with your accountant. In case you do not have an accountant, just prepare a paper about the cash movements yourselves. You cannot change the culture of your country, and you do not need to choose between having quality partnerships and having proper finance administration. Look for a solution until you find it!
- Keep incoming and outgoing money separate.
- Collect several proposals from providers before making a decision.
- Be specific within contracts.
- Create approval systems for money transactions.
- Verify authorisations.
- Store all your data in a safe place. Having all your data in one place is risky. Backup storage is needed, and it is recommended to keep your external hard drives in the safe, so whatever happens you do not lose critical data entirely. Anticipate possible fire risks. It is best to keep data on different platforms: Cloud, paper, hard disk and software. Keep track of what data you store where.
- If you have an invoice, pay it as soon as possible.
- File your invoices and attach to it the payment proof.
- Keep your lists up to date. Inventories, cash books, payment-invoice matches.. any kind of templates and monitoring files you prepare, think about how to have them regularly updated.

- Act immediately on recent issues and do not let them age.
- Change the NOW and FUTURE and slowly CLEAN the past. When you start to improve your finance processes, it is recommended to start from the actual point in time and first do better for the future, so as to stop the inflow of mistakes and errors. When you fix the future, start to clean the past, methodically until you have cleaned everything.
- Start cleaning with the oldest issue as it will just grow even older.
- Use each financial report, list, statement for the purpose of controlling (compare with each other).
- First priority is to keep track of basic info (invoices, payments, assets, cash).
- Have more than one person in your organisation who understands finances.
- Choose your suppliers wisely (accountant, IT, fundraiser, etc).
- Prepare closure-type reports quarterly to prepare for the real closure.
- Stable sound financial management is likely to attract donors.
- Establish regular income sources. Monthly individual donations are the best, they are the most stable type of donations for your organisation.
- It is not enough to put a number in the accounts - each number should be backed up by an invoice/receipt/statement/contract.
- Prepare for the unexpected. Raise reserves, funds and savings.

The following statements can be controversial but might trigger some important discussions within your organisation. Please feel free to use them in a workshop to start conversation, it is a great warm-up for further finance topics.

- Question all expenses. Is it really necessary? Which goal is it for? Is it valid for the purpose? Is the document backing it up authentic? Depending on the level of financial maturity of your organisation you can also choose not to question all costs but only those which were not budgeted, or those which are not recurring but extraordinary. The questioning of expenses as a task should be assigned to a leader role, be based on the priorities of the organisation and have a framework of criterias.
- A not so good report is better than no report. Of course our intention is to prepare a good report, but it can happen that we have no time to finalise it well and missing the deadline would have a larger negative impact on our NGO than to submit it with some errors. You can assess the size of the negative impact of no submission based on what type of report is in question (donor/statutory/management…) and how hard the deadline is. This is the big question of time vs quality. It is good to have something instead of nothing for donors. They need reports to trust that we do the activities they supported. Be honest with your donors, you can share with them the weaknesses of your report, they will understand it. We need to be aware that we could not finish it well and find time to finalise and re-submit it if possible. Identify what went wrong and try to do better next time. In case you regularly prepare similar types of reports, prepare a guideline for it so next time it will be easier to prepare.
- Ask everyone if they know what their task is. Having staff in your organisation who do not know their task is a pure waste of money. Volunteers are getting undermotivated if they do not find their place in your organisation.
- Raise membership fee/service price and cut your expenses. Or at least, do not raise expenses at the same time you raise your fees. This is a very simple but effective way of securing your

budget balance (and might build some reserve) without knowing anything about the exact figures.

- Never pay a provider without verifying if obligations are met. Verify the contract! In case you pay without having your product/service provided, there won't be any court who can help you when the provider just disappears with your money.
- Share financial tasks and decisions as if it were a tasty cake. This is about the separation of power principle: the same person should not be responsible for ordering, verifying fulfillment and payment. TThe person for cash collection and administration should not do the reconciliation of accounts.
- Guidelines are your best friend. Build as many as you can and keep them up to date. This will save you an enormous amount of time.
- Clarify first what competences and skills you already have within your organisation and use the potential of that capacity. Only then invite senior professionals when your organisation is solid on the basics.
- Focus on keeping the current standard of your operations and continuously plan development in small steps.
- Prepare Cash Flow at least quarterly.
- Look at your competition regularly, compare portfolios and prices and search for your competitive advantage.
- Invest to gain more.
- Plan and follow your income and expenses on a monthly basis.
- Create new income sources which are predictable and easy to forecast.
- Something for something. This is about an important attitude: always look at what value your organisation gains when its money is spent. The more money spent, the more value the organisation should receive.

WHAT

WHEN talking about finances in NGOs, the fear usually comes up: what if we will be "too successful" in making money and it will drive our organisation, not our values? Well, this is definitely a possibility – we have all heard about big and rich organisations and their failures to live up to their promise. On the other hand, to doom our NGO to financial struggles is also not a road to follow.

It helps here to ensure that all our actions in our financial model – even the financial ones – are related to our values. The actions the organisation does should derive from its strategy, which is built on its mission which is basically combining our values with a clear direction. In this case finance/money will remain only a limiting or allowing factor, but it is not defining what we do or don't do. An NGO can be professional in finance, as it means a lot of things: being punctual with administration, keeping deadlines, knowing referring rules and law, understanding how different tools work which can make our work easier, designing decision making processes, controlling authorisations and access and so on. When we fundraise, we basically sell a possible, nicer vision of the future to the donors. This future we believe in and we work for – and those who can't or do not want to work for it but agree with us, support our work. It is not altering our values that we actually sell a textile bag with our logo and that is how the buyers support us with their money.

It is very important to make the difference between when money is the goal and when it is a tool! You can say that a fundraising activity has money as a goal. So is that dangerous? It is difficult to generalise all situations which can emerge while fundraising and handling money. That is why we need to think through all our processes and design them well so that we build a strong, resilient but flexible structure within our NGO to steer it in the right direction. This is how the WHAT is built on the WHO.

STRATEGY INTO ACTION

Mission, vision, strategy, all these words sound very mystical and far from our everyday reality in grassroot NGOs. However, when we are asked why we do the thing we do, and what change we want to trigger in the world, we all know the answer.

When we have scarce resources, if we do not know where we are heading to, what actions we want to do and why, then it is difficult to decide how much to spend, or even to know how much money we need to be able to continue.

Therefore, we need to have a stone-solid mission statement and everyone in our organisation should be aware and aligned to it.

In finance, rules are everything. Good finance people are likely to have a rule-follower personality, and they demand to have rules set so they can work in a well-defined framework.

The outer circle of this frame is the mission, which concerns everyone in the organisation, no matter the role or decision making power.

Let's draw this circle first together!

IVS organisations' missions can take up many different forms, however they are still related to each other. Some examples of CCIVS' member organisations' missions:

- Promoting global friendship and understanding through community development
- Support, develop and improve human rights
- Empowerment of women
- Promoting volunteering and IVS values
- Environmental protection

A good mission statement is short and worded as one sentence. It needs to be valid for the whole organisation, not only for a current project. Define it in such a way so that it will be relevant for a very long time.

CCIVS' mission:

"CCIVS strengthens IVS worldwide by connecting and empowering its members, promoting and advocating for IVS and its values locally and globally."

This is a well-written mission statement for an umbrella organisation like CCIVS. As a grassroot NGO, you do not have to aim for the same and you can be a bit more specific. It is easy to confuse the mission with strategic or project goals, so being too specific is not recommended either.

Identify the mission of your organisation, write it down and share with your colleagues in the next meeting to see if everyone agrees. Work on it together until everyone is happy with it.

When we have our mission defined – which likely does not change for the next couple of decades, or possibly never (just have a look at SCI's 100 year old mission) – we continue to define our strategy. Strategy is already for a shorter time period, and it is a bit more detailed than the mission statement of the organisation. We can define our strategy for 2-5 years: it does not make sense to have a strategy for shorter than 2 years (you will see soon why) and longer than 5 years (because too many things change in the world so a longer strategy gets outdated).

Strategy consists of goals and objectives, all well defined in line with the mission, vision and values of the organisation. These are all very useful when the leaders of the NGO would like to decide about which matters are important or rather insignificant for the organisation. There can be many different ways to reach a goal and you need to identify the one you can and you want to take on to ensure you manage your resources well and work effectively.

Do not be afraid of strategy! If your organisation is small, it is not necessary to create a strategy paper. It is goodenough if you list your goals in your Action Plan. Focus on the common work to find your goals and agree on a mission within the organisation, so everyone can feel connected to it. Even if you write a Strategic Plan, try to create a short and easy-to-understand type of document. It happens that NGOs overcomplicate their strategies and finally it only gets dusty in a drawer without being a helpful tool for management. A good strategic plan is involving (it incorporates not only a few people's ideas but people from a wide range), it is living (a useful tool when we try to explain who we are and what work we do to new volunteers for example) and directing (gives advice when for example you need to decide about whether to take on a new activity or to apply for a new type of grant).

The Waterfall Model

Let's take the example of CCIVS Strategic Plan 2022-2027! You can download it from this link: www.ccivs.org/resources

It has 4 main goals and each goal has 2 or 3 objectives (sub-goals). For each objective there are outputs and outcome indicators defined, which are in many cases basically action items.

Goal 4 is "Strengthening the CCIVS structure to become a learning, resilient and innovative organisation" which has objective 1 as "CCIVS has diversified its sources of income towards financial sustainability" . One of the outputs is "Training on financial management", which took place in May 2022 in Hollókő, Hungary. It could take place because CCIVS won a grant for capacity building, which they had to apply for a year in advance. This means conscious planning and working towards the goals and mission.

Check out the other goals of CCIVS, see how well the details unfold from mission through goals and objectives to the concrete actions.

You do not need to alter your organisation's way of working very much.

Optimally you already have your mission and your strategy with goals and objectives, and you do regular action planning to prepare for the next year. If you do not have such processes, then think about what kind of planning you do generally. Does your board have regular meetings? Do you discuss how the workcamp season went and what you would like to do next year? Just write it down and voilá you already have your Action Plan.

Write your 'Mission' on the top of the page. Then break it down to 2-3 main goals. In case your organisation is small and it does not come naturally to identify objectives, you can skip that. After this step link all actions you listed to one of the goals. In case you have an action which does not relate to any goal, discuss it with your board again: is it truly something your NGO wants to work on, or maybe an important goal is missing?

Do not have more than 4 main goals.

Adding many goals only to justify that some actions are relevant, will not help your organisation to be sustainable. Since IVS organisations attract many different volunteers and our volunteer projects also have a very diverse set of values and goals, it can easily happen that one or two volunteers or staff insist on an action which reflects their personal interest. This would mean that a few people use the organisation to fulfill their private goals. This can take the form of a socially valuable project suggested with good intentions, but will use the resources of the whole organisation which consists of other people and other projects too. Think about it: when we allocate our hard earned and fund-raised money to a project which is far from our mission, we probably cannot finance another project which is closer. Therefore it is essential that those who make decisions about the future of the organisation agree on the goals and action planning.

None of us has a magic ball in which we see the exact future, so there will be changes compared to the plan, but these we need to keep to a minimum in order to maximize our effectiveness in reaching our goals.

If your organisation is large and it has a model based on several projects and you work for one of them, you can use the advice of this toolkit in a way that you consider your project as an NGO in itself, and as such you budget and report only for that project..

TEMPLATE: 2.1. A connected Action Plan for every size of NGO (See Annexes)

How is all of this connected to finances?

When you build your budget, you can do it in a format which has the objectives (or goals, if you do not have objectives identified) or the actions as cost centres, and time it per month just like the actions in your Action Plan. For an NGO which runs many major projects which last for several years, it can be a good idea to have these projects as cost centres. Look for topics "Budget" and "Return of Investment" where we discuss in more detail why this is useful for your organisation.

To easily follow how much money you spend on which objective or action, use the Budget report as a basis for your Cash Flow statement. It is basically a "working budget" which helps you to check whether you are on track with your planning. By using such a format you can more easily spot when a cost is not linked to any planned action or any goal, so that it can be prevented from reoccuring. Read the topic "Cash Flow" of this Toolkit to gain more understanding and support.

Another advantage of such connected finance reporting comes up when we analyse our financial figures. For example, during the year we follow which expense and which income is related to which goal/project, we only need to add them up to see how much it costs to work on that goal or project and how "profitable" it is. The topic "Return of Investment" in this Toolkit details how this calculation can make sense to an IVS organisation.

ACTIONS VS FINANCES

All actions we do in our NGO relate to finances somehow. We like to think this is not true, since we are volunteers and not expecting money or any compensation for the work we do. Our compensation is that deep satisfaction feeling that we work for a morally much higher purpose than money and our belief in the values the NGO represents. That is why we fight the prejudice that volunteering is simply "work for free". On the other hand – and that is why most of us do not like to deal with finances – in financial reports these values are not shown. We see in black and white that the human resources for which we do not have to pay are a huge asset. Therefore, IVS NGOs most valuable capital is truly the human capital: all those skilled, motivated volunteers who are ready to make a change in the world without expecting the organisation to give them a salary for it. That is why many grassroot IVS NGOs are run without paid staff. SCI Hungary celebrates 29 years of existence in 2022 and it is run most of the time only by volunteers. Their secret lies in skilled long-term volunteers and an office space which they own. In the topic of "What to do during a recession" (p.48) we discuss further IVS organisation's biggest assets.

The general running of the organisation typically generates some costs and income: our events and discussions have to take place somewhere, so if our organisation has an office/activity space rented or owned, it regularly has costs. We organise workcamps so we collect workcamp fees, membership fees and we pay membership fees and insurance too; probably we have a bank account and a phone number, maybe a website too which all have fees. We pay the travel costs to the workcamp for our campleaders; and sometimes we partly finance a training or meeting cost for our long-term volunteers. The list could be continued and you can see that these occur without any paid staff.

Therefore, no matter how small our organisation is, financial planning and control is useful so we can build a sustainable NGO which serves its goal throughout several lifetimes.

Discovering what kind of financial activities we need to do can happen in different ways. Setting up a Financial Calendar for the organisation is by far the best method to identify necessary tasks. Many tasks have a pre-set deadline and have a specific order in which you can do them, and the calendar reflects these connections too. Look for the "Financial Calendar" topic (p.30) to read more details and advice.

Furthermore, there are certain income and expense types, which are not related to actions, and are purely financial. Information which could be relevant for NGOs on interest rates, investments and foreign currency translation (when your NGO has an entity in another country which regularly has income in a different currency) you can find out more in the topics covering the financial statements (Income statement and Balance sheet).

Depending on the country in which we operate, there are different statutory requirements and laws concerning NGOs. These are the first things to consider, since they give the framework and context which we have to abide by. Even if we do not engage in advocacy activities, we have to know the rules: otherwise we put our NGO in big danger of being shut down by the authorities. In the next topic we will go through how we can analyse our environment and gather necessary information.

ANALYSING THE FINANCIAL SITUATION OF AN NGO

To be able to define our plans we need to be aware of the external and internal factors which influence the work of our NGO. These factors can have severe impact on our budget and cash flow, therefore it is highly recommended to do a thorough gathering of information before planning and then update the list of influencing factors regularly (eg. one time per year).

External factors

One widely used approach is to start the analysis from the farthest outside "circle" and go closer and closer to our own organisation. Think about how political and weather conditions affect your country and the place of your activities. Strong governmental control can sometimes be coupled up with opportunities. Take a look at how expanded your activities are in the territory – in case you have a smaller organisation, there is a risk that you disperse your capacities. The following questions will help you to define your external surroundings properly.

- What are the threats to your organisation coming from outside your country? Are there any international political or economical factors which make it difficult to go out or come into your country? Do your incoming international volunteers or outgoing national volunteers have regular visa issues?

- Is your country judged by what happens to another country on your continent? What are the major communications about your country in international media?
- Think about your country as a whole! What are the main factors which drive foreigners to visit your country? How is your country perceived by foreigners? What are the limitations and possibilities to your organisation deriving from the country image?
- How is volunteering regarded in your country? Does the job market accept it as an advantage (or maybe it's a disadvantage)? Why? Are there any lobbying powers in your country which can improve the perception of volunteering in general?
- Is your country divided into areas and if yes, how do you find the location of your NGOs office and the location of your voluntary projects? What are the feedbacks you receive from your volunteers regarding the locality of your projects?
- What are the legal frameworks in your country which support your work? Do you know the main laws which regulate volunteering, youth work, NGO finance and administration, and any other activity sector you work in?
- Are there any governmental grants which support NGOs operating expenses? Are there any legal reporting requirements you need to pay for an expert to prepare? What is the language of official administration? Is that language spoken by your staff and volunteers?

- What types of businesses are in the community and where are they located? What youth organisations, associations or community clubs exist?
- Does your country allow NGOs to do Isales activities?
- Which institutions, organisations would you like to work with and which are you already partners with?
- What groups of people are located in the community? How are they involved in your organisation? How are they involved in the finance management process?
- Are there people/organisations that may not be present where you work but still have an impact on your finance management process?
- What changes might affect your organisation's future?
- Are there any specific rules or laws regulating the NGO job market? Is it prestigious to work in an NGO in your country?
- What is happening in your neighbouring countries or in your continent? Is it influencing how your country is regarded by the international volunteers?
- Are there any unions, cooperatives open for IVS organisations to join? Are there possibilities to lobby on a country or regional level?
- What is the general health and security situation in your country? How is it affecting your activities? How is pollution, food security, access to drinking water?
- What is the level of inflation and cost of living? Are the prices of food in your country regarded as high by international volunteers?

- How is the level of crime changing in your country based on its regions? Are you doing any activities in dangerous areas?

Draw a map and locate on it the groups, people and organisations, institutions which influence your work! Also highlight the major events' (eg. migration wave, political or armed conflict) area and the area of your activities (workcamps, volunteer projects, programs)! Look at it and think about what are the advantages and disadvantages of such a setting.

Internal factors

Not only our environment defines our financial opportunities. Sometimes we could have the chance to win a grant, or do effective fundraising, but we can't seize the opportunity due to internal resource constraints. The following questions help you to do self-analysis on the main factors:

- How many staff do you have and how did this number change in the last few years? Do you have significant fluctuation?
- Are you renting an office space or do you own one?
- Does your organisation own land, a car or any other property of bigger value?
- Do you operate any kind of sales activity (selling a service – eg. running a hostel, or selling a product – eg. t-shirts, merchandise)?
- Are you doing any kind of art collection (postcard, coin, poster or badge collection) and making money out of it?
- Do you have money put aside in a bank or at a safe place, for emergency situations?
- Do you have any kind of insurance on your office space or on your projects? Do you provide insurance to your volunteers?
- How many members/active volunteers does your organisation have?
- How is the trend in your incoming and outgoing volunteer numbers? Do you have less or more volunteers than 3 years ago?
- What is the main motivation source of your long term volunteers to volunteer in your organisation?
- What kind of skills and competences do you have within your NGO right now (including both staff and volunteers)? Do you have regular pro bono professional service providers who support you with the missing skills?
- How do you recognise the outstanding performance of volunteers or staff? How do you express appreciation in your NGO?
- Do your members have the opportunity to learn new skills and use them in your organisation?
- What are your main internal communication channels? Does information reach everyone interested?
- How is the community feeling within and in the close surroundings of your organisation? Do people feel a sense of belonging?

FINANCIAL STRENGTHS AND CHALLENGES

To further help you with analysing the situation of your organisation, please find below a collection of possible financial strengths and challenges of an IVS NGO, which was put together by CCIVS member organisations during the ABC of NGO Finances training in Hollókő, Hungary in May 2022.

Strengths:

- Good administration on finances: invoices, petty cash, payments, incoming cash, all transactions are well documented since some years and trends can be analysed
- Solid operational processes: people of the organisation are aware what to do and how when it comes to finance tasks
- A well-built, easy-to-understand strategy, good planning of activities
- Controlled expenses: there are processes and approvals in place which prevent money flowing out of the organisation without anyone questioning it
- Tax exemption: in some countries NGOs do not have to pay taxes
- Diverse source of income: not dependent only on one source of income (in Europe it’s typically EU grants-dependency, but it's possible that some organisations are dependent on local government support, or only on one company which funds them)
- Membership fees: it is widely accepted that NGOs ask for membership fees so that can be a solid source of income
- Investments in fundraising: trying new types of fundraising activity (eg. campaign by post, or event) which seem to fit the organisation and could potentially be a regular type of income, even if at first their expense is higher than the income they make
- Crowdfunding: as NGOs we can usually do crowdfunding which works well in some cases
- Dialogue with donors: we can build up confidence even with big donors, whose support can mean a lot in establishing a financially sustainable organisation

- Good network with trusts and foundations
- Skilled human resources dealing with finances (incl. fundraising)
- Impact measurement: measuring and communicating the impact we make on the world is an important pillar for fundraising
- Flexibility: if our organisation is built in a way that we can easily adapt to new situations

Challenges:

- No reserves: when external factors hit hard (like the pandemic) we need to be prepared and have some money put aside, which can be enough to have some time to make new plans
- No planning, bad budgeting
- Gain income: we have low income from volunteering, so we need to be creative to find ways to gain more income
- Fundraising: for many of us fundraising is a difficult and time-consuming activity for which we do not have skills or competencies in our organisation
- Donor fatigue: it can be that our donors (or donors in general in our country or surrounding) just get "tired" and do not want to support us anymore
- Scarce resources: due to low income we do not have many resources, mostly we have to work with few staff to whom we can only give low salaries
- One source of income: we are dependent on governmental funds, grants or foreign funding
- Lack of financial data: it is difficult to make financial decisions without the data of the past
- Volunteers not paying attention on financial administration: when our volunteers (or even staff) do not collect all the receipts and invoices and we have hard time to do our financial reports
- Financial transparency: it can be difficult to prepare all documents and stabilise internal processes so that we can keep the requirements of financial transparency

Think through what kind of strengths and challenges your organisation has, by answering the questions on Internal factors and verifying the above list! Can you add some new ones? Are there any strengths which you do not have but you would like to have?

WHEN

DEADLINES In finance, deadlines put many things in context: financial statements differ based on whether they relate to one specific point in time (like the balance sheet), or a time interval (the budget is usually for one year).

There can be differences between organisations as to how they calculate the financial year for their own management reports and this can happen in the non-profit sector too: in an NGO in Argentina the financial year starts in March, however for most NGOs the financial year equals the calendar year so it starts with 1st January and ends at 31st December.

Another important aspect is that a report can relate to a time period, but its submission deadline is usually on a specific date: most important is our yearly financial closing report (which can take up many forms but usually includes similar information), which relates to the previous year (1st Jan – 31st Dec) and we need to be ready with it (in many countries the deadline is around May-June).

Therefore, if you are new to finance, it's recommended to pay attention to the timing as well as the figures.

THE FINANCIAL CYCLE

Your financial duties are similar to planning a volunteer project or a training. Just as we plan, monitor and evaluate our non-formal educational projects, we also can plan, monitor and analyse our finance procedures and results. What comes as an essential 4th element is the controlling: there are an extensive variety of financial controls which help you to stay within your plans and abide by law and regulations.

To fulfill the requirements of the planning phase it's usually enough to prepare a fully detailed and backed up budget report, with relevant categorisations and fundraising income breakdown. Monitoring your financial situation should include a regular look at your petty cash and bank accounts, follow deadlines, setting up proper authorisations towards spending and specific fundraising project assignments. The main elements of controlling is to prepare your Cash Flow statement regularly, analyse risks and build up reserves, check external environments and have an effective decision making process. Analysing takes place after the preparation of the financial year's end report and you draw the necessary conclusions and incorporate them into your future planning.

THE FINANCIAL CALENDAR

First of all, find out which day the Financial Year (often abbreviated as FY) of your organisation starts. In case you have no one to ask, or no one knows, that means you have no specific date so you can take as basis the calendar year with confidence.

How to start the financial year?

Good advice: always think ahead!

In case you have not done any planning yet then you need to start with that.

Ideally, preparing a budget for the next year should happen in September, so you have time to run through it with several people in your organisation. Having it ready at the beginning of December is a very reassuring feeling. Earlier preparation has the downside of being too vague – you may have less information than you could have later on and you could miss something.

However, in case you prepare it at the beginning of the year, no worries! It is always better to have one than to have none.

To be able to prepare the budget you will need to gather a lot of financial information and you will have to make some decisions on categorisation of costs and income. We will discuss this in detail in the topic "The budget".

When you have your planning (budget report) ready, the other very important information you need to know is actually how much money you have to realise your goals. The answer is in the Cash Flow statement. It is one of the three core financial statements (besides Income Statement and Balance Sheet) which helps you to evaluate your organisation's financial situation.

You can have a Cash Flow statement without having a budget report, the downside is that you won't be able to easily compare the actual financial status of your organisation with what you had in your head as plan. Since as an NGO we are not looking for how to make the most profit but rather how to have balanced accounts (with a neutral final result meaning neither surplus nor deficit), for us financial planning accuracy is key. We can only learn how to plan accurately for our organisation with experience, time and analysis – comparing the budget with CF is providing precious information to sharpen your planning skills. In this Toolkit you will find a template which you can use for both the budget and the Cash Flow calculations (CF) so you do not need to spend time to reconcile reports of different formats. Further information about CF you will find in the referring topic.

In this sense, keeping the CF uptodate is a recurring task (recommended to do monthly). There are other tasks, reports, statements which have to be done continuously by their nature, such as:

- Cash Book (can be digital or an actual paper one)
- Cash receipt
- Inventories (of stocks and tangible assets)
- Notes to accountant
- Invoices
- Final project reports
- Payment administration

In case you are not familiar with many of these, then pick the highlighted ones and try to introduce them to your organisation. They are the most important ones, particularly as they include information which is required for the accountant when preparing financial reports summarising results for a specific time period.

A final account report type is the Income Statement (also called: Profit and Loss Statement /P&L/ or Income and Expenditure Statement), which summarises revenues and expenses during a specific time period and indicates the amount of money left after all expenses (like taxes). This statement shows whether a commercial business is operating with profit or loss, and for a non-profit whether there is surplus or deficit at the end of the time period. Usually NGOs prepare it on an annual basis. We look at this to assess the future prospects of the NGO.

The Balance Sheet (BS) – or the non-profit statement of financial position – includes your organisation's assets, liabilities and net assets at a given point in time, usually at the end of the accounting period. Understanding the BS seems a bit difficult at first, but in this Toolkit you will find a guide which explains where to look and how to interpret its main parts. This report provides us with a snapshot on what we own and what we owe so we can decide with more confidence whether we are ready to launch future projects or we would rather need to build reserves.

You can think about these reports such as the Income Statement as a bridge, the CF's are its planks, where you start is the BS of the previous year and where you arrive is the BS of this year. Basically "recording" data for the Income Statement (IS) starts on the 1st of January, then we prepare during the year we prepare the CF monthly or quarterly to see how much cash we can still spend (what is our liquidity), then we close the IS on the 31st December and we also prepare the BS for 31st December. That BS will be the starting point of the bridge of the next year.

All these reports are management reports, which means they are supporting decision making and future planning of the organisation.

Statutory reports are those which are required by your country's laws and regulations, are mandatory to prepare and have to be submitted to a government agency. In Nepal, NGOs have to submit such reports on a weekly basis! These reports usually have a specific format. Typical examples for statutory reports are the annual financial report (final accounts) and the tax report. The annual reports can have many similarities with an Income Statement or a Balance Sheet.

It is hard to believe that there are no reports required by the government therefore if you do not know about any, it is recommended to ask other NGOs or the authorities.

Check which are the statutory reports for NGOs. Do you know their submission deadlines? Do you know who prepares them in your organisation? Have a look at the last year's annual financial report and try to understand all items on it.

PLANNING - THE BUDGET

The budget is a great tool in financial management. Although it is not one of the 3 key financial statements (Cash Flow, Income Statement, Balance Sheet) it actually provides a basis for all your financial decisions. It does so as it is the link between your goals and actions and your finance matters.

It not only helps you in planning but also raises your reputation during meetings with donors, as they can see how their donation will be spent and creates a great confidence in the transparency of your finances. During implementation, you can only monitor whether you are under-or overspending if you have a budget – therefore controls can be also put in place based on actual figures, not only feelings. It is also easier to evaluate the success of the year for your NGO (or of a project) when you can compare the results to those you were expecting in the beginning.

It can take many forms and you can also experiment to find the best template for your organisation or project budget. It is highly recommended to link the budget items to a cost centre, which basically groups expenses (and income) based on what they are related to.

Cost centres are rather unknown in the NGO sector however they prove to be very useful and easy to create. There are no rules you have to follow: these are only helping you to figure out for example how profitable a project is or an objective of your strategic plan.

Since your action plan is already clearly connected to your goals/objectives, you can choose another grouping approach than the goal-based one. The most important is that all items in your budget should be linked to an action, and this you can reach by creating your cost centres from grouping your actions.

Let’s see some examples for cost centres:

- Training
- Volunteer camps (workcamps)
- EVS
- Community events

OR

- Outgoing (volunteers)
- Incoming (volunteers)
- Local activities

In case you have working groups (or project teams) in your organisation, a way to monitor their performance would be to have cost centres based on that grouping.

Think about Egyesek’s best practice (you can read it in the ‘What’ chapter - p.19). How they grouped the income and expenses and how they financed the common operational costs? Think about how you could introduce a similar structure in your organisation!

NB! Cost centres are not the same as expense and income categories. There is further information below.

It's recommended to use both the categorisation and the cost centre grouping when you look at an NGO with several projects or working groups. In the case of a project budget, income and expense categorisation is enough – just make sure that your categorisation is the same as the central one so the finance officer can merge your project’s or programme’s budget into the one which they prepare for the whole NGO.

Furthermore, in case you plan a project together with a donor and they have their own budget template, be ready to use theirs instead of yours. It is therefore important that you (and as many people in your organisation as possible) understand the budgeting well so any template change won’t be a challenge to you.

The budget type detailed in this Toolkit is an Income and Expense type of budget with a twist which makes it appropriate to use it as a Cash Flow forecast. Furthermore, it can be used as a real cash flow statement as well. This is because IVS NGOs typically lack financial human resources and are not able to produce many financial statements and keep them up to date. So the suggested format includes 3 statements in one, which results in you only having to understand and update one template regularly and use it for several purposes.

Most of us do not have many capital items (such as vehicles, machinery, computers, generators, land, houses) therefore this Toolkit does not detail the Capital type of budget. These items’ value will be anyway visible in the Balance sheet so look for that topic in case you are interested.

Income and Expense categories

Your accountant and your donor should also understand these categories. There is a bit less freedom in defining these than in defining your cost centres (which can be anything). However it is still up to you which categories to pay attention to. Do not forget, that you can do a detailed report per each category whenever you wish, and you have to do side-calculations per each cost centre which will include every cost and income in detail. Your budget's summary page should be easy to look through and understand.

Below you can find a general suggestion, which pays attention to the difference between income arriving from membership or from workcamps, and donations in general or grants.

Income categories:

- Membership fee
- Workcamp participation fee
- Donations
- Grants
- Service fee (hostel, consulting,...)
- Price of goods sold (t-shirts, textile bags...)
- Other (travel reimbursements,...)

Since a major goal for all of us is the diversification of income sources, we need to strive to have income in at least 3-4 different categories.

In Asia and Africa the organisations present in the training receive their main income from volunteers, so they depend on volunteer numbers instead of grants, unlike typically the organisations in Europe. For all IVS organisations the solution can be fundraising (gain regular income from donations) and selling services or goods (find a way to do it legally and profitable without losing the mission).

Donations are a high level category; you can break these down in your fundraising report, which only includes income resulting from your fundraising activities. Here the categories (which are worth having) to have are: individual donations (donations from private people), company donations, grants, tax returns (in some countries this is a type of donation to collect), other.

It also counts as a different source if you have donations both from individuals and companies, if for example due to a legal change companies won't be able to donate to NGOs in your country, then you still can rely on individual donations.

We all learnt how not to be dependent on one type of income during the pandemic. We need time to learn and improve our skills to introduce a new service or social entrepreneurship.

It is also our task to make time for this learning.

The reality of all organisations is that everything goes up and down at all times.

There is always something coming up – so act with patience and resilience.

Expense categories:

- Salary
- Utilities
- Rent costs (office, training venue,...)
- Materials and tools
- Professional services
- Tax
- Membership fee, affiliation fee (the ones you pay to other organisations)
- IT costs (search engines, Cloud services ...)
- Financial costs (banking costs)
- House and land costs
- Communication costs
- Insurance costs
- Travel costs
- Catering, food costs
- Gratuity (=tip)
- Volunteer costs (paying hosting family, pocket money)
- Other

This list does not mean that you have to have all these expense categories. But it is important that you try to capture every cost in your budget – do not miss anything, there is no such thing as an unimportant cost!

Prepare the list of your income and expense categories! Did you find any other type of income than was listed above?

A STEP-BY-STEP GUIDE TO BUILDING A BUDGET

Now that we have our mission, goals, activities for next year, income and expense categories and some ideas on our cost centres, we can confidently start to build our own budget.

1. Prepare the summary page template for your organisation or project!

Detailed calculations should be an integral part of your budget, however not on your summary page. Chose a summary page layout based on the level you prepare your budget: in case you do one for the whole NGO for the next year (for 2023, which is now our basic scenario) and you have many different projects, then your summary page should include info on the yearly level (Financial Year in this example is calendar year 2022), and possibly the one for the previous year so it will be easy to identify major changes. When you have your final results for 2022 (around the first trimester of

2023) put it in here so that you can compare the budgeted figures with what finally occurred. There should be a 'real cost' 2022 column too. It is very informative if you include a column to see what percentage the final figure was compared to the budgeted (Real vs Budgeted). To get this figure you only have to divide the Budgeted 2022 figure of that particular income category with the Real 2022 figure.

Income categories	Budgeted 2022	Real 2022	Real vs Budgeted 2022 %	Budgeted 2023	Real 2023	Real vs Budgeted 2023 %
Donations			=Real 2022/Budgeted 2022			=Real 2023/Budgeted 2023
Grants						
Membership fees						

...

Do the same with the Expense categories.

In case you do a budget for a programme or a project, or for a small entity with few activities per year, then feel free to have as a summary page the one with a monthly calendar view, which is the second page of the above shown template. This needs to be done anyway, but you can just skip to aggregate the figures on a yearly level like we did above.

Here we use a monthly schedule to see when our income and expenses will occur. This is important from a financial liquidity point of view, which will be detailed in the Cash Flow topic in this Toolkit.

Income categories	January	February	March	April	May	June
Donations						
Grants						
Membership fees						

....

Do the same with the Expense categories.

When you are ready with the template, we go on with calculating the figures to be inputted.

2. Define income and expense for each activity and schedule them monthly!

Take one activity from your 2023 Action Plan, like "Sending 20 volunteers to international workcamps". During your action planning you already scheduled it on a monthly basis, therefore you know when the volunteers usually travel to workcamps (possibly in July and August).

Think about what kind of income you will receive thanks to your sending activity! One is the membership fee. When do the volunteers pay this fee? approximately how many months before they can actually embark to the workcamp? If we take into consideration that there might be some preparation talks, the right workcamp has to be found and that we help with the travel arrangements, then let's say 3 months. This means that you can plan with 10 membership fees for example in April, and 10 for May (10 volunteers going out in July and 10 in August). Think through all other income which you might get (eg. if you collect other fees from outgoing volunteers, or you have a local grant which pays your outgoing officers' salary) and do exact estimations for the amount for next year.

Do the same with the expenses! Do you pay a salary to the outgoing officer? If you hold an orientation meeting for outgoing volunteers and you provide snacks and drinks, when will it be organised?

NB! It is possible that you might decide on a new type of activity which brings a new type of income, and you have to do its pricing (calculation of the price). Predictability is an important feature of income types, as it enhances the reliability of your budget and stability of cash flow. When you plan new pricing, go for a predictable logic instead of a complex formula of calculation! (eg. when introducing a new fee)

Create a new tab in your Excel (or take another sheet of paper), name it as your activity category (eg. "Outgoing") and start to note the above logic and figures. Also create a column beside the budgeted amount for the real amount, as you will have to use this same template to compare your result with the budget, when you have your final figures.

On the top of this sheet you can write a summary about the income and expenses per category, which are of the same logic as the starting summary page (Step 1), but only for those elements which relate to this type of activity. Below that summary you can list one by one all the income and expenses and their predicted amount. It is highly recommended to note down the calculation as well! This will come in handy when a few months later you revise the document – it can be difficult to remember how it was calculated.

Income category	Income	Budgeted amount in your currency	Real amount in your currency
Membership fee	Membership fee (10 volunteers in 1 year, membership fee 1000 = 10x1000)	10000	To be filled after FYE closing

Expense category	Expense	Budgeted amount in your currency	Real amount in your currency
Catering costs	Orientation meeting catering costs (1 time per year in May, usually 500)	500	To be filled after FYE closing

*FYE = Financial Year End

If an income or expense is only partially related to the type of activity you are detailing on this sheet, then rather include it on a sheet called "General" like other elements which are similarly difficult to categorise (eg. Volunteer Exchange Form for SCI member organisations, which is not entirely depending on your organisation's activity whether it will be an income or an expense – this is difficult to foresee, therefore it is recommended that you plan with last year's figures).

For projects or small NGOs: when there are not too many income and expense types, then it is not necessary to create a new sheet per cost centre/activity type/project. Just create your detailed list right below your summary tables (Step 1).

Do the same with all activities you planned for next year.

3. Identify your fixed costs

Now we have all our activity (or project) based costs and income. But what about others which do not relate to a particular activity but still occur? These you need to list as well and find their place in your budget calculations.

Think about those expenses which you have to pay monthly. If you have an office, these typically are: renting costs, utilities, cleaning, book-keeping costs, IT and communication costs (internet, mobile phone subscription, cloud services, video conferencing..). Make a list of all the recurring costs you know about and check the bank statements or your invoice lists for the last year to see if you can find more recurring costs. After this, verify the list with your colleagues so nothing is missing.

This task takes time but it's really worth it.

It is recommended that once you have the full list of your recurring costs you assign responsibilities to people about their payment and constant verification. In case of your fixed cost change you need to ensure that you have this information as soon as possible, as it will affect your budget.

As regards ad-hoc (casual, one-time) costs it is worth having a stronger control: if your organisation is small, then keep it in one hand (president, vice-president or the finance person). The ad-hoc costs are the biggest threat to your goal of realising your budget.

4. Verify basic cashflow

You can read about the Cash Flow statement in the 'Controlling' section (p.47) of this Toolkit. In any case, even if you choose to have your budget and your cash flow as a separate document, it is still recommended to verify during the budgeting phase how much money your organisation has.

NB! When budgeting, take into consideration the amounts in petty cash in the bank account only as an opening balance at the beginning of the year and only for verification purposes. In case you are sure you have enough money (even if you do not know exactly how much but you know your organisation has a fair amount of reserves in a bank) then you can skip Step 4 and go to Step 5. Calculating each month the amount of petty cash and bank account money AND the income arriving from the activities means you add your income twice to your planning. Avoid it by only calculating income per category (donation, grant, membership fee…) and not its format (cash or electronic).

Obviously when we do the budget some weeks before the year's end, our liquidity can change until the starting date of our budget plan. Continuous budgeting, monitoring and controlling of your finances will help you with this: this time next year you will already have quite good knowledge and control about what will happen in the last weeks of the year. In case you do not have this information yet, don't worry: just verify how much money your organisation has in the bank accounts, and in cash.

Then while you do the budget together with the leaders of the project/organisation, you simply ask whether anyone expects any expenses or income in the coming weeks and use this information as a start. Deduct these expenses from the money you have at the moment, add the expected income and voilá there is your starting balance for 1st January.

Then do this expense deduction – income addition for each month based on your calculation at Steps 2-3 and verify whether your balance would go anytime below zero. If that is the case, you definitely cannot miss Step 5, and need to calculate some modifications to your budget as it could mean that you spend all of your money and you cannot pay your bills.

You can read about how to make your budget template serve you also as a cash flow template in the 'Controlling' section (p.47).

5. Re-plan, reschedule

There are several aspects you need to take into consideration before you can announce that the budget is ready.

1. Capacity planning - Have a look through your activities' schedule. Are you having many activities in March, but nothing for April? Do you have a major project running at the same time when the workcamp season starts? Do you usually have issues to find workcamp leaders and announce your camps in time? Think these through.

    a. Activities should have responsibilities – Even if a plan looks good from a financial perspective, it has to be realistic, you need to have a person responsible for ensuring your plans are realised. That same person should also be capable and motivated to do it. Never forget to calculate the cost of that person, even if they are a volunteer (can have travel costs, or communication costs you cover for them during their volunteer time).

       In case you do not have a responsible person for an activity planned, then cancel it! If no one takes it on, then do not plan that you will find someone at the last minute. You should already have people in your organisation around the end of the year, who will implement your plans. In case new people come onboard during next year, that will be a great addition to ease the burden on others, and if that person generates some funds, even better.

   b. Holiday season – consider the time when people in your culture are not available. Try to lower the number of activities planned for that period.

   c. Equilibrium – try to distribute the activities in a balanced way for the people in your organisation. Peak periods can cause trauma and losing your dedicated volunteers only because they had too much on their plate is not worth that temporary gain of time.

2. Spare time and money for the unexpected - Don't forget: there can (and will) be environmental changes which will affect your organisation regardless of your planned activities – as such you need to ensure that you have a little spare time (meaning someone in your organisation who is ready to act quickly if there is a change) and money that you can spend to mitigate that situation. How can you create spare capacity? When you discuss who will do which tasks, do not plan on 100% capacity of your people. People are happy and more balanced (and ready for change) if they are occupied around 80% of their time. Regarding money, simply do not plan in your budget to spend all your money. Set aside (in your mind or as a comment in your budget) an amount for covering unexpected changes during the year, and calculate your results in a way that you can generate a long term reserve. You can read more about financial reserves in this Toolkit's 'HOW' chapter (p.61).

3. Basic liquidity – as mentioned at Step 4, in case you see that your cash balance will go under zero in a month (that is why it is essential that you have your planning scheduled per month) you need to play with the schedule. This means that you need to prioritise those activities which bring in money, and/or postpone those which come with major expenses. In case your big income depends on your big expense (eg. you need to buy some materials in advance to do the workshop for which you will get a participation fee), then negotiate terms with your supplier to allow you to pay later than when you receive the necessary items.

4. Scheduling issues – verify your scheduling of activities and related costs/income. When does a cost truly occur? Is it when you report it to the authorities in a document? No! Please always schedule the cost for that month/quarter when you will have to pay it out, and the income when you think it will really arrive in your bank account / petty cash. Payment promise or a grant regulation detail is not 100% the time when you will receive money from your donors (think about grants from big institutions!), therefore it is essential that you know how your donors/volunteers/customers work and do their payments. Several NGOs had to close due to the fact that they were not able to perform the promised activity as they misscheduled their income/expense ratio.

The budget can never be ready entirely. Since this is a bunch of assumptions, and real life is subject to change, you can definitely expect some changes to your plan. The goal of the budget is to establish a controlled environment for finances and to make sure that money serves the organisation's goals. Cash Flow will help you to avoid liquidity problems and the Balance Sheet usually helps you to create legal and structural transparency.

Without planning it is impossible to prioritise, and without prioritisation how can you decide on the distribution of your scarce resources?

We only finalise the budget but never finish ☺

TEMPLATE: 3.1. Budget template (Goals and objectives linked) (See Annexes)

TEMPLATE: 3.2. Project budget template – Fundacion SES (See Annexes)

MONITORING

When we have completed the huge work of building a budget and trying to take into consideration all aspects, we can then lay back and take a rest. However, only for a couple of weeks, as when the budgeted year starts, you need to have monitoring processes and tools in place to ensure you are on track.

Keeping up with the budget can be difficult sometimes and requires discipline. As financial transactions pile up and you do your obligatory administration (creating invoices and receipts, archiving them, paying in cash, by bank transfer, buying necessary things, signing agreements...) specific attention needs to be paid to another type of administration: the monitoring of these transactions. Many times monitoring lists, sheets, reports are required by law however NGOs can survive without them. Therefore it is essential that you understand and emphasise their importance but do not generate too much admin work. How can this be done? First of all, look for those templates and reports which are obligatory. Understand them, get used to preparing them and use them for your internal monitoring purposes. The most important is your "General Ledger" which basically means a record of all the transactions of your organisation over a period of time (eg. for one year). Basically this list – if well maintained – will provide the basis for all your controlling and analytical tasks (detailed later).

Second, identify the missing piece of information. Helping questions:

- Do you know how much money is in your petty cash every day?
- What about your bank accounts?
- Where are your valuable assets (eg. laptops)? Are they still working?
- How much do you owe and how much are you owed at the moment?
- Is there any news regarding the big grant you are waiting for?
- What were the results of your last crowdfunding campaign?
- Are there any payments which do not relate to any invoices?
- How easy it is to make money transfers and at what cost?
- Which project is on track at the end of the first quarter of the year?
- What are the financial potentials in the grants/projects proposed by a board member at the last meeting?
- How do changes in local law affect finances?

Any question is fine, the more specific to your organisation the better. Be curious and investigate for an answer! Identify whether it is only a temporary lack of information and the processes are there or the actual information was never monitored and administered. In the case of the latter, it is recommended to find a good template and establish a process for using it. In the following topic you can find ideas for tools from within the CCIVS network.

Monitoring Tools

Participants of the ABC of NGO Finances training in Hollókő, May 2022 gathered a list of tools they use in their finance practices. These are available upon request for all CCIVS members!

Name of tool	What is it good for?	Who suggested?
Bank online	Transfer money to people or companies	Giuliana
Apps to pay small businesses	Pay small businesses through an app	Giuliana
M-Pesa	Payment of goods and services. Sending and receiving money from individuals	Oneka
Accounting software TKC	Easy access to monthly and yearly income and expense reports	Mami
Design your own Excel template	Register income and expenses and the balance changes automatically	Giuliana
Administrative Guidelines	To help with proper administration	Mariela
Class X	To track expenses of a project, program or institution	Mariela
Excel Templates	Cash Flow, Budget	Dorcas
Filemaker database	Invoicing, project budget, reporting, contacts, organisational directory	Linndgberg
Expense report	Tracking expenses	Ratherford
Acknowledgement receipt	Replacing original receipt	Ratherford
Procedure Manual	The bible for accountability. *(Procedure manual: guidelines for analysis, receipt and how to manage the money in the organisation. Created by Astovot in Togo, with the help of an expert.)*	Felix
Sage Saari	Financial planning and analysis software. *(Sage Saari: Software to plan and analyse finances. It helps to create financial reports and gives you also an (and) input on everyday cashflow. You need a professional to update the programme.)*	Felix
Quick Book	Software to manage business payments	Felix
Memo	Financial proposal for a project	Sigit
Day Book	To keep track daily of income and expenses	Narayan

Petty Cash

When an auditor comes to examine your finance procedures and figures, they will look at how you handle petty cash. This is due to the fact that cash movements are difficult to follow administratively, this is why the black market is based on it. Therefore the authorities are also keen to look at your cash transactions, if you change one thing in your practices, let it be a stronger petty cash management.

The main risks of handling petty cash in our NGO are:

- It can be easily stolen. Many organisations have an office which is not fully secured and robberies happen. The robber only has to pick up the cash box and walk away with it.
- It is easy to lose. We put it in our pocket, go to the post or to the shop to buy something for the volunteers, and when we come back the change is not in our pocket.
- Mix it with personal money. Another variation for the previous scenario is that we put the change in our pocket where we have our own money and if we do not account it straight away,we will not be able to remember how much we owe to the organisation or vice versa.
- Duplicate payments may be made. In case we do not have proper administration and processes, and we work on a trust basis with our staff and volunteers, it may happen that we pay out one invoice to someone twice.
- Payment procedures can be easily bypassed. Even if we have some procedures in place about who can handle the organisation's cash, it is difficult to track what happens with a cash box when everyone knows where it is and there is no key to it (real life example!).
- Loose track of expenses. After a while we won't be able to remember to whom we paid and how much, so double payments can occur – or even forgotten payments. This leads to very inconvenient situations.
- Misuse. Unfortunately when we do not strictly monitor our petty cash, some people can have easy access to the money and so the temptation can rise and stealing can occur.
- Time consuming to handover.

All these risks can have a counterpart manifesting in a monitoring or controlling solution. Recommendations are:

- Keep the petty cash boxes in a safe storage place (in an actual safe)
- Restrict access to petty cash and to the safe
- Build approval processes for payouts
- Have proper rules of who can receive cash
- Figure a maximum amount to keep in petty cash and bring surplus cash to the bank as regularly as possible
- Record and monitor petty cash transactions regularly and do not allow mistakes to happen
- One person should not be responsible for all the administration of petty cash
- Use proper documentation of cash movements eg. cash request/receipt documents, cash book/box statement
- Look for digital alternatives (eg. Mpesa)

TEMPLATE: 3.3. Cash Register of Service Civil International (SCI) (See Annexes)

CONTROLLING

“When there is no money - we start to control.
When there is money - we don’t control.”
Félix Ekpeko, Astovot, Togo

Once we have a consistently good and detailed image about our actual financial situation, we can take a step further and control our financial extremities. It is worthwhile to create graphs about the income and expenses, in total or per projects/cost centres and even income/expense categories so we can identify highs and lows. Being conscious about seasonality is a very big advantage when it comes to budgeting.

Controlling also gives meaning to budgeting – why did we do all those calculations if we do not want to implement it? I guess none of us would be sad to finally have better results than planned, however there can be situations (eg. country law) when even a positive result can mean a problem. But this aspect you have already identified when you analysed the external factors influencing your work in the ‘WHAT’ chapter (p.22).

The main building blocks of controlling are the rules, approvals and authorisations. As for rules it is worthwhile to set some basic ones in stone, such as:

- Our organisation does not provide loans to any individual or organisation/company/institution no matter what the situation
- Our organisation does not provide cash advances to any volunteers or staff members.

These are only examples, it is up to you to determine the cornerstones of your finances, together with your authorisation and approval matrix. Who can have access to petty cash, or the bank account? Who can have a credit card? Who approves bigger expenses? Who decides about whether any unplanned new activity should be started during the year?

Hypothetically, if your financial management is a garden then these rules are the fences which help you to protect it, and a major tool to keep order in your garden is the Cash Flow statement.

Cash Flow statement

When we say “cash flow” it does not necessarily mean the report type "Cash Flow statement”. It basically has a wider interpretation including the statement and also the processes which move cash into, within and out of the organisation. One thing is sure, it always has to be connected to the financial liquidity, which basically refers to how quickly you can pay, how much “liquid” money you have (meaning money you can pay out immediately). So this is also referring to the money you have in your bank account, not only what you have in cash. However, your money in cash is your most liquid asset. On the contrary, the value of your assets eg. laptop, car, mobile phone, house and land, or a grant/donation not yet received are slower to turn to actual, spendable money so these usually do not count with quickly available liquid assets. Therefore, when we calculate our cash flow, we do not count these, only the money in our bank account and in our petty cash.

The Cash Flow (CF) statement shows the amount of money entering and leaving the organisation over a given period of time. It helps to know the amount of time between spending and receiving the money. A budget based on months can serve as a basis for cash flow. It is recommended for small- or medium-sized NGOs who do not have the capacity to create a separate statement for CF.

TEMPLATE: 3.4. Cash Flow merged into the budget (See Annexes)

Regularity is more important than the format here: the more regular you do it, the better you can make decisions to avoid bad cash surprises. Predictability of income types (eg. membership/volunteer fees) is a test with regular CF. In case you cannot predict it but you were less careful with the budgeting than planned, CF will cruelly show your faults. Your only chance is to monitor your cash flow on a monthly basis, so you can still have some room for mitigating actions. In smaller projects or organisations a bi-weekly check on liquidity raises consciousness and allows for quick actions and decisions.

Information to be collected while monitoring cash flow:

- Amount of money in bank account
- Amount of money in petty cash
- Balance
- Expenses already occurred
- Income already occurred
- Incoming payment promises
- Amount of money committed to pay out

After we have the information the real controlling part starts: we decide on what to do based on this information. Is everything on track? Then you can decide not to change anything and be happy. Are you spending more than planned? Or is your income lower? Maybe one project has a lot of money and the other almost nothing? Are you owed a large sum of money?

Decisions which might occur after reviewing the CF:

- Cutting future costs
- Regrouping between cost centres
- Adding more resources to a project/cost centre
- Negotiate longer payment terms, better conditions
- Send reminders to debtors

Regarding the format, keep it easy!

You do not need a statement template to monitor your cash flow (your actual financial situation).

A simple email to the director is enough, explaining some basic information:

- amount of money in bank
- amount of money in petty cash
- expenses already incurred compared to budgeted, in main cost centres
- income already arrived compared to budgeted
- status of accounts receivables
- status of accounts payables
- statistics which can lead to better forecast of incoming fees

In case you prefer to deal with your Cash Flow separately from your budget and you would like to use a template, this Toolkit contains one example of this type too.

TEMPLATE: 3.5. Cash Flow Statement of CCIVS (See Annexes)

Prioritisation

Prioritsation is a very difficult thing to do, particularly when we work with volunteers who naturally would like to deal with what they enjoy most. Therefore it is critical to make sure that you communicate clear priorities within your organisation so the team has a clear view on what they need to do in order to reach your common goals. On the other hand, NGOs do not usually have many staff and each staff member is overloaded with work. To avoid burnout, the best solution is that everyone in the organisation learns how to prioritise.

Our organisation or project can be sustainable if we start it with a sustainable approach.

The first priority of the organisation should be to work according to its mission, vision, strategy and goals. In order to be able to do it, we need to keep the project/NGO alive - doing our obligations - which requires sound financial administration (in a simple and effective way, maintenance of invoices, payments, cash books, lists, reports, contracts, etc.). Then our main priority is to create income which we can use for the purposes of our project/NGO.

Discuss within your organisation if you agree with this prioritisation discipline! Then try to identify priorities for the organisation, and break it down to tasks and people (who should have what priority).

There are two things which most influence a priority: importance and urgency. Of course when something is important and urgent too, that should be the first thing you do. Same way when something is not urgent and not important, it is better to leave that task at the very end of your to-do list.

These are some examples which can elevate the importance or the urgency of certain finance-related tasks.

Importance:

- Income potential
- Adherence to mission
- High Impact

Urgency:

- Legal requirement
- Financial deadline
- Donor report deadline

	Important	Not important
Urgent	1.	2.
Not urgent	2.	Later...

Prioritisation is ideally a continuous task which you do at least at a board/leadership level.

Resource allocation

Once you have the priorities of your organisation and you start to practice it on a daily level, it may turn out that some people have issues with their work assignment. Either they will tell you that they do not want certain tasks, or that they cannot do them well, or you will realise it without it being said (procrastination is a huge sign for having such issues).

Resource allocation is a term which refers to how we assign resources to tasks/activities/goals of our organisation. When you hear this be aware that it means human resources allocation in the first place, as the biggest expense of an organisation is the paid staff. Although it can refer to other resources as well such as assets (who do you give a laptop and mobile phone to?) and benefits (who can have extra health insurance or end of year gift).

For this topic it is highly recommended to think in positions and roles (eg. president, outgoing placement officer) instead of individuals. You could argue that is an inhuman approach and for you the people are not only figures – that is true and a humanistic approach and leadership should be a strong value of IVS NGOs. On the other hand, staff and volunteers equally suffer from imbalances in their workload and from responsibilities they are not capable of doing well or targets they are unable to meet. In case you would like to read more on what are the advantages of an authentic and transparent organisational structure, look for materials on "Organisational Development". (Check out the CCIVS Ilearn course 'Steps OD Training' https://ilearn.ccivs.org/)

Recommended approach:

- Skill-based – sometimes we tend to assign projects to volunteers based on motivation (they would like to do it) and not based on if they can do it. Many times these are connected, as people usually like to do what they know how to do, but what about those tasks which do not sound very interesting? It is recommended to look at what skills, competences and knowledge are required to do an action well instead of asking "who would like to do it?" (for finance maybe no one will raise their hands but that does not mean they are not skilled to do it!)

- From existing to needed – what are the skills of those already in the organisation (staff, volunteers, trusted external service providers)? Which actions do not have anyone skilled to do them?

Helping questions:

- Which skills, knowledge, competences are needed to complete the action well?
- Which are essential and which are good to have?
- Which of these have you already in your organisation?
- What are the capacities of the key people in your organisation? (per time and per task type, eg. 6 hours administration + 2 hours meeting online per week)
- What are the essential, prioritised actions of your organisation? Are there skilled people with enough capacity to perform them?

Ensure you have colleagues who can actually realise your planned actions for next year. In case you lack human resources, do recruit new colleagues based on necessary skills and capacity. In your budget, plan with the costs of recruitment and the new resource.

Organise a weekend sleepover annually for the board of your organisation where you talk through responsibilities and priorities with your board members. Do it if possible before budgeting as the outcome may be the need to drop entire categories of activities in this way, you do not have to plan with these activities for next year.

WHAT TO DO DURING A RECESSION?

The Covid pandemic had a big impact on all IVS organisations. International exchanges became close to impossible during this time, making all of us redefine our action plans, our organisational structure and financial strategies.

It is frightening to live the moment when your future plans crash due to a changed regulation or any kind of environmental or health issue. The following advice is valid for each situation – regardless that it was caused by a change in micro- or macro-environment – where the standard income sources suddenly stop providing you with resources, your expenses are jumping so high that it transforms your entire planning, or you are forced to change your activity type from one day to the other.

There are countries where NGOs work in very difficult situations continuously. Their everyday struggle is at the same time a victory as they find their way to survive during harsh conditions. The point is that their biggest asset is not money but something else they cherish and nurture every day. These fellow NGOs working models can be the role models when recession hits those countries where armed conflicts and severe natural disasters are not commonplace. Never underestimate the power of community!

IVS organisation's biggest assets are or could be:

- Clear mission
- Volunteers
- Pro bono professionals
- International community
- Local community
- Ambassador fundraisers
- Own office space
- Direct communication and honesty
- Value based leadership
- Pure heart

Communication is key to solving problems. Build on your assets and find a way to reach out to others in your community.

Financially there is also some good advice which is valid in each economically difficult situation. Think them through and try to prepare – when recession hits your opportunities will be limited.

Source: https://mint.intuit.com

ANALYSING

Once you have all the information about your plans and actual financial situation, the next step is to gather these, summarise and look for trends to support further financial decision making. Analytical reports are often statutory reports, meaning they are required by some authority and are regulated by a set of accounting rules. Besides these you can always prepare management reports in any format, which you may find useful. To have the same format of reports over several years makes it easier to analyse trends therefore changes are not recommended unless very necessary.

These reports are prepared to cover a certain period (one year, quarter year) or to provide a snapshot of the situation at a certain date (at the end of accounting period, eg. on the last day of the year). This does not mean they are prepared right the next day – since all information has to be received, many times your analytical "closing" reports (which close a financial year) are prepared 3-4 months after the year has ended. In many European countries the generally accepted preparation deadline is end of May each year

The Income Statement[5]

In the for-profit world the income statement is often called a "Profit and Loss" statement or just P&L. Since organisations in the civil sector are not-for-profit, in some countries this statement is also called "Statement of activities".

In the for-profit sector this report is used for differentiating between operating revenue (income from sales) and other revenue (investments, fees from royalty or business property, sale of long-term assets) and expense (related to sales, eg. cost of goods sold), other expenses (like interest paid) and losses.

In the NGO sector the income statement's purpose can differ country by country but it's safe to say that it is differentiating between income from donations, grants or other sources and expense from programs/projects or daily operations.

The content of the non-profit income statement is often required by local law in a certain format, or at least preparing this statement helps you to fill in the required forms. Since this is usually a statutory report, deep knowledge of current local accounting legislation is required to do this report. This means you are better to outsource this task to an external accountant firm or hire a chartered accountant.

Even if in your country it's not obligatory to prepare this statement, it is still worth it as it shows you how you focus your income and expense strategies. You can also use this report to compare it with your budget, however usually this report includes more data than the budget (non-operational income is often forgotten to be counted in the budget).

You can use this report to analyse how your organisation was dealing with its income and expenditure over a specific time period (usually it is prepared for the period of one year). It is the

[5] Sources for this topic: https://www.investopedia.com/terms/i/incomestatement.asp, downloaded 2022. 08. 01., https://www.jitasagroup.com/jitasa_nonprofit_blog/nonprofit-statement-of-activities/ , downloaded 2022. 08. 01.

best way to analyse a for-profit company's P&L to decide whether it is worth investing in it. With regards to NGOs, it shows the analyst the quality of your financial management practices.

It's structural logic is:

Net income = Total revenue – Total Expenses

Revenue

These revenues are reported here as "gross" which means in this case that you should not deduct the expenses related to the income generation. The categories of the revenue can be very similar to the ones of your budget: since this is the statutory report and the budget is a management report (which you can chose the format of), if it seems logical and understandable for you, use the same income categories in your budget as the ones in your income statement

Examples are:

- Individual donations
- Company donations
- Local authority / governmental grants
- Institutional grants
- Grants from foundations
- Sales
- Program fees
- Non-cash contributions (eg. land, house donated to you)
- Investment returns

In-kind donations are a tricky thing to report. It very much depends on your country's law and how you report it. Please ask your accountant about the regulations. It is possible that you are not required by law to report it to authorities, however your donors are surely interested. Therefore it is recommended to report it as part of your fundraising report to have the figures as a summary and to have it as a separate sheet within your background calculations, as a major donor may ask for it. Express the in-kind donations' value in local currency (or in the currency of your major donor).

Expenses

Required expense categories to report can differ from country to country, the common purpose of this section is to be able to differentiate between daily operational costs and programme/project costs. It is also common that a sort of functional classification is required, so that using the report, the amount you spend on administration, fundraising and specific projects, can be easily identified.

Depending on your country's legislation, it may be possible to group your expenses around your major projects. This will make it easier to compare the figures with your budget and also provides additional information to you on how you balance your financial resources between your projects.

Examples of daily operational expense categories are:

- Salaries
- Insurance
- Rent and utilities
- Accounting services
- Legal services
- Equipment and tools
- Fundraising

An example for the structure (US):

Statement of Activities jitasa

Revenues	Unrestricted	Temporarily Restricted	Total
Individual Donations			
Grants			
Investment Income			
Other			
Total Revenues			
Expenses			
Program Services			
General and Administrative			
Fundraising			
Total Expenses			
Change in Net Assets			
Net Assets, Beginning of Year			
Net Assets, End of Period			

Source: https://www.jitasagroup.com/jitasa_nonprofit_blog/nonprofit-statement-of-activities

TEMPLATE: 3.6. Income Statement template of SCI (See Annexes)

TEMPLATE: 3.7. Income Statement of CCIVS (See Annexes)

The Balance Sheet[6]

It is often called the Statement of Financial Position. It gives you the most detailed view about your financial position at a specific point in time. In comparison with the Income Statement (IS), which shows you a summary of one year, the Balance Sheet (BS) is usually prepared on the last day of the calendar year (31st December). Whilst the IS helps you understand the focus points and weighs in your finance management, the BS shows you if there are any reasons for concern and your capacity for growth.

To see a trend regarding the financial health of your organisation for longer periods, it is recommended to compare the Balance Sheets of different dates with each other. The figures in it must come from your ledgers (this means, lists of expenses and income and inventories of assets). The preparation of BS is also a professional work therefore a chartered accountant should be doing it.

Structurally the BS contains a summary calculation of your different assets and liabilities, and the net assets. Generally the order - how the different types of assets are listed from top to bottom on your BS is based on how liquid they are, meaning how quickly they can be turned into cash.

The formula of the non-profit BS is:

Total assets = Total liabilities OR Total assets = Total liabilities + Net assets

There should always be a balance on the BS – that is how it gained its name.

When there is no balance, you should look for errors in calculation, missed figures, miscalculations or misplaced data.

<u>Assets</u>

What you own are your assets. Current assets are which can be turned into cash within a year, the rest are long-term assets.

The general order of the asset types (in the top to bottom order of liquidity):

1. Cash or cash equivalents
2. Accounts receivables
3. Inventory (of goods to sell)
4. Prepaid expenses
5. Long-term investments (which cannot be turned to cash next year)
6. Fixed assets (eg. land, machinery, buildings)
7. Intangible assets (eg. intellectual property, goodwill)
8. Deferred charges and accrued income[7]

[6] Sources for this topic: https://www.investopedia.com/terms/b/balancesheet.asp , downloaded 2022. 07.29., https://www.jitasagroup.com/jitasa_nonprofit_blog/nonprofit-statement-of-financial-position/ , downloaded 2022. 07. 29., https://www.propelnonprofits.org/resources/balance-sheet-cheat-sheet/ , downloaded 2022. 07. 29.

[7] Only when you do accrual accounting

Liabilities

What you owe to others are your liabilities. Current liabilities are due to pay within a year, the rest are long-term liabilities. Generally liabilities are listed based on their due date.

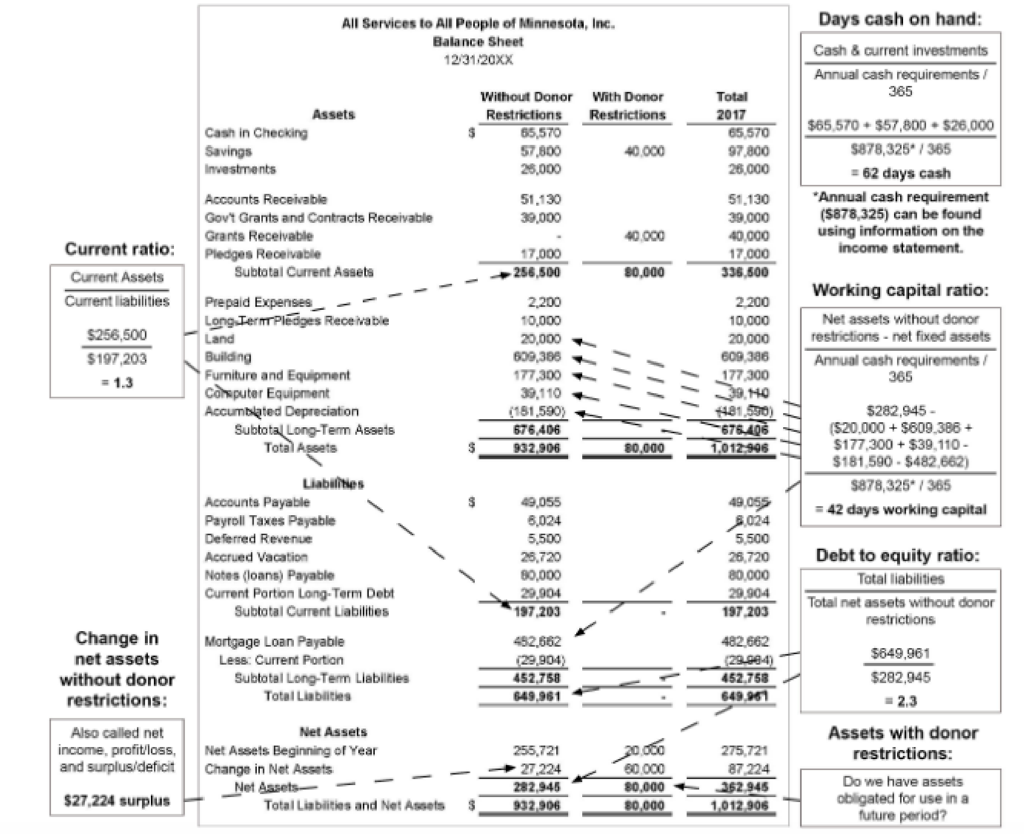
Examples of liabilities:

- Loan payable
- Interest payable
- Debts
- Prepayments
- Accrued expenses and deferred income[8]
- Accounts payable (invoices not yet paid)
- Wages/salaries for the most recent period

Net assets

Net assets are also called equity, capital or fund balance. This categorisation is typically used in the United States and it details the donations based on whether they have restrictions (in time or purpose) on them or not.

An example for a non-profit BS:


All Services to All People of Minnesota, Inc.
Balance Sheet
12/31/20XX

Assets		Without Donor Restrictions	With Donor Restrictions	Total 2017
Cash in Checking	$	65,570		65,570
Savings		57,800	40,000	97,800
Investments		26,000		26,000
Accounts Receivable		51,130		51,130
Gov't Grants and Contracts Receivable		39,000		39,000
Grants Receivable		-	40,000	40,000
Pledges Receivable		17,000		17,000
Subtotal Current Assets		256,500	80,000	336,500
Prepaid Expenses		2,200		2,200
Long-Term Pledges Receivable		10,000		10,000
Land		20,000		20,000
Building		609,386		609,386
Furniture and Equipment		177,300		177,300
Computer Equipment		39,110		39,110
Accumulated Depreciation		(181,590)		(181,590)
Subtotal Long-Term Assets		676,406		676,406
Total Assets	$	932,906	80,000	1,012,906
Liabilities				
Accounts Payable	$	49,055		49,055
Payroll Taxes Payable		6,024		6,024
Deferred Revenue		5,500		5,500
Accrued Vacation		26,720		26,720
Notes (loans) Payable		80,000		80,000
Current Portion Long-Term Debt		29,904		29,904
Subtotal Current Liabilities		197,203	-	197,203
Mortgage Loan Payable		482,662		482,662
Less: Current Portion		(29,904)		(29,904)
Subtotal Long-Term Liabilities		452,758	-	452,758
Total Liabilities		649,961	-	649,961
Net Assets				
Net Assets Beginning of Year		255,721	20,000	275,721
Change in Net Assets		27,224	60,000	87,224
Net Assets		282,945	80,000	362,945
Total Liabilities and Net Assets	$	932,906	80,000	1,012,906

Source: https://www.propelnonprofits.org/resources/balance-sheet-cheat-sheet/

TEMPLATE: 3.8. Balance Sheet of Service Civil International (SCI) (*See Annexes*)

TEMPLATE: 3.9. Balance Sheet of CCIVS (See Annexes)

[8] Only when you do accrual accounting

Currency translation[9]

Bigger IVS organisations can have gains and losses resulting from currency translation. This has a greater occurrence when you have operating branches in other countries and you do common accounting which includes income and expense in several different currencies. When these departments send earnings back to the central office, the financial reporting of these have to be changed into the currency of the place where the majority of the funds are earned and spent.

Before you convert the different currency amounts into your home currency, verify the legal requirements: it is possible that you have to prepare full financial statements for those departments in that foreign currency (called "functional currency") before you start with the conversion.

The exchange rate to be used is usually legally regulated and is possibly different for assets and liabilities, income statements and equities. Look for the financial standards of your region to understand in detail how the exchange rates are calculated.

The gains and losses resulting from currency translation are to be reported on your Balance Sheet.

Accrual accounting vs cash accounting?[10]

The BS typically is more useful and understandable if you do your accounting with an accrual method. This means that you record your transactions (income and expense) when they are incurred, and not when the transaction is realised (so cash movement happens).

Cash accounting is recommended when you are not deep into accounting methods as it is more simple to follow. In this case there should not be separate accounting set up for purchases and sales made on credit (accounts payable and accounts receivable). It reflects the organisation's cash position well and it is a cheaper method, furthermore not-yet received income does not mess up your tax report (if any).

Accrual accounting differs from cash accounting with regards to timing. When you use this method, you recognise your revenue when you make the deal, not when you actually receive the cash. The expenses you report are based on the matching principle: you match it with the month of the revenue which it helped the most to create.

This method is advantageous for bigger organisations, as it provides a more accurate representation of the organisation's finances. However, it comes with a more detailed accounting requirement which makes it more expensive, and also it might mask cash flow issues.

Please note that it is possible that either cash accounting or accrual accounting is not allowed for NGOs in your country, therefore you must discuss this option with professional accountants.

[9] https://www.investopedia.com/terms/c/currency-translation.asp
[10] Source: https://www.netsuite.com/portal/resource/articles/financial-management/cash-basis-accrual-basis.shtml , downloaded 2022. 08. 10.

Accruals and deferrals

Accruals and deferrals in accounting are possible when you have chosen the accrual accounting method. In fact, if you do have such items regularly, or in a large amount, it is recommended to invest capacities to follow with the right accounting methodology.

Deferred charges: a long-term prepaid expense, for example paying rent in advance for half a year or one year (to receive some discounts).

Deferred income: revenue received before providing the goods or service to the customer. If you are a landlord and you are paid the rent in advance for one year, you have to record it as deferred income in your books.

Accrued expenses (accruals): a cost recognised in bookkeeping before it has actually BEEN paid. It is recorded in the accounting period when the expense incurred. You can think of accruals as you book a cost in your accounting in December Year X, which you know you will have to pay in January Year X+1. An example is a phone bill, when you pay for the service used next month, or wages you pay after people have worked the month. Basically the price of any item or service your organisation received but did not yet pay or did not yet receive an invoice to pay.

Accrued income: revenue which you have earned but not yet received. For example if you provide a service and you agreed with your customers that they only have to pay once every six months, you can book accrued income each month and receive the whole amount at the end of the half year.

DIVERSIFICATION OF INCOME

The first and most important financial advice for nonprofits and for-profits alike is

Diversify your income sources!

In IVS NGOs this means that you do not rely only on grants (typical issue in Europe), on membership fees, or on one donor (eg. one company or institution). You can diversify your sources by adding different types of income (individual donations, company donations, grants, sale of goods or services), diversifying the way how you collect these (crowdfunding, mobile calls campaign, text message campaign, letter campaign, events, networking, sale of merchandise or trainings) or multiplying the number of donors in each category. You can read further information on different fundraising methods in the CCIVS Marketing and Fundraising Toolkit (www.ccivs.org/resources)

Another type of income categorisation is as follows:

- Earned (or Active) income (eg. membership fees, workcamp fees, grants, income from goods or services sold – basically everything listed above, this type makes up usually 100% of NGOs income)
- Investment income (eg. selling a house for more money you than you bought it means you have capital gain, or other investment income type is dividend from bonds)
- Passive income (depends on the capital invested, eg. renting your house)

It is worth evaluating the opportunities you have and looking for investment possibilities in socially responsible banks. If you own capital items such as a land or a house, don't waste your time: act on how to turn it into a passive income source (renting it) or even an active income source (establish a hostel for volunteers and tourists).

NB! A loan is not an income, it is not an asset, but a liability – it is an obligation as it has to be paid back eventually. While the loan amount itself is considered a long-term liability, the interest rates are short-term liabilities. Interest rates are a percentage of the so-called "principal" which is the total amount of the loan, and is usually charged on the top of the principal.

In case your organisation has money in a savings account, the interest earned from it should be reported as revenue on your Income Statement.

ROI – RETURN ON INVESTMENT

There are several measurements which can be made based on the vast amount of data you have gathered within your monitoring and analytic reports.

In this Toolkit there is only one which is highlighted: the Return on Investment (RoI). As we are all trying to find the most suitable and profitable way of fundraising for our organisation, it is worth establishing a common ground for evaluating the financial success of a project or a fundraising campaign.

The formula of RoI is the following:

$$\frac{\left[\text{Money Gained} - \text{Money Spent}\right]}{\text{Money Spent}} \times 100$$

Source: https://www.techtarget.com/searchcio/definition/ROI

This will give you a percentage, which you can compare to the expected target. There are no fixed targets for fundraising campaigns which tell you whether it was a success or not, of course the higher the return the better. More complex and more risky fundraising projects are expected to have higher returns.

Bigger NGOs which have fundraising departments are calculating ROI as a performance measurement so they can rank which type of fundraising activity brings the most income in. You can read more on how to evaluate the success of your fundraising campaign in the CCIVS Marketing and Fundraising Toolkit (www.ccivs.org/resources)

HOW

WE touched briefly on the big question of time vs. quality above.

In grassroot NGOs there are many situations and even long periods of time when we fight to keep up our basic activities since we know that even if we make a little change in the world then our efforts were worth it. We maintain high quality volunteer projects, trainings, workshops and communication with target groups.

When it comes to financial management we are happy if we can keep the basic obligations and a minimum attention in our daily operations. "Quality improvement in finances? That should be only for big organisations!"- you can say.

This is not true. Every NGO, even every program or project itself can have an outstanding quality of finance processes. The secret is to prepare and persevere. On the coming pages we will discuss how we can excel in the quality of our finances, with little effort. It will be an instructive journey during which you will realise that you already spend time with quality management topics.

QUALITY MANAGEMENT

"Quality management is the act of overseeing different activities and tasks within an organisation to ensure that products and services offered, as well as the means used to provide them, are consistent. It helps to achieve and maintain a desired level of quality within the organisation.

Quality management consists of four key components, which include the following:

- **Quality Planning** – The process of identifying the quality standards relevant to the project and deciding how to meet them.
- **Quality Improvement** – The purposeful change of a process to improve the confidence or reliability of the outcome.
- **Quality Control** – The continuing effort to uphold a process's integrity and reliability in achieving an outcome.
- **Quality Assurance** – The systematic or planned actions necessary to offer sufficient reliability so that a particular service or product will meet the specified requirements.

The aim of quality management is to ensure that all the organisation's stakeholders work together to improve the company's processes, products, services, and culture to achieve the long-term success that stems from customer satisfaction."[11]

From PDCA to PICACHU

The PDCA cycle is one major quality management theory created by Walter Shewhart and William Deming. It is the abbreviation of steps Plan-Do-Check-Action.

"Explained briefly, the Plan-Do-Check-Act cycle is a model for carrying out change. It is an essential part of the lean manufacturing philosophy and a key prerequisite for continuous improvement of people and processes. (...) PDCA is a simple four-stage method that enables teams to avoid recurring mistakes and improve processes." [12]

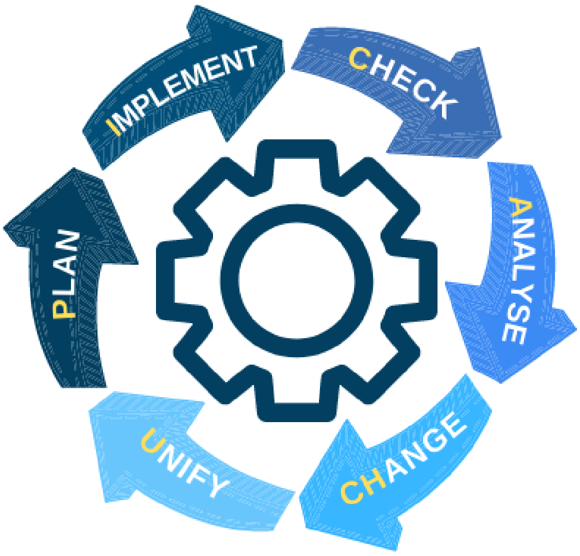
PDCA is one model used by the Lean approach, which we will discuss a bit more in detail at the Lean 7 wastes topic in this Toolkit.

The 4 stages of PDCA are:

- Plan – planning usually takes a lot of time in the total duration of your project. In smaller projects the Pareto principle is valid for the timing: 80% of preparation – 20% realisation. There are important aspects to think through here: the problem to solve (later we will identify risks and also wastes), resources needed, solution alternatives and criteria of success.
- Do – realising the steps you planned at the previous stage. It is recommended to 'do' on a small scale in a controlled environment as you are not yet aware which problems can occur.
- Check – verify what went well & what were the problematic parts during project execution. Find the root causes of the problems in order to prevent them from happening again.
- Act – if everything went well, the new process will be the baseline for your operations.

[11] https://corporatefinanceinstitute.com/resources/knowledge/strategy/quality-management/ downloaded 2022. 07. 30.
[12] https://kanbanize.com/lean-management/improvement/what-is-pdca-cycle , downloaded 2022. 07. 30.

PICACHU



Picachu, being one of the Pokémons, created by Nishida and Sugimori, is a modified version of the PDCA Model[13]. The Plan and the Check stages are the same as in PDCA, the Do and the Act stages are replaced by other steps. The initial drive for this modification is that the difference between Do and Act steps are difficult to remember therefore the whole model is a bit difficult to recall when you do not have your quality management book in your hand.

- Plan – Several smaller steps
- Implement – In a small scale and controlled environment
- Check – whether the plan worked and identify problematic parts
- Analyse – the issues and find root causes
- Change – where it is needed and run the process again
- Unify – on an all-organisation level

TEMPLATE: 4.1. Quality management and resource allocation template (See Annexes)

Use your knowledge about resource allocation and plan in the Picachu template the finance and fundraising type of activities you are planning to do this year! Identify responsible persons and verify their capacity. Do you have all the required resources to ensure your projects will be executed to a high quality?

[13] Concept created by Katalin Somlai, ABC of NGO Finances, Hollókő, Hungary, 2022. 05.

FINANCIAL RESERVES

Financial reserves are basically amounts set aside for a specific purpose.

We create a General reserve or a Capital reserve to counterbalance and prepare for future losses, future expenses and contingencies. General reserves are created from our operating profit, while capital reserve from our capital profit. Capital profit is realised when we sell our land, house or car for example.

If we want to put money aside for specific purposes, we can do it from our operating profit. An example for specific reserves in an NGO is when we put aside reserves to cover bad debt. Bad debt means that there is a high risk that our uncertain debtors (people/companies/organisations who owe money and have a chance to disappear/go bankrupt) will never pay us the amount due. These amounts we label as bad debt and we create a reserve for it. You can see this amount reported on your Balance Sheet.

Provision is also a type of reserve, which would cover anticipated losses in the future. In case of uncertain debtors no matter if you use the word reserve or provision. Another type of provision is when you put aside some money for covering future warranty requests but this is rather relevant for commercial companies only.

Accruals are expenses incurred but not yet paid. You can see when your accountant does this, for example when some utilities (eg. electricity) which you use in December are only billed in January and so can get paid in January next year. Since the turn of the Financial Year happens on the 31st December in this example, the accountant needs to create accruals to cover the expense. Another example can be your phone bill at the end of year.

NB! Always check the local legislation regarding NGO financial reserve creation with your accountant . There can be big differences between countries on what is allowed and what not. Here the experience of your accountant with NGO finances becomes crucial.

RISK AND CHANGE MANAGEMENT

Prepare for the Unexpected

We live in a rapidly changing world.

There are plenty of unexpected financial situations we have to deal with during a year. They can be internal or external, major impact or low impact. Foreseeing and estimating how likely these unexpected situations are is called risk analysis. Change management is already the solution to the risk event, which – when it occurs – definitely drives at least a little change into your organisation.

It comes in handy now that you have previously analysed your environment and the current status of your organisation: look at those threats and figure out early on which is more likely to happen. Still list everything you have in your mind! You never know which one will suddenly become true. The worldwide pandemic was also a risk which many organsitions were not prepared for.

Do not forget to be honest with yourself as regards the internal risks in your organisation. Even if it seems unlikely, the director leaving would have a big impact on the organisation and you need to be prepared at least a little bit to avoid chaos. These preparations are also helpful when you try to prioritise.

Examples of internal risks at an NGO:

- Late payment of a grant
- Pipe broken in the office
- Robbery in the office
- Members not paying the expected fees
- Director leaves suddenly
- Equipment/IT technology failure (loss of data)
- Short staff turnover
- Accounting error/unwillingly violating country legislation

"ITIL (Information Technology Infrastructure Library) is a framework designed to standardise the selection, planning, delivery, maintenance and overall lifecycle of IT services within a business. The goal is to improve efficiency and achieve predictable service delivery." [14]

In order to reach this goal and effectively manage risks and changes, the framework had defined 3 risk levels and assigned change types to each. [15]

Risk level	Low	Intermediate	High
Change type	Standard (routine)	Normal	Emergency

This categorisation helps you to identify which risks require entering into emergency mode. Also there can be small, low risk events which you can handle in your daily routine.

It is always recommended to have a Plan B.

Figure out how you could prepare for these situations and/or how you can solve it when it happens.

[14] https://www.techtarget.com/searchdatacenter/definition/ITIL , downloaded 2022. 07. 30.
[15] https://www.bmc.com/blogs/changes-types-standard-vs-normal-vs-emergency-change/ , downloaded 2022. 07. 30.

Typical preparations or solutions for IVS organisations:

- Insurance
- Build reserves
- Learn from big organisations (Red Cross for example)
- Learn from each other within the CCIVS network (each country has specific challenges but if we gather all we can find similarities)
- Adapting activities to the new environment or context (eg. during pandemic), being creative
- Communication in the network
- Regrouping resources between cost centres
- Establish new ways of income
- Campaign to receive donations / help from others
- Gather contributions to give to the family of volunteers who had an accident
- In case of natural disaster look for governmental support
- Backup computer servers, store data safely

Whether the change is small or large, the steps you need to go through are the same in order to successfully implement change. John Kotter in his 2014 book ‘Accelerate’ outlined an 8 steps model which gives you a guide on how to proceed after you decide change is needed.

Source: https://www.consuunt.com/kotters-8-step-model/ , downloaded 2022. 07. 30.

TEMPLATE: 4.2. Risk and Change management (See Annexes)

LEAN 7 WASTES

"In the 1980s and '90s, Western manufacturers struggled to keep up with the more efficient Japanese companies, so they had two options: Trim down, or shut down. They began adopting the practices of Japanese companies to improve their speed, productivity, and cost efficiency to remain competitive.

During this time, Lean was boiled down to overly simplistic ideas, generally used to justify relentless cost cutting. Today, the manufacturing industry employs far fewer people than it once did. There are also fewer players in this space; they're leaner, but larger.

Many variations of Lean methodology were born in the years following, including Total Quality Management, Just-in-Time, Six Sigma, and the Theory of Constraints. Each of these movements incorporated various practices from what the Japanese were doing that differentiated them from their competition, although we can safely say that what they were aiming for is now known as Lean. Many of these popular "Lean" management frameworks were highly prescriptive by nature and required considerable training to adopt fully.

In their books, 'The Machine that Changed the World' and 'Lean Thinking', Jim Womack and Dan Jones helped us elevate our understanding of Lean, allowing us to move from mimicking Toyota practices to truly understanding the principles that made the Toyota system work. Approaching Lean as a set of guiding principles, rather than a specific set of prescriptive practices, makes implementation easier, more flexible, and more sustainable.

Today, organisations are seeking to transform the way they work by applying Lean principles, specifically: Continuous improvement and respect for people."[16]

In Lean for IVS organisations, we can call waste those activities which do not bring any value to the organisation or the target group but which consume resources. However there are activities in every organisation which are necessary to ensure we do things right and with good quality although it does not result in direct value to our target groups. The ones we will discuss further are pure wastes which we can eliminate without compromising our goals, values or quality of work.

Source:

https://www.100pceffective.com/blog/wasteful-office-infographic/ downloaded 2022.07.30

[16] https://www.planview.com/resources/guide/lean-principles-101/what-is-lean/ downloaded 2022. 07. 30.

It can be difficult to spot these wastes in your own office.

In the picture below you can see some real examples for each waste category.

8 Wastes at the Office

Waste Category	Office Examples
1. Overproducing Producing more, sooner or faster than required	Printing paperwork out before it is really needed, purchasing items before they are needed, processing paperwork before the next person is ready for it
2. Inventory Any form of batch processing	Filled in boxes (electronic and paper), office supplies, sales literature, batch processing transactions and reports
3. Waiting	System downtime, system response time, approvals from others, information from customers
4. Extra Processing	Re-entering data, extra copies, unnecessary or excessive reports, transactions, cost accounting, expediting, labor reporting, budget processes, travel expense reporting, month-end closing activities
5. Correction Any form of defects	Order entry errors, design errors and engineering change orders, invoice errors, employee turnover
6. Excess Motion Movement of People	Walking to/from copier, central filing, fax machine, other offices
7. Transportation Movement of Paperwork	Excessive email attachment, multiple hand-offs, multiple approvals
8. Underutilized People People's abilities, not their time	Limited employee authority and responsibility for basic tasks, management command and control, inadequate business tools available

Source: http://www.aleanjourney.com/2017/02/8-wastes-in-lean-office.html, downloaded 2022.07.30.

Think about the examples in your organisation for each waste? Organise a waste-hunt in your office and stop those wastes which have an easy solution!

Some examples for waste from CCIVS members:

- Overproducing: 3 departments of the same NGO prepare the same document for the same meeting.. Overprinting to read them, however they could be read digitally.
- Waiting: many members are late from a board meeting, sometimes by 5 hours, others have to wait for them. A Governmental office makes staff wait long hours even though they have an appointment. Power network outage, internet outage. 5-hour extensions to meetings. Waiting for partners of different time zones to send an email (hours). Receiving incomplete forms / emails where questions are not answered, then having to ask again and wait for the answer again.
- Motion: there are big traffic jams and staff and volunteers have to do lots of travelling between their locations. Public transport is bad, driving is not an option (expensive).
- Extra processing: a lot of versions of documents - people don't know which is the current one, the most updated.
- Employee talent - some talented people do too many simple tasks and that is wasting their talent.

After you identified wastes in your organisation, the question remains how to convince the decision makers to initiate changes in the operation to stop waste?

Good advice:

- Translate time into money and calculate the savings effect of eliminating these wastes.
- Take a step by step approach, a new rule cannot be introduced suddenly.
- Create an easy-to understand presentation with proof of these losses and back it up with suggestions for solutions.

FINANCIAL TRANSPARENCY AND ACCOUNTABILITY

Trust. No less than this is the result that you gain from leading your organisation in a transparent manner. Your donors would like to know how you manage their money, but transparency is not only about this: it also means that you are honest and open about your internal operations and the effectiveness of your projects. Of course there is data and information which you need to handle with care and confidentiality, so increasing financial transparency is not an "all or nothing" matter.

To give you a basis to decide on what kind of transparency level you are or would like to have, please find below a categorisation by J. Fox (2007) from the 'Development in Practice' journal:

- "Opaque transparency involves the dissemination of information that does not reveal how institutions actually behave in practice in terms of how they make decisions, or the results of their actions. It also refers to information that is nominally divulged, or turns out to be unreliable. (An example of opaque transparency is ostensibly public USA data on farm subsidies that required heavy investment from a watchdog to make it accessible.)
- Clear transparency refers to information-access policies and programmes that reveal reliable information about institutional performance, responsibilities and spending. (Examples of clear transparency include civil-society data about human-rights violations, independent ombudsman reports and publically accessible third-party policy evaluations.)"[17]

Accountability is the other important conduct which creates a great organisational culture and trust from donors and volunteers. Accountability is not the same as transparency – your organisation can be transparent but not accountable for what your people are doing. The already mentioned Development in Practice journal article mentions two levels of accountability:

- "Soft accountability is demanding that duty-bearers justify their decisions – answerability.
- Hard accountability includes answerability plus the possibility of sanctions.

These distinctions are necessary because the concepts of transparency and accountability overlap, and one does not necessarily lead to the other. When only information access is present, an institution is transparent, but not accountable, because accountability includes the capacity to sanction or compensate. The capacity to demand explanations is an area of overlap between transparency and accountability."

[17] https://gsdrc.org/document-library/the-uncertain-relationship-between-transparency-and-accountability/. Fox, J., 2007, 'The Uncertain Relationship between Transparency and Accountability', Development in Practice, vol. 17, nos. 4 & 5, pp. 663–671

It is up to your board to decide on the level of transparency and accountability. The more you have of both of these, the more trust you can gain from individuals and institutions as well.

Financial transparency means that your financial management practices and figures are clearly and regularly communicated. It is not only about putting your statutory report copy on your website on a quasi-hidden link, but to openly communicate about your figures in a way that an average individual donor can also understand what impact their small donation made. Grant institutions are also requiring figures which are clearly linked to projects and impact. Use a language which is easy to understand and shows professionality in your accounting practices. Be open about who is doing your finances and what internal procedures you follow to monitor and control your finances. In case you do all that is recommended in this Toolkit, you can proudly communicate about it!

The following information can be shared (in addition to financial information) to attract donors[18]:

1. Current, detailed programme and project information together with evaluation metrics, impact assessment, and the underlying theory of change (website)
2. Board and key staff members' names, titles and bios with skills and contributions and in case you have an internal or external auditor, and accountant then share their profiles too (website)
3. Information on what kind of procedures ensure financial control and accountability – roles, approvals, authorisations, methodologies (report specific to donor)
4. Annual report including fundraising report and audited financial statements (website)
5. Badge or certificate proving that an independent body has verified your reports and work with transparency (website)
6. Information on how you handle complaints and how it is possible to make one (within a document posted on the website)

Preparing for and being subject to an internal and/or external audit gives high trust as not all detailed information is interesting to everyone. Communicating about the audit reports and highlighting where you are working on them increases transparency significantly. Sometimes you are even required to have an external audit as a condition of a grant. Useful information about what nonprofit audits can look like you can find here:
(https://www.jitasagroup.com/jitasa_nonprofit_blog/nonprofit-audit/).

Look for an organisation or committee in your country which checks your transparency level, helps you to increase it based on local law and culture, and provides you with a badge or certificate to prove that you are a highly transparent NGO.

[18] Based on https://nonprofitlawblog.com/finding-the-right-transparency/ , Guidestar report "The State of Nonprofit Transparency, 2008: Voluntary Disclosure Practices", 2009

FINANCIAL ECOSYSTEM

Within an organisation everything is linked to everything.

This means that the simple desire to organise better volunteer projects can affect finances, law, human resources, engagement of volunteers, trust of donors, relationships with partners. It is very difficult to think through all aspects alone, therefore it is recommended that finance management is overseen by board members, with the finance manager reporting directly to the board members. It is a common mistake in NGOs to separate finance issues, topics and the people who work in it from the others so they are not "bothered" by the numbers. This results in working in "silos": people and groups not talking to each other, not knowing what the others do, not sharing their advice and knowledge, not helping each other when in need.

Typically finance people do the counting, reporting, and analyse trends. Listen to this and appreciate that you can make data-driven decisions. I hope this Toolkit showed you that you do not need expensive software or an MBA professional to create a solid basis for your financial management and establish flexible yet strong processes which will last for decades.

IVS organisations have the sense of community in their veins, which has to be put in place internally as well. This is when we reach the point of "not being afraid" of finances – this brings you back to the first Chapter.

That is why, from a finance point of view the whole organisation with all of its activities is an ecosystem. You pull a string on one side, other elements move heavily on the other.

Does it take long to reach stability in finance management? If your answer is yes, then you are doing it right.

We wish you all good luck in creating your own sustainable, successful financial ecosystem!

The Finance Disco

Wondering what music to listen to while you do your financial tasks? You would like to change the tunes in your organisation's New Year's Eve party? Here is a track list suggestion which tactically brings the finance topic into conversation in one way or the other... Be ready to rock!

- https://www.youtube.com/watch?v=ETxmCCsMoD0 – ABBA – Money, money, money
- https://www.youtube.com/watch?v=I_izvAbhExY – Bee Gees – Stayin' Alive
- https://www.youtube.com/watch?v=-0kcet4aPpQ – Pink Floyd – Money
- https://www.youtube.com/watch?v=srwxJUXPHvE – Beatles – Can't buy me love
- https://www.youtube.com/watch?v=2lqdErI9uss – AC/DC – Moneytalks
- https://www.youtube.com/watch?v=Pqj119D9kDg – Aloe Blacc – I need a dollar

Glossary

Source:
Glossary of Financial terms for Nonprofits
Propel Nonprofits, 2022 – downloaded 2022. 05.05.
https://www.propelnonprofits.org/resources/glossary/

A
Accounts payable: The amount owed to others for services or merchandise received by the organization.
Accounts receivable: The amount owed to the organization for services or merchandise provided to others. Referred to as grants receivable when the amount is related to a grant agreement.
Accrual-basis accounting: A system of financial recordkeeping in which transactions are recorded as expenses when they are incurred (i.e. when a bill is received for merchandise or services provided to the organization) and as income when it is earned (i.e. when services or merchandise is provided by the organization, or the organization receives a commitment of a contribution) rather than when cash is paid or received. The alternative is cash-basis accounting.
Accrued expense: Costs for services received by the organization that have accumulated, but are not yet due or payable.
Accrued interest: Interest costs that have accumulated, but are not yet due or payable.
Allocation: A method of accounting that divides expenses among different program, administrative, and fundraising categories based on a formula that recognizes the use of the resources such as use of the facility or staff time.
Allowance for doubtful accounts: An amount reflecting the portion of the accounts receivable which the organization reasonably believes it may not collect. The amount is often an estimate based on experience or trends in the industry.
Amortization: The repayment schedule for a loan or other obligation, usually as a constant amount each month that is paid first to the interest calculated on the principal balance, and then to reduce the principal balance.
Assets: What is owned by the organization.
Audit: A financial report that has been tested and verified for accuracy by a Certified Public Accountant (CPA) and prepared in accordance with Generally Accepted Accounting Principles. The most rigorous level of external financial statement preparation. An essential component of the audit is the Opinion Letter.

B
Balance sheet: A report showing the financial condition – Assets, Liabilities, and Net Assets – of the organization at a particular moment in time. Also referred to as a Statement of Financial Position.
Board-designated funds: A condition stipulated by an organization's board of directors on how an amount of money is to be used. A common type of board designation is for Operating Reserves. For accounting purposes, these funds are considered unrestricted because the condition was not specified by a donor.
Building reserve: Funds set aside to pay for facility upkeep, upgrades, unexpected repairs that exceed money available through the regular budget, and replacement of fixtures and facility systems. Also known as a replacement reserve. Typically, these are unrestricted, but board-designated funds.

C
Capital expenditure: Payment of money to acquire fixed assets, such as a building or equipment

Cash equivalents: Funds which can be quickly and easily converted to cash, such as bank accounts, money market funds or other investments which mature within 90 days.
Cash flow: The movement of cash into and out of an organization; or the difference between cash receipts and cash disbursements during a period of time.
Cash flow projection: A management tool used to predict incoming and outgoing cash during a specified period of time. Used to anticipate and plan for times of low and high cash balances.
Cash-basis accounting: A system of financial recordkeeping in which transactions are recorded when cash is received or spent. The advantage over accrual-basis accounting is its simplicity.
Chart of accounts: A list of all accounts used in accounting system, including assets, liabilities, income and expenses.
Committed grant: A contribution for which the organization has received a formal notification from the donor that an award will be made at a future date.
Contribution: A donation, gift or transfer of cash or other assets.
Current assets: Cash, investments, receivables, and other assets that can be expected to be available as cash within twelve months.
Current liabilities: Those liabilities due to be paid now or within the next twelve months.

D
Days Cash on Hand: A calculation of the number of days that an organization could continue to pay its operating expenses with current cash balances. It serves as a simple measure of the short-term financial stability of an organization.
Debt: An amount owed to a person or organization for money borrowed. Common types are Loans, Promissory Notes, Bonds, or borrowed funds.
Deferred revenue: Income for which payment has been received before it has been earned. It is reflected as a liability on the Balance Sheet until it is earned and can be recognized as income in a future accounting period.
Deficit: Expenses in excess of income; an operating loss or a negative Change in Net Assets.
Depreciation: The recognition, by recording an expense, of the decrease in value of a fixed asset over its expected physical or economic life.
Direct costs: Those expenses which are used for a program area or cost center. Costs may be exclusively for that purpose or may be allocated between several uses.

E
Earned revenue: Income received for providing services or goods, rather than as a voluntary contribution.

F
Fixed assets: An asset that has a relatively long useful life, usually several years or more, such as equipment, furniture, buildings and land.
Fund accounting: A system of accounting based on separating information into groups which reflect organizational divisions or donor-imposed restrictions.
Funds with donor restrictions (formerly Permanently or Temporarily restricted funds): Funds with donor-imposed restrictions that can be satisfied by the passage of a defined period of time or by performing defined activities. These funds may be invested to produce a stream of income that can be spent. *See Endowment.*
Funds without donor restrictions (formerly Unrestricted funds): Contributions given without the donor placing any restrictions or limitations as to their use.

G
General ledger: Accounting system tool for recording all transactions

Generally Accepted Accounting Principles (GAAP): The set of norms and standards of nonprofit accounting practices established by the Financial Accounting Standards Board (FASB) to help ensure the accuracy and consistency of financial records and reports. Used for internal and external financial reporting, including audits.
Grants: Contributed assets given by an individual or another organization with no reciprocal receipt of services of goods. Sometimes are given with a legal restriction imposed upon its use.

I
In-kind contribution: A contribution made of goods or services rather than cash.
Income statement: A financial report that summarizes income and expenses and resulting surplus or deficit for a given period of time. Also known as the statement of activities.
Internal controls: The system of practices, procedures and policies intended to safeguard the assets of the organization from fraud or error and ensure accurate recordkeeping.
Inventory: The cost of finished goods held for sale by an organization, or the raw materials and works-in-process that will become finished goods. Recorded as an asset until the item is sold.
Investment: A general term to describe financial Assets owned by an organization. The category is broad and may include stocks, bonds, and other financial instruments. Investments are subject to numerous accounting rules and standards.

L
Liabilities: What the organization owes to others, including accounts payable, debts, mortgages and other obligations to pay.
Liquidity: A measure of how much cash and assets that can be easily converted to cash (such as short-term investments) an organization has available for use in the immediate or near future.
Long-term debt/liabilities: An obligation to pay a loan or other obligation with a maturity or due date of more than one year.

M
Management and general expenses: Expenses that are used for the purpose of planning and managing the organization as a whole rather than for programs or fundraising. Expenses may include all or part of the cost of executive staff , finance, human resources, board of directors, and general promotion and communications. A type of functional expense that frequently reflects the use of allocations.

N
Net assets: The difference between the organization's total assets and its total liabilities on the balance sheet indicating the net financial worth for the organization. Net assets is the accumulation of the difference between cumulative income and less cumulative expenses over the life of the organization. Divided into net assets with donor restrictions and net assets without donor restrictions.

O
Operating expense: General term for expenses incurred for all the activities of the organization.
Operating reserve: An unrestricted fund balance set aside by the organization's board to stabilize an organization's finances by providing cash as a cushion for planned or unplanned future expense or losses.
Overhead: The costs that cannot be identified with a program activity but are needed for the general administration of the organization. This expense is often distributed among programs based on a formula.

P

Prepaid expense: An expense that is paid before use of the good or service, such as insurance paid in advance.

Profit and loss statement: *See Income Statement or Statement of Activities.*

Property and equipment: The Asset value of the physical items an organization owns such as buildings and improvements, equipment, and furniture that will be used for more than one year. Often called fixed assets.

R

Receivables: *See accounts receivable or notes receivable.*

Reserves: An amount set aside by the Board to be used for needs that are outside of the regular annual budget. Reserves may be designated for operating, building, opportunity, or other purposes.

Restricted funds: Contributions which are designated by the donor for a specific use. *See also Funds With Donor Restrictions.*

Revenue: Income earned from services performed or merchandise sold (as distinct from support, or contributed income).

S

Short term debt/liability: A loan which is issued with a final payment date of one year or less.

Statement of activities: One of the primary financial reports for an organizations, reporting the income, expenses, and change in net assets for a period of time. *See income statement.*

Statement of cash flows: A financial report component summarizing the sources and uses of cash for a period of time. The Statement of Cash Flows is a historical report and is different in form and use from a cash flow projections. *See cash flow.*

Statement of financial position: One of the primary financial reports for an organization, reporting the assets, liabilities, and net assets as of a specific date. *See Balance Sheet.*

Support: Income from voluntary contributions and grants (as distinct from revenue, or earned income).

Surplus: Income in excess of expenses; an operating profit or a positive Change in Net Assets.

T

Technical assistance: Help and advice provided on a specialized subject matter.

U

Unconditional promise to give: A pledge to make a contribution of cash or another asset without requiring the organization to meet any condition prior to receiving the contribution.

Unrealized gain or loss: The increase or decrease in value of an investment asset held by an organization but which has not been received through the sale of the asset.

W

Working capital: The portion of an organization’s assets which is not invested in fixed assets or obligated to pay current liabilities, but is available to fund day to day working needs.

Templates

Template 2.1. A connected Action Plan for every size of NGO

		JAN	FEB	MAR	APR	MAY	JUN
GOAL 1	Objective 1						
GOAL 1	Objective 2						
GOAL 1	Objective 3						
GOAL 2	Objective 1						
GOAL 2	Objective 2						
GOAL 2	Objective 3						
GOAL 3	Objective 1						
GOAL 3	Objective 2						
		JUL	**AUG**	**SEPT**	**OCT**	**NOV**	**DEC**
GOAL 1	Objective 1						
GOAL 1	Objective 2						
GOAL 1	Objective 3						
GOAL 2	Objective 1						
GOAL 2	Objective 2						
GOAL 2	Objective 3						
GOAL 3	Objective 1						
GOAL 3	Objective 2						

Template 3.1. Budget template (Goals and objectives linked)

	Code	Budget Item	JAN	FEB	MAR
Income	1	Grants			
	2	Government funds			
	3	Individual donations			
	4	Corporate donations			
	5	Philanthropists			
	6	Vol. Membership/particip. Fees			
	7	Sales of goods			
	8	Sales of services			
	9	Project income			
	10	Other Income			
Total Income					
	Code	**Budget Item**	**JAN**	**FEB**	**MAR**
Expenses	11	Staff Costs (salaries, benefits)			
	12	Office Costs			
	13	Costs of services			
	14	Travel Costs			
	15	Communication costs			
	16	IT costs			
	17	Meeting/event costs			
	18	Cost of materials to sell			
	20	Project Costs			
	21	Other expenses			
Total Expenses					
EXPENSES PER COST CENTER			**JAN**	**FEB**	**MAR**
Expenses		GOAL 1 - ACTION 1			
		GOAL 1 - ACTiON 2			
		GOAL 2 - ACTION 1			
		GOAL 2 - ACTION 2			
		GOAL 2 - ACTION 3			
		GOAL 3 - ACTION 1			
		GOAL 3 - ACTION 2			
		GOAL 3 - ACTION 3			
Total Expenses					
			JAN	**FEB**	**MAR**
BALANCE= Income-Expenses					

Template 3.2. Project budget template – Fundacion SES

fundaciónses *Con todas las juventudes*	MODULADO PROGRAMA			
		dolares	pesos	
	INGRESOS			

	GASTOS				$ -	$ -
RUBRO	NOMBRE	DETALLE	Unidad/ monto	Cantidad	Total general	Total por Rubro
					$ -	$ -
1	Gastos Fijos Institucionales					$ -
2	Gastos Operativos Institucionales					$ -
			$ 0		$ -	
3	Gastos Operativos Programáticos					$ -
					$ -	
						$ -
					$ -	
				1		
4	Contrataciones Externas: Personas, diseño, etc…,					$ -
				1	$ -	
						$ -
5	Convenios con OSCs y Consultoras					$ -
					$ -	
6	Otros gastos (Imprevistos, etc.)					$ -
	Fechas previstas de rendiciones:					
	Parciales:					
	Parciales:					
	Final:					
	Responsable de Programa			Fecha		
	Dirección					

Template 3.3. Cash Register of Service Civil International (SCI)

CASH BOX STATEMENT
January 2022

		Start Balance	**100.00**	* has to be = balance on 31/12/2021
Number	Date	Amount	Saldo	Description
1	1/5/2022	10.00	110.00	cleaning products
2	1/12/2022	10.00	120.00	maintenance - broken window
3	1/14/2022	10.00	130.00	meeting - subsistence cost
4	1/18/2022	10.00	140.00	postage
5	1/19/2022	10.00	150.00	cash withdrawal
6	1/25/2022	10.00	160.00	office supplies
7			160.00	
8			160.00	
9			160.00	
10			160.00	
13			160.00	
15			160.00	
16			160.00	
21			160.00	
22			160.00	
23			160.00	
24			160.00	
25			160.00	
26			160.00	
		End Balance		
			160.00	* = start balance on 01/02/2022

Template 3.4. Cash Register of Service Civil International (SCI)

CASHFLOW 2023

Petty cash balance 1st Jan 2023:
Bank account balance 1st Jan 2023:

	Code	**Budget Item**	**JAN - budgeted**	**JAN - real**
Income	1	Grants		
	2	Government funds		
	3	Individual donations		
	4	Corporate donations		
	5	Philanthropists		
	6	Vol. Membership/particip. Fees		
	7	Sales of goods		
	8	Sales of services		
	9	Project income		
	10	Other Income		
Total Income				
	Code	**Budget Item**	**JAN - budgeted**	**JAN - real**
Expenses	11	Staff Costs (salaries, benefits)		
	12	Office Costs		
	13	Costs of services		
	14	Travel Costs		
	15	Communication costs		
	16	IT costs		
	17	Meeting/event costs		
	18	Cost of materials to sell		
	20	Project Costs		
	21	Other expenses		
Total Expenses				
EXPENSES PER COST CENTER			**JAN - budgeted**	**JAN - real**
Expenses		GOAL 1 - ACTION 1		
		GOAL 1 - ACTiON 2		
		GOAL 2 - ACTION 1		
		GOAL 2 - ACTION 2		
		GOAL 2 - ACTION 3		
		GOAL 3 - ACTION 1		
		GOAL 3 - ACTION 2		
		GOAL 3 - ACTION 3		
Total Expenses				
			JAN - budgeted	**JAN - real**
BALANCE of month=Income-Expenses				
Total cash balance=Petty cash b.+Bank account b.+Balance of month				
Total of inventory				
Total of assets				
Accounts Receivables				
Nr. Of outgoing/incoming volunteers				

Template 3.5. Cash Flow Statement of CCIVS

		JAN		FEB		MAR		APR		MAY		JUN *(then add columns to the right for the succeeding months)*		TOTAL REAL	TOTAL EXPECTED
		REAL	EXPECTED	R	E	R	E	R	E	R	E	REAL	EXPECTED		
												EXPENSES			
ADM	**ADMIN. COSTS**														
60630	Stationery													0.00€	€0.00
	Material/Equipment													0.00€	€0.00
	Other(Food, pedagogical, materials)													0.00€	€0.00
61310	UNESCO Office													0.00€	€0.00
61630	Employee Insurance													0.00€	€0.00
62610	Telephone, Internet, Web													0.00€	€0.00
62700	Bank Services/Charges													0.00€	€0.00
62810	Cotisations Exterieures													0.00€	€0.00
64110	Employee Salaries													0.00€	€0.00
64120	Volunteers and Interns													0.00€	€0.00
62513	EC meetings													0.00€	€0.00
62511	Transport Staff													0.00€	€0.00
62600	Postage													0.00€	€0.00
62100	Accounting													0.00€	€0.00
61880	Miscellaneous													0.00€	€0.00
	URSSAF Contributions													0.00€	€0.00
	URSSAF DEBT													0.00€	€0.00
	Other Staff Expenses													0.00€	€0.00
														0.00€	€0.00
PRO	**PROJECT COSTS**														
	UNESCO													0	€0.00
	Participation Programme													0.00€	€0.00
														0.00€	€0.00
	COUNCIL OF EUROPE													0	€0.00
	123													0.00€	€0.00
	456													0.00€	€0.00

	EU													0	€0.00
	KA1													0.00€	€0.00
	KA2 PRO-STEPS2													0.00€	€0.00
	KA3 PRO-VOL													0.00€	€0.00
														0.00€	€0.00
	EXTERNAL PROJECTS													0	€0.00
	ab													0.00€	€0.00
	cd													0.00€	€0.00
	ef													0.00€	€0.00
	OTHER													0.00€	€0.00
	Debts to Projects													0.00€	€0.00
	Debt to Staff													0.00€	€0.00
	contributions debts													0.00€	€0.00
	EC debts													0.00€	€0.00
	members debts													0.00€	€0.00
	individuals debts (projects)													0.00€	€0.00
	others debts													0.00€	€0.00
	EXPENSES TOTAL	0.00 €	0.00€	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00€	0.00€	€0.00
INCOME												**INCOME**			
	DONATIONS AND CONTRIBUTIONS														
75400	Donations													0.00€	0.00€
75610	Membership Fees													0.00€	0.00€
70620	Participation Contribution													0.00€	0.00€
	Member Contributions													0.00€	0.00€
	Solidarity Fund													0.00€	0.00€
	Services Provided													0.00€	0.00€
														0.00€	0.00€
	SUBSIDIES													0.00€	0.00€
	UNESCO													0.00€	0.00€
	Participation Programme													0.00€	0.00€
														0.00€	0.00€
	COUNCIL OF EUROPE													0.00€	0.00€
	COE - WP22													0.00€	0.00€

	COE - Operating Grant 20-21													**0.00€**	0.00€
														0.00€	0.00€
	EU													**0.00€**	0.00€
	KA1 -													**0.00€**	0.00€
	KA2 - PRO-STEPS2													**0.00€**	0.00€
	KA3 - Operating Grant													**0.00€**	0.00€
														0.00€	0.00€
	EXTERNAL PROJECTS													**0.00€**	0.00€
	PRO-YMCA													**0.00€**	0.00€
	PRO-SOIL													**0.00€**	0.00€
	PRO-EMY													**0.00€**	0.00€
	PRO-INVOLVE													**0.00€**	0.00€
	PRO-FRW													**0.00€**	0.00€
														0.00€	0.00€
	OTHER													**0.00€**	0.00€
	French Government, CPAM, etc													**0.00€**	0.00€
	TRAINING UNIFORMATION													**0.00€**	0.00€
	Service Civique													**0.00€**	0.00€
	Travels reimbursement/reimbursement members													**0.00€**	0.00€
	Bank loan/member loan													**0.00€**	0.00€
	INCOME TOTAL	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**
	EXPENSES TOTAL	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**
	BALANCE	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**	**0.00€**
	Bank Account 1 Start Balance														
	Bank Account 2 Start Balance														
	PAYPAL START														

	TOTAL	**0.00 €**	**0.00€**	**0.00 €**	**0.00 €**	**0.00 €**	**0.00 €**	**0.00 €**	**0.00 €**	**0.00 €**	**0.00 €**	**0.00 €**	**0.00€**		
	END OF MONTH BALANCE	0.00 €	0.00€	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00€		

Template 3.6. Income Statement template of Service Civil International (SCI)

INCOME STATEMENT 2022 - CALLED "ACCOUNTS 2022" IN SCI

	Budget Item – **Income**	**21 REAL**	**22 BDG**	**22 REAL**	of BDG
1	01. Branch Contributions	100	100	100	100%
2	02. Vol Exch Fee (excl Insur Prems)	831	10	0	0%
3	03. Insurance Premiums Received	100	90	80	89%
4	04. Fees for Office Work Done	100	200	700	350%
5	05. Participation Fees	100	100	120	120%
6	06. Grants	100	50	40	80%
7	07. Donations / Fundraising	100	200	210	105%
8	08. Interest and Dividend	100	50	50	100%
9	09. Other Income	100	130	110	85%
10	10. Extraordinary Income	100	10	0	0%
	Total Income	**1,731**	**940**	**1,410**	150%
	Budget Item – **Expenditure**				
11	11. Staff Costs	100	120	110	92%
12	12. Office Costs	100	80	110	138%
13	13. Taxes	100	200	130	65%
14	14. Travel & Meeting Costs	100	200	180	90%
15	15. Membership Fees	100	50	50	100%
16	16. Financial Costs	100	50	60	120%
17	17. Miscellaneous	10	10	0	0%
18	18. Project Costs	100	60	70	117%
19	19. Premiums and Claims Paid	100	150	150	100%
20	20. Extraordinary Expenses	10	10	0	0%
21	21. Provisions	100	10	0	0%
	Total Expenditure	**920**	**940**	**860**	91%
	RESULT	811	0	550	
	EXPENSES PER COST CENTRE				
	ICM	0	0	#ERROR!	
	IEC	0	0	0	
	FACT	0	0	#ERROR!	
	GENERAL COORDINATION	100	200	80	40%
	INSURANCE	100	200	200	100%
	ARCHIVES	200	180	220	122%
	OPS & Tech Team	0	0	#ERROR!	
	STRATEGIC PLAN	0	0	#ERROR!	
	External Representation	200	110	130	118%
	Branch Financial Support	200	170	150	88%
	ADC	0	0	#ERROR!	
	Projects	120	80	80	100%
	Total	**920**	**940**	**#ERROR!**	**#ERROR!**

Template 3.7. *Income Statement of CCIVS*

EXPENDITURE	2017	2018	2019
60 PURCHASING	**9,282**	**2,801**	**6,305**
STATIONERY	106	495	32
SMALL EQUIPMENT/MATERIAL	9,147	2,275	5,554
OTHER	29	31	719
61 EXTERNAL PROVIDERS	**108,313**	**131,117**	**122,790**
PRINT	5,782	7,813	7,402
OFFICE RENTAL	3,686	3,719	3,768
OTHER RENTAL			260
MAINTENANCE			
ACCOMMODATION (meetings, activities)	63,356	93,918	87,225
FOOD (meetings, activities)	14,460	4,704	6,352
VISA, VACCINATION, INSURANCE	5,374	6,520	4,232
MISCELLANEOUS	15,655	14,443	13,551
62 OTHER EXTERNAL SERVICES	**149,607**	**238,996**	**236,436**
ACCOUNTING & AUDIT COSTS	5,500	5,500	8,620
EXTERNAL STAFF (trainers, consultants, experts, ...)	57,522	102,538	133,060
PARTICIPANTS TRAVEL	74,563	118,134	80,861
STAFF TRAVEL	2,669	4,973	2,922
STATUTORY MEETINGS TRAVEL (EC, GA, ..)	6,517	4,534	3,530
POSTAGE	260	348	202
PHONE/FAX/INTERNET	1,780	1,687	6,151
BANK COSTS	646	1,282	940
MISCELLANEOUS	150		150
64 STAFF	**120,610**	**100,423**	**121,999**
DIRECTOR	48,715	52,170	49,275
OFFICER	32,017	37,176	25,475
PROJECT COORDINATOR			25,670
OTHER STAFF, INTERNS & VOLUNTEERS	39,878	11,077	21,579
65 OTHER CHARGES	**0**	**16,748**	**44,818**
PART OF GRANTS TRANSFERRED TO PROJECTS		16,748	44,818
VOLUNTEERS IN PROJECTS			
GRANT FROM INTERNATIONAL SOLIDARITY FUND			
66 FINANCIAL COSTS	**9**	**10**	**23**
67 EXCEPTIONAL EXPENSES	**33,286**	**6,237**	**51,348**
EXPENSES/LOSS ON PREVIOUS YEARS	33,284	409	51,348
OTHER EXCEPTIONAL EXPENSES	2	5,828	
68 DEPRECIATION AND PROVISION	**10,609**	**31,548**	**20,838**
PROVISION FOR ISF			
PROVISION FOR UNRECEIVED MBSHIP FEES			
DEPRECIATION	509	197	

PROVISION FOR RISK OF LOSS/ACTIVITIES	10,100	31,351	20,838
TOTAL EXPENDITURE	**431,716**	**527,880**	**604,557**
INCOME	**2017**	**2018**	**2019**
701 PARTICIPATIONS	**38,978**	**15,044**	**5,429**
SERVICES PROVIDED	18,620	7,159	
CONTRIBUTIONS	7,574	6,800	4,325
ADMIN. FEES/SERVICES RENDERED	150	100	
MISSION COSTS REFUNDING	636	910	301
OTHER	11,998	75	803
74 SUBSIDIES	**298,144**	**459,850**	**474,728**
UNESCO	**14,130**	**44,764**	**36,297**
Unesco WHV	*14,130*	*32,309*	*36,297*
Unesco Participation Programme		*12,455*	
Unesco other			
EUROPEAN COMMISSION	**250,034**	**355,050**	**360,797**
Administrative Grant	*50,000*	*50,000*	*50,000*
Projects	*200,034*	*305,050*	*310,797*
Other			
ASEF			
COUNCIL OF EUROPE	**20,538**	**44,434**	**59,434**
OTHER SUBSIDIES	**13,442**	**15,602**	**18,200**
75 DONATION & MEMBERSHIP FEES	**60,169**	**56,296**	**97,556**
MEMBERSHIP FEES RECEIVED	20,200	22,381	28,054
MEMBERSHIP FEES TO BE RECEIVED			
MEMBERS/PARTICIPANTS CONTRIBUTION	21,003	10,823	31,195
DONATIONS	18,966	22,794	38,307
INTERNATIONAL SOLIDARITY FUND		298	
76 FINANCIAL INCOME	**4**	**1,286**	**8**
77 EXCEPTIONAL INCOME	**5,818**	**7,360**	**621**
INCOME ON PREVIOUS YEARS	5,816	7,015	621
OTHER EXCEPTIONAL INCOME	2	345	
78 REVERSAL OF PROVISION	**38,037**	**0**	**46,567**
ISF REVERSAL OF PROVISION			
MBSHIP FEES REVERSAL OF PROVISION			
OTHER REVERSAL OF PROVISION	38,037		46,567
TOTAL INCOME	**441,150**	**539,836**	**624,909**
TOTAL EXPENDITURE	**431,716**	**527,880**	**604,557**
PROFIT/LOSS OF THE YEAR	**9,434**	**11,956**	**20,352**

Template 3.8. Balance Sheet of Service Civil International (SCI)

Result of the year	100.00	100.00				
		Balance sheet				
		12/31/2021- 12/31/2020				
Fixed Assets						
23	Fixed Assets			**100**	**100**	
Receivables						
40	Receivable after more than one year			100	100	
42	Trade debtors			100	100	
41	Other debtors			100	100	
Total receivables				**300**	**300**	
Investments and Liquidities						
51	Fixed Rate Investments			100	100	
52	Liquidities			100	100	
Total Investments and Liquidities				**200**	**200**	
Deferred charges & accrued income				**100**	**100**	
TOTAL ASSETS				**700**	**700**	
Association's Capital						
10	General Fund of the Association			100	100	
11	Designated Funds			100	100	
Total Association's Capital				**200**	**200**	
Provisions						
13	Provisions			**100**	**100**	
Short Term Payables						
44	Commercial Debts			100	100	
45	Debts for Taxes, Salaries and Social Insurance			100	100	
48	Other amount payable			100	100	
Total Short Term Liabilities				**300**	**300**	
Accrued charges & deferred income				**100**	**100**	
TOTAL LIABILITIES				**700**	**700**	
	BALANCE CHECK			0	0	

Template 3.9. Balance Sheet of CCIVS

ASSETS				LIABILITIES			
	31/12/18	31/12/19	31/12/20		31/12/18	31/12/19	31/12/20
FIXED ASSETS	**20.00**	**20.00**	**30.00**	**CLOSING BALANCE**	**30.00**	**30.00**	**30.00**
FINANCIAL ASSETS	0.00	0.00	10.00	OPENING BALANCE	10.00	10.00	10.00
TANGIBLE ASSETS	10.00	10.00	10.00	RESULT OF THE YEAR	10.00	10.00	10.00
DEPRECIATION	10.00	10.00	10.00	MID/LONG TERM LOAN (SJ)	10.00	10.00	10.00
STOCKS	**0.00**	**0.00**	**0.00**	**PROVISIONS**	**20.00**	**30.00**	**30.00**
				PROVISION FOR ISF	10.00	10.00	10.00
PUBLICATIONS	0.00	0.00	0.00	PROVISION FOR MBSHIP		10.00	10.00
				PROVISION FOR RISK	10.00	10.00	10.00
DEBTORS	**60.00**	**73.00**	**36.00**	**CREDITORS**	**70.00**	**51.00**	**50.00**
DEBTORS	10.00	10.00	11.00	MISCELLANEOUS PROVIDERS	10.00	10.00	10.00
UNESCO	10.00	10.00	11.00	STAFF	10.00		
EUROPEAN COMMISSION	10.00	11.00	1.00	MEMBERS AND PARTICIPANTS	10.00	10.00	10.00
COE AND OTHER FUNDERS	10.00	11.00	1.00	LES AMIS DU CCSVI	10.00	10.00	10.00
MEMBERS AND PARTICIPANTS	10.00	11.00	1.00				
STAFF MEMBERS			11.00	PENDING TRANSACTIONS	10.00	10.00	10.00
OTHER		10.00		GRANTS/OTHER TO BE REPAID	10.00	1.00	
PAID IN ADVANCE	10.00	10.00		RECEIVED IN ADVANCE	10.00	10.00	10.00
LES AMIS DU CCSVI							
CASH AND BANK	**16.00**	**25.00**	**45.00**				
SG EPARGNE	1.00	11.00	11.00				
LIVRET EPARGNE	1.00	1.00	1.00				
SG COMPTE COURANT	11.00	11.00	11.00				
UBS							
INDIAN BANK	1.00	1.00	11.00				
PAYPAL	1.00						
CASH IN EUROS	1.00	1.00	11.00				
OTHER CURRENCIES							
TOTAL ASSETS	**96.00**	**118.00**	**111.00**	**TOTAL LIABILITIES**	**120.00**	**111.00**	**110.00**

Template 4.1. Quality management and resource allocation template

ABC of NGO Finances training

Quality Management Cycle
based on PDCA concept

P – Plan I – Implement – C – Check – A – Analyze – CH – Change – U - Unify

Don't forget about finance related activities! (budgeting, administration, invoicing, grant application writing, communication with donors, crowdfunding campaign, accounting tasks, reporting..)

Action	QM Cycle Step	Skills/Competences required	Responsible	New resource or outsourcing required?
Regional union's grant for NGOs who develop youth communities	*P*	*Grant application writing, Communication and planning skills*	*There is no one in the org. who can do it*	*New resource to hire*
Regional union's grant for NGOs who develop youth communities	I	*Event management skills, language skills, non-formal education*	*Volunteer, member of the board*	-

Template 4.2. Risk and Change management

ABC of NGO Finances training

Change Management

Source:

- **ITIL** *(ITIL (Information Technology Infrastructure Library) is a framework designed to standardize the selection, planning, delivery, maintenance and overall lifecycle of IT services within a business)*
- **John Kotter**, a Harvard Business School Professor and a renowned change expert, in his book 'Accelerate', introduced 8 Step Model of Change which he developed on the basis of research of 100 organizations which were going through a process of change.

Risk level: Low, Intermediate, High
Change type: Standard (Routine), Normal, Emergency

Situation	Risk level	Change type	Solution	How to avoid in future

Useful Links

all of them downloaded on 29. 11. 2022

History Repeats Itself: How To Prepare for a Recession
"Record inflation rates and economic disruptions caused by the COVID-19 pandemic and global conflict have impacted the financial stability and confidence of American households. Some experts point to signs of a recession looming, and there are ways you can prepare your finances."
Edited By Savannah Hanson, Updated: September 20, 2022
https://www.annuity.org/personal-finance/financial-wellness/how-to-prepare-for-a-recession/

How to Prepare for a Recession: 8 Tips You Can Start Now
Written by Mint, Modified Jul 28, 2022
https://mint.intuit.com/blog/planning/how-to-prepare-for-a-recession/

Difference Between Expenditure, Cost and Expenses
https://accountingproficient.com/financial-accounting/difference-expenditure-cost-expenses/

Investopedia (in general for financial terms explanations)
https://www.investopedia.com

A Manager's Guide to Finance & Accounting
"In this guide, you'll expand your knowledge of finance and accounting by learning about the differences between the two disciplines, the financial skills all managers need, and how taking an online course can help you achieve your educational goals and accelerate your career."
After you complete an online form, you can download the free guide on Finance & Accounting.
https://info.online.hbs.edu/finance-accounting-ebook

Financial Management Essentials – A Handbook for NGOs
Produced by Terry Lewis for © Mango (Management Accounting for Non-governmental Organisations), Revised October 2017
https://www.erasmusplus.nl/sites/default/files/assets/Impacttool/Activity%20based%20budget_Mango%20finman%20guide.pdf

FINANCIAL TERMINOLOGY: 20 FINANCIAL TERMS TO KNOW
Lauren Landry, Harvard Business School Online
https://online.hbs.edu/blog/post/finance-for-non-finance-professionals-finance-terms-to-know

Glossary of Financial Terms for Nonprofits
Propel Nonprofits, 2022
https://www.propelnonprofits.org/resources/glossary/

ABC OF NGO FINANCES

Finance Management Toolkit for IVS NGOs

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