



- Material - capital goods, program goods, supplies, technology
- Money - financial resources
- Manpower - Human resources of organisation

## Main Functions of an NPO

- Program
- Finance & Accounts
- Admin
- Communications, Advocacy and Public Relations
- Research
- New Business (fund raising)
- Training & Capacity Building
- Every staff in every of above function performs a finance role

## Financial Management

- Financial Management is the business function that deals with planning, organizing, monitoring and controlling financial resources of an organization.
- It focuses on spending financial resources to deliver greater social impact
- Why financial management:
  - Accountability and Transparency to donors and communities we serve
  - Allocation of financial resources for organisation activities
  - Investment decision for resources
  - Statutory/regulatory compliance
  - Financial Reporting to stakeholders
  - Futuristic planning-Financial security, Sustainability and long term growth
  - Internal Controls framework
  - Custody of financial resources to minimise resource misuse and embezzlement
  - Better decision making on Finance to fulfil the Mission based o data and analysis
  - Enhanced credibility and trust thereby giving a competitive edge
  - Manging risk through Internal Controls
  - Meeting organisation goals

## Finance Function in an NPO

- Finance function ensures organization's financial health and sustainability
- The finance function's role in an NGO is:
  - Manage financial resources of the organization
  - Make strategic finance decisions for sustainability
  - Operational support-uphold internal controls and support other functions including fundraising
  - Report to stakeholders to help decision-making
  - Statutory and regulatory compliance
  - Manage risks through suitable internal controls

Difference between Accounting & Finance though used interchangeably: Accounting looks Back while Finance looks Forward!

### 3 key roles of Finance function in an NPO

1. Enable Value Creation
2. Shape Value Creation
3. Narrate Value Creation

- These are in chronological order
- Role is performed by CFO and team he/she leads in Finance function duly supervised by Chief Functionary and Governing Board
- Value creation for an NPO means maximising social outputs/outcomes using the various resources

## Role of Finance Function in NPO

### Enables Value Creation through

1. Planning:
  - Financial Resources for operations
  - Financial sustainability
  - For Controls (Framework)-Policies
2. Forecasting-long term and short term
  - Budgets-organisation and programs/projects
  - Fund flows

- Operating Cash
3. Resource Allocation: manpower, material, money
    - Banking
    - Treasury & cash management
    - HR, Goods and services procurement as per policy and prevalent laws
    - Inventory management-slow moving, waste, loss
    - Asset management-depreciation, obsolescence, loss etc
  4. Recording:
    - a. Book keeping i.e. recording transactions
    - Accounting i.e. summarisation, analysis and interpretation of financial data
    - Closing and reconciling-bank, vendor, employee, grant etc

## Role of Finance Function in NPO

### SHAPES value creation through

1. Performance Measurement and Management
  - Budget monitoring (budget variance analysis) - organisation, projects
  - Measuring Value for money (VFM) - ratios
  - Return (social return) on investment (SROI), Social impact audit
2. Monitoring Controls
  - Budgetary (realignment, reallocation)
  - Adherence to policies and procedures for Internal control
  - Audits and assurances-statutory, internal donor, Govt
  - Monthly MIS-Financial, Program
3. Facilitator - support on finance to all other functions

### NARRATES the value creation through

1. Financial reporting
  - Donors - periodic FR, annual audited UC, supporting fundraiser with financial data
  - Govt bodies - IT, FCRA, Registering agency, EPF, ESI, TDS, GST
  - Board/top management - financial health
2. Focal point with external stakeholders on institutional matters
  - obtaining statutory approvals

- financial assessment by donors, govt etc.

# Role of Non Finance Staff in Financial Matters

- Non finance staff handle resources which have value
- Non finance staff authorise various types of expenditure - travel, procurement, office exp, statutory dues
- Non finance staff own and operate project budgets
- Project decisions of Non finance staff in field have financial implications - allowance/disallowance
- Decisions in field of Non finance staff have compliance implications with laws of land
- Non Finance staff actions affect reputation and even our very existence

Please note: Information is for reference only. Read our disclaimer [here](#).

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