

How to Tell Your Nonprofit's Financial Story

Best Practices for Demonstrating Transparency
with Budgeting, Bookkeeping, and Reporting



Contents

Introduction	3
Laying the Foundation: Best Practices for Budgeting, Bookkeeping, and Reporting	5
Demonstrating Financial Transparency: Past, Present, and Future	8
Sealing the Deal—Where Do We Go from Here?.....	11






Google estimates that 129 million books have been published globally, each telling a unique story.

Whether relaying history or spinning yarn, storytelling takes many forms. Telling your nonprofit's financial story crucially supports your organization's mission.

Telling your nonprofit's story correctly is crucial because it:

- Contributes to your organization's fiscal sustainability
- Allows for better informed decisions
- Highlights your organization's relationship between programs and finances
- Boosts the board and leadership's ability to advocate for more resources
- Defines key performance indicators and ties them to future growth
- Supports your organization's mission delivery





Your organization's financial story needs to be communicated in an impactful way that accurately and effectively showcases your data and precisely tells your organization's narrative.

The days of just sitting behind a desk and crunching numbers are behind you. Leading nonprofits rely on technology to capture financial data and automate operations, leaving more time for leaders to tell the story behind the numbers to drive better decision-making.

Financial storytelling isn't about math, accounting, or number-crunching...

...storytelling is a meaningful way to communicate with leadership, the board, key donors, and constituents so they can clearly understand your organization's financial position, even if they're not accountants.

Nonprofit finance leaders use storytelling to communicate financial viability, organizational goals, and mission delivery.

In the following sections, we'll explore financial storytelling; discuss best practices for budgeting, bookkeeping, and reporting; highlight the importance of demonstrating financial transparency; and offer a roadmap for how to begin telling your organization's story.



Laying the Foundation: Best Practices for Budgeting, Bookkeeping, and Reporting

Every story begins with an outline, and it's no different when it comes to reporting your financial figures.

Without implementing best practices for budgeting, bookkeeping, and reporting, telling your organization's financial story will be difficult or practically impossible.

Budgeting:

Your budget is your outline. Your organization's budget needs to be aligned with your strategic plan and vetted by leadership and the board. Use your budget as your North Star.

Use [smart, forward-thinking](#) budget tactics to continue down the path to accomplishing your mission.

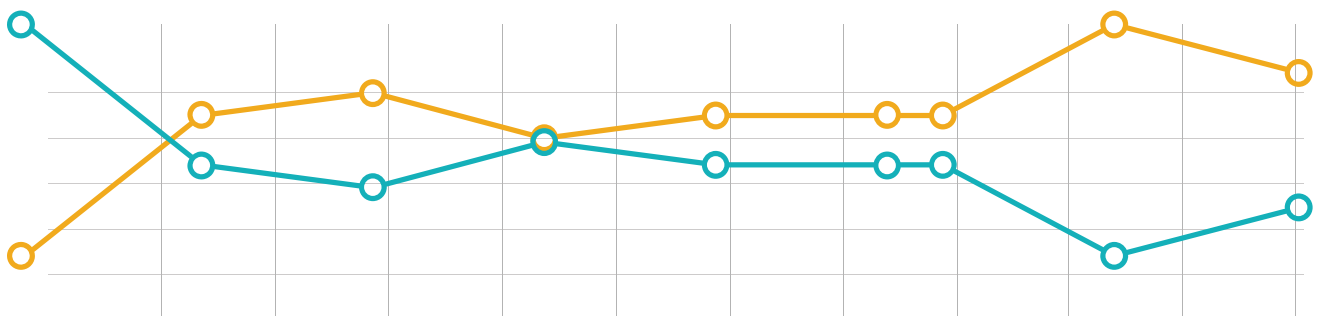
Your accounting team should re-evaluate and update your organization's budget to properly reflect the year's income and expenditures. [The Budget Gymnastics Calendar Guide](#) features tips to optimize your budget for your organization, and this [Smart Nonprofit Budget Planning blog post](#) offers best practices on managing unusual funding and creating capital budgets.

Bookkeeping:

Bookkeeping is the data that becomes the plot of your story. Your accounting system should be set up and configured correctly, including operational budgets, capital budgets, grant budgets, restrictions, classes, and programs. Books should also be closed on time to ensure your organization accurately tells its financial story. Don't be a George R. R. Martin and keep your fans waiting for a book for decades. Closing your books on a timely basis facilitates telling the story that your organization is a good fiscal steward of funds.

Reporting:

Now, it's time to tell your story. As your nonprofit's financial leader, you'll review financial reports regularly—like comparative income statements, comparative balance sheets, budget vs. actuals, statement of functional expenses, and cash flow forecast, among others—and you'll share these reports with other relevant leaders and the board/finance committee.



To tell your organization's story accurately and clearly, use a consistent format, comparative data, and current periods.

Dashboards are a great way to visualize your organization's data and make analysis succinct and straightforward.

However, if your nonprofit uses Excel or QuickBooks, dashboards can be a cumbersome undertaking.

The right cloud-based accounting software comes with report templates that you can customize. Your team will be able to focus on telling the story instead of spending so much time and effort sorting through fiscal figures to figure out what the story is.

Storytelling is based on outlines. Your budget and books come together to ensure that when it's time to report your story, your organization has a clear and concise message that's easy to understand and simple to share.



Demonstrating Financial Transparency: Past, Present, and Future

Your nonprofit must embrace financial transparency to show grantors and donors that it is an excellent fiscal steward and that donated funds are supporting your organization's mission.

Your nonprofit's story should start with a summary of your previous and current financial situation and your outlook for the coming year. Charts and graphs complement your financial statements and allow for comparisons and context. To demonstrate fiscal transparency, consider these best practices:



Past:

Pull past income statements, balance sheets, 990s, internal statements, program data, and strategic plans to show how your organization got to where it is today.

This information shows where you started and how you've performed over time. When telling this story, address your revenue and expenses, and show how that money supported mission delivery. You should also include any debts, assets composition, related shifts, and whether surpluses were used to address other needs.

Present:

Your organization's current budget, most recent balance sheet, program budgets, dashboards, and cashflow projections tell the story of what is currently happening.

Your story shouldn't be to explain the budget, but rather, it should connect the overarching fiscal strategy to how your organization reaches its objectives.

When you're telling your organization's story, address any significant changes based on prior fiscal year shifts, show what additional investments will help deliver on the items laid out in the budget, and demonstrate whether the organization has the resources and ability to respond to new challenges.

For example, if your accounts payable team lowered operating expenses by 30% last month, that may be impressive, but how does it compare to two months ago? How does that 30% align with the company's overall cost-cutting goals?



Future:

The next chapter in your fiscal story may still be in the works, but to embrace fiscal transparency, pull from your outline and tell the story of where your nonprofit is heading. Items like key financial goals, a list of resources necessary to meet strategic priorities, suggested investments that can strengthen the organization's financial position, and potential risks show your board and external stakeholders where your nonprofit is heading.

While this information lives in your strategic plan, fund accounting software allows for multi-year budget projections and “what-if” budget scenarios to make your story more robust. These budgets ensure you're showing that your nonprofit embraces fiscal transparency and is properly handling funds.

By now, your organization is nearing the end of its current story. Before you close this book (and start on the next one), we've compiled some best practices to ensure your story is complete.

It's time to seal the deal.



Sealing the Deal—Where Do We Go from Here?



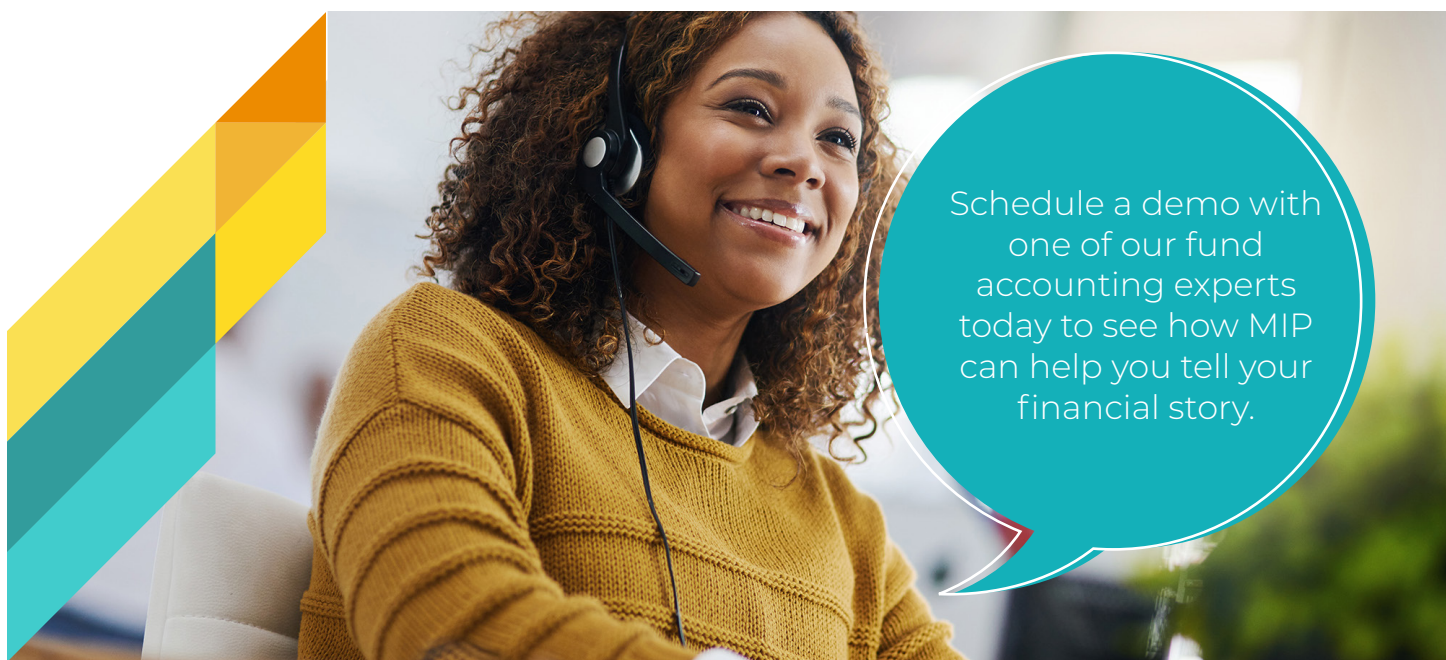
Here are some tips on how to nail your story so everyone can understand it:

- **Every story needs an ending—your current fiscal story should conclude with a list of clear, concise, simple recommendations** based on your financial outlook and the risks or consequences of not taking action now
- **Consider using social math**—the practice of making large numbers comprehensible and compelling by placing them in a social context—to present information in a different way that everyone can understand
- **Incorporate data into your recommendations** to provide credibility to your financial story
- **Your benefits statement should include positive outcomes** that are likely to occur based on the recommendations to make your story more actionable and create a clear, precise goal

Bring your financial story to life with MIP Fund Accounting®, and make telling your fiscal story easier. As a nonprofit, you're busy working to accomplish your mission. Your finances should do the same. When your organization employs a cloud-based solution, you can effortlessly show how your organization is a good steward of donor funds, and how your funds support your goals.

For more than 40 years, MIP has helped nonprofits achieve their mission, demonstrate responsible stewardship of funds, and get the best return on investment.

We offer a cloud-based, modular fund accounting solution specifically designed for nonprofits. AP, AR, GL, segmented chart of accounts, allocations, bank reconciliation, automated workflows, and robust, user-friendly reporting features tailored to nonprofits help organizations just like yours tell their financial story to the board, leadership, key donors, and internal stakeholders.



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