Unit 8

Establishing a financial system

Cover photo: PIH staff opening accounts at Malawi Savings Bank

Unit 8

Overview

Establishing a financial system

> *"Strong financial systems lay the foundation for sustainability and growth, help you look critically at the services you're providing, and increase your credibility with both supporters and the communities you serve."*
>
> – Ann Quandt, International Finance Director, Partners In Health

INTRODUCTION

Good financial management—accurately tracking revenue and expenses, creating clear, detailed budgets, and controlling costs—will be essential for planning, implementing, and improving your programs. Understanding your organization from a financial perspective will enable you to make informed decisions about how to maximize resources to benefit more patients. If you do not have a background in finance or accounting, developing an understanding of fundamental concepts or working with someone experienced in these areas will be helpful as you move forward. Bear in mind that local staff and expatriate staff may have varying degrees of familiarity with financial concepts and experience using banking systems or financial software, so it is important to take these differences into account as you build your financial management system.

Although this unit does not provide detailed explanations of complex accounting processes, it does offer an overview of issues to consider in helping you to create an efficient, transparent, and mission-driven financial system for your organization. The information provided here is based on PIH's experience of relying on a home office in the United States that is responsible for generating funding and financial management of the country sites. However, a smaller nonprofit that operates autonomously in-country can adapt this information to meet its particular needs.

1. ROLE OF FINANCIAL CONTROLS AND THE FINANCE TEAM

Building a finance team that actively supports your mission will be essential to your organization's success. A good finance team will be involved in many facets of program planning and implementation, but will also have a specific, and vital, function: to perform financial analysis and to communicate that information to the appropriate people. Sound financial management helps your organization run more smoothly and may ultimately enable you to serve more people in the longer term. Having effective financial controls also lends credibility to your organization with supporters.

The size of your finance team will depend on the size and scope of your organization. Typically, a finance department will be led by a chief financial officer (CFO) who is responsible for oversight of financial activities at the site and in your home country. In addition, staffing at the site should include someone who is responsible for day-to-day financial activities in-country. As your organization grows, positions such as data entry clerks, cashiers, and managers of specific projects will probably be needed as well. If your organization wins government grants, having staff members who are trained in managing the finances of federal awards will make tracking and reporting those expenses easier.

The number of people required to ensure good financial management will also be contingent on the complexity of your funding sources and reporting structure. There are several reasons for hiring more people than you may think will be needed to start your operation: first, scale-up may happen more rapidly than expected, so having someone trained and ready to step in immediately will be well worth the investment of initially over-hiring. Second, building "bench strength" is particularly important in case of turnover. Having staff trained and ready to fill another position if someone leaves will save a great deal of time and energy for everyone involved. Recruiting and hiring flexible, committed staff who are willing to learn about multiple positions from the beginning will be invaluable to the healthy growth of your programs.

Figure 1: Malawi and Boston finance staff in Malawi

Hiring local staff will also be an important part of initiating your work in-country. Working with people who are committed to your mission but who require additional mentorship in order to build necessary skills can be an effective long-term strategy for building a finance team. Although this approach could sacrifice some short-term efficiency, it is a worthwhile investment in capacity building for staff who are committed to remaining with your organization for some time (see *Unit 5: Strengthening human resources* for more on recruitment and hiring).

PIH NOTE

As PIH has opened new sites, we've often chosen to hire some staff who possess less technical experience but who have expressed a commitment to our work. This practice has necessitated supplemental training and mentoring for our staff, which adds to the responsibilities of more experienced local and expatriate staff. Highly skilled staff members are made aware that this mentoring is an important part of their jobs and that they are expected to share their expertise with more junior staff. We have learned that such mentoring requires time, effort, and commitment, and we know to take it into account as we determine the pace at which we are able to grow.

2. BANKING

Opening bank accounts in your home country and at the site are a priority as you begin operations. Having accounts in both places will allow the transfer of money from bank accounts in your home country to foreign accounts. A local account also gives site-based staff access to cash resources and simplifies in-country transactions such as payroll and vendor payment.

2.1 *Choosing a bank account in your home country*

The most important characteristic for choosing a bank in your home country will be the ease with which you can access funds and make overseas transactions.

TIP: *Because a savings account typically earns interest and a checking account, which has easier access to funds, does not, opening one of each is advisable. By transferring money between the two, you will be able to maximize both accessibility and interest earned.*

2.2 *Choosing a bank in-country*

The choice of banks at or near your site may be limited, particularly if you are working in a remote area. However, if options do exist, comparing the characteristics and policies of two or more banks will help you choose the one that best fulfills your needs. Some features to consider are:

- Fees associated with the accounts
- Exchange rate
  - Does the bank give a favorable rate?
  - Does the rate fluctuate more than at other institutions?
- Bank locations and accessibility
  - Is there a branch office near your site?
  - Is there a branch office in the capital city?

  - Is the bank or branch accessible to staff during business hours?
- Safety and security of facilities
  - Have there been any recent security breaches?
  - Will staff feel safe and comfortable conducting business there?
- Account access policies
  - How easy will it be for authorized staff to access the accounts?
- Insurance on deposits
  - Are the deposits guaranteed?
- Availability of direct deposit for employees
- Availability of automated teller machines
- Availability/reliability of online banking services
- Reputation among locals

TIP: *Sometimes a bank can waive certain fees for nonprofit organizations. For it to do so, you may need to provide documents such as your organization's articles of incorporation. The bank will provide you with a list of the necessary documentation.*

2.2.1 Opening a bank account for your site

Before opening a bank account in-country, determine the name in which the account will exist. Typically, a bank account will be opened in the name of the organization under which you are operating in-country and will have individual signatories on it, rather than being in the name of an individual or individuals.

Next, determine who the signatories, or people with access to the account, will be. Ultimately, signatories are the people who ensure that your funds are being used as your organization intends them to be. At PIH, the signatories are usually the CFO, the program manager, the clinical director, or all three. When possible, the signatories to the account should be different from the people who actually maintain the accounting records or write checks on a daily basis. This policy is intended to encourage proper use of funds; having one person write a check and another sign it increases accountability among staff members. In a small organization, this separation of responsibilities may not be an option. In those cases, it is even more important to build in periodic independent reviews by an outside consultant or auditor of the banking activity.

It is common practice to require more than one signature for checks over a certain amount; this amount varies by organization and generally depends on the average check size and the frequency with which checks are written. At PIH, requirements for multiple signatories vary from one site to another, ranging from $5,000 at smaller sites to $10,000 at the larger ones. Check signatories are often also granted power of attorney (POA) and thus the ability to make major financial decisions on the organization's behalf. (See *Unit 2: Understanding legal matters* for more on POA.)

Account signatories and the person with POA (if they are different) should go in person to the bank. The bank will probably keep a record of their names, and these people will be the only ones allowed to sign checks from the account, transfer funds to or from the account, or authorize changes to it. If the people setting up the bank account are expatriates, a local staff member could accompany them to help with any language barriers and with navigating what is sometimes a complicated and paperwork-heavy system. Including this person will also help address the larger aim of preparing local staff to assume responsibility for banking matters sooner rather than later.

All relevant banking information should be secure. Account numbers and books can be kept in a locked cabinet or safe, and knowledge of account numbers and any combinations or passwords for accessing financial information should be limited to those who absolutely need to know them. As personnel changes are made within the organization (such as hiring an additional accountant), update your lists of the signatories authorized on bank accounts and the people who have knowledge of account information. Sending updated information to the bank will also help avoid confusion as the signatories change.

TIP: *Designate a specific person with the authority to add or remove signatories from a bank account.*

2.3 *Management of bank accounts*

Proper management of bank accounts will ensure that you are aware of how much money is available at any given time and who is responsible for individual transactions. It is a vital component of cash flow management (described in *Section 2.4.1, Managing cash flow* in this unit) and can be executed by following a few commonsense rules:

- Checks are signed only once the appropriate supervisor has reviewed the supporting documentation and has agreed to and approved the payee and sum.
- Checks are issued to the payee immediately after they are signed and are always completed in ink (not pencil).
- The list of signatories for each account is reviewed and updated at least twice a year.
- New checks are ordered only as needed and the checkbook is kept in a secure location.
- Monthly bank statements are obtained in order to conduct regular bank reconciliations.
- Reconciliations are done in a timely manner and are reviewed by a supervisor. The supervisor uses his or her judgment to determine whether expenses seem reasonable and within the expected scope of the expense. The bank is required to supply adequate documentation to support any charges (such as maintenance or overdraft fees) to accounts.

2.4 *Transferring money from your home country to your site*

Sending funds to the site by wire transfer—a process that sends money from an account at one bank to one at another electronically—is an efficient, secure way to move money overseas. Wire transfer policies may differ across countries, but the process is generally a simple one. To effect a transfer, you typically have to provide the routing number for your account, a "swift code" (a unique bank identifier), and the name of the receiving bank. Your bank will guide you through the process and all the requirements. There are often fees associated with wiring money, so be sure to inquire what they are and plan for them.

As you consider transferring money between your home country and your site, think about whether you prefer to make smaller, more frequent transfers or larger, less frequent ones. Although you can change your mind at any time, investigating the transfer fee structure at the banks in your home country and at your site will help you decide what is best for your organization. Smaller transfers will offer more flexibility but will probably result in higher fees, because most banks levy a transfer fee each time you send money. Conversely, you will pay fewer fees but have less flexibility with less frequent transfers. PIH generally makes large monthly transfers to the sites but also makes supplemental transfers when there is a compelling reason to do so. For example, when hurricanes devastated much of Haiti's Central Plateau in the fall of 2008, PIH raised emergency funds and transferred the money immediately.

TIP: *Transfers should conform to the monthly work plans and budgets devised by your program and finance teams.*

2.4.1 Managing cash flow

Cash flow, which is the availability of cash as measured by expenditures against revenue, will be particularly important in the early stages of your organization's development—before you are able to accumulate enough savings (or an endowment) to provide a cushion for unexpected expenses. Careful attention to cash flow is especially important if you are working at multiple sites with decentralized budgets. One way to manage this process is to project expected transfers for the entire fiscal year once your annual budget has been finalized. That is, if you know you will be constructing a building and will need to pay a contractor in April, planning for that cash outlay will help to ensure that you have enough money in the bank when the time comes to make the transfer. Projections can be adjusted, but starting with a basic outline will help you plan for fluctuations in revenue and expenses throughout the year.

2.4.2 Managing currency risk through transfers

If your site uses a currency other than the one used in your home country, you will have to think about exchange rates and the fluctuating value of both your home and local currencies. This issue can be addressed through several mechanisms, including the use of wholesale currency providers. These companies allow clients to send money overseas in the local currency, rather than in the currency of the country initiating the transfer.

In this way, clients can obtain more favorable exchange rates than if the money were sent in one currency and converted upon arrival in the destination country. Organizations that regularly make large transfers are generally able to lock in a favorable rate for an extended period, thus guaranteeing that their money will have a stable value regardless of worldwide market fluctuations. However, even organizations with more modest resources can benefit from these services.

PIH NOTE

PIH used to send a monthly transfer to the sites in Malawi in U.S. dollars and then change those dollars into Malawian kwacha upon their arrival in-country. Now, we use a wholesale currency provider. This arrangement allows us to transfer money to the sites in the local currency, rather than in U.S. dollars. Through the wholesale provider, we send the money to Malawi in kwacha, at a better rate than we had been getting when we were converting in-country. In the short time that we have been using the service, this process has saved PIH tens of thousands of dollars.

2.5 *Use of cash and cash withdrawals*

Although most financial transactions performed in your home country will probably be realized by check or electronic payment, cash payments may be more common at your site. For security reasons, the amount of cash on hand at any given time is usually limited to the minimum amount necessary.

In PIH's experience, if the bank is easily accessible, regular weekly withdrawals of one week's cash expenses are ideal. If withdrawals require a longer journey that could be disruptive to delivery of care, withdrawing more at one time is a reasonable alternative. Recording weekly withdrawals and how they are used is a simple way to monitor the use of cash resources. The system for keeping this record can be very straightforward: in many cases, it is simply a spreadsheet tracking withdrawals, disbursements, and their purpose. More sophisticated accounting software often includes a cash tracking system (see *Section 6.1, Setting up an accounting system* in this unit). Implementing organization-wide polices about the use of cash and limiting cash withdrawals will reinforce accountability for careful tracking of cash among staff. All individuals trusted with cash should understand this responsibility and should receive training in implementing all cash-related policies.

PIH NOTE

PIH uses cash as a primary form of payment at several sites. Common weekly needs for cash disbursement include:

- *Daily cash allowances for traveling staff*
- *Payment for community health workers (CHWs)*
- *Food provided at training sessions*
- *Payments for patient transportation*
- *Payments for patient medicines*
- *Payment for patient social support (such as housing and food)*
- *School fees and uniforms for patients (or children of patients)*

Other common cash disbursements include:

- *Funeral costs for patients or staff (or their families)*
- *Emergency medical needs*
- *Emergency social assistance*

Although heavy reliance on cash may be a necessity (such as when employees or patients without personal bank accounts cannot receive other forms of payment), cash is generally less secure and harder to track than checks or electronic transactions. Moving away from extensive use of cash will aid overall financial management; encouraging staff and patients to open bank accounts is one way to do this. Helping staff to open bank accounts both reduces the burdens of working with cash and encourages fiscal responsibility, including establishing savings accounts for themselves and their dependents.

If you are working in a remote area, there may not be a bank branch close by. In that case, you could coordinate with a bank in the closest city or town and invite its representatives to visit the project and establish accounts on site. This strategy has worked for PIH, and bank branches have actually opened in some of the places where we work, aiding economic development at the community level.

TIP: *When planning for cash withdrawals, consider regular cash needs, as well as those that may arise unexpectedly.*

2.5.1 Cash on hand and petty cash

Most organizations maintain petty cash accounts (or "cash on hand") in order to pay for expenditures when it is not sensible to make the disbursement by other means. These cash accounts are the primary source of a number of daily payments at many PIH-supported sites.

Financial activities involving cash are recorded in an accounting system (electronic or paper) dedicated to the use of cash. Petty cash balances should be monitored daily by a designated person within the finance or accounting team in-country. Regular cash counts ensure that all funds are accounted for; this task is ideally performed by an individual independent of the petty cash account transactions, and often by two people to add a level of security and protection in the event a loss is discovered. Depending on the level of activity in your petty cash account, the counts can be done on a daily, weekly, or twice-monthly basis. All cash should be stored in a locked cashbox or safe. Two separate people should have access to the keys or combination, so that responsibility for their safekeeping is shared. Any time possession of keys changes, document that change in writing to avoid confusion.

Figure 2: PIH staff in Rwanda make daily cash transactions
Photo: Adam Bacher

2.5.2 Security measures for handling cash

In order to keep both staff and cash resources safe, it is advisable to implement internal policies regarding handling of cash. Below are some examples of suggested policies:

- Use checks wherever practical.
- Hold money other than petty cash on site for the shortest possible time before it is spent.
- Advise employees to carry limited amounts of cash when traveling. When large amounts must be carried by an individual, the program manager should be involved in the decision. Safety precautions for the person carrying the cash should be implemented: when possible, he or she should use taxis or the organization's vehicles instead of public transport and should carry a cell phone.
- Limit large cash withdrawals to approved staff members. When cash leaves the bank, the program manager should be informed of the amount and the person the cash is traveling with.
- Carry cash in an unmarked bag.
- In the event of robbery, staff members should be trained to protect themselves before the money. Personal safety should always be given priority over monetary resources.
- Immediately report any thefts to local police.

3. UNDERSTANDING DIFFERENT CATEGORIES OF FUNDS

All projects will have both revenue and expenses and tracking these two categories will be vital to the successful management of your financial resources. Both revenue (money received) and expenses have additional classifications, which are equally vital to ensuring that your funds are being used and reported on appropriately. As the number and types of financial supporters grow and as you obtain a diversity of assets, these distinctions will become increasingly important; they will affect how you develop budgets, strategize about raising funds, and report on annual spending. If you are unsure about how to categorize either revenue or an expense and have not yet hired a staff person who has expertise in this area, seek the advice of someone who does—perhaps a member of your board of directors or a supporter of your work.

3.1 *Revenue*

In a nonprofit setting, revenue falls into two general categories: restricted funds and unrestricted funds. Restricted funds are those whose use is limited to a specific project or purpose. Generally, a donor designates the restrictions on these funds in a grant contract or memorandum of understanding (MOU). (For more on contracts and MOUs, see *Unit 2: Understanding legal matters*.) Restricted funds are very useful for fulfilling a specific need but are not as flexible as unrestricted funds.

Unrestricted funds are those the organization can use as it sees fit—for programmatic, fundraising, or administrative purposes. They are generally used for goods and services not easily covered by a grant or by directed gifts. For example, PIH could have a grant to provide training to community health workers. That grant may cover transportation, staff time, and refreshments during training but may not cover printing of training materials. We would use unrestricted funds to cover printing costs; this way we would use grant funds only for their intended purpose. (See *Unit 9: Creating a development strategy* for more on restricted and unrestricted funding and different types of gifts.)

TIP: *Donors often require a financial report explaining how their restricted gift was used. Maintaining detailed accounting records that demonstrate the separate uses of restricted and unrestricted funds will ease the reporting process.*

3.2 *Expenditures*

Expenditures or expenses are outflows of money to another person or group to pay for an item or service, or for a category of costs. Expenditures are generally divided into three major categories: program delivery, administration, and capital expenses. As you develop your own organization's budget, think about how much you can dedicate to each of these categories. Decisions about spending priorities and use of funds will be among the most important decisions a program manager will make. You will probably want to dedicate as much funding as possible to program costs, not only because it will allow you to provide more care to the people who need it most, but also because it will likely also make your organization more attractive to potential funders. Donors typically look for low overhead costs in an organization they are hoping to support. At the same time, you want to ensure that your overhead expenditures are sufficient to provide the support that your programs in the field need.

3.2.1 Program delivery expenses

Program expenses are directly related to program implementation—from clinical services to housing and nutritional support to training and advocacy. Most likely, you will incur program delivery expenses both in your home country and at your site. Whether you purchase equipment and materials in the field or at home will depend on their availability and the cost of importing them. (For more on obtaining equipment and supplies, see *Unit 4: Managing a procurement system*.)

Some examples of program expenses include:

- Goods (such as food, office supplies, fuel)
- Medicines
- Medical equipment
- Medical supplies
- Information technology
- Supplies for nutritional support
- Supplies for housing support
- Salaries (for program managers, clinicians, CHWs, social workers, cooks, drivers, and other hospital/health center staff)

3.2.2 Administrative expenses

Administrative, or overhead, costs vary greatly by organization. They tend to cover expenses such as rent or mortgage, utilities, and the salaries of non-field-based staff, such as accountants and support staff. Development expenses and some communications expenses often fall under the rubric of administrative costs or are separately reported as development expenses. These costs include staff salaries, as well as informational materials, travel, and events.

3.2.3 Capital expenses

Most organizations make capital expenditures, which are constructed or purchased assets that will have long-term value, such as a building or a large, expensive piece of equipment. Generally, these expenditures are allocated over the years of the asset's useful life through initial capitalization and depreciation. When a capital expenditure is made, the item is categorized as an asset, and the cost is categorized differently from an operating expense. Its depreciation—or loss of value over time—is recorded on an annual basis and is reflected in an organization's fixed asset register. Depreciation of the asset is attributed to several years of the asset's useful life rather than its market value or cost in the year that it was purchased. Many items that qualify as capitalized expenses, such as a vehicle or an expensive software package, follow a scheduled depreciation. That is, they are depreciated by a fixed amount for every year of their existence. For instance, a piece of equipment with a life of five years would be depreciated by one-fifth every year of its useful life. Sometimes a grant or gift from an individual donor will provide resources for the purchase of an item classified as a capital expense. These allocations should be noted for future reporting purposes.

Purchase of land or buildings is also considered a capital expenditure, although these holdings usually appreciate rather than depreciate in value. However, as an organizational policy, PIH generally does not take title to land or buildings. Instead, we donate any purchased land—along with the buildings constructed on it—directly to the Ministry of Health (MOH) or another government entity. These donations are made through straightforward documents (often drawn up by a lawyer) stating that the land and all constructed assets on it are property of the Ministry. As a result, the purchase of land and construction of buildings is expensed in that year only, rather than capitalized and amortized.

Figure 3: PIH renovated the Rwinkwavu District Hospital owned by the Government of Rwanda

TIP: *The complexity of recording and tracking capital expenses is one convincing argument for investment in accounting software; these kinds of transactions cannot be easily recorded in simple spreadsheets.*

4. BUDGETING

A program manager has a major role in the budget process. Budgets have an enormous impact on the ways in which you are able to implement your programs; no other document will so clearly illustrate your programmatic priorities. In fact, a budget can be regarded as a numerical translation of an organization's strategic vision, and it is a statement about values and priorities as much as it is about money. It should be closely aligned not only with work plans and deliverables, but also with long-term goals and values.

4.1 *Aligning the budget and the strategic plan*

Building a budget can be a long and challenging process. Your budget should reflect the needs of the communities in which you work while also facing the realities of competing priorities and fiscal limitations. Formulating a strategic plan that articulates programmatic and budgetary priorities will help guide this process and should make difficult decisions a little easier. Although initial budget priorities can sometimes be overridden by urgent needs or other mitigating factors, having them in place does lend some order to a process that could easily become chaotic. When a difficult funding decision must be made, you can refer back to the strategic plan and organizational priorities.

Your organization will be most effective if it can balance stated priorities with enough flexibility to allow it to respond nimbly to unplanned needs. In addition, aligning your budget and strategic plan with those of the Ministry of Health will be important to both the spirit and the practicalities of collaborating with the public sector; doing so will help you avoid duplicating or coming into conflict with the MOH's work.

4.2 *Determining your fiscal year*

Before actually building the budget, decide what period of time that budget will cover. Typically, a budget is based on an organization's fiscal year. A fiscal year can be the calendar year or, if it makes more sense for your organization, another set of dates. Many nonprofits, including PIH, have a fiscal year of July 1 to June 30, because most of them receive the bulk of their gifts from individual donors during December. A June 30 fiscal year end enables organizations to understand their financial position in January—halfway through the fiscal year but shortly after the period of greatest revenue. This schedule allows for a mid-year budget review of important information about your organization's financial situation. The review is a good opportunity for adjusting budgets and provides for greater operating flexibility, as well as for a less stressful year-end closing process for the people (or person) responsible for it.

4.3 *Preparing an annual budget*

Depending on the size of your organization, preparation of the budget can take several weeks to several months. If this is your organization's inaugural budget, consider what services you will be able to provide in the first year of operation. You will have to budget for the expenses necessary for initiating service provision. Think also about the timelines: some expenses will occur at the beginning of your fiscal year, some at the end, and others (such as payroll) will be consistent throughout the year.

One way to formulate this budget is to base it on that of an organization offering similar services in a similar setting. If you do not have easy access to such information, you could research typical costs for items you will need and base your budget loosely on those expenses. For example, you will want to investigate salaries for local staff, as well as the cost of rent, utilities, fuel, medical supplies, food, and housing. You will also have to find out the cost of shipping goods into the country and having them released from customs. (See *Unit 4: Managing a procurement system* for more on shipping goods.)

For budgets in subsequent years, determine whether your budget for the upcoming fiscal year will be reduced (spending less than last year), flat (spending the same amount), or expansionary (spending more than last year). Then, think about which services you will continue to provide, what new programs you will start, and whether any programs will have concluded. Use your work plan to determine which services you plan to deliver and what it will cost to deliver them. This list can come from several places: last year's actual expenses, the current year's budget, or your accounting records for spending to date. Some categories of costs to consider are:

- Human resources: salaries, payroll taxes, and health care and other types of benefits
- Supplies and equipment
- Construction
- Medicines
- Transportation
- Customs and bank fees

Because a budget is a projection of anticipated costs, some amount of uncertainty is inherent in building one. The more precise you can be the better, but remember that some of your line items will end up varying from what is stated in the budget. There are two basic approaches to approximating your projected expenses:

- The *rough estimate* approach assumes that you will spend roughly what you did last year for this same line item, plus or minus some percentage to account for expected changes in cost per unit or in the number of patients reached.
- The *bottom up* approach begins with a projection of the number of patients you will serve. From there, you will estimate which medicines those patients will receive, how often they will receive them, how long their course of therapy will be, and what the unit cost of those medicines will be.

Choosing between these two approaches will be a judgment call on your part, and different approaches will be appropriate for different line items. Both processes require you to estimate the number of units of each line item that you will buy and the average price per unit. Learning as much as possible about the population you serve will help you plan for appropriate amounts of medications and other supplies. (See *Unit 1: Learning about the local context* for more on understanding the communities you serve.)

Thinking about fixed versus variable costs is another useful approach for building your budget. Fixed costs are those that remain the same no matter how much service is rendered (how many patients you see), while variable costs grow or shrink based on the amount of use. For example, the monthly payments for a leased or purchased vehicle remain the same whether you use it or not. The cost of gas, however, varies with the fluctuating price of gas and with the number of miles driven. Similarly, an operating table will cost the same regardless of how many surgeries are performed in your clinic, while the amount you spend on sutures will depend on how many patients you see and how many of those patients will need stitches.

TIP: *In general, fixed costs lend themselves well to the "rough estimate" approach to budgeting, because they are more likely to remain constant (or at least similar) over a fiscal year and will not be affected by expansion of services or catchment area. Budgeting for variable costs tends be more effective using the "bottom up" approach, since these costs can vary greatly depending on the number of patients served and types of services offered.*

Organizations of different sizes will have differing budgeting processes. A small organization with one person who has a good understanding of all activities will probably have a less formal process than a larger group in which knowledge of program needs is more dispersed. At a small organization, the person responsible for the budget can draft a preliminary version and confirm accuracy with other staff as needed. Formal approval by designated people, such as the executive director or the board of directors, can be sought after the preliminary draft has been made.

At a larger organization, the budget process will probably be decentralized. Local staff members can express their needs to managers who then review requests and build an appropriate budget. Exactly how this process is conducted will depend on the size and experience of your staff. One attribute that holds true regardless of size is that involving key staff will help produce an accurate, responsible plan for the coming year.

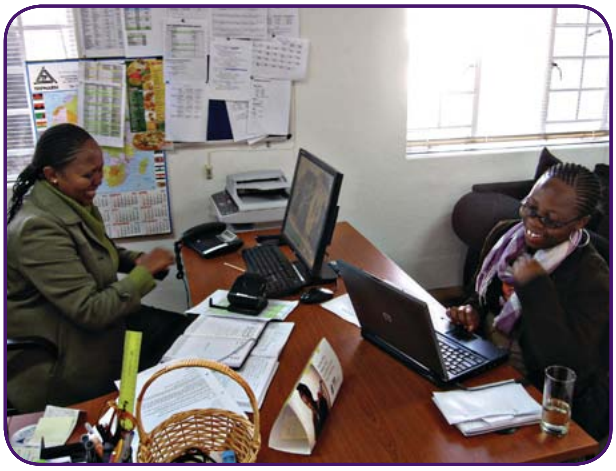


Figure 4: PIH's finance team in Lesotho

PIH NOTE

At PIH, the budget process is an iterative one, and it includes participation from field staff, in-country administrators, and Boston-based staff. At the start, each site is asked to submit a budget in two parts. The first part, the "maintenance budget," includes the highest-priority items and allows for maintaining the current level of services. The second part is called the "parking lot" budget, because it includes the items that can wait until the next budget cycle if necessary. The parking lot often includes program expansions such as enlarging the catchment area or large purchases like cars.

As local staff members at the sites become comfortable with the budget process, they take on more responsibility in developing their budgets from the field. In our sister organizations in Haiti and Peru, the budgets are developed entirely on site and the Boston-based staff assists in refining them.

At newer PIH-supported sites, staff members in individual departments (such as pediatrics or chronic care) develop work plans and the program managers construct budgets that reflect the priorities stated in the work plans. Centralizing the process allows administrators to understand each program's priorities and provides an important opportunity for more junior-level staff to contribute to the budget process. Program managers submit narrative explanations with their budgets to explain the context and urgency of their requests to key decision makers who may not have daily contact with the programs and services.

The budget should match expected revenue or other sources for the coming year. The people responsible for tracking and projecting income (including members of your development team, if you have one) should be included in the budget process; they can help define realistic goals. Even if your budget will be limited (as it may be in your first few years of fundraising) you could take the additional step of producing an "aspirational" budget. Much like the "parking lot" components of a budget, this budget includes items and services you cannot yet afford but would like to have in the future. While the aspirational budget is not intended for immediate implementation, producing one could be a useful exercise, because it will highlight your priorities and help set goals for the future.

4.4 *Choosing a currency for your budget*

As you develop your budget, think about whether it should be expressed in the local currency or that of your home country. It may make sense to express the overall budget in your home country's currency, because most revenue will probably be in that currency. However, you could express detailed in-country budgets in the local currency and then use a conservative exchange rate to determine the budgeted amount in your home country's currency. Field staff will be working with these budgets on a daily basis, and local purchases and salaries will most likely be paid in the local currency. Human resource contracts are another area in which you should make decisions (as early as possible) about currency. You may choose to commit to salaries based on the local currency, or you may decide to have them based in your home country's currency. PIH uses the local currency, despite the fact that doing so means the budget is subject to rate fluctuations.

TIP: *Use a conservative exchange rate when converting from the local currency to your home country's currency. This approach minimizes risk while simplifying local tracking of expenses.*

4.5 *Tracking spending*

Once the budget is finalized and the fiscal year begins, track actual spending and compare it to the planned expenses each month. You will need both the budget and the monthly reconciliations in order to compare budgeted expenses to actual expenses. The comparison will tell you whether you have overspent or underspent and will help you plan for the coming months. (See *Section 6.1, Setting up an accounting system* in this unit for more.) Consolidating monthly spending every quarter will give you an overall picture of your financial situation and will let you know where there might be budget gaps or unanticipated overspending.

5. PURCHASING

If your work involves buying medical supplies and equipment on a regular basis, purchasing and tracking goods will be an important part of your organization's financial system. Most likely, you will make purchases both in your home country and in the field. You will also probably choose to insure some purchases in order to minimize your losses if goods are damaged or defective. (See *Unit 4: Managing a procurement system* for more on purchasing and insuring goods.)

5.1 *The tender process*

An approval system for authorization of all purchases will simplify the process and ensure that resources are directed to where they are needed. If you have more than one person working on procurement, it will be best to divide the duties between them, so as to increase accountability across the team and make efficient use of resources. For example, one person can be responsible for completing a purchase request form and obtaining price quotes from several vendors, while another can be charged with actually making the purchase. Quotes should include information on the price, quantity, quality specifications, delivery date, and any charges related to storage or transportation of an intended purchase. It is also a useful internal control that helps to ensure transparency in vendor selection.

A tender process, in which a number of potential vendors bid on your business, could help you obtain the best price possible for the goods being purchased. It will also help with reporting, because some donors require proof of quotes for costly items. Whenever possible, PIH obtains a minimum of three bids for the work. (See *Unit 3: Building site infrastructure*).

Figure 5: PIH posts requests for tenders on a tree in Malawi

The following factors can be useful in evaluating a vendor quote:

- Reputation of suppliers
- Competitive pricing
- Quality of goods and support service
- Delivery policies and reliability of supply
- Evidence of past transactions with reputable organizations and satisfaction of past customers

Once the best quote is chosen, confirm the purchase with the vendor, agreeing in writing to terms of delivery, price, and product specifications where appropriate. A record of the order should be kept and should include:

- Date
- Name of supplier
- Quantities and units of supplies
- Description and specifications of items
- Duration of order
- Terms of payment
- Name of supplier
- Authorizing signature
- Duration of validity of order
- A space to indicate if, when, and by whom the order was received

The purchase can be recorded in the financial system as an expense in the appropriate budget and with the correct account codes. This process will be described in greater detail in the next section.

5.2 *Receiving and tracking goods*

Delivery processes will vary by country and location. If you are in an easily accessible area, purchases may be brought to your offices. Be sure that someone is available to sign for the delivery on its arrival date and that at least one person is present to check the package for missing or damaged items. In other instances, a staff member may need to go to the nearest city to pick up the purchase. In such cases, make sure the person has precise instructions about what they are picking up and where. The packing slip on every purchase should be checked against the record of the order itself. Eventually you may decide to invest in an electronic inventory tracking system, although a well-organized spreadsheet is sufficient to start.

TIP: *The usefulness of a tracking system is dependent on faithful entry of data into it. A designated staff person should be given formal responsibility for ensuring consistent tracking of goods.*

Once inventory is recorded in the system as being received, you will also want to track its use—or its departure from the warehouse/storage facility. Tracking the movement of goods into and out of your facilities helps your organization maintain accountability for money spent. Losses due to theft or mismanagement can compromise your operations and, ultimately, your mission. Developing a system that holds employees accountable for missing inventory will minimize theft and encourage regular, accurate data entry. Perform periodic inventory counts once per quarter or once per year and check them against records to detect either counting errors or loss of inventory. The more frequent the checks, the better the chance of detecting errors or loss.

Figure 6: PIH's food program coordinator in Lesotho monitors supplies in the warehouse

5.3 *Payment for goods*

In general, payments are made only after a shipment is received in good order. Advance payments are advisable only to suppliers with whom you have an established relationship. A supplier may ask for an advance payment for large orders or long-term projects such as a construction project.

As mentioned previously, limiting cash payments is a good overall financial policy. Whenever possible, payment by check or electronic transfer is preferable. When cash transactions are necessary, they can be made from petty cash or cash on hand. Proper documentation of the transaction is important; the payee should sign a voucher acknowledging receipt of the cash, and both parties should keep a copy on file. To maintain accountability among staff, it is advisable to separate duties when receiving shipments—requiring that the person actually paying out the cash is not the person who made the order. It is also important to record these transactions in the financial ledger. The next section details the recording process.

6. ACCOUNTING AND CONTROL

Well-organized, accurate accounting for revenue and expenses will be a key factor in your organization's long-term success. To obtain (and maintain) institutional funding from foundation and corporations, you will be required to provide detailed information about revenue and expenses in the field and organization-wide. In addition, receiving a "clean audit"—an opinion from an accredited auditor that your financial records are in order—will be important to funders. Financial statements are reviewed during the auditing process, and grant applications and reports often require substantial financial information. Accurate financial records will be helpful internally: they provide an understanding of your past and current financial situation, which will help you to plan for the future. A good accounting system will help program managers make decisions about when, where, and how to use financial resources; it will also aid program implementation at every level.

6.1 *Setting up an accounting system*

An accounting system will enable you to regularly generate reports that track your spending. For example, it will be useful to know how much money your organization has spent in a given month or how much you have paid to specific vendors over a certain time. Accounting software will help with tracking, and it is worth the investment. An "off the shelf" package should be sufficient for a new or relatively small organization. Among other things, it will generate reports and help you accurately categorize revenue and expenses.

Setting up an accounting system will probably be among your first tasks as you begin operations in your home country and abroad. Investing in an accounting software package will allow you to create a chart of accounts to organize your bank and cash accounts, accounts receivable, inventory, fixed assets, accounts payable, revenue, payroll, and other expenses; and to help you conduct reconciliations. If your operations grow more complex, several software packages tailored to the needs of nonprofits are available. For example, when work began at Zanmi Lasante, our sister organization in Haiti, expenses were tracked on simple spreadsheets. However, as revenue and expenses increased and sources of funding expanded, we changed to an "off the shelf" software package. Most recently, we invested in a more sophisticated accounting system for larger nonprofit organizations. It can accommodate multiple languages and currencies and has multiple dimensions that allow for delineating funders, projects, and account codes.

PIH NOTE

When PIH began working in Rwanda, we managed our in-country finances using a spreadsheet application. This program, which was familiar to many people, seemed the best way to get started, and it did not require us to purchase additional software. While it has great flexibility and user-friendliness, very high-level programming would have been necessary to input the strict controls we needed. We didn't implement all of these controls, and we learned through experience that we would have benefited from doing so as we grew. In an effort to organize his reconciliations, one of our accounting staff members estimated that he would enter no more than a certain number of transactions per month. He inserted a formula to calculate the final account balance after each month's final transaction and locked that formula in the row where he thought it would belong. However, scale-up was so rapid that after only a few months, the number of transactions far exceeded his original estimate. Not realizing this at the time, he simply entered each transaction without adjusting his formula, thus throwing off the entire reconciliation. Fortunately, he realized his mistake and was able to fix it. This experience highlighted our need for a more sophisticated system that would not permit these kinds of errors to occur.

Setting up a chart of accounts is an essential part of implementing an accounting system; it will enable you to categorize expenses and understand your operation both in detail and at the summary level. In designing a chart of accounts, think about the three functions of accounting: communication, monitoring, and resource allocation. Also consider the general and the more specific categories of expenses, as well as the information you will need for reporting to donors. For example, in some PIH programs we have to report the expenses for food payments to patients. Therefore, "Food for patients" is an expense item in our chart of accounts, which allows us to record and track those expenses. As you develop your chart of accounts, you may choose to organize it into major expense categories such as medical equipment, food, and supplies. It should not contain activities that are a combination of various expenses. For example, at PIH, "World AIDS Day" and "Staff retreat" are not listed as specific expense accounts because these activities are a combination of food, rental expense, and other miscellaneous expenses. Rather, we track these expenses through a project coding system that is separate from our chart of accounts expense categories.

As with other aspects of your financial system, your chart of accounts can be adapted to meet changing needs. Be as thorough as possible when creating your chart of accounts, but remember that it can always be modified.

6.2 *Recording transactions*

While it is optimal to record transactions in the accounting system as they are made, doing so is not always possible. Particularly at a small organization, entering most transactions weekly should be sufficient, except for cash payments, which should be entered daily. The most important thing is to have a reasonably clear sense of how much money is in your account. Your accounting software should provide instructions for the best way to input data and tips on how to automate regular transactions for certain line items.

The following details are among those included in financial transactions:

- Unique identification number matching the original document number if one is used
- Date of transaction
- Amount of transaction
- Check number (if applicable)
- Precise and meaningful description of transaction
- Payee
- Account number from chart of accounts

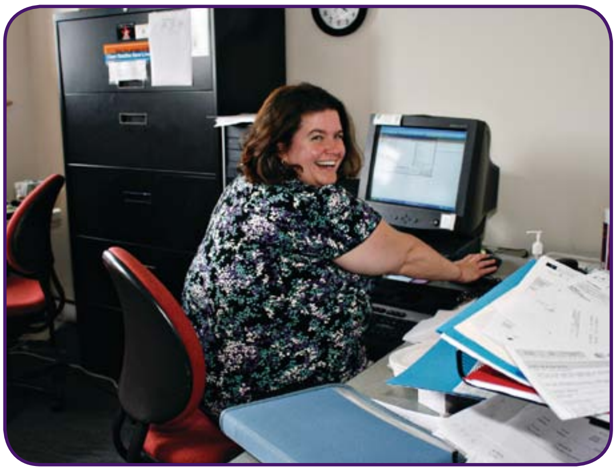


Figure 7: The financial officer at PIH's Prevention and Access to Treatment (PACT) program in Dorchester, MA tracks expenses

Once the transaction has been recorded in an electronic accounting system (if you have one), it is also a good idea to store the paper records that will serve as back-up. Most transactions will be paid by check or cash, or in some cases by credit card. (Checks and cash are still more common in developing countries, although credit card use is increasing.) In the case of checks, there are two records for every transaction: a copy of the bill itself and a copy of the check used to pay that bill. With credit cards, there should be a bill in addition to the credit card receipt. Invoices and other supporting documents relating to each payment are generally stamped "PAID" once the check has been issued. For a payment or donation, save a copy of the donation check and the receipt or copy of the ticket used to deposit the payment or donation into the bank.

These records provide back-up and confirm that 1) every expense/payment reported is real and 2) each expense has been processed in the way electronic accounting records indicate. Typically, the bill and the corresponding payment receipt for each transaction are stapled to each other and filed. Bills are usually organized by vendor and payments/donations are organized by the month in which they were received. Staff should be able to access these records easily.

6.3 *Payroll*

Paying employees fairly and on time encourages high performance standards and loyalty among staff. Sites and headquarters often have independent payroll mechanisms, and the on-site finance teams are responsible for staff payments in the field. For example, a payroll service administers all staff payments to PIH's U.S.-based and expatriate personnel. Some local staff with bank accounts (primarily professional-level staff members) receive direct deposit, although in some places direct deposit is a complicated process. For example, in Rwanda (much like in the United States), it is not uncommon for staff to have accounts at several different banks and to require separate deposits into each of them.

In cases when cash payments are necessary (usually to staff members without bank accounts) the simplest way to distribute payments is at meetings where everyone gets paid at the same time. Most PIH community health workers are given cash payments. To receive their salaries, CHWs attend a monthly meeting or training, after which they sign for and are given their monthly payment. If someone is unable to attend the meeting, he or she comes to the administrative offices at another time.

Staff payments and payroll are very sensitive issues and should be dealt with in a tactful and sensible manner. Only trusted staff members in the human resources and finance teams are generally given access to salary information, and the importance of confidentiality must be stressed whenever information is given.

6.4 *Reconciliation*

Typically, banks send monthly statements to account holders that report all activity that occurred over the previous month. If you do not receive such statements, you can request them from your bank or, in some cases, access them online. These monthly statements allow you to compare what *actually* happened in a bank account with what your accounting records *indicate* has happened at the bank. Of course, these two records should be the same, but verification is vital to financial management.

Any accounting software you purchase should have a specific function that will guide you through the reconciliation process. It should not be complicated, although if it covers many transactions it can be time consuming; reconciliation is like balancing a checkbook on a larger scale. You can use your accounting software to generate a list of all the bank transactions you recorded over the last month. You can then compare the list to your monthly statement from the bank. Discrepancies can be due to something as simple as a data entry error, or they could indicate a larger problem; they should be investigated regardless of size. Reconciliation should be part of the accounting team's monthly responsibilities. Other monthly tasks are described below in *Section 7, Accounting policies* in this unit.

Although you will not receive a monthly statement for the petty cash account you keep, you can still conduct a weekly reconciliation of this account. Instead of the bank statement, you can use receipts and signed withdrawal slips as records of the transactions that have occurred, and cross-reference them with electronic accounting records and with the actual amount of cash that is in the petty cash account at a given time.

The ideal reconciliation process includes separation of duties. In a small organization, it may not be possible for the person who performs reconciliations to be different from the person who enters transactions into the accounting system. However, some measure of accountability should be implemented. For example, a reconciliation could be signed and dated by the person performing it, and a program manager or other administrator could review and verify it. Again, this process will vary depending on the organization and available human and financial resources.

7. ACCOUNTING POLICIES

Instituting written policies for many day-to-day activities, including handling cash, establishing check signatories, and managing expense reimbursements, will keep expectations clear for staff and provide a reference for those not yet familiar with the organization's operations. These policies will enable staff to record identical transactions in identical ways, making both your own financial analysis and any external audits easier. Documenting policies will also facilitate all aspects of financial management if the organization expands or experiences staff turnover.

TIP: *To ensure that all staff understand protocols and expectations, develop an accounting manual that is distributed to all finance/accounting staff during the early stages of program implementation.*

Because of the different functions involved, you may choose to develop separate accounting manuals for field-based operations and for those in your home country. The manual for field staff will be most useful if it is written in the local language; it is important that the people using the manuals are able to easily understand them.

Written policies for the following procedures will be helpful:

- Purchase of assets
  - What process will you use to plan regular capital expenditures and purchases of large assets?
  - When purchases are made, what procedure will you use to ensure that each asset can be uniquely identified? (This is critical for maintaining inventory and calculating depreciation and maintenance.)
- Capitalization of assets
  - When will assets be capitalized? Will capitalization be based on cost (purchases over a certain dollar amount), or by expected useful life?
  - How will donated assets be recorded?
- Depreciation of assets
  - What schedule will be followed for the depreciation of assets in different classes?
- Inventory control, valuation, and reporting
  - How often will inventory be counted? How will items be valued when they are counted? What policy will be used to insure against loss, damage, or theft?
  - What process will be used to investigate and explain variance between expected inventory and actual inventory? In the event of loss or theft, how will that loss be recorded?
- The fixed asset register
  - For all fixed assets, you should keep information on: date of purchase, description, cost, location, asset number/serial number, depreciation, net book value.
  - The fixed asset register should be updated regularly (for example, quarterly or annually) and periodically compared to the physical assets.
- Maintenance of assets
  - What maintenance schedule for assets will you follow? Who will be responsible?
- Travel and expense
  - Will arrangements be made by the staff member or a travel agent?

- Will your organization offer per diems?
- What type of expenses will be reimbursed? For travel expenses, employees should fill out an expense report and have it approved by their supervisor.

PIH NOTE

Given the increasing travel to PIH's 12 sites, we realized that a travel and reimbursement policy was sorely needed. Our policy states that employees must obtain written approval from their supervisor for all work-related travel. Employees who travel frequently may request a company credit card, but they must agree to complete monthly credit card reports summarizing the account coding for each charge on a timely basis. Alternatively, an employee may submit a Check Request Form to obtain travel funds in advance of the trip. If an employee uses his or her own credit card to pay for travel-related expenses, an expense report must be submitted with receipts attached. PIH reimburses for actual costs of lodging, meals, and incidental travel expenses during time spent away from their designated office for amounts up to the Federal Per Diem guidelines. After the travel is complete, the Expense Report Form and receipts must be submitted to the employee's supervisor. The supervisor will review and approve the forms and submit them to the finance team. A reimbursement check will be issued during the normal check-run cycle.

8. COORDINATING WITH OTHER DEPARTMENTS

Many financial activities require close coordination with other departments within an organization. Even in a small organization with few staff performing all functions, it is important that financial activities be closely aligned with the program, HR, and procurement teams. The finance team usually has some role in the execution of contracts, tracking of inventory, and storage of financial organizational records.

Easy access to records—particularly financial ones—will be important both for your annual audit (if one is required) and for reference if you cannot access records electronically. For this reason, it is important to have a document retention policy. How and where you store files will depend on the quantity of paper files you have and the space available to store them. Records should not leave the office without written permission from an authorized person. Most records are retained for a minimum of seven years.

At most organizations, each department is responsible for its own files but often shares them with finance for ease of access and transparency. For example, at PIH the development team keeps a copy of all grant agreements in its own files but also gives them to finance. A member of each accounting team (in Boston and at each of the sites) is responsible for ensuring overall maintenance and proper custody of all accounting records.

Cooperation and communication between departments is vital to the execution of activities. This is especially true when implementation is in its initial phases, and teams should be ready to collaborate extensively to ensure that all financial protocols are in place. Doing so will save time and energy as your programs and services expand.

TIP: *Policies stating the division of responsibilities between the finance team and other departments will help maintain clarity and ensure efficient completion of tasks.*

8.1 *Payroll, benefits, and employee contracts*

The finance team generally works closely with the HR department to keep employee payroll, benefits, and contracts up to date. The HR department is in turn responsible for all recruiting and hiring, and for ensuring that all employee contracts are kept in HR files. A member of the finance team is responsible for administering payroll, which includes calculating deductions for benefits and taxes and making sure that information about salary changes is current.

Although their responsibilities are distinct, both departments must communicate with each other regularly. For example, if someone was originally hired as a driver but shows that he has excellent language skills and expresses a desire to work as an interpreter, someone from the HR department would guide him through the interview process for the new position. If he were to be offered the position, HR would revise his employee contract and send his new salary information and new job title to finance. The finance department would adjust his monthly salary accordingly. Again, all salary information should be treated with the utmost confidentiality, and only a limited number of people in both the finance and HR departments should have access to it.

8.2 *Other contracts and memoranda of understanding*

The finance department generally signs off on all major vendor contracts, although the contracts originate with the department that will be implementing them. The procurement or logistics team (if your organization is large enough to have one) is usually responsible for the purchase and receipt of medicines and equipment; program and development teams tend to take the lead in executing contracts with funders or other partners. In all cases, consult with a lawyer if the contract is confusing or not in your native language. (See *Unit 2: Understanding legal matters* for more on contracts and MOUs.)

Communication between the program, development, and finance teams is particularly important regarding contracts and budgets for programs using restricted funds. In order for the finance staff to properly track expenses and ensure that the correct categories of expenses are being charged to a given grant, program staff need to be explicit about all requirements and restrictions placed on each expense category. For example, when PIH receives a grant supporting nutritional supplements for families affected by HIV/AIDS, the program staff must inform the finance team that the expenses for the HIV/AIDS nutrition program should be charged to that foundation's grant. If that grant did not include transportation costs, finance staff would need to know so that they could charge all transportation to another source of funding. An accounting system with multiple dimensions can be helpful in such cases, because it allows the person recording a transaction to specify that a single program can have multiple funders.

8.3 *Tracking inventory*

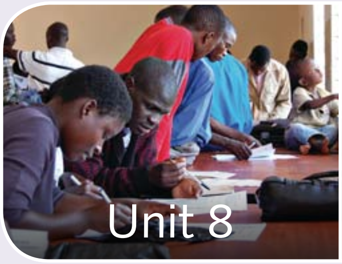
Activities related to procurement and storage of goods, including verifying the accuracy of orders, are usually the responsibility of the logistics or procurement team. The finance team steps in to conduct internal audits and make sure that all inventory reports accurately reflect the supplies that are physically in the warehouse. As part of fiscal year closing activities, you may be required to report the value of existing inventory. In these cases, the staff can count the inventory and report results to the finance team, who will confirm the report through spot checks at different facilities and then calculate the overall value for reporting purposes.

8.4 *Home country and field-based collaboration*

Resource-poor settings present many challenges to all who work there, including those responsible for fiscal management. Those challenges can be overcome only with frequent and open communication between the finance staff in your home country, the people responsible for day-to-day financial transactions at your site, program managers, and the clinicians who understand programmatic needs. Frequent phone calls, videoconferences, and email contact will help these groups (or individuals) understand the needs and expectations of the others. PIH has found that periodic, in-person visits to the site are invaluable during the budget process in particular; for example, the perspective of the in-country staff will be valuable to those who have a better sense of what fundraising expectations are for the year. Likewise, information regarding your organization's financial situation will be important to the people providing services and managing daily operations. Frequent communication between field staff and staff in your home country helps build the understanding that these groups can serve as resources for each other.

CONCLUSION

Sound management of your organization's finances is a crucial facet of program planning and implementation. It will help your organization avoid costly missteps and yield efficiencies that will allow you to extend your reach and serve more people. Being able to represent your activities accurately in financial terms will also help to ensure accountability for the funds you receive, and can even widen your circle of supporters, who will be more confident in supporting your mission when they see that you are able to handle donations with diligence and care.



Resources

SELECTED RESOURCES

Training the Finance Team

Financial Management Training Center
http://www.exinfm.com/training/index.html
All courses are free and accessible online or by downloading. Sample courses include Evaluating Financial Performance, Financial Planning, and Forecasting, Managing Cash Flow, Strategic Planning, and The Balanced Scorecard. The site also offers assistance with courses, technical guidance for courses, and links to external resources.

Managing Currency Risk

International Assets Holding Corporation (INTL)
http://www.fcstone.com/Pages/default.aspx
This company offers a broad spectrum of financial services, including execution and advisory services in commodities, currencies, and international securities. Their global currency subsidiary offers clients wholesale exchange rates from a network of local markets, electronic access to the expedited receipt and delivery of payments (2 days or less) via local bank accounts, assistance with local currency invoicing, and 24-hour customer service.

Budget Development

Dropkin, M., Halpin, J., & LaTouche, B. (2008). **The budget building book for non-profits: A step-by-step guide for managers and boards**. San Francisco, CA: Jossey-Bass.
This workbook offers managers assistance with the terminology and methodology of preparing and using budgets as well as sample forms and practical resources.

Accounting, Control and Financial Management

Cammack, J. (2000). **Financial management for development: Accounting and finance for the non-specialist in development organizations**. NGO Management and Policy Series.
http://www.intrac.org/resources.php?action=resource&id=350
This book, written for non-financial staff and NGO governing members, provides examples and interpretations of financial records and statements. It also includes information about audit and financial controls and checklists to analyze accounts and assess financial systems.

Community Resource Exchange (CRE)
http://www.crenyc.org/resources_tools
These tools are tailored for nonprofit organizations useful for strategic planning, budget allocation, budget variance analysis, cash flow analysis, and tips for financial record keeping. It also provides tools for human resources, operational planning, board development, and fundraising. All CRE publications are available for free download.

Free Management Library
http://managementhelp.org/
This site's "Basic guide for non-profit management" provides tools for cash management, bookkeeping, generating financial statements, and financial analysis, among others.

Management Sciences for Health
http://erc.msh.org/toolkit/
The "Health Manager's Toolkit" offers an array of financial management tools useful for planning, monitoring, recording, and controlling financial resources, including tools to assess the existence and quality of financial management, budgeting, and auditing systems, costing spreadsheets, and pricing strategies.

Mango
http://www.mango.org.uk/
The website of a nonprofit based in the United Kingdom that aims to strengthen the financial management skills of humanitarian organizations. The "Guide" section offers free resources, including their guide for NGO financial management, example documents, free downloadable tools, a financial term glossary, and links to external resources.

The National Council of Nonprofits
http://www.councilofnonprofits.org/
This website provides information for nonprofit financial planning and accounting. The Resources section contains a compilation of tools related to financial management from a variety of sources, including basic background information, annual financial reports, budgets, overhead, balance sheets, administrative costs, resources on internal controls, and restricted funds.

The NGO Manager
http://www.ngomanager.org/
This site offers an electronic library of resources for young nonprofits working internationally, including fundraising, donors, financially responsible investment, and managing a budget and finances.

The Nonprofit Assistance Fund
http://www.nonprofitassistancefund.org/
The "Resources" page of this site provides a comprehensive list of resources for non-profit financial planning, including finance fundamentals, coping with uncertainty, budgeting, cash flow planning and management, audits, and financial policies and procedures.

Ruegg, D.L. & Venkatrathnam, L.M. (2003). **Bookkeeping basics: What every nonprofit bookkeeper needs to know**. St. Paul, MN: Wilder.
This publication guides readers through financial management concepts and processes such as single- vs. double-entry bookkeeping, cash vs. accrual basis accounting, posting financial transactions, preparing financial statements, establishing internal controls, and closing out your fiscal year. Reproducible forms include an accounts payable and receivable registers, general ledger, financial summary form, grant tracking form, internal controls activity flow chart, and an audit preparation checklist.

World Health Organization. **The Health Manager's Website**.
http://www.who.int/management/en/
This site provides concepts, guidance, and tools including budgeting and monitoring expenditure. It provides opportunities to share and exchange information with others about policies, procedures and guidelines; links to useful websites; access to financial management publications; and other management tools.

Risk Management

The Nonprofit Risk Management Center
http://www.nonprofitrisk.org/
This website provides free assistance and resources for nonprofits regarding various types of risk management, including risk assessment, governance risks, and enterprise risk management. It provides training opportunities, tools for developing risk management plans, and a library of external resources.

Accounting Software

Microsoft Excel 2010
http://office.microsoft.com/en-us/excel/

QuickBooks
http://quickbooks.intuit.com/

Sage Peachtree
http://www.peachtree.com/

Serenic Software
http://www.serenic.com/