

A New View of Nonprofit Financial Management



Executive Summary

2007 Survey of Nonprofit Fiscal Operations and Guide to Best Practices

As consultants serving clients in the New York nonprofit sector, we at Fiscal Management Associates and ERE LLP are frequently asked about financial standards and practices for 501(c)(3) organizations. While seemingly straightforward, these can in fact be challenging questions to answer. The specifics of fiscal management practices can be as variable as the organizations themselves; at the same time, there are certain financial standards and “best practices” to which all organizations should aim. The question, then, is how do organizations *really* do it?

To add some solid data to our observations and experience, FMA and ERE conducted what we believe to be the first survey of fiscal management practices among New York metro-area nonprofits. The survey was fielded at the end of 2007, and gathered nearly 250 responses from nonprofit organizations representing the full range of mission areas, budget sizes, and stages of development, from small start-up arts organizations to multi-million dollar city-wide social service agencies.

Our questions covered a broad scope of fiscal management areas, including:

- staffing patterns
- software systems
- budgeting practices
- internal controls
- interactions with outside auditors

The survey results, which are further broken down by the responding organizations’ budget size, provide not-for-profit leaders the opportunity to see the fiscal practices employed by their peers and to better evaluate where their own organizations stand.

The most apparent “theme” of the overall survey results is the importance of an adequate financial infrastructure to support organizational growth. Across practically every category, including fiscal staff size and development, accounting software employed, financial policies and procedures implemented, budgeting processes maintained, and more, the clear trend for the organizations in our sample is that a more formalized and sophisticated fiscal infrastructure corresponds with increasing points along the organizational (budget) size spectrum.

The implications of these results are clear, rather obvious, and critically important:

Organizational growth has to have a corresponding investment in organizational and management infrastructure. While program growth is, of course, the driver of a nonprofit organization’s development, the internal management infrastructure to support those expanding programs has to be a part of the growth equation.

Often when nonprofits face management challenges or get into significant trouble, be it high staff turnover, budget shortfalls, or even internal fraud, it is because the organization’s growth has outpaced its capacity to effectively manage its increased demands.

The full report includes results and analysis across a wide range of other financial management areas, as well as tips to improve a nonprofit organization’s fiscal practices.

A research initiative from:



Fiscal Management Associates, LLC
Professional Services to Not-for-Profit Organizations

