



# **SPEND MANAGEMENT FOR NON-PROFITS & NOT-FOR-PROFITS**

Proven strategies that help organizations to secure funding, achieve scalability, and thrive.





# The biggest challenges facing NPOs and NFPs today: **Achieving long-term sustainability and funding**

If you're running a NPO or NFP, your organization is most likely budget-constrained with teams spread thinly as they juggle many roles and responsibilities. The unpredictability of funding and rising operational costs may even derail your plans for social change and fulfilled missions.

With a reliance on donors to fund programs and tight budgets in place, you need to deploy a high percentage of donations towards core programs, while minimizing overhead expenses. Rigid financial management of funds is required to allocate resources to core programs. Having no reliable framework in place for tracking and reporting on activities and spend can lead to a decline in trust, and ultimately, funding.

Demonstrating impact to stakeholders is more important than ever. If you can show that you are effectively carrying out your mission by optimizing funds, you're in good shape to retain donors and qualify for repeat funding.

**These proven strategies can help you to overcome retention challenges: Improve credibility, achieve your program goals, scale your organization, and secure funding for the future.**



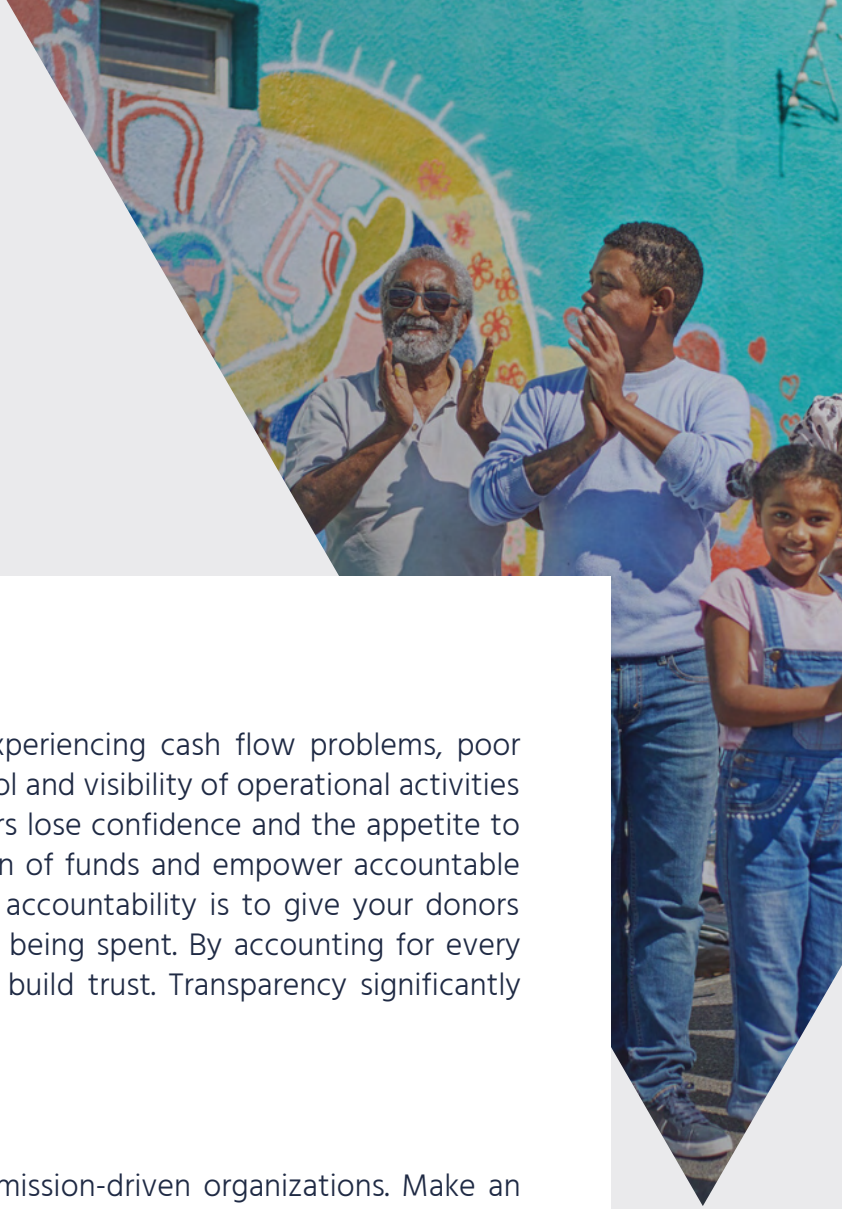
## **78% of NPOs and NFPs say their funders are demanding more **visibility of spend and impact than before****

Donors take many factors into account when making investment decisions. Do they believe in the cause, what are the risks involved, and will the organization be effective? Funders expect results from their philanthropic donations. They create opportunities and enablement, but with these benefits come increased demands. You will have to account for expenditure and provide complete transparency of operational activities and outcomes.

To be effective in achieving core goals and securing repeat funding, your organization needs to have structures in place that enable you to be more efficient, transparent and compliant with regulations.

### **Govern and manage risk**

Adopt and implement sound policies and accounting practices, to ensure regulatory compliance and risk mitigation. Non-profit organizations that have a 501(c)(3) classification, and not-for-profits with a 501(c)(7) classification, receive a tax-exempt status with the Internal Revenue Service. Spend inaccuracies or misallocations can result in status issues, loss of funding or permanent closure. Protect your organization from penalties and other liabilities by improving your reporting capabilities and audit trails. This will further streamline governance and provide insight into operational data to fulfill reporting obligations to donors, boards and regulatory bodies.



### **Be transparent**

The NPO & NFP industry is prone to experiencing cash flow problems, poor financial management and a lack of control and visibility of operational activities and spend. These factors can make donors lose confidence and the appetite to reinvest. Ensure the responsible allocation of funds and empower accountable spending. The best way to demonstrate accountability is to give your donors oversight of exactly how their funds are being spent. By accounting for every dollar, you enhance your credibility and build trust. Transparency significantly improves funding probability.

### **Be effective**

First and foremost, NPOs and NFPs are mission-driven organizations. Make an impact by effecting positive change. Your cause should be your focus; implement processes that assist you to stay on budget, track costs to projects and programs and make donor funds go further. Ensure that you purchase goods and services at the lowest price, from suppliers that offer the best value. Divert the savings in time and operational costs to initiatives that count and make a difference.

### **Plan for the future**

Non-profits face niche challenges. Develop a strategic plan that will enable sustainability and scalability. Analyze, measure and improve overall organizational performance by implementing business processes that will guide your path to success. Funders and stakeholders like to know that their interests are being represented and that their money is being used judiciously. Ensure that best practices are being carried out, measure, and report back on performance through constant evaluation. Program growth and development is vital to ensure continued funding and support.



## **NPOs and NFPs account 22% of productivity loss to document challenges and inaccuracies**

### **Go paperless**

Reduce administrative, storage and paper costs, and focus your staff and resources on delivering program success. The ROI of digitizing documentation can positively impact your mission. Save valuable time and money, store unlimited documents digitally, and work smarter.

### **Leverage technology**

Get the most out of your data, processes and time. Remove the risk of human error associated with manual processes, accelerate your mission's success and scalability by getting more done, in less time. Connect remote employees, analyze data to understand trends, and improve forecasting of anticipated spend. Work with proven NPO and NFP solution providers that offer cost-effective and accessible solutions. Free up resources and stay connected with volunteers and staff, wherever they are located.

### **Retain great staff**

As you scale your organization and grow from strength to strength, build and maintain a strong, empowered team. Give field workers, volunteers and staff the tools to be productive, accountable, connected and successful. Fulfilled staff members deliver results, care about outcomes, and put in the hours to achieve core goals. If your organization is operating efficiently and thriving, you are more likely to retain the most qualified and motivated employees to achieve program goals and serve those in need.



## How technology can benefit NPOs and NFPs

The NPO and NFP sectors face many challenges. One of these difficulties is the much-needed access to sophisticated technology to aid in operations; however due to budget constraints, many organizations continue using outdated systems.

Finding more investments, so that funding can be made available for these needs, is difficult. Without the necessary financial management technology, it can be an uphill battle to satisfy the potential and existing donors' need for transparency regarding the allocation of resources. This is where spend management software can be of assistance.

Financial, fund and spend management is as important to NPOs and NFPs as it is to any other business

Rather than proliferate the belief that this sector stands apart from the for-profit corporate world, it should be identified as an active part of, and contributing sector to the economy as a whole. With this in mind, the management of funds within this sector should be carried out similarly to how major conglomerates handle their finances.

**It's critical that NPOs and NFPs mitigate against financial risk.**



Considering that NPOs and NFPs rely on stringent financial management, with no profit margins, to keep their operations functional, even the most experienced finance managers could find themselves overwhelmed. Keeping track of and controlling expenses is a real challenge, which can result in dilemmas over spending decisions. In these instances, negligence can occur, expenses can be overlooked, policies might be forgotten and budgets overshot. However, with the right technology and strategies in place, these concerns can be prevented.

With a need for accuracy, visibility and data management, the right software tools can mitigate against the pending risks posed by repeated negligence.

There are three commonly-shared challenges faced by most organizations in the NPO and NFP industry: restricted funds, the impact of the rising minimum wage, and the reliance on using traditional paper-based systems.

## **1. Restricted funds**

Organizations that receive restricted funds need to employ above-average reporting capabilities. This is the only way to ensure complete transparency of financial activities to donors who need proof of where their funds are going, or how the interest of their donation is being spent. Transparency is key in this case, and the budgetary insights gleaned from stringent reporting can assist in this regard.

## **2. Rising minimum wage**

The increase of the standard minimum wage places the NFP sector at a disadvantage. These organizations are often already operating within a shoestring budget, and are already stretched to pay the staff they employ. A hike in minimum wages can only be offset by controlled spend management strategies that mitigate risks when budgets tighten, or donations diminish.



### 3. Manual processes

The automation of business processes has long been touted as a way to vastly improve efficiency and productivity in the corporate world. The same benefits apply to the NPO and NFP sectors. Business process automation eliminates human error while saving you valuable time, by automating mundane, labor-intensive tasks and making it easier to complete administrative tasks. By using a cloud-based software tool for automation, you will find it easier to generate detailed reports on demand, work remotely and eliminate process bottlenecks.

#### Compliance

There are best practices and guidelines in place to advise NPOs and NFPs with regards to their finances. For instance, you should ensure that your organization is compliant with the auditing and financial regulations of the Sarbanes-Oxley Act. This piece of legislation can be used as a template that organizations can apply to be financially responsible and retain the trust of their donors.

Adhering to the Sarbanes-Oxley Act and deploying spend management software tools will assist any organization with budget controls, reporting and visibility, and the improvement of financial efficiencies and auditability.

In a world where transparency is paramount to NPOs and NFPs, securing funds for a sustainable future, visibility, accurate reporting and forecasting are fundamental tools to have in your arsenal.

For more spend management strategies and guidance for organizations in the NPO and NFP sectors, [get in touch](#) with Fraxion, a leading technology provider, enabling end-to-end spend management and transparency to diverse Non-profit and Not-for-profit organizations worldwide.



Before Fraxion, the purchase request, ordering and approval process was largely slow, bureaucratic, manual and paper based. Fraxion has singularly improved transparency, eliminated 90% paperwork, cut approval times in half and summarily improved productivity in procurement . Fraxion has also allowed the continuation of work processes during the COVID-19 pandemic and has ultimately been a cornerstone to the Technology Support Services Digital Transformation Strategy for Makerere University Walter Reed Project.

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accountability  
and transparency**

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