



**Incubation  
Hub**

**CENTRE FOR CIVIC ENGAGEMENT**

# FINANCIAL MANAGEMENT 101

Financial management is the strategic practice of establishing, controlling, and monitoring all financial resources to achieve an organisation's goals.

**ZIMBABWE  
2024**

## Significance of financial management

Effective nonprofit financial management ensures the ongoing concern/ sustainability of the organisation which means that the organisation can:

- achieves its financial goals
- make informed and timely decisions
- maintain transparency and accountability
- manage risk
- be compliant with applicable laws, regulations and financial reporting requirements

thereby continuing its operations in the foreseeable future.

Consider developing a Financial management plan which clearly sets out the procedures, techniques, tools and timeframes that will be used by the organisation. Elements of a sound financial plan include:

- **Forecasting**

Predicting future financial outcomes by using current trends, historical data and assumptions to identify potential challenges or opportunities. A nonprofit organization can forecast revenue and expenditure.

- **Cashflow statement**

This is a financial statement that shows a summary of cash inflows (funds received) and outflows (expenditure) over a monthly, quarterly or annual period.

		Period Beginning	1/1/24	2/1/24	3/1/24	4/1/24	5/1/24	6/1/24	7/1/24	8/1/24	9/1/24	10/1/24	11/1/24	12/1/24
		Period Ending	1/31/24	2/29/24	3/31/24	4/30/24	5/31/24	6/30/24	7/31/24	8/31/24	9/30/24	10/31/24	11/30/24	12/31/24
Cash at Beginning of Period		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$
Cash at End of Period		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$
<b>Operations</b>														
Cash receipts from														
Main operations														
Other operations														
Cash paid for														
Inventory purchases														
General operating and admin expenses														
Income taxes														
Net Cash Flow from Operations		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$
<b>Investing Activities</b>														
Cash receipts from														
Sale of property and equipment														
Cash paid for														
Purchase of property and equipment														
Net Cash Flow from Investing Activities		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$
<b>Financing Activities</b>														
Cash receipts from														
Borrowing														
Cash paid for														
Repayment of loans														
Net Cash Flow from Financing Activities		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$
Net Cash Flow		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$

- Statement of Comprehensive Income

This is a financial statement that shows the profit or losses of an organisation at the end of an accounting period and includes taxes and interests.

<b>Revenue</b>		<b>2024</b>	<b>2023</b>
Revenue from main operations	\$	-	\$ -
Service revenue	\$	-	\$ -
Interest revenue	\$	-	\$ -
Other revenue	\$	-	\$ -
<b>Net Sales</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>
<b>Expenses</b>			
Rent	\$	-	\$ -
Utilities	\$	-	\$ -
Salaries and Wages	\$	-	\$ -
Other	\$	-	\$ -
<b>Total Expenses</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>
<b>Net Income Before Taxes</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>
Income tax expense	\$	-	\$ -
<b>Income from Continuing Operations</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>
<b>Other comprehensive income</b>			
Income from discontinued operations	\$	-	\$ -
Effect of accounting changes	\$	-	\$ -
Extraordinary items	\$	-	\$ -
<b>Net Income</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>

- Statement of Financial Position

This is a financial statement that shows a summary of an organisation's assets, liabilities and equity at the end of an accounting period.

Assets		2024	2023
<b>Current Assets</b>			
Cash and cash equivalents	\$	-	\$ -
Accounts receivables	\$	-	\$ -
Inventory	\$	-	\$ -
Prepaid expenses	\$	-	\$ -
<i>Total current assets</i>	\$	-	\$ -
<b>Fixed Assets</b>			
Property, plant, and equipment	\$	-	\$ -
Intangible assets	\$	-	\$ -
<i>Total fixed assets</i>	\$	-	\$ -
<b>Total Assets</b>	\$	-	\$ -
<b>Liabilities and Owner's Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$	-	\$ -
Short-term loans (within 12months)	\$	-	\$ -
Income taxes payable	\$	-	\$ -
<i>Total current liabilities</i>	\$	-	\$ -
<b>Long-Term Liabilities</b>			
Long-term debt (over 12 months)	\$	-	\$ -
<i>Total long-term liabilities</i>	\$	-	\$ -
<b>Owner's Equity</b>			
Owner's investment	\$	-	\$ -
<i>Total owner's equity</i>	\$	-	\$ -
<b>Total Liabilities and Owner's Equity</b>	\$	-	\$ -

## Financial ratios that interpret your financial information

Ratios are created from values taken from the financial statements to gain meaningful information about a company. For example, a debt-to-equity (D/E) or (Total liabilities/Total assets) ratio shows how much debt an organisation has compared to its assets.

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

A debt ratio greater than 1.00 means the company has more debts than assets therefore, it is risky to lend funds to.

## Financial management best practices

"Best practices" are procedures or methods that have been tried and tested and proven to be ideal in achieving results.

- **Fundraising and donor management**
  - diversifying funding/multiple revenue streams
  - build donor relations and trust through transparency and accountability, donor recognition and participation
  - setup bank accounts in the organisation name to account for donor funds
- **Accounting**
  - Preparation of monthly financial reports and analysis. This is collecting, presenting and interpreting financial information in an accounting period to help management and stakeholders in decision-making. Financial reports will include a statement of comprehensive income, a statement of financial position and a cash flow statement

- **Internal and External audits**
  - Internal audits focus on the internal controls, systems and processes of an organisation. it is usually done by appointed employees within the organisation and reports are directed to management.
  - External audits focus on the organisation's financial information and records. Independent auditors are hired, and reports are directed to stakeholders
  
- **Monthly budgeting**
  - Involving program staff, monthly budget tracking and variance analysis (difference between budgets and actual costs incurred)
  
- **Accounting Systems**
  - The use of accounting systems (paid/unpaid) for record-keeping and preparation of financial reports.
  - Examples of paid systems include:
    - Xero (\$14-\$31 depending on the selected package)
    - Quick books (\$30 -\$200 depending on package)
  - Unpaid packages are mostly found as cloud-based packages and one example is Zoho books
  
- **Compliance**
  - complying with all legal, regulatory and financial reporting requirements
  - complying with any obligations made to stakeholders and other organisations
  - setting up key policies for guidance such as a financial policy and a conflict of interest policy
  
- **Key roles and responsibilities**
  - develop an organogram to show clear roles for staff and board
  - segregation of duties
  - approval level