Preparing Your Nonprofit's Finances for 2026: A Roadmap to Preparedness

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Presented to you by: CHARITY VILLAGE ENKEL

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[en-kel] Adjective | Simple

Helping organizations gain clarity and confidence in their finances

- Serving 300 clients from coast-to-coast
- Financial Operations - Bookkeeping, Accounts Payable, and Payroll
- Financial Management support — CFO Advisory and Controllership

Acknowledgement: Enkel would like to acknowledge that our offices are situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Sḵwx̱wú7mesh (Squamish), and səlilwətaɬ (Tsleil-Waututh) Nations.

Today's Speaker

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Founder & Head of Growth
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What You’ll Learn

- Scenario Planning & Budget Preparation for Uncertainty
- Internal Controls to Safeguard Against Fraud
- Risk Management
- Key Compliance Areas for 2026
- Building Board Capacity for Financial Preparedness

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Interactive Poll

What is your organization's approximate annual operating budget?

1 = under $250,000

2 = between $250,001 and $500,000

3 = between $500,001 and $1,500,000

4 = between $1,500,001 and $3,000,000

5 = between $3,000,001 and $5,000,000

6 = Greater than $5 million

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Interactive Poll

How many employees are on your organization's payroll?

1 = None
2 = under 5
3 = between 6 and 10
4 = between 11 and 30
5 = between 31 and 50
6 = 51+

Getting started

The 2026 Landscape:
Why Financial Preparedness Matters Now

Canadian nonprofits are entering 2026 facing unprecedented challenges that demand proactive financial leadership:

Revenue and Expense Gap

- According to the **Charity Insights Canada Project (CICP), 31% of Canadian charities expect a deficit in 2025, while only 15% foresee funding growth in 2026**, reinforcing the squeeze between rising costs and limited revenue growth.

Funding Uncertainty

- Government grants face budget pressures and shifting priorities
- Individual giving patterns remain unpredictable post-pandemic
- Competition for donor dollars intensifies across the sector

Evolving Compliance Landscape

- New data privacy regulations affecting donor information management
- Public trust in charities remains high at 57% in 2025*, but this is fragile.
- Changing reporting requirements at the federal and provincial levels

Growing Risk Exposure

- Cybersecurity threats targeting nonprofit data and financial systems
- Internal fraud risk, particularly for smaller organizations with limited controls
- Reputational risks amplified by social media and public scrutiny

** Source: 2025 Edelman Trust Barometer*

Five pillars of financial preparedness

Financial preparedness isn't built on a single initiative,
it requires an integrated approach across five critical areas:

Scenario Planning for Uncertainty

Build flexible budgets that prepare your organization for multiple futures, from best-case growth to worst-case funding cuts.

Internal Controls & Fraud Prevention

Protect your assets and donor trust through systematic controls that prevent misuse of funds and detect irregularities early.

Risk Management

Identify organizational vulnerabilities, implement mitigation strategies, and ensure appropriate insurance coverage aligned with your financial exposure.

Regulatory Compliance

Stay ahead of evolving, grant, employment, and privacy regulations to maintain your charitable status and funder confidence.

Board Financial Governance

Equip your board with the financial literacy and oversight tools needed to fulfill their fiduciary duties and guide strategic decisions.

STRATEGY #1

Master Scenario Planning for Budget Uncertainty

Interactive Poll

Question: On a scale of 1–5, how adaptable is your organization's budget to unexpected funding changes?

(1 = Rigid, we struggle to adjust → 5 = Highly flexible, we can pivot easily)

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Plan for Multiple Futures with Scenario-Based Budgeting

What it Means:

Traditional single-forecast budgets assume a predictable future, but 2026 demands flexibility. Scenario planning prepares your organization for uncertainty by modeling three distinct financial futures.

Why It Matters:

Most nonprofits budget for one expected outcome, leaving them unprepared when reality diverges from their expectations. Scenario planning builds organizational agility by:

- Identifying early warning signs that trigger contingency plans
- Reducing panic decision-making during funding disruptions
- Building board and staff confidence in your financial leadership
- Enabling faster response when circumstances change

The Three-Scenario Framework

BEST CASE SCENARIO OPTIMISTIC	BEST CASE SCENARIO MOST LIKELY	WORST CASE SCENARIO CONSERVATIVE
• **Assumptions:** Major grant secured, individual giving grows new program funding approved • **Revenue projection:** Above baseline; Tie to specific, stretch opportunities • **Strategic response:** Invest in capacity building, expand programs, build reserves	• **Assumptions:** Existing grants renewed at current levels, modest growth in individual giving • **Revenue projection:** Baseline budget • **Strategic response:** Maintain current operations, pursue strategic initiatives cautiously	• **Assumptions:** One major grant not renewed, individual giving flat or declining • **Revenue projection:** below baseline • **Strategic response:** Trigger cost reduction plan, prioritize mission-critical programs, preserve cash reserves

Define key assumptions for grants, funding, giving, revenue, and expenses — then build budgets and set triggers to track which scenario unfolds.

Putting Scenario Planning into Action

Gather Your Team

Include finance, programs, development, board.

Review Historical Data

Analyze 3–5 years of trends.

Build Three Budget Models

Project revenue, expenses, cash flow.

Define Trigger Points & Responses

Set indicators and actions.

Monitor & Adjust Quarterly

Compare results and update assumptions.

Use Scenarios for Strategic Decisions

Test strategies across all scenarios.

STRATEGY #2

Implement Internal Controls to Prevent Fraud

Interactive Poll

Question: On a scale of 1–5, how confident are you that your organization’s internal controls could prevent or detect fraud?

(1 = Major gaps and risks → 5 = Fully documented and tested controls)

Safeguard Assets Through Strong Internal Controls

Canadian nonprofit fraud statistics reveal a critical vulnerability:

- Roughly **1 in 10 reported frauds** between 2016 and 2024 occurred at Canadian nonprofits (MNP, 2024)
- Median loss per fraud case in Canadian nonprofits: **$27,244 CAD** (Queen's University study)
- Most common schemes: **asset misappropriation (96%)** including billing fraud, expense reimbursement abuse, cheque tampering, and payroll fraud
- Small Canadian nonprofits with **fewer than 50 employees** face higher risk due to limited oversight and internal controls

Practical Actions to Safeguard Your Funds

Conduct a control assessment

Review current processes to identify gaps where fraud could occur, focusing on cash handling, purchasing/payments, and payroll.

Implement dual authorization

Require two signatures or approvals for transactions above $1,000 (adjust threshold based on your budget size).

Separate financial duties

Ensure the person who records transactions doesn't also reconcile bank statements or handle deposits or payments.

Establish a whistleblower policy

Create safe, anonymous channels for staff to report suspected fraud or financial irregularities.

Perform surprise audits

Conduct unannounced cash counts, expense reviews, or transaction audits to deter fraudulent behaviour.

Provide fraud awareness training

Educate staff and board members annually on fraud risks, red flags, and reporting procedures.

STRATEGY #3

Strengthen Risk Monitoring

The Four-Step Risk Management Process

Step 1: Identify Risks

- Conduct annual risk assessment workshops with staff and board
- Review incident reports, near-misses, and audit findings
- Consider external factors: economic conditions, regulatory changes, competitive landscape
- Common nonprofit risks: funding loss, leadership transition, reputational damage, legal liability, natural disasters, cybersecurity breaches

Step 3: Develop Mitigation Strategies

- Avoid: Eliminate the activity causing the risk (e.g., discontinue high-risk programs)
- Reduce: Implement controls to minimize likelihood or impact (e.g., strengthen cybersecurity)
- Transfer: Use insurance or contracts to shift risk to third parties
- Accept: Acknowledge and monitor low-priority risks without active mitigation

Step 2: Assess Impact & Likelihood

- Rate each risk on severity (low/medium/high financial or operational impact)
- Estimate probability of occurrence (rare/possible/likely)
- Prioritize high-impact, high-likelihood risks for immediate attention
- Create a risk register documenting all identified risks with ratings

Step 4: Monitor & Review

- Assign risk owners responsible for monitoring specific risks
- Review risk register quarterly and update mitigation plans
- Report top risks to board regularly
- Adjust strategies as organizational activities and external environment change

STRATEGY #4

Staying Ahead of Regulatory Requirements

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Compliance is the bedrock of public trust and the prerequisite for maintaining charitable status.
In 2026, the regulatory environment is becoming increasingly complex, requiring a proactive, systematic approach.

Key Compliance Areas for 2026:

- **Charities Directorate (CRA) Requirements**: Ensuring timely and accurate filing of the T3010, maintaining proper books and records, and adhering to rules on political activities and non-qualified donees.

- **Grant Compliance**: Each grant comes with specific financial and programmatic reporting requirements. Failure to comply can result in clawbacks or ineligibility for future funding.

- **Employment Standards:** Keep abreast of any changes to provincial and federal labour laws.

- **Data Privacy (PIPEDA/Provincial Laws)**: Managing donor and client data requires strict adherence to privacy laws

- **Anti-Money Laundering (AML) / Anti-Terrorist Financing (ATF)**: Nonprofits must be vigilant about the source of large donations and ensure they are not inadvertently used for illicit purposes.

STRATEGY #5

Building Board Capacity

Building Board Capacity for Financial Preparedness

Your board can't effectively oversee scenario planning, fraud prevention, risk management, or compliance without financial literacy. Building board capacity is the foundation that enables all other financial preparedness strategies.

Financial Literacy Training

Provide annual training on understanding nonprofit financial statements and key metrics (liquidity ratios, months of cash on hand, program efficiency), and interpreting budget variances. Use your organization's actual financial statements to make concepts concrete and relevant.

Finance Committee Structure

Establish a dedicated finance committee with financially literate members who meet at least quarterly to review detailed financial statements before full board meetings. Develop clear terms of reference defining roles, responsibilities, and decision-making authority to ensure effective oversight.

Dashboard Reporting

Replace lengthy financial reports with visual, easy-to-understand dashboards that highlight key performance indicators and budget variances. Include narrative explanations alongside numbers to tell the financial story and enable informed board discussions.

Strategic Financial Discussions

Move beyond compliance reporting to strategic conversations about financial sustainability, scenario planning, and risk management. Connect financial decisions to mission impact and long-term organizational health to engage board members in meaningful oversight.

Strategies for 2026 Success

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A complete financial preparedness framework combines multiple elements:

Planning & Strategy

- Scenario-based budgeting for uncertainty
- Diversified revenue streams and cash reserves
- Year-end financial review and adjustment

Protection & Risk Management

- Strong internal controls preventing fraud
- Comprehensive insurance coverage
- Systematic risk monitoring and mitigation

Compliance & Governance

- Regulatory compliance and policy awareness
- Board financial literacy and oversight
- Transparent reporting and accountability

Operations & Technology

- Automated financial workflows
- Modern accounting systems
- Efficient finance operations

Together, these strategies create organizational resilience and position your nonprofit for sustainable impact in 2026 and beyond.

Wrapping up

Get Your Personalized Finance Transformation Roadmap

Not sure where to start?

We'll provide you with a comprehensive review of your finance function with recommendations on tools, workflows, processes, and control risks.

How does it work?

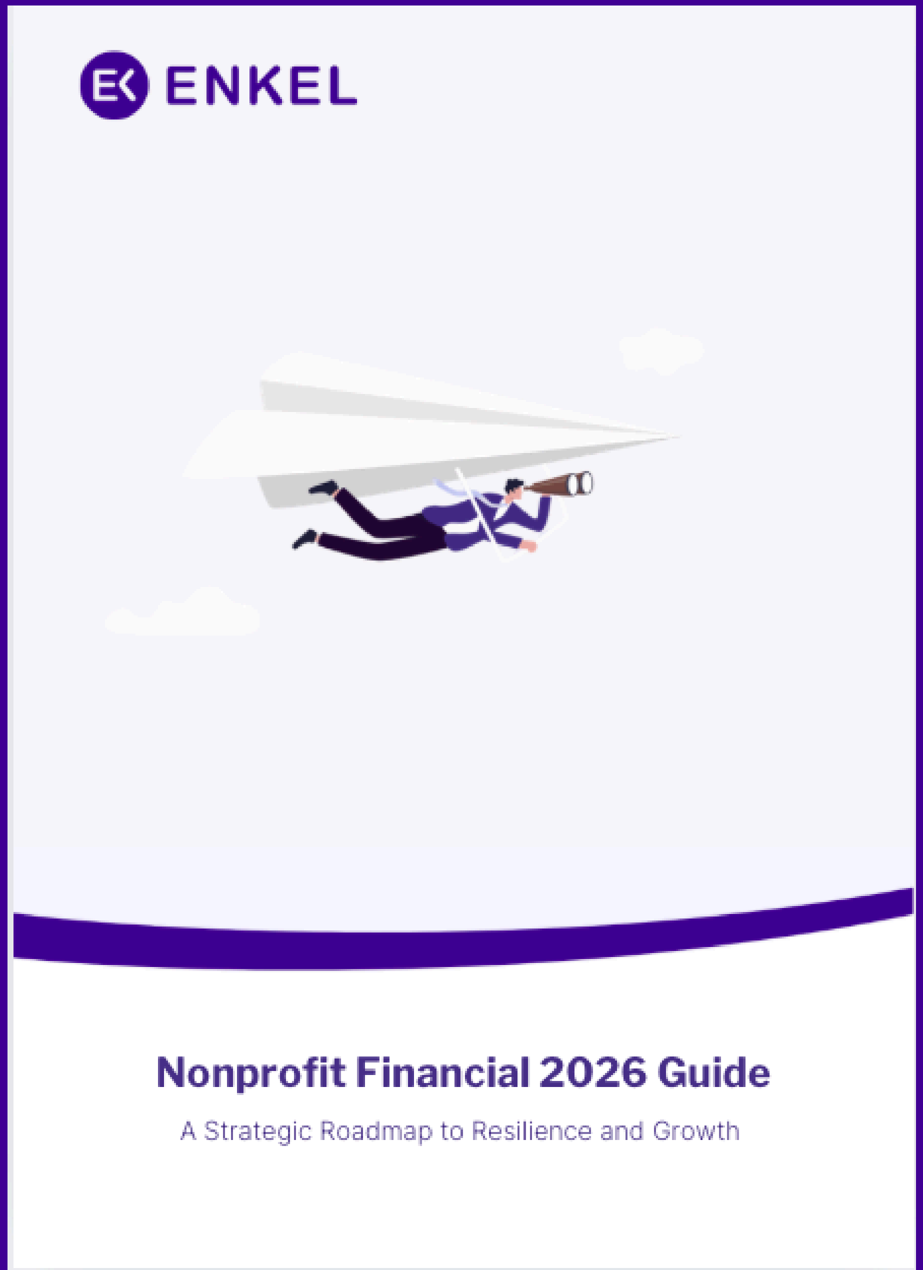
- Interviews with Key stakeholders (ED, Admin staff, Treasurer, etc)
- Documentation of risks, control gaps, and reporting improvement opportunities
- Documentation of results and practical recommendations - specific context, challenges, and limitations will be taken into account
- Meeting to debrief findings with a written report

This assessment gives you a clear, practical plan to transform your finance function without guesswork.

Now booking for January 2026 - Starting at $2,500

Link: **https://bit.ly/enkel-roadmap**

Further Reading & Tools



Free E-Book

https://bit.ly/NPO2026Ebook

Q&A and Interactive Discussion

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Thank You!