

MODERNIZING NONPROFIT FINANCE: POLICIES, REPORTING, AND THE KPIS THAT DRIVE BETTER DECISIONS



Today's Speaker



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Enkel

[en-kel] Adjective | Simple

Helping Canadian organizations build financial clarity and confidence

- 10+ years supporting organizations across Canada
- Thousands of nonprofits and charities supported
- Bookkeeping, Payroll and Accounts Payable
- Controllershship and CFO support

Acknowledgement: Enkel would like to acknowledge that our offices are situated on the unceded traditional territories of the x^wməθk^wəy'əm (Musqueam), Sk̓wx̓ wú7mesh (Squamish), and səlilwətał (Tsleil-Waututh) Nations.



Overview

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The Status Quo Problem

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Financial Policies

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Roles & Accountability

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Technology & Q&A



Quick Poll

On a scale of 1–5, how mature is your organization's approach to these four core policies: signing authority, expense approval, conflict of interest, and fraud prevention?

1 = None/A few informal practices exist, but nothing is formally documented

2 = Some are documented, but they are outdated or inconsistently followed

3 = Most are documented and generally followed

4 = All four are documented and current, but application is not fully consistent

5 = All four are documented, current, consistently followed, and regularly reviewed





The Status Quo Problem

The Status Quo Is Holding Nonprofits Back

Most Canadian nonprofits are still managing their finances the way they always have. It works, until it doesn't.



Informal Approvals

Decisions happen verbally or over email, with no consistent process or paper trail.



Dense Board Reports

Financial statements are technical, long, and disconnected from the decisions the board needs to make.



No Documented Policies

Without written financial policies, the organization relies on memory and goodwill instead of process.

Today, we'll show you how to modernize each of these, one practical step at a time.



Building Your Financial Policy Foundation

The Four Policies Every Board Needs



Signing Authority

Defines who can approve payments and contracts, and at what dollar thresholds, so no single person controls the money alone.



Expense Approval

Sets clear rules for what can be expensed, who approves it, and what documentation is required before reimbursement.



Conflict of Interest

Requires directors and staff to disclose personal interests in financial decisions before those decisions are made.



Fraud Prevention

Establishes segregation of duties and regular reconciliation to reduce the risk of misappropriation going unnoticed.

Six Elements of an Effective Financial Policy

A strong policy clearly explains what must happen, who is responsible, and how compliance is demonstrated.

Purpose & Scope

Why the policy exists, what it covers, and who must follow it.

Roles & Authority

Who initiates, reviews, approves, records, and monitors each activity.

Approval Thresholds

Dollar limits, approval levels, and when a second approver is required.

Documentation

The receipts, contracts, declarations, or other records required for approval.

Exceptions & Escalation

How urgent, unusual, or disputed situations must be approved and documented.

Monitoring & Review

Who checks compliance, how concerns are reported, and when the policy is updated.



Signing Authority Done Right

A strong signing authority policy governs with confidence, not guesswork. It should include:

- Clear dollar thresholds for who can approve what, escalating from staff to ED to board
- A dual-signature requirement above a defined amount, such as \$5,000 or \$10,000
- Named signatories on all bank accounts, updated whenever board membership changes
- An annual review of the policy and the list of authorized signatories
- A clear process for emergency approvals when normal signatories are unavailable

A written policy removes ambiguity and protects both the organization and the individuals who sign.



Quick Poll

How would you describe your organization's current financial reporting to the board?

1 = Not Sure

2 = Mainly provide financial statements with little explanation

3 = Provide financial statements with some written commentary

4 = Use a summary or dashboard, but it needs improvement

5 = Provide a clear dashboard with trends, risks, and decisions required





Designing a Board Report They Will Actually Read

Dense Reports Create Disengaged Boards

A 40-page financial statement package doesn't drive better decisions. It drives boards to stop reading.



The Traditional Package

- Full financial statements with no summary
- Accounting terminology with no plain-language context
- No indication of what is normal versus what needs attention
- Arrives days before the meeting, leaving no time to prepare questions



The Modern Dashboard

- One page, visual, and readable in under five minutes
- Plain-language narrative explaining what the numbers mean
- Clear flags on anything that needs board attention
- Distributed early enough for directors to prepare informed questions

The One-Page Financial Dashboard

Five elements replace dense statements with a report your board can read in under five minutes:



Budget vs. Actuals

Year-to-date spend against plan, by major category



Cash Position

Current cash on hand and months of runway



Restricted Fund Status

What is available versus tied to specific programs



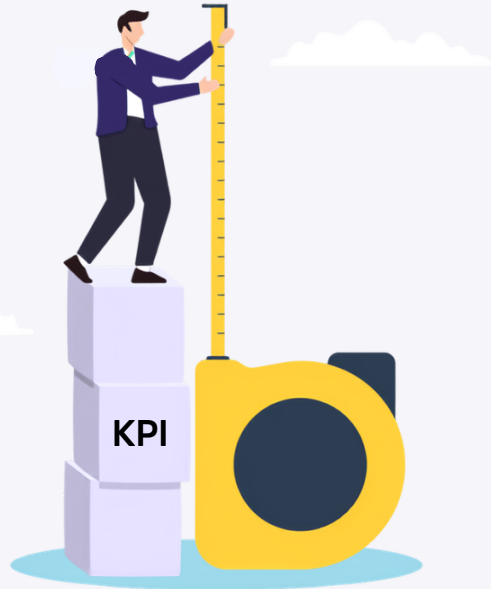
Key KPIs

The 2-3 ratios that matter most this quarter



A short, plain-language summary of what the numbers mean and what, if anything, needs a decision

If it takes longer than five minutes to read, it's not a dashboard yet.



The Five KPIs That Actually Matter

Five KPIs Every Canadian Nonprofit Should Track

KPI	What It Tells You
Operating Reserve Ratio	How many months of operating expenses you could cover using unrestricted reserves alone
Program Efficiency Ratio	The share of total expenses going directly to programs versus administration and fundraising
Fundraising Efficiency	How much it costs to raise each dollar of donation revenue
Revenue Diversification	How dependent the organization is on any single funder, grant, or revenue source
Unrestricted Net Assets	The pool of funds the organization can deploy freely, without funder restrictions

Meet the nonprofit behind the numbers

Harbour Community Association

A fictional Canadian community-services nonprofit preparing its year-end board report.

Annual revenue **\$1.40M**

Annual expenses **\$1.20M**

Staff **22**

Largest funding source **50%**

The board's question

Are we financially resilient, and where should leadership act first?

ILLUSTRATIVE EXAMPLE - FICTIONAL ORGANIZATION

FY2026 management report		Illustrative figures	
STATEMENT OF OPERATIONS		BALANCE SHEET + OPERATING INPUTS	
Revenue	\$1,400,000	Unrestricted net assets	\$180,000
Program expenses	\$900,000	Average monthly expenses	\$100,000
Fundraising expenses	\$80,000	Fundraising revenue	\$320,000
Other expenses	\$220,000	Largest revenue source	\$700,000
Total expenses	\$1,200,000		
		Revenue mix	
		● Government	50%
		● Foundations	20%
		● Donations	17%
		● Program fees	13%

Five calculations turn the statements into signals

Use the same source figures for every KPI so the board can see one connected financial story.

KPI	FORMULA	ILLUSTRATIVE CALCULATION	RESULT
Operating reserve <i>Limited buffer</i>	Unrestricted net assets / average monthly expenses	\$180,000 / \$100,000	1.8 months
Program efficiency <i>Add outcomes</i>	Program expenses / total expenses	\$900,000 / \$1,200,000	75%
Fundraising efficiency <i>Track by campaign</i>	Fundraising expenses / fundraising revenue	\$80,000 / \$320,000	\$0.25 / \$1
Revenue concentration <i>Concentration risk</i>	Largest revenue source / total revenue	\$700,000 / \$1,400,000	50%
Unrestricted net assets <i>Check liquidity</i>	Assets - liabilities - externally restricted net assets	From the balance sheet	\$180,000

Together, the KPIs tell a more useful story

Harbour is delivering programs efficiently, but resilience depends on one funder and a thin reserve.

What looks encouraging

PROGRAM EFFICIENCY

75%

Pair it with program outcomes

FUNDRAISING COST

\$0.25 / \$1

Compare by campaign and trend

What needs attention

OPERATING RESERVE

1.8 months

Small buffer if funding is delayed

LARGEST SOURCE

50%

Material exposure to one funder

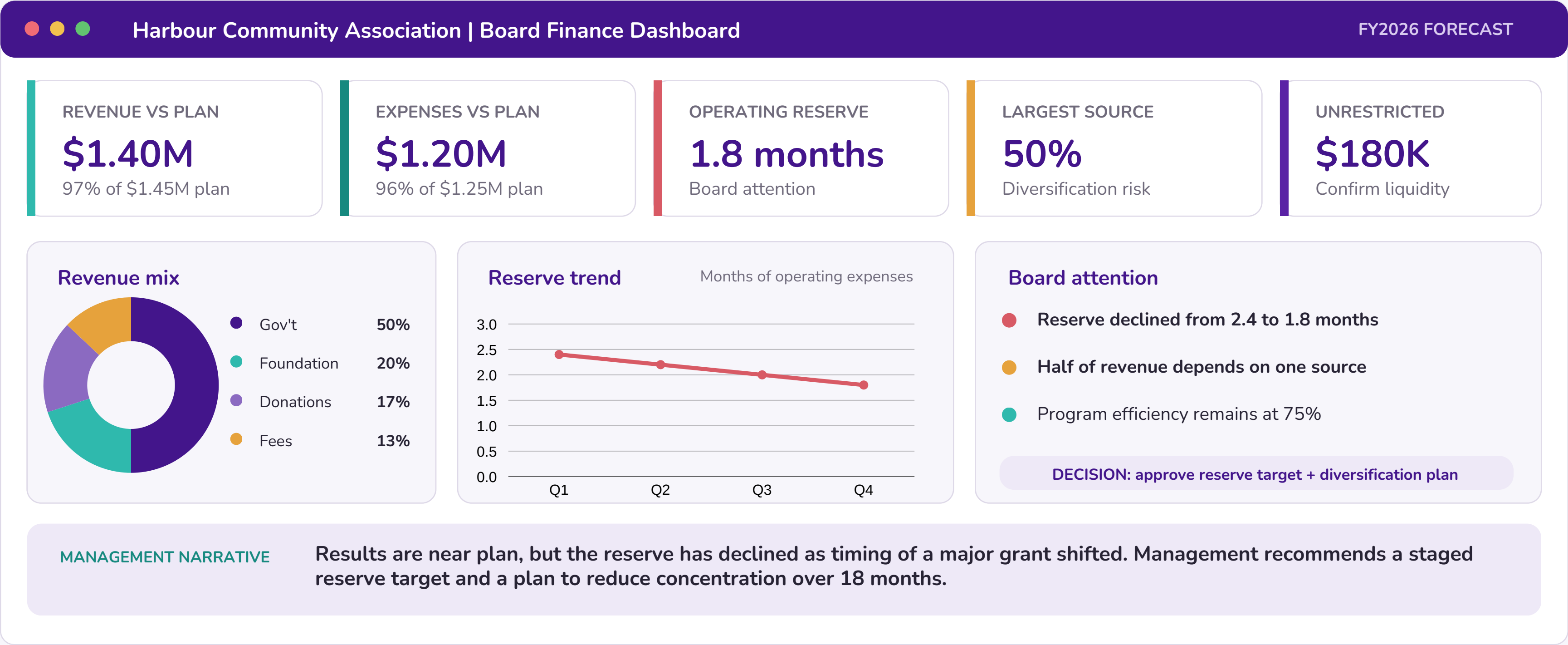
Questions for the board

- 1 What reserve target fits our actual risk?
- 2 How quickly can we reduce reliance on one funder?
- 3 How much unrestricted net assets are truly liquid?

Important distinction Unrestricted net assets are not automatically available cash. Confirm liquidity before treating them as operating reserves.

What the board sees in under five minutes

A dashboard is the entry point to the financial statements - not a replacement for them.



Quick Poll

Which area would most improve financial decision-making at your organization right now?

- 1 = Clearer financial policies and approval processes
- 2 = A simpler, more useful board dashboard
- 3 = Better KPIs and financial forecasting
- 4 = Clearer roles between staff, Treasurer, and Board
- 5 = More integrated financial technology





Who Owns What in Financial Oversight

Shared Accountability Prevents Governance Gaps

Responsibility	Executive Director	Treasurer	Board
Transactions	Oversees operations	Not involved	Not involved
Financial review	Prepares and explains	Reviews in detail	Reviews exceptions and trends
Budget	Drafts and recommends	Challenges and recommends	Formally approves
Policies	Implements	Monitors compliance	Approves and oversees
Signing authority	Operates within limits	May sign within policy	Establishes authority framework



The Technology That Makes This Possible

Eliminate Manual Work with the Right Tools

Three connected tools make real-time reporting possible for organizations of any size:



The cloud accounting system of record, giving real-time visibility into the organization's finances from anywhere.

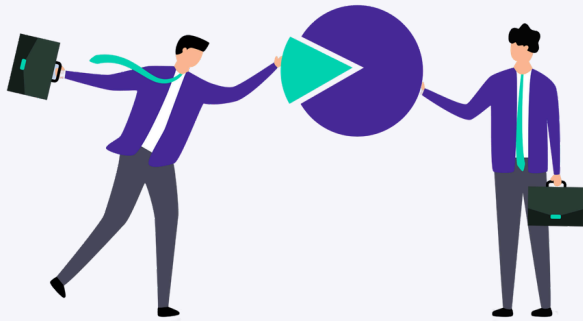


Captures receipts and invoices automatically, eliminating manual data entry and lost paperwork.



Automates payment approvals and execution, keeping your signing authority policy enforced digitally.

You don't need to manage these tools yourself. Enkel sets up and supports the full stack, so your team gets the benefit without the technical burden.



The Enkel Advantage

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We help nonprofits:

- design grant-ready chart of accounts
- track restricted funds
- build financial dashboards
- prepare funder-ready reports
- provide controllership oversight

Get Your Personalized Finance Diagnostic Report

Not sure where to start?

We'll provide you with a comprehensive review of your finance function with recommendations on technology tools, internal reporting practices, controls and organizational risks.

How does it work?

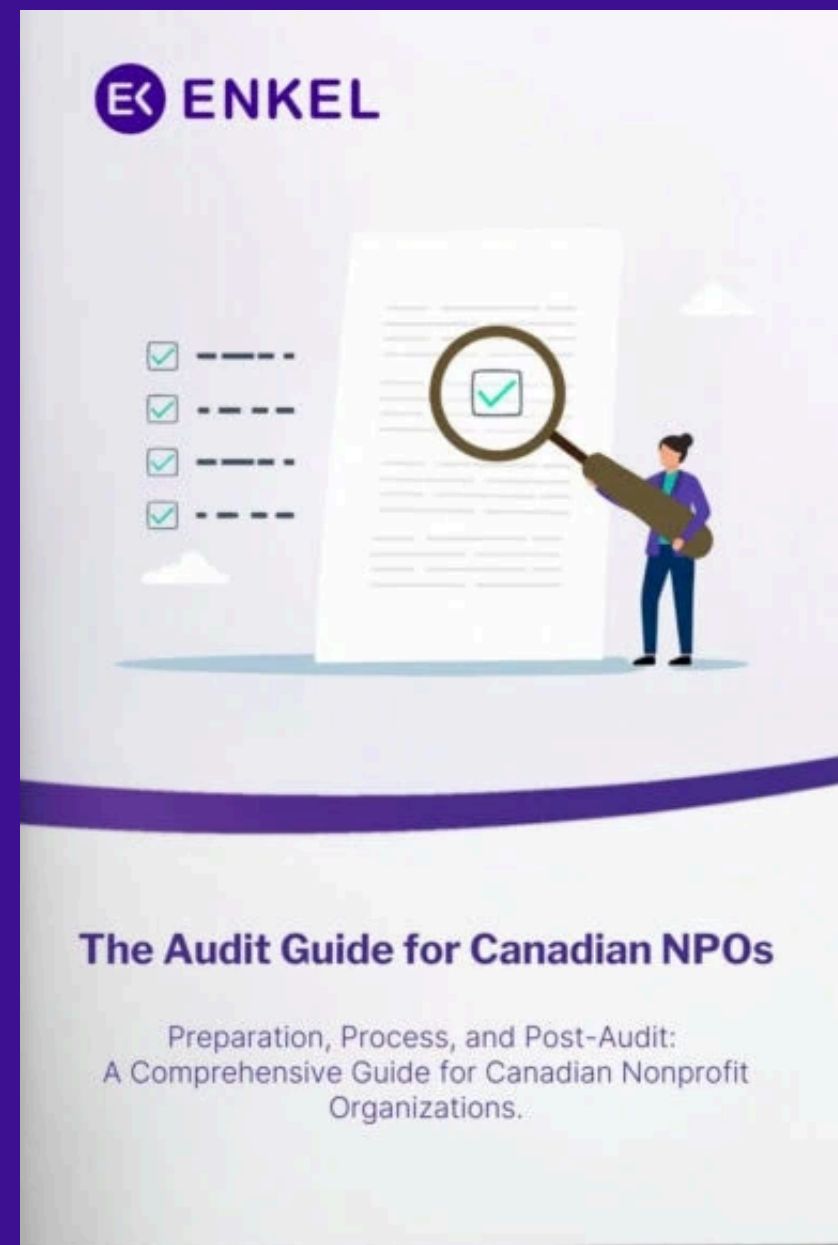
- Interviews with Key stakeholders (ED, admin staff, Treasurer, etc)
- Documentation of risks, control gaps, reporting improvement opportunities, and KPIs to measure
- Documentation of results and practical recommendations - specific context, challenges, and limitations will be taken into account
- Meeting to debrief findings with a written report, bringing clarity to finance as it stands today, with a roadmap for optimization

This assessment provides financial clarity and prioritized action items.

Link: <https://bit.ly/enkelfinancediagnosticcv>



Further Reading & Tools



What You'll Learn

- When your nonprofit needs an audit or review
- How to prepare your team and documentation for a smooth audit
- Common audit findings and how to avoid them
- Best practices for internal controls and financial reporting

<https://bit.ly/enkelauditguideebookcv>

**SCAN
ME!**



Q&A and Interactive Discussion





Thank You!