

NONPROFIT FINANCIAL LITERACY: WHY IT MATTERS



INTRODUCTION

If you're leading a church, camp, or community organization, financial literacy isn't just helpful — it's essential to your organization's success.

Even if you serve on a nonprofit board, you already know that financial oversight is part of your responsibility, which makes financial literacy all the more important to ensure success.

Even if you're not a financial expert, it's crucial to understand —

- Basic budgeting concepts and how money flows through your organization
- Federal and state compliance laws to follow and how to spot potential risks
- Best methods to communicate financial information to board members, staff, and the community

FINANCIAL LITERACY EXAMPLES

Having a firm grasp on nonprofit finances will not only help your nonprofit to *stay compliant*, it will also *strengthen your mission, support your teams, and increase organizational growth*.

Knowing how to manage your organization's finances helps you to gain confidence to create, analyze, and follow an organizational budget, as well as to interpret financial reports and communicate key points to others.



**Next are 4 Examples
to better understand
how financial literacy
impacts your nonprofit.**



EXAMPLE 1: RESTRICTED & UNRESTRICTED FUNDS

Understanding the differences between restricted, unrestricted, and temporarily-restricted funds helps you to —

- ✓ Know how much cash your organization should keep in reserve
- ✓ Review the balance between program, administrative, and fundraising expenses
- ✓ Maintain accurate bookkeeping and produce standardized reports
- ✓ Schedule independent audits to support transparency and accountability



EXAMPLE 2: LEGAL OBLIGATIONS

Knowing how to meet your legal and tax responsibilities helps you to —

- ✓ Ensure legal compliance, including tax law requirements
- ✓ Understand unrelated business income tax (UBIT) and how to avoid unnecessary tax liabilities
- ✓ Handle employment tax returns and make timely payroll tax deposits
- ✓ Meet public disclosure requirements
- ✓ Understand the IRS public support test and how it determines public charity status
- ✓ Review and file IRS Form 990 accurately and on time
- ✓ Be aware that board members can be held responsible for tax-related issues



EXAMPLE 3: FUNDRAISING PROCEDURES

Knowing how to manage giving and fundraising procedures helps you to –

- ✓ Understand how your organization raises money
- ✓ Issue proper receipts to donors for tax-deductible contributions
- ✓ Explore available grant opportunities and how to apply
- ✓ Ensure fundraising practices align with mission and compliance standards



EXAMPLE 4: ORGANIZATIONAL & BOARD SUPPORT

Learning how to support strong board and organizational practices helps you to—

- ✓ Encourage informed decisions as financial conditions change
- ✓ Consider appointing an ombudsperson to handle concerns around potential problems or financial issues
- ✓ Ensure financial decisions align with your mission and long-term sustainability

TIP: If you need assistance, please contact our Organizational Investing support team today at OI@eder.org, who will be happy to help.

PERSONALIZED SUPPORT

Building financial literacy is a lifelong process; you don't master it all at once.

But with the right tools and encouragement, you can confidently prepare yourself to make decisions for your organization and your community.

Fortunately, Eder Financial is here to listen to your needs and answer your questions.

Although Eder is not a financial advisory firm, we pride ourselves in walking with you - beyond the numbers.

We provide you with financial literacy resources, answers to your questions, and important market updates, all to help you lead your nonprofit with confidence.



TIP: If you'd like to learn more about financial literacy online, please click any of the links in the directory of resources shown next.

For more information, please email or call our experts ~

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DIRECTORY OF FINANCIAL LITERACY ONLINE RESOURCES

- [360 Degrees of Financial Literacy](#) – Guidance from the [American Institute of Certified Public Accountants \(AICPA\)](#) on navigating money matters from childhood through retirement
- [Charities and Nonprofits Page](#) – Key information from the [IRS](#) for nonprofit leaders about staying tax-exempt, avoiding penalties, and keeping updated records
- [Financial Leadership](#) – Includes articles and insights from [Nonprofit Quarterly](#) on financial health, transparency, and governance
- [Financial Literacy for Nonprofit Boards](#) – Includes information from the [National Council of Nonprofits](#) helping boards to simplify budgets, financial statements, and audits
- [Financial Literacy Resource Directory](#) – Tools for nonprofits, individuals, and educators from the [U.S. Office of the Comptroller of the Currency](#)
- [Financial Oversight Essentials](#) – Includes guidance from [BoardSource](#) on nonprofit board responsibilities related to budgeting, audits, and financial reporting
- [What Is Financial Literacy?](#) – Covers the importance of financial literacy from [Investopedia](#)