

January 19, 2012

Dear Friends,

We hope you enjoy this week's edition of the Newsflash!

Sincerely,

The Firelight Team

(Call for Applications) Firelight Foundation is Now Accepting Letters of Inquiry for Lesotho, Malawi, and Tanzania!

(Call for Proposals) The Global Development Network offers \$30,000 grant

(Call for Proposals) Micro-Grants for Citizen Media Outreach Projects

(Resource) A Summary of the Eight Must-Do's of financial leadership

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APPLICATION INFORMATION

Link to WHERE & WHAT WE FUND

LETTER OF INQUIRY TEMPLATE

If your organization is a charitable organization working with orphans and vulnerable children based in the Northern Region of Malawi, Lesotho, or Tanzania we invite you to send a "letter of inquiry" and provide us with basic information about your organization. Please ensure we have complete contact information for your organization.

We accept any kind of written submission. We currently accept applications in English, Chichewa, French, Kinyarwanda, Sesotho, and Swahili. Please limit your letter to three pages.

Deadline for Submission: February 15, 2012.

For more go to: <http://www.firelightfoundation.org/application-information.php>

(Call for Proposals) The Global Development Network offers \$30,000 grant

Are you looking for an opportunity to scale up your innovative project? Here is your chance to receive US\$ 30,000. The Global Development Network (GDN) is offering development organizations headquartered and working in developing

countries and transition economies such as yours, a chance to receive grants through the Japanese Award for Most Innovative Development Project, as part of its annual Global Development Awards and Medals Competition. A second prize of US\$ 5,000 will be awarded to the runner-up. In addition, the lucky first prize winner will be eligible to compete for a grant of up to US\$ 200,000 for their project through the Japan Social Development Fund.

And there's more! Finalists will also get a chance to present their project to an international high profile audience at GDN's 13th Annual Global Development Conference in June 2012 in Budapest, Hungary. Their travel and stay will be funded by GDN.

If you think your project is creative, innovative and has had a significant social impact, hurry and log on to 2011 Global Development Awards and Medals Competition.

To Apply:

- All applications and documents must be submitted electronically only at <http://opa.gdnet.org>
- For any queries related to the competition write to us at awards@gdn.int

Watch what past winners have to say: <http://vimeo.com/27619123>

Deadline for Submission: 31 January, 2012 (Indian Standard Time 6:00 PM)

For more go to: http://cloud2.gdnet.org/cms.php?id=gdn_development_research

(Call for Proposals) Micro-Grants for Citizen Media Outreach Projects

Rising Voices has issued a call for proposals to support and nurture underrepresented communities so that they can begin to take full advantage of participatory digital media tools. This has been our microgrants for citizen media outreach projects.

These small grants provide an opportunity for individuals, grassroots groups, networks, and other organizations without significant access to larger funding to be able to pass along knowledge by teaching others in their community in the use of these tools, as well as to provide ongoing support.

Rising Voices is accepting microgrant proposals for funding up to \$4000 for global projects.

This funding opportunity is open to private individuals, groups, and non-governmental organizations (NGOs).

There is no requirement for an organization to be legally registered, but there is a

requirement selected projects to have access to a bank account that is able to receive international bank transfers.

The project's primary activities should be to provide citizen media training workshops to the target community, as well vital ongoing support and mentoring.

Deadline for Submission: February 3rd, 2012 at 11:59 PM GMT.

For more go to: <http://rising.globalvoicesonline.org/blog/2012/01/10/rising-voices-call-for-microgrant-proposals-for-citizen-media-outreach/>

A Summary of the Eight Must-Do'S of financial leadership:

1. Develop an annual budget

Strong annual budgeting is an essential element of financial leadership. The best annual budgets align to an **annual plan**—a written narrative that all staff and board understand about the core activities the organization will undertake in the coming year and how they will be financed. If the budget includes as-yet-**unidentified income**, which is standard for many organizations, that amount should be clear to all board and staff along with the plan to raise the funds during the year. **The budget is never permission to spend when income is not coming in as planned. Anticipate the future. Fiscal years are arbitrary units of time; in reality, the decisions we make—and the consequences of deferred decisions—live on well beyond the fiscal year.**

2. Diversify your income cautiously...

Ensuring you have the capacity to develop and sustain the programmatic and operational requirements of attracting each new resource type well. Determine the degree of diversification you need. **Income diversification is more possible and more necessary in some models than in others.** For instance, community mental health services are likely to be heavily government funded, and once a nonprofit has established a successful track record of providing these services, that government funding may remain in place for years. Even though the organization is technically dependent on one set of government contracts, it may not be in a riskier position than another kind of nonprofit struggling to raise small amounts of money from individuals, corporations, and foundations, for instance. The reliability and competitiveness of your revenue streams dictate the degree of diversification that you need.

Determine risk. Income diversification carries some real risks. **Evidence shows that more revenue streams don't necessarily mean greater annual**

surpluses or organizational scale. To attract new revenue streams, an organization has to develop and sustain new capacities.

3. Develop cash flow projections along with the budget so that you can anticipate any cash flow problems well in advance, when you have more options.

Unless your organization has built up a substantial base of operating cash, any nonprofit can run into cash flow problems. What causes them? A variety of factors, including seasonal fundraising, annual grant payments, reimbursement-based contracts, and start-up costs for new programs. Timing problems can be prevented by managing the timing of payments and receipts, improving internal systems, or arranging for a line of credit.

4. Plan goals for financial reserves: Don't wish for reserves. Plan Them

“**Building a reserve**” is on the top of the financial wish list of just about every executive director. Having a cushion of cash that can absorb an unexpected delay in receiving funds, a shortfall in revenue for a special event, or unbudgeted expenses can stabilize an organization. Nonprofits that have built up a good cash cushion have had options and opportunities during the recession that have allowed them to respond to reduced income and increased demand more strategically and carefully than those organizations with few extra dollars in the bank.

For most nonprofits, reserves are built up over time by generating unrestricted surpluses and intentionally designating a portion of the excess cash as a reserve fund. So step one in planning for reserves is to develop realistic income and expense budgets that are likely to result in a surplus. Step two is to make sure that achieving a surplus is a priority that is understood and supported by staff and board members. For some organizations, there is an earlier step, too. They have to stop operating with deficits before they can even dream of having a reserve.

Determine your reserve goal. A commonly used reserve goal is three to six months' expenses. At the low end, reserves should be enough to cover at least one payroll, including taxes.

Manage your cushion. Once a nonprofit has been able to build a reserve, using it must be intentional and strategic. **Using reserves to fill a long-term income gap is dangerous. A cash cushion allows you to weather serious bumps in the road by buying time to implement new strategies, but reserves should be prudently used to solve temporary problems, not structural financial problems.** To maintain reliable reserves, it's also important to have a realistic plan to replenish them from future surpluses.

5. Rethink Restricted Funding

There is an ongoing debate among grantmakers about whether general operating funds are a better investment strategy than programmatically restricted grants. And frustration with funding restrictions is a common refrain among nonprofit executives. But at times this debate gets oversimplified to a notion that all restricted money is bad and inherently compromising of organizational sustainability, when this is not the case. **As an executive, what you need to be concerned with is not whether a grant is restricted but what it is restricted to.** A restricted grant for a program central to your desired impact and that covers a robust portion of that program's cost is functionally the same thing as general operating support—it is funding a core piece of the work that you do. The two qualifiers are key, though: you are doing something that the organization would do anyway, and you are getting paid fairly to do it. What you need to avoid is chronic reliance on grants and contracts that pull the organization in unaligned directions or that refuse to pay fairly for the promised outcomes.

Develop effective grant proposals. Your development of sophisticated grant proposals is essential to incorporating restricted funding in your business model effectively. Take a very broad view of any program you are proposing for funding by including as direct costs such elements as hiring program staff, marketing and outreach to clients, staff professional development, and program evaluation. These are the kinds of organizational expenses that directly benefit programs but for which we too rarely charge our investors. If you believe that program evaluation is essential to monitoring effectiveness of outcomes, it's your obligation to force the issue with funders who classify the cost as "overhead." **Incorporating sophisticated language in your proposal narratives that links staff development to program design to strong program outcomes sets the stage for a budget that includes these critical expenses. Restricted funding from foundations and corporations that genuinely understand and value your organization's work can be a very sustainable revenue stream if you are very selective about which funders to pursue, and if you pursue them with well-conceived programs and accompanying budgets.**

6. Staff Your Finance Function

Ensure that your finance function is always properly staffed; if necessary, use a mix of staff and expert contract consultants to achieve this.

Determine your optimal staffing approach. Every organization needs all three functions, but organizational size and complexity will determine how much time each requires and the optimal staffing approach. In general, it is income that makes nonprofits more or less complex. A \$10,000,000 organization that gets all of its money from individual donors requires a very basic accounting system, while a \$2,000,000 organization with government contracts and restricted foundation grants requires a very robust accounting system. As an executive, you seriously jeopardize your organization's funding and reputation if you

maintain inadequate systems for tracking contract and grant dollars—it's a true nonnegotiable. If you have these funds in your business model, you should assume that you will need to fund a very experienced, senior finance staff role.

7. Help Your Board to Help You

Discuss expectations for financial roles and responsibilities with board leadership to create accountability and information flow that matches the size and life stage of the organization. Make sure to invest time in developing meaningful financial report formats for the board that reinforce organizational strategies and goals and support the board in fulfilling their responsibilities.

8. Manage the Right Risks

To reduce and manage risks, most nonprofits develop policies and procedures for each area of the organization. The facilities manager maintains controls over keys, access, and insurance coverage. The finance director assures appropriate segregation of duties, internal controls, and checks and balances. Program managers compile information and data to run background checks, keep licenses up to date, and maintain required reporting. If we put them all together in a binder, these policies make up the organization's risk management process.

Assess your organization's risks holistically. If each area assesses and formulates its own risks, who is responsible for deciding which risks have the most magnitude and impact on the organization? Put another way, if a nonprofit decided that at least one of its policies had to be eliminated for some reason, how would you decide which one the organization could do without? For example, which of these possible events pose the greatest risk to the organization's ability to achieve its mission, programmatic, and financial goals: theft of a laptop computer, loss of confidential client data on that computer, or damage to the organization's reputation if client data were made public?

Consider enterprise risk management. **Enterprise risk management (ERM)** is essentially the process of assessing all of the risks that the organization faces with a comprehensive, enterprise-wide view and making decisions about managing risk in the same way. An ERM process considers both risks that are evident today and those that will emerge as operational and strategic plans are implemented. Some organizations need to complete a formal, extensive internal assessment with a staff team and outside consultants. **Smaller organizations can complete their own organization-wide review of risks through brain-storming and discussions.** The most important step is to start thinking about all the parts as a whole. In the case of the stolen laptop, for example, too much emphasis on limiting access to the office on weekends might have led a program staff member to store confidential data to take home to complete a needed report. Balanced together, these risks would probably have

been managed differently than if looked at separately. With the big-picture view of the organization always in mind, the executive director is the right person to advocate ERM by asking members of his or her team to think beyond their own area to the wider enterprise.

For more go

to: <http://www.compasspoint.org/sites/default/files/documents/Financial%20Leadership.pdf>

As part of the Firelight Foundation's Capacity Building Program, Firelight provides "Newsflashes" to share relevant resources and information with our active grantee-partners via weekly emails and via post on a monthly basis. We hope that by facilitating access to information for grassroots, community-focused organizations, programming for children and families, as well as organizational development, is enhanced. Past editions of the Firelight Newsflash can be found on our website: <http://www.firelightfoundation.org/newsflash.php>.

We welcome your comments, feedback and ideas for upcoming Newsflashes at newsletter@firelightfoundation.org.