



23 January 2014

Dear Friends,

This week several helpful resources are shared by Firelight grantee-partner, Namwera AIDS Coordinating Committee (NACC) in Malawi. NACC is a local NGO established to respond to the AIDS epidemic in the eastern part of Mangochi District, bordering Mozambique. The organization mobilizes communities, facilitates the establishment of community structures, and identifies and trains volunteers and various community service providers on issues of HIV prevention, care, and support as well as Community-Based Childcare Centers that support Early Childhood Development.

Resources this week come from a recent workshop facilitated by NACC for several Firelight partners on resource mobilization and financial management. To learn more about their work, you can find NACC on Facebook here: <http://on.fb.me/1IWPLHM> and through their website here: <http://bit.ly/1a2YQvX>.

Sincerely,

The Firelight Team

(Tool) Resource Mobilization Self-Assessment Tool

(Tool) Financial Health Check

(Resource) Minimum Standards for Financial Management for NGOs

(Funding Opportunity) World of Children Award Accepting Nominations

(Tool) Resource Mobilization Self-Assessment Tool

The Resource Mobilization Self-Assessment Tool is intended to guide organizations in reflecting on their mobilizing efforts.

A simple checklist of yes and no questions helps users to measure whether their mobilization is fledgling, engaging, active, or very active. The checklist can also help to identify areas where the organization had not previously considered as a potential opportunity for resource mobilization.

"Identifying different resource mobilization mechanisms is one way for NGOs to broaden their understanding of resource mobilization and diversify their approaches beyond writing proposals." -- NACC presentation on resource mobilization

Tool is available on Page 5

(Tool) Financial Health Check

The Financial Health Check is a great resource for organization's looking to improve their financial management systems. A thorough checklist provides an outline for the essential tools and systems necessary for well-managed financial systems.

NACC's view on financial management is that, "it is not just about keeping account records. It is an important part of programs management and must not be seen as a separate activity left to finance staff."

Good practice in financial management will:

- Help organizations make effective and efficient use of resources to achieve objectives, fulfill commitments and be accountable to donors and other stakeholders.
- Gain the respect and confidence of funding agencies, partners and beneficiaries

Ensure that resource are used to achieve the vision, mission and goals of the organization.

Tool is available on Pages 6-11

(Resource) Minimum Standards for Financial Management for NGOs

The final guide from NACC reviews minimum requirements for financial management and what is typically considered good practice. This is helpful for any organization looking to establish or re-invent their financial management system.

Each item is complemented by an explanation of why it is important to establish such systems and procedures.

Resource is available on Page 12

(Funding Opportunity) World of Children Award Accepting Nominations

World of Children Award program was created to recognize and elevate those selfless individuals who make a difference in the lives of children here in the USA and across the globe, regardless of political, religious or geographical boundaries.

Specific Award Requirements:

Humanitarian Award (minimum \$50,000)

The Humanitarian Award recognizes an individual who has made a significant contribution to children in the areas of social services, education or humanitarian services. Nominee must have created, managed or otherwise supported a sustainable program which has significantly contributed to children's opportunities to BE SAFE, TO LEARN and TO GROW.

- Nominee must do this work over and above their normal employment, OR work for little or no pay.
- Nominee must have been doing this work for a minimum of 10 years.
- Nominee must have an existing non-profit organization in good standing, which can receive grant funds if Awarded.

Health Award (minimum \$50,000)

The Health Award recognizes an individual who has made a significant contribution to children in the fields of health, medicine or the sciences.

- Nominee must have created, managed or otherwise supported a sustainable program which has significantly contributed to the IMPROVED HEALTH of children.
- Nominee must do this work over and above their normal employment, OR work for little or no pay.
- Nominee must have been doing this work for a minimum of 10 years.
- Nominee must have an existing non-profit organization in good standing, which can receive grant funds if Awarded.

Youth Award (minimum \$25,000)

The Award recognizes youth that are making extraordinary contributions to the lives of other children.

- Nominee must be under the age of 21 by the nomination submission deadline.
- Nominee must have an existing non-profit organization in good standing, which can receive grant funds if Awarded.
- Nominee must have been doing this work for a minimum of three years by the nomination submission deadline of April 1, 2014.

To learn more, visit: <http://bit.ly/1cfQaN7>

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/resources/newsflash/>.

We welcome your comments, feedback and ideas for upcoming Newsflashes at

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Self Assessment Tool

Name of organization: _____

How actively is your organization mobilizing resources to implement its activities?

		YES	NO
1	Do you actively engage volunteers in the implementation of your programs?		
2	Do you have a diversified funding base whereby most (more than 50%) of your organization's resources do not come from only one source?		
3	Have you tried to mobilize the local community to donate resources (time, materials, food, etc.) to help in the implementation of your projects?		
4	Have you researched all local donors that provide funding in the areas in which you implement projects?		
5	Has your organization tried to meet and establish relationships with new potential donors in the last six months?		
6	Does your organization cultivate relationships with its donors ensuring that you are fulfilling grant requirements, that you are keeping donors informed about your activities, organizing visits, etc.?		
7	Have you received free technical assistance in the last six months from any other person or organization)?		
8	Does your organization actively network and collaborate with other local organizations and government agencies?		
9	Has your organization received donations of equipment or other material goods in the last year?		
10	Has your organization been able to use facilities (space) free of charge in the last year?		
11	Has your organization organized fundraising events to raise unrestricted money for your projects?		
12	Does your organization engage board members in resource mobilization?		
13	Is there somebody in your organization whose job description <i>includes</i> ensuring that the organization has enough funds to implement its activities?		
14	Does your organization have more than one person on staff who has sound proposal writing skills?		
15	Has your organization approached local businesses to mobilize resources?		
16	Has your organization participated in trainings (not offered by Firelight Foundation) that are free of charge in the last 6 months?		
17	Does your organization have a resource mobilization plan for the current fiscal year?		

Scoring instructions: Give your organization 1 for every YES and 0 for every NO.

TOTAL SCORE: _____

Score results:

0 – 5: Fledgling

5 – 10: Engaging

10 – 14: Active

14— 17: Very Active

Section 1: Basic Systems

A) Supporting Documents

Every financial transaction should be backed up by a 'supporting document', e.g. a bill, invoice or receipt. This is the evidence that a specific transaction has taken place.

		Always	Mostly	Some-times	Never
1.1	A supporting document is available for every expenditure transaction for the current financial year.	5	4	1	0
1.2	A supporting document is available for every income transaction for the current financial year.	5	4	1	0
1.3	Supporting documents are neatly filed, so that it is easy to find any document when it is needed.	5	4	1	0
1.4	The bank statements for each bank account are neatly filed.	5	4	1	0
1.5	Supporting documents and bank statements are kept for the previous seven years.	5	4	1	0

B) Cashbooks

Every transaction should be written down in a cashbook. A cashbook is just a list of the money that an organisation has spent and received. It can be kept on paper or on a computer.

		Always	Mostly	Some-times	Never
1.6	The date, description and amount of every transaction are recorded in a cashbook.	5	4	1	0
1.7	All cashbooks are updated at least once per month.	5	4	1	0
1.8	A separate cashbook is kept for each bank account.	5	4	1	0

C) Accounts Codes

Accounting works by assigning codes to the transactions entered in the cashbooks. The codes allow transactions to be added together and summary reports to be produced. The set of accounting codes that an organisation uses is called its "Chart of Accounts". Another set of codes can be used to assign transactions to a specific project or activity. These are often called "cost centre" codes.

		Always	Mostly	Some-times	Never
1.9	A standard Chart of Accounts is used to code all the financial transactions in the cashbooks.	5	4	1	0
1.10	The same Chart of Accounts is used to write budgets and financial reports.	5	4	1	0
1.11	Transactions are also classified by project or activity using a standard list of 'cost centres'.	5	4	1	0

Total score for basic systems	
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Section 2: Internal Controls

NGOs use a lot of different internal controls to make sure that funds are used properly and that they can achieve their objectives. This list sets out a selection of controls. It is not a complete list – there are bound to be other controls which are very important to the smooth running of your organisation. But, this list includes a control for all of the key areas of financial management.

Note: the other sections of the Health Check are also important controls. For instance, supporting documents prove that a transaction has happened. Reviewing financial reports is a crucial control for managers to ensure that expenditure stays on track.

		Always	Mostly	Some-times	Never
2.1	All cash kept in the office is kept in a locked cash box or safe.	5	4	1	0
2.2	All bank accounts are held in the name of the NGO, not in the name of individuals.	5	4	1	0
2.3	There is a written policy setting out which members of staff can authorise expenditure.	5	4	1	0
2.4	Each transaction is authorised by the appropriate member(s) of staff.	5	4	1	0
2.5	Staff check that goods and services bought by the NGO have been received before bills are paid.	5	4	1	0
2.6	Cheques are not signed before details (including 'payee' and 'amount') are written in and supporting documents checked.	5	4	1	0
2.7	Staff salaries (including advances and loans) are checked by a senior manager or trustee every month.	5	4	1	0
2.8	Financial duties are split between different members of staff.	5	4	1	0
2.9	Petty cash records are checked every month by a different person from the person who writes them up.	5	4	1	0
2.10	The balance in the cashbook is reconciled to the balance on the bank statement every month for every bank account.	5	4	1	0
2.11	The balance in the cashbook is reconciled to the physical amount of cash in the office every month for every cash account.	5	4	1	0
2.12	All reconciliations are checked by a senior manager or trustee every month.	5	4	1	0
2.13	All assets owned by the NGO are recorded in an Asset Register.	5	4	1	0
2.14	An audit is carried out of every office once per year, by a qualified external auditor.	5	4	1	0
2.15	Every year, auditors are selected by trustees (not staff).	5	4	1	0

Total score for internal controls	
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Section 3: Planning

A) Budgets

Budgets have a crucial role to play in strong financial management. For budgets to be useful, they must be accurate and complete. That means that they have to be based on a realistic assessment of the activities that you expect to carry out and of how you expect to pay for them.

		Always	Mostly	Some-times	Never
3.1	Budgets are prepared for all of the costs of running the organisation, every year.	5	4	1	0
3.2	Budgets are prepared for every project before the project starts, in consultation with beneficiaries.	5	4	1	0
3.3	Budgets are prepared by calculating the cost of pre-determined activities, which fit in to overall objectives.	5	4	1	0
3.4	Budgets include enough income to pay for all planned expenditure.	5	4	1	0
3.5	Project budgets allow enough flexibility to adjust activities to any changes in local circumstances.	5	4	1	0
3.6	Budgets are approved by the Board of Trustees.	5	4	1	0

B) Cashflow forecast

A cashflow forecast is as important as a budget. The cashflow forecast tells you when receipts and payments will happen. Even if you know that you will receive \$10,000 for a project, you can not start spending money on the project before you have received the cash!

		Always	Mostly	Some-times	Never
3.6	Each month a cash flow forecast is prepared, for the next six month period	5	4	1	0

C) Donors

Donors like to fund specific projects with specific budgets. But often NGOs work with several different donors at the same time. It is very important to keep track of which donor is funding which project (or part of a project). It is very bad practice to 'lend' money received from one donor for one project to another project. In fact, this is often illegal. Accepting money from two different donors for precisely the same project or costs is also illegal.

		Always	Mostly	Some-times	Never
3.7	A report is prepared showing which donor is funding which costs.	5	4	1	0
3.8	There are enough funds to cover all the expenditure necessary to run the organisation and projects.	5	4	1	0
3.9	Different donors are not funding the same costs on the same project (known as 'double funding').	5	4	1	0
3.10	The organisation can continue to operate even if any single donor stops providing funding.	5	4	1	0

Total score for planning	
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Section 4: Reporting

Managers, beneficiaries, trustees and donors rely on financial reports to understand an organisation or project's financial position.

Managers need accurate internal reports to know where money has been spent and whether they have enough funds to pay the salaries and bills in the coming months. Beneficiaries need financial reports to know whether money is being spent on their real needs. Donors need reports to monitor your use of their funding - they may cut their funding if they do not receive reports. The government also often sets legal requirements for NGOs to submit financial reports to them.

As a minimum, the monthly financial statements should include a report of all income and expenditure made during the month and the amount of money held in cash and the bank. Other important financial reports include: a report of actual expenditure compared to the budget; a cashflow forecast; and a report showing the use of funds received from each donor.

		Always	Mostly	Some-times	Never
4.1	Every month senior managers review and approve the financial statements.	5	4	1	0
4.2	Managers receive accurate budget monitoring reports within two weeks of the end of each month.	5	4	1	0
4.3	Financial reports are presented to beneficiaries every month, in an easily accessible place and format.	5	4	1	0
4.4	Actual expenditure on each budget line is within 10% of the budget.	5	4	1	0
4.5	The board reviews financial reports every six months.	5	4	1	0
4.6	Managers (as well as finance staff) understand what reports they have to submit to donors.	5	4	1	0
4.7	Financial reports are submitted to donors in the right format and on time.	5	4	1	0
4.8	Financial reports are submitted to the right government agency in the right format and on time.	5	4	1	0
4.9	Internal management reports are reconciled to donor reports and reports sent to government.	5	4	1	0

Total score for reporting	
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Section 5: Staff

Good financial management relies on good staff. Staff need to have the right skills and support to carry out the responsibilities described above. This means that programme managers need to know about financial management as well as finance staff.

		<i>Always</i>	<i>Mostly</i>	<i>Some-times</i>	<i>Never</i>
5.1	The board includes someone who has the skills needed to oversee all financial activities.	5	4	1	0
5.2	The finance staff have the skills (and qualifications) needed to carry out all financial activities.	5	4	1	0
5.3	There are enough finance staff to carry out all of the financial activities.	5	4	1	0
5.4	Finance staff regularly meet and talk to beneficiaries (e.g. by visiting project locations every other month).	5	4	1	0
5.5	Managers and other staff have the financial skills they need to implement controls and to manage budgets.	5	4	1	0
5.6	Every job description includes a clear statement of the job's financial management responsibilities.	5	4	1	0
5.7	All staff receive the training and support they need to carry out their financial management responsibilities.	5	4	1	0

Total score for staff	
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Reminder

The responses are:

Response	Explanation	Score
Always true	True 100% of the time	5
Mostly true	True over 80% of the time	4
Sometimes true	True between 20% and 80% of the time	1
Never true	True less than 20% of the time	0

Interpreting your score

Record your score for each section in this table. Then compare it to the columns on the right to gauge how much risk you are facing.

Section	Your Score	High Risk	Medium Risk	Low Risk
1. Basic systems		0 - 35	35 - 45	45 - 55
2. Internal control		0 - 45	45 - 60	60 - 75
3. Planning		0 - 30	30 - 40	40 - 55
4. Reporting		0 - 20	20 - 30	30 - 45
5. Staff		0 - 20	20 - 25	25 - 35
Total Score		0 - 150	150 - 200	200 - 265

Total score is over 200

If your total score is over 200 then well done! Your financial management is in good shape. The risks of not being able to complete your work because of financial problems are low. But, you cannot afford to relax. Every NGO should aim for a score of 250 points!

Total score is between 150 and 200

If your total score is between 150 and 200 then your financial management is not too bad but not too good either. There is a medium level of risk that financial problems will prevent you from carrying out your work. This is a cause for concern. Low scoring areas require immediate attention from managers.

Total score is less than 150

If your total score is lower than 150 then you have serious problems. Your financial management is not in good health. There is a high risk that you will face financial problems in the near future: funds may be misused, donors may withdraw their financial support or you may not have enough money to pay salaries next month.

Managers and trustees should meet urgently to discuss how the situation can be improved. You should consider calling in assistance as soon as possible. This must be dealt with right now.

Note: a low score in any one of the sections indicates a serious risk, even if your total score is good. All of the sections are crucial for financial management.
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Minimum Standards for Financial Management in NGOs

A. Minimum Requirements	
Standard	Why
1. A valid supporting document for every transaction, (securely filed and stored for the minimum period required.)	Protection for staff, evidence and details of transaction.
2. A cash book for every bank account, reconciled every month.	To organise and summarise transaction information; check for errors and omissions.
3. A Chart of Accounts – used consistently in the accounting records and budgets	Principle of consistency; to facilitate production of financial reports.
4. A budget detailing costs and anticipated income for all operations.	Planning, fundraising, control and reporting.
5. Clear delegation of authority – from governing body through the line management structure.	To know who is responsible for what and within what limits.
6. Separation of duties – sharing finance duties between at least two people.	To prevent temptation to steal and reduce opportunity to commit fraud; to share the load.
7. Annual financial statements – preferably audited by an independent person.	Accountability to stakeholders; transparency.
B. Good Practice	
8. Additional accounting records when staff are employed (wages book) or assets owned (assets register).	To meet statutory and audit requirements; for control purposes.
9. Budgets based on real activity plans, which include the full cost of running a project.	Realistic, more likely to meet targets.
10. Budgets with clear calculations and notes.	Easy to read and make adjustments. Easy to justify calculations.
11. Separate core costs budget.	Encourages active management and financing strategy for core costs.
12. Monthly cash flow forecast.	Helps to identify and take action to avoid short-term cash flow problems.
13. Use of Cost Centres when working with multiple donors and/or projects.	To separate restricted funds and related transactions; to facilitate reporting to managers and donors.
14. Funding grids, if more than one donor is funding an organisation or project.	To avoid double-funding situations and identify areas of shortfall.
15. Budget monitoring reports at least monthly to managers (and also regularly to beneficiaries).	To monitor progress; control purposes.
16. Written policies and procedures, including a code of conduct for staff & board members.	To prevent confusion about organisation rules and expected practice.
17. Diversified funding base – mix of restricted and unrestricted funds.	Less vulnerable to financial shocks; helps to build up reserves.
18. A reasonable level of reserves.	Less vulnerable to financial shocks; helps overcome cashflow problems