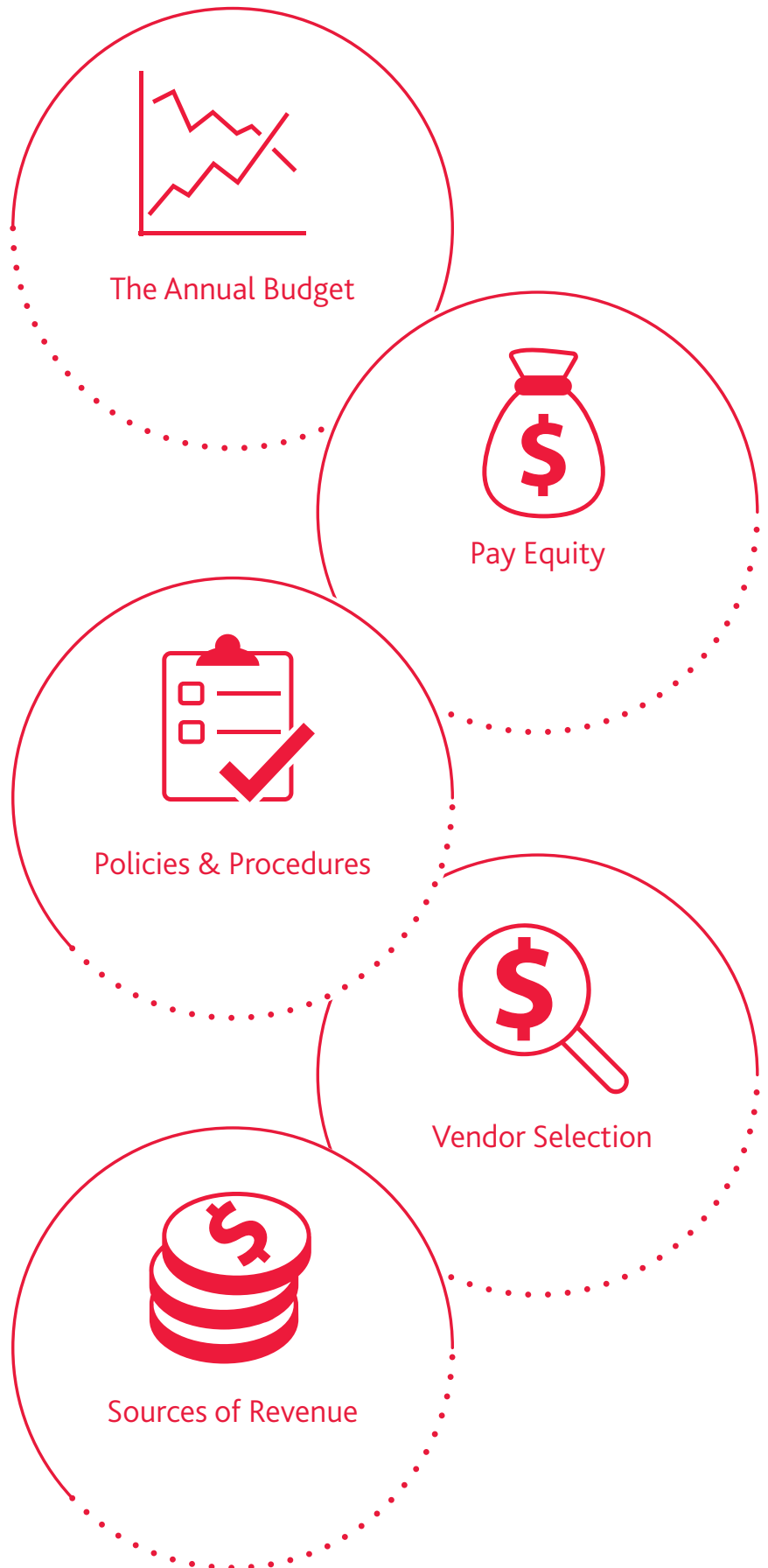




Five Ways to Address Equity in the Finance Function

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Far from merely the domain of numbers and spreadsheets, an organization's finance function is crucial to the expression of its values around equity, diversity, and inclusion. The decisions you make around finance can reinforce or mitigate inequity in tangible ways. And, because financial management facilitates the allocation of resources, it is inextricably linked to power structures both within and outside of your organization. This article focuses on five areas in which nonprofit leaders can advance equity in the finance function, and thus across the organization. These five areas are not a comprehensive list but, rather, a starting point for organizations to consider as they assess and adjust current fiscal practices using an equity lens.



1. THE ANNUAL BUDGET

The annual budget expresses the organization's values in concrete ways. Teams come together annually to craft budgets that will guide and support the work for the coming year. While constrained by unpredictable revenue streams or restricted grants/contracts, every organization ultimately makes choices about how to allocate available resources. What these choices are and who is at the table to discuss them are key equity considerations. To shape your annual budget with values in mind, ask:

- ▶ How are we setting our annual goals? Does this budget support those goals?
- ▶ Are we investing in areas that express our true values as an organization?
- ▶ What did we do last year that we should alter to set our team up for success? What is non-negotiable?

Re-examining who is involved in annual budgeting is a powerful step in increasing the equity of both the process and its ultimate result. Does the Executive Director create the budget independently or, at the opposite end of the spectrum, is the entire team involved? While there is no perfect balance of inclusion that will work for all organizations, encouraging more staff to share in the process (particularly front-line staff who witness the day-to-day impact of budgetary choices) can result in more nuanced decisions and a budget that reflects items your leadership team might overlook. When selecting the team who will collaborate on the budget, consider:

- ▶ Does the budgeting team reflect all voices and stakeholders of our organization?
- ▶ What training and support might team members need to participate fully in the budgeting process?
- ▶ How can we empower staff at all levels to express ownership over budgets?

2. PAY EQUITY

Nonprofits could not do their great work without dedicated professional staff members at all levels. As a result, the largest line-item in most organizations' budgets is staff compensation, even as nonprofit professionals note that their salaries linger below market rates for similar work. This reality has led to a vibrant conversation in the sector around pay equity, the practice of ensuring equal pay for equal work. Many nonprofits would benefit from a thorough examination of their compensation strategies and the current realities for staff. And, while altering pay scales can require years of planning, there are questions to ask now to assess immediate needs around pay equity:

- ▶ Do we have a compensation policy? If not, who should be involved in its creation?
- ▶ Do we publish salary ranges in job postings?
- ▶ How do our staff salaries compare to those of similar nonprofits? Refer to salary surveys published in many regions and consider setting a goal for salary competitiveness: 25th percentile? 50th?
- ▶ What multi-year planning can we undertake to increase compensation going forward?

3. POLICIES & PROCEDURES

Beyond the budget, an organization's financial policies and procedures have direct impact on equity. For example, if staff are routinely required to pay for essential supplies but the reimbursement process takes a long time, the system is putting lower-paid staff at a distinct disadvantage. Alternate solutions could be to issue more company credit cards to staff with spending needs, increase availability of petty cash, or introduce a more efficient reimbursement process, perhaps aided by technology. When considering policies and procedures, ask yourself:

- ▶ Where and how are staff using their own resources (cell phones, cars, computers, etc.) and how might we mitigate that impact?
- ▶ Whose voices are we considering as we create or alter policies and procedures?



4. VENDOR SELECTION

Just as in our personal lives, where we spend our organization's money can speak to values and priorities. An organization can similarly set priorities around spending and its position in the community. When selecting vendors like contractors, event spaces, banks, suppliers, and the like, consider:

- ▶ Do you have a clear vendor selection process that aligns with your mission and values?
- ▶ What elements might you consider when selecting where to spend money: e.g. Black, Indigenous, and People of Color (BIPOC) leadership, women-owned shops, local vs. national footprints, corporate support for your mission, etc.?
- ▶ If you have an endowment or investments, do your holdings align with your values?

5. SOURCES OF REVENUE

While some may believe that any and all funding given to a nonprofit is beneficial, organizations have increasingly started looking closer at their funding sources and questioning whether to accept donations or grants from entities misaligned with their values. For example, an equal rights advocacy organization may establish a policy to decline funding from organizations whose business or political activities are contrary to its mission. Ask yourself:

- ▶ Would your organization benefit from a gift acceptance policy? If so, whose voices should be involved in the creation of this policy?
- ▶ What might be the consequences of accepting funding that is misaligned with your values?

As you can see, equity shows up in myriad ways across every organization's finance function; money and power are intrinsically linked. The five areas of consideration presented in this article represent some of the steps nonprofit leaders can take to ensure that their actions, values, and priorities are aligned in pursuit of greater equity for staff, community members, and society at large.

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