



Guidance on Building & Improving Financial Processes and Procedures

Strong financial processes and procedures are essential for ESEs striving to balance operational excellence with mission impact. This guide offers practical steps to help you document, improve, and sustain the financial workflows that power your enterprise. Whether you're building from scratch or refining existing systems, this resource will help ensure your operations are clear, consistent, and ready to scale. This guide will:

- Support ESEs in identifying and documenting their core financial processes to ensure clarity, reduce risk, and prepare for growth.
- Provide a practical framework for evaluating and improving financial workflows using team input, simple tools, and low-stakes testing.
- Help organizations implement sustainable, mission-aligned systems that support accountability, transparency, and long-term resilience.

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Introduction

Employment social enterprises (ESEs) operate in uniquely complex environments, balancing business operations with a deep social mission. Strong financial processes and procedures form the backbone of that balance. Whether you're managing invoices, budgeting across programs, or preparing for an audit, the way financial work gets done is critical to an ESE's ability to grow, adapt, and thrive.

This guide is designed to help your ESE identify, document, and improve its core financial processes and procedures. These systems are essential not only for accuracy and compliance, but also for transparency, consistency, and accountability.

Financial processes are essential to:

- Clarify who is responsible for what
- Reduce the risk of error or fraud
- Increase efficiency by eliminating guesswork
- Make onboarding new team members easier
- Ensure your resources are being used in mission-aligned ways

As your ESE matures, having well-defined financial processes becomes even more important. In later stages of maturity, your ESE can't rely on institutional memory or "that one staff member who knows how it's done." Instead, your ESE will need repeatable, documented systems that support your people, protect your finances, and allow your enterprise to scale with confidence.

This guide walks through three areas to help you strengthen your financial processes:

1. Identify your ESE's core financial processes
2. Determine how you want your processes to run
3. Implement an improvement plan

Identify Your ESE's Core Financial Processes

Identifying your core financial processes is the first step toward building a strong, efficient, and transparent system that can support your ESE's growth. The "Resourcing Financial Management" guide has a comprehensive overview of the core financial management processes for ESEs. They include:

Process	Description
Payroll	Payroll as a process may be "owned" by an ESE's human resources function but it will always involve collaboration with the financial management function. The payroll process is the set of steps an organization follows to calculate and pay employee wages. It includes tracking hours or salaries, calculating taxes and deductions, processing payments, and keeping records to stay compliant with legal and funder requirements. A strong payroll system reflects the organization's commitment to dignity, equity, and fair employment practices.



Process	Description
Accounts Payable (AP)	AP involves tracking, approving, and paying the organization's financial obligations to vendors, service providers, and contractors. This includes reviewing and coding invoices, managing payment schedules, and ensuring that expenses are recorded in the correct accounts and time periods. A strong AP process also includes verifying approvals, maintaining documentation, and monitoring due dates to avoid late fees or strained vendor relationships. Effective AP management helps maintain accurate financial records and supports healthy cash flow by aligning outgoing payments with available resources.
Accounts Receivable (AR)	AR ensures that earned income is properly recorded and collected in a timely manner. This includes revenue entry such as issuing invoices, accepting and processing checks, and recording payments into the accounting system. It also involves receivables tracking, which means monitoring which customers or funders owe money, what goods or services have been delivered, how much is outstanding (or overpaid), and how long payments have been overdue. A strong AR process supports accurate financial reporting and helps maintain stable cash flow by reducing delays in collecting income.
Reconciliation	The process of comparing financial records (such as bank statements, credit card activity, or grant balances) with the organization's accounting system to ensure everything matches and is accurate. For ESEs, reconciliation is critical to maintaining financial integrity, detecting & preventing errors or fraud, and ensuring funder-restricted revenue and social enterprise income are properly tracked. Reconciliation is completed on at least a monthly basis (even in very early-stage ESEs) and may become a weekly process in mature ESEs and/or in ESEs with very high transaction volume.
Cash Flow Management	Ongoing tracking of actual cash position and anticipated inflows & outflows. In the early stages of an ESE's growth, this may simply be short-term projections following monthly close & reconciliation to ensure there are no critical cash risks over the following 30-60 days. In later stages, this usually becomes a 12-month rolling forecast along with a high-level 3- to 5-year forecast.
Budgeting, Variance Analysis, and Forecasting	Budgeting, variance analysis, and forecasting form a continuous cycle that supports strong financial decision-making. Budgeting sets a forward-looking plan for revenues and expenses based on what your ESE expects to earn and spend. Variance analysis uses financial reports to compare actual performance to that plan, helping you understand what's going according to plan and what isn't (either exceeding or falling short of planned performance). Forecasting allows you to update your financial outlook based on real-time results, so you can make timely adjustments and avoid surprises.

In the above referenced guide, you'll find an overview of which processes your ESE should have in place based on your ESE's maturity. In addition to that guidance, consider the below questions when determining if a new process needs to be established or if an existing one improved:

- Are there missed or late payments (to vendors or staff) on a regular basis?
- Do you feel that your financial data is inconsistent or difficult to trust?
- Are staff unsure who is supposed to do what?
- Do you have over-reliance on one person who "just knows" how a task is done?



Determine How You Want Your Processes to Run

Now that you've identified your ESE's key financial processes, the next step is to design how you want those processes to function and clarify what changes are needed to get there. These updated processes become the foundation of your financial operations as your ESE grows.

For each core financial process, sketch out how it should operate in order to:

- Reduce risk or error
- Increase efficiency
- Ensure accountability
- Align with your ESE's values and growth plans

As you're doing this, you may find it helpful to ask yourself:

- What steps are absolutely necessary, and which ones can be removed or combined?
- Are roles and responsibilities clearly defined at each step in the process?
- Where does the process (or could the process) break down or cause confusion?

Asking yourself the above questions will help you to identify areas for improvement in the process. Your analysis of a given process may look like the below example, an analysis of an Accounts Payable process.

Process Step	Current State of Process Step	Issues Identified	Ideal Future State of Process Step
Vendor submits bill to ESE	Staff forwards bills individually to Operations Manager by email	Inconsistent format and missing information cause delays	Vendors submit bills via a standardized form or dedicated AP email inbox
Enter bill into QuickBooks	Operations Manager enters all bills weekly	Backlog builds up and current state of payables isn't clear until the end of the week	Bills entered daily (or as received) by Bookkeeper using bill pay system
Review and approve	Only bills over \$500 manually reviewed by ED; others processed automatically	None	Continue current approval process for bills under \$500, but auto-route larger invoices to ED for e-approval
Send payment	Paper checks mailed manually once per week	Checks delayed due to needing signatures and postage; higher risk of loss	EFT (electronic payments) processed automatically via online bill pay, with checks reserved only for exceptions

Implement an Improvement Plan

Once you've identified how you want your financial processes to function (the "ideal future state"), you'll be ready to translate those insights into action. This section walks you through building and implementing a right-sized improvement plan that works for your ESE's capacity, urgency, and stage of growth. In order to carry out an improvement plan, you'll need to:

- Prioritize improvements
- Assign ownership



- Test changes
- Track results
- Embed improvements into everyday practice

Step 1: Prioritize the Right Improvements

Once you've identified all possible improvements to a given process, refine that list to identify the 1 to 3 improvements that have one or more of the following characteristics:

- Improvement will significantly reduce a clear financial risk (i.e., are in a step related to managing cash, is associated with legal compliance)
- The improvement is related to an issue that is causing frequent confusion, rework, or delays
- The improvement involves an easy to fix with a small adjustment or better tool

Step 2: Assign Clear Owners

For each improvement that is selected in Step 1, be sure to assign an owner for that improvement. This person will be responsible for:

- Coordinating the work
- Engaging team members
- Communicating progress
- Ensuring changes are documented and adopted

This person doesn't need to be the ED or CFO – rather the person just needs to be someone with enough visibility and follow-through to move the improvement plan forward.

Step 3: Test and Refine

When implementing a change to a process, try to avoid expecting perfection. Instead, when you're implementing a change:

- Pilot the new process with a small team or for a short time
- Check in weekly or biweekly to gather input from individuals involved in the steps that have changed
- Refine as needed (especially if the change introduces new bottlenecks or confusion)

Step 4: Formalize and Embed

Once a change to a process is working well:

- Update your standard operating procedures (SOPs) or written materials to reflect the change



- Communicate the change to all relevant staff
- Integrate the new process into any checklists, dashboards, or workflows
- Set a regular review date to revisit how the process is working (e.g., quarterly or yearly)
- Continue to gather feedback periodically to ensure the updated process remains effective and relevant

Moving Forward: Build As You Grow

Financial processes and procedures are foundational to your ESE's long-term impact. Clear, documented systems make it possible for your team to operate with consistency, respond to funders with confidence, and make smart decisions in real time. Also, they reduce stress and confusion across the organization, meaning that everyone can focus more on mission and less on inefficient processes.

As your ESE grows, your financial operations will need to continuously evolve. What works for a three-person team may not serve a team of ten, and what worked last year may not fit your next stage of funding or growth. But – as you're considering what needs to be improved, keep in mind that you don't need to fix everything at once, but you do need to keep improving. Building a culture of continuous improvement, even with small steps, creates momentum and strengthens your ESE's ability to manage risk, deliver on its mission, and scale with confidence.