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## THE COMMUNITY FINANCE CHRONICLE

When Good Intentions Meet Poor Financial Management

A cautionary tale for community organizations

By: The Capacity Building Team | 15 MIN READ

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## THE DREAM

In 2022, a group of passionate young people in Kigali came together with a beautiful vision. They called themselves "Umoja Youth for Change" —a community organization dedicated to helping street-connected children access education and skills training.

The founder, Jean, was a charismatic 26-year-old with a background in social work. He had seen children struggling on the streets and believed that with love, dedication, and hard work, his organization could make a difference.

For the first year, Umoja ran small activities using small contributions from friends and family. They fed 30 children on weekends. They collected second-hand clothes. They taught basic literacy under a tree. It was humble, but it was working.

Then, everything changed.

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## THE GRANT

In early 2023, Umoja received exciting news. An international foundation had selected them for a \$50,000 grant —their first major funding. The money was intended to:

- Rent a small center for daily classes
- Hire two part-time teachers
- Provide meals for 60 children
- Buy educational materials
- Run a six-month skills training program

Jean was overjoyed. "This is our moment," he told his team. "We're finally going to do this properly."

The foundation deposited the first installment—\$25,000—into Umoja's new bank account. It was the most money any of them had ever seen.

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## WHAT HAPPENED NEXT

### No Budget Was Created

The grant proposal had included a budget, but once the money arrived, Jean and his team never translated it into a working budget. They had no plan for how much should be spent on rent, salaries, food, or materials each month.

"I know what we need," Jean said. "We'll figure it out as we go."

### No Records Were Kept

Marie, a volunteer with no finance training, was asked to "handle the money." She kept receipts in a plastic bag. She recorded some transactions in a notebook, but often forgot. Cash was withdrawn and spent without anyone tracking where it went.

"Trust me, I'm honest," Jean would say when anyone asked questions. "We're doing good work here. That's what matters."

### No Separation of Duties

Jean approved expenses, withdrew cash, and made payments. No one reviewed his decisions. No one else knew the bank password. When Marie asked for records, Jean said he was too busy working with children to worry about paperwork.

### No Reports Were Produced

The foundation had requested quarterly financial reports. After six months, they had received nothing. When they emailed Jean, he replied: "We're focused on impact, not paperwork. Come visit and see the children we're helping!"

The foundation grew concerned.

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## THE WARNING SIGNS

By Month 8, several problems had emerged:

Sign	What Was Happening
Rent was two months behind	Money had been spent elsewhere
Teachers hadn't been paid in full	Some went to other activities
Food for children had reduced	"We're managing with less"
Receipts were missing	No one could track where cash went
Jean bought a used motorcycle	"For visiting families," he said—but no approval
Volunteers started whispering. Some left. One teacher complained to a board member: "I love the work, but I don't know if I'll be paid this month."	

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## THE INVESTIGATION

The foundation finally sent a finance officer to visit. What she found shocked her:

- \$12,000 had been withdrawn in cash with no documentation
- \$3,000 was spent on the motorcycle (not in the budget)
- \$2,500 went to "transport" with no receipts
- No records existed for most food purchases
- The "rent account" had been used for other expenses without tracking
- Jean had given \$1,000 to a friend's business "as a loan until our next grant"

When asked about these expenses, Jean became defensive:

*"You don't understand how hard this work is! I'm doing this for the children. Every franc was spent on the mission. Why are you questioning me? Don't you trust us?"*

The foundation officer explained: "Trust requires transparency. We need to see where the money went."

Jean could not show her.

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## THE AFTERMATH

The foundation conducted a full investigation. Their findings:

- No malicious theft was proven—but gross mismanagement was clear
- Jean had not intentionally stolen money, but he had no idea where most of it went
- The organization had no financial systems whatsoever
- Donor funds were used for unauthorized purposes
- Records were impossible to verify

The foundation's decision:

- Immediate suspension of funding
- \$18,000 demanded in repayment for undocumented expenses
- Report filed with NGO regulators

Umoja Youth for Change closed within three months. The center shut down. Teachers left. The children—60 of them—lost their daily meals and classes.

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## WHAT WENT WRONG: A PILLARS ANALYSIS

#### Pillar 1: Budgeting

- ✗ No working budget created
- ✗ No tracking of actual vs. planned spending
- ✗ No stakeholder involvement in financial planning

#### Pillar 2: Bookkeeping

- ✗ No organized record-keeping
- ✗ Receipts lost or never collected
- ✗ No monthly reconciliation

#### Pillar 3: Transparent Procedures

- ✗ No separation of duties (Jean did everything)
- ✗ No authorization protocols
- ✗ No board oversight or regular reviews

#### Pillar 4: Financial Reporting

- ✗ No reports produced
  - ✗ Donor requests ignored
  - ✗ No one knew the true financial picture
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## JEAN'S REFLECTION

Months later, Jean spoke quietly about what happened:

\*"I thought good intentions were enough. I loved those children. I worked 14-hour days. I sacrificed everything. But love doesn't balance a budget. Passion doesn't create receipts. I failed because I thought financial management was 'paperwork' instead of seeing it as part of serving well.\*

*I didn't steal. But I also didn't protect what was entrusted to me. The children didn't lose funding because of a thief. They lost it because of a leader who didn't know how to manage money. That might be worse—because I could have learned. I just didn't think it mattered."*

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## LESSONS FOR COMMUNITY ORGANIZATIONS

Lesson

Why It Matters

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Good intentions are not enough	Passion must be paired with systems
Budgets are not optional	They are your financial roadmap
Record everything	If it's not written down, it didn't happen
Separate duties	One person should never control everything
Report regularly	Transparency builds trust
Learn before you need to	Financial skills can be learned—but not after the damage is done

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## DISCUSSION QUESTIONS

1. Could this have happened in any organization? Why or why not?
2. At what point could Umoja have course-corrected?
3. Was Jean dishonest or just inexperienced? Does it matter?
4. How should donors balance trust with accountability?
5. What would you do differently if you were starting Umoja today?

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"Trust requires transparency. Financial management is not paperwork—it's how we protect what's been entrusted to us."

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