What is a Financially Strong Nonprofit?

“One that has sufficient liquidity and reserves to weather any financial instability, and one that plans for growth and its future, utilizing a financial team that understands risks and the numbers and has the right internal controls & tools to reduce risk.”

Rank your organization on a scale of 1 to 5

1. _____ How would you rate your vulnerability to financial storms?
   1=“we never know what the future will bring”
   5=“we have no uncertainties at all”

2. _____ Is your liquidity sufficient to meet current obligations?
   1=“I’m not sure how we will make payroll next week”
   5=“lots of cash in the bank”

3. _____ Are your reserves sufficient?
   1=“no reserves”
   5=“we have so many reserves that my board has policies on what to do with them”

4. _____ Do you have plans for growth and are they incorporated in the financial plans?
   1=“we have no plans for the future”
   5=“we have lots of great plans and strategies”

5. _____ Does your team have sufficient financial literacy?
   1=“what’s the difference between a debit & credit”
   5=“we have CPAs on staff!”

6. _____ Do you regularly assess risk and develop plans to minimize them?
   1=“we have no risks”
   5=“we have a risk manager on staff and a written ERM plan”

7. _____ How are your internal controls?
   1=“we have no controls and multiple findings in our audits”
   5=“we have multiple staff involved with segregation of duties, and an internal audit program with monitoring”

8. _____ Are your accounting and other systems sufficient to give management the information it needs to make decisions?
   1=“we use an excel spreadsheet to process data”
   5=“we have a fully integrated data management system that reports to all levels of management”

_____ Total Score

32-40  Doing great – perhaps some fine tuning in key areas
24-31  Some opportunities here to make adjustments
16-23  Time to implement a plan to make sure we are financially sustainable
16-0  These are significant challenges that will demand significant decisions very soon!