

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! |