Financial Sustainability Check-up

- Budgeting & Planning
- Reporting & Monitoring
- Operations
- Board Governance
# Financial Sustainability Check-up

<table>
<thead>
<tr>
<th>BUDGETING &amp; PLANNING</th>
<th>OPERATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LEVEL 1</strong></td>
<td><strong>LEVEL 2</strong></td>
</tr>
<tr>
<td><strong>Challenged</strong></td>
<td><strong>Stable</strong></td>
</tr>
</tbody>
</table>

- **Budgeting & Planning**
  - **Income Statement created for each line of business/department/program or cost center**
    - No
    - Maybe
    - Yes
  - **Review Income Statement for profitability for each line of business/department/program**
    - No
    - Maybe
    - Yes - Probability % of success used to net down revenue forecast
  - **Organization complies with GAAP revenue recognition**
    - No
    - Maybe
    - Yes
  - **Program Profitability Review**
    - Maybe
    - Yes
    - Yes
  - **Income Statement created for Unrestricted and Restricted Income**
    - No
    - Maybe - dependent upon $ level of TRNA & PRNA
    - Yes

- **Operations**
  - **Financial System**
    - QuickBooks; Xero
    - QuickBooks PRO; Sage
    - Intacct; Dynamics 365
  - **Financial Staffing – Chief Financial Officer (CFO)**
    - None
    - Yes - but CFO is more transactional than strategic
    - Yes - experienced nonprofit CFO with strategic skill set & managing HR, Operations & IT
  - **Financial Staffing - Controller**
    - None - but often using their accountant as the Controller
    - Yes - manages transactions and closing process well
    - Yes - Controller is CPA and has extensive GAAP knowledge
  - **Financial Staffing - Accounting**
    - Has bookkeeper with some skills
    - Has an accountant with degree
    - Has experienced accounting team
  - **Banking**
    - Bank relationship transactional
    - Bank relationship transactional & strategic
    - One primary bank and using multiple products
  - **Credit Availability**
    - Self-funded or Grant-funded
    - Line of Credit
    - Line of Credit & other financing options
  - **Cash Flow Forecasting**
    - Only when needed
    - Cash flow actual vs. budget monthly
    - Monthly plus go forward 6 month forecast
  - **Revenue Recognition**
    - Probably cash basis and recognize all when received
    - Quarterly
    - As received and then released per GAAP guidelines
  - **Cost Allocations**
    - Not allocated unless they have grant programs
    - Some costs allocated to departments and programs
    - Indirect & General and Administrative allocated to departments and programs
  - **A/R & Grant A/R Review**
    - As needed
    - Quarterly
    - Monthly
  - **A/P Review**
    - As needed
    - Quarterly
    - Monthly
  - **Month-End Closing Process**
    - Inconsistent
    - Not updated regularly
    - Detailed and evolving
# Financial Sustainability Check-up

## Reporting & Monitoring

<table>
<thead>
<tr>
<th>Item</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Challenged</td>
<td>Stable</td>
<td>Healthy</td>
</tr>
<tr>
<td>Bank Account Reconciliations - When</td>
<td>Quarterly</td>
<td>Monthly</td>
<td>Bi-monthly</td>
</tr>
<tr>
<td>Bank Account Reconciliations - Who</td>
<td>Staff person who issues A/P checks</td>
<td>Not the staff person who issues A/P checks</td>
<td>Not the person who issues A/P checks; Controller reviews and signs off</td>
</tr>
<tr>
<td>Cash Timing of Payments</td>
<td>Payroll taxes may not be paid timely; A/P as level of cash allows</td>
<td>Payroll timely; A/P some paid outside of terms</td>
<td>Payroll and A/P paid timely</td>
</tr>
<tr>
<td>Financial Report Preparation</td>
<td>30 - 60 days after month end</td>
<td>Within 30 days after month end</td>
<td>Within 10-15 days after month end</td>
</tr>
<tr>
<td>Creation of Financial Dashboards</td>
<td>No</td>
<td>Maybe</td>
<td>Yes - tied to KPI (Key Performance Indicators) in strategic plan</td>
</tr>
<tr>
<td>Balance Sheet Account Reconciliations</td>
<td>Annual</td>
<td>Quarterly</td>
<td>Monthly</td>
</tr>
<tr>
<td>Endowment - Admin</td>
<td>Executive Director</td>
<td>Controller</td>
<td>CFO</td>
</tr>
<tr>
<td>Operating Reserves</td>
<td>Typically do not have available</td>
<td>Not monitored</td>
<td>Monitored and measured to benchmarks</td>
</tr>
<tr>
<td>Operating Reserves Amount</td>
<td>Less than 3 months</td>
<td>6 months</td>
<td>Over 12 months</td>
</tr>
<tr>
<td>Annual Audit</td>
<td>Review or compilation</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

## Board Governance

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<th>Item</th>
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<tbody>
<tr>
<td>Board Meeting Frequency</td>
<td>Irregular</td>
<td>Quarterly</td>
<td>Monthly</td>
</tr>
<tr>
<td>Finance Committee Role</td>
<td>As needed</td>
<td>Semi Active - quarterly</td>
<td>Active - monthly</td>
</tr>
<tr>
<td>Board Role/Responsibility Clarity</td>
<td>Inexperienced board; lack of strong leader; committee structure not used well</td>
<td>Competent board; finance committee reviews reports &amp; asks good questions</td>
<td>Knowledgeable &amp; strategic board; strong committee structure</td>
</tr>
<tr>
<td>Financial Reports sent to the board</td>
<td>Annual or when asked</td>
<td>Quarterly</td>
<td>Monthly</td>
</tr>
<tr>
<td>Actual vs. Budget reporting/explanations</td>
<td>For Total Revenue and Total Expenses only; no Balance Sheet &amp; Cash Flow reporting</td>
<td>Quarterly</td>
<td>Monthly with insights included (e.g., what do the numbers mean)</td>
</tr>
<tr>
<td>Risk Management</td>
<td>Not addressed unless issue arises</td>
<td>Focused only on reactive issues</td>
<td>Management identifies risks annually and board discusses and approves mitigation strategy</td>
</tr>
</tbody>
</table>