

The Four Systems of Financial Health



Financial Sustainability Check-up

		LEVEL 1	LEVEL 2	LEVEL 3
		Challenged	Stable	Healthy
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 create a net revenue forecast
	Organization complies with GAAP revenue recognition	No	Maybe	Yes
	Program profitability reviewed regularly (e.g., Mission-Money Matrix)	Maybe	Yes	Yes
	Income Statement created for Unrestricted and Restricted Income	No	Maybe - dependent upon \$ level of TRNA & PRNA	Yes
FINANCIAL OPERATIONS 	Financial System	QuickBooks; Xero	QuickBooks PRO; Sage	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 who partners with C-suite on IT, HR & Operations
	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
	Policies & Procedures	Procedures exist but are not written down	Procedures are documented but are not updated regularly	Policies and procedures are reviewed and revised annually
	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 & 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

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REPORTING & MONITORING 	Bank Account Reconciliations - When	Irregular	Quarterly	Monthly
	Bank Account Reconciliations - Who	Staff person who issues A/P checks	Not the staff person who issues A/P checks	Not the person who issues A/P checks; Controller reviews and signs off
	Cash Flow Timing	Payroll taxes may not be paid timely; A/P as level of cash allows; Limited A/R management	Payroll timely; A/P some paid outside of terms; Monitoring A/R but no collections process	Payroll and A/P paid timely; A/R collections process; Collections forecast updated monthly
	Financial Report Preparation	30 - 60 days after month end	Within 30 days after month end	Within 10-15 days after month end
	Creation of Financial Dashboards	No	Maybe	Yes, tied to KPI (Key Performance Indicators) in strategic plan
	Balance Sheet Account Reconciliations	Annual	Quarterly	Monthly
	Endowment - Admin	Executive Director	Controller	CFO
	Operating Reserves	Typically do not have available	Not monitored	Monitored and measured to benchmarks
	Operating Reserves Amount	Less than 3 months	3 to 6 months	6 to 12 months or more
	Annual Audit	Review or compilation	Yes	Yes
BOARD GOVERNANCE 	Board Meeting Frequency	Irregular	Quarterly	Monthly with Annual Retreat
	Finance Committee Role	As needed	Semi Active - quarterly	Active - monthly
	Board Role/Responsibility Clarity	Inexperienced board; lack of strong leader; committee structure not used well	Competent board; finance committee reviews reports & asks good questions	Knowledgeable & strategic board; strong committee structure; financial training for all board members
	Financial Reports sent to the board	Annual or when asked	Quarterly	Monthly
	Actual vs. Budget and vs. Last Year Reporting/explanations	For Total Revenue and Total Expenses only; no Balance Sheet or Cash Flow reporting	Quarterly	Monthly with insights included (e.g., what do the numbers mean)
	Risk Management	Not addressed unless issue arises	Focused only on reactive issues	Management identifies risks annually and board discusses and approves mitigation strategy