

Nonprofit Financial Infrastructure Self-Assessment

Organization Name: _____

Each of the items below asks you to reflect on your organization’s alignment with what is considered “best practice” in four areas of nonprofit financial management: planning, monitoring, operations, and governance. For any items for which you choose “No” or “Needs Work,” consider revising your practices to better adhere to the principles suggested in the question and the “Notes on Best Practice” column. For many items, resources available from StrongNonprofits.org that can help you better understand and adopt best practices are listed in the right-hand column.

Question	Yes	No	Needs work	Notes on Best Practice	StrongNonprofits.org Resources
I. Financial Planning and Budget Development					
1. Does your organization have a board-approved budget prior to the beginning of the fiscal year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Having a board-approved budget in place by (at latest) the beginning of the fiscal year indicates clarity about goals and plans and provides stakeholders with a guide to action.</i>	Nonprofit Accounting Basics: Budgeting
2. Does your organization set financial goals before beginning the budget development process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Organizations should set financial goals (e.g. adding to reserves, diversifying funding) in addition to programmatic goals as part of their annual planning process.</i>	A Five-Step Guide to Budgeting For Nonprofits
3. Does the budget development process incorporate fiscal, program, and development staff?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>The budget development process should be an inclusive one, incorporating the perspectives of all positions with financial responsibilities.</i>	
4. Do you find your organization’s templates for budget development to be effective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Budgeting tools and templates should be user-friendly even for staff members without a deep background in finance and accounting.</i>	Program Expense Budget Template
5. Have non-finance staff received the necessary training to fully participate in the budgeting process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Program managers often lack a strong background in finance, but should be given the training and coaching they need to develop and manage budgets.</i>	How to Talk About Finances So Non-Financial Folks Will Listen

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6. Does the budget development process include the budgeting of revenues and expenses by program / function?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Organizational budgets should be constructed by program / function, giving insight into what it actually costs to conduct each of the organization's activities.</i>	Program-Based Budget Builder
7. Does your organization have a methodology for allocating shared costs across programs and functions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Certain expenses (often including rent, utilities, office supplies, etc.) are typically shared among many or all of the organization's programs and functions; in order to understand the full costs of activities the organization should adopt an appropriate basis (such as headcount/FTE or square footage) for spreading those costs among relevant areas.</i>	
8. Does the budget process include development of a strategy for funding overhead (administrative) costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Organizations often find it challenging to secure funding for administrative costs; strategies for covering such costs may include recovering indirect costs on grants and contracts, raising unrestricted funds, and developing earned income streams.</i>	The Nonprofit Starvation Cycle
9. Do you feel you have a good understanding of the full costs of each of your organization's programs and services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Organizational budgets should be constructed by program / function, giving insight into what it actually costs to conduct each of the organization's activities.</i>	Nonprofit Cost Analysis Toolkit: Six Steps to Finding the True Costs of Programs
10. Does the annual operating budget include depreciation expenses?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Including depreciation expenses in the operating budget can help organizations ensure that they are setting aside resources for future capital needs and avoid surprises when financial results are presented.</i>	Fixed Asset and Depreciation Schedule
11. Is a methodology in place to budget revenue based on probability of receipt?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Revenue tends to be the area of greatest uncertainty in nonprofit financial planning; estimating receipt probabilities can help organizations identify and plan for best- and worst-case scenarios.</i>	Revenue Scenario Planning Tool

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12. Does your organization project its expected future cash receipts and disbursements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Cash flow projections are a critical management tool; program and development staff should be involved on a regular basis in projecting the timing of cash receipts and payments.</i>	Cash Flow Projections Template
13. Does your organization forecast year-end results at particular points throughout the year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Knowing where your organization is likely to finish the year financially can allow decision-makers to more proactively manage toward intended financial results.</i>	Year-End Forecast Template
14. Does your organization have a process for evaluating funding opportunities prior to applying?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Nonprofits often find themselves in challenging circumstances as a result of taking on new funding without fully considering whether the funding opportunity is a good fit strategically, programmatically and financially.</i>	Funding Opportunity Assessment Tool
II. Financial Reporting and Monitoring					
15. Does the organization produce and distribute the following reports to the board and senior management on a quarterly or monthly basis?				<i>Financial reporting should generally be done on a monthly basis for management and at least quarterly for the board of directors.</i>	
a. Balance Sheet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		Nonprofit Accounting Basics: Internal Reporting for Good Management
b. Organization-wide budget-to-actual revenue and expense	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
c. Program-level budget-to-actual revenue and expense	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
d. Narrative highlighting key financial results and questions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

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16. Do department/program managers receive monthly budget-to-actual reports for their areas of responsibility?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>As the people closest to the day-to-day decision making about program delivery (and therefore spending), program managers should have responsibility for understanding and managing their programs' finances.</i>	
17. Are the reports understandable to program managers who are not accountants?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Program managers often lack a strong background in finance but should be given the training and coaching they need to develop and manage budgets.</i>	
18. Are members of the finance staff able and available to answer the finance-related questions of other staff?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>An organization's finance team should have a "customer service" orientation with respect to program and other staff members who may need support in carrying out their financial responsibilities.</i>	How to Talk About Finances So Non-Financial Folks Will Listen
19. Does your organization use "dashboards" to highlight performance on key indicators?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Dashboards are visual representations of a selected set of key performance indicators (KPIs), and provide decision-makers with a quick summary of the organization's current status in relation to established goals (not limited to finance).</i>	A Nonprofit Dashboard and Signal Light for Boards
20. Does your organization forecast year-end financial results at particular points during the year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Forecasting allows an organization's leaders to understand where it is likely to end the year from a financial perspective and indicates areas of action to ensure that results ultimately align with organizational goals.</i>	Year-End Forecast Template
21. Are there regular financial decision-making meetings among key staff at your organization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Organizations should establish a forum for team discussion and decision making concerning significant financial issues.</i>	

III. Financial Operations					
22. Does your organization's front-line accounting staff have a solid understanding of nonprofit bookkeeping and accounting concepts and practices?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Some nonprofit accounting principles are considerably different from those in the for-profit sector; many academic accounting programs give little emphasis to nonprofit practice.</i>	Nonprofit Accounting Basics: Accounting 101
23. Do all finance staff members have clear and up-to-date job descriptions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Finance office job descriptions provide clarity about the roles and responsibilities of individual team members.</i>	Chief Financial Officer and Finance Job Descriptions
24. Are all staff members (not limited to finance staff) aware of and trained in the organization's relevant fiscal policies and procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Fiscal policies and procedures should be understood and followed organization-wide; for instance, program staff members should be familiar with the organization's policies and procedures concerning purchasing, expense reimbursements, etc.</i>	Nonprofit Fiscal Policies and Procedures: A Template and Guide
25. Is your organization's accounting software capable of and configured to produce appropriate financial reports?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Nonprofit accounting systems should be configured to report financial results for the organization as a whole as well as by program, funding source, and other relevant categories.</i>	Unified Chart of Accounts
26. Does your finance office maintain an annual calendar of key activities and responsibilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>A nonprofit's finance team has an ongoing list of critical responsibilities related to activities such as the budget development process, annual audits, financial reporting, etc., which should be proactively managed.</i>	Fiscal Management Activities Calendar
27. Does your organization have a monthly financial closing process with clearly defined roles, responsibilities, and deadlines?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>A financial close ensures that all relevant data is included in financial reports and that past data cannot be revised without appropriate authorization and an audit trail.</i>	Checklist for Monthly Closing Process

28. Is there a process in place to reconcile donation records between the finance and development/fundraising departments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Finance and fundraising records should be compared and reconciled on at least a quarterly basis to ensure consistency of reporting; systems integration between accounting and fundraising databases can significantly improve efficiencies in this process.</i>	Finance and Development Office Relationship Self Assessment
29. Are fiscal workflow processes at your organization designed to minimize duplicative work, manual data entry, and reliance on paper?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Using technology to automate processes wherever possible can increase both the efficiency and the reliability of operations.</i>	Financial Integrity Requires More than Good Accountants
IV. Governance over Financial Matters					
30. Do the members of your organization's board of directors understand their fiduciary roles and responsibilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Board members are collectively responsible for seeing that a nonprofit organization operates in alignment with its mission, vision, and values and is in compliance with applicable laws and regulations.</i>	The Board's Financial Leadership
31. Do members of the board understand the organization's long-term financial trends and key fiscal health metrics?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Ensuring financial sustainability is a key governance responsibility; understanding an organization's historical trends and current metrics helps to ensure that decisions are made with sustainability in mind.</i>	Financial Health Analysis
32. Do members of the board understand the basics of nonprofit accounting and financial reporting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Nonprofit accounting and financial reporting are different in important respects from that of the for-profit sector; board members whose experience and background is in the private sector may need education about the nuances of nonprofit finance.</i>	VIDEO: Understanding Audited Financial Statements
33. Does the board have one or more members with professional-level financial expertise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>It is advisable for at least some board members to have a professional financial background (e.g. accountant, banker, business leader), particularly those in the roles of treasurer and finance committee chair.</i>	Board Job Descriptions

34. Does the board finance committee participate in the budget development process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>The finance committee should review and offer input into the budget as it is being developed and should sign off before submission to the full board.</i>	Make Good Use of the Treasurer and Finance Committee
35. Does the board receive and review financial reports regularly (i.e. on a monthly or quarterly basis)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Board members should review financial reports prior to each board meeting (at least quarterly) and should understand the financial position and results of the organization, including any areas of concern.</i>	Helping Boards be Responsible Fiscal Stewards
36. Does the organization have a board-approved manual on fiscal policies and procedures outlining appropriate financial controls?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>The board (and specifically the audit committee or finance committee) is the steward of the organization's internal controls and as such should adopt policies and procedures that ensure the safeguarding of organizational assets.</i>	Nonprofit Fiscal Policies and Procedures: A Template and Guide
37. Does the organization have policies to build and manage financial reserves?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Reserves are unrestricted net assets available for financing operations, investing in new opportunities, and guarding against financial challenges. Boards should encourage the development of reserves and set policies regarding their use and management.</i>	Nonprofit Operating Reserve Policy Toolkit
38. Does the board have mechanisms in place for assessing and managing risk?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Risk management is a key responsibility of the board, which should identify and work to mitigate various types of risk (including financial, legal, operational, and reputational).</i>	What's the Board Got to Do With It? The Vital Link Between Good Governance and Risk Management
39. Are the audited financial statements provided to each member of the board for review?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Formally, an audit is commissioned by and addressed to members of an organization's board of directors; individual members of the board should therefore receive and understand the audited financial statements.</i>	State Law Nonprofit Audit Requirements
40. Is there an opportunity for the board to ask questions of the auditors directly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>An organization's board should have an opportunity to speak with the auditor privately and directly (i.e. without management present).</i>	VIDEO: Understanding Audited Financial Statements

41. Is there a schedule in place to rotate or re-assess your auditor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Auditors are required to give an independent assessment of an organization’s financial reporting; as such, it is generally considered best practice to re-evaluate the auditor relationship on a regular basis (at least every five years) to ensure that the organization continues to receive unbiased and value-added service.</i>	Nonprofit Auditor Selection Guide
42. Does the organization file IRS Information Form 990 on a timely basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Most 501(c)(3) organizations are required to file a Form 990 informational return with the IRS on an annual basis; failure to file properly can result in financial penalties and ultimately revocation of tax-exempt status.</i>	Principles Resource Center: IRS Form 990
43. Does your board review the Form 990 prior to it being filed with the IRS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Board members are expected to review and approve the organization’s Form 990 prior to its submission to the IRS.</i>	

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