

## Nonprofit Financial Infrastructure Self-Assessment (WORD)

Each of the items below asks you to reflect on your organization’s alignment with what is considered “best practice” around key elements of nonprofit financial management: budgeting and cash flow, data and analysis, operations, audit readiness, and governance and strategy. 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 listed in the right-hand column available from [StrongNonprofits.org](http://StrongNonprofits.org) and other thought leaders can help you better understand and adopt best practices.

Question	Yes	No	Needs work	Notes on Best Practice	Resources
<b>Budgeting and Cash Flow</b>					
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>	<a href="#">A Five-Step Guide to Budgeting For Nonprofits</a> (YouTube)
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>	
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. 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>	<a href="#">How to Talk About Finances So Non-Financial Folks Will Listen</a>
5. 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>	<a href="#">Nonprofit Budget Template</a> (Excel)

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6. 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>	<a href="#">Nonprofit Budget Template</a> (Excel)
7. 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>	<a href="#">Fixed Asset and Depreciation Schedule</a> (Excel)
8. Is a methodology in place to forecast 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>	<a href="#">Revenue Scenario Planning Tool</a> (Excel)
9. Does your organization create scenario or contingency plans as part of the budget development process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Once alternative scenarios are identified, decision-makers should develop plans for action under each of the different scenarios and clarify the points at which action will be triggered.</i>	
10. 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>	<a href="#">Cash Flow Projections Template</a> (Excel)
<b>Data and Analysis</b>					

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<p>11. Does the organization produce and distribute the following reports to the board and senior management on a quarterly or monthly basis?</p> <p>a. Balance Sheet</p> <p>b. Organization-wide budget-to-actual revenue and expense</p> <p>c. Program-level budget-to-actual revenue and expense</p> <p>d. Management narrative highlighting key financial results and questions (for the board)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Financial reporting should generally be done on a monthly basis for management and at least quarterly for the board of directors.</i>	
<p>12. Do department/program managers receive monthly budget-to-actual reports for their areas of responsibility?</p>	<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>	<a href="#">Program Expense Budget Template</a> (Excel)
<p>13. Are the reports understandable to program managers who are not accountants?</p>	<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>	<a href="#">How to Talk About Finances So Non-Financial Folks Will Listen</a>

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14. 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 href="#">KPI Dashboard Template</a> (Excel)
15. 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>	<a href="#">Year-End Forecast Template</a> (Excel)
16. 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>	
<b>Operations</b>					
17. 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>	
18. 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>	<a href="#">Chief Financial Officer and Finance Job Descriptions</a>

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19. 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>	
20. 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>	<a href="#">Fiscal Management Activities Calendar</a> (Excel)
21. 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>	<a href="#">Checklist for Monthly Closing Process</a> (Excel)
22. 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>	<a href="#">Finance and Development Office Relationship Self-Assessment</a> (PDF)
23. 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>	
<b>Audit Readiness</b>					

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24. Do you comply with applicable regulations regarding federal and state financial filings?	<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; states vary in filing requirements but many states require submission of audited financial statements of organizations at a certain budget threshold.</i>	<a href="#">State Law Nonprofit Audit Requirements</a>
25. 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 <b>independent</b> 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>	<a href="#">Nonprofit Auditor Selection Guide</a> (Word)
26. 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>	<a href="#">Understanding Audited Financial Statements</a> (YouTube)
27. 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>	
<b>Governance and Strategy</b>					
28. 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>	<a href="#">The Board's Financial Leadership</a> (YouTube)

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29. 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>	
30. 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>	
31. 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>	
32. 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>	<a href="#">Nonprofit Fiscal Policies and Procedures: A Template and Guide</a> (PDF)
33. Does your organization's board and leadership team understand its business model and develop strategies for maximizing its programmatic impact?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Your organization's business model consists of the way you deliver services to your constituents/community and the way those activities are funded. Understanding your business model can help you to set strategies that maximize programmatic impact along with financial sustainability.</i>	<a href="#">The Matrix Map: A Powerful Tool for Mission-Focused Nonprofits</a>

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34. 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>	<a href="#">Funding Opportunity Assessment Tool</a>