

The Fiduciary Role of Board Members

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Internal Accountability

- Board of Directors, Management and Staff are responsible for the following:
 - Review of policies and procedures
 - Understanding their role within internal controls
 - Regular review financial statements

Financial Statements

- Three basic reports presented at minimum for internal purposes
 - Statement of Financial Position (Balance Sheet)
 - Statement of Activities (Income Statement)
 - Statement of Cash Flows (Accrual basis only)
- Unique Not-For-Profit Financial Statement Characteristics
 - Net Assets:
 - Unrestricted – Net assets not subject to donor-imposed stipulations
 - Temporarily Restricted – Net assets that are subject to donor-imposed stipulations that can be fulfilled by the action of the nonprofit pursuant to those stipulations or that expire through the passage of time
 - Permanently Restricted – Net assets that are subject to donor imposed stipulations that assets must be maintained permanently
 - Classification of expenses between program and supporting services. Supporting services include management and general expenses and fundraising expenses. This represents how the entity's funds are being spent on its mission.
- Audit, review or compilation of financial statements – An entity may have financial statements prepared under one of these three levels. Various factors will determine which level is most appropriate. For example, government requirements, donor requirements, factor of price.

External Reporting

- Form 990 – Each entity is required to file the applicable tax return in the Form 990 series:
 - Form 990-N can be filed if gross receipts are normally \$50,000 or less
 - Form 990-EZ can be filed if gross receipts are less than \$200,000 for the filing year and total assets are less than \$500,000
 - Form 990 must be filed if gross receipts are \$200,000 or more and total assets are \$500,000 or more
 - Failure to file a Form 990-series return for 3 consecutive years results in automatic revocation of tax-exempt status
- Arizona Corporation Commission – Annual filing required. Form is filed electronically for a fee of \$10.



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Today's Agenda

Fiduciary role of Board and Management for Nonprofits

- **Internal Accountability**
 - Define Roles
 - Analyzing Financial Statements
 - Policies & Procedures
- **External Reporting**
 - State Filing Requirements
 - Audit, Review, Compilation
 - Form 990
 - Other Compliance Issues
- **Action Items**

Internal Accountability



Who is responsible?

- Board of Directors
- Management
- Staff / Contractors

Who is qualified?

- What is their role?
- Is anyone a CPA?

Policies and Procedures



Write Policies and Procedures – update annually

- Significant Accounting Policies
- Internal Controls
 - Segregation of Duties
 - Month end processes should involve a board member
 - Account reconciliation, credit card statement
- IRS Recommended Policies: whistleblower, ED compensation, conflict of interest, document retention, 990 review

Financial Statements

- Responsibility to understand the financials
- Statement of Financial Position (Balance Sheet)
Shows Assets, Liabilities and Net Assets
- Statement of Activities (Income Statement or P&L)
- Statement of Cash Flows (accrual only)
reconciles accrual to cash



Financial Statements



What to look for in the reports:

- Three basic reports presented at minimum for internal purposes
- How old are the reports?
- Are you receiving reports regularly? (monthly)
- Are the reports cash or accrual?
- Are the reports from the accounting records?
- Are there negative balances on the reports?

External Reporter



Audit, Review, Compilation

What's the difference between the three levels?
Which one is right for your organization?

- Federal government requirements
- Donor requirements
- State requirements
- Factor of price

Unique Characteristics of Non-For-Profit Financial Statements

Statement headings:

- Statement of Financial Position
- Statement of Activities

Classified statement of financial position not required

Single or multicolumn format is permitted for both statement of financial position and statement of activities

Net assets

Net Assets

Without donor restrictions – Net assets are not subject to donor-imposed stipulations

With donor restrictions – Net assets that are subject to donor-imposed stipulations that can be fulfilled by action of the nonprofit pursuant to those stipulations or that expire through the passage of time. And net assets that are subject to donor imposed stipulations that assets must be maintained permanently.

Statement of Financial Positions

Assets	
Cash	\$ 230,000
Receivables	75,000
Investments	2,177,000
Property & Equipment	3,145,000
Other	10,000
	<u>\$ 5,637,000</u>
Liabilities & Net Assets	
Liabilities:	
Accounts Payable	\$ 107,000
Accrued Expenses	30,000
	<u>137,000</u>
Net Assets:	
Net assets without donor restrictions	3,175,000
Net assets with donor restrictions	2,325,000
	<u>5,500,000</u>
	<u>\$ 5,637,000</u>

Statement of Activities

Report changes in net assets without donor restrictions and with donor restrictions (previously unrestricted net assets, temporarily restricted net assets and permanently restricted net assets)

Can present in either single column or multiple column format

Statement of Activities

Supporting Services

- Management and general – activities that are not identifiable with a single program or fundraising activity but are indispensable to the conduct of those activities and are indispensable to an entity's existence
- Fundraising – activities undertaken to induce potential donors to contribute money, services, materials, facilities or other assets, or time.

Statement of Activities

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 443,000	\$ 1,086,000	\$ 1,529,000
Fundraising	149,000		149,000
Grants	323,000		323,000
Net investment income	3,600	23,400	27,000
Other	16,000		16,000
Net assets released from restriction	124,000	(124,000)	-
	<u>1,058,600</u>	<u>985,400</u>	<u>2,044,000</u>
Expenses:			
Program	976,000		976,000
Management & general	107,000		107,000
Fundraising	60,000		60,000
	<u>1,143,000</u>	<u>-</u>	<u>1,143,000</u>
Change in net assets	(84,400)	985,400	901,000
Net assets, beginning	<u>3,259,400</u>	<u>1,339,600</u>	<u>4,599,000</u>
Net assets, ending	<u>\$ 3,175,000</u>	<u>\$ 2,325,000</u>	<u>\$ 5,500,000</u>

Statement of Functional Expense

- Provides information about functional and natural classification of expenses
- Currently required statement for voluntary health and welfare entities.
 - Effective for December 31, 2018 and June 30, 2019 year ends, all nonprofits will be required to prepare statement of functional expense

Statement of Functional Expense

	Program Services	Support Services		Total Supporting Services	Total Expenses
		General and Administrative	Fundraising		
Bank, investment and loan fees		7,304		7,304	7,304
Books and materials	23,493			-	23,493
Consulting fees	2,870	615	615	1,230	4,100
Donated professional services		33,000		33,000	33,000
Dues and subscriptions		555		555	555
Insurance	3,427	3,102	734	3,837	7,264
Legal and professional		21,030		21,030	21,030
Marketing and printing	2,590		6,044	6,044	8,634
Office supplies		525		525	525
Postage		199	465	665	665
Rent		5,808	5,808	11,617	11,617
Salaries and payroll	93,292	19,991	19,991	39,982	133,275
Telephone and internet	2,344	2,838	988	3,825	6,169
Travel and entertainment	153		2,064	2,064	2,217
				-	-
	<u>128,169</u>	<u>94,967</u>	<u>36,709</u>	<u>131,676</u>	<u>259,847</u>

Notes to Financial Statements

- Information on accounting policies and practices
- Information on program activities
- Information about the nature and amounts of different types of permanent and temporary restrictions
- Information on the nature and amounts of board designated unrestricted net assets
- Information on endowments

Form 990 Series Return

- Due on the 15th day of the 5th month following the end of the tax year
- Two 3-month extensions available (soon to be one 6-month extension!)
- Form 990-N “e-Postcard” (11 pieces of information)
- Form 990-EZ (4 pages, 7 schedules)
- Form 990 (12 pages, 16 schedules)

Form 990-N

Form 990-N can be filed if gross receipts are normally \$50,000 or less

- Has been in existence for 1 year or less and received, or donors have pledged to give \$75,000 or less during its first taxable year;
- Has been in existence between 1 and 3 years and averaged \$60,000 or less in gross receipts during each of its first two tax years; and
- Is at least 3 years old and averaged \$50,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which calculations are being made).

Form 990-EZ

Short Form Return of Organization Exempt from Income Tax

Form 990-EZ can be filed if:

- Gross receipts are less than \$200,000 for the filing year and
- Total assets are less than \$500,000
- Note eligibility is determined based solely on the filing year, not an average of 3 years

Form 990

Form 990 can be filed if:

- Gross receipts for the filing year are \$200,000 or more OR
- Total assets are \$500,000 or more



Failure to File Form 990 Series Return

Failure to file a Form 990-series return for 3 consecutive years results in automatic revocation of tax-exempt status

If tax-exempt status is revoked, the organization must start over and apply again

Form 990 is a Public Document

- Must provide a copy to public if requested for 3 years from the date the return is required to be filed, or is actually filed, whichever is later
- A copy can be requested from the IRS using Form 4506-A
- Returns are available online at www.GuideStar.org
- Because it is a public document, think of Form 990 as a marketing tool and a donor relations tool, not just a compliance issue

Other Compliance Issues



Payroll Tax

- Nonprofits are liable for Social Security and Medicare taxes
- Organizations exempt under 501(c)(3) are not subject to FUTA
- Organizations exempt under Section 501(c)(3) who employ less than 4 workers are not subject to SUTA
- Churches are not subject to SUTA

Arizona Transaction Privilege Tax (TPT)

Nonprofits are subject to tax on purchases unless purchased for resale or the organization is a qualifying hospital or health care organization

Sales of tangible personal property by 501(c)(3) organizations are not subject to Arizona TPT

Quid Pro Quo Contributions

- A charitable organization is required to provide a written disclosure to a donor who receives goods or services in exchange for a single payment in excess of \$75
- The disclosure statement can be made in connection with the solicitation, or the receipt of the quid pro quo contribution
- Penalty for failure to comply is \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing

Vehicle Donations > \$500

Must file Form 1098-C for a contribution of a vehicle that has a claimed value of more than \$500

If charity sells the vehicle without significant intervening use, the donor's deduction is limited to the sales proceeds

Contribution Receipts

- No requirement for a charity to issue contribution receipt other than in the case of a quid pro quo contribution or vehicle donations > \$500
- Donor must have a contemporaneous written acknowledgement from a charity for any single contribution of \$250 or more in order to claim a charitable contribution on his income tax return
- An annual summary may be used to substantiate several single contributions of \$250 or more
- There are no IRS forms for the acknowledgement

Contribution Receipts

Contemporaneous = received prior to a donor filing his income tax return

The acknowledgement should include:

- Name of organization
- Amount of cash contribution
- Description (but not the value) of non-cash contribution
- Statement that no goods or services were provided by the organization in return for the contribution, if that was the case
- Description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution

Unrelated Business Income Tax

- Tax is imposed on any unrelated trade or business that is regularly carried on
- Regular corporate rates apply
- This is to avoid unfair competitive advantage over for-profit businesses

Unrelated Business Income Tax

- “Trade or business” involves selling goods or providing services with a profit motive
- “Regularly carried on” is determined in comparison to similar businesses in similar industries in the region
- There are many exclusions and exceptions
- Unrelated business taxable income is reported on Form 990-T

Action Items

- Ask for a copy of the organization's financial policies and procedures – update as needed
- Review the financial statements every month, even if there is not a meeting
- Be an active BOD member: ask questions about the financial statements
- Ensure that a BOD member is reviewing bank statements and credit card
- Check that the 990 is filed, www.GuideStar.org

Thank you!

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What Is the Difference Between a Compilation, a Review and an Audit?

Comparative Overview

The level of service is determined by your needs as the client, and what your creditors and/or investors require. The higher the level of service required, the more time the CPA needs to complete the engagement and therefore the more costly the engagement. While privately held companies opt for compiled or reviewed statements, credit agreements with lenders often require audited statements.



Compilation

- Compiled financial statements represent the **most basic level of service** CPAs provide with respect to financial statements.
- In a compilation engagement, the accountant assists management in presenting financial information in the form of financial statements **without undertaking to obtain or provide any assurance** that there are no material modifications that should be made to the financial statements.
- In a compilation, the CPA **must comply with Statements on Standards for Accounting and Review Services (SSARs)**, which require the accountant to have an understanding of the industry in which the client operates, obtain knowledge about the client, and read the financial statements and consider whether such financial statements appear appropriate in form and free from obvious material errors.
- A compilation **does not contemplate performing inquiry, analytical procedures, or other procedures ordinarily performed in a review**; or obtaining an understanding of the entity's internal control; assessing fraud risk; or testing of accounting records; or other procedures ordinarily performed in an audit.

- The CPA issues a report stating the compilation was performed in accordance with Statements on Standards for Accounting and Review Services; and that **the accountant has not audited or reviewed the financial statements** and accordingly does not express an opinion or provide any assurance about whether the financial statements are in accordance with the applicable financial reporting framework.

Review

- Reviewed financial statements provide the user with comfort that, based on the accountant's review, **the accountant is not aware of any material modifications** that should be made to the financial statements for the statements to be in conformity with the applicable financial reporting framework.
- A review engagement involves the CPA performing procedures (primarily analytical procedures and inquiries) that will provide a **reasonable basis for obtaining limited assurance** that there are no material modifications that should be made to the financial statements for them to be in conformity with the applicable financial reporting framework.
- In a review, the CPA designs and performs analytical procedures, inquiries and other procedures,

as appropriate, based on the accountant's understanding of the industry, knowledge of the client, and awareness of the risk that he or she may unknowingly fail to modify the accountant's review report on financial statements that are materially misstated. **A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records; or other procedures ordinarily performed in an audit.**

- The CPA issues a report stating the review was performed in accordance with Statements on Standards for Accounting and Review Services; that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework and for designing, implementing and maintaining internal control relevant to the preparation



Compilation vs. Review vs. Audit

Comparative Snapshot			
	Compilation	Review	Audit
Level of Assurance Obtained by the Accountant/Auditor that the Financial Statements Are Not Materially Misstated	Accountant does not obtain or provide any assurance that there are no material modifications that should be made to the financial statements	Accountant obtains limited assurance that there are no material modifications that should be made to the financial statements	The auditor obtains a high, but not absolute, level of assurance about whether the financial statements are free of material misstatement
Objective	To assist management in presenting financial information in the form of financial statements without undertaking to provide any assurance that there are no material modifications that should be made to the financial statements	To obtain limited assurance that there are no material modifications that should be made to the financial statements	To obtain a high level of assurance about whether the financial statements as a whole are free of material misstatement thereby enabling the auditor to express an opinion on whether the financial statements are presented fairly, in all material respects
Assurance Provided to the User of the Financial Statements	None – the report states that no assurance is provided	None – the report provides a statement that the accountant is not aware of any material modifications that should be made to the financial statements	None – the auditor provides an opinion as to whether the financial statements present fairly, in all material respects, the company's financial position, results of operations and cash flows
The accountant is required to obtain an understanding of the entity's internal control and assess fraud risk			✓
The accountant is required to perform inquiry and analytical procedures		✓	✓
The accountant is required to perform verification and substantiation procedures			✓
Situations requiring different levels of service	Generally appropriate for privately held companies and are often prepared for simple situations (e.g., a lender needs GAAP financial statements instead of the statements the internal accounting system produces or the lender needs the comfort provided by knowing that an accountant read the financial statements)	Often prepared for privately held companies because of requirements of outside third parties (such as banks, creditors and potential purchasers) that are looking for comfort that the financial statements are not materially misstated	Often prepared for companies because outside third parties (such as banks, creditors, potential purchasers and outside investors) require an auditor's opinion on the financial statements
Differences in costs for each level of service	Involves the lowest amount of work and as a result is far less costly than a review or audit	More costly than a compilation but substantially lower in cost than an audit	Involves the most work and therefore the cost is substantially higher than a review or compilation

and fair presentation of the financial statements; that a review includes primarily applying analytical procedures to management's financial data and making inquiries of management; that a review is **substantially less in scope than an audit** and that the CPA is not aware of any material modifications that should be made to the financial


statements for them to be in conformity with the applicable financial reporting framework.

Audit

- Audited financial statements **provide the user with the auditor's opinion** that the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.
- In an audit, **the auditor is required** by auditing standards generally accepted in the United States of America (GAAS) **to obtain an understanding of the entity's internal control and assess fraud risk**. The auditor also is required to corroborate the amounts and disclosures included in the financial statements by obtaining audit

evidence through inquiry, physical inspection, observation, third-party confirmations, examination, analytical procedures and other procedures.

- The auditor issues a report that states the audit was conducted in accordance with GAAS, the financial statements are the responsibility of management, provides an opinion that the financial statements present fairly in all material respects the financial position of the company and the results of operations are in conformity with the applicable financial reporting framework (or issues a qualified opinion if the financial statements are not in conformity with the applicable financial reporting framework. **The auditor may also issue a disclaimer of opinion or an adverse opinion if appropriate**).



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**RICHMOND FINE ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	90,642
Cash held on behalf of others		<u>13,050</u>

Total cash and cash equivalents		<u>103,692</u>
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Contributions receivable—current		304,279
Grants receivable		97,658
Other current assets		<u>362</u>

Total current assets		<u>505,991</u>
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NON-CURRENT ASSETS

Investments—held for long-term purposes		533,461
Fixed assets, net of accumulated depreciation of \$63,303		<u>27,659</u>

Total non-current assets		<u>561,120</u>
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Total assets		<u>\$ 1,067,111</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Payroll liability	\$	3,015
Held on behalf of others		13,050
Grants payable		<u>168,750</u>

Total current liabilities		<u>184,815</u>
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Total liabilities		<u>184,815</u>
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NET ASSETS

Unrestricted		
Board designated		94,054
Undesignated		<u>84,606</u>
Total unrestricted		178,660
Temporarily restricted		74,926
Permanently restricted		<u>628,710</u>

Total net assets		<u>882,296</u>
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Total liabilities and net assets		<u>\$ 1,067,111</u>
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The accompanying notes are an integral part of these financial statements.

**RICHMOND FINE ARTS COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	\$ 283,887	\$ 155,000	\$ 228,700	\$ 667,587
Foundation contributions	213,850	—	—	213,850
Government grants	323,114	—	—	323,114
Events revenue	161,802	—	—	161,802
Investment income, net	2,828	14,275	—	17,103
Other revenue	47,915	—	—	47,915
Net assets released from restriction	133,466	(133,466)	—	—
Total revenue, gains, and other support	<u>1,166,862</u>	<u>35,809</u>	<u>228,700</u>	<u>1,431,371</u>
EXPENSES				
Program services				
Art events and promotions	410,359	—	—	410,359
Grant-making	372,160	—	—	372,160
Arts education	120,884	—	—	120,884
Total program services	<u>903,403</u>	<u>—</u>	<u>—</u>	<u>903,403</u>
Support services				
Management and general	162,001	—	—	162,001
Fundraising	79,703	—	—	79,703
Total support services	<u>241,704</u>	<u>—</u>	<u>—</u>	<u>241,704</u>
Total expenses	<u>1,145,107</u>	<u>—</u>	<u>—</u>	<u>1,145,107</u>
Change in net assets	21,755	35,809	228,700	286,264
NET ASSETS, beginning of year	<u>156,905</u>	<u>39,117</u>	<u>400,010</u>	<u>596,032</u>
NET ASSETS, end of year	<u>\$ 178,660</u>	<u>\$ 74,926</u>	<u>\$ 628,710</u>	<u>\$ 882,296</u>

The accompanying notes are an integral part of these financial statements.

**RICHMOND FINE ARTS COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 286,264
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	2,984
Unrealized loss on investments	2,947
(Increase) decrease in current assets	
Contributions receivable, net	(192,390)
Grants receivable, net	(39,377)
Other current assets	2,076
Increase (decrease) in current liabilities	
Accounts payable	(51,362)
Payroll liability	3,015
Held on behalf of others	(8,200)
Grants payable	<u>3,000</u>
Net cash provided by operating activities	<u>8,957</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(1,220)
Proceeds from the sale of investments	8,792
Purchase of investments	<u>(60,000)</u>
Net cash (used) by investing activities	<u>(52,428)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(43,471)
CASH AND CASH EQUIVALENTS, beginning of year	<u>147,163</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 103,692</u></u>

The accompanying notes are an integral part of these financial statements.

**RICHMOND FINE ARTS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Programs Services				Support Services			
	Art Events and Promotion	Grant- making	Arts Education	Total Program	Management and General	Fundraising	Total Support	Total
Personnel and related expenses	\$ 117,740	\$ 19,909	\$ 33,071	\$ 170,720	\$ 40,180	\$ 36,485	\$ 76,665	\$ 247,385
Marketing	68,137	—	—	68,137	—	850	850	68,987
Grants made	—	351,923	—	351,923	—	—	—	351,923
Telephone and utilities	—	—	—	—	11,940	—	11,940	11,940
Printing and postage	10,677	—	—	10,677	11,401	12,129	23,530	34,207
Insurance	—	—	—	—	4,354	—	4,354	4,354
Hospitality	24,933	186	1,926	27,045	26,169	20,389	46,558	73,603
Rent	16,562	—	4,140	20,702	20,702	—	20,702	41,404
Depreciation	1,194	—	298	1,492	1,492	—	1,492	2,984
Investment fees	—	—	—	—	5,136	—	5,136	5,136
Office supplies and expense	542	142	3,398	4,082	11,397	5,289	16,686	20,768
Artist and other fees	158,420	—	76,525	234,945	24,292	4,275	28,567	263,512
Other	12,154	—	1,526	13,680	10,074	286	10,360	24,040
Total expenses	410,359	372,160	120,884	903,403	167,137	79,703	246,840	1,150,243
Less expenses netted against revenues on the statement of activities	—	—	—	—	(5,136)	—	(5,136)	(5,136)
Total expenses included in the expense section of the Statement of activities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 162,001</u>	<u>\$ 79,703</u>	<u>\$ 241,704</u>	<u>\$ 1,145,107</u>

The accompanying notes are an integral part of these financial statements.

Financial Management Self-Assessment



Nonprofit financial health is not a matter of endowment balances or grant size. Even nonprofits with large budgets must manage their resources in order to provide services effectively and remain accountable to the public. Financially healthy nonprofits of all sizes are committed to a culture of accountability and financial management best practices. Use this checklist to assess your organization’s financial management practices and identify areas for improvement. This self-assessment is based on Nonprofits Assistance Fund’s Characteristics of Financially Healthy Nonprofits.

WEEK, NOT IMPROVING UNKNOWN
 WEAK, BUT IMPROVING GOOD
 STRONG

- | | | | | | |
|-------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Board members clearly understand their roles and responsibilities for financial health | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Board receives and reviews complete financial information at every meeting | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Computerized accounting/recordkeeping system is maintained | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Qualified and knowledgeable staff or volunteers are responsible for accounting records | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. All staff understand their responsibilities regarding the financial systems | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. A process is in place to develop a well-considered and realistic budget | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Budget is reviewed by the board and approved before the fiscal year begins | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Organization routinely budgets for an unrestricted operating surplus | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Financial reports are prepared in an accurate and timely manner | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Staff and board regularly compare financial results to budgets | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Organization regularly monitors and projects cash flow and plans for adequate cash balances | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Appropriate reserves or cash balances are maintained (minimum 30 days) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. System is maintained for tracking restricted or designated funds | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Payroll tax deposits are made when due | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Organization is able to pay bills and make loan payments when due | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. Written financial policy includes responsibility and authority for financial decisions | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. Adequate and appropriate internal controls are in place and maintained | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. System is maintained for compliance with all required legal and funder reporting | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. Annual financial audit (or comparable annual review) is completed and reviewed by board | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Board and staff regularly review short-term and long-term plans and goals | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Our mission is to strengthen community by investing capital and expertise in nonprofits. Find out more about Nonprofits Assistance Fund’s loans, training, resources, and financial advice tailored for nonprofits at: www.nonprofitsassistancefund.org.

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www.nonprofitsassistancefund.org

Financial Management Self-Assessment



Nonprofit financial health is not a matter of endowment balances or grant size. Even nonprofits with large budgets must manage their resources in order to provide services effectively and remain accountable to the public. Financially healthy nonprofits of all sizes are committed to a culture of accountability and financial management best practices. Use this checklist to assess your organization’s financial management practices and identify areas for improvement. This self-assessment is based on Nonprofits Assistance Fund’s Characteristics of Financially Healthy Nonprofits.

WEEK, NOT IMPROVING UNKNOWN
 WEAK, BUT IMPROVING GOOD
 STRONG

- | | | | | | |
|-------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Board members clearly understand their roles and responsibilities for financial health | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Board receives and reviews complete financial information at every meeting | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Computerized accounting/recordkeeping system is maintained | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Qualified and knowledgeable staff or volunteers are responsible for accounting records | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. All staff understand their responsibilities regarding the financial systems | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. A process is in place to develop a well-considered and realistic budget | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Budget is reviewed by the board and approved before the fiscal year begins | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Organization routinely budgets for an unrestricted operating surplus | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Financial reports are prepared in an accurate and timely manner | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Staff and board regularly compare financial results to budgets | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Organization regularly monitors and projects cash flow and plans for adequate cash balances | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Appropriate reserves or cash balances are maintained (minimum 30 days) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. System is maintained for tracking restricted or designated funds | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
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| 18. System is maintained for compliance with all required legal and funder reporting | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. Annual financial audit (or comparable annual review) is completed and reviewed by board | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Board and staff regularly review short-term and long-term plans and goals | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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