



Financial Management

Organizational Assessment and Planning Tool

Nonprofits have an obligation to act as responsible stewards of their financial resources. ▶ *Nonprofits must comply with all legal financial requirements* and should adhere to sound accounting principles that produce reliable financial information, ensure fiscal responsibility, and build public trust. Nonprofits should use their financial resources to accomplish their missions in an effective and efficient manner, and should establish clear policies and practices to regularly monitor how funds are used. Adherence to best practices, especially for those nonprofits that do not receive an annual audit or financial review, is critical to maintaining compliance and public trust.

▶ Required by law	No/ Not Begun	Somewhat/ In Process	Yes/ Completed	Not Applicable	Not Sure
1. We produce consistent and accurate financial reports at least quarterly.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our income and expense reports compare the budget for the same period to the actual income and expenses and we include explanations for significant variances.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Our board members receive appropriate training on how to read and understand nonprofit financial statements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our board members are actively engaged in reviewing financial statements and providing fiscal oversight.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. We have devised and implemented internal control procedures that are appropriate for our organizations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance					
4. ▶ We comply with all financial reporting and tax laws, including withholding and payment of federal and state income taxes and Social Security payroll taxes. <i>990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. We have our chief executive officer, chief financial officer (or equivalent), board, and audit committee (if applicable) thoroughly review and approve the IRS Form 990 and 990-T (if applicable) to ensure that they are accurate, complete, and filed on time. <i>990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Our nonprofit has a qualified independent CPA conduct an audit or review of our financial statements annually or in a manner appropriate to our organization's size and scale of operations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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In the process of the audit, the auditor is given the opportunity to meet in executive session with our board separately from management and staff. <i>990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The independent financial audit or review is reviewed and approved by our board. <i>990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Our board has designated an audit committee to hire the auditor, oversee and evaluate the audit process, meet with the auditor to review the audit's content, and present the audit to the full board for its review and approval. <i>990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Our audit committee (or board) evaluates the quality of our audit firm and periodically puts the audit out to bid.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
When maintaining the same firm, our nonprofit requests a new audit partner every three to five years in order to ensure a fresh, objective perspective.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Policies					
9. ► We openly communicate the annual reporting information contained on our Form 990 to our constituents and others who request such information. <i>IRC § 6104; 990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We share, at least annually, an overview of data regarding sources of revenue, functional expenditures, and related outcomes (usually in the form of an annual report).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. We ensure that our assets are used solely for the benefit of the organization, and not for personal or other gains.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We have a policy regarding the personal use of assets such as computers, phones, copy machines, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. ► We have a system in place that allows individuals to report financial and other misconduct and must ensure that there is no consequence for doing so – commonly referred to as a "whistleblower policy". <i>18 USC § 1107 – a.k.a. Sarbanes-Oxley; 990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. ► We manage and invest funds prudently and are in compliance with conditions attached to funding. <i>CRS § 15-1-1103-1109; 990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
► We have adopted a sound investment policy, which is reviewed periodically. <i>CRS § 15-1-1103-1109; 990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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13. We have policies that provide clear guidance on our rules for paying or reimbursing expenses incurred by anyone conducting business on behalf of the organization. The policy specifies the types of expenses that can be reimbursed, the approval and review process of expense reports, and the documentation required to substantiate expenses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our expense reimbursement policy requires that travel and other expenditures on behalf of the organization are undertaken in a cost-effective manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. We neither pay for nor reimburse travel expenditures (other than minor and incidental expenses such as refreshments served at an organization meeting) for spouses, dependents, or others who are accompanying individuals conducting business for the organiza	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. ► We do not make any loans to board members or officers. <i>CRS § 7-128-501; 990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We expressly prohibit loans to key personnel. <i>990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. ► We do not allow personal use of organizational funds or business credit cards and are aware that any such transaction may constitute private inurement or an excess benefit transaction under the intermediate sanctions rules. <i>IRC § 501(c)(3) and 4958; CRS § 7-133-101; 990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. We have a policy that provides clear guidance on the appropriate use of business credit cards that provides consequences for unsubstantiated expenses and personal use of credit cards. <i>990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our credit card policy specifies oversight procedures including board oversight of the chief executive officer's credit card expenditures. <i>990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial Responsibilities					
18. Our board reviews and approves the annual budget for the organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our board considers applicable industry benchmarks for expenditures on programs, administration and fundraising.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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19. We work towards diversifying our funding sources as much as possible in an effort to strengthen the organization's sustainability and public support ratio, and to lessen the impact of a potential loss of a significant amount of its funding from any one source.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. ▶ We comply with specific conditions placed upon donations. <i>CRS § 15-1-1103-1109; CRS § 6-16-111(i)(i); 990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▶ We clearly categorize our donated funds as unrestricted, temporarily restricted or permanently restricted in our financial statements and communications in accordance with the donor or grantor wishes/stipulations. <i>CRS § 15-1-1103-1109; CRS § 6-16-111(i)(i); 990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. ▶ We qualify as a public charity either under the "public support test" or the "facts and circumstances test". <i>IRC § 170(b)(1)(A)(VI) and 509(a)(1); 990</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. We spend a high percentage of our annual budget on programs in pursuance of our mission and consult industry and subsector standards to determine an appropriate range for administration and fundraising ratios.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We provide sufficient resources for effective administration of the organization and, if the organization solicits contributions, for appropriate fundraising activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23. We have planned, established, and maintained a financial reserve at a level determined by the organization's management and board to adequately support its operations (typically three to six months of operating expenses).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We have a reserve policy that identifies our target range and when the reserves may be used.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24. We project, monitor, and make adjustments to cash flow as needed to ensure appropriate cash flow.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>