

## FINANCIAL PROCESSES SELF ASSESSMENT

Rating *	Indicator	Meet	Needs Work	N/A
E	1. The organization follows accounting practices which conform to accepted standards, including maintaining an adequate accounting system.			
E	2. The organization provides the appropriate financial information needed by staff and board to make sound decisions and to fulfill Internal Revenue Service requirements.			
E	3. The organization prepares monthly financial statements including a Balance Sheet and Income Statement which are clearly stated and useful for the board and staff.			
R	4. The organization prepares financial statements on a budget versus actual and/or comparative basis to achieve a better understanding of their finances.			
E	5. The organization develops an annual operating budget which includes costs for all programs, management and fundraising and all sources of funding including earned income and contributed income. This budget is reviewed and approved by the Board of Directors.			
R	6. The organization monitors costs of programs and services by the use of an allocation of general administrative, operating, and fundraising, costs for the programs.			
E	7. The organization prepares a rolling 12 month cash flow projection, which is reviewed regularly by the organization's Finance Committee.			
R	8. The organization periodically forecasts year-end revenues and expenses to assist in making management decisions during the year.			
E	9. The organization reconciles all cash and credit card accounts monthly.			
E	10. The organization has a written policy with respect to investments.			
E	11. If the organization has billable services or other earned income, procedures are established for the monthly billing, follow-up and collection of all accounts receivable, and documentation is maintained that substantiates all billings.			
E	12. Government contracts and grant agreements are signed by authorized signers of the organization, and are reviewed by a staff member to monitor compliance with all stated conditions.			
E	13. Payroll is prepared following appropriate State and Federal regulations and organizational policy.			
E	14. Persons employed on a contract basis meet all Federal requirements for this form of employment. Disbursement records are kept so 1099's can be issued at year end.			
E	15. Organizations that purchase and sell merchandise take periodic inventories to monitor inventory against theft, to reconcile general ledger inventory information and to maintain an adequate inventory level.			
R	16. The organization has a written fiscal policy and procedures manual which is followed.			

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E	17. The organization has a written list of internal controls including the handling of cash and deposits, disbursements, payroll and petty cash.			
E	18. The organization has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified dollar amounts.			
E	19. All expenses of the organization are approved by a designated person before payment is made.			
R	20. The organization has a Finance Committee which meets monthly to review the financial statements and other financial matters of the organization.			
R	21. Capital needs are reviewed annually and priorities established.			
R	22. The organization has established a plan identifying actions to take in the event of a reduction or loss in funding.			
R	23. The organization has established, or is actively trying to develop, a reserve of funds to cover at least three months of operating expenses.			
E	24. The organization has suitable insurance coverage which is periodically reviewed to ensure the appropriate levels and types of coverages are in place.			
E	25. Employees, board members and volunteers who handle cash and investments are bonded to help assure the safeguarding of assets.			
E	26. The organization files IRS form 990's in a timely basis within prescribed time lines.			
R	27. The organization reviews income annually to determine and report unrelated business income to the IRS.			
R	28. The organization has an annual, independent audit of their financial statements, prepared by a certified public accountant.			
R	29. In addition to the audit, the CPA prepares a management letter containing recommendations for improvements in the financial operations of the organization.			
R	30. The Board of Directors or Finance Committee is responsible for soliciting bids, interviewing, and hiring an auditor for the organization.			
R	31. The Board of Directors and Finance Committee review and approve the audit report and management letter and with staff input and support, institutes any necessary changes.			
E	32. The audit, or an organization prepared annual report which includes financial statements, is made available to service recipients, volunteers, contributors, funders and other interested parties.			
A	33. Training is made available for board and appropriate staff on relevant accounting topics and all appropriate persons are encouraged to participate in various training opportunities.			

Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities

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### How to Use the Tool

The checklist indicators represent what is needed to have a healthy, well-managed organization. Since it is a self-assessment tool, organizations should evaluate themselves honestly against each issue and use the response to change or strengthen its administrative operations.

**Ratings:** Each indicator is rated based on its importance to the operation and effectiveness of any nonprofit organization. The ratings are:

**E:** Indicators with an "E" are essential or basic requirements to the operations of *all* nonprofit organizations. Organizations which do not meet the requirements of these indicators could place their organizations in jeopardy.

**R:** An "R" rating signifies that these indicators are recommended as standard practice for effective nonprofit organizations.

**A:** Additional indicators which organizations can implement to enhance and strengthen their management operations and activities are rated with an "A".

### Checklist Responses:

Organizations can respond in one of three ways to each indicators used:

1. **Meet** - All indicators marked as "Meet" demonstrate that the organization has fulfilled an essential management need. However, the organization should review these indicators in the future to be sure that their management remains healthy in view of the many internal and external changes which constantly occur in all organizations.

2. **Needs work** - An indicator that is marked as "Needs Work" implies the organization is aware of the need for this indicator, and is working towards attaining it.

3. **N/A** - Indicators marked as "N/A" can mean several things, including:

- the indicator is not applicable to the management operations of this organization
- the organization is not sure of the need to meet the requirements of this indicator
- the organization has not met, nor is working on this indicator presently, but may address it in the future

**All organizations should take note:** Responses to all indicators should be reviewed carefully to see if they could help improve management operations – even indicators that are currently being met. Indicators checked "N/A" due to uncertain applicability to the organization should be further reviewed to determine if they should become a part of "doing business." The indicators in this checklist should be informative and thought provoking. The checklist can be used to achieve not only a beginning level of good management, but to improve existing management to provide the organization with greater stability, reliability and success in its community. It is also a useful tool to help pinpoint any weaknesses so action can be taken or assistance sought to improve the organization's health. All organizations should re-assess themselves periodically to ensure compliance with established processes, procedures, rules and regulations, and to continue improving its health through the indicator's helpful suggestions.

### Disclaimer

This checklist is designed to provide accurate information regarding the topics covered. Legal requirements and non-legal administrative practice standards reflected herein are capable of change due to new legislation, regulatory and judicial pronouncements, and updated and evolving guidelines. The provision or use of this checklist does not constitute the rendering of legal, tax or other professional services.

If the organization requires professional assistance on these or other nonprofit tax, management, or accounting issues, please contact your own professional advisors.

*Credit is given to the Greater Twin Cities United Way in the development of this assessment tool.*