



## INDICATORS OF FINANCIAL CRISIS



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## Getting started with your assessment



**CONGRATULATIONS!** You are taking an important step for the financial health of your organization.

As a nonprofit leader you are juggling many issues and concerns. We all know that a stressed organization operating with the best of intentions can still make ill-advised decisions, especially in the financial arena – and the results can be damaging. We also know that sometimes seeing a financial crisis is difficult. We want to make it easier so you can recover faster. And we want you to see the challenges before you end up in crisis.

### The purpose of this tool:

- It is a tool for you. We don't expect you to share the results with Foraker or others unless you choose to do that.
- It will provide an initial assessment of your financial stability.
- It is not all encompassing, but instead focuses on the big indicators of crisis.
- It is a start to a conversation to help you veer away from crisis.

### How to use this tool:

- Gather a small team of trusted advisors (executive director, lead financial staff, board treasurer and/or board chair).
- Look closely at your financial practices as you answer each question honestly as a team.

### Important tips:

- There is no passing or failing score for the assessment.
- This tool is for you. Use it to position your organization for success.
- If you answer “no” to any of the questions, it’s an indicator that financial problems could be on the horizon.
- If you have negative answers in the first two categories, your organization already has critical issues that need immediate attention.
- If you answer “don’t know” to more than a few questions, that’s an indicator by itself. We encourage you to find the answer, and then act accordingly.

### What next?

- If all systems are “go” then set up a yearly schedule to check-in with your team and see if your answers have changed.
- If you feel action is needed, we urge you to seek help:
  - You may choose to tap the expertise on your board, visit the IRS website, or find another outside resource.
  - You can call us at 907-743-1200. We have experienced staff that can review the assessment with you in a confidential, non-judgmental environment. We can recommend steps to get your mission back on a solid financial footing.

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## ORGANIZATIONAL SELF ASSESSMENT

If you answer "no" to any of these questions, it's an indicator that financial problems could be on the horizon. If you have negative answers in the first two categories, your organization already has issues that need attention.

	YES	NO	DON'T KNOW	N/A
<b>CRITICAL</b>				
Are you paying payroll taxes?				
Is cashflow adequate to support operations?				
Does your organization have enough unrestricted cash to adequately fund activities that are not supported by grants?				
Are vendor payments, payroll, and payroll taxes paid on time?				
Are you using restricted (grant) funds for their intended purposes ONLY?				
<b>SERIOUS</b>				
Are the net assets of the organization positive?				
Are bank statements being reconciled monthly?				
Do you have a grants management process?				
Are you in compliance with your grants/granting agency?				
Are grant revenues and expenditures being tracked in the accounting system using a unique identifier/code?				
Are grant reports submitted on time?				
Do grant reports tie to the accounting system?				
Do you have an annual budget?				
Do you project your cash flow for the future?				
Are financial statements being reviewed and analyzed by senior staff (executive director) and the board of directors at least once a quarter?				
Is the statement of activities (profit and loss statement/income statement) compared to budget and are variances understood?				
Do you have unrestricted revenue sources?				
Are payroll taxes being paid in accordance with IRS regulations?				
Is Form 941 (quarterly payroll tax report) filed on time and according to IRS regulations?				
Are Forms 990/990t filed on time and according to IRS regulations?				
Are Forms W-2, W-2G, and W-3 filed on time and according to IRS regulations?				
Are Forms 1099 and 1096 filed according to IRS regulations?				
<b>CAUTIONARY</b>				
Are company credit cards being used for business expenses only?				
Are accounts receivable tracked via the accounting system?				
Do you have an accounts receivable collection process (i.e. invoices sent and tracked, statements issued, etc)?				
Are accounts payable tracked via the accounting system?				
Are the net assets of the organization increasing?				
If applicable, are gaming reports filed on time and according to state regulations?				

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## What to do after the assessment



Now that you have completed this financial assessment, you may be asking yourself one or many of these questions: “What happens now?” “What is my next step?” “How do I get back on a solid financial footing?” The Foraker team is ready to help. In addition to calling us, below are some suggested next steps:

**CRITICAL:** If you answered any of the critical questions negatively, now is the time for action. Your organization is in distress. It’s time to build awareness of your fiscal situation and make a plan for stability. We encourage you to take at least one of these steps:

- Engage a team. This team will depend on the size of your organization and challenge. It will likely include a combination of key staff and board members and at least one external financial expert.
- Call a board finance committee meeting ASAP.
- Ensure that this topic is a significant agenda item for your board meeting. Ideally your small team has met first and created some options for the board to consider, if not then that is the board’s first action step.

**SERIOUS:** Depending on where your organization is in its life cycle, you may still be building the infrastructure to support these items. The questions in this section point toward best practices in our field and when they are not addressed, it can lead to critical situations.

If you’ve answered three or more of the questions in the serious category negatively, now is the time to focus on reviewing and improving your financial practices.

- Tap the expertise on your board and among your stakeholders.
- Visit the IRS website or other outside resources for guidance. ([www.councilofnonprofits.org/tools-resources/financial-management](http://www.councilofnonprofits.org/tools-resources/financial-management))
- Create a task force to address the items of concern and create a timeline for resolution.

**CAUTIONARY:** These are items that every organization should routinely monitor. Negative responses likely don’t equate to financial crisis. However, the responses should be fully understood. We encourage you to get a plan that focuses on the items eliciting negative responses.

- Monitor the financial practices of your organization.
- Review and strengthen the organization’s internal controls.
- Address organizational growth and changes in established fiscal policies and procedures.

If you answer “don’t know” to more than a few questions, that is an indicator by itself. We encourage you to find the answer, and then act accordingly.

If you’re feeling unsure about how to get started, call us at 907-743-1200. We have experienced staff that can review the assessment with you in a confidential, non-judgmental environment. And we can recommend steps to get your mission back on a solid financial footing.