

> Downloadable Resource

Checklist to Assess Financial Activities in Nonprofit Organizations

(certain sections of the following may be specific to the U.S.)

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(Be sure to read [How to Use this Tool](#) and [Disclaimers](#) before using information in this document.)

Rating *	Indicator	Met	Needs Work	N/A
E	1. The organization follows accounting practices which conform to accepted standards.			
E	2. The organization has systems in place to provide the appropriate information needed by staff and board to make sound financial decisions and to fulfill Internal Revenue Service requirements.			
R	3. The organization prepares timely financial statements including the Balance Sheet [or statement of financial position) and Statement of Revenue and Expenses [or statement of financial activities!] 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 comprehensive operating budget which includes costs for all programs, management and fundraising and all sources of funding. This budget is reviewed and approved by the Board of Directors.			
R	6. The organization monitors unit costs of programs and services through the documentation of staff time and direct expenses and use of a process for allocation of management and general and fundraising expenses.			

E	7. The organization prepares cash flow projections.			
R	8. The organization periodically forecasts year-end revenues and expenses to assist in making sound management decisions during the year.			
E	9. The organization reconciles all cash accounts monthly.			
E	10. The organization has a review process to monitor that they are receiving appropriate and accurate financial information whether from a contracted service or internal processing.			
E	11. If the organization has billable contracts or other service income, procedures are established for the periodic billing, follow-up and collection of all accounts, and has the documentation that substantiates all billings.			
E	12. Government contracts, purchase of service agreements and grant agreements are in writing and are reviewed by a staff member of the organization 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 the 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 and follows it.			
E	17. The organization has documented a set of internal controls, including the handling of cash and deposits, approval over spending and disbursements.			
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 written policy related to investments.			
R	21. Capital needs are reviewed at least annually and priorities established.			
R	22. The organization has established a plan identifying actions to take in			

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	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 an appropriate committee, is responsible for soliciting bids, interviewing auditors and hiring an auditor for the organization.			
R	31. The Board of Directors, or an appropriate committee, reviews and approves 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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