

Nonprofit Finance Fund[®] (NFF[®]) unlocks the potential of missiondriven organizations through tailored investments, strategic advice and accessible insights.

To learn more, visit us online at nff.org.

Know Your Strengths and Weaknesses

Organizations that can clearly and accurately articulate their financial story and resource needs are better positioned to make a strong case for support. In both good times and bad, your stakeholders will be more engaged if you can provide a data-driven assessment that links your nonprofit's financial health to its impact and accomplishments. This can inform strategic planning and guide leadership in making missiondriven, financially sound decisions.

Use the worksheet on the back to capture a snapshot of your nonprofit's strengths and weaknesses. The worksheet is divided into six core areas of nonprofit finance, described in detail to the right. Together, these areas help you balance the three critical components essential to an organization's long-term viability: Mission, Capacity, and Money.

With support from your funders, we can help you better understand the way a nonprofit's core areas of finance influence organizational success. To learn more, visit us at nff.org.



Enterprise Platform

Core Areas of Nonprofit Finance

Revenue

The degree of predictability and reliability of revenue is often an indicator of financial health. Revenue includes: payments for services; donations from individuals, foundations and corporations; contributions and contract payments from government agencies; and income from investments and other activities (for example, rentals).

Expenses

Nonprofits that run into financial challenges are often uncomfortable bringing expenses in line with their revenue reality. There are also costs beyond day-to-day operations, including debt principal payments, capital expenditures, and funds set aside each year for future use. Budgeting to the full cost of doing business is essential for sustained financial health.

Profitability and Savings

Nonprofits need profits. Surpluses are necessary to pay off debt, invest in facilities and equipment, and fund savings and growth. We encourage nonprofits to budget for and manage to annual surpluses that meet their short- and long-term needs. Breaking even is rarely enough.

Health of the Balance Sheet

The balance sheet reveals a nonprofit's ability to manage risk and pursue growth or other opportunities. It indicates financial condition at a specific point in time. Included on the balance sheet are assets, liabilities and net assets. In the nonprofit sector there are restrictions on assets and net assets which can impact an organization's flexibility.

Liquidity

Liquidity is a measure of how much cash (and assets readily convertible to cash) is available to an organization. Marketable securities, undrawn lines of credit and receivables are liquid if they can be turned into cash within one year. Determining liquidity is often complex for nonprofits. Cash and investments may be restricted by donors, creating the false impression that a nonprofit is flush with flexible funds when it may instead be dealing with liquidity constraints.

Financial Planning

Organizations that actively and continuously plan for the unexpected are better positioned to weather difficult times and pursue new opportunities. Planning requires access to financial information that is timely, accurate, and reliable. It is the collective responsibility of staff, management and the board. Financial plans are only as good as their underlying assumptions and are not a substitute for making and communicating difficult decisions.

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This worksheet reveals some of your nonprofit's financial strengths and weaknesses. If you answer Yes to many questions, you're likely weathering the economic climate well and have a good grasp of your financial dynamics. If you're answering No or Not Sure often, you may want to review what actions you are or could be taking to manage areas of concern. Match your answers to assign to the question to identify which may be the most pressing

With support from your funders, NFF can help you interpret the results and consider next steps. You can then develop a clear financial plan to share with board members, funders and others.

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