

Telling your Financial Story: A Self-Assessment

Telling your financial story is critical to the success of any nonprofit. Today, more than ever, it's necessary to keep your stakeholders engaged and provide the strongest, most urgent case for your organization's impact and accomplishments. Review the following financial questions and use your answers to build the financial story you want to share with funders and supporters.

Revenue

How might the reliability of your nonprofit's revenue streams be affected in an economic downturn?

Will gov't contracts be affected by state /local budget cuts? How about foundation giving? What is your exposure to corporate philanthropy, particularly from the financial sector? Which major donors might be at risk? Can you rely on your Board to help with funding losses? Have you updated your fundraising message to include the strongest, most urgent case for your impact and success?

Operating Results

How might changes in revenue streams affect operating results?

Will the recession lead to increased demand for services and, if so, how will you respond? How will your organization deal with these potentially competing effects?

Expenses

Will costs have to be cut? If so, which costs?

Will staff, often the largest expense, need to be furloughed or let go? Have you considered collaboration as a cost-saving strategy? Will growth and capital campaign plans need to be phased or delayed?

Health of a Balance Sheet

How might changes in operating results affect your organization's balance sheet?

Will it be necessary to renegotiate terms of existing debt or take on debt to fund operations? Might you need to dip into board-designated reserves? If you have a facility, how will maintenance issues be addressed? What is your strategy for investments and how are they withstanding the current environment?

Liquidity

How will changes to the balance sheet affect your organization's liquidity?

Will there be less cash on hand for operations? If so, what strategies might management implement to cope?

Financial Planning

Have you incorporated contingency plans into your budgets and/or reforecast?

Does your organization consider best case, probable case and worst case scenarios? For example: If revenue declined by X%, what specific expenses would you cut or plans would you postpone? Do you project, track and monitor cash flow on a monthly basis? Can you articulate the economics of your programs? Is your Board regularly reviewing your financial condition and encouraging early action in response to the unfolding economic situation?