



# ON BOARD

A resource for not-for-profit board members

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## Is it Time for a Financial Health Check-Up?

By Erin Welch, CPA

How confident are you in your organization's long-term financial health? If the answer is only "somewhat," you're not alone. We've assisted numerous not-for-profits looking for ways to improve the answer to that question. Throughout these projects, we observed that many of their financial issues could have been prevented with some foresight, which prompted our team to offer financial health check-ups - a customized program designed to uncover and resolve financial issues before they become a threat.

Is your organization ready for a financial health check-up? Use these four questions to find out.

**#1. Is your organization doing everything it can to prevent and detect fraud?** Internal controls are one of the most important aspects of your operations, yet many organizations we work with have overlooked some basic improvements to their policies and procedures. For example, if you can't easily recall who has access to your bank accounts and credit cards and what their spending levels have been, or if you are unclear as to who is responsible for reviewing your monthly financial activity, then you might need to take a second look at your internal controls. The key is determining which ones are appropriate for your size, complexity, and limited resources.

**#2. Does your organization understand the importance of financial statements as a marketing tool?** Gone are the days when a brochure was enough to communicate the importance of your mission to a donor. Donors are increasingly relying on financial reports to make funding decisions, which means you and your board should be familiar with interpreting financial data from their perspective. It starts with having internal tracking mechanisms that facilitate production of accurate, timely reports. Is your accounting software optimized for a not-for-profit environment? Could your board use a refresher on reading financial statements? What are your financial statements telling donors about your organization? Healthy organizations balance transparent reporting with a proactive approach to managing external perceptions.

**#3. Does your board abide by governance policies that facilitate decision-making and encourage ethical behavior?** In our experience, the most successful boards have a set of policies that provide a framework for decision-making and consistency, and set expectations for professional conduct. Each organization varies, but common governance policies address gift acceptance, investments and reserves, conflicts of interest and executive compensation. For organizations that already have policies in place, it is essential to provide training so your board understands how and when to apply them.

**#4. Have you considered the financial implications of any major changes that might be coming in the next year?** Perhaps your organization is about to embark on a capital campaign or you are experiencing rapid growth. Sometimes these situations may trigger an audit, or simply require a deeper evaluation of how your financial management practices should be restructured to accommodate

these changes. Either way, your organization should be assessing the long-term impact in order to take the necessary steps towards protecting your financial stability.

If you answered “no” to one or more of these questions, it might be time to reassess your organization’s accounting practices with a financial health check-up. Just as not every stomachache is life-threatening, not every financial problem is irreversible - you just need the right specialist to make the diagnosis that is right for you. Like an experienced physician, our team of not-for-profit accounting experts can come up with a treatment plan that will build confidence among your stakeholders and restore order to your accounting operations.

For more information about how to get started with a financial health check-up, please contact Erin Welch at [erin@jjco.com](mailto:erin@jjco.com) or 206-628-8990. You may also learn more on our [website](http://jjco.com) (jjco.com).

#### *About the Author*

**Erin Welch**, CPA, Partner, has worked as a consultant and auditor to not-for-profit organizations for the last 12 years. As the consulting partner at Jacobson Jarvis, she helps clients develop internal control programs and other processes, conducts financial health assessments, reviews and designs charts of accounts, assists clients with board communications and facilitates board trainings.

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