

Assessing an Association's Financial Health

The American Society of Association Executives has prepared for Board of Directors, a 20 question document that can be used as a barometer to help assess the health of the association.

20 Questions Board Members Should Ask to Assess Financial Health

Financial Planning

1. Is our financial plan consistent with our strategic plan?

Sufficient Available Cash

2. Is our cash flow projected to be adequate?
3. Are our cash-flow projections reasonable, objective and not overly optimistic?

Satisfactory Reserves

4. Do we have sufficient reserves?
5. Has the board adopted a formal policy for the establishment of reserves?

Meeting the Budget

6. Are we regularly comparing our financial activity with what we have budgeted?
7. What procedures do we use to make sure that the differences between what was budgeted and what actually happened are being appropriately addressed?

Propriety of Expenditures

8. Does this board provide oversight of contractual agreements to ensure that the organization's exempt status will not be questioned or impaired?
9. Does the board provide for internal controls over expenditures?
10. Does the organization maintain adequate business insurance?

Internal Controls

11. Do we have the appropriate checks and balances necessary to prevent errors, fraud, and abuse?
12. Are we alert to the possibility of fraud within our organization and are we taking safeguards to try to prevent fraudulent activities?

External Audits

13. Do we have an external audit?
14. Does our annual audit have an unqualified (“clean”) opinion?

Financial Documents

15. Is our financial staff providing us with accurate and timely financial statements that allow us to understand the financial state of the organization?
16. Do we regularly review IRS Form 990?

Signs of Financial Distress

17. Are our key sources of revenue rising or falling? If they are falling, what are we doing about it?
18. Are our key expenses, especially salaries and benefits, under control?

Making Investments

19. When was the last time our investment policy was reviewed?
20. Are we satisfied with the performance of our investments, given the level of risk appropriate for these funds?