



## What To Look For When Reviewing Financial Statements

### Financial Planning

- √ Is our financial plan consistent with the organization's strategic plan or stated goals?
- √ Do we have a "business plan" for the near term (18 to 24 months) – which begins with the concepts expressed in our longer term strategic plan?

### Cash Flows and Reserves

- √ Is our cash flow projected to be adequate?
- √ Do we have a credit line in place?
- √ Do we have sufficient reserves?
- √ Has the board adopted a policy to create reserves?
- √ Are we funding a sinking fund for long term capital needs?

### Budgeting and Expenditures

- √ Do we regularly check "budget to actual" expenditures and income?
- √ How do we address significant differences between what was budgeted and what is occurring?
- √ Does the board review contractual agreements?
- √ Does the board advocate and monitor internal controls on expenditures?

### Investment Policies

- √ Do we have an investment policy?
- √ When was the last time our investment policy was reviewed?
- √ Are we satisfied with the performance of our investments?
- √ What level of risk are we exposed to and are we comfortable with it?

### Operating Endowment

- √ Has the board set an approved spending rate? If so, how does it compare with the actual rate of return?
- √ What is the board's policy for re-visiting the spending rate?
- √ Are principal and accumulated earnings tracked separately?
- √ Are earnings on endowments properly segregated for the endowment's original purpose?

### Signs of Financial Distress

- √ Are expenses under control? Has a critical date been set for re-evaluation of the current spending pattern, if certain revenue sources are uncertain?
- √ Are we "robbing Peter to pay Paul" – borrowing against restricted funds to meet unrestricted expenses?
- √ Are we overly reliant on a particular income source?