



Is Your Nonprofit Financially Healthy?

April 2024



Financial Planning for Non-Profit Sustainability



Sample Non-Profit Financial Ratios

Ratio	Formula	Target
Days cash on hand: Measures the number of days of expenses that can be covered from existing cash	$\frac{\text{(cash + cash equivalents)}}{\text{(total expenses/365 days)}}$	3 to 6 months
Current Ratio: Measures the overall liquidity of a nonprofit organization	$\frac{\text{(current assets)}}{\text{(current liabilities)}}$	1.0 or higher
Debt to Total Assets: Measures an organization's ability to meet financial requirements for loans outstanding	$\frac{\text{(total debt)}}{\text{(total assets)}}$	<50%
% unrestricted assets to total assets: Measures the how much of an organizations net worth is unrestricted	$\frac{\text{(total unrestricted assets)}}{\text{(total assets)}}$	A stable and increasing %
Contributions & grants to total revenue: Measures the extent to which revenues are received from donors and grantors	$\frac{\text{(contributions + grant revenue)}}{\text{Total revenue}}$	A stable and decreasing %
Fundraising revenue to expense: Measures the amount of contributions raised for each dollar of fundraising cost.	$\frac{\text{(contributions – grant revenue)}}{\text{fundraising expense}}$	Higher values indicate more efficient fundraising efforts



Plan – Measure – Execute - Sustain

Begin at the top

- Create policies, plans and metrics that encourage long-term investing in gift planning
- Clear policies to manage risk and ensure accountability
- Set clear and realistic goals, strategies and tactics across all lines of fundraising
- Fundraising metrics for individuals and programs – focusing on activities and outcomes
- Nonprofit should have a donor-centric culture meeting the needs of each donor
- Measuring growth year over year

