

Humentum's Financial Sustainability Health Check





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About Humentum

Humentum strengthens social good organizations through practical expertise, curated resources, and collective problem-solving. Humentum's decades of experience working with thousands of nonprofit organizations around the world translate into deep understanding and visible results. Humentum creates practical solutions to improve finance, people, and risk processes through:

- Experienced consulting delivered by a global team with decades of on-the-job experience
- Individual, group, and organization-wide training
- A robust membership platform for peer-to-peer collaboration and tailored tools and templates

[Visit the Humentum website here.](#)

What can the Humentum Financial Sustainability health check do?

Humentum's Financial Sustainability health check helps you assess the health of your organization's financial sustainability. It is designed as a self-assessment tool to help you identify areas where you need to improve. There are sets of statements that cover all key areas of an organization's financial sustainability. For each statement, consider how well your organization aligns with the best practice statement. By the end of the health check, you will have a deeper understanding of what to prioritize immediately to improve your organization's financial sustainability. You may opt to complete this health check again after a year or two and assess and monitor your progress.

What can the Humentum Financial Sustainability health check **not** do?

A 'one-size-fits-all' approach can't work. However, the key aspects of best practice are the same for most organizations most of the time. The health check focuses on those key aspects. They are the foundation of best practices. Humentum's Financial Sustainability health check only provides a general indication of the health of your organization's financial sustainability. It is not an exhaustive list of all aspects of financial sustainability.

Additionally, the Financial Sustainability health check is not an audit, and it does not describe a standard set of procedures applicable in every situation. It is not appropriate to set a score as a 'pass rate' for a partner assessment. It is not appropriate to compare the scores of two organizations and make conclusions about the differences between them.

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Who is the Humentum Financial Sustainability health check designed for?

Humentum's Financial Sustainability health check is designed for teams from small and medium-sized nonprofit organizations. This may include non-governmental organizations (NGOs), national and community-based organizations (NNGOs and CBOs), social good organizations, schools, medical centers, etc.

How to use the Humentum Financial Sustainability health check?

The most useful way to complete the health check is in a two - three hour meeting or working group, with input from the Chief Executive Officer (CEO), finance lead or Chief Financial Officer (CFO), and senior managers. A representative of the Board of Trustees (ideally the treasurer) is also strongly recommended. Ideally, the group should be around 5 - 7 people maximum.

Taking each statement of best practice in turn, discuss whether it is true, or is in place, or happens in your organization. Agree on a score based on what actually happens, not what is supposed to happen, or what is documented in your finance manual.

Explanation	Score
Our practice is completely in accordance with the statement	5
Close to 5, but not quite there	4
Close to 0, but not that poor	1
This is not in place, is not true, or does not happen	0

Often, the real value in this exercise is not the score itself, but rather the conversations and the details of the issues that arise. Make good notes and keep a list of action items as they come up.

After completing each section, transfer your scores to page 8 to calculate your total. The guidance provided will help you interpret your results and explore next steps where Humentum can offer support.

Check the agreed score for each statement. Add up the total for each section and transfer it to page 8 to get a total. Then, interpret the score using the guidance given.

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The importance of financial sustainability

Financial sustainability is important for the following:

Creating a viable and sustainable organization

All NGOs need money to run their programs and meet their commitments to the communities they work with. They also need money to maintain their buildings and equipment, and be good employers. But donor funds are becoming scarce and restrictive, especially for smaller NGOs. Financial sustainability explores ways of sustaining all the operations of an NGO (not just its short-term projects) now and into the future.

Reducing dependency

NGOs need a broad range of income to minimize financial risk and strengthen independence and autonomy. Donor funds come with a series of terms and conditions that may be difficult to fulfil and conflict with your organization's own internal policies and procedures. Too much dependency on one source of funds could give too much control to the donor agency, resulting in loss of NGO autonomy. Donor dependency can also make NGOs focus more on the supply of funds and less on the priorities of the communities they work with.

Expansion and development

NGOs operate in a challenging, complex, and changing environment. They need to research and respond to the changing priorities in the communities they work with, often requiring experimental approaches. These initiatives are not easy to fund from traditional sources of restricted funding.

Building up support in the local community

NGOs gain strength and credibility by attracting support from their local community. It is critical to maintain a respectful dialogue with the communities they serve. NGOs that are exclusively funded from external sources are sometimes viewed with suspicion by local and central government agencies.

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Statement of best practice		Score			
1	Our organization's average annual income for the current year (budget) and two previous financial years is: 5 - >\$5,000,000 4 - >\$1,000,000 and <\$5,000,000 1 - >\$500,000 and <\$1,000,000 0 - <\$500,000	5	4	1	0
2	We have an allocated staff member responsible for fundraising	5	4	1	0
3	We have an updated and practical strategic plan	5	4	1	0
4	We have an effective, robust financial management system	5	4	1	0
5	We have strategic financial management policies (i.e. for income, reserves, cost recovery, core costs, ethical fundraising)	5	4	1	0
6	We have an updated risk register and risk management policy	5	4	1	0
7	We have assessed our stakeholders in the last six to nine months	5	4	1	0
8	We have a stakeholder's action plan	5	4	1	0
9	We have mapped our stakeholders in the last six to nine months	5	4	1	0
10	We rely on a single largest and/or three largest funding sources for our programs and/or projects.	5	4	1	0
Page 1 Total					

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	Statement of best practice	Score			
11	We have financial target established in the last six to nine months	5	4	1	0
12	We have alternative sources of financing for our current fiscal year	5	4	1	0
13	We have a good financing strategy and business development to raise all the funds we need for our work	5	4	1	0
14	We have a good mix of longer-term (3 to 5 years) funding and short-term (1 to 3 years) funding	5	4	1	0
15	We seldom incur unexpected and unbudgeted costs that we need to fund from unrestricted income or reserves	5	4	1	0
16	Most of our donors pay in advance, which helps our cashflow	5	4	1	0
17	Most of our donors provide full funding for all overhead or administration costs that are associated with their project grants	5	4	1	0
18	The regulatory and fundraising environment are positive and makes it easy to attract funding and build up our unrestricted reserves	5	4	1	0
19	Our governing board and leadership play an active role in fundraising	5	4	1	0
20	Our governing board and leadership have approved and are implementing a long-term financial plan that relates to the organization's strategy and includes targets for reserves	5	4	1	0
Page 2 Total					

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Statement of best practice		Score			
21	Our governing board and leadership monitor financial performance, including the extent of recovery of overheads or administration costs from project grants	5	4	1	0
22	On average, over the last two years, the unrestricted income of our total income has been a percentage of: 5 - Over 30% 4 - Between 10% to 29% 1 - Less than 10% 0 - Not known	5	4	1	0
23	In our last annual financial accounts (or full year of operation), the percentage of unrestricted reserves representing the overall annual expenditure for that year is: 5 - Over 50% 4 - Between 30% to 50% 1 - Between 15% to 30% 0 - Less than 15% or not known	5	4	1	0
Page 3 Total					
Overall Total					

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Interpreting your score

Record your score in the table and check the appropriate risk assessment.

Score	High risk	Medium risk	Low risk
	0 - 23	24 - 92	93 - 115

Your score is 93 or higher. Well done!

Your organization's approach to financial sustainability is strong. Use this moment to identify small improvements that can make a big difference across all six sections. Ensure your staff is ready to support your organization's financial sustainability:

- **Financial Management for Development Professionals (Finance DPro):** Everyone in an NGO should understand the key principles of good NGO financial management. From managing financial resources more effectively to integrating good financial management systems into your entire organization, this course teaches the key tools for sustainable, resilient finances.

Your score is between 24 and 92. Not bad.

You have established solid foundations in financial sustainability and are on the right track. By focusing on areas with lower scores, you can quickly boost your organization's financial sustainability. Look at your lowest-scoring areas; these are your best growth opportunities. Consider targeted training and capacity strengthening for your senior staff at your organization:

- **Achieving NGO Financial Sustainability:** Learn the practical, actionable steps to achieve (and maintain) financial sustainability to support your NGO's mission

Your score is 23 or less. There is work to be done!.

Your assessment shows important opportunities to improve financial sustainability. The good news is that you've taken an important first step by completing this assessment to identify your focus. Humentum's financial sustainability consultancy can help your organization develop a viable and sustainable financing strategy that aligns with your goals. We don't just assess your sustainability; we help you effectively plan for and finance your mission now and in the future.

Learn more about Humentum's Financial Sustainability consultancy [here](#).

Check out Humentum's full course catalog, including those mentioned above, [here](#).