Financial Report Red Flags!

What stories do your financial reports tell?

What will a potential funder learn?

The following are indications of problems:

- Inability to produce an annual surplus in excess of breakeven. Coverage of all costs (i.e. depreciation and debt reduction) should be an annual goal
- Revenues declining or continually missing budget
- Frequent expense variances from budget
- Decrease in unearned (contributed) revenue
- Negative trends in comparison to prior years’ results (i.e. decreasing revenue or increasing expenses)
- Liquid assets are insufficient to cover Temporarily Restricted Net Assets
- Lack of reserves to address short-term cash flow issues and to fund fixed asset replacement.
- No or low debt capacity
- Deferring needed maintenance of capital assets
- Late completion of your financial audit. Could indicate books and records are not properly maintained.
- Qualified, adverse or disclaimer opinion on audited financial statements
- Internal financial statements are not properly reconciled (net assets do not roll forward from one period to another)
- Financial statements are not reconciled to the Form 990

Learn more about how we can help with your financial storytelling!

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