CREATORS FINANCIAL · A FREE SELF-CHECK

How Many Months Could You Keep Going?

A one-page check for nonprofit leaders and boards

IRS filings show where your organization stood in the past. Your board needs to know where it stands today. This page walks your finance person through one question:

> **If no new money came in, how many months could we cover our expenses with money that's truly ours?**

If the books are current, this should take less than an hour.

STEP 1. SEPARATE THE RESTRICTED MONEY

Restricted money is grant or donor money that can only be spent on a specific purpose. It can't cover payroll if a funder walks away, so it stays out of everything below. **If you aren't sure which of your cash is restricted, stop here.** That is the most common reason this question can't be answered quickly, and it shouldn't be guessed at.

STEP 2. MONEY YOU CAN ACTUALLY USE

Unrestricted cash in the bank	$ _____
Plus money owed to you that will arrive in the next 60 days	$ _____
Minus bills for work already done that you haven't paid yet: last month's invoices, payroll and payroll taxes owed, credit card balances, anything drawn on a line of credit	$ _____
= Money you can actually use (A)	**$ _____**

Leave out any money owed to you that you aren't confident will arrive.

STEP 3. YOUR MONTHLY EXPENSES

Your total expenses for the last 3 months, not counting depreciation	$ _____
÷ 3 = Monthly expenses (B)	**$ _____**

Use actual results from your books, not the budget.

STEP 4. DIVIDE

A ÷ B = months of reserves today: _____

Three months is a widely used minimum. Three to six months is the commonly cited healthy range.

> **For example:** on November 1 you have $100,000 in the bank and owe $20,000 for October work you haven't paid for yet, so you can actually use $80,000. Your expenses for the last three months were $210,000, or $70,000 a month. $80,000 ÷ $70,000 = **about 1.1 months.**

IF YOU GOT STUCK

If you couldn't finish this worksheet in an hour, or had to guess at any number, that is the finding. It points to how the books and reporting are set up, and that's worth fixing before you need the number.

If you'd rather not work it out alone, we'll send your organization's private scorecard from the Vermont Nonprofit Report and walk you through it in 20 minutes, at no cost. Nobody else sees it.

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