


The Magical Nonprofit Financial Ratio Matrix



	CURRENT	MONTHS OF CASH	RELIANCE	FUNDRAISING EFFICIENCY	SELF-SUFFICIENCY	PROGRAM EFFICIENCY
THE MATH	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{\text{Total Cash}}{\text{Monthly Burn Rate}}$	$\frac{\text{Largest Revenue Stream}}{\text{Total Income}}$	$\frac{\text{Unrestricted Donations}}{\text{Fundraising Expenses}}$	$\frac{\text{Earned Income}}{\text{Total Expenses}}$	$\frac{\text{Program Fees}}{\text{Program Expenses}}$
WHAT DOES IT MEAN?	Measures an organization's ability to pay short-term obligations or those due within one year.	How long your organization can sustain services before you run out of money (if no additional funds are raised).	Awareness of risk. Understand if you're overly dependent on one revenue stream.	How efficiently your organization raises money. The average amount raised from every dollar spent on fundraising.	Portion of operations covered by earned income (usually program revenue).	Programmatic financial sustainability.
BENCHMARK	Higher the better	Higher the better	Lower % the better	Usually, higher the better	Higher the better	Higher the better
RED FLAG 	< 1	< 6 months in good times < 12 months in bad times	> 50%	< 1	n/a	n/a
EXPLANATION OF RISK	A current ratio of < 1 indicates your organization does not have capital on hand to pay off debt if it were due all at once.	Just like individuals, the more liquid cash you have in your emergency fund, the better!	If your organization obtains over 50% of your funding from a single source, there is significant risk to your operations if that funding dries up.	If your fundraising efficiency is < 1, it cost you more than \$1 in fundraising expenses to raise \$1. You're operating at a loss. An exception to this red flag could be start-ups or fundraising events that add non-monetary value to the organization.	Self-Sufficiency and Program Efficiency ratios should improve over time as the organization grows. In the early stages, these ratios are lower but the goal is to make them as high as possible. Higher ratios indicate higher sustainability.	