

# get it right on... Financial Warning Signs

It's not just the Treasurer who has to be able to read the financial warning signs for an organisation. To ensure that your organisation stays financially healthy it is vital that all committee members stay alert to indicators of trouble. Here are some of the warning signs you might want to look out for:

- Any variation from the approved budget.**  
 Changes to the budget can mean a change to the organisation's bottom line – and if this is the case, you need to know about it. Make sure that you are receiving regular updates on the organisation's performance.
- Any unexpected fall in revenue year on year/Unexpected large cost increases.**  
 A fall in revenue is not in itself a reason to be alarmed; income streams vary from time to time. Being aware of variations (especially where they are not anticipated) will make sure you stay one step ahead and can take steps to overcome any problems. If the electricity bill jumps from £100 per month to £300 per month, wouldn't you ask why?
- Any unusual, unexpected, and significant expenses.**  
 Large costs suddenly appearing in your accounts will probably throw the budget into chaos. Always confirm any such expenses are one-offs and can be met from resources.
- Significant variation in liabilities (or debts) against the projections**  
 Spiralling debts may be the first sign of ill-health. If the organisation is spending too much, get to the bottom of the problem quickly.
- A reduction in the value of net assets**  
 Net assets are the value of total assets minus total liabilities. Any change in the net assets, therefore, indicates a change in the organisation's value.
- Poorly performing fundraising activities**  
 If fundraising activities are not bringing in the expected revenue, it may be time to start pulling in belts or thinking about other alternatives.
- A lack of clarity as to the sources of funds.**  
 It is wise to know where your organisation's funds come from. This not only keeps you up to date but also makes sure that there is less likely to be any conflicts of interest, legal or ethical considerations to take into account.
- Late reports.**  
 Late reporting is often an indication of poor financial practice. Late reporting constitutes a failure of duty and may stop you from detecting a problem early enough to fix it.
- Vague answers to questions**  
 Committees fail in their duty if they do not ask questions and continue asking them until they are completely satisfied with the answers. Don't be put off by someone responsible for your organisation's financial health, insist on an answer.