

The background of the slide is a golden-yellow color with a dense, repeating pattern of various currency symbols (dollar, euro, yen, pound) in a 3D, embossed style. The symbols are arranged in a way that they appear to be floating or overlapping, creating a textured, metallic effect.

Nonprofit Financial Basics

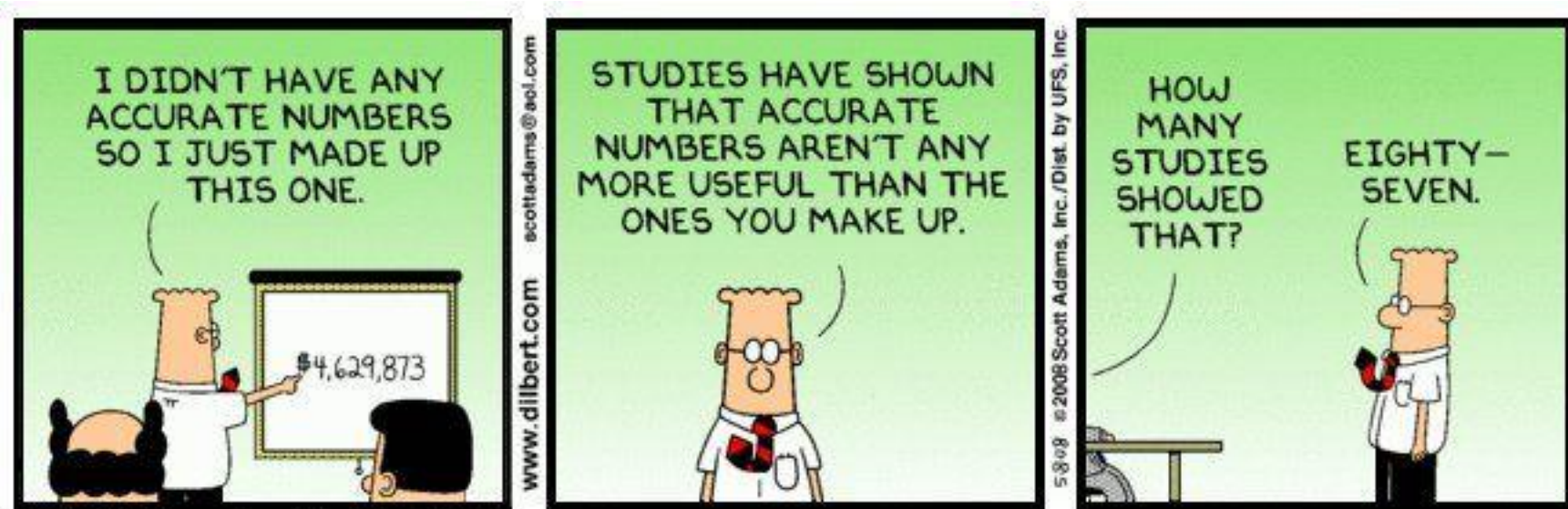
101-The Essentials



Nonprofit Financial Basics-The Essentials Today

- Welcome and Introduction
- About today's class-Why-Who-When-How-What-Where
- Why are you here?
- Who will you meet?
- When will you implement some new learning?
- How will you help other nonprofits?
- What would you learn today?
- Where will you be at this time next year?

Numbers, Numbers, Numbers.....





Numbers, Numbers, Numbers.....

- Recognize finite resources
- Acknowledge the significance of things
 - Assigns value-attention
- Requires setting priorities
- Calculation (math) vs. value
- **Accounting** or accountancy is the measurement, processing, and communication of financial information about economic entities.



Major Considerations

- Cash or Accrual Basis
- GAAP and Non-GAAP items
- Level of Detail
 - Account
 - Program
 - Grant Specific
- Fixed or Variable Costs
- Direct and Indirect Costs
- Compliance Issues

Accounting Principles

- Accounting principles are the **rules and guidelines** that organizations must follow when reporting financial data. The common set of U.S. accounting principles is the generally accepted accounting principles (GAAP).
- Some accounting principles include:
 - Business Entity
 - Going Concern
 - Historical Cost
 - Matching
 - Accounting Period
 - Conservatism
 - Consistency
- Debits and Credits

Start with WHY

"You can't manage
what you don't
measure."

- **Peter Drucker**

Start with WHY

- Accountability and Stewardship
 - Responsible planning and management of resources
 - Responsible planning looks like-
 - Budgeting
 - Forecasting
 - Strategic Plans
 - Responsible management of resources
 - Responsible management of resources looks like-
 - Internal controls, monthly process of recording revenue & expenses
 - **Preparing financial statements**

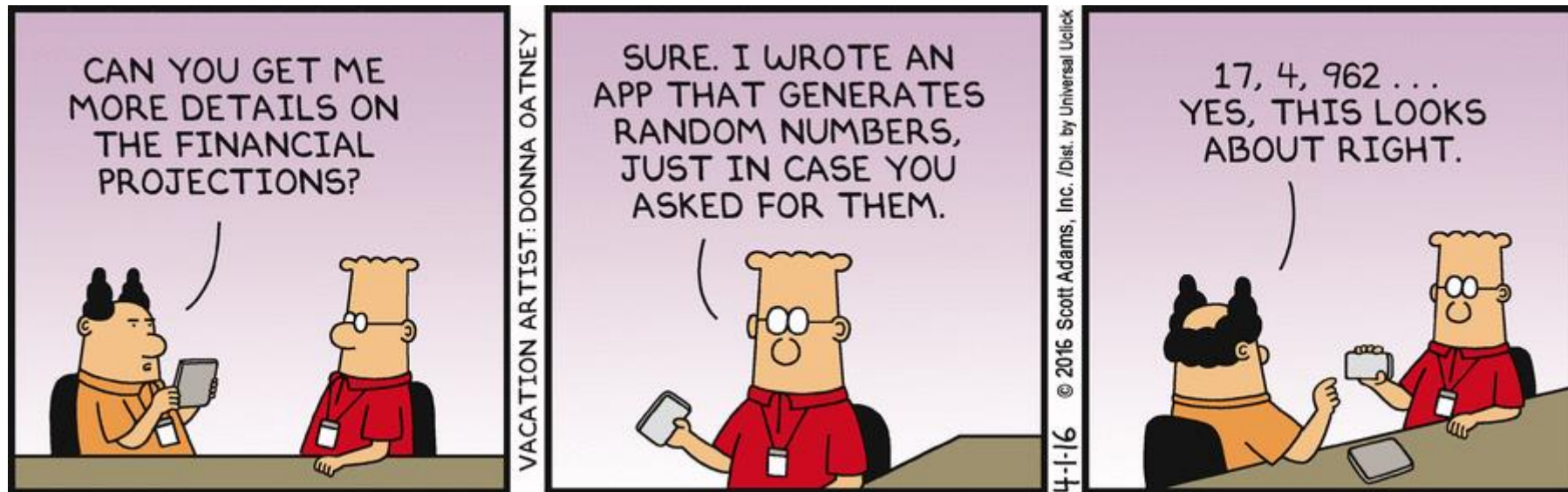
Start with WHY

- Responsible management of resources also looks like-
 - Marketing-Annual report
 - HR-Annual Employee Evaluations
 - IT-Cyber Security efforts
 - Programs-Reporting on Outcomes vs. Output
 - Development-Donor appreciation
 - Facilities-Deferred maintenance

Start with WHY

- Sustainability
 - When a nonprofit has access to the necessary **resources** to sustain itself over the long term, perpetuating its ability to fulfill its **mission**.
- Purpose
 - **Purpose of a for profit business or organization-**
 - The primary purpose of a business is to maximize profits for its owners or stakeholders while maintaining corporate social responsibility.
 - **Purpose of a nonprofit business or organization-**
 - The primary purpose of a nonprofit is for the benefit of the public.

WHO



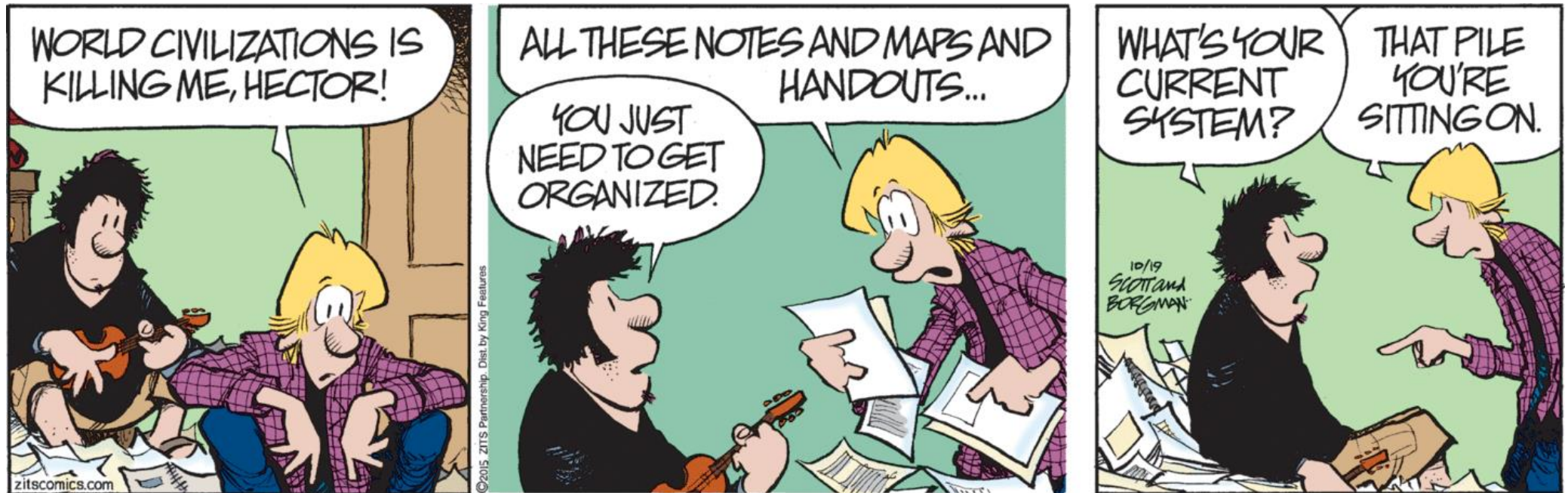
WHO are financial statements for?

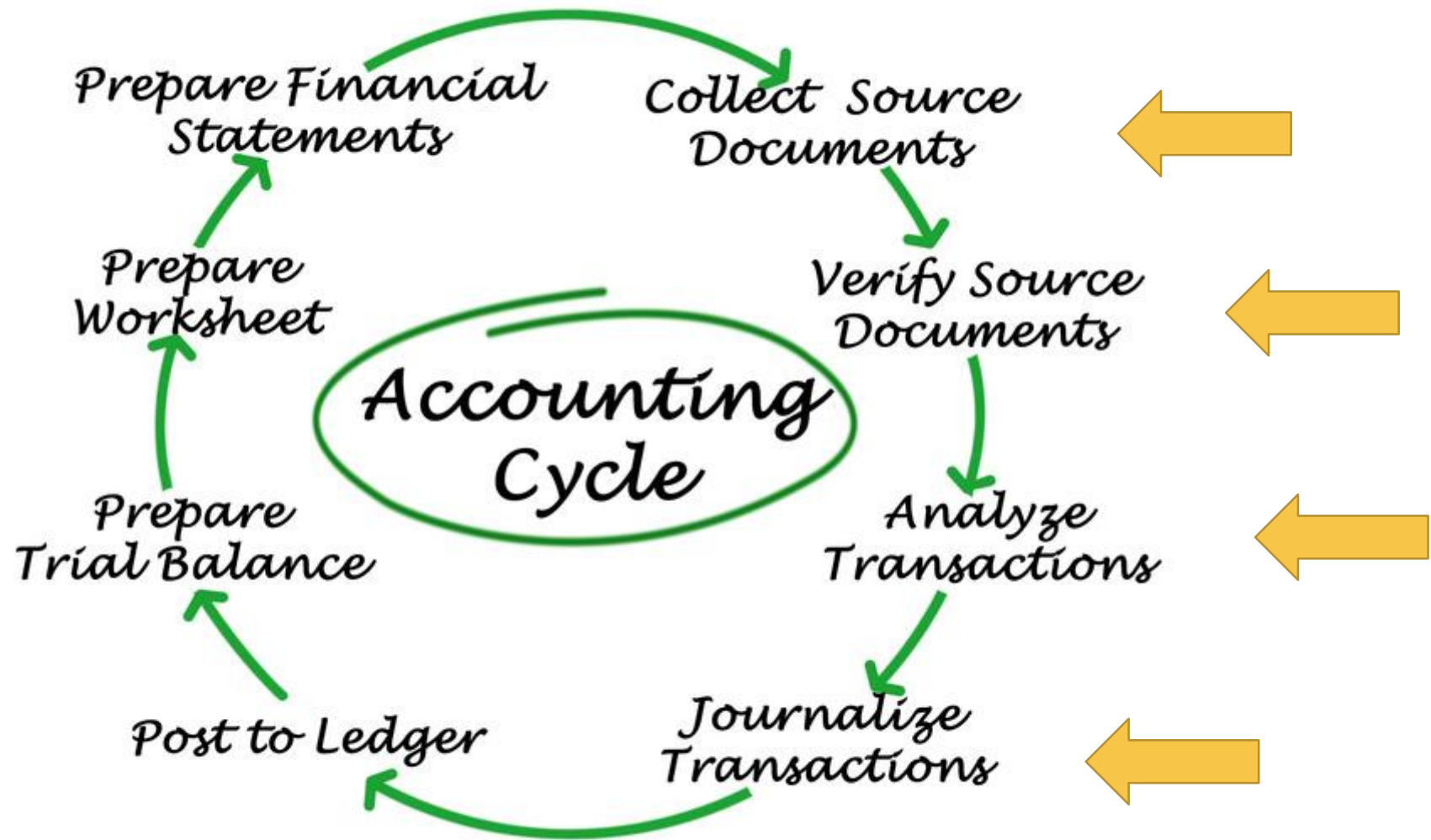
- Internal and External stakeholders
 - **Internal**
 - Management Accounting-Information about past performance and what can be expected in the future
 - Employees/*Volunteers/Managers/*Boards
 - **External**
 - Financial Accounting-Financial statements provide information about the profitability, liquidity, and solvency to evaluate the success and sustainability of an organization.
 - Donors & Sponsors
 - *Boards & *Volunteers
 - Creditors/Vendors
 - Government/Banks/Community
- * Some are dual users

WHEN

- Financial Statements are historical financial data periodically accumulated or measured at a point in time, and presented in an appropriate format, in order to make an economical evaluation.
- Periodic Accounting Cycle
 - Monthly
 - Quarterly
 - Annually
 - As required

HOW



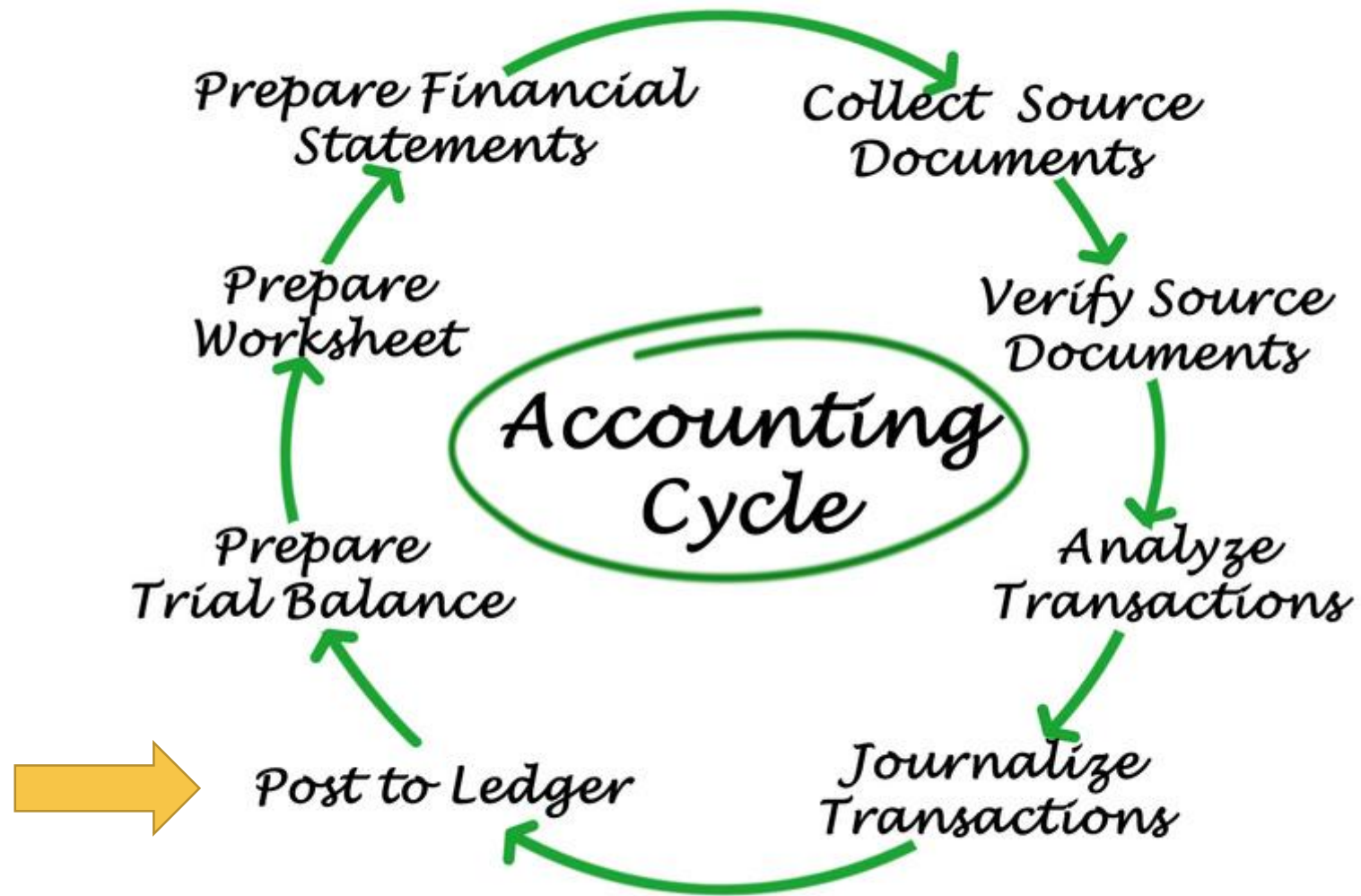


HOW

- Get organized
 - Gather
 - Collect, Sort, Separate, & Cull
 - Materials
 - Shoeboxes & Spreadsheets
 - File folders & File cabinets
 - Create repeatable and consistent process or system
 - Daily, Weekly, Monthly, Annually, or as required

HOW

- Accounting Journals-Source Journals
 - Checkbook
 - Accounts Payable
 - Accounts Receivable
 - General Journal
- Chart of Accounts
- General Ledger
- Trial Balance



<u>Account Category</u>	<u>Account Code</u>	<u>Account Title</u>
<i>Current Assets</i>		
	1000	Cash-Checking
	1020	Petty Cash
	1040	Investments
	1060	Accounts Receivable
	1070	Contributions and Grants Receivable
	1080	Prepaid Expenses
<i>Noncurrent Assets</i>		
	1100	Furniture and Fixtures
	1101	Office Equipment
	1110	Computer Equipment
	1200	Accumulated Depreciation-Equipment
<i>Other Assets</i>		
	1800	Deposits
<i>Current Liabilities</i>		
	2000	Accounts Payable
	2010	Accrued Expenses
	2030	Payroll Taxes Payable
	2040	Current Portion of Notes Payable
<i>Long Term Liabilities</i>		
	2100	Notes Payable
<i>Net Assets</i>		
	3000	Unrestricted
	3100	Permanently Restricted
	3200	Temporarily Restricted
	3001	Net Assets-Current Year



<u>Account Category</u>	<u>Account Code</u>	<u>Account Title</u>
<i>Revenue</i>		
	4000	Contributions
	4100	Government Contracts
	4200	Foundation Grants
	4300	Interest Income
	4400	Investment Income
	4500	Unrealized gain (loss)
	4600	Realized gain (loss)
<i>Expenses</i>		
	5000	Wages
	5100	Consultants
	5200	Legal Fees
	5300	Accountng Fees
	5400	TBD
	5500	TBD
	5600	TBD
<i>Fringe Benefit Costs</i>		
	6010	Vacation
	6015	Holidays
	6020	Sick Leave
	6025	Payroll Taxes
	6030	403(B) Plan
	6035	Health Insurance
<i>Administration</i>		
	7000	Rent
	7110	Utilities
	7120	Telephone & Internet
	7130	Postage
	7140	Office Supplies
	7150	Travel
	7160	Dues and Memberships
	7170	Bank Fees
	7180	Advertising
	7190	Insurance
	7200	Entertainment
	7210	TBD
	7220	TBD
	7230	TBD
	7240	TBD
<i>Other Income/Expense</i>		
	9000	Interest Expense



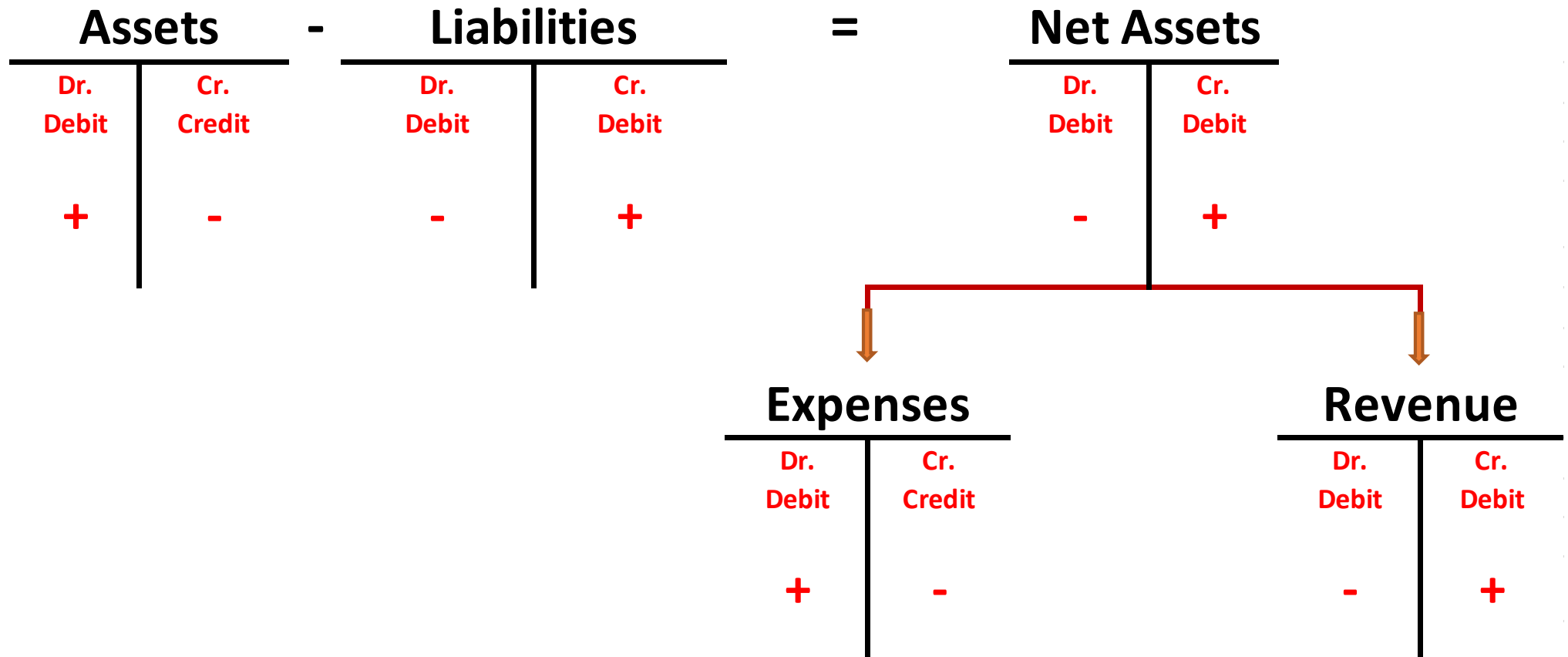
General Ledger

- Picture your bank statement
- Activity (transactions) in each account
- Beginning Balance
 - Plus transactions
- Ending Balance
- How do you know when to debit/credit
 - A L I C E

ALICE

	<u>TO INCREASE</u>	<u>Debit</u>	<u>Credit</u>
A SSET		X	
L IABILITY			X
I NCOME (REVENUE)			X
C APITAL (Net Assets)			X
E XPENSES		X	

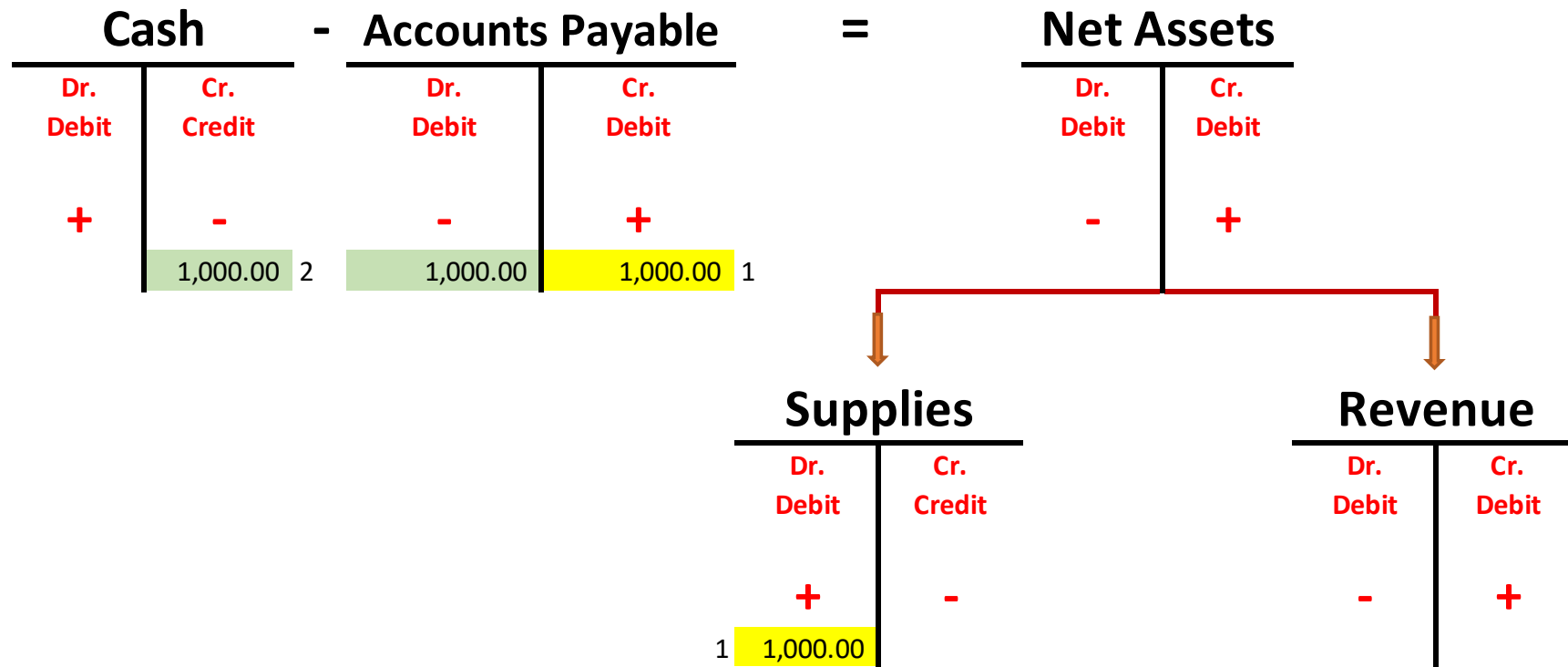
T Accounts



T Accounts

Supplies Expense

Accrual Basis

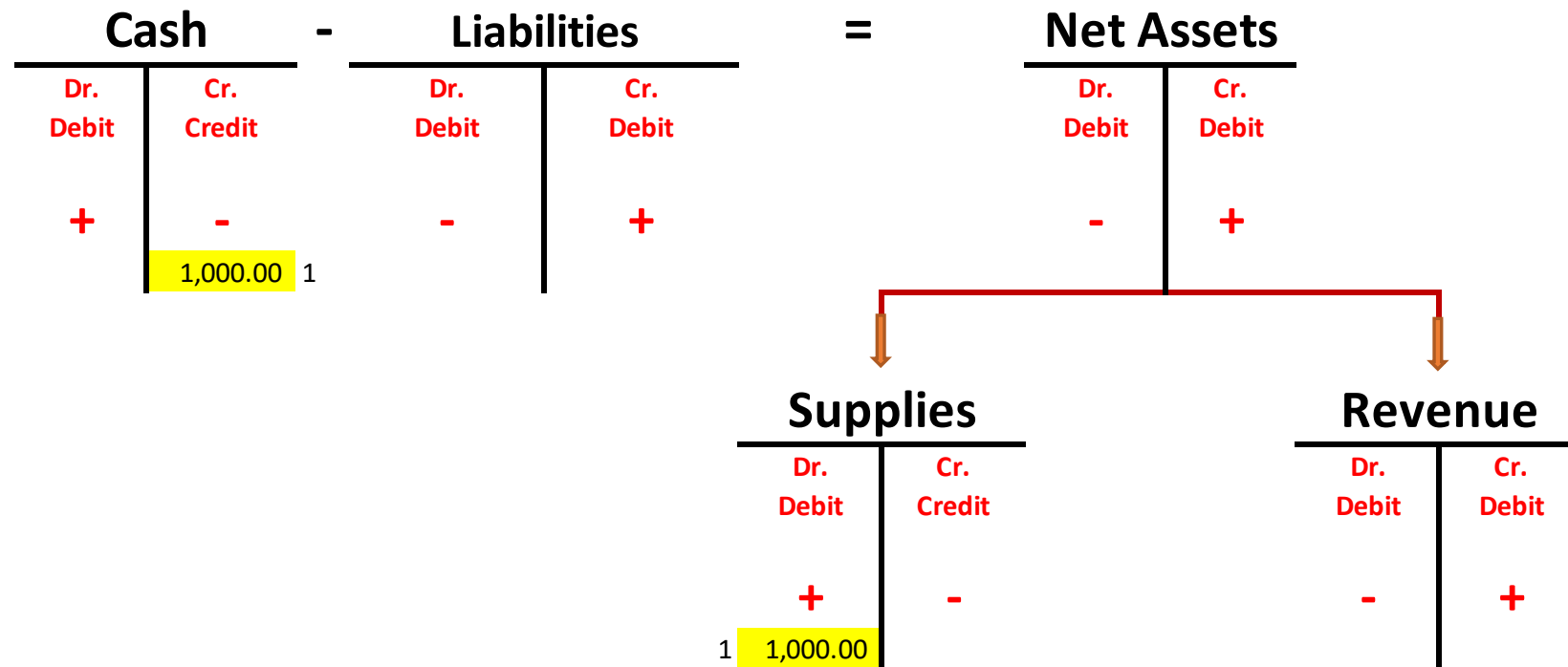


- 1 Record Supplies Expense of 1,000
- 2 Process Check for Accounts Payable of 1,000

T Accounts

Supplies Expense

Cash Basis

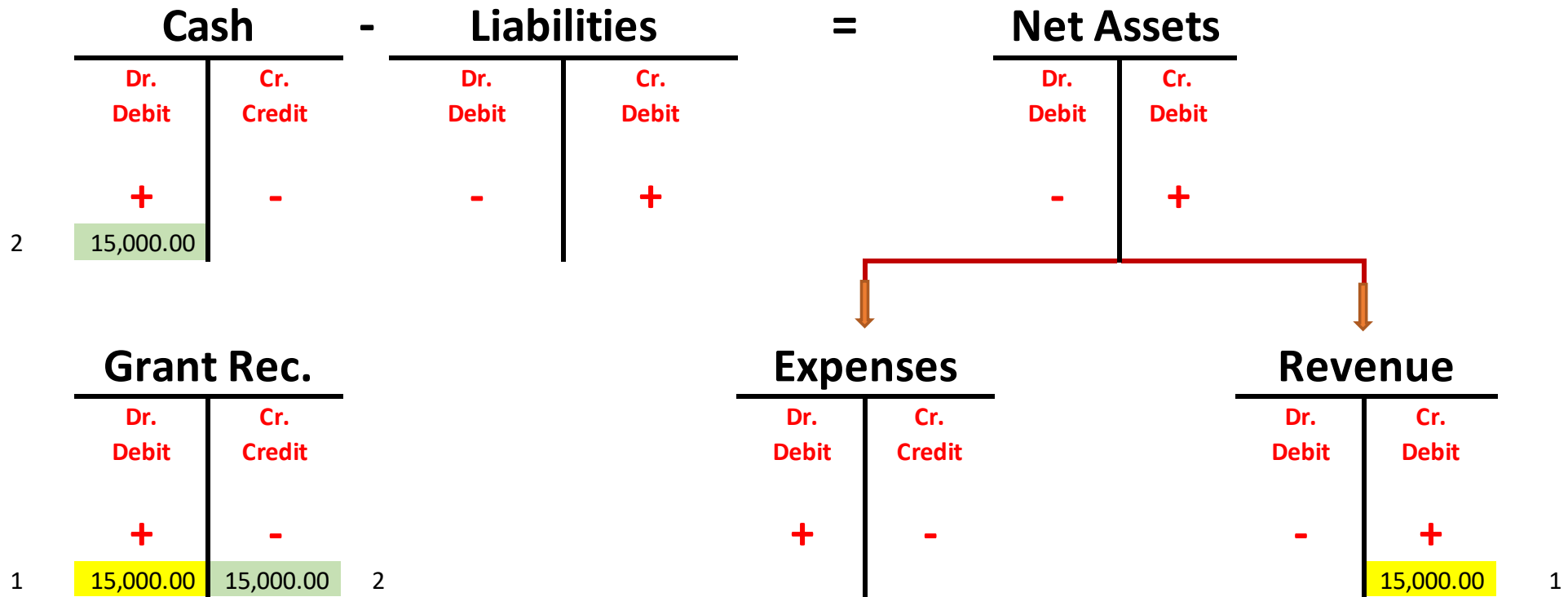


1 Record Supplies Expense of 1,000
 Process Check for Accounts Payable of 1,000

T Accounts

Grant Receivable

Accrual Basis

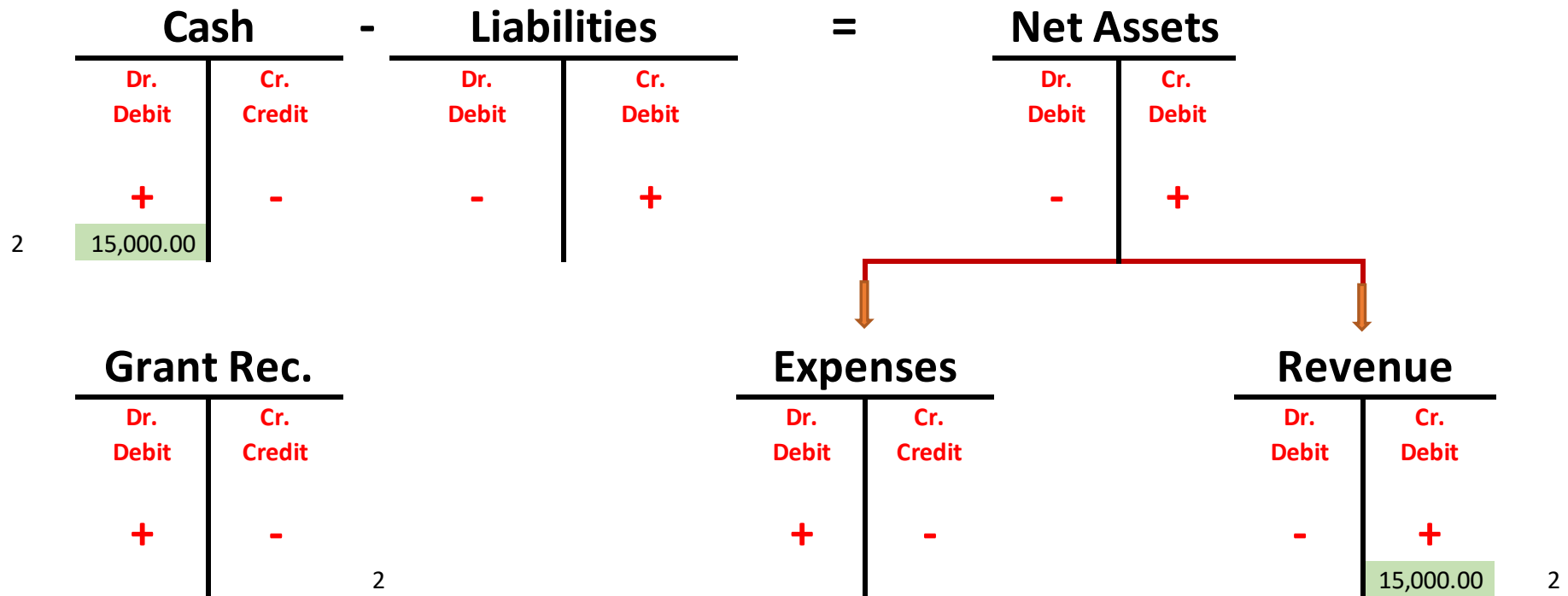


- 1 Record Grant Receivable of 15,000
- 2 Record Receipt of Funds for Grant Rec in the amount of 15,000

T Accounts

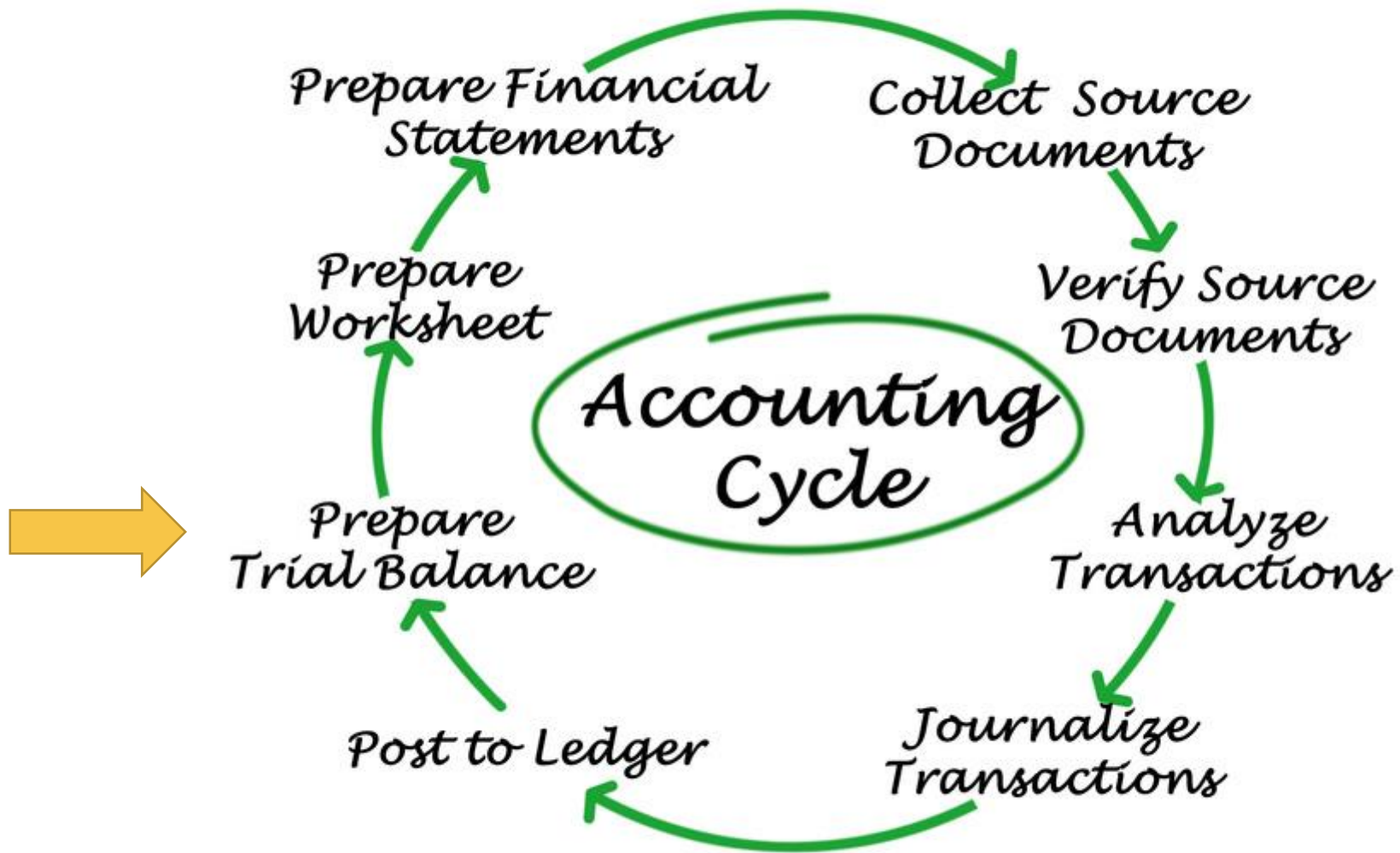
Grant Revenue

Cash Basis



1 Record Grant Receivable of 15,000

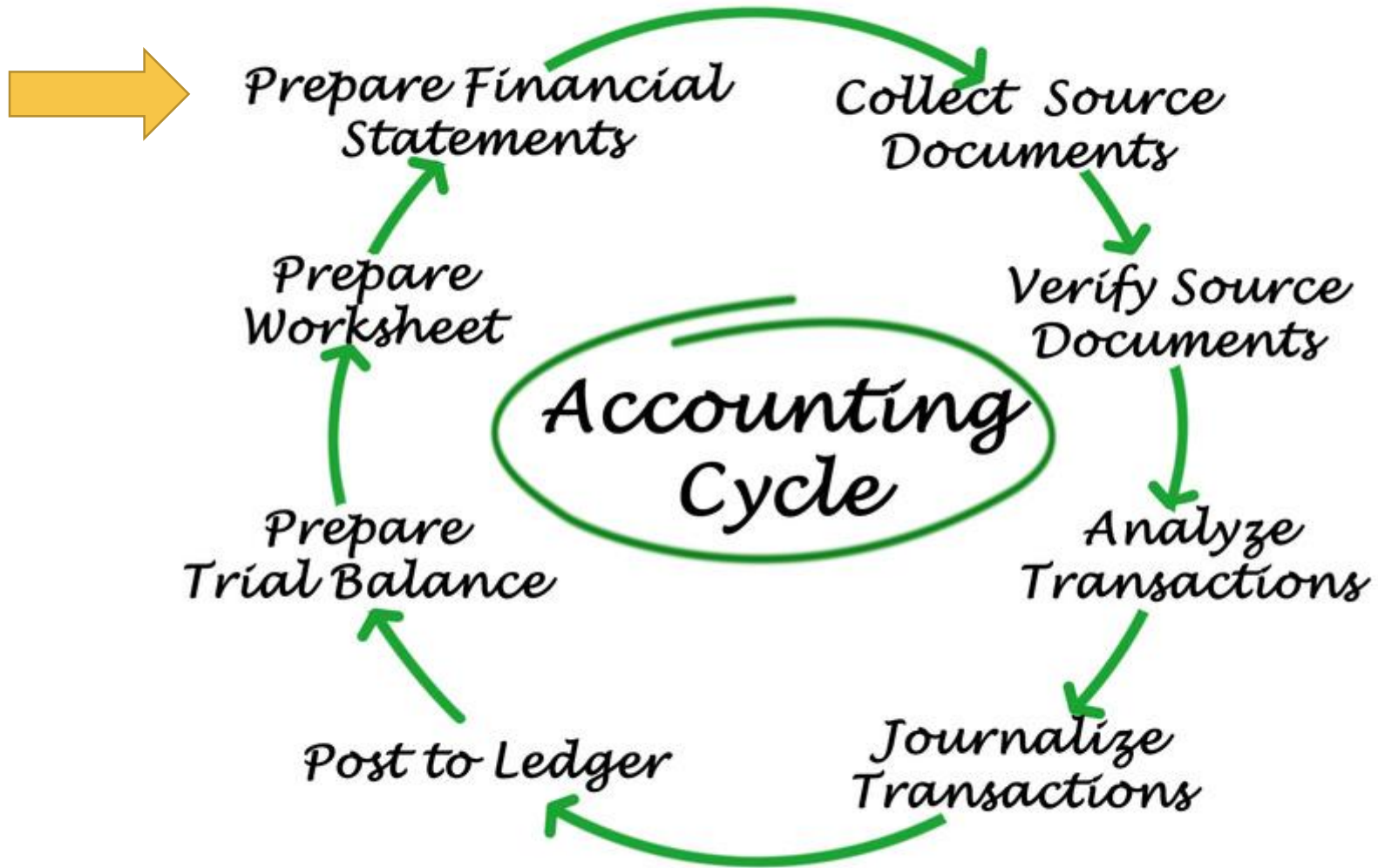
2 Record Grant income in the amount of 15,000



<u>Account Code</u>	<u>Account Title</u>	<u>Debit (Credit)</u>
1000	Cash-Checking	331,879
1020	Petty Cash	1,000
1040	Investments	5,185,296
1060	Accounts Receivable	23,872
1070	Contributions and Grants Receivable	1,549,555
1080	Prepaid Expenses	8,477
1100	Building	150,000
1101	Office Equipment	15,000
1110	Computer Equipment	45,000
1200	Accumulated Depreciation-Equipment	(50,000)
1800	Deposits	
2000	Accounts Payable	(162,222)
2010	Accrued Expenses	(47,796)
2030	Payroll Taxes Payable	(41,039)
2040	Current Portion of Notes Payable	-
2100	Notes Payable	-
3000	Unrestricted	(5,072,906)
3100	Permanently Restricted	(1,190,987)
3200	Temporarily Restricted	
3001	Net Assets-Current Year	



<u>Account Code</u>	<u>Account Title</u>	<u>Debit (Credit)</u>
4000	Contributions	(74,870)
4100	Government Contracts	(350,000)
4200	Foundation Grants	(7,250,000)
4300	Interest Income	(480)
4400	Investment Income	(7,777)
4500	Unrealized gain (loss)	-
4600	Realized gain (loss)	-
5000	Wages	4,633,158
5100	Consultants	240,583
5200	Legal Fees	90,390
5300	Accountng Fees	8,948
5400	TBD	
5500	TBD	
5600	TBD	
6010	Vacation	116,774
6015	Holidays	19,688
6020	Sick Leave	14,566
6025	Payroll Taxes	125,868
6030	403(B) Plan	150,066
6035	Health Insurance	1,161,105
7000	Rent	71,703
7110	Telephone & Internet	60,107
7120	Postage	111,798
7130	Office Supplies	76,561
7140	Travel	14,000
7150	Dues and Memberships	7,865
7160	Bank Fees	4,881
7170	Advertising	1,021
7180	Insurance	737
7190	Entertainment	39
7200	Printing	28,140
7210	TBD	-
7220	TBD	-
7230	TBD	-
9000	Interest Expense	-
	Total	-



HOW

- Sequence-Financial Statements must be prepared in sequence because the information in one statement is needed for the next one.
 - Statement of Activities
 - AKA-Income Statement, Profit/Loss
 - Statement of Net Assets (can be part of Statement of Activities)
 - Statement of Financial Position
 - Balance Sheet
 - Statement of Cash Flows
 - Statement of Functional Expenses (may not be essential)

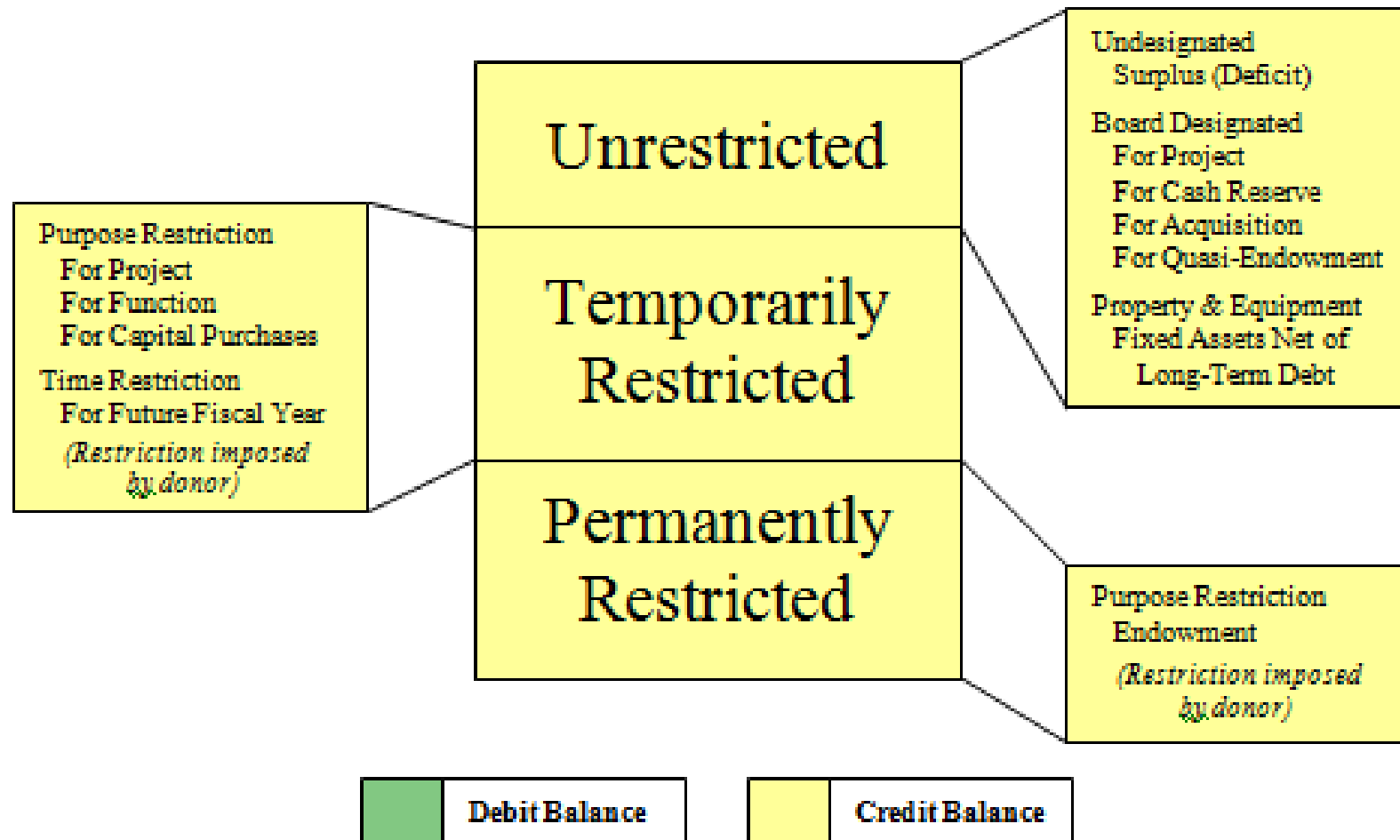


WHAT

Statement of Activities (Income Statement)

- Restricted and Unrestricted
 - Unrestricted
 - Restricted
 - Donor Intent
 - Endowment
 - Time or purpose
 - Board action (designated)

NET ASSETS - DIAGRAM



Do Good, Inc.

STATEMENT OF ACTIVITIES

For the Twelve Months Ending December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 32,470	\$ 42,400	\$ 74,870
Government contracts	350,000	0	350,000
Foundation grants	0	7,250,000	7,250,000
Interest income	480	0	480
Investment income	7,777	0	7,777
Unrealized gain (loss)	0	0	0
Realized gain (loss)	0	0	0
Net assets released from restrictions	6,745,285	(6,745,285)	0
Total Support and Revenue	7,136,012	547,115	7,683,127
EXPENSES			
Program services	6,001,397	0	6,001,397
General and administrative	933,847	0	933,847
Fundraising	2,754	0	2,754
Total Expenses	6,937,998	0	6,937,998
Change in net assets	198,014	547,115	745,129
Net assets at beginning of year	4,681,498	1,582,395	6,263,893
NET ASSETS AT END OF PERIOD	\$ 4,879,512	\$ 2,129,510	\$ 7,009,022



WHAT

Statement of Financial Position (Balance Sheet)

- Assets = Owned
- Liabilities = Owed
- Net Assets (Fund Balance) = Worth or value

Do Good, Inc.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 332,879
Investments	5,185,296
Accounts receivable	23,872
Contributions and grants receivable	1,549,555
Prepaid expenses	8,477

Non-Current Assets

Equipment, net	160,000
----------------	---------

TOTAL ASSETS

\$ 7,260,079

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 162,222
Accrued expenses	47,796
Payroll taxes payable	<u>41,039</u>

Total liabilities

251,057

NET ASSETS

Without donor restrictions	5,818,035
With donor restrictions	<u>1,190,987</u>

Total net assets

7,009,022

TOTAL LIABILITIES AND NET ASSETS

\$ 7,260,079



WHAT

Statement of Cash Flows

- Same as for-profit organizations
- Reports the inflow and outflow of cash within the organization
- Must agree to the Statement of Activities and Statement of Financial Position

Do Good, Inc.
STATEMENT OF CASH FLOWS
Year ended December 31, 2018

Change in net assets	\$ 745,129
Adjustments to reconcile change in net assets to net cash provided by (used) by operating activities:	
Depreciation	14,111
Decrease (increase) in operating assets:	
Contributions and grants receivable	645,519
Accounts receivable	10,824
Prepaid Expenses	1,333
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>(163,088)</u>
Net cash provided (used) by operating activities	1,253,828

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(979,244)
Purchases of equipment	<u>(57,546)</u>
Net cash provided (used) by investing activities	<u>(1,036,790)</u>
Net increase (decrease) in cash and cash equivalents	217,038
Cash and cash equivalents at the beginning of the year	<u>115,841</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 332,879</u>



WHAT

Statement of Functional Expenses

- Details and allocates, in matrix form, the expenses incurred during the reporting period by function and nature.
 - Program Services
 - Direct cost
 - General and Administrative
 - Overhead
 - Fundraising
 - Appeals
 - Events
- Rank list expenses from highest to lowest

Do Good, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Twelve Months Ending December 31, 2018

	Program 1	Program 2	Administrative	Fundraising	Total
Wages	\$ 2,328,801	\$ 1,699,654	\$ 604,703	\$ -	\$ 4,633,158
Fringe benefits	828,944	603,869	155,254	-	1,588,067
Consultants	144,096	75,158	20,829	500	240,583
Postage	71,668	30,431	9,699	-	111,798
Legal fees	50,061	32,487	7,842	-	90,390
Office supplies	6,685	4,444	65,432	-	76,561
Rent	38,262	27,220	6,221	-	71,703
Telephone & Internet	10,654	44,188	5,210	55	60,107
Printing	2,512	1,109	24,518	-	28,139
Travel	-	-	14,000	-	14,000
Accounting fees	-	-	7,839	1,109	8,948
Dues and Membership	500	-	7,365	-	7,865
Bank Fees	-	-	4,872	9	4,881
Advertising	-	-	-	1,021	1,021
Insurance	439	215	62	21	737
Entertainment	-	-	-	39	39
TOTAL	\$ 3,482,622	\$ 2,518,775	\$ 933,847	\$ 2,754	\$ 6,937,998

WHERE

- Manual System
 - Check book
 - Excel spreadsheets

Where

- Computerized-Double Entry
 - Desktop/Cloud
 - Quickbooks, SAGE, Financial Edge, Intaact, MIP
 - Free or low cost

Where

- Internal vs. External
 - Internal
 - Self
 - Bookkeeper
 - Accountant
 - External
 - Bookkeeper
 - Consultant
 - CPA

Where

- Guidestar
- Annual Report
- Attorney General Website
- Your website



A vertical decorative bar on the left side of the slide, featuring a golden-yellow background with various 3D-rendered financial symbols such as the dollar sign (\$), pound sign (£), yen sign (¥), and Euro sign (€).

Contact Information

- Rick Dahlseid, CPA, MS
 - Rick.Dahlseid@gmail.com