



Nonprofit Financial Basics

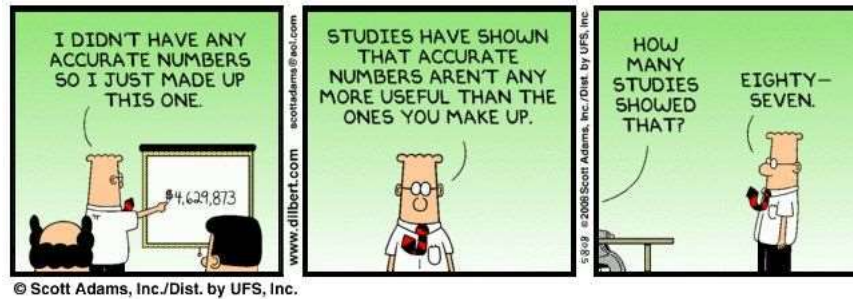
101-The Essentials



Nonprofit Financial Basics-The Essentials Today

- Welcome and Introduction
- About today's class-Why-Who-When-How-What-Where
- What would you like to leave with?

Numbers, Numbers, Numbers.....



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Major Considerations

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

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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
 - Can't manage what you can't measure
 - You can't know whether or not you are successful unless success is defined and tracked
 - Responsible management of resources looks like-
 - Internal controls, monthly process of recording revenue & expenses
 - **Preparing financial statements**

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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

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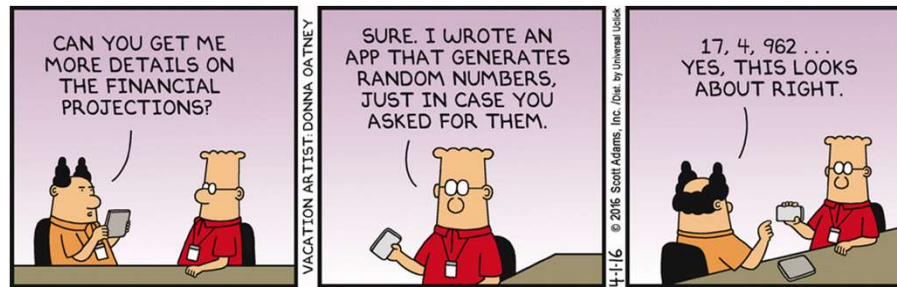
Start with WHY

- 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.
- Can a nonprofit make a profit?
 - No Money, No Mission
 - No Margin, No Mission

Start with WHY

- Sustainability-
 - Nonprofits exist to pursue missions that address the needs of society in such sectors as religion, education, health, social services, commerce, sports, arts, animals and the environment.
 - Nonprofits often make money as a result of their activities and use it to cover expenses.

WHO



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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

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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

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HOW



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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

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)

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WHAT

	<u>Nonprofits</u>	<u>For-profit corporations</u>
Main financial statements required by U.S. generally accepted accounting principles (US GAAP):	Statement of Financial Position	Balance Sheet
	Statement of Activities	Income Statement or Statement of Operations
	Statement of Functional Expenses (by function and nature)	
	Statement of Cash Flows	Statement of Cash Flows
	Notes to Financial Statements	Statement of Stockholders' Equity Notes to Financial Statements

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WHAT Statement of Activities (Income Statement)

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

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Do Good, Inc.
STATEMENT OF ACTIVITIES
For the Twelve Months Ending December 31, 2017

	Unrestricted	Restricted	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

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WHAT Statement of Financial Position (Balance Sheet)

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

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Do Good, Inc.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2017

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
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TOTAL ASSETS \$ 7,260,079

LIABILITIES AND NET ASSETS**LIABILITIES**

Accounts payable	\$ 162,222
Accrued expenses	47,796
Payroll taxes payable	41,039

Total liabilities 251,057

NET ASSETS

Restricted	1,190,987
Unrestricted	5,818,035

Total net assets 7,009,022

TOTAL LIABILITIES AND NET ASSETS \$ 7,260,079

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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

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Do Good, Inc.
STATEMENT OF CASH FLOWS
Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
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>

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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


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Do Good, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Twelve Months Ending December 31, 2017

	Program #1	Program #2	General & Administrative	Fund Raising	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

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WHERE

- Manual System
 - Check book
 - Excel spreadsheets

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Where

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

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Where

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

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Where

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

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.....almost done.....☺



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RECAP

- WHY-
 - Be a Good Steward
- WHO-
 - Others
- HOW-
 - Get organized
- WHAT-
 - 4-Basic Financials
- WHERE-
 - Wherever needed

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Contact Information

- Rick Dahlseid, CPA, MS
 - Legacy NOW!
 - Rick.Dahlseid@gmail.com

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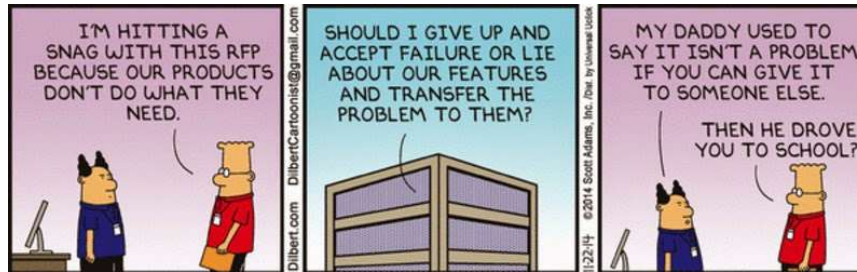
Nonprofit Financial Basics

102-Beyond The Essentials



Nonprofit Financial Basics-Beyond The Essentials Today

- Welcome and Introduction
- About today's class
 - Responding to a Request for Proposal (RFP)
 - Best Practices for Budgeting and Forecasting
 - Key Performance Indicator and Metrics
 - Communicating Financial Performance
 - Financial Statements and the IRS Form 990
- What would you like to leave with?



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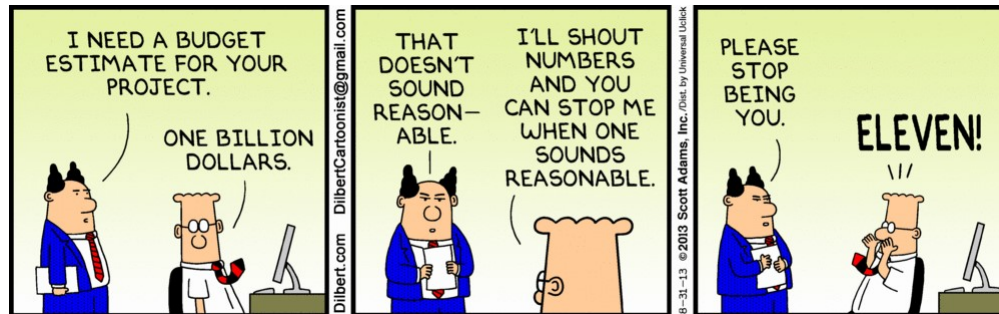
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Responding to an RFP

- Why not?
- Process-Start to Finish
- Follow-through and Follow-up
- Tools

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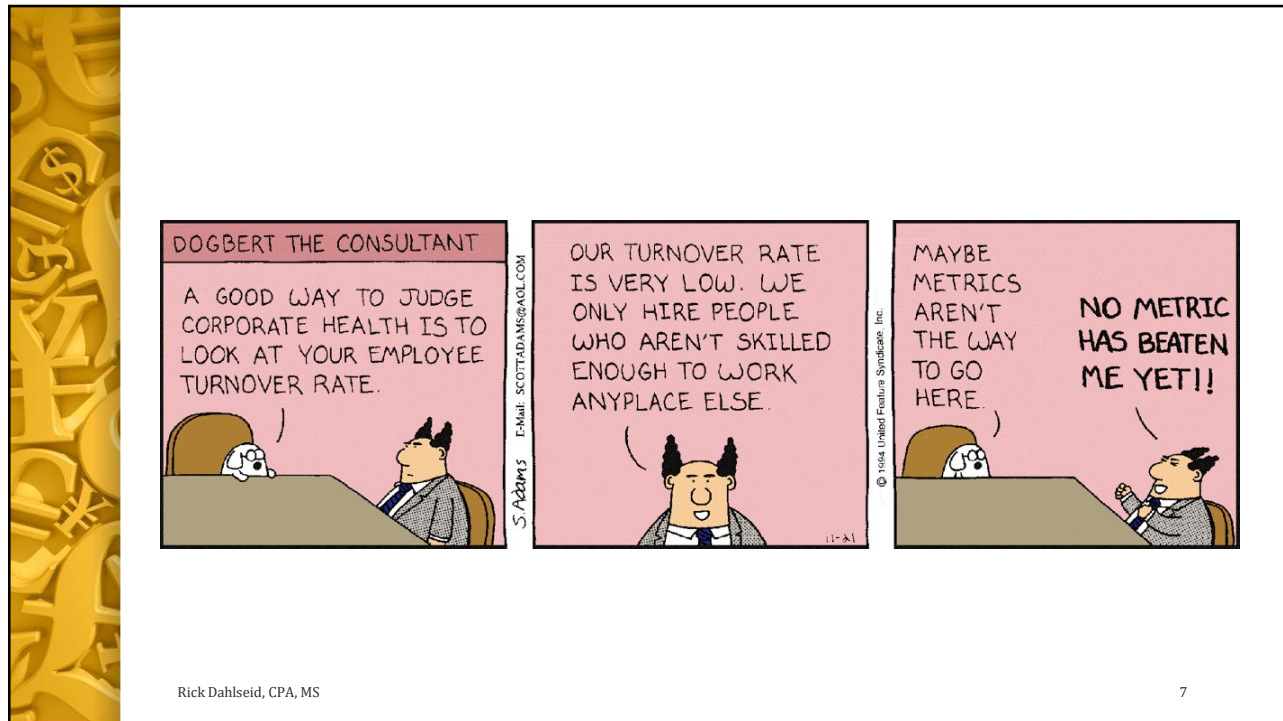
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Best Practices for Budgeting and Forecasting

- Budgeting
 - Timing
 - Foundation
 - Users
- Forecasting
 - Timing
 - Foundation
 - Users
- Tools
- Tips

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Key Performance Indicators and Metrics

- KPI-A Key Performance Indicator (KPI) is a measurable value that demonstrates how ***effectively an organization is achieving key objectives***
- Why-establishing a KPI can help open the door to questions about your organization's performance that you may have missed otherwise.
- Metric-A metric is a quantifiable measure that is used to track and ***assess the status of a specific process.***
- Difference-With metrics, think broad. With key performance indicators, think deep.

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Communicating Metrics

- Collection
- Data Integrity
- Audience
- Dash Boards
 - Static vs. Dynamic
- Graphics and Color

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Financial Statements and the 990

- Financial Statements
- The IRS Form 990
- Differences
- Story Telling



Reporting Requirements

- Compilation
- Review
- Audit
- Other

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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,260,079</u>

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Form 990 **Return of Organization Exempt From Income Tax** OMB No. 1545-0047

Under section 501(c), 501(c)(29), or 408(a)(7)(C) of the Internal Revenue Code (except private foundations).
 Do not enter social security numbers on this form as it may be made public.
 Go to www.irs.gov/Form990 for instructions and the latest information.

2017
Open to Public Inspection

Department of the Treasury Internal Revenue Service

A. For the 2017 calendar year, or tax year beginning July 1, 2017, and ending June 30, 2018

B. Check if applicable:
 Address change
 Name change
 Initial return
 Final return/terminated
 Amended return
 Application pending

C. Name of organization: Good, Inc.
D. Employer identification number: 99-1234567
E. Telephone number: 808-555-1212
F. Street, suite, or P.O. box (do not include street address): Room 100
G. City or town, state or province, country, and ZIP or foreign postal code: San Diego, CA 92123
H. State recipient: 7683127
I. Name and address of principal officer: Jerry Dogooder, 10 Sunshine Avenue, San Diego, CA 92123
J. Website: www.Good.org
K. Form of organization: Corporation
L. Year of formation: 1999
M. State of legal domicile: CA

Part I Summary
 Briefly describe the organization's mission or most significant activities: To help others find their unique purpose in order to share their gift with the world.

2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.	
3 Number of voting members of the governing body (Part VI, line 1a)	3
4 Number of independent voting members of the governing body (Part VI, line 1b)	4
5 Total number of individuals employed in calendar year 2017 (Part V, line 2d)	5
6 Total number of volunteers (estimate if necessary)	150
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a
b Net unrelated business taxable income from Form 990-T, line 34	7b

8 Contributions and grants (Part VIII, line 1)		Prior Year	Current Year
9 Program service revenue (Part VIII, line 2g)	7000000	7324870	7300000
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	5000	8257	5000
11 Other revenue (Part VIII, column (A), lines 5, 6c, 6c, 10c, and 11a)	5000	8257	5000
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	7005000	7683127	7305000
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	6000000	6221225	6000000
14 Benefits paid to or for members (Part IX, column (A), line 4)	500	500	500
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	2754	2754	2754
16a Professional fundraising fees (Part IX, column (A), line 11a)	200000	214273	200000
b Total fundraising expenses (Part IX, column (C), line 20)	6370000	6527988	6370000
17 Other expenses (Part IX, column (A), lines 11a-11d, 11e-11g)	400000	745129	400000
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	6770000	7273117	6770000
19 Revenue less expenses. Subtract line 18 from line 12	235000	330010	535000

Part II Signature Block
 I, the preparer of this return, declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
 Signature of officer: _____ Date: _____
 Title or print name and title: _____

Paid Preparer Use Only
 Preparer's name: _____ Preparer's signature: _____ Date: _____
 Firm's name: _____ Firm's EIN: _____
 May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11382Y Form 990 (2017)

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Contact Information

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 - Rick.Dahlseid@gmail.com