

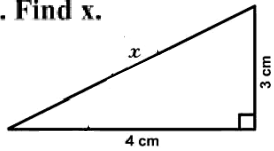


Demystifying Nonprofit Finance: *Fiscal Management for Coalitions*

Steven Zimmerman, CPA, MBA
Sexual Assault Coalition
Resource Sharing Project
National Meeting
May 6, 2010



3. Find x .





Agenda

- Understanding Financial Leadership
- Ensuring Accuracy
 - Staffing
 - Internal Controls
- Financial Reporting
 - What am I looking at and what does it mean?
- Sustainability

What is Financial Leadership



Mission or Money?

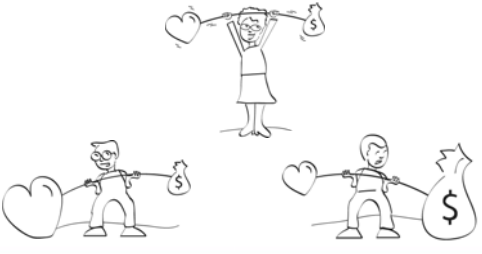


Mission



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Mission AND Money



The illustration shows three stylized figures. In the center, a woman balances a heart on her left arm and a money bag on her right. To her left, a man balances a heart on his left arm and a money bag on his right. To her right, another man balances a heart on his left arm and a money bag on his right.

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Who is involved?



A large, colorful crowd of diverse people is shown. Several individuals in the crowd are circled in red, highlighting their presence in the group.

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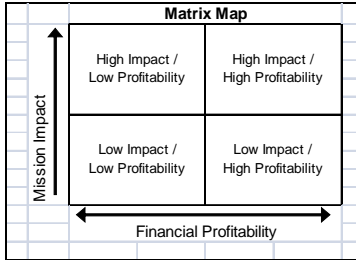
You don't have to do it alone! Where to find board members?



The logos displayed are: Deloitte, CPASM, The Bank of Denver, Wells Fargo, Chamber of Commerce.com, and boardnetUSA.

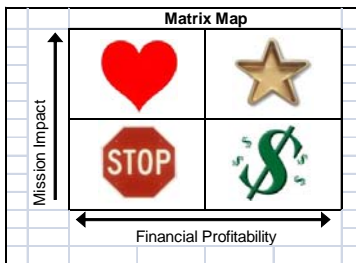


Understand How Your Activities Interrelate





How Activities Interrelate





The Age of Accountability



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Financial Leadership Model

Financial Leadership

1. Ensure Accuracy 2. Assess 3. Plan 4. Communicate

a) Staffing
b) Internal Controls

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The Hiring Spectrum

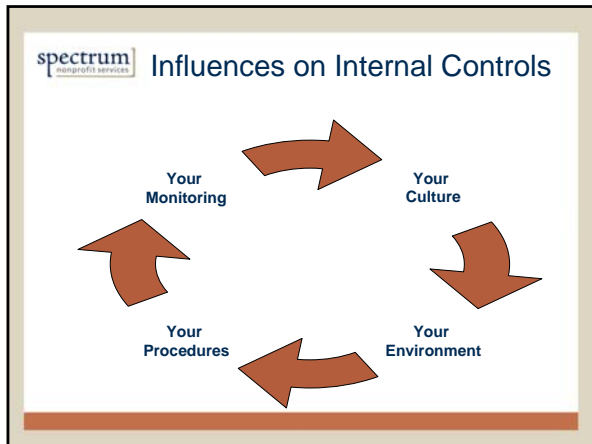
Outsource to contract bookkeeper	Admin. Asst. does bookkeeping with review by CPA	Hire bookkeeper with review by ED?	Hire Controller / Accountant / Director of Finance
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Where you are depends on:
Budget size and complexity of funding.

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Internal Controls

- What are they?
- Why have them?
 - Safeguard the assets of the organization
 - Efficiency of the operations
 - Reliability of financial reporting
 - Compliance with applicable laws & regs.



Who is involved?

Everyone

- Board: Approve and monitor
- Management: Design
- Staff: Implement

Simple Steps to Take

- More than one check signer
- Payroll service
- Board review
- Think about your processes and define responsibilities



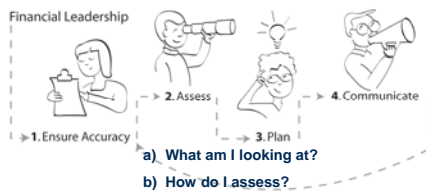
Additional Steps for Internal Controls

- Personnel Policy
- Accounting Policies and Procedures
- Training / Professional Development

- Encourage Vacations



Financial Leadership Model





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Balance Sheet

- Snapshot as of a particular date.
- Cumulative history from the beginning of the company.
- Tells you:
 - How much cash do I have?
 - How much do I owe to people?
 - What is my net worth?

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Income Statement


- For a specified range of time: Usually the fiscal year to date.
- Typically compared with budget to see performance
- Tells you:
 - How much revenue have we earned?
 - Where are we spending our money?
 - What is the "bottom line"?

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**Accounting Concepts:
Contribution Restrictions**

Permanently Restricted

Temporarily Restricted

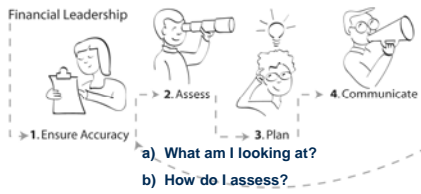


Unrestricted

Accounting Concepts: Functional Expenses

Program Activities	Administration	Fundraising
“Expenses for activities for which the organization was created to conduct.”	“Expenses for overall function and management.” <ul style="list-style-type: none"> • Board expenses • Finance • Legal 	“Expenses incurred in soliciting contributions, grants, etc.”

Financial Leadership Model



Assessing Your Financial Health

- Do we have enough money to pay our bills and meet payroll?



CURRENT RATIO

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

OR

$$\frac{\text{Cash \& Investments}}{\text{Current Liabilities}}$$



How is our cash flow?



Cashflow Forecast

Total Budget	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	1/1 - 3/31	4/1 - 6/30	7/1 - 9/30	10/1 - 12/31
Opening Cash Balance	135,940	45,150	44,150	122,290
Receivables Collected	34,000	14,000		
Contributed Support				
Individuals	215,000	15,000	60,000	40,000
Foundations	425,000	90,000	95,000	150,000
Earned Revenue				
Government contracts	450,000	25,000	125,000	146,140
Interest and dividends	5,000	1,250	1,250	1,250
Total Inflows	1,095,000	165,250	295,250	337,390
Personnel	625,000	156,250	156,250	156,250
Operating	380,000	110,000	100,000	95,000
Capital	29,790	29,790	-	-
Total Outflows	1,034,790	296,040	256,250	251,250
Cash Available	60,210	5,150	84,150	130,290
From (To) Line of Credit	-	40,000	(40,000)	-
From (To) Investments	(50,000)			(8,000)
Closing Cash Balance	45,150	44,150	122,290	194,150
Beginning Investments	75,000	75,000	75,000	83,000
Ending Investments	125,000	75,000	75,000	83,000



Assessing Your Financial Health

- Are we on target with our plan for the year?
- How are we performing compared to budget?



Assessing Your Financial Health

- Do we have an adequate reserve?



Understanding the Reserve



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Understanding the Reserve



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Calculating the Reserve

$$\frac{\text{Unrestricted Net Assets}}{\text{Typical Monthly Expenses}}$$
$$\frac{\text{Unrestricted N.A.} - \text{Fixed Assets}}{\text{Typical Monthly Expenses}}$$

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What is a good reserve?



spectrum nonprofit services **Assessing Your Financial Health**

Are we covering our true costs?

spectrum nonprofit services **Financial Leadership Model**

spectrum nonprofit services **Assessing Financial Health**

- Do we have enough cash to pay our bills?
- How is cash flow?
- Are we on target for the year?
- Do we have an adequate reserve?
- Are we covering our true costs?

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Financial Leadership Model

Financial Leadership

→ 1. Ensure Accuracy → 2. Assess → 3. Plan → 4. Communicate

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Sustainability

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Sustainability . . . *Is a destination*

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Sustainability *Is an orientation*



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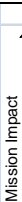



Sustainability

<p><u>Mission or Programmatic</u></p> <ul style="list-style-type: none"> • How do our programs continue to be relevant to our constituents and meet their needs? 	<p><u>Financial</u></p> <ul style="list-style-type: none"> • How do we generate and allocate significant working capital to carry out our mission on an ongoing basis?
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How Activities Interrelate

Matrix Map



Make Hard Decisions



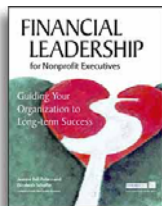


IMPACT & VIABILITY





Resources



Available at:
www.fieldstonealliance.org

A CompassPoint Book:
www.compasspoint.org



Demystifying Nonprofit Finance:
Fiscal Management for Coalitions

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Statement of Financial Position
September 30, 2009

ASSETS

	9/30/2009	12/31/2008
Current Assets		
Cash and cash equivalents	\$ 122,290	\$ 135,940
Donations and grants receivable	105,035	145,340
Other receivables	9,320	12,265
Prepaid insurance	1,330	5,575
	<hr/>	
Total Current Assets	237,975	299,120
Fixed Assets		
Equipment furniture and fixtures	143,505	125,275
Less accumulated depreciation	(41,525)	(36,580)
	<hr/>	
Total Fixed Assets	101,980	88,695
Long Term Investments	<u>76,870</u>	<u>75,000</u>
Total Assets	<u><u>\$ 416,825</u></u>	<u><u>\$ 462,815</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	29,100	85,540
Accrued expenses	25,350	18,300
Current portion of Long term debt	2,420	2,420
	<hr/>	
Total Current Liabilities	56,870	106,260
Long term debt	8,540	10,960
Net Assets		
Unrestricted	196,665	184,795
Temporarily restricted	79,750	85,800
Permanently restricted	75,000	75,000
	<hr/>	
Total Net Assets	<u>351,415</u>	<u>345,595</u>
Total Liabilities and Net Assets	<u><u>\$ 416,825</u></u>	<u><u>\$ 462,815</u></u>

Statement of Financial Position Ratios:

	9/30/2009	12/31/2008
CURRENT RATIO:		
Current Assets	237,975	299,120
Current Liabilities	56,870	106,260
Ratio	4.18	2.81
QUICK RATIO:		
Cash & Cash Equivalents	122,290	135,940
Current Liabilities	56,870	106,260
Ratio	2.15	1.28
TRADITIONAL RESERVE:		
<i>Average Monthly Expenses</i>		
Total Expenses to Date	732,675	732,675
# of Months	9	9
Average Monthly Expenses	81,408	81,408
Unrestricted Net Assets	196,665	184,795
Average Monthly Expenses	81,408	81,408
Reserve	2.42	2.27
LIQUID RESERVE:		
Unrestricted Net Assets	196,665	184,795
Less: Fixed Assets	101,980	88,695
Unrest. NA - Fixed Assets	<u>94,685</u>	<u>96,100</u>
Average Monthly Expenses	81,408	81,408
Liquid Reserve	1.16	1.18
TEMPORARILY RESTRICTED RATIO		
Cash + Grants Receivable	227,325	281,280
Temporarily Restricted Net Assets	79,750	85,800
Ratio	2.85	3.28

Statement of Activities
For the nine months ending September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>SUPPORT AND REVENUES</u>				
Contributions	90,000		-	90,000
Foundation grants	25,000	198,530	-	223,530
Fundraising events, net	76,300		-	76,300
Total Support	191,300	198,530	-	389,830
Government contracts	340,000	-	-	340,000
Fee for Service	4,700	-	-	4,700
Investment Income	3,965	-	-	3,965
Total Revenue	348,665	-	-	348,665
Net Assets Released from Restriction	204,580	(204,580)	-	
Total Support and Revenues	744,545	(6,050)	-	738,495
<u>EXPENSES</u>				
Program Services				
Education & awareness	150,979	-	-	150,979
Counseling services	424,860	-	-	424,860
Consulting	29,944	-	-	29,944
Total Program Services	605,783	-	-	605,783
Supporting Services				
Administration	67,031	-	-	67,031
Fundraising	59,862	-	-	59,862
Total Support Services	126,893	-	-	126,893
Total Expenses	732,675	-	-	732,675
Increase in Net Assets	\$ 11,870	\$ (6,050)	\$ -	\$ 5,820
<u>NET ASSETS</u>				
Beginning of the year	184,795	85,800	75,000	345,595
End of the year	196,665	79,750	75,000	351,415