



# NONPROFIT FINANCE: What You Don't Know Can Cost You

2025 Princeton Community Works

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# LEARNING OBJECTIVES



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1

**Define** fundamental financial terms essential to nonprofit board members.

2

**Summarize** basic nonprofit financial statements and effective financial practices.

3

**Explain** three key pieces of financial information that should matter most to nonprofit boards.

4

**Identify** signs that can indicate financial trouble for a nonprofit organization and potential solutions for addressing them.



# 1

## FUNDAMENTAL FINANCIAL TERMS



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## Generally Accepted Accounting Principles

Common accounting rules and regulations  
in the United States for financial reporting

# GAAP



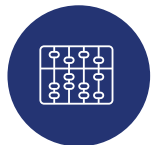
## Fiscal Year

12-month period that an organization uses to report its finances



## General Ledger

Recordkeeping tool that houses an organization's financial transactions



## Chart of Accounts

Listing of all accounts within an organization's accounting information system



## Internal Controls

System of policies, procedures, and protocols designed to protect an organization's assets and prevent errors

There are  
two main  
**accounting  
methods**

## Cash Basis

### Non-GAAP

Reports only how much cash is received or disbursed during a period

## Accrual Basis

### GAAP

Records revenue when earned and expenses when incurred, regardless of when cash is received or paid



## Balance Sheet Accounts

- **Assets:** resources owned by an organization which benefit future periods (things owned)
- **Liabilities:** business obligations (things owed)
- **Equity/Net Assets:** assets left over after liabilities are paid

## Income Statement Accounts

- **Revenues:** revenue earned from providing or selling goods and services or support recognized from contributions and fundraising events
- **Expenses:** costs incurred as a result of doing business



## Functional Expense Classifications

- Expenses must be tracked and reported by both **nature** and **function**
- **Two major functional categories:**
  - **Program Services:** activities that result in delivering goods and services to beneficiaries and fulfill the purpose or mission of the organization
  - **Supporting Activities:** all other activities, such as
    - Management and general
    - Fundraising
    - Membership development



# 2

## BASIC NONPROFIT FINANCIAL STATEMENTS



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# BASIC NONPROFIT FINANCIAL STATEMENTS

## Statement of Financial Position

- Reports what is owned (assets), what is owed (liabilities), and what's left over (net assets)

Balance Sheet

## Statement of Activities

- Summarizes revenues and expenses for the period

Income Statement

## Statement of Cash Flows

- Reports cash receipts and cash payments for the period

Cash Flow

## Statement of Functional Expenses

- Reports expenses by nature and function

Expense Analysis



## Statement of Financial Position

### Basic Info

- Corresponds to the **balance sheet** of a for-profit entity
  - Snapshot at a moment in time (a specific date)
- Provides relevant information about **assets, liabilities,** and **net assets**
- Helps users assess **liquidity** and **financial flexibility**
  - There are a variety of ways to share this information
- Items should be aggregated into like groups

# BASIC NONPROFIT FINANCIAL STATEMENTS



## Statement of Financial Position

<b>DramaMama Theatre Company</b>					
<b>Statements of Financial Position</b>					
<b>June 30, 20X1 and 20X0</b>					
	<u>6/30/20X1</u>	<u>6/30/20X0</u>		<u>6/30/20X1</u>	<u>6/30/20X0</u>
<b>ASSETS</b>			<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash	\$ 86,401	\$ 31,500	Accounts Payable	\$ 40,000	\$ 45,000
Accounts Receivable	73,500	20,000	Accrued Expenses	40,000	10,000
Contributions Receivable, Current Portion	260,000	120,000	Deferred Revenue	67,000	77,000
Prepaid Expenses	25,000	30,000	Line of Credit	-	20,000
Total Current Assets	<u>444,901</u>	<u>201,500</u>	Mortgage Payable, Current Portion	17,765	-
			Total Current Liabilities	<u>164,765</u>	<u>152,000</u>
<b>Fixed Assets</b>			<b>Non-Current Liabilities</b>		
Building	3,510,000	-	Operating Lease Liability	8,000	-
Equipment	175,000	75,000	Mortgage Payable, Non-Current Portion	975,208	-
Operating Lease Right-of-Use	8,000	-	Total Non-Current Liabilities	<u>983,208</u>	<u>-</u>
Less: Accumulated Depreciation	<u>(98,625)</u>	<u>(73,000)</u>			
Total Fixed Assets	<u>3,594,375</u>	<u>2,000</u>	<b>Total Liabilities</b>	<u>1,147,973</u>	<u>152,000</u>
<b>Other Assets</b>			<b>Net Assets</b>		
Cash Restricted to Investment in Building	-	2,600,000	<b>Without Donor Restrictions</b>		
Contributions Receivable, Non-Current	240,000	470,000	Undesignated	3,021,303	(68,500)
Endowment Investments			Board-Designated-Operating Reserves	155,000	135,000
Donor-Restricted	340,000	-	<b>With Donor Restrictions</b>		
Board-Designated	155,000	135,000	Purpose Restrictions	40,000	3,190,000
Total Other Assets	<u>735,000</u>	<u>3,205,000</u>	Time Restrictions	70,000	-
			Perpetual in Nature	340,000	-
<b>Total Assets</b>	<u>\$ 4,774,276</u>	<u>\$ 3,408,500</u>	<b>Total Net Assets</b>	<u>3,626,303</u>	<u>3,256,500</u>
			<b>Total Liabilities and Net Assets</b>	<u>\$ 4,774,276</u>	<u>\$ 3,408,500</u>



## Statement of Financial Position

### Common Errors:

- Failure to report assets and liabilities
  - **For example**, reporting on a cash-basis instead of an accrual-basis
- Funds included in current assets that are donor-restricted and not available for current use
- Donor-restricted revenue reported as deferred revenue
- Board-designated net assets as reported restricted
- Failure to perform monthly bank reconciliations to support cash balances



## Statement of Activities

### Basic info

- Goes by many names - **“Profit and Loss”** or **“Income Statement”**
  - Reports on activity for the period
- Provides information on **revenues, expenses,** and the **change in net assets**
- Reports amounts for:
  - The change in net assets for the period
  - The change in each of the classes of net assets
  - Expirations of donor-imposed restrictions
- Helps users assess whether management has met their **stewardship responsibilities**



# BASIC NONPROFIT FINANCIAL STATEMENTS



## Statement of Activities

<b>DramaMama Theatre Company</b>				
<b>Statements of Activities</b>				
<b>For the Periods Ended June 30, 20X1 and June 30, 20X0</b>				
	Without Donor Restrictions	With Donor Restrictions	6/30/20X1	6/30/20X0
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions				
Cash and Other Financial Assets	\$ 100,000	\$ 520,000	\$ 620,000	\$ 440,000
Nonfinancial Assets	50,000		50,000	
Government Grants		70,000	70,000	70,000
Special Event	7,000		7,000	10,000
Ticket Sales	280,000		280,000	265,000
Education	195,000		195,000	190,000
Camps	75,000		75,000	50,000
Rental Income	35,000		35,000	
Investment Return, Net	20,000	(10,000)	10,000	(15,000)
Other Income	3,500		3,500	1,500
Net Assets Released from Restrictions	220,000	(220,000)		
<b>Total Revenues, Gains, and Other Support</b>	<b>985,500</b>	<b>360,000</b>	<b>1,345,500</b>	<b>1,011,500</b>
<b>EXPENSES</b>				
Productions	474,316		474,316	450,400
Education	79,893		79,893	79,620
Camps	96,375		96,375	77,120
Management and General	200,196		200,196	184,901
Fundraising	124,917		124,917	110,409
<b>Total Expenses</b>	<b>975,697</b>	<b>-</b>	<b>975,697</b>	<b>902,450</b>
Change in Net Assets from Operations	9,803	360,000	369,803	109,050
Contributions for Capital Campaign				3,100,000
Net Assets Released for Building Purchase	3,100,000	(3,100,000)		
<b>Change in Net Assets</b>	<b>3,109,803</b>	<b>(2,740,000)</b>	<b>369,803</b>	<b>3,209,050</b>
Net Assets, Beginning of Year	66,500	3,190,000	3,256,500	47,450
<b>Net Assets, End of Year</b>	<b>\$ 3,176,303</b>	<b>\$ 450,000</b>	<b>\$ 3,626,303</b>	<b>\$ 3,256,500</b>



## Statement of Activities

### Common Errors:

- Failure to report all known revenues and expenses
  - For example, reporting on a cash-basis instead of an accrual-basis
- Gifts not released when donor restrictions have been met
- Failure to record in-kind contributions such as donated goods or services
- Failure to report fundraising expenses
  - Either on the statement, or in the expense analysis



## Statement of Cash Flows

### Basic info

- Reports the change in cash for the period
- Uses the same three categories as for-profits:
  - **Operating activities** – increases and decreases from the production of income and related costs
    - Includes cash received from the immediate sale of donated financial assets
  - **Investing activities** – acquiring or disposing of fixed assets or investments, making or collecting loans
  - **Financing activities** – acquiring or repaying capital
    - Includes receipts from contributions restricted for acquiring long-lived assets or for donor-restricted endowments

# BASIC NONPROFIT FINANCIAL STATEMENTS



## Statement of Cash Flows

INDIRECT METHOD		DIRECT METHOD	
Cash Flows from Operating Activities		Cash Flows from Operating Activities	
Change in Net Assets	\$ 369,803	Cash Received from Donors and Funders	\$ 330,000
Adjustments to Reconcile the Change in Net Assets to Net Cash from Operating Activities		Cash Received from Customers	532,000
Depreciation	25,625	Cash Paid to Employees	(446,250)
Unrealized gain	(10,000)	Cash Paid to Vendors	(381,225)
Increase (Decrease) in Cash from Operating Assets and Liabilities		Cash Interest Paid	(42,597)
Accounts and contributions receivable	36,500		
Prepaid expenses	5,000	Net Cash Flow from Operating Activities	<u>(8,072)</u>
Accounts payable and accrued expenses	25,000		
Deferred Revenue	(10,000)	Cash Flows from Investing Activities	
Contributions restricted for investment in building, equipment, and perpetual endowment	(450,000)	Purchase of theatre building & equip	\$ (3,610,000)
Net Cash Flow from Operating Activities	<u>(8,072)</u>	Purchase of investments, donor-restricted endowment	(350,000)
Cash Flows from Investing Activities		Net Cash Flow from Investing Activities	<u>(3,960,000)</u>
Purchase of theatre building & equip	\$ (3,610,000)		
Purchase of investments, donor-restricted endowment	(350,000)	Cash Flows from Financing Activities	
Net Cash Flow from Investing Activities	<u>(3,960,000)</u>	Payments on line of credit	(20,000)
Cash Flows from Financing Activities		Cash received from mortgage payable	1,010,000
Payments on line of credit	(20,000)	Payments on mortgage payable	(17,027)
Cash received from mortgage payable	1,010,000	Contributions restricted for investment in building, equipment, and perpetual endowment	450,000
Payments on mortgage payable	(17,027)	Net Cash Flow from Financing Activities	<u>1,422,973</u>
Contributions restricted for investment in building, equipment, and perpetual endowment	450,000		
Net Cash Flow from Financing Activities	<u>1,422,973</u>	Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(2,545,099)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(2,545,099)	Cash, Cash Equivalents, and Restricted Cash at Beg of Year	<u>2,631,500</u>
Cash, Cash Equivalents, and Restricted Cash at Beg of Year	<u>2,631,500</u>	Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 86,401</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 86,401</u>		



## Statement of Cash Flows

### Common Errors:

- Failure to display donor-restricted contributions for capital assets as a financing activity
- Reflects interest expense instead of actual cash payments made
- Failure to provide information about noncash gifts



## Statement of Functional Expenses

### Basic info

- Nonprofits are required to provide an **expense analysis** that reports expenses by their **natural classification** and **functional activities**
  - Natural classifications include salaries, rent, professional fees, supplies, etc.
  - Major functional activities include program services and supporting activities
- Entities must disclose a description of the **methods used to allocate costs**

# BASIC NONPROFIT FINANCIAL STATEMENTS

**Auditors can  
no longer  
complete this  
schedule for  
you!**

**DramaMama Theatre Company  
Statement of Functional Expenses  
For the Year Ended June 30, 20X1**

	Program Services				Support Services		6/30/20X1 Total
	Productions	Education	Camps	Program Total	Management and General	Fundraising	
Salaries	\$ 151,850	\$ 25,575	\$ 25,575	\$ 203,000	\$ 93,500	\$ 68,500	\$ 365,000
Payroll Taxes	15,185	2,558	2,557	20,300	9,350	6,850	36,500
Employee Benefits	22,778	3,836	3,836	30,450	14,025	10,275	54,750
<b>Total Personnel Costs</b>	<b>189,813</b>	<b>31,969</b>	<b>31,968</b>	<b>253,750</b>	<b>116,875</b>	<b>85,625</b>	<b>456,250</b>
Insurance	12,031	1,797	1,797	15,625	4,687	4,688	25,000
Marketing	40,000	10,000	10,000	60,000	35,000	5,000	100,000
Office Supplies	14,438	2,156	2,156	18,750	5,625	5,625	30,000
Postage	8,000	2,500		10,500	11,250	1,250	23,000
Production Costs	64,000	2,000	1,000	67,000			67,000
Professional Services	51,253	7,655	7,655	66,563	19,968	19,969	106,500
Repairs and Maintenance	15,963	3,756	2,817	22,536	798	141	23,475
Scholarships			25,000	25,000			25,000
Staff Development	2,080	350	350	2,780	1,282	938	5,000
Telephone and Internet	2,648	395	395	3,438	1,031	1,031	5,500
Miscellaneous	500		250	750			750
Utilities	27,200	6,400	4,800	38,400	1,360	240	40,000
Interest Expense	28,965	6,815	5,112	40,892	1,449	256	42,597
Depreciation	17,425	4,100	3,075	24,600	871	154	25,625
<b>Total Expenses</b>	<b>\$ 474,316</b>	<b>\$ 79,893</b>	<b>\$ 96,375</b>	<b>\$ 650,584</b>	<b>\$ 200,196</b>	<b>\$ 124,917</b>	<b>\$ 975,697</b>

3

## KEY PIECES OF FINANCIAL INFORMATION



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The information that **should matter most** to nonprofit leaders is information that answers these questions.



1

How much cash do we have?  
(i.e. Liquidity)

2

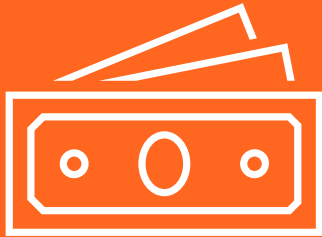
How are we doing in  
comparison to ...?

3

What's our financial story?

1

How much cash  
do we have?



## Things that matter

- **Liquidity needs**
  - Determine whether fundraising or other activities will be needed to cover shortfalls
- **Different cash forecast levels for different scenarios**
  - Short-term, mid-range, long-term
- **Liquidity policy**
  - Operating reserves
  - Excess cash investments
  - Resources available for unanticipated needs



**Let's share samples for how best to present information on cash**

## How much liquid assets does this entity have available?

To start, it's helpful to classify assets as current and noncurrent, as seen to the right.

	<u>6/30/20XX</u>
ASSETS	
Cash and cash equivalents	\$ 2,511,190
Contributions receivable, net	741,230
Accounts receivable	148,805
Contractual tuition and fees receivable	442,340
Gift shop inventory	35,675
Prepaid and other current assets	105,900
Property and equipment, net	18,315,000
Operating lease right-of-use asset	220,000
Investments	1,040,000
<b>Total Assets</b>	<b><u><u>\$23,560,140</u></u></b>

	<u>6/30/20XX</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,145,700
Short-term investments	140,000
Contributions receivable, net current portion	305,460
Accounts receivable	148,805
Contractual tuition and fees receivable	442,340
Gift shop inventory	35,675
Prepaid and other current assets	105,900
<b>Total Current Assets</b>	<b>3,323,880</b>
Fixed Assets	
Property and equipment, net	18,315,000
Operating lease right-of-use asset	220,000
<b>Total Fixed Assets</b>	<b>18,535,000</b>
Other Assets	
Cash restricted for long term purposes	365,490
Contributions receivable, non-current	435,770
Endowment investments	
Donor-restricted	711,000
Board-designated	189,000
<b>Total Other Assets</b>	<b>1,701,260</b>
<b>Total Assets</b>	<b><u><u>\$23,560,140</u></u></b>

## Short-term example



### Weekly Cash Flow Projection

	W/E 11/8/24	W/E 11/15/24	W/E 11/22/24	W/E 11/29/24
Beginning Cash Balance	29,681	25,677	25,677	25,677
<b>Projected Cash Inflows:</b>				
Deposits from Sales	1,325			
Grant Income	9,500			
Membership dues	140			
Board Member Dues	235			
Contributions - Unrestricted	1,030			
Contributions - Donor-Restricted	385			
Program Income	2,000			
Contributions - Gala Event	1,015			
Interest Income	30			
Transfers from Investments				
Line of Credit Proceeds				
<b>Total Inflows</b>	<b>15,660</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Projected Cash Outflows :</b>				
Payroll & Taxes	8,535			
Employee Benefits	2,197			
Retirement Contributions	500			
Vendor Payments - Online	6,850			
Vendor Payments - Checks	1,540			
Other				
Line of Credit Repayment				
Interest on Line of Credit	42			
<b>Total Outflows</b>	<b>19,664</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Cash Balance</b>	<b>25,677</b>	<b>25,677</b>	<b>25,677</b>	<b>25,677</b>
Less: Restricted Cash	385			
Less: Cash Reserve Required by Bank	10,000	10,000	10,000	10,000
<b>Available Cash Balance</b>	<b>15,292</b>	<b>15,677</b>	<b>15,677</b>	<b>15,677</b>
Line of Credit Balance	12,500	12,500	12,500	12,500
Line of Credit Available	27,500	27,500	27,500	27,500

# CASH FORECAST

## Mid-range example

	12-MONTH FORECAST												FORECAST TOTAL	BUDGET TOTAL	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
<b>REVENUE</b>															
Total Revenue	14,500	14,500	62,500	90,000	77,000	120,000	127,500	397,500	79,500	65,000	75,000	102,000	1,225,000	1,225,000	
<b>EXPENSES</b>															
Salaried staff	21,875	21,875	21,875	21,875	21,875	21,875	21,875	21,875	21,875	21,875	21,875	21,875	21,875	262,500	262,500
Hourly staff	5,250	5,250	13,125	13,125	31,500	39,375	52,500	39,375	31,500	13,125	13,125	5,250	262,500	262,500	
Payroll taxes	3,255	3,255	4,200	4,200	6,405	7,350	8,925	7,350	6,405	4,200	4,200	3,255	63,000	63,000	
Benefits	2,170	2,170	2,800	2,800	4,270	4,900	5,950	4,900	4,270	2,800	2,800	2,170	42,000	42,000	
Facility repairs/maintenance	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	105,000	105,000	
Garden and grounds	7,917	7,917	7,917	7,917	7,917	7,917	7,917	7,917	7,917	7,917	7,917	7,917	95,000	95,000	
Cost of merchandise sold	1,000	1,000	2,500	2,500	6,000	7,500	10,000	7,500	6,000	2,500	2,500	1,000	50,000	50,000	
Professional fees	1,120	1,120	2,800	2,800	6,720	8,400	11,200	8,400	6,720	2,800	2,800	1,120	56,000	56,000	
Utilities	7,000	7,000	5,000	4,000	4,000	5,000	7,000	7,000	5,500	5,000	5,000	6,500	68,000	68,000	
Marketing and promotion	955	955	2,388	2,388	5,730	7,163	9,550	7,163	5,730	2,388	2,388	955	47,750	47,750	
Supplies	360	360	900	900	2,160	2,700	3,600	2,700	2,160	900	900	360	18,000	18,000	
Interest expense	63	63	63									63	250	250	
Depreciation	12,500	12,500	12,500	12,500	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	155,000	155,000	
<b>Total Expenses</b>	<b>72,214</b>	<b>72,214</b>	<b>84,817</b>	<b>83,754</b>	<b>118,452</b>	<b>134,054</b>	<b>160,392</b>	<b>136,054</b>	<b>119,952</b>	<b>85,379</b>	<b>85,379</b>	<b>72,339</b>	<b>1,225,000</b>	<b>1,225,000</b>	
<b>CHANGE IN NET ASSETS</b>	<b>(57,714)</b>	<b>(57,714)</b>	<b>(22,317)</b>	<b>6,246</b>	<b>(41,452)</b>	<b>(14,054)</b>	<b>(32,892)</b>	<b>261,446</b>	<b>(40,452)</b>	<b>(20,379)</b>	<b>(10,379)</b>	<b>29,661</b>	<b>-</b>	<b>-</b>	
<b>CASH FLOW ADJUSTMENTS</b>															
Depreciation	12,500	12,500	12,500	12,500	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	155,000		
Purchase of fixed assets				(75,000)									(75,000)		
Change in receivables:					25,000			(200,000)					(175,000)		
Change in payables												30,000	30,000		
Line of credit			(10,000)								10,000		-		
Net cash flow adjustments	12,500	12,500	2,500	(62,500)	38,125	13,125	13,125	(186,875)	13,125	13,125	23,125	43,125	(65,000)		
<b>NET CASH FLOW</b>	<b>(45,214)</b>	<b>(45,214)</b>	<b>(19,817)</b>	<b>(56,254)</b>	<b>(3,327)</b>	<b>(929)</b>	<b>(19,767)</b>	<b>74,571</b>	<b>(27,327)</b>	<b>(7,254)</b>	<b>12,746</b>	<b>72,786</b>	<b>(65,000)</b>		
Beginning Cash	125,000	79,786	34,572	14,755	(41,499)	(44,826)	(45,755)	(65,522)	9,049	(18,278)	(25,532)	(12,786)	125,000		
<b>Ending Cash</b>	<b>79,786</b>	<b>34,572</b>	<b>14,755</b>	<b>(41,499)</b>	<b>(44,826)</b>	<b>(45,755)</b>	<b>(65,522)</b>	<b>9,049</b>	<b>(18,278)</b>	<b>(25,532)</b>	<b>(12,786)</b>	<b>60,000</b>	<b>60,000</b>		

# CASH FORECAST

Long-term  
example



## NFP Organization, Inc. 5 Year Plan

	FY23	FY24	FY25	FY26	FY27	FY28
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
<b>REVENUE</b>						
<i>(unaudited)</i>						
<b>Contributed Income</b>						
Individual Support	\$ 8,327	\$ 45,325	\$ 51,100	\$ 56,900	\$ 58,800	\$ 60,700
Corporate and Foundation	14,000	123,000	152,500	158,000	163,500	169,000
Government Support	221,335	443,500	448,500	453,500	458,500	463,500
<b>Earned Income</b>						
Tuition	13,422	40,000	42,000	44,100	46,305	48,620
School Contracts	18,050	42,000	46,200	50,820	55,902	61,492
Rental Income	-	86,375	172,340	174,919	181,483	188,115
Art Sales	2,000					
Ticket Fees	-	4,230	7,500	7,725	7,957	8,195
Interest Income	-	150	150	155	159	164
Other Income	2,402	-	-	-	-	-
<b>TOTAL REVENUE</b>	<b>279,536</b>	<b>784,580</b>	<b>920,290</b>	<b>946,119</b>	<b>972,606</b>	<b>999,787</b>
<b>OPERATING EXPENSES</b>						
Personnel	149,391	319,000	377,500	384,900	392,300	399,700
Tax and Benefits	24,424	70,180	83,050	84,678	86,306	87,934
Professional Fees	94,268	165,111	199,207	206,047	213,134	220,480
Building Expenses	44,980	115,900	124,000	129,190	134,609	140,268
Program Expenses	7,138	42,500	57,500	59,225	60,966	62,723
Insurance	7,053	20,000	21,000	22,050	23,153	24,310
Travel	621	4,500	5,000	5,150	5,305	5,464
Marketing/Outreach	4,195	18,500	18,300	18,849	19,414	19,997
Postage	2,136	7,000	7,200	7,400	7,600	7,800
Fundraising Expenses	-	5,000	5,000	5,150	5,305	5,464
Other Expenses	8,847	10,000	10,500	11,025	11,576	12,155
<b>TOTAL OPERATING EXPENSES</b>	<b>343,053</b>	<b>777,691</b>	<b>908,257</b>	<b>933,664</b>	<b>959,668</b>	<b>986,295</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>\$ (63,518)</b>	<b>\$ 6,889</b>	<b>\$ 12,033</b>	<b>\$ 12,455</b>	<b>\$ 12,938</b>	<b>\$ 13,492</b>

2

How are we doing in comparison to ...?



Budget



Prior  
periods



**Let's share samples on how to present comparative information...**

# COMPARATIVE INFORMATION – TO BUDGET



**XYZ Nonprofit  
Expenses Compared to Budget  
FYE 12/31/2024**

	Program A	Program B	Program C	Program Subtotal	Thrift Store	Fund - Raising	Fundraising Subtotal	Management & General	Actual Total	Budget Total	Favorable / (Unfavorable)
<b>Personnel</b>											
Salaries	565,000	241,000	276,500	1,082,500	155,400	121,000	276,400	199,000	1,557,900	1,560,000	2,100
Payroll Taxes	50,000	21,500	24,300	95,800	13,000	10,200	23,200	19,200	138,200	117,000	(21,200)
Employee Benefits	86,000	29,000	20,000	135,000	23,000	15,800	38,800	21,000	194,800	189,000	(5,800)
Staff Development	1,800	1,300	650	3,750	150	124	274	3,000	7,024	7,300	276
<b>Total Personal</b>	<b>702,800</b>	<b>292,800</b>	<b>321,450</b>	<b>1,317,050</b>	<b>191,550</b>	<b>147,124</b>	<b>338,674</b>	<b>242,200</b>	<b>1,897,924</b>	<b>1,873,300</b>	<b>(24,624)</b>
<b>Operating</b>											
Rent & Utilities	73,200	17,800	74,400	165,400	67,200	23,000	90,200	36,000	291,600	276,000	(15,600)
Equipment & Maintenance	32,500	16,800	26,800	76,100	14,500	16,100	30,600	15,500	122,200	146,000	23,800
Depreciation	1,600	-	5,600	7,200	4,500	350	4,850	10,700	22,750	22,000	(750)
Professional & Other Fees	7,600	3,700	3,250	14,550	10,000	-	10,000	200,800	225,350	136,300	(89,050)
Office & Administration	30,000	13,600	8,400	52,000	8,700	7,400	16,100	14,000	82,100	105,000	22,900
Travel & Meals	13,000	13,000	7,400	33,400	100	1,200	1,300	11,600	46,300	49,000	2,700
Legal Assistance	105,000	-	-	105,000	-	-	-	-	105,000	81,000	(24,000)
Program Costs	33,800	-	-	33,800	-	-	-	-	33,800	93,500	59,700
Relocation	36,700	-	3,000	39,700	-	-	-	-	39,700	41,000	1,300
Housing Funds	-	-	84,300	84,300	-	-	-	-	84,300	62,200	(22,100)
Grants to other agencies	14,000	7,900	4,000	25,900	-	-	-	-	25,900	-	(25,900)
Donated Services	103,000	4,500	77,000	184,500	-	-	-	-	184,500	185,500	1,000
<b>Total Operating</b>	<b>450,400</b>	<b>77,300</b>	<b>294,150</b>	<b>821,850</b>	<b>105,000</b>	<b>48,050</b>	<b>153,050</b>	<b>288,600</b>	<b>1,263,500</b>	<b>1,197,500</b>	<b>(66,000)</b>
<b>Total Expenses</b>	<b>1,153,200</b>	<b>370,100</b>	<b>615,600</b>	<b>2,138,900</b>	<b>296,550</b>	<b>195,174</b>	<b>491,724</b>	<b>530,800</b>	<b>3,161,424</b>	<b>3,070,800</b>	<b>(90,624)</b>
<b>% to Total</b>	<b>36%</b>	<b>12%</b>	<b>19%</b>	<b>68%</b>	<b>9%</b>	<b>6%</b>	<b>16%</b>	<b>17%</b>	<b>100%</b>		<b>Change -3%</b>



# COMPARATIVE INFORMATION – TO PRIOR PERIODS

## Total Revenue is Trending Up...

The success of our programs has been rewarded with increasing support from funders. As shown below, our total annual revenue has increased from \$1.5M in 2017 to nearly \$2M in 2022. We are currently projected to earn \$2.11M in 2023!

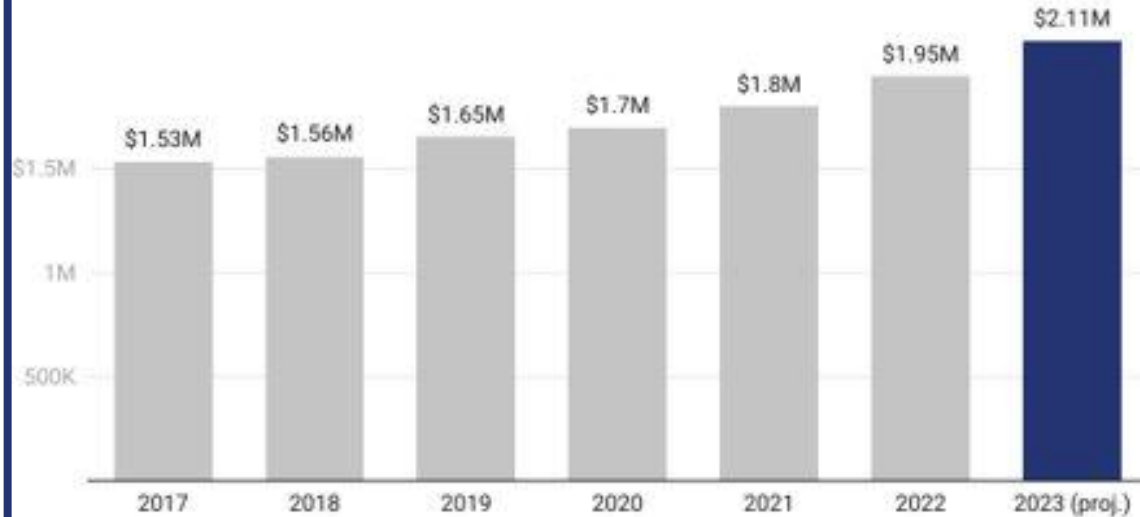
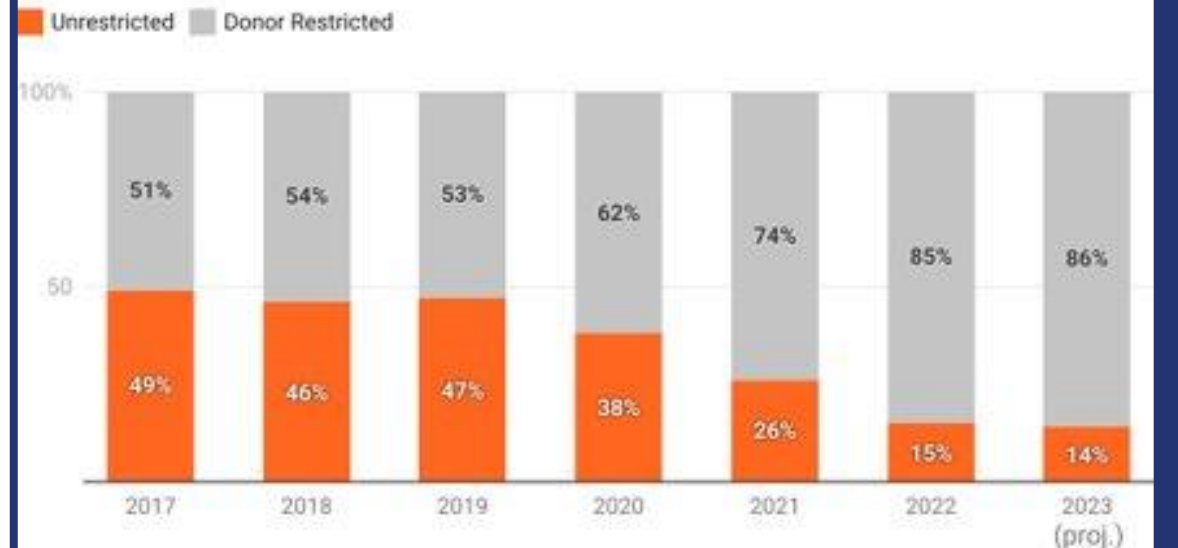


Chart: Staff Artist / YPTC • Source: QuickBooks Online

## ...But Unrestricted Revenue Isn't Keeping Pace

As expected, our overhead costs are increasing in step with our program growth. Yet our revenue is increasingly restricted only to programs. In 2017, 49% of our revenue was unrestricted; by 2022, that number had fallen to 15%. We are projected to be even lower in 2023. In order to continue covering the essential overhead functions that enable our programs, we must raise more unrestricted funds.



Accounting is also collaborating with program directors to optimize our allocation of overhead costs to programs.

Chart: Staff Artist / YPTC • Source: QuickBooks Online

# COMPARATIVE INFORMATION – TO KPI'S



## Key Performance Indicators (KPIs) compared to Target

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
County Campaign Pledges	8,090	16,666	109,387	69,253	141,558	130,759	104,331	31,588	85,106
Prior Year Pledges	75,763	19,675	17,713	68,506	300,797	46,884	75,871	227,107	75,246
<b>Ratio (Target &gt; 100%)</b>	<b>11%</b>	<b>85%</b>	<b>618%</b>	<b>101%</b>	<b>47%</b>	<b>279%</b>	<b>138%</b>	<b>14%</b>	<b>113%</b>
County Campaign Collections	22,853	80,356	45,377	87,975	75,952	156,010	68,358	34,069	68,579
Prior Year Pledge Collections	13,098	130,533	63,676	75,043	354,104	95,942	139,341	35,111	26,806
<b>Ratio (Target &gt; 100%)</b>	<b>174%</b>	<b>62%</b>	<b>71%</b>	<b>117%</b>	<b>21%</b>	<b>163%</b>	<b>49%</b>	<b>97%</b>	<b>256%</b>
Total Payroll Costs	87,725	87,725	87,725	84,951	88,309	93,167	82,424	78,487	83,610
Program Allocated Payroll Costs	53,471	53,471	53,471	44,721	61,552	61,698	53,767	46,522	45,381
<b>Monthly Ratio</b>	<b>61%</b>	<b>61%</b>	<b>61%</b>	<b>53%</b>	<b>70%</b>	<b>66%</b>	<b>65%</b>	<b>59%</b>	<b>54%</b>
<b>Prior Year Monthly Ratio</b>	<b>43%</b>	<b>43%</b>	<b>47%</b>	<b>52%</b>	<b>51%</b>	<b>47%</b>	<b>53%</b>	<b>51%</b>	<b>51%</b>
Deferred Revenue (funding ahead of spend)	512,237	512,237	512,237	214,719	422,098	323,700	611,841	536,795	510,603
Unbilled Contract Costs	(86,192)	(86,192)	(86,192)	(139,481)	(194,663)	(334,708)	(367,532)	(168,268)	(104,339)
<b>Net (Target &gt; \$0)</b>	<b>426,045</b>	<b>426,045</b>	<b>426,045</b>	<b>75,238</b>	<b>227,435</b>	<b>(11,008)</b>	<b>244,309</b>	<b>368,527</b>	<b>406,264</b>

## 3

### What's our financial story?

#### Do's

- Keep it simple
- Focus on the big picture
- Need the good and the bad news
- Analyze things that can be controlled
- Report on operating targets and whether they will be reached

#### Don'ts

- Use of terminology that only accountants would understand
- Bury the most important information
- Focus on immaterial line items
- Report on meaningless key performance indicators

# 4

## SIGNS THAT INDICATE FINANCIAL TROUBLE



The **NONPROFIT** accounting specialists™

# SIGNS THAT INDICATE FINANCIAL TROUBLE



Declining community support



Declining financial independence



Postponing current costs



Ineffective governance

## Red Flags



Decline in individual gifts or membership dues



Decline in number of grant awards



Criticism of organization / programs by the media



## Red Flags



Growing % of expenditures funded by restricted grants, or a single source



Growing % of unrestricted revenues committed to meet match requirements



Continuing decline or deficit in operating income



Growing debt burden



Inability to produce annual surplus



## Red Flags



Deferring needed maintenance or replacement of capital assets



Default on debts



Inability to make payroll or other current expenses



Borrowing” from restricted funds





## Red Flags



Inability to produce timely and accurate financial reports



Continuing budget variances



Failure of management to act, or to accept financial situation



Late completion of financial statement audit



Significant audit adjustments



# FINANCIAL TROUBLE — REMEDIAL ACTIONS



Hire the right team



Increase borrowing



Seek alternative revenue streams



Investigate liquidity sources (LOC)



Research new funding sources



Merge with another nonprofit



Increase program fees



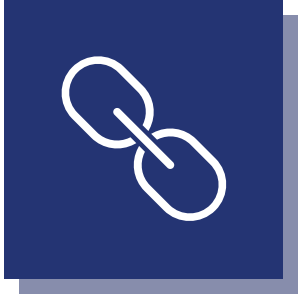
Solicit new Board members



Cut expenses



Ask questions!



## Board responsibilities

- BoardSource: <https://boardsource.org/resources/board-responsibilities-structures-faqs/>

## Good governance policies for nonprofits

- National Council of Nonprofits: <https://www.councilofnonprofits.org/tools-resources/good-governance-policies-nonprofits>

## Key resources (by topics) in nonprofit board service

- BoardSource: <https://boardsource.org/fundamental-topics-of-nonprofit-board-service/>

## YPTC articles about nonprofit accounting

- *Nonprofit Accounting: What Charitable Orgs Need to Know*, <https://www.yptc.com/nonprofit-accounting/>
- *Nonprofit Revenue Recognition: Logic Over Luck*, <https://www.yptc.com/nonprofit-revenue-recognition/>
- *What is an In-Kind Donation?* <https://www.yptc.com/in-kind-donation/>



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