



YVCF
NONPROFIT
EDUCATION
SERIES

Fundamentals of Nonprofit Finance

Christopher Godfrey

Finance Chair, YVCF Community Grant Review Committee

Karen O'Connor

YVCF Finance & HR Director



Fundamentals of Nonprofit Finance

1. What good are your financials?
2. Budget
3. Balance Sheet
4. Income Statement
5. Best Practices
6. The Art of the 990
7. Key Takeaways

1. Understanding Your Finances

- What do your financials tell you?
- How does understanding your finances help you plan for the future?



“Great plan. Could we get some more details?”

Why Nonprofit Finances Matter

Impact: Is the organization able to do what it set out to do?

Efficiency: How well does the organization use its money?

Liquidity: Does the organization have money in the bank?

Profitability: Is the organization generating more money than it spends?

Solvency: Is the organization worth anything?

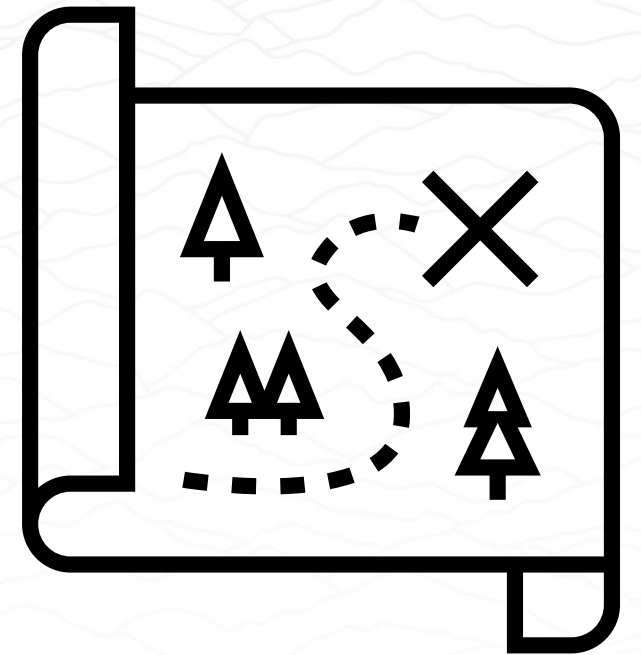
Credibility: Strong, clear financial statements enhance the organization's standing with donors, funders and the community at large.

2. Budget

Budgeting is the planning process that helps nonprofits allocate resources effectively to meet their mission.

1. Projected Income and Expenses
2. Forecasting
3. Board Presentation
4. Scenario Planning

An official, board approved annual budget serves as your financial roadmap for the year.



3. Balance Sheet (definitions)

A **balance sheet** is a report that show's an organization's financial standing at a point in time.

It is a statement or report that shows an organization's financial position – assets, liabilities, and net assets – at the close of business on a particular date.

Assets: What your organization owns

Liabilities: What your organization owes to others

Net Assets: The difference between your assets and liabilities (net worth)

**A REALLY GREAT NONPROFIT ORGANIZATION
(SAMPLE) STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023**

<u>ASSETS</u>		
	<u>2024</u>	<u>2023</u>
Current assets		
Cash and cash equivalents	\$25,843	\$29,843
Investments	17,855	17,440
Accounts receivable	4,833	5,750
Grants receivable	3,467	2,588
Promises to give	18,751	12,144
Prepays and deposits	1,284	1,743
Total Current Assets	72,033	69,508
Land	84,839	84,839
Building and Equipment, net	190,745	189,176
Promises to Give, long-term	6,600	12,550
Endowment Investments	23,203	21,959
	\$377,420	\$378,032
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	\$7,320	\$5,530
Accrued Liabilities	3,220	2,421
Line of credit	15,000	0
Current portion of long-term debt	2,662	2,758
Total Current Liabilities	28,202	10,709
Long-term Debt, less current portion above	47,731	50,489
Total Liabilities	75,933	61,198
Net Assets		
Without donor restrictions	258,115	265,710
With donor restrictions	43,372	51,124
Total Net Assets	301,487	316,834
	\$377,420	\$378,032
Current Ratio	3	6

4. Income Statement (definition)

An **Income Statement** is a financial report that summarizes the income and expenses of an organization during a period of time. It is also referred to as a Statement of Financial Activity or a Profit & Loss Statement.

The income statement shows financial information over a period of time, set at a recurring increment (month, quarter, or year).

It should include YTD actual revenue and expenses, YTD budgeted revenue and expenses, and YTD actual revenue and expenses a year earlier.

Note and briefly explain significant variances both from this year's budget and from last year's actual performance!

**A REALLY GREAT NONPROFIT ORGANIZATION
(SAMPLE) STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2024**

	YTD Actual	YTD Budget	Budget Variance \$	Annual 2024 Budget
Support				
Contributions	\$75,626	\$66,370	\$9,256	\$88,494
Foundation grants-FUN Foundation	15,000	50,000	(35,000)	50,000
Foundation grants - other	25,850	33,750	(7,900)	45,000
Government grants	31,956	24,643	7,313	32,857
Special events	5,055	4,583	472	27,500
Total Support	153,487	179,346	(25,859)	243,851
Revenue				
Admissions	29,759	28,320	1,439	37,759
Membership fees	9,480	9,375	105	12,500
Return on investments	1,659	1,275	384	1,700
Other revenue	674	413	261	550
Total Revenue	41,572	39,383	2,189	52,509
Total Support and Revenue	195,059	218,729	(23,670)	296,360
Expenses				
Salaries, benefits, & taxes	144,764	143,073	1,691	190,764
Occupancy (rent, utilities)	24,686	24,911	(225)	33,214
Grants to others	11,081	18,061	(6,980)	24,081
Professional fees	10,659	11,250	(591)	15,000
Supplies	5,749	6,205	(456)	8,273
Printing	6,832	7,373	(541)	9,830
Insurance	1,386	1,264	122	1,684
Communications	2,237	1,811	426	5,433
Interest	1,865	1,867	(2)	2,490
Miscellaneous	684	713	(29)	950
Depreciation	2,138	2,138	0	2,850
Total Expenses	212,081	218,666	(6,585)	294,569
Excess (Deficit)	(17,022)	\$63	\$(17,085)	\$1,791
Beginning Net Assets	316,834			
Ending Net Assets	\$299,812			

Balance Sheet & Income Statement

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Important Things to Note:

- Anomalies
- Variance
- Revenue Diversification

6. Best Practices

1. Require monthly books to be closed promptly and YTD financial statements prepared for management review by the 15th business day of each month.
2. Review your budget monthly!
3. Have your board review your budget monthly.
4. Cash Flow & Reserves – 3-6 months on hand
5. Tell your narrative in your financials – ADD NOTES!

7. The Art of the Form 990

Unlike other tax returns, the main purpose of the form is not to calculate taxes owed but rather to **provide the IRS and public details about a nonprofit's programs, activities, governance, and policies as well as revenues, expenses, and assets.**

In the context of the Form 990, governance relates to maintaining a nonprofit's exempt purpose, board independence, and certain written policies and procedures.

7. What to Include on Your Form 990

1. Summary – Page 1
2. Statement of Program Service Accomplishments
3. Governance, Management, and Disclosure
4. Schedule O – This is where you can tell your story!
5. Signature

7. IRS Form 990 – Marketing Tool

Form **990** **Return of Organization Exempt From Income Tax**
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code
(except black lung benefit trust or private foundation)
Department of the Treasury Internal Revenue Service

OMB No. 1545-0047
2011
Open to Public Inspection

A For the 2011 calendar year, or tax year beginning , 2011, and ending

B Check if applicable:
☐ Address change
☐ Name change
☐ Initial return
☐ Terminated
☐ Amended return
☐ Application period

C Employer Identification Number

D Gross receipts \$ 5,639,057.

F Name and address of principal officer:
Same As C Above

H(a) Is this a group return for affiliates? Yes ☐ No ☒
H(b) Are all affiliates included? Yes ☐ No ☐
If "No," attach a list. (see instructions)

I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: <http://www.bsa.org>

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation: 1910 **M** State of legal domicile: TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities: The corporation shall promote, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations. (continued on Schedule O)

2 Check this box ☐ 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** 40

4 Number of independent voting members of the governing body (Part VI, line 1b)..... **4** 39

5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)..... **5** 188

6 Total number of volunteers (estimate if necessary)..... **6** 8,700

7a Total unrelated business revenue from Part VIII, column (C), line 12..... **7a** 0.

b Net unrelated business taxable income from Form 990-T, line 34..... **7b** 0.

990 can be used to market your mission and programs

7. Form 990 - Share your story

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III..... ☐

1 Briefly describe the organization's mission:
The corporation shall promote, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations (continued on Schedule O)

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?..... ☐ Yes ☒ No
If 'Yes,' describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services?.... ☐ Yes ☒ No
If 'Yes,' describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 2,864,378. including grants of \$) (Revenue \$ 789,095.)
Traditional Scouting - In the BSA, Scouting is considered to be one movement with three main programs: Cub Scouting is the largest of the three programs, available to boys from first to fifth-grade or 7 to 11½ years. The program is designed to pursue the aims of character development, citizenship training, and personal fitness. Cub Scouting is divided into age-based levels of Tiger Cubs, Wolf Cubs, Bear Cubs, and Webelos Scouts. Boy Scouting is the flagship program of the BSA for boys ages 10 to 18. It uses outdoor activities such as camping, aquatics and hiking to achieve the aims of character, citizenship and personal fitness training. Varsity Scouting is a sub-division of Boy Scouting available to boys ages 14 to 18; it adds a program of high adventure and sporting activities (continued on Schedule O)

4b (Code:) (Expenses \$ 276,242. including grants of \$) (Revenue \$ 52,500.)
Learning for Life/Exploring programs:
Learning for Life offers seven programs designed to support schools and community-based organizations in their efforts to prepare youth to successfully handle the complexities of contemporary society and to enhance their self-confidence, motivation, and self-esteem. The seven programs focus on character development and career education. Learning for Life programs help youth develop social and life skills, assist in character and career development, and help youth formulate positive personal values. It prepares youth to make ethical decisions that will help them achieve their full potential (continued on Schedule O)

4c (Code:) (Expenses \$ 65,740. including grants of \$) (Revenue \$ 47,500.)
Training programs - provided training, administrative and other support to more than

PAGE 2

Statement of Accomplishments

Tells the story of how they are achieving their mission – what impact

8. Key Takeaways

1. Review Your Finances Monthly
 - A. How do your actuals track against your budget?
 - B. Look for anomalies
 - C. Add notes for year-over-year changes or unexpected shifts in expenses/revenues
2. Your Bookkeeper is NOT Your Accountant
3. Make Sure Your Board Understands Your Finances

Questions?

Thank You!

Nonprofit Board Fundamentals

October 28 (Steamboat)

October 30 (Craig)

[Register Here](#)

Creating a Compelling Narrative: Marketing Your Nonprofit

November 13 (Steamboat)

November 14 (Craig)

Reach out to Camille or Greg to learn more!

