



# MAKING SENSE OF NONPROFIT FINANCIALS



No, seriously.

# Our Time Together



1. Purpose of Financial Statements
2. How the Financial Statements Work Together
3. Making Decisions with Financial Statements
4. Communicating with Financial Statements
5. Q&A



# PURPOSE OF FINANCIAL STATEMENTS





NONPROFIT IS A MISNOMER

# Three Reasons to Create Financial Statements



COMPLIANCE



MAKING  
DECISIONS



PERSUASION



MAKING DECISIONS



Measuring  
Performance



Managing Risk



Planning for the  
Future



PERSUASION



Stakeholder  
Assurance



Enhance  
Credibility



Attract Funding  
and Support



Stakeholder  
Assurance



Enhance  
Credibility



Attract Funding  
and Support



Measuring  
Performance



Managing Risk



Planning for the  
Future





CONTEXT IS CRITICAL

# HOW THE FINANCIAL STATEMENTS WORK TOGETHER

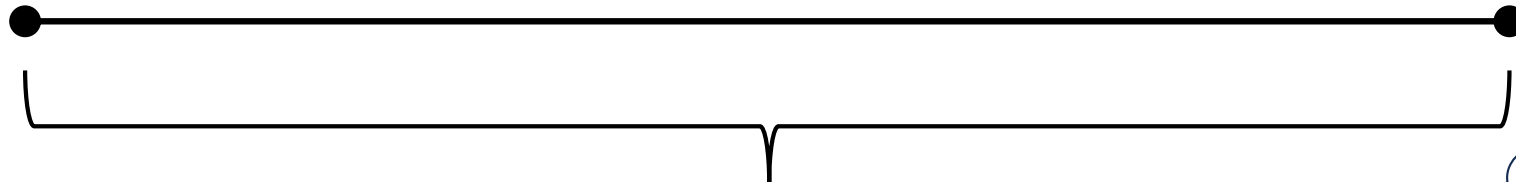


# The Financial Statements

- Balance Sheet
- Statement of Activities
- Statement of Changes in Net Assets
- Statement of Functional Expenses
- Statement of Cash Flows
- Footnotes

Opening  
Balance  
Sheet

Closing  
Balance  
Sheet



Statement of Activities  
Statement of Changes in Net Assets  
Statement of Functional Expenses  
Statement of Cash Flows

Footnotes



# MAKING DECISIONS WITH FINANCIAL STATEMENTS





KEEP IN-KIND IN MIND



## Financial Analysis with Ratios

- Liquidity – What's our cash situation?
- Leverage – Are we overextended?
- "Profitability" – Should we keep doing this?
- Relative size comparisons
- Trend analysis



# Liquidity

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Working Capital

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Current Ratio and Quick Ratio

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Days Cash on Hand

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Cash Conversion Cycle



# Leverage

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Debt Ratio

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Debt to Net Assets Ratio

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Debt Service Coverage Ratio

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# “Profitability”

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Operating Margin

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Revenue Growth Rate

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Expense Growth Rate

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# Relative Size Comparisons

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Types of Revenue and Expense

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Types of Assets and Liabilities

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Types of Net Assets

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Benchmarking

## Consolidated Statements of Functional Expenses

|  | Program Services                             |  |                              | Supporting Services       |              |  |                                 |         |
|--|--|--|------------------------------|---------------------------|--------------|--|---------------------------------|---------|
|  | Content<br>production<br>and<br>distribution | Digital,<br>content<br>support, and<br>other | Total<br>program<br>services | Management<br>and general | Fundraising  | Facilities<br>and<br>Information<br>Technology | Total<br>supporting<br>services |         |
| <i>As of September 30,</i>             |  |  |                              |                           |              |  |                                 |         |
| ation, benefits, and taxes             | \$121,521,523                                | \$20,117,720                                 | \$141,639,243                | \$ 44,318,909             | \$ 4,753,758 | \$10,620,265                                   | \$ 59,692,932                   | \$201,3 |
| cquisition and production              | 37,611,007                                   | 11,821                                       | 37,622,828                   | 143,270                   | 26           | 12,189   | 155,485                         | 37,7    |
| eous contracted services               | 2,825,874                                    | 8,224,697                                    | 11,050,571                   | 8,657,393                 | 436,751      | 3,607,257                                      | 12,701,401                      | 23,7    |
| ase, utilities, taxes, and<br>expenses | 1,242,171                                    | —  | 1,242,171                    | 1,145,833                 | 3,319        | 3,686,602                                      | 4,835,754                       | 6,0     |
| ity, supplies, postage, and            | 1,373,991                                    | 632,033                                      | 2,006,024                    | 1,287,431                 | 85,278       | 1,904,625                                      | 3,277,334                       | 5,2     |
| ice expenses                           | 1,912,729                                    | —  | 1,912,729                    | —                         | —            | —  | —                               | 1,9     |
| pace and equipment                     | 693,344                                      | —  | 693,344                      | 59,771                    | —            | 3,117,291                                      | 3,177,062                       | 3,8     |
| nd maintenance                         | 3,929,200                                    | 78,219                                       | 4,007,419                    | 995,820                   | 205,113      | 242,332  | 1,443,265                       | 5,4     |
| ferences, meetings, and                | 55,558                                       | 2,626,759                                    | 2,682,317                    | 4,270,020                 | 6,202        | —  | 4,276,222                       | 6,9     |
| d assistance to third                  | 1,089,732                                    | —  | 1,089,732                    | 120,000                   | —            | —  | 120,000                         | 1,2     |
| ion and amortization                   | 334,354                                      | 259,136                                      | 593,490                      | 572,617                   | —            | 6,844,018                                      | 7,416,635                       | 8,0     |
|  | —  | —  | —                            | —                         | —            | 5,630,785                                      | 5,630,785                       | 5,6     |
|  | 4,376,940                                    | 1,085,735                                    | 5,462,675                    | 914,025                   | 141,851      | 131,026  | 1,186,902                       | 6,6     |
| enses before donated                   | 176,966,423                                  | 33,036,120                                   | 210,002,543                  | 62,485,069                | 5,632,298    | 35,796,390                                     | 103,913,777                     | 313,9   |
| nd services                            | —  | 1,279,274                                    | 1,279,274                    | 1,078,645                 | —            | —  | 1,078,645                       | 2,3     |
| oods and services                      | —  | —  | —                            | —                         | —            | —  | —                               | —       |
| enses and losses                       | \$176,966,423                                | \$34,315,394                                 | \$211,281,817                | \$ 62,563,714             | \$ 5,632,298 | \$35,796,390                                   | \$104,992,422                   | \$316,2 |

*Continued on the next page*



# COMMUNICATING WITH CHARTS AND GRAPHS





# STORYTELLING WITH DATA VISUALIZATIONS



WATCH YOUR VERTICAL

## Resources

- [National Council of Nonprofits](#)
- [nonprofitready.org](#) – free Certificate in Nonprofit Finance
- [Kellogg @ Northwestern](#) – free videos
- LinkedIn Learning modules
- [Baylor University Continuing Education](#)





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