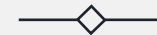




# MAKING SENSE OF NONPROFIT FINANCIALS



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





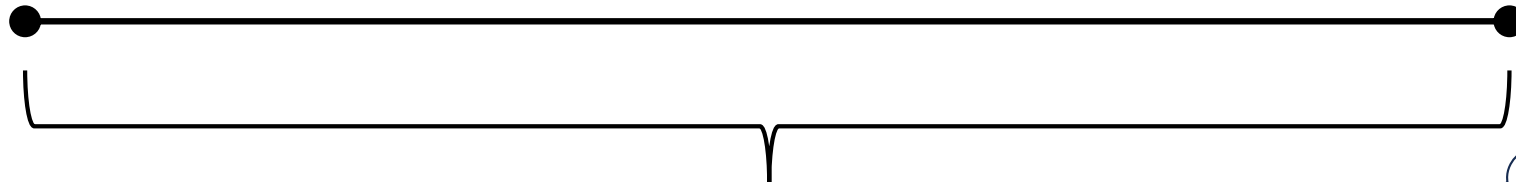
# The Financial Statements

- 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

---

Current Ratio and Quick Ratio

---

Days Cash on Hand

---

Cash Conversion Cycle



# Leverage

---

Debt Ratio

---

Debt to Net Assets Ratio

---

Debt Service Coverage Ratio

---



# “Profitability”

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Operating Margin

---

Revenue Growth Rate

---

Expense Growth Rate

---



# Relative Size Comparisons

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Types of Revenue and Expense

---

Types of Assets and Liabilities

---

Types of Net Assets

---

Benchmarking



## Consolidated Statements of Functional Expenses

	Program Services			Supporting Services				
	Content production and distribution	Digital, content support, and other	Total program services	Management and general	Fundraising	Facilities and Information Technology	Total supporting 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 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





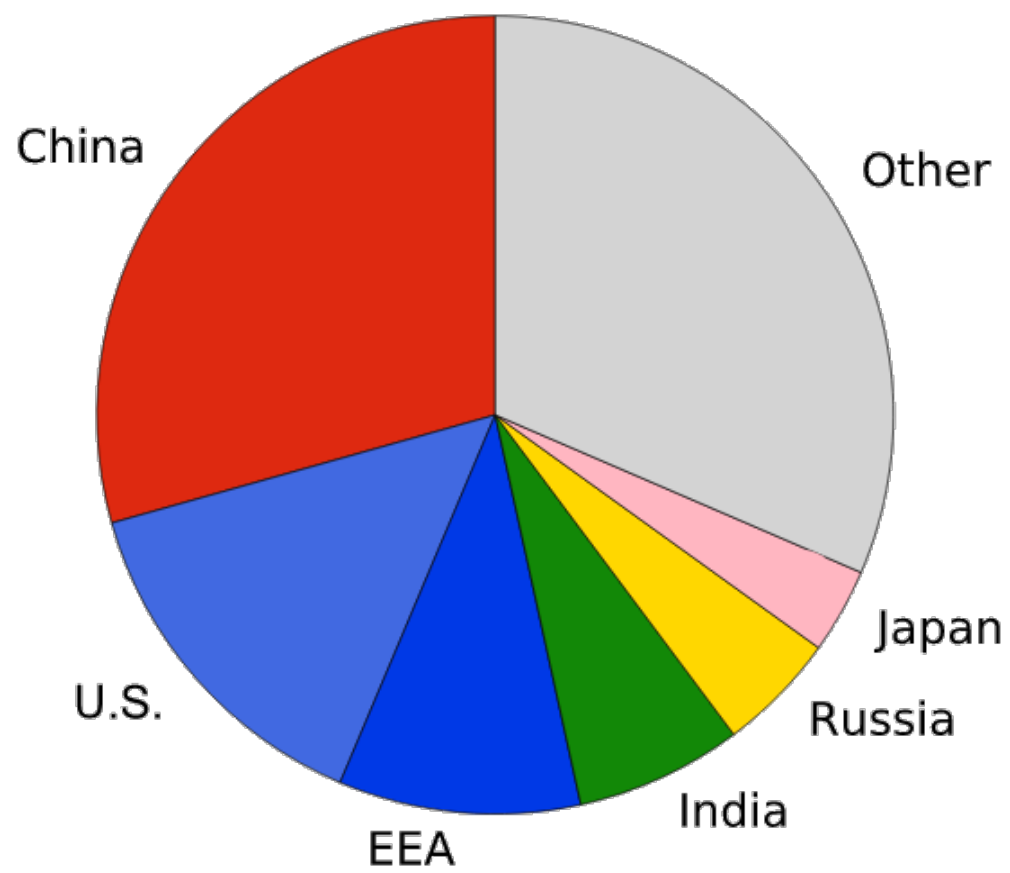
# STORYTELLING WITH DATA VISUALIZATIONS



# Major Mistakes with Visualizations

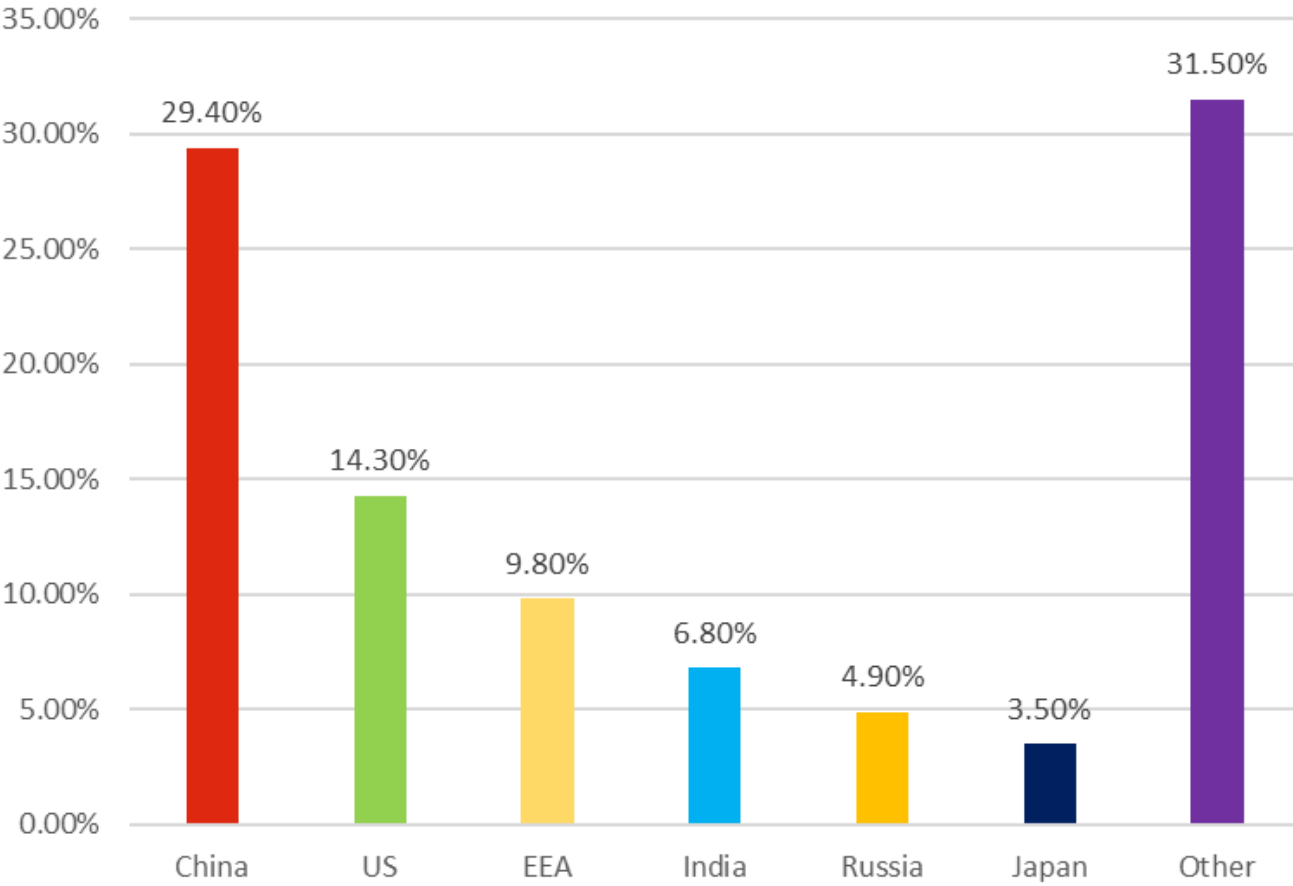
- 3-D anything
- Too many slices of pie
- Wrong type of chart
- Too much color





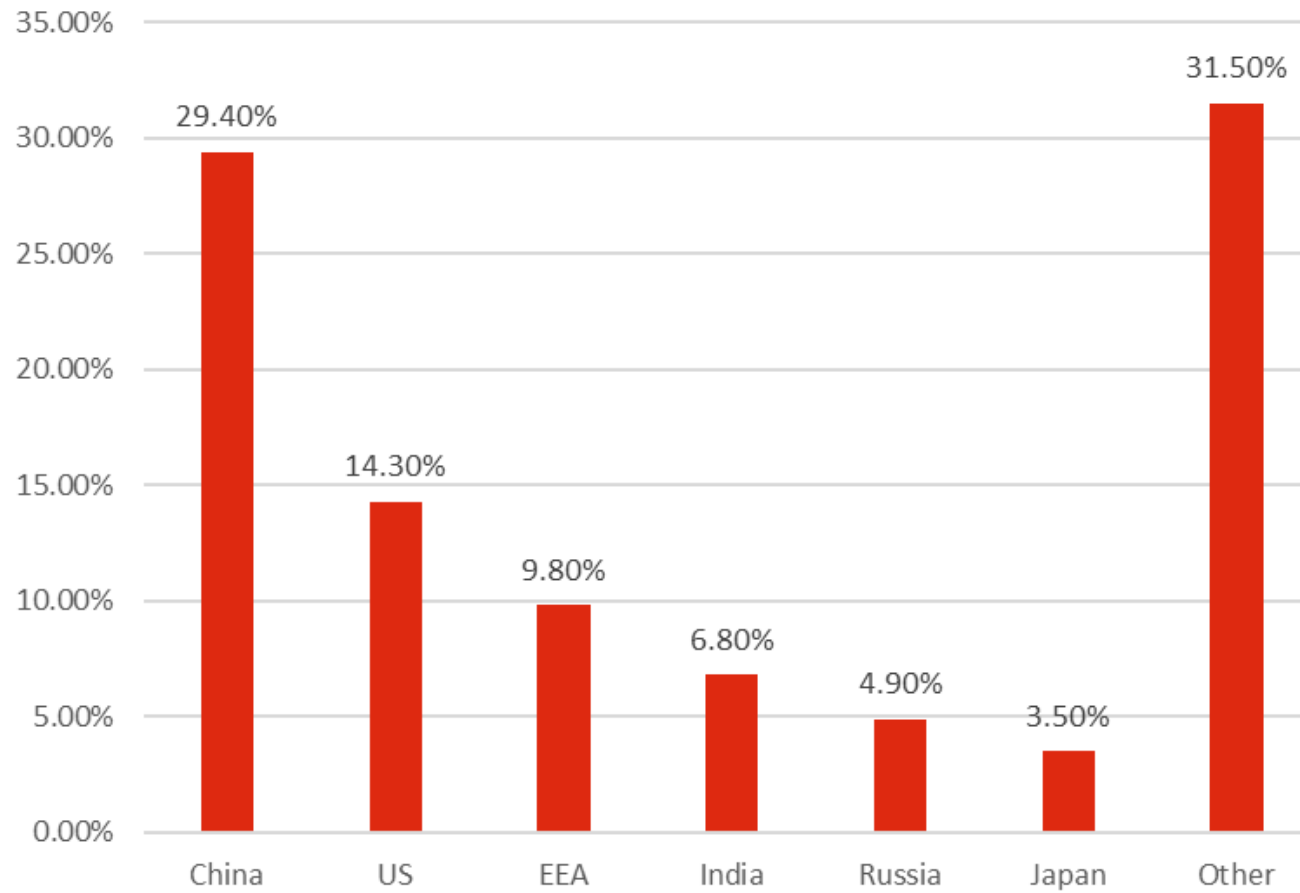


CO2 Emissions



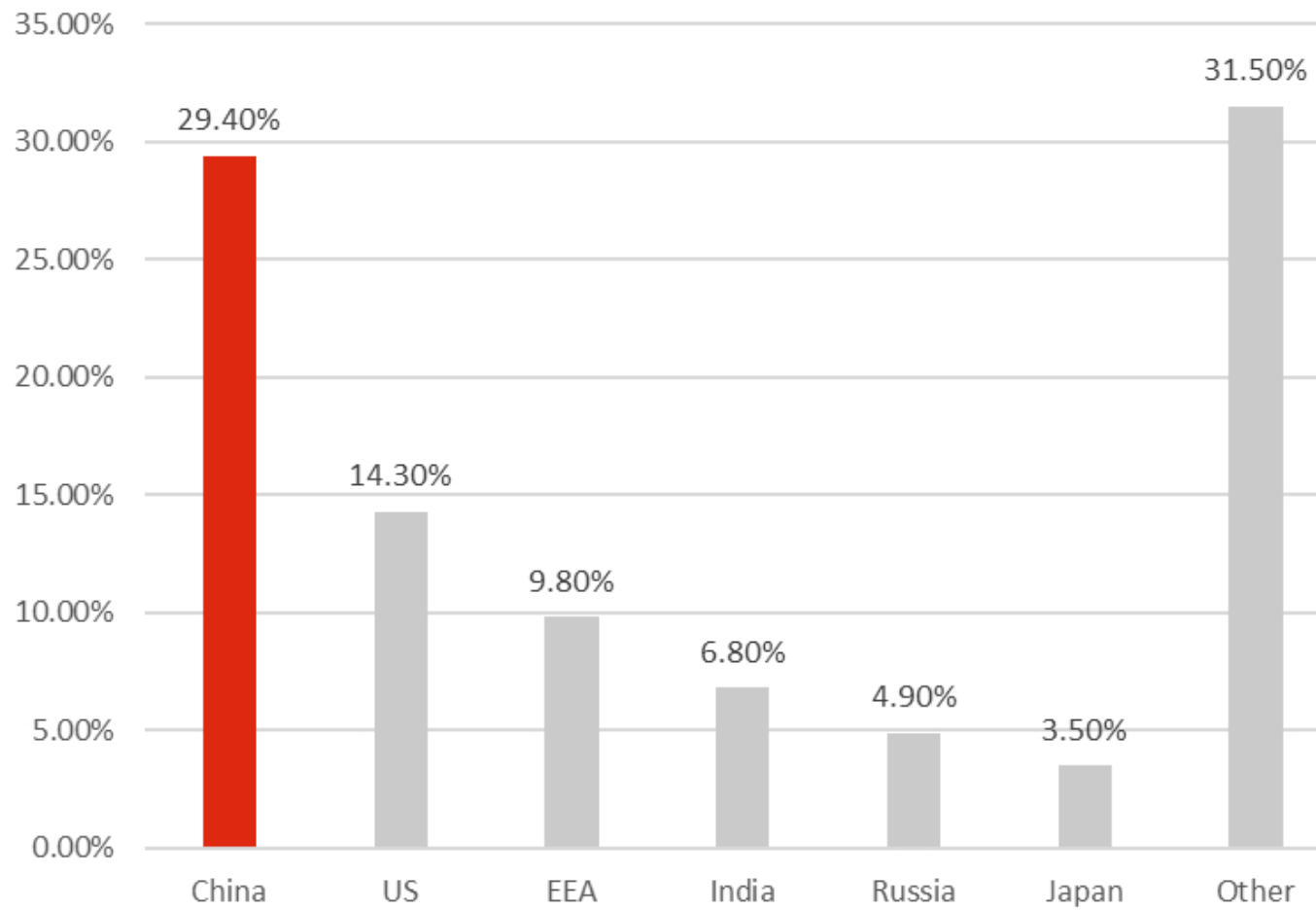


## CO2 Emissions



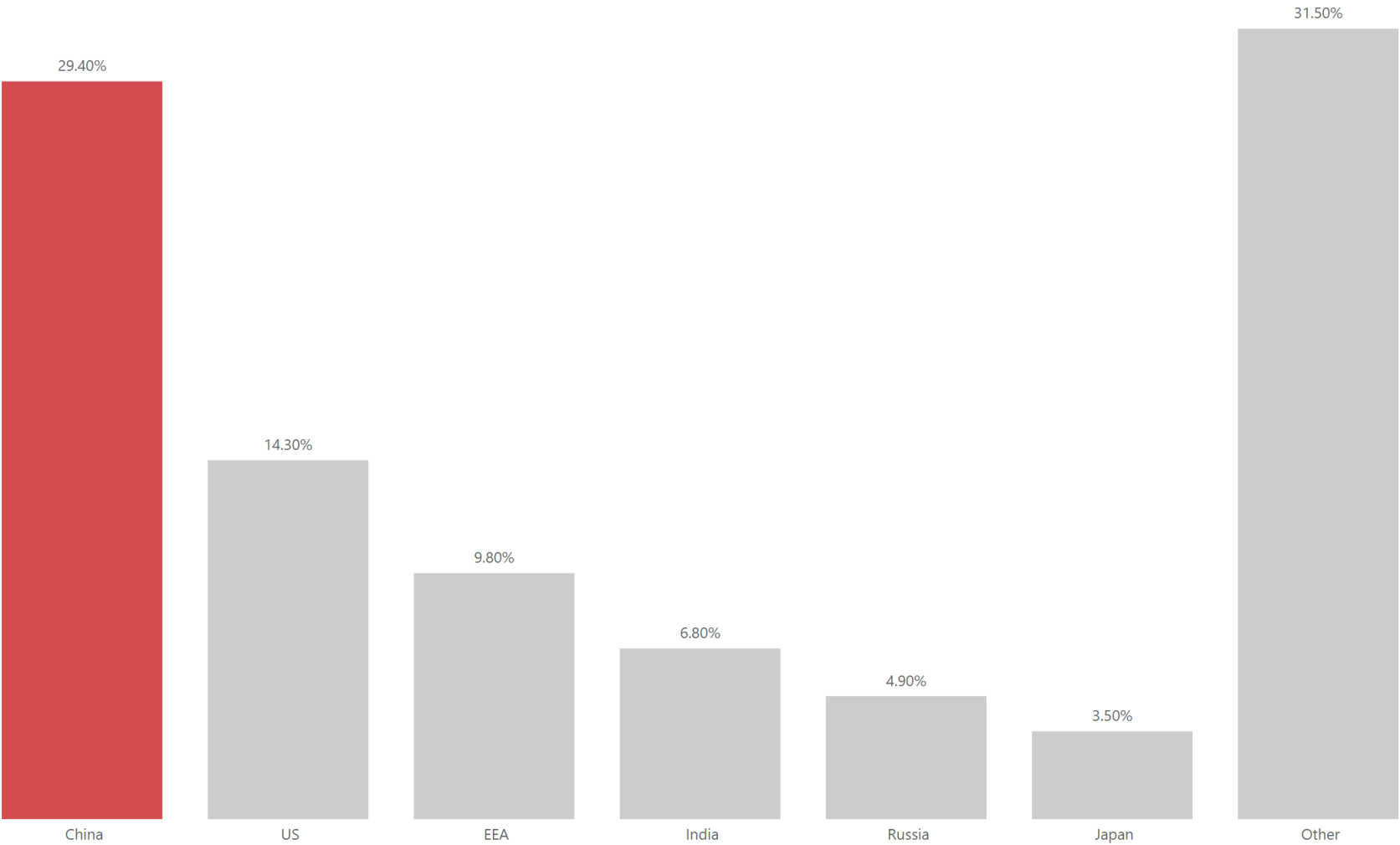


## CO2 Emissions





C02 Emissions



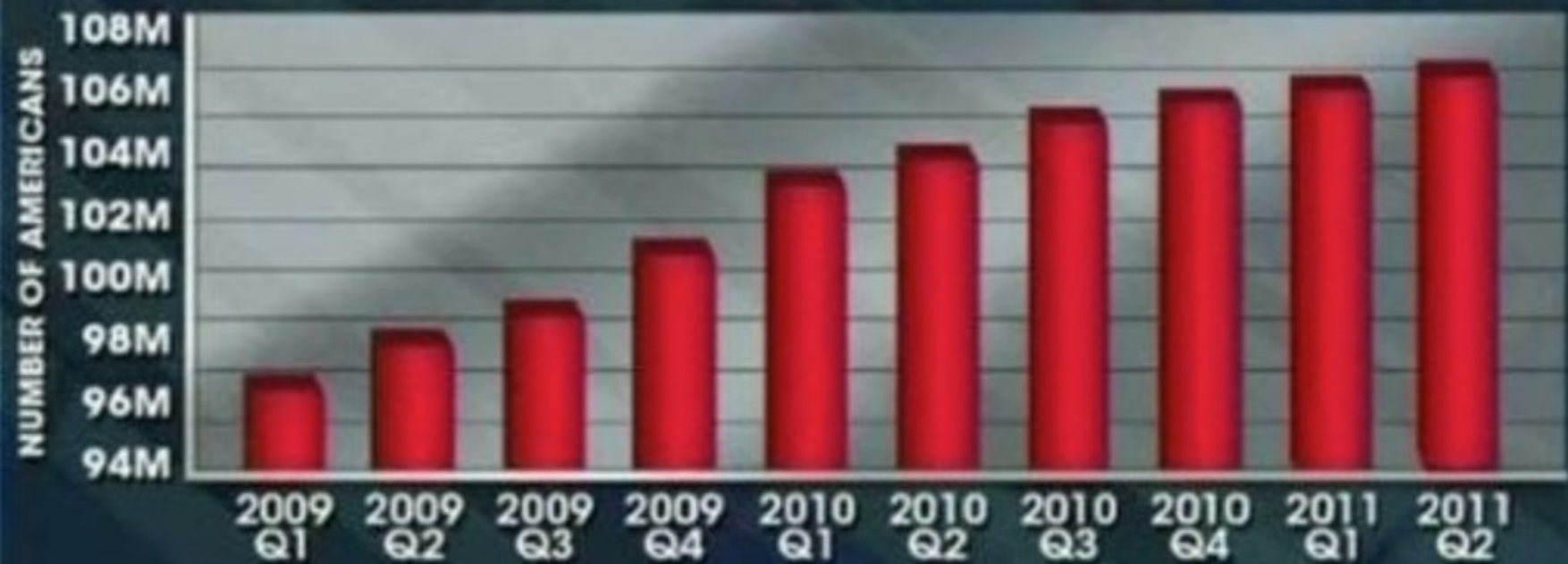




WATCH YOUR AXIS

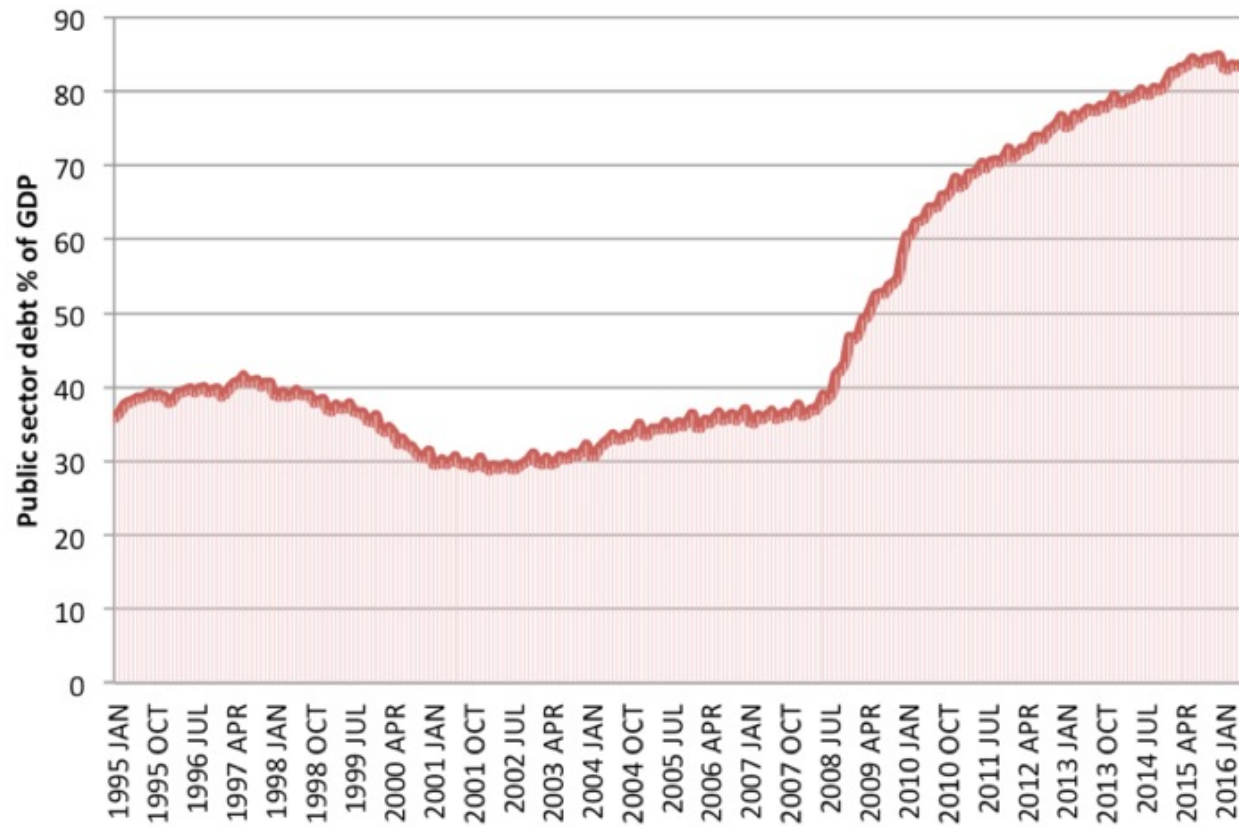


## FEDERAL WELFARE RECEIVED IN U.S.





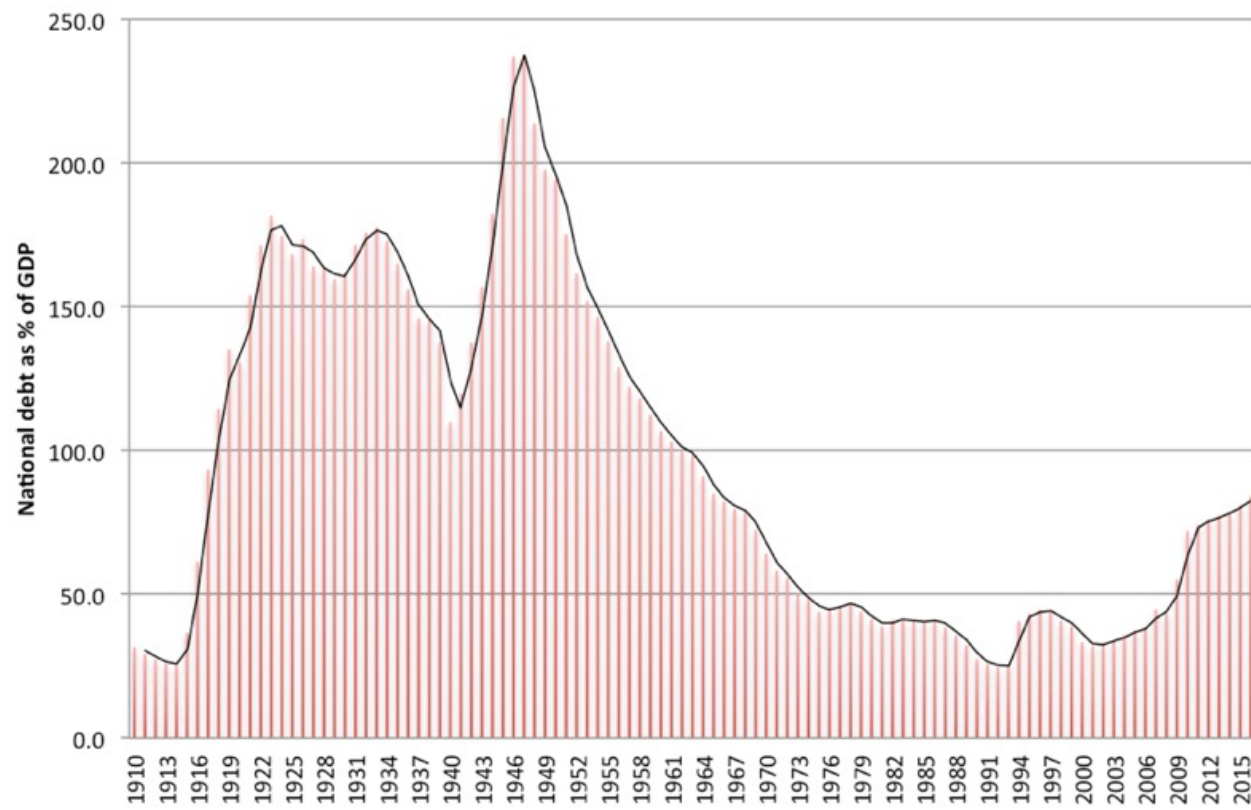
## UK national debt % GDP



[www.economicshelp.org](http://www.economicshelp.org) | Source: ONS HF6X - June 2016



## UK National debt



[www.economicshelp.org](http://www.economicshelp.org) | source - Reinhart, AER and OBR - 2016



## Resources

- [National Council of Nonprofits](#)
- [nonprofitready.org](#) – free Certificate in Nonprofit Finance
- [Kellogg @ Northwestern](#) – free videos
- LinkedIn Learning modules
- [Baylor University Continuing Education](#)
- *Storytelling with Data* by Cole Nussbaumer Knaflic





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