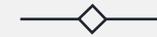




MAKING SENSE OF NONPROFIT FINANCIALS



No, seriously.

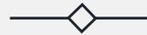
Our Time Together



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

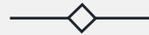


Planning for the
Future



CONTEXT IS CRITICAL

HOW THE FINANCIAL STATEMENTS WORK TOGETHER

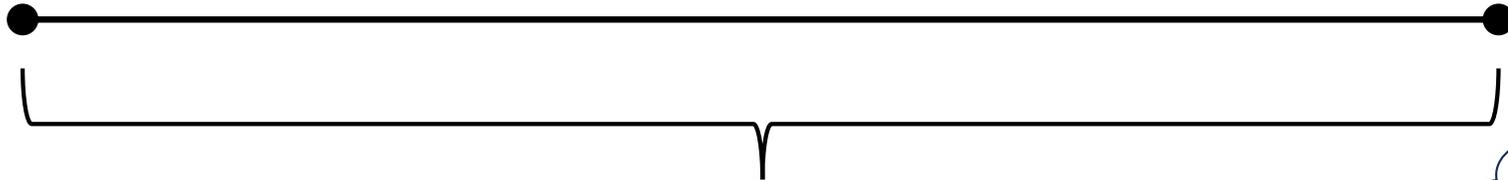


The Financial Statements

- 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



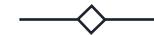


KEEP IN-KIND IN MIND



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

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”

Operating Margin

Revenue Growth Rate

Expense Growth Rate

Relative Size Comparisons

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>								
Salaries, benefits, and taxes	\$121,521,523	\$20,117,720	\$141,639,243	\$ 44,318,909	\$ 4,753,758	\$10,620,265	\$ 59,692,932	\$201,300,000
Acquisition and production	37,611,007	11,821	37,622,828	143,270	26	12,189	155,485	37,774,713
Seasonal contracted services	2,825,874	8,224,697	11,050,571	8,657,393	436,751	3,607,257	12,701,401	23,791,912
Travel, telephone, postage, utilities, taxes, and other expenses	1,242,171	—	1,242,171	1,145,833	3,319	3,686,602	4,835,754	6,000,525
Printing, office supplies, postage, and other office expenses	1,373,991	632,033	2,006,024	1,287,431	85,278	1,904,625	3,277,334	5,274,668
Lease of space and equipment	1,912,729	—	1,912,729	—	—	—	—	1,912,729
Repairs and maintenance	693,344	—	693,344	59,771	—	3,117,291	3,177,062	3,870,106
Travel, conferences, meetings, and other	3,929,200	78,219	4,007,419	995,820	205,113	242,332	1,443,265	5,452,949
Travel assistance to third parties	55,558	2,626,759	2,682,317	4,270,020	6,202	—	4,276,222	6,958,539
Travel assistance to third parties	1,089,732	—	1,089,732	120,000	—	—	120,000	1,209,732
Depreciation and amortization	334,354	259,136	593,490	572,617	—	6,844,018	7,416,635	8,010,125
Other	—	—	—	—	—	5,630,785	5,630,785	5,630,785
Other	4,376,940	1,085,735	5,462,675	914,025	141,851	131,026	1,186,902	6,649,579
Expenses before donated goods and services	176,966,423	33,036,120	210,002,543	62,485,065	5,632,298	35,796,390	103,913,777	313,916,723
Donated goods and services	—	1,279,274	1,279,274	1,078,645	—	—	1,078,645	2,357,919
Expenses and losses	\$176,966,423	\$34,315,394	\$211,281,817	\$63,563,710	\$5,632,298	\$35,796,390	\$104,992,422	\$316,274,636

Continued on the next page

COMMUNICATING WITH FINANCIAL STATEMENTS



COMMUNICATING WITH
CHARTS AND GRAPHS



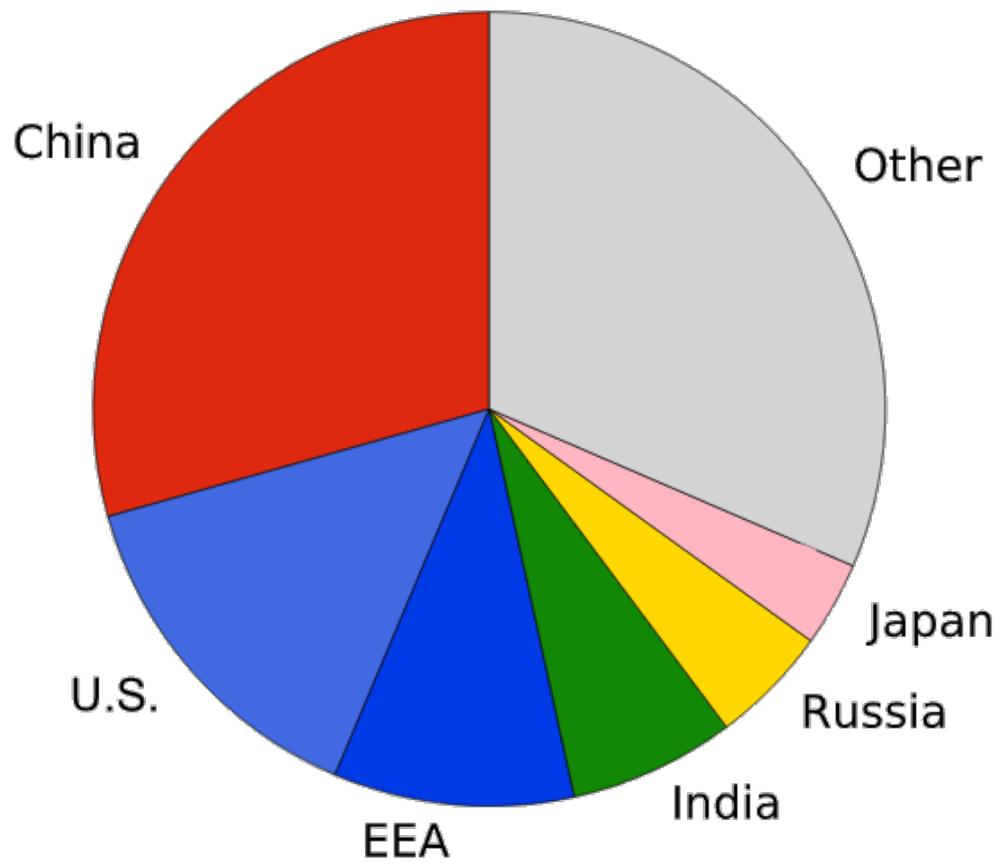
STORYTELLING WITH DATA VISUALIZATIONS

Table with 10 columns and 10 rows of numerical data.

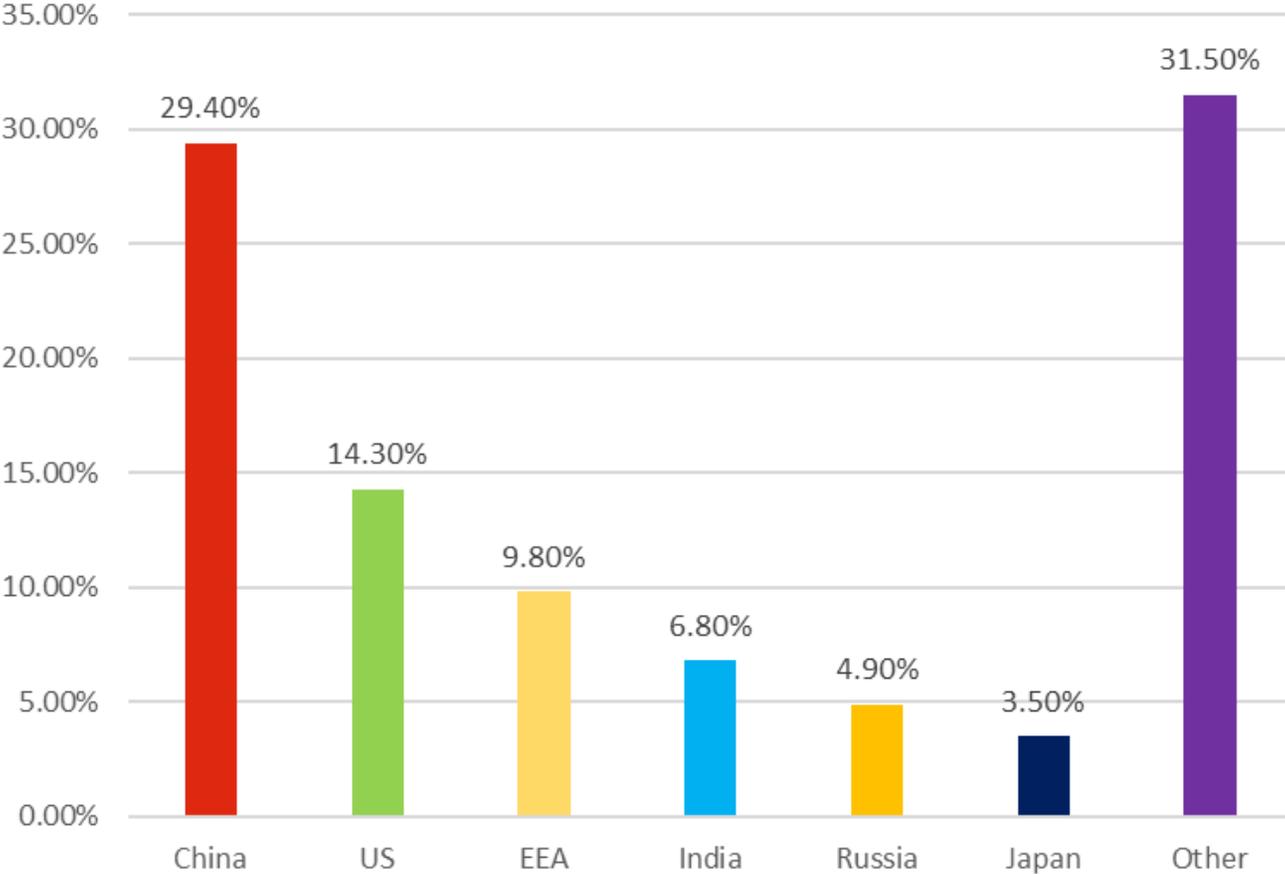
1	2	3	4	5	6	7	8	9	10
100.00	101.50	103.00	104.50	106.00	107.50	109.00	110.50	112.00	113.50
114.00	115.50	117.00	118.50	120.00	121.50	123.00	124.50	126.00	127.50
129.00	130.50	132.00	133.50	135.00	136.50	138.00	139.50	141.00	142.50
144.00	145.50	147.00	148.50	150.00	151.50	153.00	154.50	156.00	157.50
159.00	160.50	162.00	163.50	165.00	166.50	168.00	169.50	171.00	172.50
174.00	175.50	177.00	178.50	180.00	181.50	183.00	184.50	186.00	187.50
189.00	190.50	192.00	193.50	195.00	196.50	198.00	199.50	201.00	202.50
204.00	205.50	207.00	208.50	210.00	211.50	213.00	214.50	216.00	217.50
219.00	220.50	222.00	223.50	225.00	226.50	228.00	229.50	231.00	232.50

Major Mistakes with Visualizations

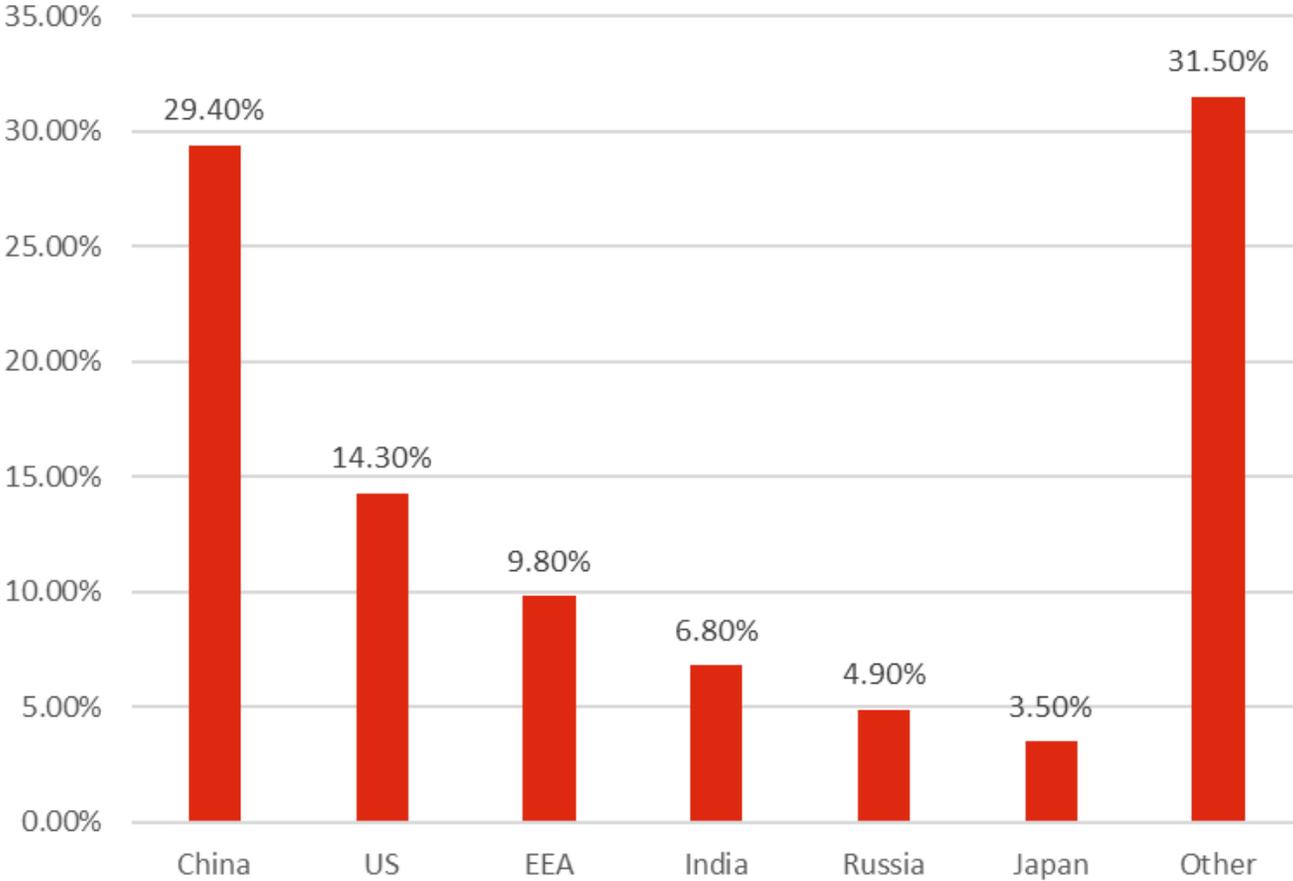
- 3-D anything
- Too many slices of pie
- Wrong type of chart
- Too much color



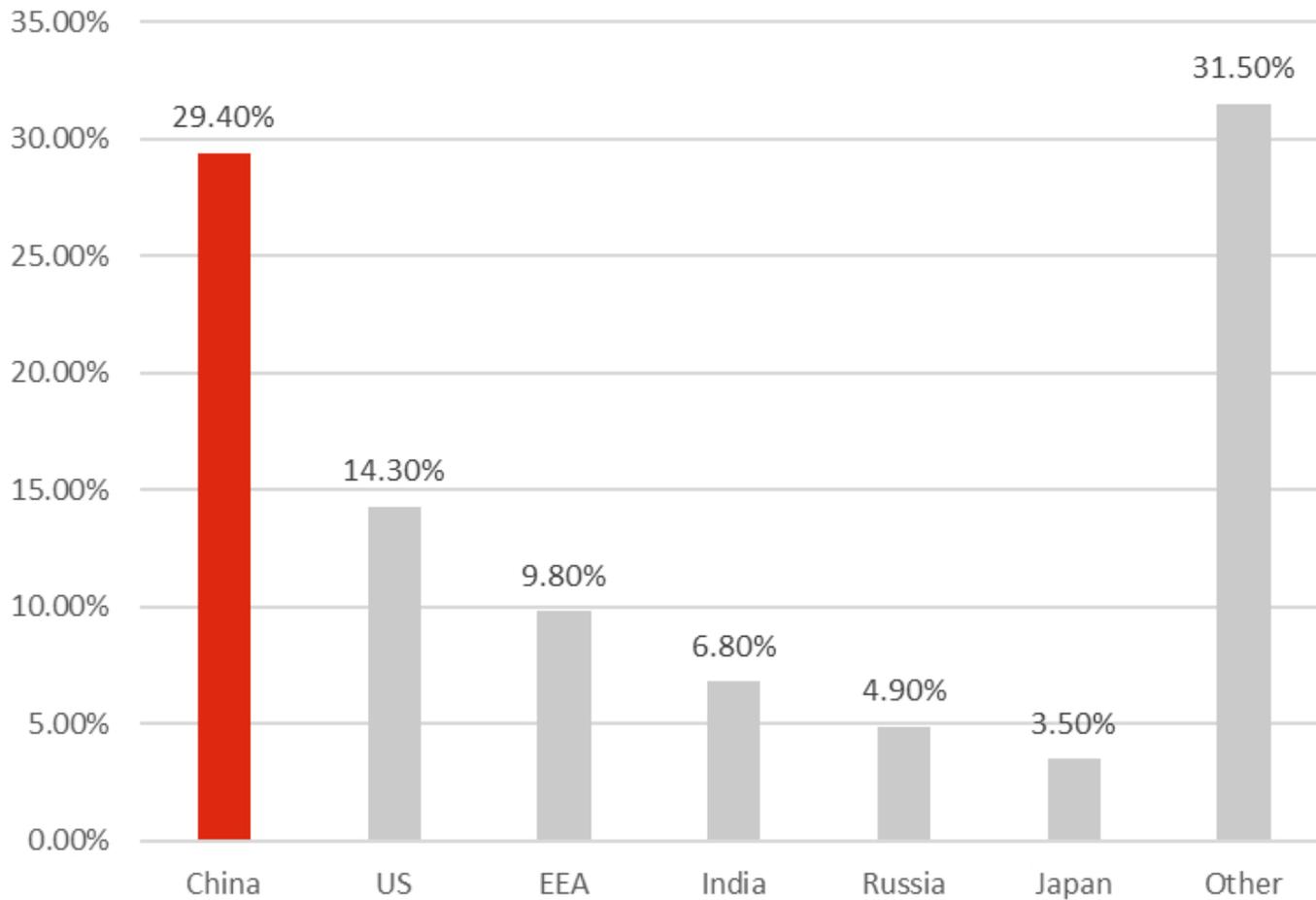
CO2 Emissions



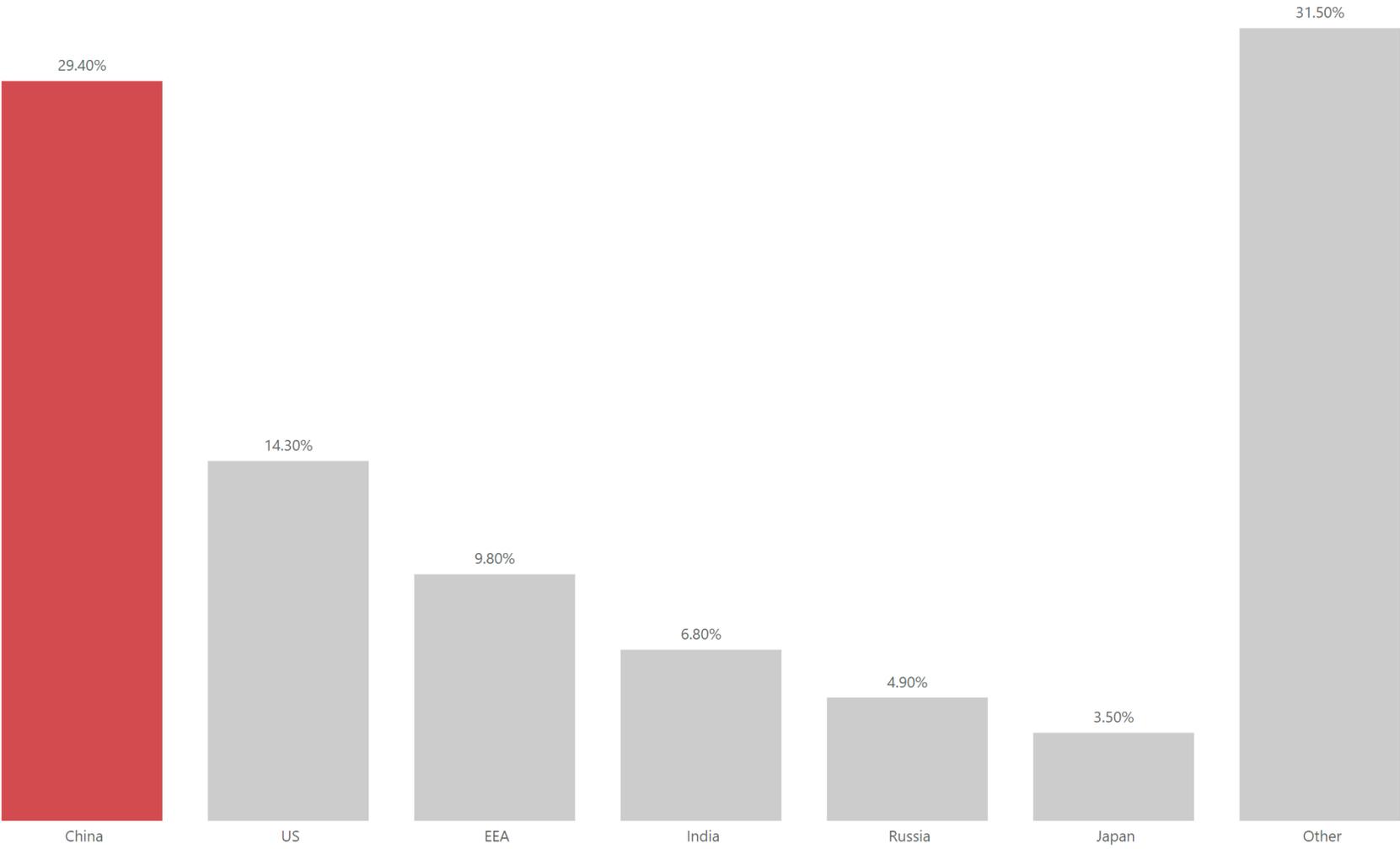
CO2 Emissions



CO2 Emissions



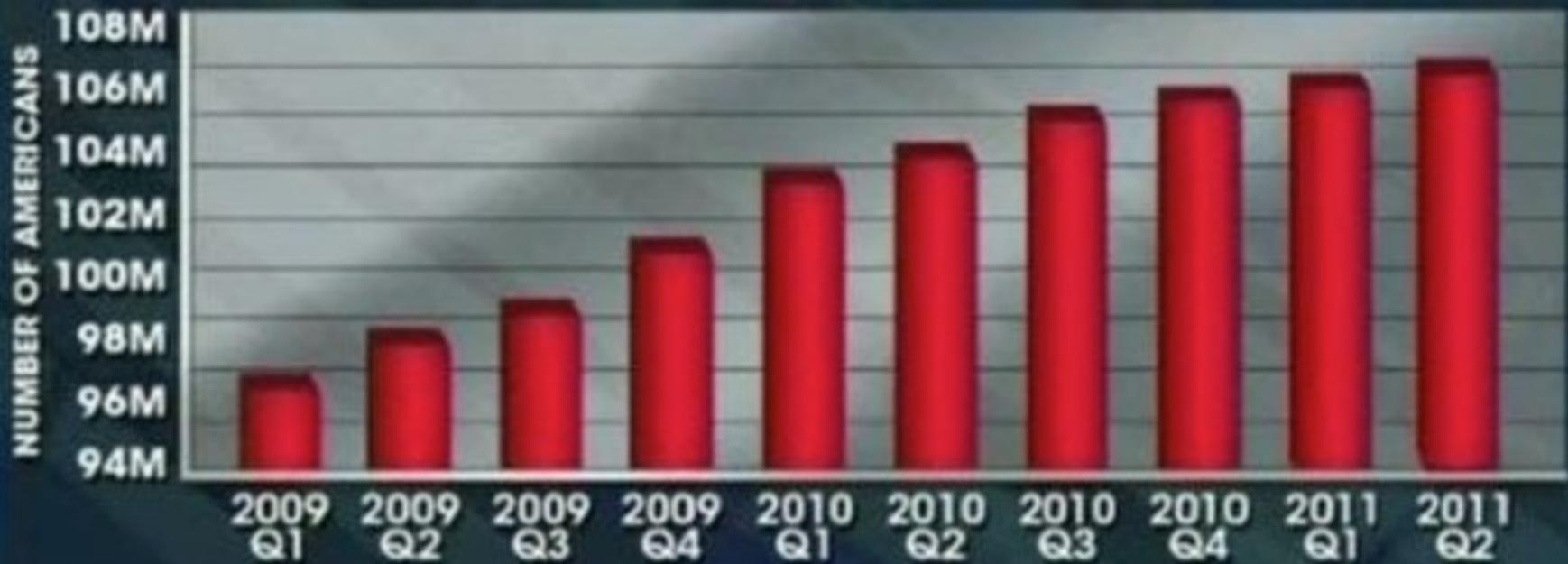
C02 Emissions



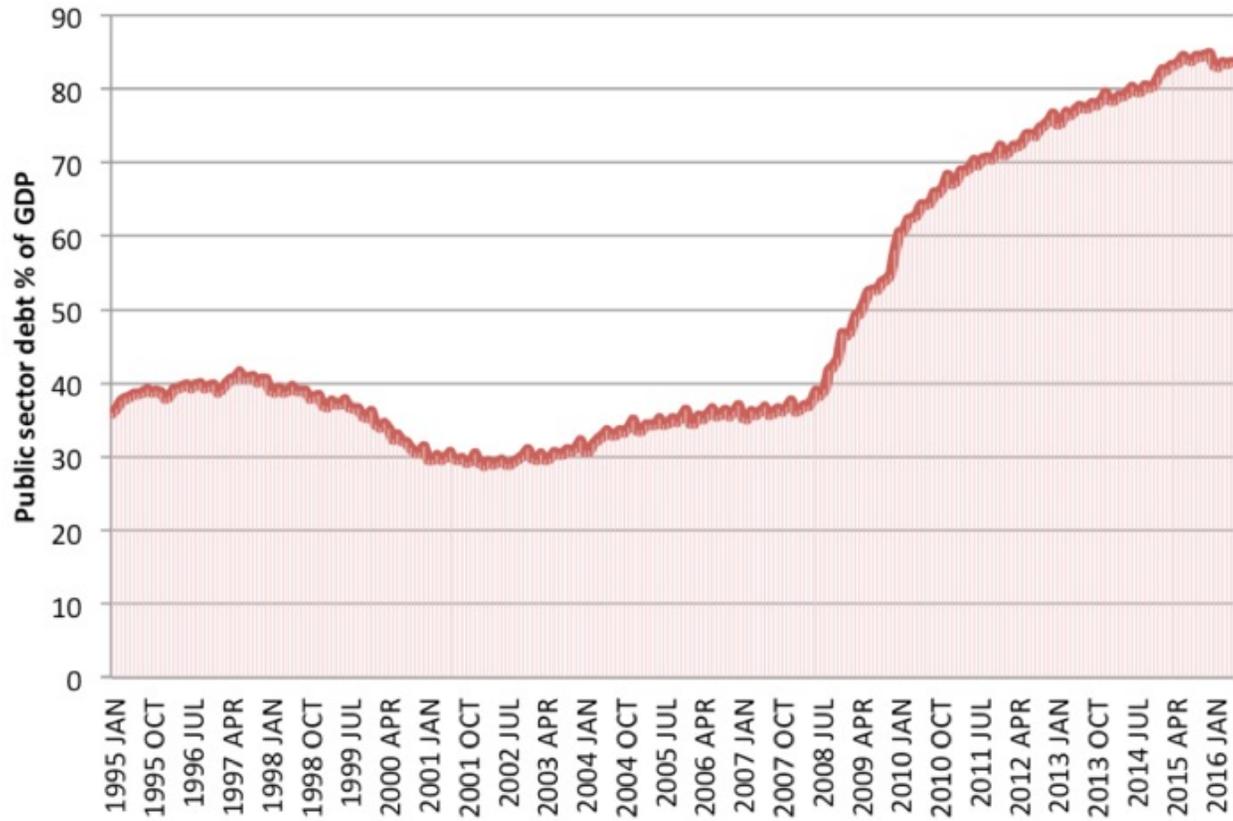


WATCH YOUR AXIS

FEDERAL WELFARE RECEIVED IN U.S.

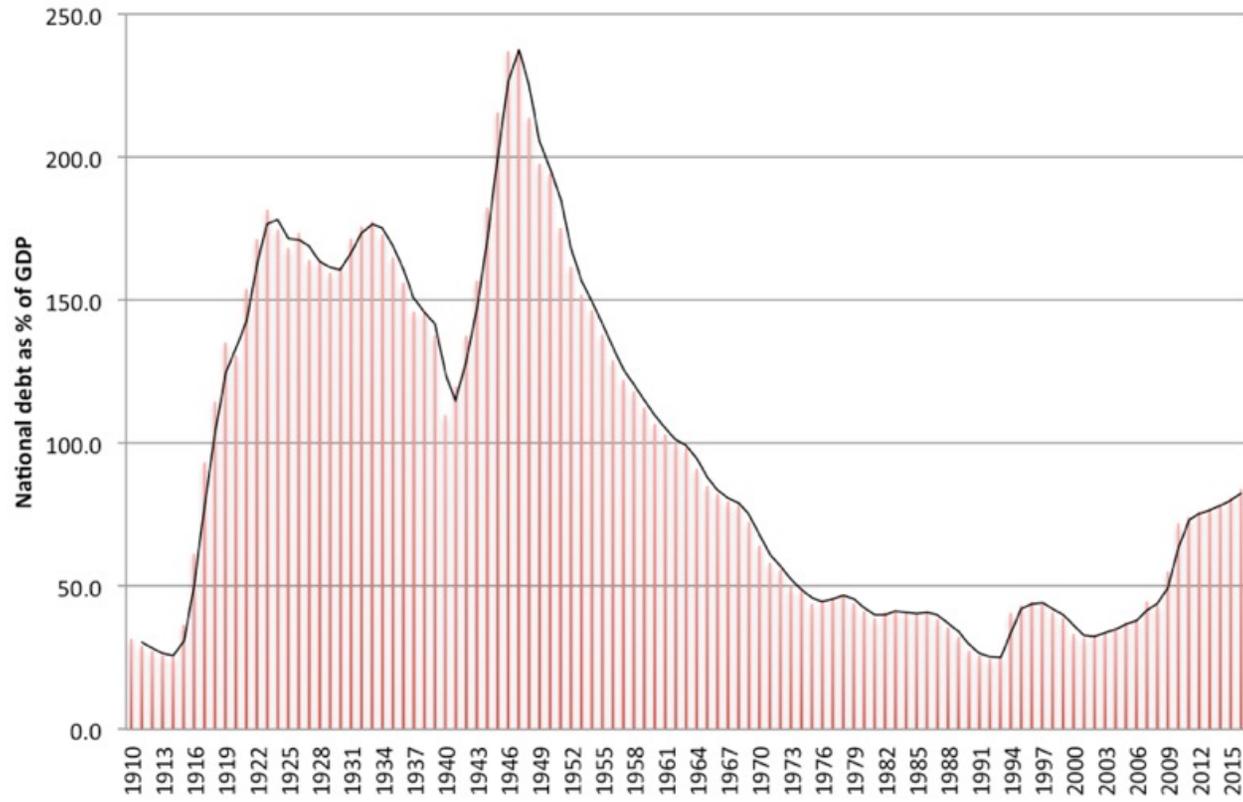


UK national debt % GDP



www.economicshelp.org | Source: ONS HF6X - June 2016

UK National debt



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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