

# What Every Non-Profit Professional Needs to Know About Finance

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# An Executive and his money...

**Money is a terrible master  
but an excellent servant.**

- P.T. Barnum



Don't let budget drive your strategy...  
Strategy comes first.

## Mark Pearson

Executive and Artistic Director  
College Light Opera Co.



# What is a Budget?



## Budget:

A financial plan that lists expected expenses and income during a particular period

- Cambridge Dictionary

...Yes, but more importantly it's

an expression of an organization's values, priorities, goals and expectations.





Who makes the budget?

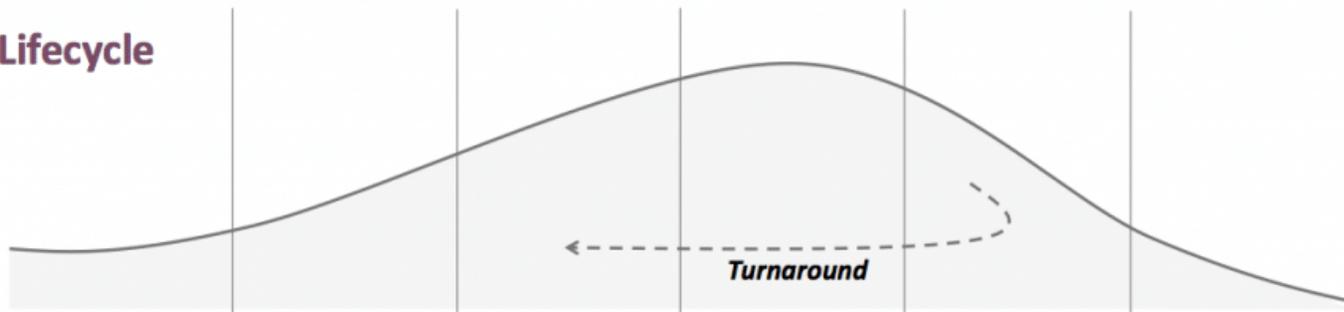
A: The Board      B: The Executive      C: Development      D: Bookkeeper

E: All of the above!

Communication and consensus among this group is essential for a realistic and effective budget process.



# Nonprofit Lifecycle



	Idea	Start-up	Growth	Maturity	Decline	Crisis
Programs	Informal; need established & programs are started	Simple programmatic approach; strong commitment to service delivery	Established in marketplace; more consistent & focused delivery	Programs are well developed; focused on results & relevancy	Losing relevance in marketplace; market saturation or duplication	Demand for services is near zero; competition is fierce or has moved on to other needed services
Human Resources	Entrepreneurial founder	Flat organization; decisions are likely made by founder	Increased division of labor & accountability; executive director is key decision maker with Board guidance	Clear division of labor & accountability; leadership is often second or third generation from founder	Increasing turnover; decreased ability to attract top talent; decreased transparency	High contention & division between staff; mistrust of leadership; inability to fill key roles
Board	Not yet developed	Formal governance in place; homogeneous group	Board expansion – more outsiders; more focus on planning & oversight	Board is more policy & strategy focused; delegates management to executive director	Board membership is waning; awareness of operational issues is low	Board not fulfilling fiduciary responsibilities
Financials	Most are in-kind	Limited financial resources; hand-to-mouth	Established relationships with funders, but still unpredictable	Established relationships with multiple funders; higher degree of predictability	Funders are not renewing contracts; donor retention & loyalty decreasing	Cash-on-hand insufficient to cover operating expenses; current donors tapped out
Marketing	Not utilized	Limited communications & PR – most is word-of-mouth	First official PR materials; primary method of marketing is still word-of-mouth	Increased sophistication in marketing & communications using multiple channels	Decreased public interest	Unable to attract media or public attention; messaging does not resonate with public

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Identify any growing panes that might be related to your lifecycle and...

... don't be afraid to adjust mission if necessary. This could result in adjustment to budget and or evolution of staff.





## What should the Executive worry about?

- Mission Fulfillment
- Keeping things goal oriented
- The long view
- Staying open to creative solutions
- Fight for your "loss leader" projects (as long as they fit into the big picture!)
- What adjustments will be needed to make sure you have the cash needed to manage the risk or unpredictability in your strategy?



Every year provides an opportunity to make progress on your organization's strategic goals by reflecting them in the budget.





**FACT:**  
Financial uncertainty never goes away.



Always look for ways to expand by diversifying revenue sources, managing cash flow and developing solid, realistic budgets.



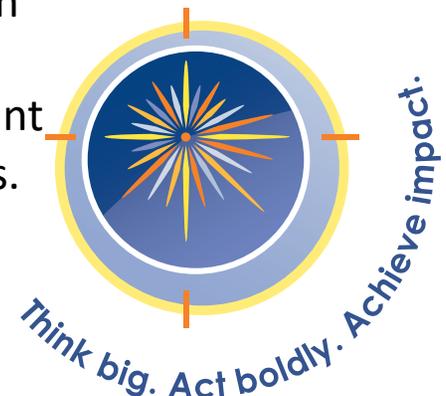
Work with development and bookkeeping to identify, monitor and respond to financial metrics such as cost per primary outcome.



Base decisions on more than one year of financial history.



**Consider future goals to keep current plans aligned with strategic direction.** By consistently anchoring budget decisions in the past without consideration of the future, you run the risk of creating stagnant plans or reflecting over-zealous ambitions. The budget decisions your organization makes today should reflect your broader program and organizational goals and objectives.



# *The Art...and Science of Forecasting*



## **How to develop a realistic fundraising budget**

*...and keep your Executive Director happy!*

Lisa Walker

# Highfield Hall & Gardens



*A Passing Fancy by Patrick Dougherty*



According to ***UnderDeveloped***, a national study from CompassPoint and the Evelyn and Walter Haas Jr. Fund, one in five Development Directors describe their partnership with the Executive Director as weak or non-existent. And many complain that they don't have enough involvement in developing budgets and fundraising targets to ensure realistic performance goals.



**Board of Directors to Executive Director:** You need to raise more money!

**Executive Director:** OK!

**Executive Director to Development Officer:** Your fundraising goal this year is \$1,000,000!

**Development Officer to Executive Director:** But last year we only raised \$300,000...

**Executive Director:** I know, but you can just find more donors, write more grants; or see if we can get [*insert name of a billionaire here*] to donate to us.

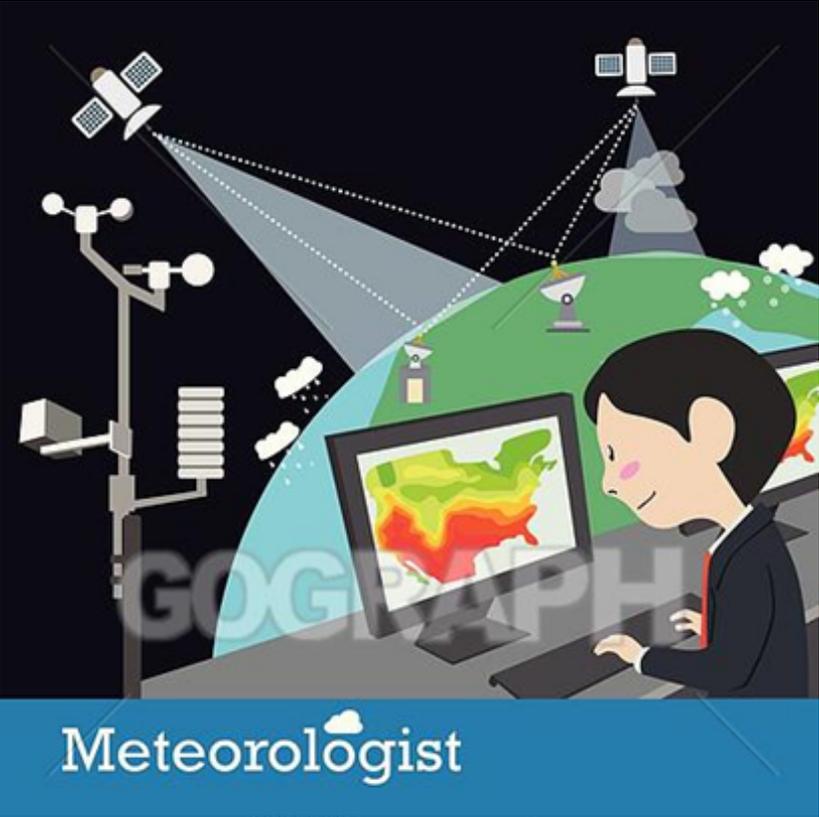
**Development Officer:**



How can we, as professional fundraisers, help our Executive Director and our organization successfully predict the probability of revenue?

## Your database is a goldmine – mine it!

Similar to how a meteorologist collects and analyzes data to predict/forecast the weather, fundraisers must use the data in their database to predict the probability of revenue.



gg91123314 www.gograph.com

Using science, technology, and DATA to predict something = **Good!**



Your budget is the road map for the year. It should reflect and quantify the annual strategy. Don't just fill in the blanks to make the numbers work.

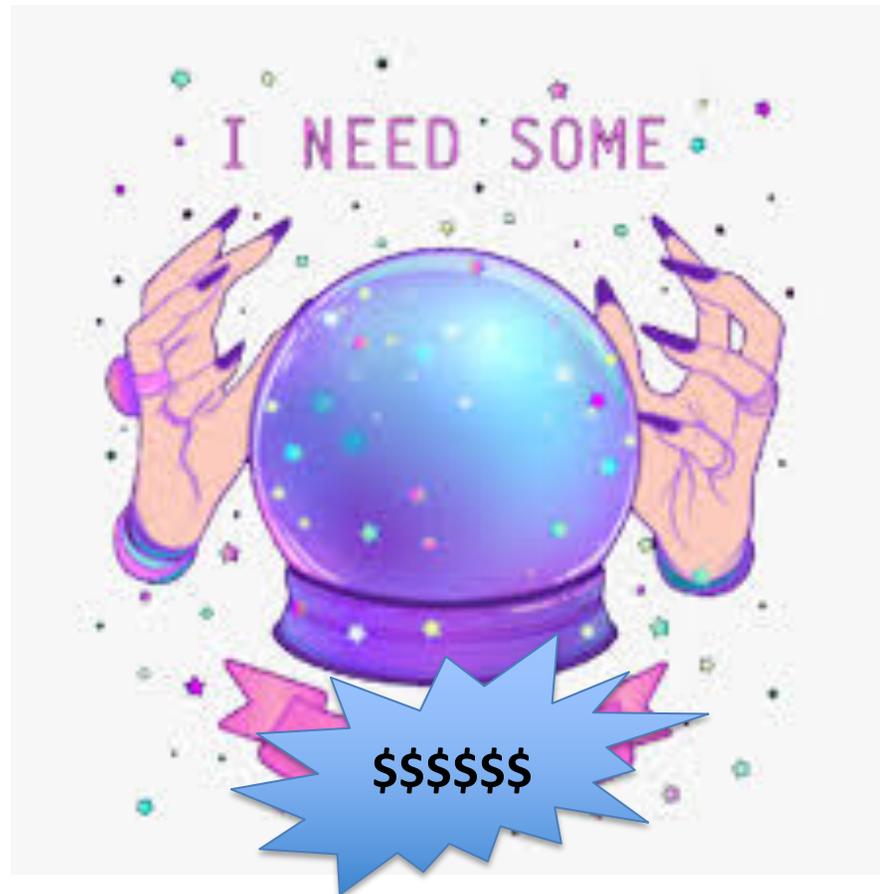
### **Fundraising Goal #1** – What do we need to raise?

- Don't try to raise all the money you can THEN figure out how to spend it. That's the tail wagging the dog. Decide what programs you want to deliver, then figure out what it will cost. THAT'S how much you need to raise.
  - DO NOT HAVE A vague goal. Be specific – down to the penny – how much you need to raise. Why?
- Fundraise \$50,000 to support 500 women who are victims of domestic violence
  - Fundraise \$10,000 to support the renovation of the animal shelter
  - Gain 100 new donors (unrealistic!)
  - Raise 25% more in donations compared to last quarter



**Fact:** Small nonprofits are more likely to fall short on the revenue side than to exceed their budgeted expenses.

Without a crystal budgeting ball, how can you more precisely predict contributed revenue? While expenses are relatively easy to forecast, revenue can be one of the more difficult parts of developing a budget. Forecasting unknown or uncertain contributed revenue can be tricky and can increase risk in your budget. One way you can manage this uncertainty is to predict the probability of your revenue.



Start by “grading” expected revenue, using the letters A, B, C, & D to distinguish different levels of risk for each revenue source . Next, assign each grant award a percentage that indicates the likelihood of receiving that grant in your next fiscal year.



% Probability Table	Low	High		Notes
Written / Verbal Commitment	90%	100%	<b>A</b>	Revenue that is secured or committed
Proposal	50%	75%	<b>B</b>	Proposal submitted, historically probable, high probability
LOI	25%	50%	<b>C</b>	In discussion, design moderate probability
Introduction/meeting	5%	25%	<b>D</b>	Speculative, new relationship or no relationship



	Budget		ENTER
	Without Restrictions	Letter Ranking	Revenue Probabilities
ABC Community Foundation	85,000	<b>A</b>	100%
Sunshine Foundation	-		
Farhills Foundation	15,000	<b>B</b>	75%
XYZ Foundation	20,000	<b>B</b>	75%
Fair Weather Foundation	185,000	<b>B</b>	75%
Stage Coach Bank Foundation	15,000	<b>C</b>	50%
123 Foundation	65,000	<b>A</b>	100%
NF Foundation	-		0%
To be raised	30,000	<b>D</b>	25%
Net assets released from restrictions	120,000	<b>A</b>	100%
<b>Total foundations</b>	<b>535,000</b>		



	Budget Without Restrictions FY 2018	Budget With Restrictions FY 2018	Budget Total FY 2018	Variance Total	Notes
<b>Revenue</b>					
<b>Total earned revenue</b>	85,100	-	85,100	10,000	
<i>Contributed revenue</i>					
<u>Foundations</u>					
ABC Community Foundation	85,000		85,000	-	Long-time funder, 100% likely
Sunshine Foundation	-	240,000	240,000	140,000	2-year grant; 100% likely
Farhills Foundation	15,000		15,000	5,000	75% likely
XYZ Foundation	20,000		20,000	(10,000)	Expecting a decline this year
Fair Weather Foundation	185,000		185,000	-	Long-time funder, but 75% likely
Stage Coach Bank Foundation	15,000		15,000	-	50% likely
123 Foundation	65,000		65,000	-	100% likely; received award letter
NF Foundation	-		-	(15,000)	Funder says we need to take a year off this year
To be raised	30,000		30,000	30,000	Proposals to 5 new funders expecting to receive \$10
Net assets released from restrictions	120,000	(120,000)	-	-	
<b>Total foundations</b>	<b>535,000</b>	<b>120,000</b>	<b>655,000</b>	<b>150,000</b>	
<b>Total government</b>	<b>80,000</b>	<b>-</b>	<b>80,000</b>	<b>(5,000)</b>	
<b>Total corporations</b>	<b>15,000</b>	<b></b>	<b>15,000</b>	<b>-</b>	
Special event	50,000		50,000	5,000	Gala
Individuals	10,000		10,000	2,000	
Board	5,000		5,000	1,000	Added 2 board members; it's expected that each bo
<b>Total contributed revenue</b>	<b>695,000</b>	<b>120,000</b>	<b>815,000</b>	<b>153,000</b>	
<b>Total Revenue</b>	<b>780,100</b>	<b>120,000</b>	<b>900,100</b>	<b>163,000</b>	



## Fundraising Goal #2

- Number of donors to renew

Your first priority should be retaining your current, active donors.

Donor retention is something that not near enough people pay attention to, yet it's critical to long-term fundraising success.

- Why?**
- A high retention rate indicates that a nonprofit has a healthy support system.
  - Keeping existing donors is more cost effective than acquiring new ones.
  - Cost effective marketing – long time donors are more likely to act as spokespersons for your cause.
  - Potential for larger gift amounts: there is a direct correlation between retention and gift size.



***Side bar on donor retention:***

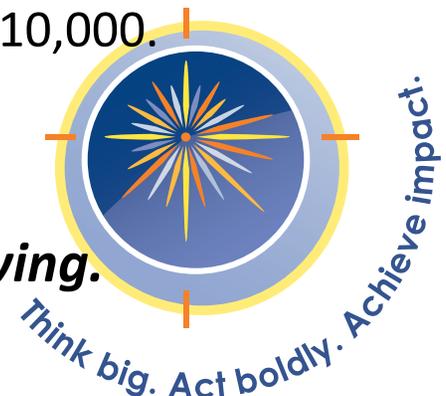
Don't forget to move your donors up the giving ladder, however be realistic and measured. Patience is a virtue.

It is very difficult to take a donor who has been giving just \$1,000 and upgrade them to \$25,000, even if you know they have the money. You have to move donors to higher giving levels incrementally, one rung at a time. Remember, major donors do not make gifts, they make investments.

A \$1,000 donor can be successfully asked for \$50,000, \$100,000 or more, but a response in the affirmative will be the exception, not the rule. The best option would be to take the time to build and cultivate the relationship. Explain the bigger need, but ask the donor to consider a gift of \$5,000 or \$10,000.

***...and always remember to thank the donor!***

***Often times that is what can make or break continued giving.***



## Fundraising Goal #3

- Number of donors to acquire/Donor Growth Rate

While costly it is still important to spend a little time and money on attracting new donors. You want as many people as possible to share your successes and be inspired by opportunities for investment. This is why it's important to think about how to build your pipeline of future supporters.

Cost effective tips for identifying new donors:

- Start with your inner circle. The first place to look for new donors is your inner circles of volunteers and supporters. These individuals already believe in you, and they want to see you succeed. Their personal networks are an invaluable source for finding new donors.
- Social media followers; newsletter subscribers.
- Event attendees
- Like minded donors – longshot but sometimes pans out.



## Bottom line:

- Donor Acquisition Costs Are High: Nonprofit professionals focus on donor retention because of the high initial cost of recruiting first-time donors. It can take 18-24 months for nonprofits to recoup the amount of money they spend to attract a first-time donor, as most gifts are generally 2 to 3 times less than the marketing/recruiting cost.
- Capture The Data. It's impossible to calculate your retention rates without tracking your donors and gifts.
- Make a concerted effort to track as much information as you can on your donor in real-time so you're not just storing it all in your head for a later day. The more accurate your data is, the better you can accommodate donor trends year after year.
- When analyzing your donor retention rates, look at average annual gift amounts. By comparing the average annual gift amount of year #1 to the average annual gift amount from year #2, you can also learn whether your average gift size is growing or decreasing alongside your retention rate.
- Any changes, particularly negative ones, indicate you should refocus your efforts.



## Recap:

### Be Specific

- What is your overall goal?
- How much is restricted or designated (for something specific)
- How much do you need to fundraise or how many donors do you need to acquire to accomplish the goal?
- Know your donors – how many donors do you have that will be interested in funding something specific. How many donors do you have that will contribute to unrestricted funding?



## Is the goal Measurable?

- Without being able to measure progress – you won't know if you've met your fundraising goals.
- An organization should be able to track progress and measure success.
- Set measurable fundraising goals!



## Is the goal attainable?

As a nonprofit, you should strive to set goals that stretch you and are ambitious enough to challenge you. However, those goals should not be unrealistic and unattainable.

To understand what's achievable and feasible for your nonprofit, consider:

- the success of your previous fundraising campaigns;
- the average number of donors;
- the average donation size.

## *Have you calculated the Dependency Quotient?*

Dependency Quotient measures the extent to which an organization is dependent on its top donors to fund its work. It's an indicator of how vulnerable the organization could be in the face of changed priorities among its top funders. Generally speaking, organizations would seek to have a lower Dependency Quotient, indicating that they are more resilient to changes in top donor giving.

Example: If an organization's top five donors contributed \$250,000 during the past three years, and the total organizational expenditures for the same three-year period were \$1,000,000, then its Dependency Quotient is 25% ( $\$250,000/\$1,000,000$ ), meaning it would have to replace 25% of its budget if it lost its top five donors.



# Are your goals relevant to your organizations mission?

Ask yourself:

- Does this fundraising goal contribute to my mission and vision?
- Is this going to significantly positively impact my intended beneficiaries?
- Does the fundraising goal relate to my yearly strategy?
- What is the return on investment in terms of impact?



## Time-Based

Having a timeline also helps with tracking progress. For example, you could be one month into a two-month campaign, but you only raised 15% of the planned amount. This informs your decision-making. You are now able to re-plan and think of ways you can increase your efforts and meet the end goal in time.



# Financial Management for Non-Profit Organizations

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# Board Governance

- Align Activities with Purpose
  - Mission
  - Bylaws
  - Strategic Plan
  - Execution
- Strategic Resources...now and in future
  - Financial (sources and sufficiency)
  - Practice (uses and effectiveness)
  - Alignment
  - SWOT
- Oversight
  - CEO
  - Audit
  - *Duty of Loyalty*

# Board Financial Responsibility

## Financial Reporting

- Expectations
- Transparency
- Compliance Testing
- Fraud Prevention
- Consequences
- External Auditor...Selection, Schedule, Un-Qualified, and Management Letter
- GAGS-2011, GAAP, 990s, WR1/941, etc.

# Establishing Guidelines and Policies

## Procedures

- Organizational Chart
- Internal Controls/Approval Process
- Accounting and Budgeting
- Board and Periodic Reporting
- Compliance

# Internal Controls

- Staff Duties – delegation
- Cash/deposit handling – from collection to deposit
- Disbursement handling – authority, check signing, online banking, etc.
- Daily Reconciliations – formal process, checks and balances
- Closing processes

# Internal Controls

## Cape Cod Non-Profit Ticket Sales Reconciliation 2011

	8/15/2011	MTD
<b>Gross Ticket Sales</b>		
Per Box Office	2219	33285
Per Online Program Database	<u>12494</u>	<u>187410</u>
<b>Total Ticket Sales</b>	<b>14713</b>	<b>220695</b>
Ticket Fees	<u>1016</u>	<u>15240</u>
<b>Net Sales Before Fees</b>	<b>15729</b>	<b>235935</b>
<b>Deposit Reconciliation</b>		
Per Online Program Database		
Amex	2420	36300
MC/Visa/Discover	<u>11090</u>	<u>166350</u>
<b>TOTAL PAYMENTS</b>	<b>13510</b>	<b>202650</b>
Other Pmts/Comps		
Credits	0	0
Cash	1912	28670
Checks	<u>307</u>	<u>4605</u>
<b>Total Other</b>	<b>2219</b>	<b>33275</b>
<b>Total Payments</b>	<b>15729</b>	<b>235925</b>
Cash Over/(Short)	0	10

# Accounting & Budgeting

## Creating a Custom Chart of Accounts

- Revenue
  - Contributed
  - Earned
  - Program
- COGS
- Expenses
  - Administrative
  - Development
  - Marketing
  - Occupancy
  - Personnel
- Other Income/Expense
  - Interest etc.

# Creating a Budget

- New or Established Organization
- Integrity of Historical Data
- Building Assumptions
- Feasibility of Assumptions
- What is a Balanced Budget?

# Accounting & Budgeting

Allocating for profit/cost centers

- Development
- Program I
- Program II
- Program III
- Administrative

# Accounting & Budgeting

Accrual Basis

**Cape Cod Non-Profit  
Income & Expenditures by Cost Center  
January through December 2011**

	Administration	Development	Stage 1	Stage 2	TOTAL
	Jan - Dec 11	Jan - Dec 11	Jan - Dec 11	Jan - Dec 11	Jan - Dec 11
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
Contributed Income	0	525,000	0	0	525,000
Earned Income	0	0	44,667	22,333	67,000
Program Income	0	0	453,333	226,667	680,000
<b>Total Income</b>	<b>0</b>	<b>525,000</b>	<b>498,000</b>	<b>249,000</b>	<b>1,272,000</b>
<b>Cost of Goods Sold</b>					
Merchandise	500	0	0	0	500
Program Personnel	100,000	0	120,000	120,000	340,000
Program Expenses	0	0	22,667	11,333	34,000
Royalties	0	0	45,333	22,667	68,000
<b>Total COGS</b>	<b>100,500</b>	<b>0</b>	<b>188,000</b>	<b>154,000</b>	<b>442,500</b>
<b>Gross Profit</b>	<b>-100,500</b>	<b>525,000</b>	<b>310,000</b>	<b>95,000</b>	<b>829,500</b>
<b>Expense</b>					
Administrative Expenses	145,000	0	0	0	145,000
Development	0	25,000	0	0	25,000
Marketing	115,000	0	0	0	115,000
Occupancy Expenses	220,000	0	0	0	220,000
Personnel	270,000	0	0	0	270,000
<b>Total Expense</b>	<b>750,000</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>775,000</b>
<b>Net Ordinary Income</b>	<b>-850,500</b>	<b>500,000</b>	<b>310,000</b>	<b>95,000</b>	<b>54,500</b>
<b>Other Income/Expense</b>					
Interest Income	500	0	0	0	500
<b>Net Other Income</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>
<b>Net Income</b>	<b>-850,000</b>	<b>500,000</b>	<b>310,000</b>	<b>95,000</b>	<b>55,000</b>

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& Associates, Inc.

# Accounting & Budgeting

Accrual Basis

## Cape Cod Non-Profit Income & Expenditures by Event January through December 2011

	Production 1	Production 2	Production 3	Production 4	Event 1	Event 2	Event 3	Event 4	Total
<b>Ordinary Income/Expense</b>									
<b>Income</b>									
Program Income									
Ticket & Workshop Income	165,000	175,000	150,000	190,000					680,000
Fundraisers					15,000	15,000	15,000	22,000	67,000
<b>Total Program Income</b>	<b>165,000</b>	<b>175,000</b>	<b>150,000</b>	<b>190,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>22,000</b>	<b>747,000</b>
<b>Total Income</b>	<b>165,000</b>	<b>175,000</b>	<b>150,000</b>	<b>190,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>22,000</b>	<b>747,000</b>
<b>Cost of Goods Sold</b>									
Program Personnel	82,500	87,500	75,000	95,000					340,000
Program Expenses	8,250	8,750	7,500	9,500					34,000
Royalties	16,500	17,500	15,000	19,000					68,000
<b>Total COGS</b>	<b>107,250</b>	<b>113,750</b>	<b>97,500</b>	<b>123,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>442,000</b>
<b>Gross Profit on Productions &amp; Events</b>	<b>57,750</b>	<b>61,250</b>	<b>52,500</b>	<b>66,500</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>22,000</b>	<b>305,000</b>
<b>Expense</b>									
Advertising & Promotion	5,000	5,000	5,000	5,000	500	500	500	500	22,000
Other	500	500	500	500					2,000
<b>Total Expense</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>24,000</b>
<b>Net Income</b>	<b>52,250</b>	<b>55,750</b>	<b>47,000</b>	<b>61,000</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>	<b>21,500</b>	<b>281,000</b>

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& Associates, Inc.

# Reporting

## Board Reporting

- Financial/Executive Committee
- Monthly – YTD and current month
  - Budget vs. Actual
  - Previous year comparison
  - Balance Sheet and supporting schedules
  - Cash Flow Rolling Projections
- Board at Large
  - Dashboard reports – periodic
  - Annual Reports
- Footnotes

# Reporting

Accrual Basis

## Cape Cod Non-Profit I & E Budget vs. Actual January through December 2011 Collapsed

	Jan - Dec 11	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Contributed Income	525,000	500,000	25,000	105.0% <b>A</b>
Earned Income	67,000	80,000	-13,000	83.75%
Program Income	680,000	700,000	-20,000	97.14% <b>B</b>
<b>Total Income</b>	<b>1,272,000</b>	<b>1,280,000</b>	<b>-8,000</b>	<b>99.38%</b>
<b>Cost of Goods Sold</b>				
Merchandise	500	0	500	100.0%
Program Personnel	340,000	375,000	-35,000	90.67%
Program Expenses	34,000	40,000	-6,000	85.0%
Royalties	68,000	95,000	-27,000	71.58% <b>C</b>
<b>Total COGS</b>	<b>442,500</b>	<b>510,000</b>	<b>-67,500</b>	<b>86.77%</b>
<b>Gross Profit</b>	<b>829,500</b>	<b>770,000</b>	<b>59,500</b>	<b>107.73%</b>
<b>Expense</b>				
Administrative Expenses	145,000	150,000	-5,000	96.67%
Development	25,000	15,000	10,000	166.67%
Marketing	115,000	110,000	5,000	104.55%
Occupancy Expenses	220,000	200,000	20,000	110.0% <b>D</b>
Personnel	270,000	280,000	-10,000	96.43%
<b>Total Expense</b>	<b>775,000</b>	<b>755,000</b>	<b>20,000</b>	<b>102.65%</b>
<b>Net Ordinary Income</b>	<b>54,500</b>	<b>15,000</b>	<b>39,500</b>	<b>363.33%</b>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
Interest Income	500	0	500	100.0%
<b>Total Other Income</b>	<b>500</b>	<b>0</b>	<b>500</b>	<b>100.0%</b>
<b>Net Income</b>	<b>55,000</b>	<b>15,000</b>	<b>40,000</b>	<b>366.67%</b>

- A** Additional appeal sent out
- B** Attendance down by 3%
- C** Related to attendance
- D** New heating system of \$17,000 installed

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& Associates, Inc.

# Reporting

Accrual Basis

## Cape Cod Non-Profit I & E Prev Year Comparison January through December 2011

	Jan - Dec 11	Jan - Dec 10	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Contributed Income	525,000	1,500,000	-975,000	-65.0% <b>A</b>
Earned Income	67,000	63,000	4,000	6.35%
Program Income	680,000	700,000	-20,000	-2.86% <b>B</b>
<b>Total Income</b>	<b>1,272,000</b>	<b>2,263,000</b>	<b>-991,000</b>	<b>-43.79%</b>
<b>Cost of Goods Sold</b>				
Merchandise	500	0	500	100.0%
Program Personnel	340,000	350,000	-10,000	-2.86%
Program Expenses	34,000	35,000	-1,000	-2.86%
Royalties	68,000	88,000	-20,000	-22.73% <b>B</b>
<b>Total COGS</b>	<b>442,500</b>	<b>473,000</b>	<b>-30,500</b>	<b>-6.45%</b>
<b>Gross Profit</b>	<b>829,500</b>	<b>1,790,000</b>	<b>-960,500</b>	<b>-53.66%</b>
<b>Expense</b>				
Administrative Expenses	145,000	200,000	-55,000	-27.5%
Development	25,000	35,000	-10,000	-28.57%
Marketing	115,000	130,000	-15,000	-11.54%
Occupancy Expenses	220,000	250,000	-30,000	-12.0% <b>C</b>
Personnel	270,000	270,000	0	0.0%
<b>Total Expense</b>	<b>775,000</b>	<b>885,000</b>	<b>-110,000</b>	<b>-12.43%</b>
<b>Net Ordinary Income</b>	<b>54,500</b>	<b>905,000</b>	<b>-850,500</b>	<b>-93.98%</b>
<b>Other Income/Expense</b>				
Other Income				
Interest Income	500	2,800	-2,300	-82.14%
<b>Total Other Income</b>	<b>500</b>	<b>2,800</b>	<b>-2,300</b>	<b>-82.14%</b>
<b>Net Other Income</b>	<b>500</b>	<b>2,800</b>	<b>-2,300</b>	<b>-82.14%</b>
<b>Net Income</b>	<b>55,000</b>	<b>907,800</b>	<b>-852,800</b>	<b>-93.94%</b>

**A** \$1,000,000 pledge receivable booked in 2010

**B** Attendance is down by 3%

**C** Renting less space this year

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# Reporting

Accrual Basis

## Cape Cod Non- Profit Balance Sheet Prev Year Comparison As of December 31, 2011

	Dec 31, 11	Dec 31, 10	\$ Change
<b>ASSETS</b>			
<b>Current Assets</b>			
Checking/Savings			
Checking	65,500	15,000	50,500
Money Market	7,000	5,000	2,000
CD	5,500	5,000	500
<b>Total Checking/Savings</b>	<b>78,000</b>	<b>25,000</b>	<b>53,000</b>
Accounts Receivable			
Accounts Receivable	30,000	5,000	25,000
<b>Total Accounts Receivable</b>	<b>30,000</b>	<b>5,000</b>	<b>25,000</b>
<b>Total Current Assets</b>	<b>108,000</b>	<b>30,000</b>	<b>78,000</b>
<b>Fixed Assets</b>			
Building	1,400,000	1,400,000	0
<Accum Deprn-Building>	-210,000	-200,000	-10,000
Computers & Equipment	22,000	20,000	2,000
<Accum Deprn-Computers>	-19,200	-19,000	-200
<b>Total Tangible Assets</b>	<b>1,192,800</b>	<b>1,201,000</b>	<b>-8,200</b>
<b>Total Fixed Assets</b>	<b>1,192,800</b>	<b>1,201,000</b>	<b>-8,200</b>
<b>TOTAL ASSETS</b>	<b>1,300,800</b>	<b>1,231,000</b>	<b>69,800</b>
<b>LIABILITIES &amp; NET ASSETS</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	7,000	2,000	5,000
Line of Credit	0	12,000	-12,000
<b>Total Current Liabilities</b>	<b>7,000</b>	<b>14,000</b>	<b>-7,000</b>
<b>Long Term Liabilities</b>			
Mortgage	688,000	700,000	-12,000
Loan	47,000	50,000	-3,000
LOC	0	12,000	-12,000
<b>Total Long Term Liabilities</b>	<b>735,000</b>	<b>762,000</b>	<b>-27,000</b>
<b>Total Liabilities</b>	<b>742,000</b>	<b>776,000</b>	<b>-34,000</b>
<b>Net Assets</b>			
Unrestricted	503,800	455,000	48,800
Temporarily Restricted	55,000	0	55,000
<b>Total Net Assets</b>	<b>558,800</b>	<b>455,000</b>	<b>103,800</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>1,300,800</b>	<b>1,231,000</b>	<b>69,800</b>

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# Key Indicators

**Current Ratio** – Measures the ability to pay short-term obligations, the higher the ratio the more capable

Current Assets/Current Liabilities

<u>Example:</u> Current Assets	108,000
Current Liabilities	7,000
Current Ratio	15.43

**Days in Payable** – Measures how long it takes to pay creditors

Accounts Payable/(Cost of sales/Number of days)

<u>Example:</u> Accounts Payable	7,000
Cost of Sales	1,217,500
Days in Payables	2.1

# Key Indicators

**Debt to Equity Ratio** – Measures financial leverage – what portion of equity and debt is used to finance assets.

High ratio means aggressive in financial growth

Example: Total Liabilities 742,000

Equity 558,800

Debt to Equity Ratio 1.33

**Days Cash Available** – Measures the number of days it takes to deplete the cash of the business  $(\text{Cash} \times 365) / \text{Cost of Sales}$

Example: Cash 78,000

Cost of Sales 1,217,500

Days Cash Available 23

# Key Indicators

## Cape Cod Non-Profit Key Indicators

	<u>As of 12/31/2011</u>	<u>As of 12/31/2010</u>	<u>\$ Change from FY 10</u>	
<b>Balance Sheet:</b>				
<b>Cash Balance</b>	78,000	25,000	53,000	Improved
<b>Total Assets</b>	1,300,800	1,231,000	69,800	Improved
<b>Total Liabilities</b>	742,000	776,000	(34,000)	Improved
<b>Net Assets</b>	558,800	455,000	103,800	Improved
<b>Income &amp; Expense:</b>				
<b>Net Income/(Deficit)</b>	55,000	907,800	(852,800)	Declined

	<u>As of 12/31/2011</u>	<u>As of 12/31/2010</u>	<u>Benchmark Target</u>
<b>Current Ratio</b>	15.429 Improved	2.143	1.5
<b>Days in Payables</b>	2.009 Declined	0.323	under 30
<b>Debt to Equity Ratio</b>	1.3 Improved	1.7	under 1
<b>Days Cash Available</b>	22.4 Improved	4.0	around 30

# Reporting-Annual Reports to General Membership

## Cape Cod Non-Profit Change in Cash Position FYE 12/31/xx

	<u>TOTAL</u>
Ordinary Income/Expense	
Income	
Total Income	1,272,000
Total Cost of Goods Sold	442,500
Total Expense	<u>775,000</u>
Net Ordinary Income	54,500
Net Other Income	<u>500</u>
<b>Net Income</b>	<b><u>55,000</u></b>
<b>Beginning Year Cash Balances per Books</b>	
Checking accounts	15,000
Money Market accounts	5,000
CD/Investment	<u>5,000</u>
Total Beginning Cash Balances	25,000
Add: Net Income	<u>55,000</u>
<b>Cash Available in Year</b>	<b><u>80,000</u></b>
Less: Assets Purchased	<u>(2,000)</u>
<b>Calculated Cash Balance End of Year</b>	<b><u>78,000</u></b>
<b>Ending Balances per Banks</b>	
Checking accounts	65,500
Money Market accounts	7,000
CD	<u>5,500</u>
<b>Total Bank Balances End of Year</b>	<b><u>78,000</u></b>
Balance Sheet	
Staff Report	
Membership Report	
Donor Report	
Projected Events/Changes	

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# Cash Flow vs. I & E

Annual Basis

## Cape Cod Non-Profit Cash Flow Projection January 2012 through December 2012

	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	TOTAL	% of Ino
<b>Ordinary Income/Expense</b>														
<b>Income</b>														
Contributed Income	45,000	60,000	45,000	16,000	50,000	90,000	90,000	90,000	25,000	10,000	10,000	60,000	591,500	41.54%
Earned Income	500	500	500	5,000	10,000	18,000	25,000	25,000	8,000	4,000	500	500	97,500	6.85%
Program Income	20,000	20,000	20,000	50,000	75,000	75,000	180,000	190,000	75,000	10,000	10,000	10,000	735,500	51.62%
<b>Total Income</b>	<b>65,500</b>	<b>80,500</b>	<b>65,000</b>	<b>71,000</b>	<b>135,000</b>	<b>183,000</b>	<b>295,000</b>	<b>305,000</b>	<b>108,000</b>	<b>24,000</b>	<b>20,500</b>	<b>70,500</b>	<b>1,424,000</b>	<b>100.00%</b>
<b>Cost of Goods Sold</b>														
COGS Personnel	10,000	10,000	10,000	10,000	25,000	40,000	40,000	40,000	40,000	40,000	35,000	10,000	310,000	21.77%
Production Expenses	100	100	100	100	5,000	10,000	15,000	12,000	5,000	100	100	100	47,700	3.35%
Royalties	5,000	5,000	5,000	5,000	5,000	2,000	18,000	18,000	18,000	7,000	6,000	6,000	100,000	7.02%
<b>Total COGS</b>	<b>15,100</b>	<b>15,100</b>	<b>15,100</b>	<b>15,100</b>	<b>35,000</b>	<b>52,000</b>	<b>73,000</b>	<b>70,000</b>	<b>63,000</b>	<b>47,100</b>	<b>41,100</b>	<b>16,100</b>	<b>457,700</b>	<b>32.14%</b>
<b>Gross Profit</b>	<b>50,400</b>	<b>65,400</b>	<b>50,900</b>	<b>55,900</b>	<b>100,000</b>	<b>131,000</b>	<b>222,000</b>	<b>235,000</b>	<b>45,000</b>	<b>(23,100)</b>	<b>(20,600)</b>	<b>54,400</b>	<b>966,300</b>	<b>67.86%</b>
<b>Expense</b>														
Administrative Expenses	10,000	10,000	10,000	10,000	10,000	15,000	15,000	15,000	15,000	10,000	10,000	10,000	140,000	
Development	2,000	2,000	2,000	2,000	5,000	5,000	5,000	5,000	5,000	2,000	2,000	2,000	39,000	
Marketing	5,000	5,000	10,000	10,000	30,000	20,000	15,000	15,000	5,000	5,000	5,000	5,000	130,000	
Occupancy Expenses	20,000	20,000	20,000	20,000	20,000	25,000	25,000	25,000	25,000	20,000	20,000	20,000	260,000	
Personnel	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	360,000	
<b>Total Expense</b>	<b>67,000</b>	<b>67,000</b>	<b>72,000</b>	<b>72,000</b>	<b>95,000</b>	<b>95,000</b>	<b>90,000</b>	<b>90,000</b>	<b>80,000</b>	<b>67,000</b>	<b>67,000</b>	<b>67,000</b>	<b>929,000</b>	
<b>Net Ordinary Income</b>	<b>(16,600)</b>	<b>(1,600)</b>	<b>(21,100)</b>	<b>(16,100)</b>	<b>5,000</b>	<b>36,000</b>	<b>132,000</b>	<b>145,000</b>	<b>(35,000)</b>	<b>(90,100)</b>	<b>(87,600)</b>	<b>(12,600)</b>	<b>37,300</b>	
<b>Other Income/Expense</b>														
Other Income	50	50	50	50	50	50	50	50	50	50	50	50	600	
<b>Net Other Income</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>600</b>	
<b>Net Income</b>	<b>(16,650)</b>	<b>(1,650)</b>	<b>(21,050)</b>	<b>(16,050)</b>	<b>6,050</b>	<b>36,050</b>	<b>132,050</b>	<b>145,050</b>	<b>(34,950)</b>	<b>(90,050)</b>	<b>(87,650)</b>	<b>(12,650)</b>	<b>37,900</b>	
<b>Net Cash Available for Debt Service</b>	<b>(16,550)</b>	<b>(1,550)</b>	<b>(21,050)</b>	<b>(16,050)</b>	<b>5,050</b>	<b>36,050</b>	<b>132,050</b>	<b>145,050</b>	<b>(34,950)</b>	<b>(90,050)</b>	<b>(87,550)</b>	<b>(12,550)</b>		
<b>Total Debt Service</b>														
Accounts Payable & Revolving	10,000	10,000												
Note Payments:														
Mortgage	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		
Loan	250	250	250	250	250	250	250	250	250	250	250	250		
LOC	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		
<b>Total Debt Service</b>	<b>12,250</b>	<b>12,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>		
<b>Net Cash After Debt Service</b>	<b>(28,800)</b>	<b>(13,800)</b>	<b>(23,300)</b>	<b>(18,300)</b>	<b>2,800</b>	<b>33,800</b>	<b>129,800</b>	<b>142,800</b>	<b>(37,200)</b>	<b>(92,300)</b>	<b>(89,800)</b>	<b>(14,800)</b>		
<b>Unrestricted Cash Beg. of Period</b>	<b>72,500</b>	<b>43,700</b>	<b>29,900</b>	<b>6,600</b>	<b>(11,700)</b>	<b>(8,900)</b>	<b>24,900</b>	<b>154,700</b>	<b>297,500</b>	<b>260,300</b>	<b>168,000</b>	<b>78,200</b>		
<b>Unrestricted Cash End of Period</b>	<b>43,700</b>	<b>29,900</b>	<b>6,600</b>	<b>(11,700)</b>	<b>(8,900)</b>	<b>24,900</b>	<b>154,700</b>	<b>297,500</b>	<b>260,300</b>	<b>168,000</b>	<b>78,200</b>	<b>63,400</b>		
<b>Restricted Cash Balance</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>		
<b>Total All Cash End of Period</b>	<b>49,200</b>	<b>35,400</b>	<b>12,100</b>	<b>(6,200)</b>	<b>(3,400)</b>	<b>30,400</b>	<b>160,200</b>	<b>303,000</b>	<b>265,800</b>	<b>173,500</b>	<b>83,700</b>	<b>68,900</b>		

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# Compliance

- Annual Secretary of State Filing
- Employee vs. Contractor
  - Tax and Reporting
- Review vs. Audit
- Other Tax Reporting
  - Sales Tax-In regular course of business
    - Fundraising/Isolated-non
    - Raffle-Licensing/local tax
- Conflict

# Measuring Results-Understanding Benchmarks

## Resources:

- [www.frogloop.com](http://www.frogloop.com)
- <http://nonprofitsocialnetworksurvey.com>
- [www.e-benchmarksstudy.com](http://www.e-benchmarksstudy.com)
- [www.convio.com](http://www.convio.com)
- [Boardsource.com](http://boardsource.com)

# Thank You!

Mark Pearson

Lisa Walker

Tammy Glivinski

