

INTERPRETING NONPROFIT FINANCIAL STATEMENTS

1. Introduction to nonprofit organizations and their financial statement
2. Comparisons and differences between for profit and nonprofit financial statements:
 - a. Statement of financial condition
 - i. To classify or not to classify?
 - ii. Restriction of cash and endowment funds
 - iii. Definition of a promises to give
 - iv. Nonprofit inventory issues
 - v. Collections of items
 - vi. Explanation of deferred income
 - vii. When is a contribution a liability?
 - viii. Net assets compared to retained earnings and the three “buckets” of reporting
 1. Unrestricted
 - a. Board designations of unrestricted net assets
 - b. Undesignated net assets
 2. Temporally restricted
 3. Permanently restricted
 - b. Statement of activities
 - i. Revenue recognition issues
 1. Contribution vs. exchange transactions vs. funds held for others
 2. Donation of materials, services or facilities
 3. Other revenues and gains and losses
 4. Program expenses vs. support expenses
 5. Fundraising costs issues
 6. The three required “buckets” of reporting transaction
 - a. Explanation of the “buckets”.
 - b. Different ways of presenting the three buckets of reporting
 - c. The statement of functional expenses
 - i. When is it required and what is it?
 - ii. Requirements for the statement.
 - d. The statement of cash flow
 - i. Major issues for nonprofit organizations
 - e. Notes and disclosures for nonprofits
 - i. Cash disclosures of designations and restrictions
 - ii. Promises to give require a five year collection table discounted to present value
 - iii. Explanation of designations, restrictions, temporary and/or permanent, to net assets
 - iv. Policies for recording donations of service, facilities and property along with amounts involved
 - v. Methods of allocation to programs and general administrative expenses
 - vi. Income tax status
 - f. Other comprehensive bases of accounting
 - g. Affiliations and related entities
3. Important financial ratios that distinguish you as an expert
 - a. Current ratio
 - b. Ratio of net assets to total expenses

- c. Ratio of supporting expenses to total expenses
 - d. Ratio of fundraising expenses to contributions and funds raised
 - e. Investment income to total investments
- 4. Presenting financial statements to Boards, Members and Management
 - a. Understand that 90% of your audience panics upon viewing columns of numbers
 - b. Present information graphically when possible
 - c. Simple charts that explain the financial statements to your audience