

Understanding & Assessing Financial Health
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NH Center for NONPROFITS

Today's Conversation

- ✓ Financial Literacy
 - Reading financial statements
- ✓ Assessing Financial Health
 - Ratios
 - Cash flow projections
 - Reserves

Financial Leadership

Financial Literacy

Ensuring Accuracy

Financial Literacy

Assessing Financial Health

Planning and Communicating

Organizational Sustainability

Financial Literacy

Nonprofit Financial Statements

- Statement of Financial Position
- Statement of Activities

Financial Literacy

Financial Statements

Statement of Financial Position (Balance Sheet)

Statement of Activities (Income Statement)

- Cumulative performance
- What do we own?
- What do we owe?
- Year to date performance
- Where we're investing resources

Financial Literacy

Statement of Financial Position September 30, 2019		
	9/30/2019	12/31/2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 122,290	\$ 135,540
Donations and grants receivable	109,035	145,540
Other receivables	9,320	12,250
Prepaid insurance	1,330	5,075
Total Current Assets	241,975	298,405
Fixed Assets		
Equipment, furniture and fixtures	143,305	125,275
Less accumulated depreciation	(41,520)	(26,590)
Total Fixed Assets	101,785	98,685
Long Term Investments	76,870	75,000
Total Assets	\$ 419,630	\$ 472,170
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	29,100	65,540
Accrued expenses	20,350	15,300
Current portion of long term debt	2,420	2,420
Total Current Liabilities	51,870	83,260
Long term debt	8,540	10,900
NET ASSETS		
Without Donor Restrictions		
Board Designated Funds	50,000	50,000
Fixed Assets, Net	101,980	88,685
Unrestricted	44,685	41,100
Total Net Assets Without Donor Restrictions	196,665	179,785
With Donor Restrictions		
Purpose Restricted	42,200	55,900
Time Restricted	37,250	30,400
Permanently Restricted / Endowment	75,000	75,000
Total Net Assets With Donor Restrictions	154,450	160,300
Total Net Assets	\$ 351,115	\$ 340,085
Total Liabilities and Net Assets	\$ 419,630	\$ 472,170

Financial Health

Two Types of Accounting

Cash Basis Accounting

Items recorded when you actually have the cash.



Accrual Accounting

Items recorded when they are earned or incurred.



Financial Health

Cash vs. Accrual: An Example

For a reimbursable government contract, the usual process looks something like this:

- Work performed: July
- Bill sent to government: August
- Check received from government: October

Month Recorded	Cash Basis	Accrual Basis
Revenue	October	July
Expense	When Paid, July or August	July

Financial Health

Do we have enough cash to pay our bills?



Quick Ratio

$$\frac{\text{Cash \& Equivalents}}{\text{Total Current Liabilities}}$$

Financial Health

How do you build a reserve?

The diagram illustrates the process of building a reserve. On the left, there is a vertical stack of eight blocks: Surplus (green), Deficit (red), Surplus (green), Deficit (red), Surplus (green), Deficit (red), Surplus (green), and Deficit (red). A red arrow points from this stack to a single green block on the right labeled 'Organization' with the word 'Surplus' inside it.

Financial Health

Do we have enough cash to pay its bills?

How does our cash flow projection look?

Do we have an adequate reserve?

Financial Health

Do we have enough cash to pay its bills?

How does our cash flow projection look?

Do we have an adequate reserve?

How are our programs performing financially?

Next Webinar

- ✓ **December 13, 2019**
- ✓ **Determining True Program Cost & Profitability**
 - Classifying expenses
 - Cost and revenue allocation
 - Calculating programmatic profitability

Subsequent Topics	Date
Revenue Strategy	January 17, 2020
The Art & Science of Budgeting	February 21, 2020
Telling Your Financial Story: Dashboard Driving	March 20, 2020
The Sustainability Mindset*	April 16, 2020

Follow Up

- ✓ A recording of this session will be available for 2 weeks.
- ✓ You will receive a link by email to key slides and templates.
- ✓ Please complete our evaluation so we can continue to improve our sessions.



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