



What Your Nonprofit's Financial Statements Reveal

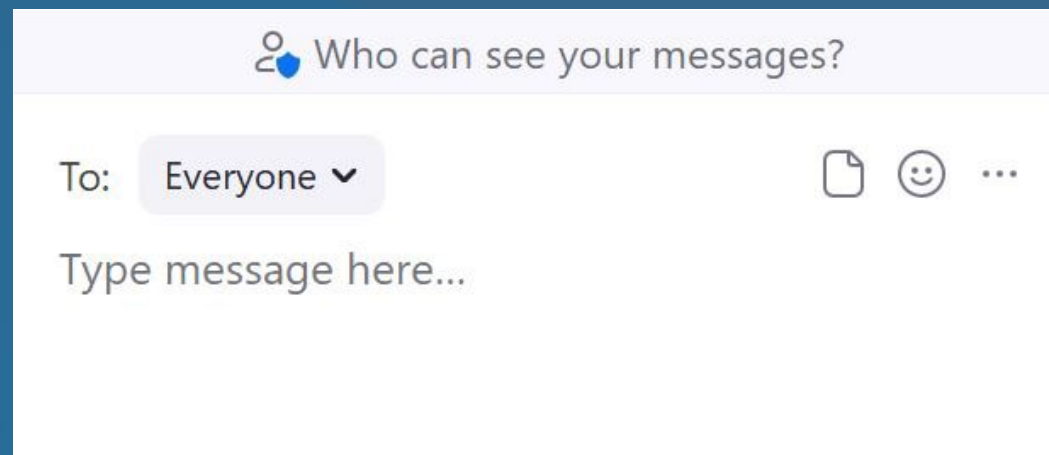
Webinar begins at 11:00 AM

Quick Housekeeping

After the webinar, you will receive:

- Webinar recording
- Slide deck

Questions? Use the Zoom chat box.





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ACCOUNTING | TECHNOLOGY | WEALTH ADVISORY



Lisa Johnson, CPA

- Co-director of Gross Mendelsohn's Nonprofit Group
- Heads up the firm's audit and accounting department
- 20+ years of financial statement audit experience
- Board president of local nonprofit



Kevin Connelly, CPA

- Audit and accounting manager in Gross Mendelsohn's Nonprofit Group
- 10 years of financial statement audit experience

Financial statements tell a story

Who are you?

What do you do?

Are you financially secure?

How's the endowment doing?

What are financial trends?

What can banks loan against?

Financial statements tell a story

What do you own?

What do you owe?

What have you received?

What will you receive?

What have you spent?

How are your funds spent?

Financial statements help you:

- Spot your organization's financial strengths and areas for improvement
- Identify trends in sources of income and financial performance
- Monitor changes in net assets to assess your organization's financial health

Financial statements fairly present a nonprofit's:

- Financial position
- Changes in net assets
- Functional allocation of expenses
- Cash flows

**Let's start with
some definitions**

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor restrictions.

Board designated

The part of net assets without donor restrictions that the board (not a donor) has designated for specific purposes. The board cannot restrict; only donors can.

Net assets with donor restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Statement of financial position

(importance of showing net assets with and without donor restrictions)

Statement of activities

Statement of functional expenses

Statement of cash flow

**Who uses financial statements and
what do they look for?**

Board members

- Change in net assets
- Months of cash on hand
- Swings in functional expense allocation

Donors

- Fundraising efficiency ratio
- Management expense ratio
- Program spending ratio

Lenders

- Debt service coverage
- Ability to meet short-term obligations (current ratio)
- How long operations can continue should no additional revenue be available

Deep dive: what should board members pay attention to on financial statements?

- **Liquidity footnote** — what financial assets are available for expenditure over the next year
- **Revenue sources** — helps to evaluate if new revenue opportunities are needed or if current ones should be discontinued

Deep dive: what should board members pay attention to on financial statements?

- **Change in net assets** — did the organization live within its means or is there cause for concern if there are recurring deficits?
- **Functional expense allocation** — spending ratios help nonprofits understand how much of each dollar is spent on the three expense types

**Let's look at some
financial statements and
the stories they tell**

Deep dive: what should your nonprofit use financial statements for?

- Benchmarking and financial metrics
- Budgeting
- Strategic decision making
- Monitoring compliance requirements

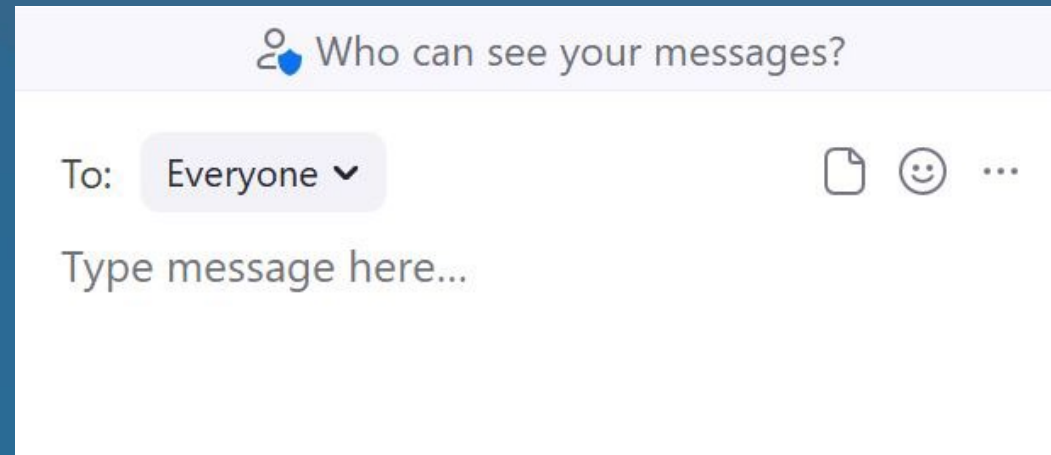
Financial ratios and benchmarks can help stakeholders:

- Assess the financial health of your nonprofit
- Make decisions regarding organizational strategy and budgeting
- Manage the nonprofit's resources
- Decide whether to support your nonprofit as donors

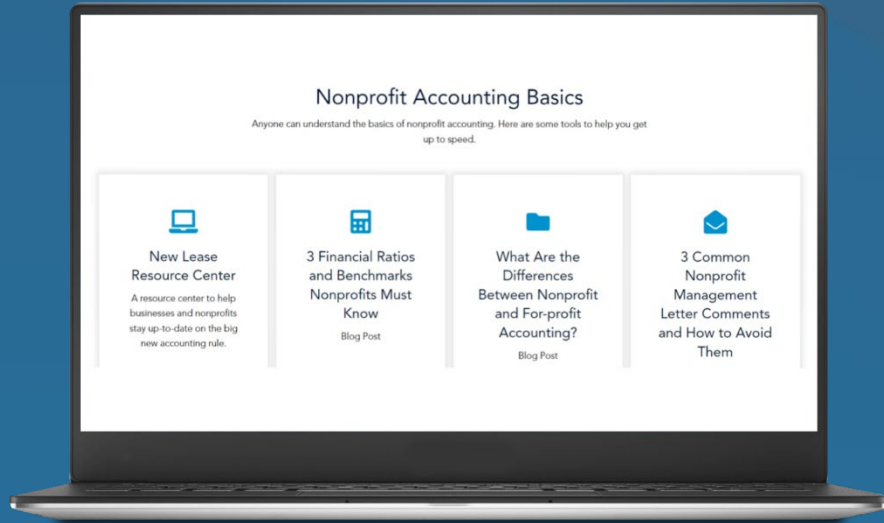
Key financial ratios

- Operating reserve ratio
- Program expense ratio
- Current ratio

Questions?



Use the chat to submit
your questions.



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