

Non-Profit Finance 101

June 11, 2024



Leadership
Development
Program

Webcast Tech Tips and Reminders



Please mute your microphone unless presenting.



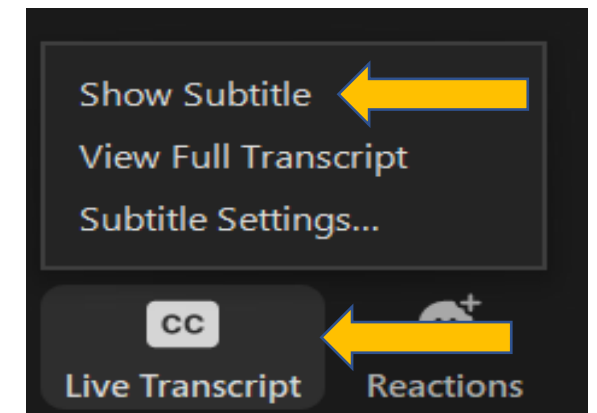
Chat function on bottom of screen is available – and presenters will see questions posted.



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Closed captioning is available. To enable this feature on a computer, click “Live Transcript” and “Show Subtitle.” For users on a phone or tablet, captioning will be enabled automatically.



Matt Miller,
CLARB CEO

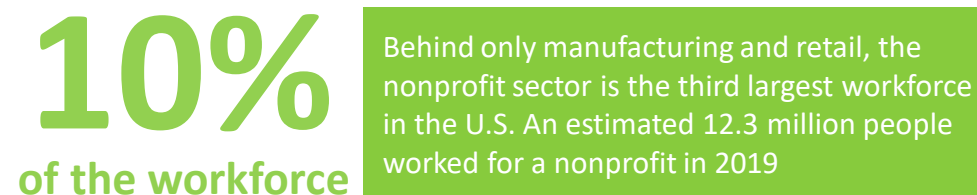


Nonprofit Finance 101

Objectives

- Identify unique features nonprofit corporations
- Explain differences between common nonprofit tax exemption statuses
- Review nonprofit financial statements
- Analyze a nonprofit organization's program based on "mission" and "margin"

Nonprofits



61 Million Volunteers



23% of Americans volunteer their time, energy, and talent in service of nonprofits and their communities



\$500 Billion

Americans are generous. Total charitable giving in 2023 was \$500B.

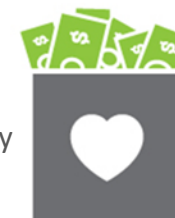


\$33.49

Each hour volunteered generated value

\$123 Billion

In 2021, Americans contributed approximately \$123 billion in value to nonprofits through volunteer hours.



What's the Deal with Tax Status?



**Funding
the
Mission**



**Allowable
Activities**

Not for Profit



Against Profit

Nonprofit “Types”

Nonprofit is a type of organization, not-for-profit is a type of activity, and tax-exempt is a status granted by the IRS

501(c)(3)

**religious, educational,
charitable, scientific,
literary**

501(c)(4)

**social welfare
organizations**

501(c)(6)

**trade associations,
business leagues**

Nonprofit “Types”

	501(c)(3)	501(c)(4)	501(c)(6)
<i>Focus</i>	Public	Civic/Social	Business
<i>Deductible Contributions</i>	Yes	No	No
<i>Lobbying</i>	Insubstantial	Allowed	Allowed
<i>Disclose Donors</i>	Yes	No	No
<i>Example</i>	<i>Goodwill</i>	<i>Rotary Club</i>	<i>Chamber of Commerce</i>

	<p>The American International Automobile Dealers Association (AIADA) is the only national association representing America's 9,600 international nameplate automobile franchises. In D.C., AIADA serves as an advocate and lobbyist for these dealers before Congress, the White House, and federal agencies.</p>
	<p>The LAF works to increase the capacity, influence, and impact of landscape architects to create a more sustainable, just, and resilient future. Through tax-deductible charitable contributions, LAF sponsors, undertakes, and publicizes research; provides scholarships to students studying Landscape Architecture; and provides thought leadership in designing sustainable landscape solutions.</p>
	<p>The National Rifle Association of America (NRA) is an American nonprofit organization that advocates for gun rights and civil liberties. Founded in 1871, the group has informed its members about firearm-related bills since 1934, and it has directly lobbied for and against legislation since 1975.</p>
	<p>The National Hockey League (NHL) is a professional ice hockey league currently composed of 32 teams – 25 in the United States and 7 in Canada. The average team is worth \$1.33 billion.</p>
	<p>The Sierra Club is an environmental organization in the United States. Traditionally associated with the progressive movement, the club was one of the first large-scale environmental preservation organizations in the world and currently engages in lobbying politicians to promote green policies.</p>
	<p>The Gates Foundation is a private foundation founded by Bill and Melinda Gates. The primary aims of the foundation are, globally, to enhance healthcare and reduce extreme poverty, and in America, to expand educational opportunities and access to information technology.</p>

Nonprofit Types:

501(c)(3)

religious, educational,
charitable, scientific, literary



501(c)(4)

social welfare organizations

501(c)(6)

trade associations, business
leagues

Nonprofit “Types”

	
 SIERRA CLUB	
BILL & MELINDA GATES <i>foundation</i>	

Key Question

Who owns a nonprofit?

Nonprofit Financial Statements

- Statement of Financial Position (Balance Sheet)
- Statement of Activities (Income Statement)
- IRS Form 990 (Tax Filing)

Statement of Financial Position (Balance Sheet)

*a snapshot, representing the state of an organization's finances
as of the date of publication.*

Young Readers Association Statement of Financial Position 2023

	2023	2022
Assets		
Current Assets		
Cash and Cash Equivalents	\$650,000	\$210,000
Inventory	35,000	12,000
Accounts Receivable	17,500	15,000
Prepaid Expenses	60,000	23,000
Total Current Assets	\$762,500	\$260,000
Non-Current Assets		
Investments	750,000	1,050,000
Property and Equipment	41,000	45,000
Leasehold Improvements	6,500	6,500
Software Development	150,000	135,000
Accumulated Depreciation	(165,000)	(150,000)
Total Non-Current Assets	782,500	1,086,500
Total Assets	\$1,545,000	\$1,346,500
Liabilities		
Current Liabilities		
Accounts Payable	17,400	22,100
Accrued Expenses	9,100	15,400
Deferred Revenue	35,000	101,000
Prepaid Dues	112,000	113,000
Total Current Liabilities	173,500	251,500
Long Term Liabilities		
Deferred Rent	24,000	36,000
Total Long-Term Liabilities	\$24,000	\$36,000
Total Liabilities	\$197,500	\$287,500
Net Assets		
Unrestricted Net Assets	1,197,300	913,800
Restricted Net Assets	150,200	145,200
Total Net Assets	\$1,347,500	\$1,059,000
Total Liabilities and Net Assets	1,545,000	1,346,500

Statement of Financial Position (Balance Sheet)

a snapshot, representing the state of an organization's finances as of the date of publication.

Assets = what the org owns

Liabilities = what the org owes

Net Assets = what the org is worth
(Equity)

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Statement of Financial Position (Balance Sheet)

What to look for:

- BIG *changes* from one year to the next in any one line item.
Ask “why?”
- Ability to “*pay the bills*”.
Current Assets vs. Current Liabilities (ratio should be at least 2 to 1).
- Growth or contraction in Net Assets from the previous year.

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Statement of Financial Position (Balance Sheet)

Formulas to help in analysis:

Current Ratio (liquidity):

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Debt to Net Assets % (leverage):

$$\frac{\text{Total Liabilities}}{\text{Unrestricted Net Assets}}$$

*Reserves to Operating Expense**

$$\frac{\text{Investments}}{\text{Annual Operating Expense}} \times 12$$

Statement of Activities (Income Statement / P&L)

primarily focuses on the organization's revenues and expenses during a particular period (usually by year or month).

Young Readers Association Statement of Activities 2021-2023

	2023		2022		2021
REVENUE					
Membership	\$	318,600	\$	308,100	\$ 312,200
Annual Conference Registration	\$	501,200	\$	412,900	\$ 493,200
Conference-Exhibits & Sponsorships	\$	700,000	\$	634,000	\$ 557,000
Magazine Advertising	\$	213,200	\$	348,400	\$ 411,100
Contributions	\$	117,100	\$	131,000	\$ 149,000
Branded Items	\$	51,400	\$	33,400	\$ 29,200
TOTAL REVENUE	\$	1,901,500	\$	1,867,800	\$ 1,951,700
EXPENSES					
Program Expenses					
Membership	\$	200,000	\$	201,200	\$ 205,400
Annual Conference Sessions	\$	279,800	\$	225,200	\$ 279,300
Conference-Exhibits & Sponsorships	\$	403,900	\$	350,000	\$ 321,000
Magazine Production	\$	225,400	\$	189,900	\$ 172,700
Fundraising	\$	7,300	\$	8,900	\$ 11,200
Branded Items	\$	35,000	\$	36,500	\$ 30,100
Total Program Expenses	\$	1,151,400	\$	1,011,700	\$ 1,019,700
Indirect Expenses					
General & Administrative	\$	173,200	\$	165,200	\$ 181,000
Salaries & Benefits	\$	575,000	\$	541,000	\$ 522,000
Total Indirect Expenses	\$	748,200	\$	706,200	\$ 703,000
TOTAL OPERATING EXPENSES	\$	1,899,600	\$	1,717,900	\$ 1,722,700
OPERATING SURPLUS (Profit)					
	\$	1,900	\$	149,900	\$ 229,000
Nonoperating Income (Expense)					
Unearned Gain/Loss on Investments	\$	127,200	\$	(163,300)	\$ 15,300
NET INCOME (LOSS) / Change to Net Assets					
	\$	129,100	\$	(13,400)	\$ 244,300

Statement of Activities (Income Statement / P&L)

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Revenues by type or program

Expenses by type or program

Surpluses (Profits)

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Statement of Activities (Income Statement / P&L)

What to look for:

- **Trends** over time
- **Program Sustainability**
- **Operating Surplus**
- **Administrative costs**

IRS Form 990

tax return required for organizations exempt from federal income tax

**financial
information**

**program
accomplishments**

**governance and
policies**

lobbying activities

**charitable
contributions**

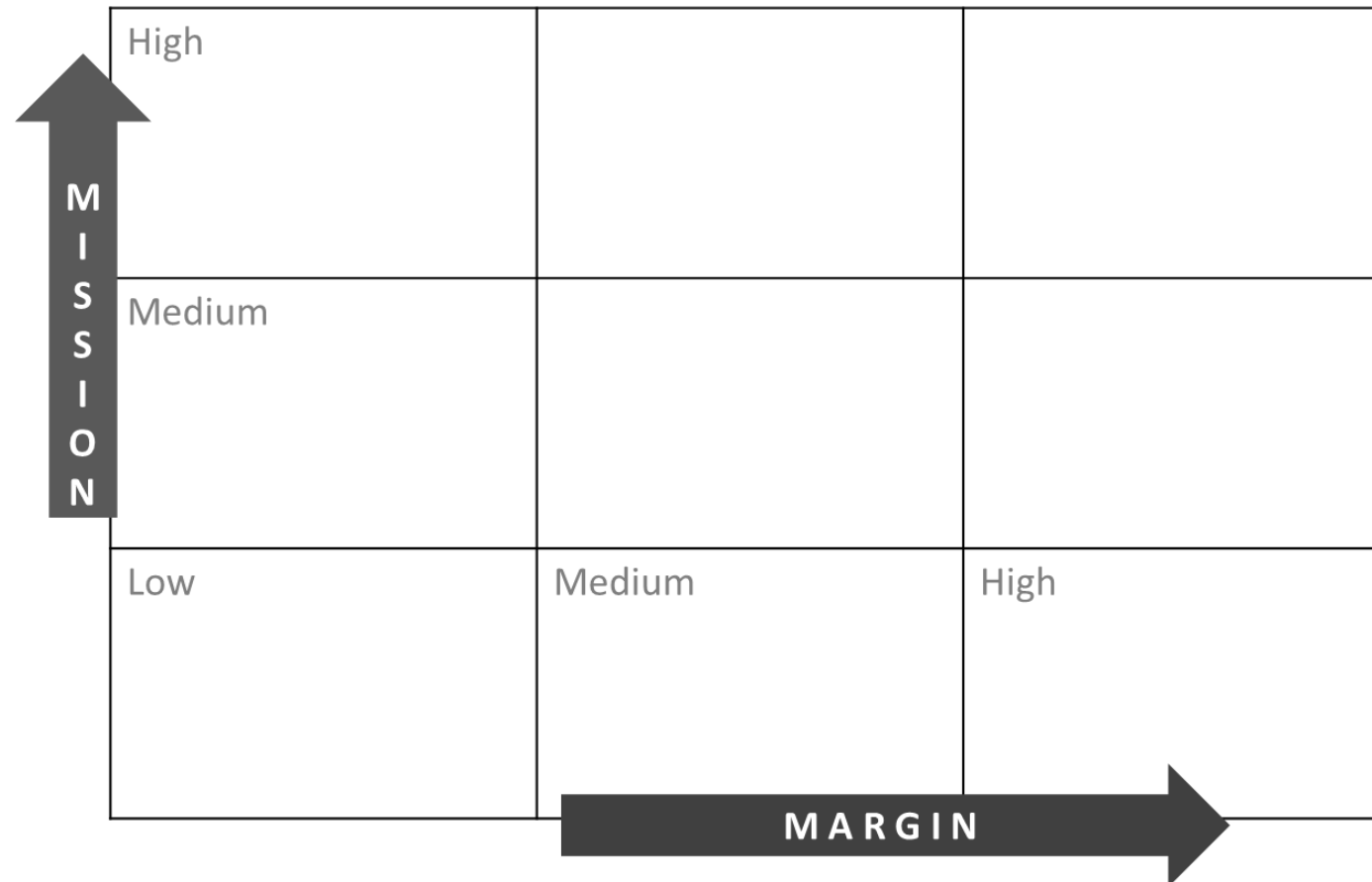
Nonprofit Business Model

No mission, no reason.



No margin, no mission.

Mission-Margin



Mission-Margin Assessment: An Example

Mission

Young Readers Association

About YRA

The Young Readers' Association is a national advocacy and membership organization of more than 100,000 educators, researchers, librarians, parents, and experts. With more than 50 years of experience, YRA has set the standard for how literacy is defined, taught, and evaluated

YRA Mission: Equip educators, motivate learners, and inform leaders with the resources they need to make literacy accessible for all.

Mission-Margin Assessment: An Example Programs

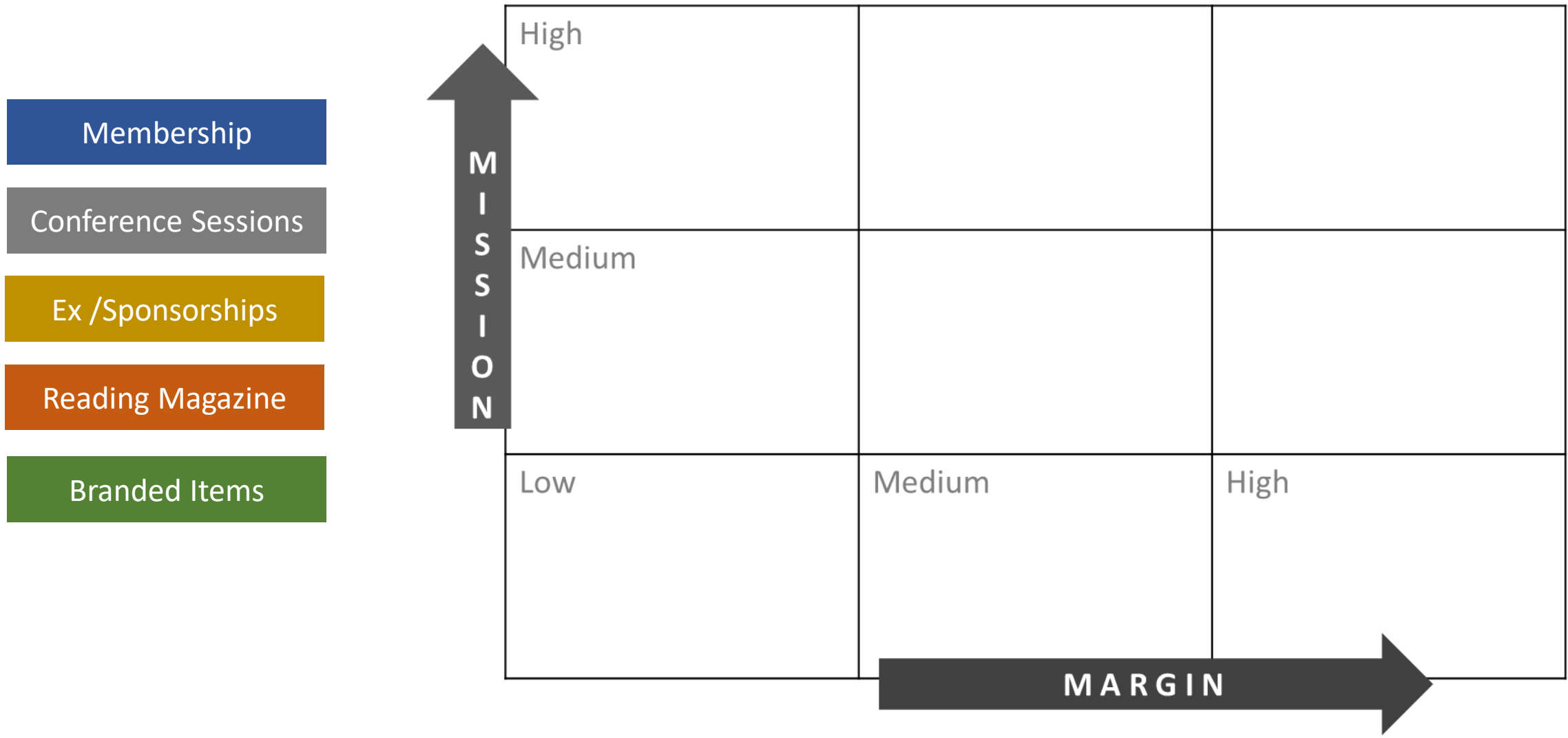
Membership	Annual dues provide access the following resources and benefits: <ul style="list-style-type: none">• Reading Today: Member Magazine that reports on the latest trends in reading education. Advertising also appears within.• Reading Roadmaps: Standards-based curriculum for reading educators• Access to Peer Reviewed Journals• Collaboration with colleagues and networking opportunities through volunteering at the local section
Reading Magazine	Member magazine that reports on the latest trends in reading and provides easy-to-implement classroom strategies for reaching diverse learners. Advertising is sold in the member magazine
Annual Conference Sessions	Registration fees provide to access educational sessions at the YRA Annual conference including: General Sessions, Keynote Speakers, Educator Workshops, Research Paper Presentations, and the Reading Equality Workshop.
Annual Conference Exhibits & Sponsorships	Opportunities for corporate sponsorship, advertising, and exhibit space is offered at the annual conference to generate revenue. Sponsors include children's literature publishers, textbook publishers, software companies for grade tracking and video gaming, teacher supply outlets, and TV Channels such as Nickelodeon and Disney. Sponsorships include keynote addresses, Wi-Fi, chair massages, product workshops, lanyards, and a VIP lounge.
Branded Items	Through a partnership with Staples, YRA offers its members (and others) the opportunity to purchase YRA-branded T-shirts, Polos, Hats, Coffee Mugs, etc.

Mission-Margin Assessment: An Example

Margin

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Mission-Margin



Please share
your thoughts!

Responses are requested by June 28



Upcoming Events

Living Our Vales: CLARB's Core Competencies in Action

- July 11, 3 p.m. ET

The Leadership Benefits of Emotional Fluency and Vulnerability

- August 14, 3 p.m. ET