

Financial Management 101

2020 Nonprofit Training Series
Financial Planning during COVID

San Francisco Controller's Office

May 28, 2020



- Introductions
- Financial Concepts Overview
- Questions
- Cash Indicators for Short-Term Planning
- Questions // Wrap-up







We promote economic justice and alleviate poverty by increasing the financial resilience and sustainability of nonprofits and enterprises.

Lending
&
NMTC

Consulting

Socially
Responsible
Investing

Policy





Nonprofit

Real Estate & Financial Management Advisory Partnership & Resource Center

Acquisition // Leasing Analyses & Facility Strategic Planning

Real Estate Financing & New Market Tax Credits

Financial Assessments & Education

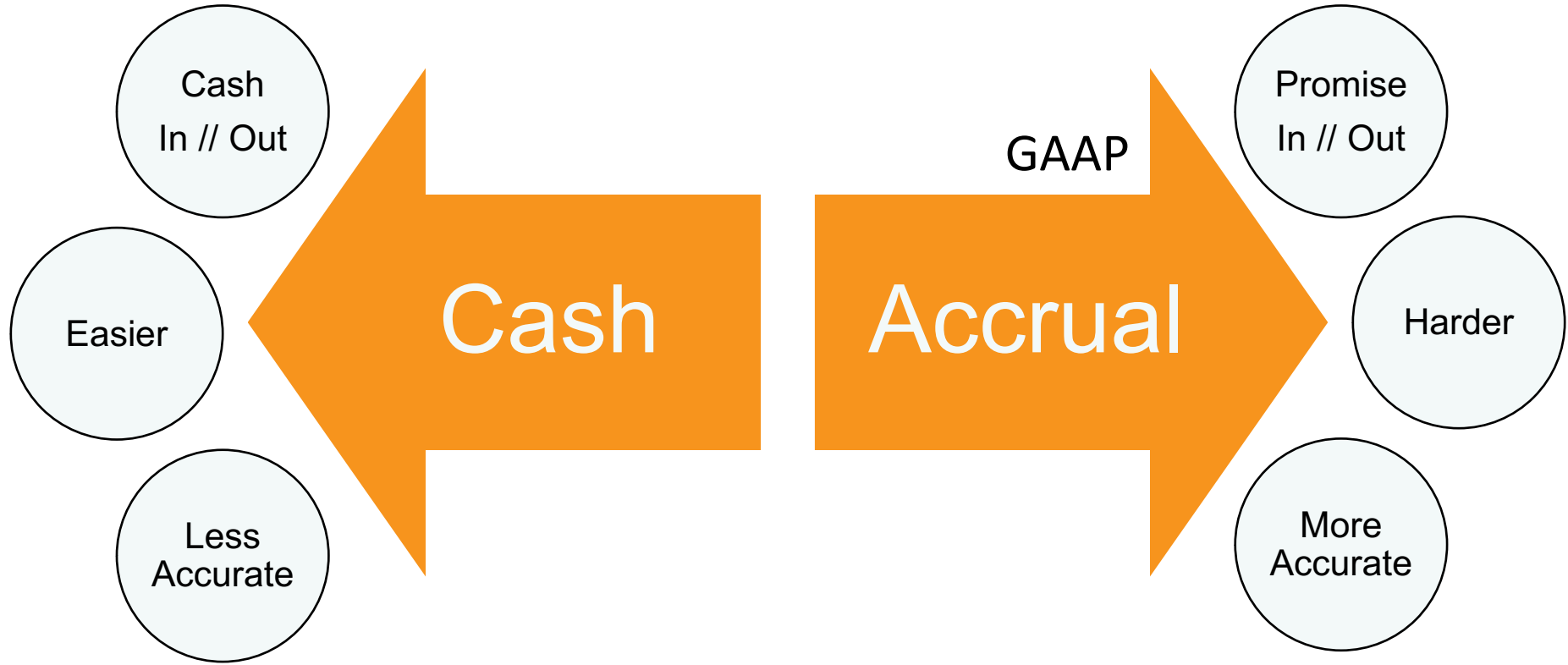
Business Model Analysis & Customized Tool Development



- Accounting Methods
- Financial Position
- Financial Performance
- Financial Projections
- Financial Capacity – How They All Interact



TWO ACCOUNTING METHODS



Assets **FY 2019**

Current Assets	
Cash and Cash Equivalents	6,843
Prepaid Expenses	12,760
Grants Receivable	155,264
Total Current Assets	174,867
Fixed Assets	
Buildings and Building Improvements	594,600
Leasehold Improvements	370,156
Furniture, Fixture, Equipment	277,331
Less Accumulated Depreciation	(617,001)
Total Fixed Assets (Net)	625,086
Total Assets	799,953
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	106,176
Accrued Expenses	144,679
Current portion of loan	15,405
Total Current Liabilities	266,260
Long Term Liabilities	
Mortgage Loan	331,186
Total Long Term Liabilities	331,186
Net Assets	
Beginning Net Assets	181,471
Change in Net Assets	21,036
Ending Net Assets	202,507
Total Liabilities & Net Assets	799,953

FINANCIAL POSITION

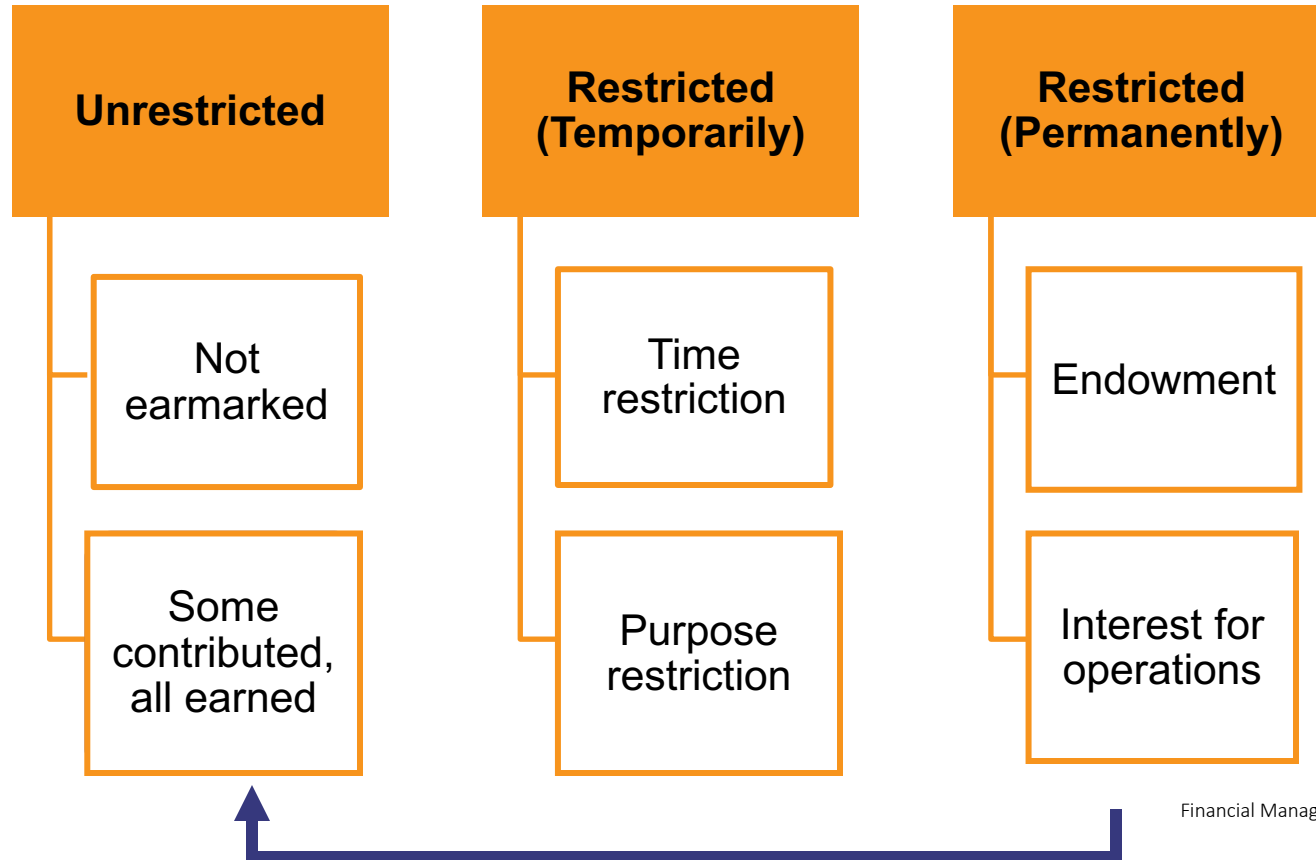
Balance Sheet

Snapshot of financial health

Single point in time

- + Assets – what you own
- Liabilities – what you owe
- = Net Assets – what's left





	FY 2019
Income	
Government	477,900
Foundation Grants	415,000
Individual Contributions	62,000
Earned Income	25,500
Miscellaneous	300
Total Income	980,700
Expense	
Accounting & Legal	12,000
Advertising	5,600
Consultants	140,864
Depreciation	7,500
Dues & Subscriptions	1,500
Insurance	4,500
Miscellaneous	4,000
Occupancy	75,600
Repairs & Maintenance	5,000
Salaries	570,000
Special Events	35,000
Supplies	86,700
Telephone	6,000
Training	1,800
Utilities	3,600
Total Expenses	959,664
Net Income	21,036

FINANCIAL PERFORMANCE

Income Statement // P&L

Snapshot of operating activity

Period of time

- + Income – what you earn
- Expenses – what you spend
- = Net Income – what's left



HOW THEY INTERACT

Balance Sheet

Assets	FY 2019
Current Assets	
Cash and Cash Equivalents	6,843
Prepaid Expenses	12,760
Grants Receivable	155,264
Total Current Assets	174,867
Fixed Assets	
Property	964,756
Furniture, Fixture, Equipment	277,331
Less Accumulated Depreciation	(617,001)
Total Fixed Assets (Net)	625,086
Total Assets	799,953
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	250,855
Current portion of loan	15,405
Total Current Liabilities	266,260
Long Term Liabilities	
Mortgage Loan	331,186
Total Long Term Liabilities	331,186
Net Assets	
Beginning Net Assets	181,471
Change in Net Assets	21,036
Ending Net Assets	202,507
Total Liabilities & Net Assets	799,953

Income Statement

Income	FY 2019
Government	477,900
Foundation Grants	415,000
Individual Contributions	62,000
Earned Income & Misc	25,800
Total Income	980,700
Expense	
Accounting & Legal	12,000
Advertising	5,600
Consultant	140,864
Depreciation	7,500
Dues & Subscriptions	1,500
Insurance	4,500
Miscellaneous	4,000
Occupancy	75,600
Repairs & Maintenance	5,000
Salaries	570,000
Special Events	35,000
Supplies	86,700
Telephone	6,000
Training	1,800
Utilities	3,600
Total Expenses	959,664
Net Income	21,036

Change in
Net Assets
=
Net Income



RECONCILING ACCRUAL & CASH

Cash Reconciliation Report

Snapshot of cash flows

Period of time

- + Cash In – what was deposited
- Cash Out – what was withdrawn
- = Net Cash – what's left

	FY 2019
Total Income	980,700
Total Expenses	959,664
Net Income	21,036
Adjustments reconciling	
Net Income to Net Cash:	
Depreciation	7,500
Receivables Received	57,000
Receivables Promised	(120,000)
Prepaid Deposits	(6,000)
Accounts Payable	46,000
Net Cash Provided By //	
(Used In) Operating	
 Activities	5,536
Beginning Cash	1,307
Net Increase (Decrease) in	5,536
Ending Cash	6,843



HOW THEY INTERACT

Balance Sheet

Assets	FY 2019
Current Assets	
Cash and Cash Equivalents	6,843
Prepaid Expenses	12,760
Grants Receivable	155,264
Total Current Assets	174,867
Fixed Assets	
Property	964,756
Furniture, Fixture, Equipment	277,331
Less Accumulated Depreciation	(617,001)
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Total Assets	799,953
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Net Assets	
Beginning Net Assets	181,471
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Ending Net Assets	202,507
Total Liabilities & Net Assets	799,953

Income Statement

	FY 2019
Income	
Government	477,900
Foundation Grants	415,000
Individual Contributions	62,000
Earned Income & Misc	25,800
Total Income	980,700
Expense	
Accounting & Legal	12,000
Advertising	5,600
Consultant	140,864
Depreciation	7,500
Dues & Subscriptions	1,500
Insurance	4,500
Miscellaneous	4,000
Occupancy	75,600
Repairs & Maintenance	5,000
Salaries	570,000
Special Events	35,000
Supplies	86,700
Telephone	6,000
Training	1,800
Utilities	3,600
Total Expenses	959,664
Net Income	21,036

Cash Reconciliation

	FY 2019
Total Income	980,700
Total Expenses	959,664
Net Income	21,036
Adjustments reconciling	
Net Income to Net Cash:	
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Accounts Payable	46,000
Net Cash Provided By //	
(Used In) Operating	
Activities	5,536
Beginning Cash	1,307
Net Increase (Decrease) in	5,536
Ending Cash	6,843





ANNUAL PROGRAM-BASED BUDGET

	Program A	Program B	Program C	MG&A	Fundraising	Total
Income						
Government	298,000	150,000	-	22,400	7,500	477,900
Foundation Grants	75,000	115,000	225,000	-	-	415,000
Individual Contributions	-	-	-	-	62,000	62,000
Earned Income	-	-	25,500	-	-	25,500
Miscellaneous	-	-	-	300	-	300
Total Income	373,000	265,000	250,500	22,700	69,500	980,700
Expenses						
Accounting & Legal	1,500	500	-	10,000	-	12,000
Advertising	1,867	1,400	1,167	700	467	5,600
Consultants	18,000	60,000	32,000	30,864	-	140,864
Depreciation	2,500	1,875	1,563	938	625	7,500
Dues & Subscriptions	250	-	500	750	-	1,500
Insurance	1,500	1,500	1,500	-	-	4,500
Miscellaneous	1,333	1,000	833	500	333	4,000
Occupancy	25,200	18,900	15,750	9,450	6,300	75,600
Repairs & Maintenance	1,667	1,250	1,042	625	417	5,000
Salaries	175,000	151,000	82,500	106,500	65,000	580,000
Special Events	-	10,000	-	5,000	-	15,000
Supplies	49,300	17,000	5,100	12,750	2,550	86,700
Telephone	2,000	1,500	1,250	750	500	6,000
Training	600	450	375	225	150	1,800
Utilities	1,200	900	750	450	300	3,600
Total Expenses	281,917	267,275	144,329	179,502	76,642	949,664
Net Income	91,083	(2,275)	106,171	(156,802)	(7,142)	31,036



Income	YTD Actual (3/31)	YTD Budget (3/31)	Variance
Government	385,000	382,000	1%
Foundation Grants	315,000	300,000	5%
Individual Contributions	5,000	6,200	-19%
Earned Income	18,000	21,165	-15%
Miscellaneous	-	-	
Total Income	723,000	709,365	2%
Expense	YTD Actual (3/31)	YTD Budget (3/31)	Variance
Accounting & Legal	12,000	10,800	11%
Advertising	100	750	-87%
Consultant	100,000	98,583	1%
Depreciation	6,000	6,000	0%
Dues & Subscriptions	1,500	1,500	0%
Insurance	8,900	9,002	-1%
Miscellaneous	1,000	1,500	-33%
Occupancy	60,480	60,480	0%
Repairs & Maintenance	2,000	4,000	-50%
Salaries	405,000	427,500	-5%
Special Events	3,800	3,000	27%
Supplies	50,000	69,360	-28%
Telephone	4,700	4,800	-2%
Training	3,500	3,000	17%
Utilities	3,000	2,880	4%
Total Expenses	661,980	703,155	-6%
Net Income	61,020	6,210	883%

Quarterly Variance Report

Opportunity to course correct

Period of time

+ <10% – continue on

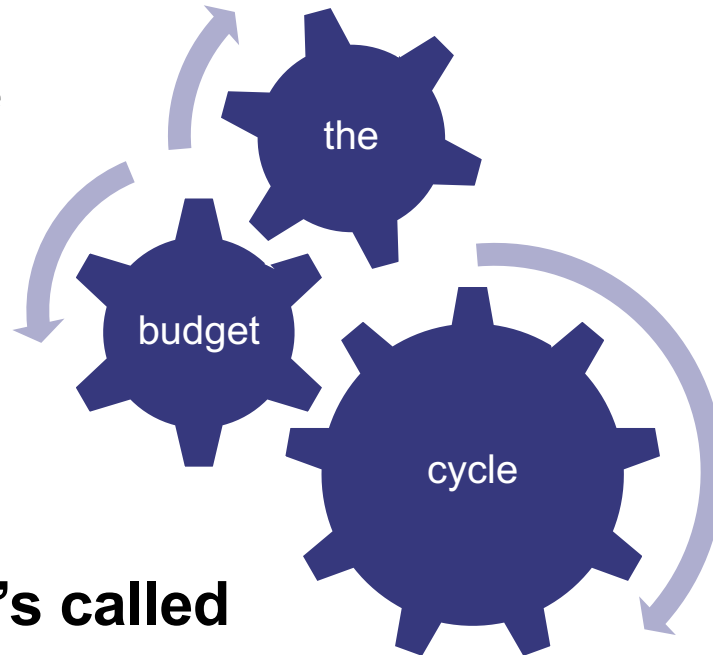
- >10% – potential pivot

= Adjustment plan



A healthy organization is always budgeting

- Assessing performance
- Developing projections
- Analyzing variances
- Making adjustments



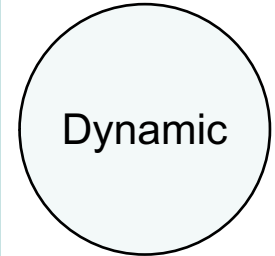
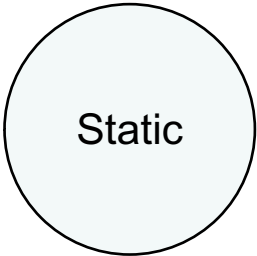
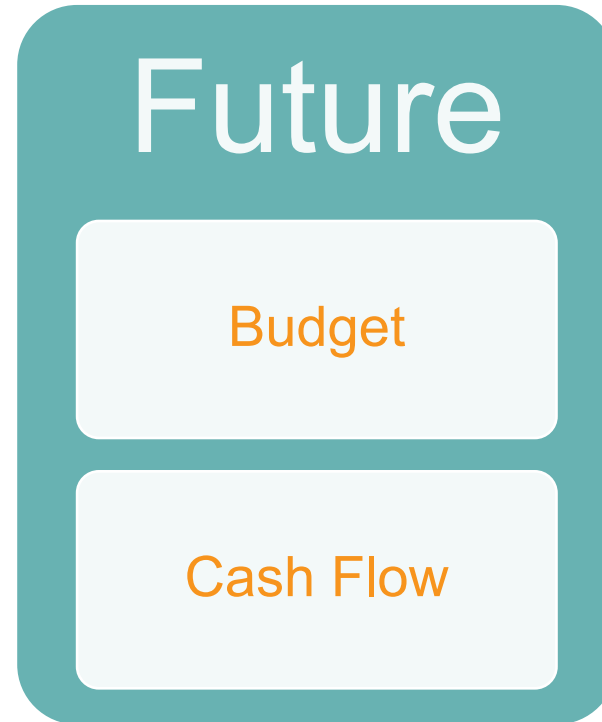
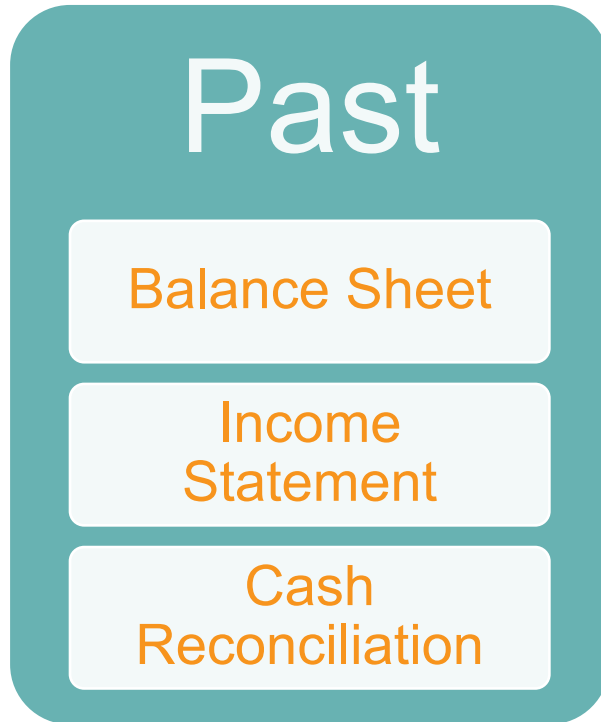
That's why it's called

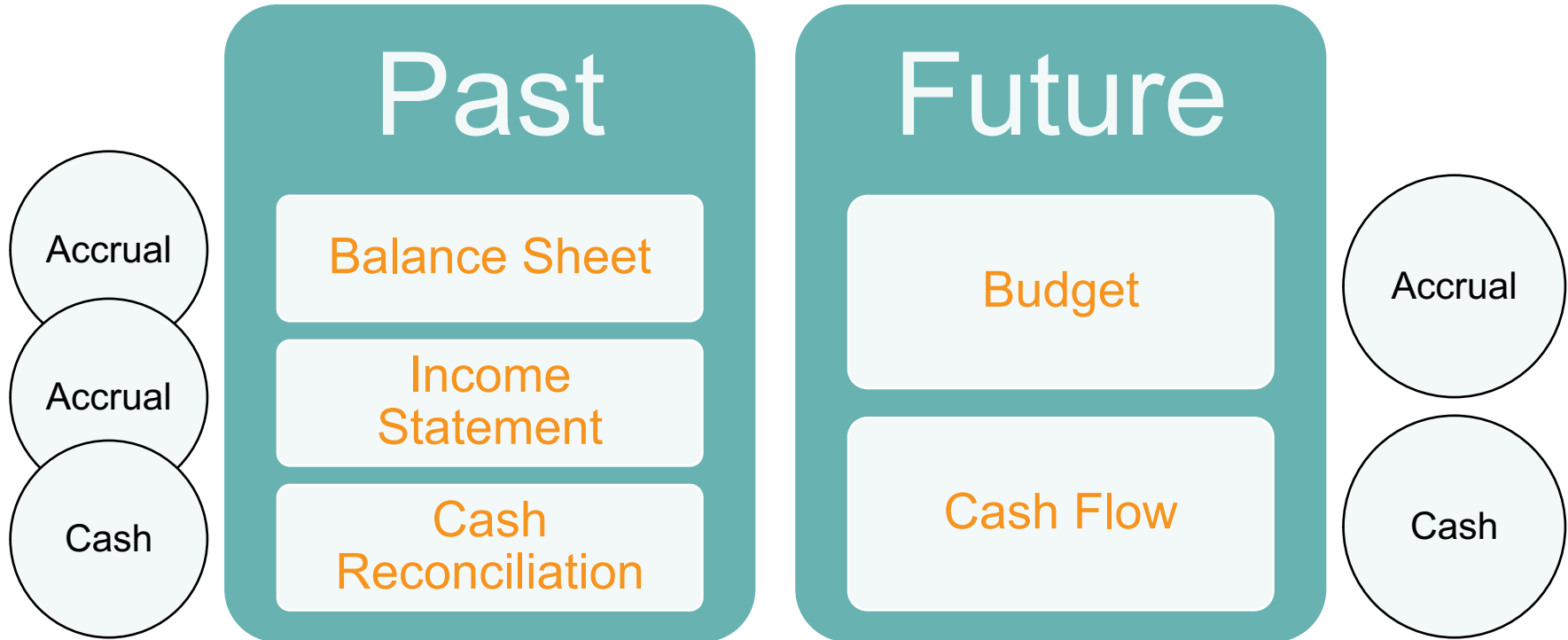


CASH FLOW PROJECTION

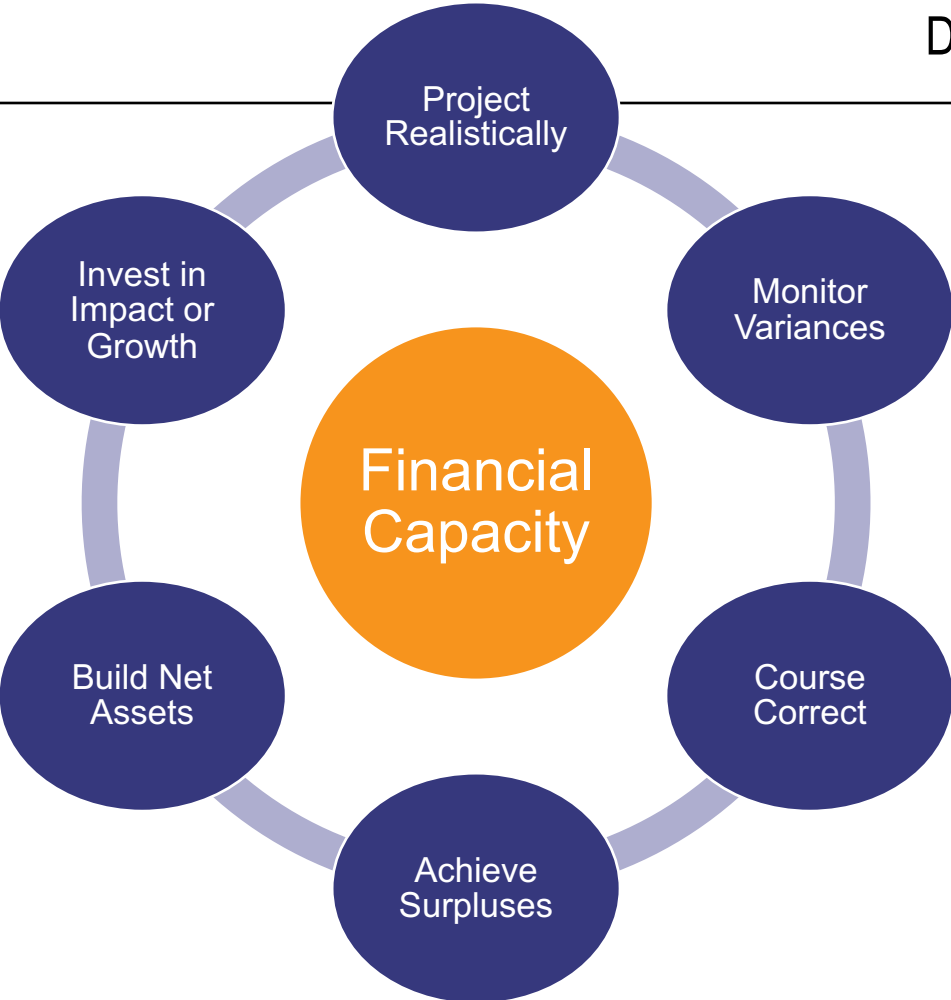
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Cash In												
Government	-	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	70,000
Foundation Grants	-	-	100,000	-	50,000	-	75,000	115,000	25,000	-	45,000	-
Individual Contributions	-	-	-	-	-	50,000	-	-	-	5,000	-	-
Earned Income	2,000	2,000	2,000	2,000	2,000	2,000	-	-	-	5,500	3,000	-
Total Cash In	2,000	37,000	137,000	37,000	87,000	87,000	110,000	150,000	60,000	45,800	83,000	70,000
Cash Out												
Accounting & Legal	-	-	4,000	-	-	-	-	-	-	8,000	-	-
Advertising	1,400	-	-	2,000	-	-	-	-	-	-	1,500	-
Consultants	-	-	-	-	-	-	18,000	60,000	32,000	30,864	-	-
Insurance	-	-	-	-	-	4,500	-	-	-	-	-	-
Occupancy	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300
Repairs & Maintenance	-	1,500	-	-	-	2,500	-	-	800	-	-	-
Salaries	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Special Events	-	-	5,000	-	-	-	-	2,000	-	5,000	-	-
Supplies	6,400	4,800	2,550	10,000	4,800	5,000	2,550	2,550	10,000	4,800	6,000	3,900
Total Cash Out	60,425	58,225	63,475	64,375	56,725	64,175	72,725	116,925	94,975	101,039	59,675	55,825
Surplus (Deficit)	(58,425)	(21,225)	73,525	(27,375)	30,275	22,825	37,275	33,075	(34,975)	(55,239)	23,325	14,175
Beginning Cash	6,843	(51,582)	(72,807)	718	(26,657)	3,618	26,443	63,718	96,793	61,818	6,579	29,904
Ending Cash	(51,582)	(72,807)	718	(26,657)	3,618	26,443	63,718	96,793	61,818	6,579	29,904	44,079







DEVELOPING FINANCIAL CAPACITY



Questions?



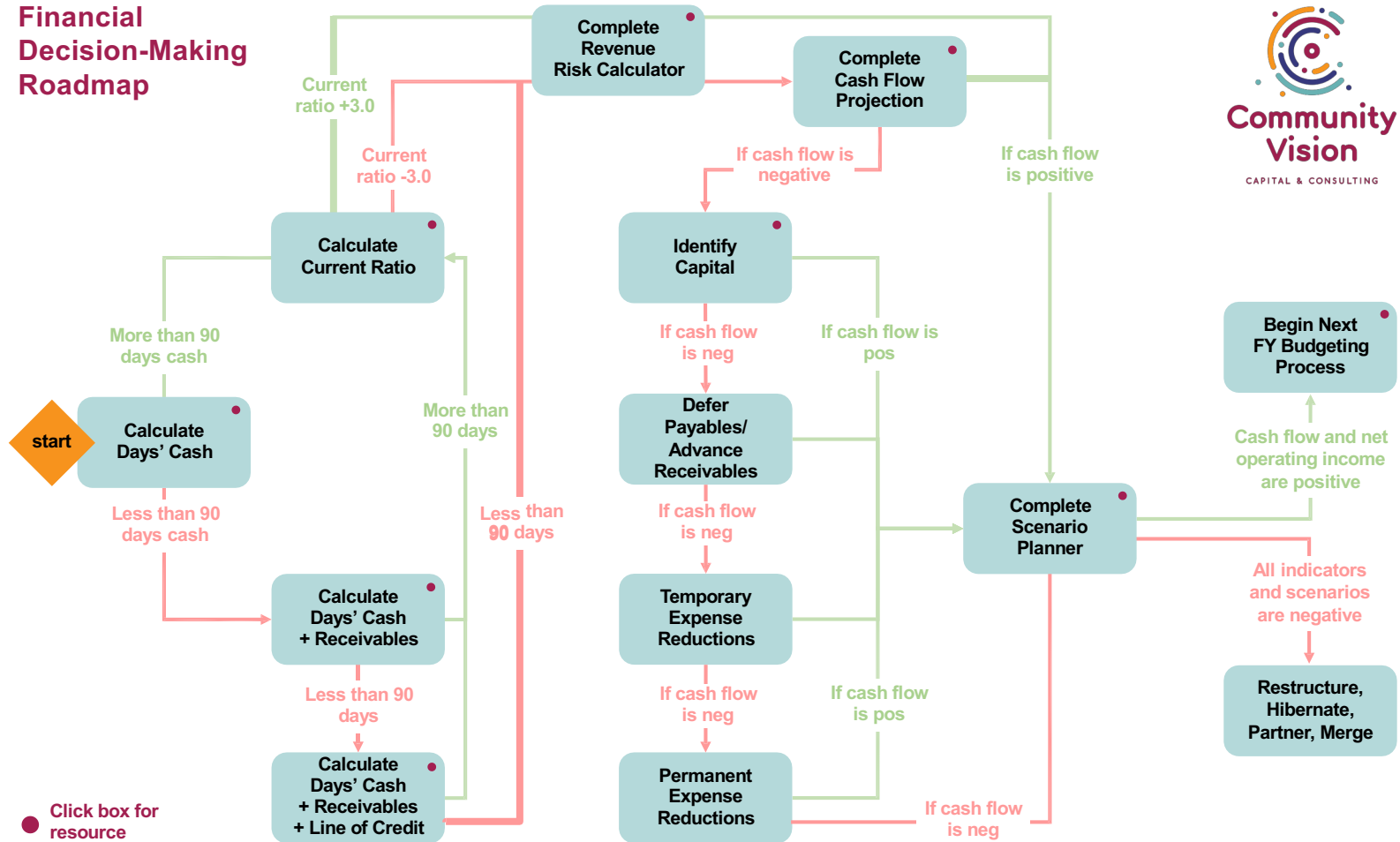
Indicators & Tools for Short-Term Planning



- Financial Decision-Making Roadmap
- Liquidity Ratios Calculator
- Cash Flow Forecast

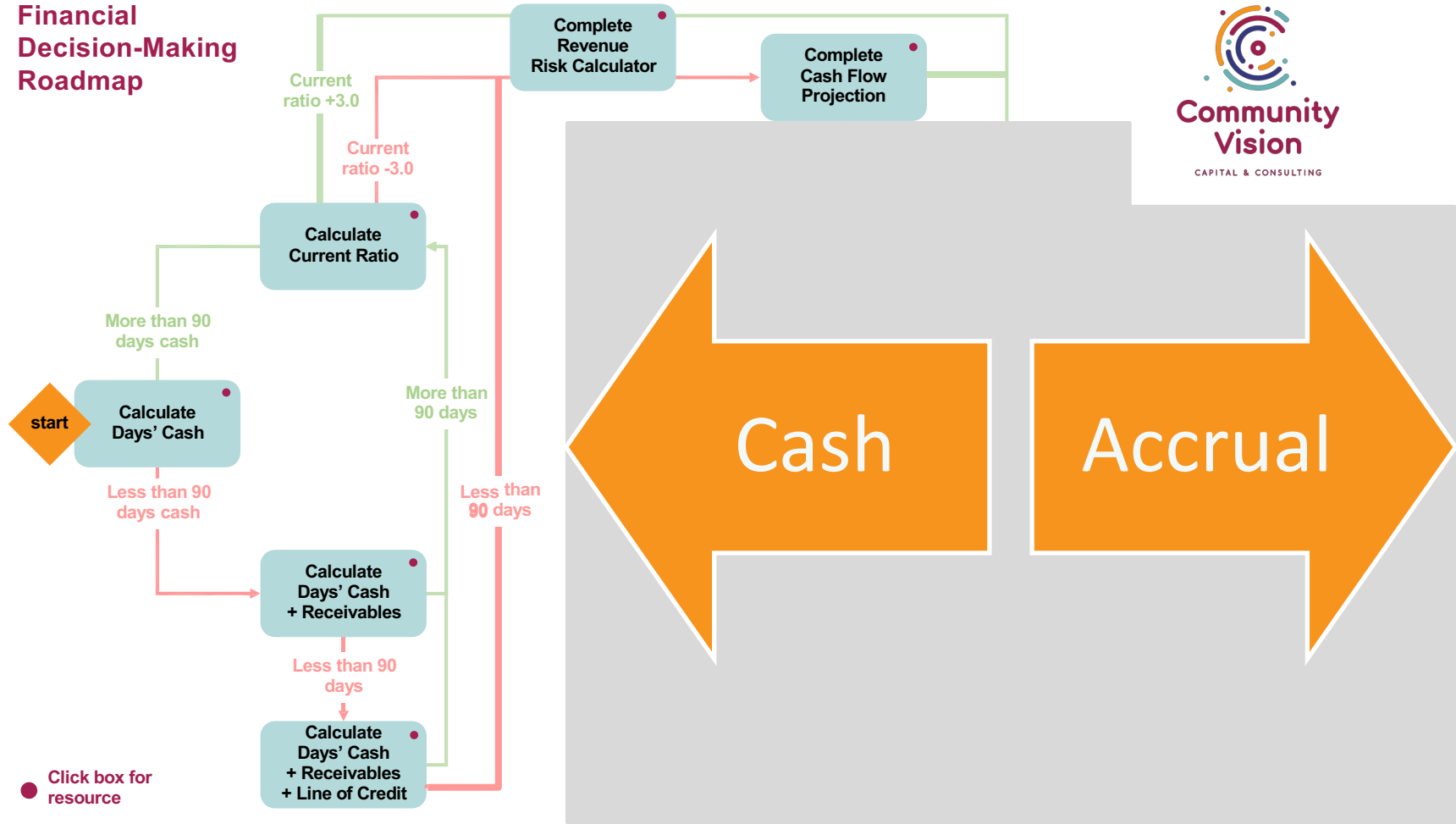


Financial Decision-Making Roadmap



● Click box for resource

Financial Decision-Making Roadmap





A Project of Community Vision

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Nonprofit Real Estate & Financial Management **Resources**





Guide to Financial Ratios

Use this tool to monitor your organization's health.

[More](#)



Revenue Risk Calculator

Use this tool to map the likelihood that revenue in process will be successfully secured, and adjust your budget accordingly.

[More](#)



Financial Decision-Making Roadmap

The Financial Decision-Making Roadmap will help guide nonprofit staff and Board Members through a step-by-step process of organizational analysis.

[More](#)



- Range – Stringent to Lenient
- Ability to meet expenses (Income Statement health)
- Ability to meet liabilities (Balance Sheet health)



Enter Balance Sheet Data

Assets

Current Assets	
Cash + Cash Equivalents	
Accounts Receivable	
Prepaid Expenses	
Total Current Assets	-
Fixed Assets	
Equipment	
Property	
Depreciation	
Total Fixed Assets	-

Total Assets

Liabilities & Equity

Liabilities	
Current Liabilities	
Accounts Payable	
Short-Term Notes	
Total Current Liabilities	-
Long-Term Liabilities	
Long-Term Loans	
Total Long-Term Liabilities	-
Total Liabilities	-
Equity	
Total Beginning Net Assets	
Change in Net Income	
Total Ending Net Assets (Equity)	-

Total Liabilities & Equity

Enter Income Statement Data

Annual Operating Expenses
Annual Depreciation Expense

Liquidity Ratios

Current Ratio

Quick Ratio/Cash Ratio

Days' Cash

▲ #DIV/0!

▲ #DIV/0!

▲ #DIV/0!

Benchmarks

3 or higher

0.75 or higher

90 or more

1. Enter BS & IS data
2. View liquidity ratios
3. Compare to benchmarks



- Ability to meet expenses (Income Statement health)
- **Stringent = Cash x 365 / Expenses**
- More Lenient = (Cash + Receivables) x 365 / Expenses
- More Lenient = (Cash + Rec. + LOC) x 365 / Expenses
- Most Lenient = (Cash + Rec. + LOC) x 365 / (Exp – Dep)



STRINGENT DAYS' CASH CALCULATION

Enter Balance Sheet Data

Assets

Current Assets	
Cash + Cash Equivalents	6,843
Accounts Receivable	
Prepaid Expenses	
Total Current Assets	6,843
Fixed Assets	
Equipment	
Property	
Depreciation	
Total Fixed Assets	-
Total Assets	6,843

Liabilities & Equity

Liabilities	
Current Liabilities	
Accounts Payable	
Short-Term Notes	
Total Current Liabilities	-
Long-Term Liabilities	
Long-Term Loans	
Total Long-Term Liabilities	-
Total Liabilities	-
Equity	
Total Beginning Net Assets	
Change in Net Income	
Total Ending Net Assets (Equity)	-
Total Liabilities & Equity	-

Enter Income Statement Data

Annual Operating Expenses	959,664
Annual Depreciation Expense	7,500

Liquidity Ratios

Current Ratio	#DIV/0!
Quick Ratio/Cash Ratio	#DIV/0!
Days' Cash	2.6

Benchmarks

3	or higher
0.75	or higher
90	or more

Organization can sustain operations for 2.6 days with no new cash



- Ability to meet expenses (Income Statement health)
- Stringent = $\text{Cash} \times 365 / \text{Expenses}$
- More Lenient = $(\text{Cash} + \text{Receivables}) \times 365 / \text{Expenses}$
- More Lenient = $(\text{Cash} + \text{Rec.} + \text{LOC}) \times 365 / \text{Expenses}$
- **Most Lenient = $(\text{Cash} + \text{Rec.} + \text{LOC}) \times 365 / (\text{Exp} - \text{Dep})$**



LENIENT DAYS' CASH CALCULATION

Enter Balance Sheet Data

Assets

Current Assets	
Cash + Cash Equivalents	6,843
Accounts Receivable	155,264
Prepaid Expenses	
Total Current Assets	162,107
Fixed Assets	
Equipment	
Property	
Depreciation	
Total Fixed Assets	-
Total Assets	162,107

Liabilities & Equity

Liabilities	
Current Liabilities	
Accounts Payable	
Short-Term Notes	
Total Current Liabilities	-
Long-Term Liabilities	
Long-Term Loans	
Total Long-Term Liabilities	-
Total Liabilities	-
Equity	
Total Beginning Net Assets	
Change in Net Income	
Total Ending Net Assets (Equity)	-
Total Liabilities & Equity	-

Enter Income Statement Data

Annual Operating Expenses	959,664
Annual Depreciation Expense	7,500

Liquidity Ratios

Current Ratio	#DIV/0!
Quick Ratio/Cash Ratio	#DIV/0!
Days' Cash	62.14

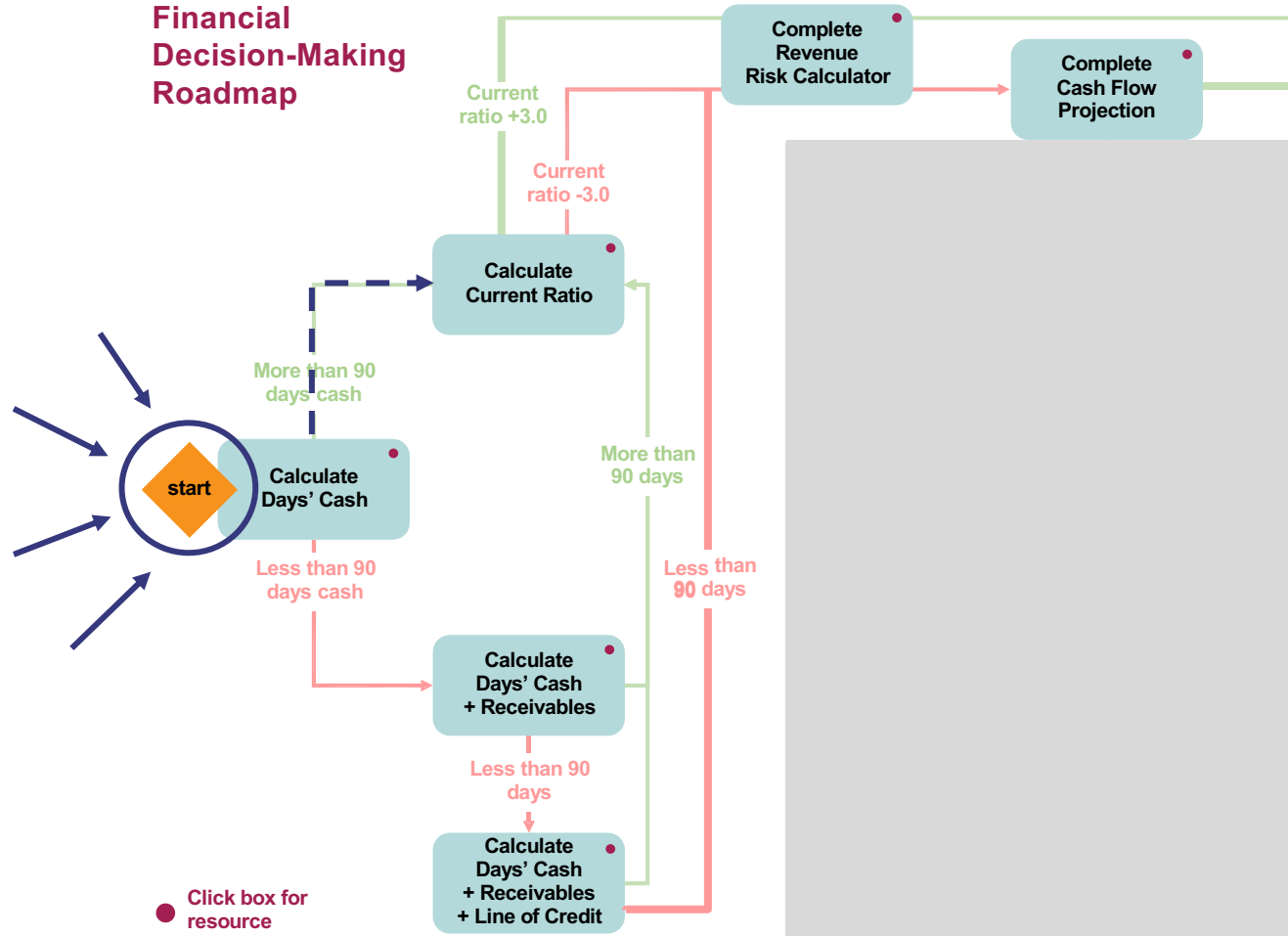
Benchmarks

3	or higher
0.75	or higher
90	or more

Organization can sustain operations for 62.14 days with no new cash



Financial Decision-Making Roadmap



- Ability to meet liabilities (Balance Sheet health)
- Stringent = $\text{Current Cash} / \text{Current Liabilities}$ (Quick Ratio)
- Lenient = $\text{Current Assets} / \text{Current Liabilities}$ (Current Ratio)



CURRENT & QUICK RATIO CALCULATIONS

Enter Balance Sheet Data

Assets

Current Assets	
Cash + Cash Equivalents	6,843
Accounts Receivable	155,264
Prepaid Expenses	12,760
Total Current Assets	174,867
Fixed Assets	
Equipment	277,331
Property	964,756
Depreciation	(617,001)
Total Fixed Assets	625,086
Total Assets	799,953

Liabilities & Equity

Liabilities	
Current Liabilities	
Accounts Payable	250,855
Short-Term Notes	15,405
Total Current Liabilities	266,260
Long-Term Liabilities	
Long-Term Loans	331,186
Total Long-Term Liabilities	331,186
Total Liabilities	597,446
Equity	
Total Beginning Net Assets	181,471
Change in Net Income	21,036
Total Ending Net Assets (Equity)	202,507
Total Liabilities & Equity	799,953

Enter Income Statement Data

Annual Operating Expenses	959,664
Annual Depreciation Expense	7,500

Liquidity Ratios

Current Ratio	0.66
Quick Ratio/Cash Ratio	0.03
Days' Cash	62.14

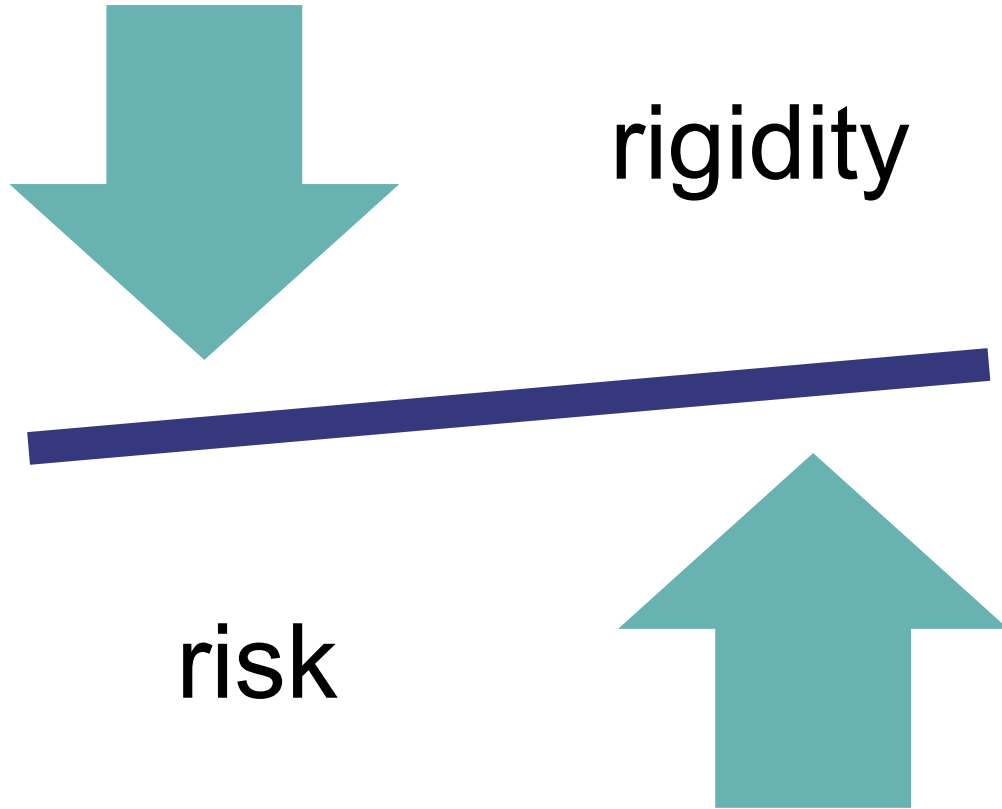
Benchmarks

3	or higher
0.75	or higher
90	or more

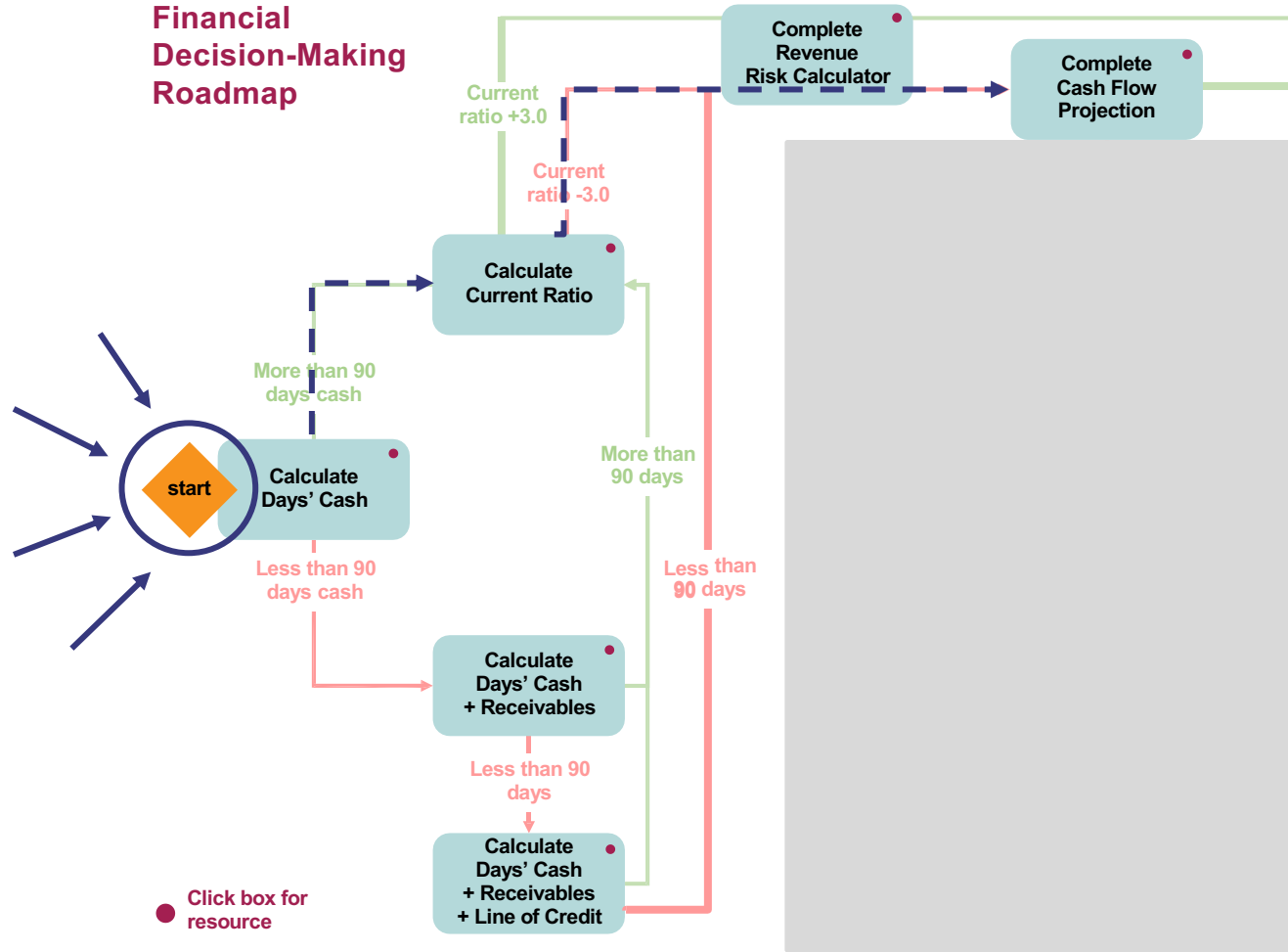
Organization does not have much capacity to pay liabilities coming due



RECONCILING STRINGENT & LENIENT METHODS



Financial Decision-Making Roadmap



● Click box for resource



CASH FLOW PROJECTION

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Cash In												
Government	-	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	70,000
Foundation Grants	-	-	100,000	-	50,000	-	75,000	115,000	25,000	-	45,000	-
Individual Contributions	-	-	-	-	-	50,000	-	-	-	5,000	-	-
Earned Income	2,000	2,000	2,000	2,000	2,000	2,000	-	-	-	5,500	3,000	-
Total Cash In	2,000	37,000	137,000	37,000	87,000	87,000	110,000	150,000	60,000	45,800	83,000	70,000
Cash Out												
Accounting & Legal	-	-	4,000	-	-	-	-	-	-	8,000	-	-
Advertising	1,400	-	-	2,000	-	-	-	-	-	-	1,500	-
Consultants	-	-	-	-	-	-	18,000	60,000	32,000	30,864	-	-
Insurance	-	-	-	-	-	4,500	-	-	-	-	-	-
Occupancy	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300
Repairs & Maintenance	-	1,500	-	-	-	2,500	-	-	800	-	-	-
Salaries	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Special Events	-	-	5,000	-	-	-	-	2,000	-	5,000	-	-
Supplies	6,400	4,800	2,550	10,000	4,800	5,000	2,550	2,550	10,000	4,800	6,000	3,900
Total Cash Out	60,425	58,225	63,475	64,375	56,725	64,175	72,725	116,925	94,975	101,039	59,675	55,825
Surplus (Deficit)	(58,425)	(21,225)	73,525	(27,375)	30,275	22,825	37,275	33,075	(34,975)	(55,239)	23,325	14,175
Beginning Cash	6,843	(51,582)	(72,807)	718	(26,657)	3,618	26,443	63,718	96,793	61,818	6,579	29,904
Ending Cash	(51,582)	(72,807)	718	(26,657)	3,618	26,443	63,718	96,793	61,818	6,579	29,904	44,079

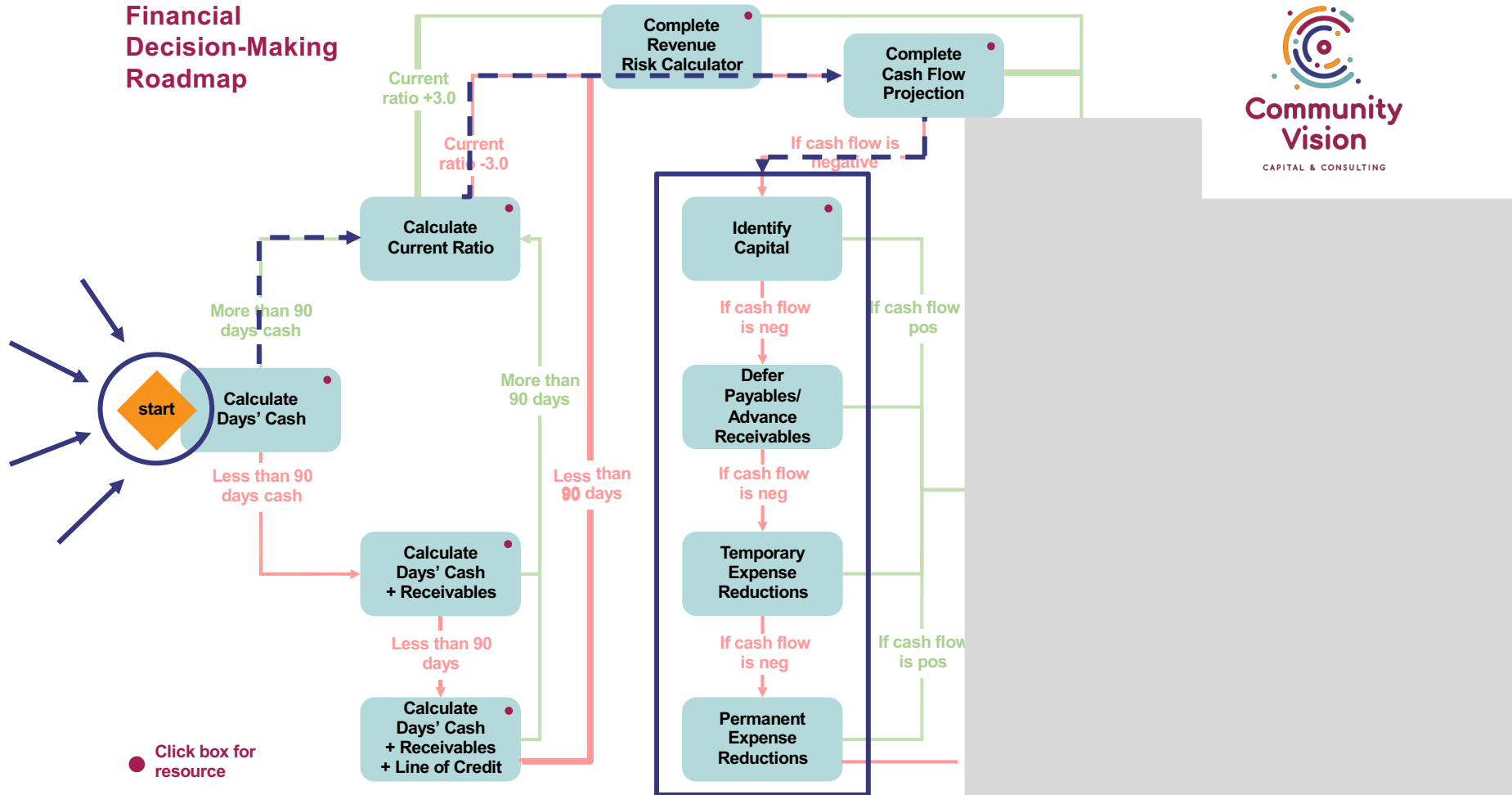


CASH FLOW PROJECTION

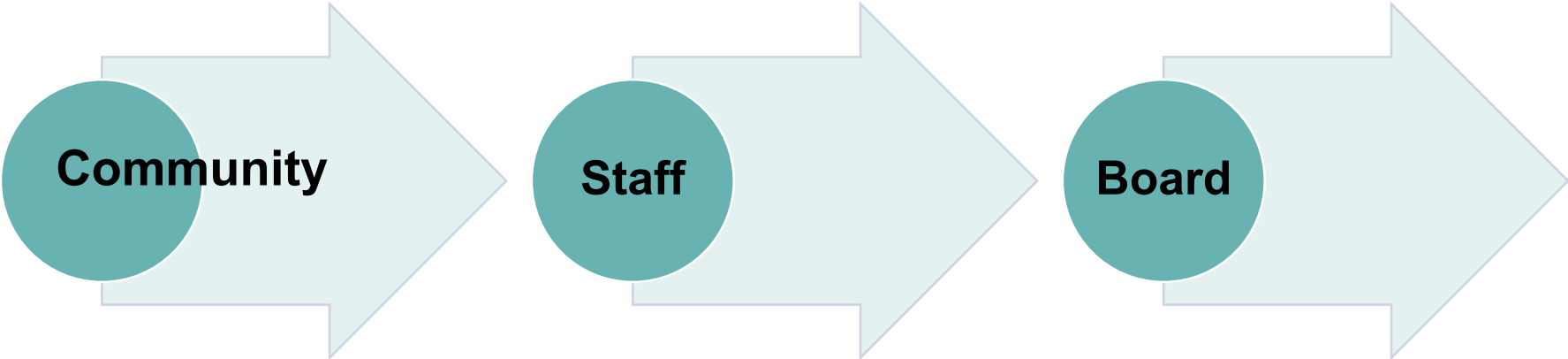
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Cash In												
Government	-	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	70,000
Foundation Grants	-	-	100,000	-	50,000	-	75,000	115,000	25,000	-	45,000	-
Individual Contributions	-	-	-	-	-	50,000	-	-	-	5,000	-	-
Earned Income	2,000	2,000	2,000	2,000	2,000	2,000	-	-	-	5,500	3,000	-
Total Cash In	2,000	37,000	137,000	37,000	87,000	87,000	110,000	150,000	60,000	45,800	83,000	70,000
Cash Out												
Accounting & Legal	-	-	4,000	-	-	-	-	-	-	8,000	-	-
Advertising	1,400	-	-	2,000	-	-	-	-	-	-	1,500	-
Consultants	-	-	-	-	-	-	18,000	60,000	32,000	30,864	-	-
Insurance	-	-	-	-	-	4,500	-	-	-	-	-	-
Occupancy	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300
Repairs & Maintenance	-	1,500	-	-	-	2,500	-	-	800	-	-	-
Salaries	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Special Events	-	-	5,000	-	-	-	-	2,000	-	5,000	-	-
Supplies	6,400	4,800	2,550	10,000	4,800	5,000	2,550	2,550	10,000	4,800	6,000	3,900
Total Cash Out	60,425	58,225	63,475	64,375	56,725	64,175	72,725	116,925	94,975	101,039	59,675	55,825
Surplus (Deficit)	(58,425)	(21,225)	73,525	(27,375)	30,275	22,825	37,275	33,075	(34,975)	(55,239)	23,325	14,175
Beginning Cash	6,843	(51,582)	(72,807)	718	(26,657)	3,618	26,443	63,718	96,793	61,818	6,579	29,904
Ending Cash	(51,582)	(72,807)	718	(26,657)	3,618	26,443	63,718	96,793	61,818	6,579	29,904	44,079



Financial Decision-Making Roadmap



GATHERING DECISION-MAKERS



Questions?



JOIN US FOR THE NEXT 3 THURSDAYS @ 1PM



Financial Management Series

101: Cash Indicators for Short-Term Planning, May 28th

201: Budgeting & Pivoting for Mid-Term Planning, June 4th

301: Stabilizing Assets for Long-Term Planning, June 11th

Compliance During COVID feat. Audit Partner, June 18th



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