Omaha Community Foundation

Growing good, together.

# Non-Profit Finances 101 Using Financials Statements to Plan for Success

Andrea Marshall, CPA, MPA, CFA

September 23, 2025

# Introductions

**Nathan Morgan**
Donor Services Advisor

**Dasia Horne**
Sr. Program Manager

# Our Mission and Vision

**Mission**

We maximize the power of philanthropy to strengthen our community.

**Vision**

A connected community of passionate philanthropists, strong nonprofits, and thriving residents.

Omaha Community Foundation

# What is a Community Foundation?

- 900+ community foundations nationwide
- Structure: 501(c)(3)
- National Standards Accreditation
- Giving tools
  - Charitable giving funds
  - Concierge level service
  - Community connections
  - Partner grantmaking

# OCF's Impact

- Serving Community, Nonprofits, Donors
- 2,000+ Donor Funds
- $240M in grants processed in 2024
- 17,000+ grants to 3,200 nonprofits
- Capacity building resources to strengthen the vital community of nonprofits to support diversified funding streams and sustainability.

# Capacity Building Series

## Building Resources

Each session of the Nonprofit Success Series builds upon the content of the previous session. The goal is to equip nonprofits to thrive and meet their mission.

OCF 101 → Agency Funding → Fiscal Sponsorship → Grant Writing → Navigating Funder Relationships → Strategic Planning → Mergers → Nonprofit Finances

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**Andrea Marshall, CPA, MPA, CAP**
CEO Marshall Consulting

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# Learning Objectives

- Best practices for nonprofit's financials
- Identify the composition and structure of compiled nonprofit financial statements.
- Contrast the differences between various bases of accounting
- Utilize assorted metrics to determine the health of an organization

# Guiding Aspiration: Strategic Resilience & Financial Health

## Strategic Resilience

The ability to anticipate and adapt to fluidity in the operating environment while maintaining focus on your organization's mission and long-term horizon

## Financial Health

Having the types and amounts of money to cover the full cost of operations while being able to handle risk and pursue opportunity

# What are a Nonprofit's Financials Best Practices?

- **Mission Moments:** Dedicated team that has the skills but also a passion for your organization
- **Tone at the Top:** Ethics, ethics, ethics
- **Fiduciary Responsibility of the Board:** Understanding of organization, right skill sets, training
- **Communication with All Levels:** Finance needs communication with leadership and development
- **Separation of Duties:** AICPA Guidelines

# Seperation of Duties

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| Accountant | Executive Director |
|---|---|
| Record transactions<br>Mail checks<br>Write checks<br>Approve payroll<br>Disburse petty cash<br>Authorize purchase orders / invoices for payment | Approve transactions<br>Sign checks<br>Make deposits<br>Perform interbank transfers<br>Review petty cash<br>Sign important contracts |
| Reconcile accounts and bank statements | Review accounts and bank reconciliations |
| Prepare financial statements | Oversee financial management |

# Nonprofit Financial Statements

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- Statement of financial position
- Statement of Activities
- Statement of Functional Expenses
- Statement of Cash Flows

# Overview of Financial Reports

- Uncompiled financials may omit some reports
- Compiled financials created internally or by non-attesting firms
- Statement of Cash Flows may be omitted in compilations (noted in report)
- Reviews and audits include footnotes with required disclosures

# Statement of Financial Position

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Comparable to a Balance Sheet for profit companies

It is a for a fixed period (usually end of month, quarter or year/fiscal year).

Follows the Accounting Equation:

- Assets = Liabilities + Equity.
- Equity is presented as Net Assets because nonprofits are not owned by a person or group.

American nonprofits should use the Accrual method of accounting, following GAAP.

Usually presented in comparison to a prior period.

Assets: what the organization owns. From more liquid to least liquid (liquid meaning it's convertible to cash).

# Current Assets

**Cash:** Pays the bills and employees, for example.

**Investments:** Usually stocks, bonds and other traded instruments. Excess cash can be held here to earn more than interest.

**Accounts Receivables:** What other entities owe you, doesn't exist on Cash Basis, can be broken into subdivisions.

**Prepaid Expenses:** Paying for an item to be used later. For example, insurance policies, down payment for a venue.

**Other Current Asses:** Like employee advances, accrued interest, etc.

# Current and Long-Term Assets

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**STATEMENT OF FINANCIAL POSITION**

**as of December 31, 2021**
**with comparative totals as of December 31, 2020**

**ASSETS**

| | 2021 | 2020 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 830,753 | $ 1,581,490 |
| Investments | 2,898,478 | 2,453,743 |
| Contributions receivable | 27,277 | 19,225 |
| Prepaid expenses | 7,220 | 3,028 |
| Accrued interest | — | 5,512 |
| Total current assets | 3,763,728 | 4,062,998 |
| Property and equipment: | | |
| Furniture, fixtures, & equipment | 45,011 | 39,779 |
| Less accumulated depreciation | 37,956 | 33,359 |
| Total property and equipment, net | 7,055 | 6,420 |
| Other assets: | | |
| Deposits | 52,747 | 52,747 |
| Investments—restricted for purpose | 397,941 | 206,318 |
| Investments—restricted in perpetuity | 1,138,568 | 1,138,568 |
| Total other assets | 1,589,256 | 1,397,633 |
| Total assets | $ 5,360,039 | $ 5,467,051 |

# Long-Term Assets

**Fixed Assets + Intangible Assets:**

- Land, Property, Plant, Equipment (Fixed)
- Intellectual Property, Patents (Intangible)

**Depreciation/Amortization:**

- Using a big asset, spreading out cost over useful life.
- Depreciation = tangible
- Amortization = intangible

**Capitalization policy:**

- Tied to a value, usually >x.

# Current Liabilities and Long-Term Liabilities

## Current

**Accounts payable**

- Bills to pay
- Credit Cards (exists on Cash Basis)

**Accrued Expenses**

- Payroll
- Taxes
- Due to Related Entity

**Deferred Revenue**

- Payments received but not yet earned
- Exchange transactions, not contributions

**Current portions of long-term debt**

- Mortgages, loans, leases
- Part of a balance due within 12 months

## Long-Term

**Debit Instruments**

- Mortgages, Loans, Lines of Credit
- Leases

# Current Liabilities and Long-Term Liabilities

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| LIABILITIES AND NET ASSETS | | 2021 | | 2020 |
|---|---|---|---|---|
| ***Current Liabilities*** | | | | |
| Accounts payable | $ | 161,591 | $ | 132,704 |
| Accrued compensation | | 111,422 | | 115,527 |
| Deferred revenue | | 204,025 | | 301,930 |
| Current maturities of capital lease obligations | | 24,746 | | 17,424 |
| Current maturities of note payable | | 24,958 | | 23,743 |
| Total current liabilities | | 526,742 | | 591,328 |
| ***Long-term Liabilities*** | | | | |
| Capital lease obligations, less current maturities | | 28,170 | | 19,356 |
| Note payable, less current maturities | | 252,082 | | 276,705 |
| Total long-term liabilities | | 280,252 | | 296,061 |
| Total liabilities | | 806,994 | | 887,389 |

# Net Assets: With and Without Donor Restriction

| | | |
|---|---|---|
| NET ASSETS | | |
| Without donor restrictions: | | |
| Undesignated | 63,350,957 | 62,880,068 |
| Board designated for endowment | 5,874,333 | 4,380,971 |
| Total without donor restrictions | 69,225,290 | 67,261,039 |
| With donor restrictions: | | |
| Restricted by time or purpose | 3,276,545 | 4,143,671 |
| Endowments | 32,804,763 | 22,892,109 |
| Restricted in perpetuity, non-endowment funds | 50,000 | 50,000 |
| Total with donor restrictions | 36,131,308 | 27,085,780 |
| Total net assets | 105,356,598 | 94,346,819 |
| Total liabilities and net assets | $ 151,367,998 | $ 140,839,137 |

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# Net Assets: With and Without Donor Restriction

**Without Donor Restriction**

- Have been earned without encumbrance or donor restriction
- Can be used for any activity
- Can be internally restricted

**With Donor Restriction**

- Donors specify their donation is to be used for specific programs, purposes, or events.
- Three subdivisions of restriction.
  - Purpose
  - Time
  - Permanent
- Permanent restrictions are binding agreements (if nonprofit doesn't follow through the restriction the donor can get their donation back, a nonprofit <u>can</u> refuse a donation).
- Permanently restricted donations may cause market losses.

# Statement of Activities

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**KIDSTEM MUSEUM**
**STATEMENT OF ACTIVITIES**
**Year Ended September 30, 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| REVENUE AND SUPPORT | | | |
| Contributions | $ 221,228 | $ 110,106 | $ 331,334 |
| Program revenue | 240,210 | — | 240,210 |
| Memberships | 10,761 | — | 10,761 |
| Merchandise sales | 2,142 | — | 2,142 |
| Interest income | 56 | — | 56 |
| Gain on extinguishment of debt | 138,200 | — | 138,200 |
| EIDL grant | 10,000 | — | 10,000 |
| Gain on sale of assets | 332,997 | — | 332,997 |
| Miscellaneous | 2,431 | — | 2,431 |
| Net assets released from purpose restriction | 48,213 | (48,213) | — |
| TOTAL REVENUE AND SUPPORT | 1,006,238 | 61,893 | 1,068,131 |
| EXPENSES | | | |
| STEM program | 614,363 | — | 614,363 |
| Management and general | 107,980 | — | 107,980 |
| Fundraising | 138,162 | — | 138,162 |
| TOTAL EXPENSES | 860,505 | — | 860,505 |

# Statement of Activities

## Revenue

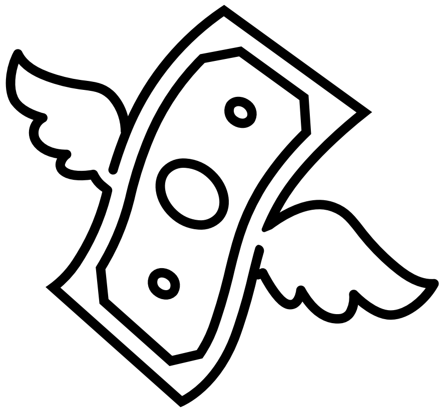
- What an organization earns from doing business
- Can include earning from non-mission-related business
  - Selling of parking spots during the week.
  - Renting out art studios, etc.
- Net Assets Released from Restriction.

  Appears on classified SoAs.
  - Nets to zero.
  - Moves current and prior-year restricted donations to unrestricted
  - Can have a negative total revenue in with donor restrictions column

# Statement of Activities

## Expenses

- What the organization spent doing business.
- Presentation could vary significantly between organizations (lower or higher detail and buckets).
- Lowest detail can cover things like program expenses, management and general expenses, fundraising expenses, etc.



# Types of Nonprofit Revenue

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| Revenue Type | Examples |
|---|---|
| Donations | Individual gifts, corporate giving |
| Grants | Foundation or government grants |
| Program Service Revenue | Membership fees, ticket sales |
| Investment Income | Dividends, interest |
| Other Revenue | Merchandise sales, rentals |

# Types of Nonprofit Expenses

| Category | Examples |
| --- | --- |
| Program Expenses | Direct costs of running programs |
| Administrative Expenses | Management, staff salaries, office costs |
| Fundraising Expenses | Event costs, donor outreach, campaigns |

# Other Revenue/Expenses

**What the organization earned/spent from non-operating activities, like:**

- Gains/Losses on sales of stock, property
- Investment earnings

**Like other comprehensive income of for-profit companies.**

| | | | | |
|---|---|---|---|---|
| OTHER INCOME | | | | |
| Investment earnings, net | 319,253 | — | 319,253 | 33,316 |
| Other | 40,395 | — | 40,395 | 74,451 |
| Total other income | 359,648 | — | 359,648 | 107,767 |
| Excess of revenues over expenses | 2,240,355 | (175,000) | 2,065,355 | 4,572,332 |
| Unrealized gain (loss) on interest rate swap | 1,512,056 | — | 1,512,056 | (1,965,932) |

# Change in Net Assets

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- Surplus/Deficit at the end of the time-period
- When added to Net Assets at the beginning of fiscal year, the current Net Assets are determined
- The Net Assets balances at the end of the period should be equal on the SFP and the SoA

| | | | |
|---|---|---|---|
| CHANGE IN NET ASSETS | 335,480 | 293,512 | 41,968 |
| Net Assets—beginning of year | 2,051,872 | 1,189,806 | 862,066 |
| NET ASSETS—END OF YEAR | $ 2,387,352 | $ 1,483,318 | $ 904,034 |

# Statement of Functional Expenses

- Unique nonprofit statement
- Breaks down expenses from their function and natural category.
- Gives insight into where the organization is spending the most money.

National Kidney Advisory Board, Inc.
Statement of Functional Expenses
For the year ended September 30, 2021

| | Total | Advisory Program Services | General and Administrative | Fundraising |
|---|---|---|---|---|
| Wages | $ 565,066 | $ 346,402 | $ 50,856 | $ 167,808 |
| Payroll taxes | 43,428 | 34,308 | 3,909 | 5,211 |
| Employee benefits | 48,122 | 38,016 | 4,331 | 5,775 |
| Credit card processing | 14,510 | 11,463 | 1,306 | 1,741 |
| Clinic expense | 5,533 | 5,533 | — | — |
| Communications | 4,621 | 3,650 | 416 | 555 |
| Continuing education | 8,504 | 8,504 | — | — |
| Depreciation | 2,260 | — | 2,260 | — |
| Meetings and events | 218,632 | 100,000 | — | 118,632 |
| Insurance | 6,230 | 4,921 | 561 | 748 |
| Licenses and permits | 6,255 | 6,255 | — | — |
| Marketing | 11,355 | 8,970 | 1,022 | 1,363 |
| Office | 25,025 | 19,770 | 2,252 | 3,003 |
| Professional fees | 28,843 | — | 28,843 | — |
| Rent and utilities | 129,784 | 102,529 | 11,681 | 15,574 |
| Repairs and maintenance | 6,341 | 5,009 | 571 | 761 |
| Scholarship program | 214,715 | 214,715 | — | — |
| Travel | 1,870 | 1,870 | — | — |
| Total expenses | $ 1,341,094 | $ 911,915 | $ 108,008 | $ 321,171 |

# Function

- Program
  - Working toward fulfilling the mission/purpose.
- Management and General
  - Work to run the business but doesn't fall into the program category.
    - Grant reports
    - Billing
    - Cutting checks
- Fundraising
  - Can be general solicitation or event based.
  - Prepping for a gala, mailers for a capital campaign, etc.
- Grouping by purpose, usually presented as columns and specific programs/groups and fundraising events can have their own column.

**National Kidney Advisory Board, Inc.**
**Statement of Functional Expenses**
**For the year ended September 30, 2021**

| | Total | Advisory Program Services | General and Administrative | Fundraising |
|---|---|---|---|---|
| Wages | $ 565,066 | $ 346,402 | $ 50,856 | $ 167,808 |
| Payroll taxes | 43,428 | 34,308 | 3,909 | 5,211 |
| Employee benefits | 48,122 | 38,016 | 4,331 | 5,775 |
| Credit card processing | 14,510 | 11,463 | 1,306 | 1,741 |
| Clinic expense | 5,533 | 5,533 | — | — |
| Communications | 4,621 | 3,650 | 416 | 555 |
| Continuing education | 8,504 | 8,504 | — | — |
| Depreciation | 2,260 | — | 2,260 | — |
| Meetings and events | 218,632 | 100,000 | — | 118,632 |
| Insurance | 6,230 | 4,921 | 561 | 748 |
| Licenses and permits | 6,255 | 6,255 | — | — |
| Marketing | 11,355 | 8,970 | 1,022 | 1,363 |
| Office | 25,025 | 19,770 | 2,252 | 3,003 |
| Professional fees | 28,843 | — | 28,843 | — |
| Rent and utilities | 129,784 | 102,529 | 11,681 | 15,574 |
| Repairs and maintenance | 6,341 | 5,009 | 571 | 761 |
| Scholarship program | 214,715 | 214,715 | — | — |
| Travel | 1,870 | 1,870 | — | — |
| Total expenses | $ 1,341,094 | $ 911,915 | $ 108,008 | $ 321,171 |

# Natural

Grouping by the economic benefit received (what the expenses are, not what they're for).

Usually presented as rows.

National Kidney Advisory Board, Inc.
Statement of Functional Expenses
For the year ended September 30, 2021

| | Total | Advisory Program Services | General and Administrative | Fundraising |
|---|---|---|---|---|
| Wages | $ 565,066 | $ 346,402 | $ 50,856 | $ 167,808 |
| Payroll taxes | 43,428 | 34,308 | 3,909 | 5,211 |
| Employee benefits | 48,122 | 38,016 | 4,331 | 5,775 |
| Credit card processing | 14,510 | 11,463 | 1,306 | 1,741 |
| Clinic expense | 5,533 | 5,533 | — | — |
| Communications | 4,621 | 3,650 | 416 | 555 |
| Continuing education | 8,504 | 8,504 | — | — |
| Depreciation | 2,260 | — | 2,260 | — |
| Meetings and events | 218,632 | 100,000 | — | 118,632 |
| Insurance | 6,230 | 4,921 | 561 | 748 |
| Licenses and permits | 6,255 | 6,255 | — | — |
| Marketing | 11,355 | 8,970 | 1,022 | 1,363 |
| Office | 25,025 | 19,770 | 2,252 | 3,003 |
| Professional fees | 28,843 | — | 28,843 | — |
| Rent and utilities | 129,784 | 102,529 | 11,681 | 15,574 |
| Repairs and maintenance | 6,341 | 5,009 | 571 | 761 |
| Scholarship program | 214,715 | 214,715 | — | — |
| Travel | 1,870 | 1,870 | — | — |
| Total expenses | $ 1,341,094 | $ 911,915 | $ 108,008 | $ 321,171 |

# Linking the Business Statement to Income Dynamics

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- What are the major revenue sources (donations, grants, ticket sales)?
- Are there event revenues or other one-time changes in income?
- What is operating vs non-operating revenue?
- Which expenses are fixed vs variable?
- Which expenses are within management's control?
- Are expenses aligned with strategic goals?

# Statement of Cash Flows

- Shows the changes in cash from sources and uses.
- Helps reconcile between Accrual Basis and Cash Basis.
- There are 2 versions to create this report:
  - Direct, only cash transactions.
  - Indirect, starts with net income and adjusts for non-cash transactions and changes on SFP.

**National Kidney Advisory Board, Inc.**
**Statement of Cash Flows**
**For the year ended September 30, 2021**

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in Net Assets | $ | 335,480 |
| Adjustments to reconcile Changes in Net Assets to Cash Provided by Operating Activities | | |
| Depreciation | | 2,260 |
| PPP loan forgiveness | | (93,615) |
| Net unrealized gains on investments | | (39,483) |
| Other changes in operating assets and liabilities: | | |
| (Increase) Decrease in Accounts receivable | | (71,013) |
| (Increase) Decrease in Prepaid expenses | | (1,889) |
| (Increase) Decrease in Security deposits | | (1,748) |
| Increase (Decrease) in Accrued expenses | | (17,191) |
| Net Cash Provided By Operating Activities | | 112,801 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 112,801 |
| Cash and cash equivalents—beginning of year | | 1,866,001 |
| **CASH AND CASH EQUIVALENTS—END OF YEAR** | $ | 1,978,802 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid during the year for: | | |
| Interest expense | $ | — |
| Income taxes | $ | — |

# Nonprofit Accounting Methods

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- Cash Basis
- Accrual Accounting
- Modified Exceptions

# Cash Accounting & Accrual Accounting

## Cash

Advantages:

- Simple to use
- Makes tracking cash flow easier

Disadvantages:

- Can overstate financial health if cash is available but obligations exist
- Funders may receive inaccurate assessment of stability

## Accrual

Advantages:

- Provides comprehensive understanding of financial situation
- Shows accounts payable and receivable
- Identifies unrestricted vs restricted portions of grants

Disadvantages:

- Revenue recorded when promised, not when cash received
- More complicated, requires detailed permanent records

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# Budgeting Basics

Why Budgets Matter: Planning and Accountability

The 5 W's of a Budget

# Why Budgets Matter: Planning and Accountability

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## Involve the Board and Past Funders

- What are your dreams and aspirations
- Expand current programs
- Fund a new program
- Build a surplus for sustainability

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# The 5 W's of a Budget

## What is a budget?

- Roadmap and guide
- A financial plan for a future time-period
- An expression of the dollars you expect will come in and will be spent in the future
- A repository of your thought process around the numbers

# The 5 W's of a Budget

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## Why create a budget?

- Rare opportunity to process and reflect holistically about how your mission is advanced
- Goals become for concrete and possible
- Learning opportunity
- Communication tool
- Equity: FULL COSTS

# The 5 W's of a Budget

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When to begin creating a budget?

- Start the budgeting process at least 3 months before the end of the fiscal year
- Finalize for board approval

# The 5 W's of a Budget

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**Who should be engaged in the process of creating a budget?**

- Executive Director + Leadership
- Program Directors + Development
- Finance Committee of Board
- Board

# The 5 W's of a Budget

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**Where should my budget live?**

- Special budgeting software is not required
- Options include but are not limited:
  - Excel
  - Google Spreadsheets

# The 5 W's of a Budget

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**How do I get started?**

- No numbers first: Begin with goals and visioning
  - Plan your programs
  - Set concrete goals for next year
- Make a broad list of everything that you need to accomplish your goals
  - Work backwards from goals
  - Research and gather data: revenue and expense
  - Sort and organize into common categories

# Thank you!

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# Thank you!

## Please Take 5 Minutes to Complete a Brief Evaluation of the Workshop

**Please Contact Us with Any Questions:**

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