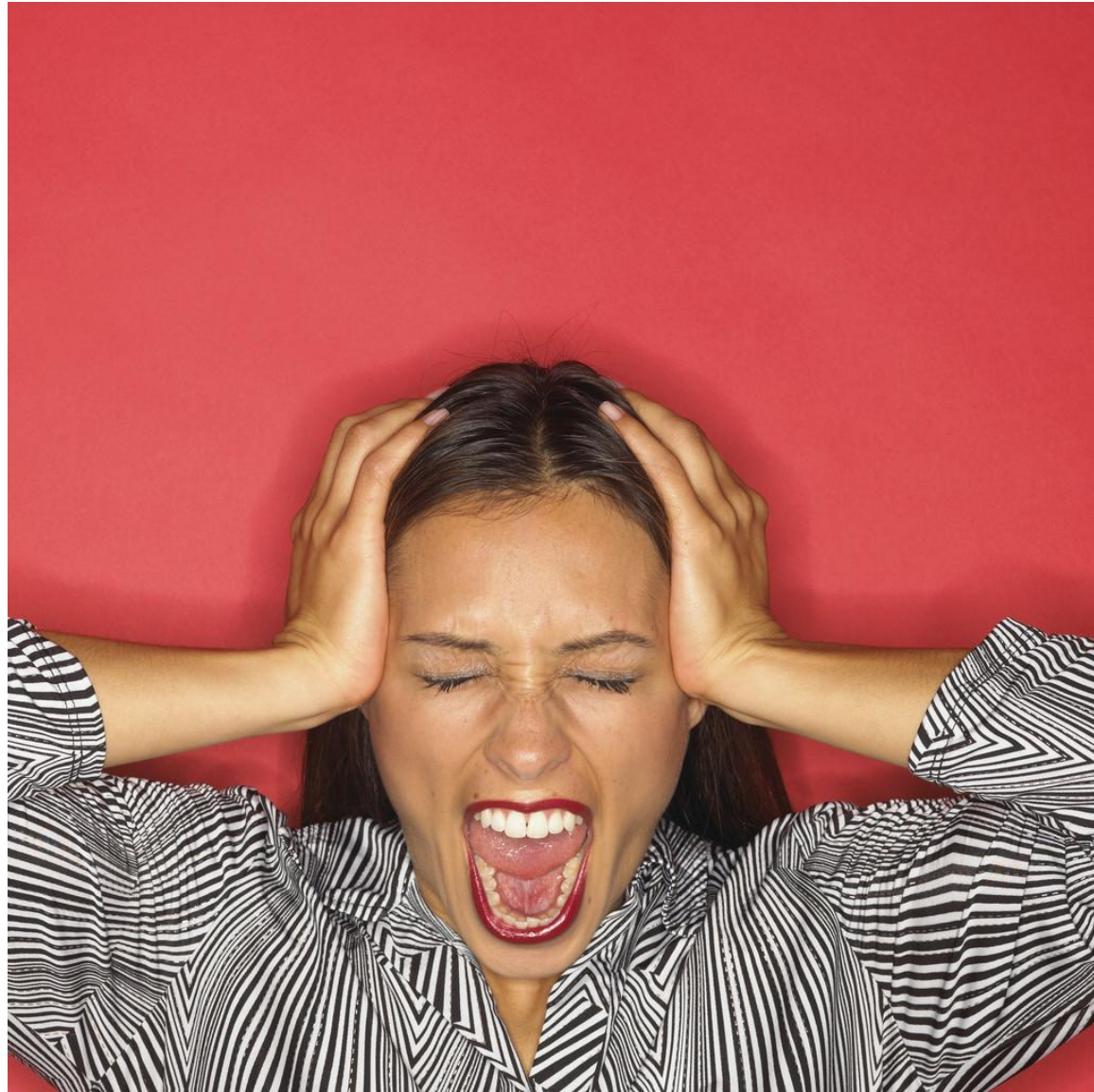


# FINANCE IS FUN?

A practical way to discuss Finance  
in a non-profit world...









# Why Business Acumen?

- See the big picture
- Understand organization data
- Make better decisions
- Understand impact of actions and decisions
- Effectively communicate

# 5 Key Drivers:

- Cash
- Profit
- Assets
- Growth
- People

From the book “Seeing the Big Picture”

# 5 Key Drivers:

- Cash
- Profit
- Assets
- Growth
- People
- Funding versus Expenditures
- Sustainability

# 5 Key Drivers in a Non-Profit

- Cash
- Assets
- People
- Funding versus Expenditures
- Sustainability



Where do I find these drivers?



# The 3 Ring Circus

Statement of  
Activities



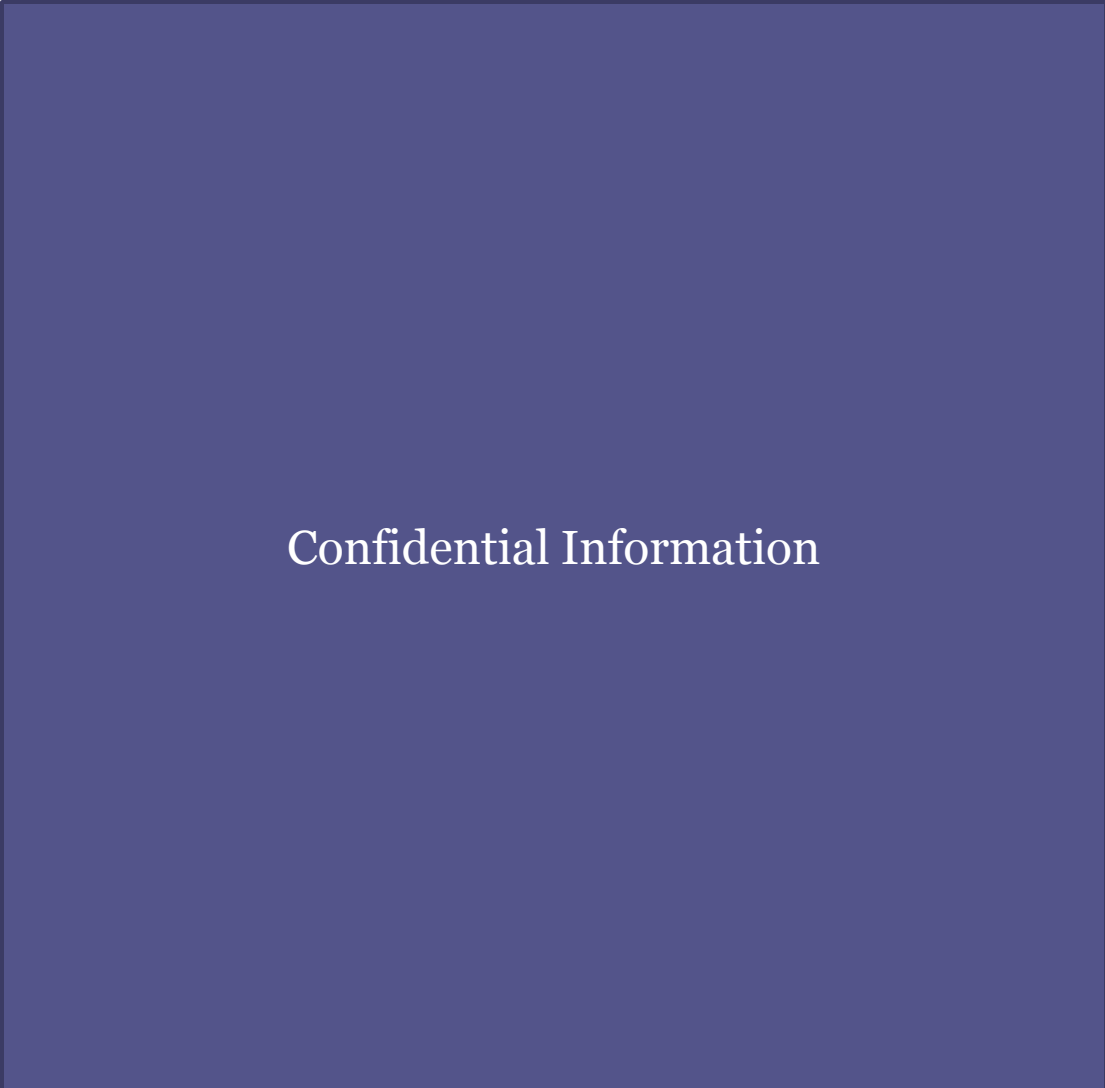
Balance Sheet

Statement of  
Cash Flows

# Statement of Activities

- Mission fulfillment vs. Profit
- Surplus or deficit not always informative
- Provide funding insight
- Analysis of how resources spent
- Statement of functional expenses
- Need an annual budget

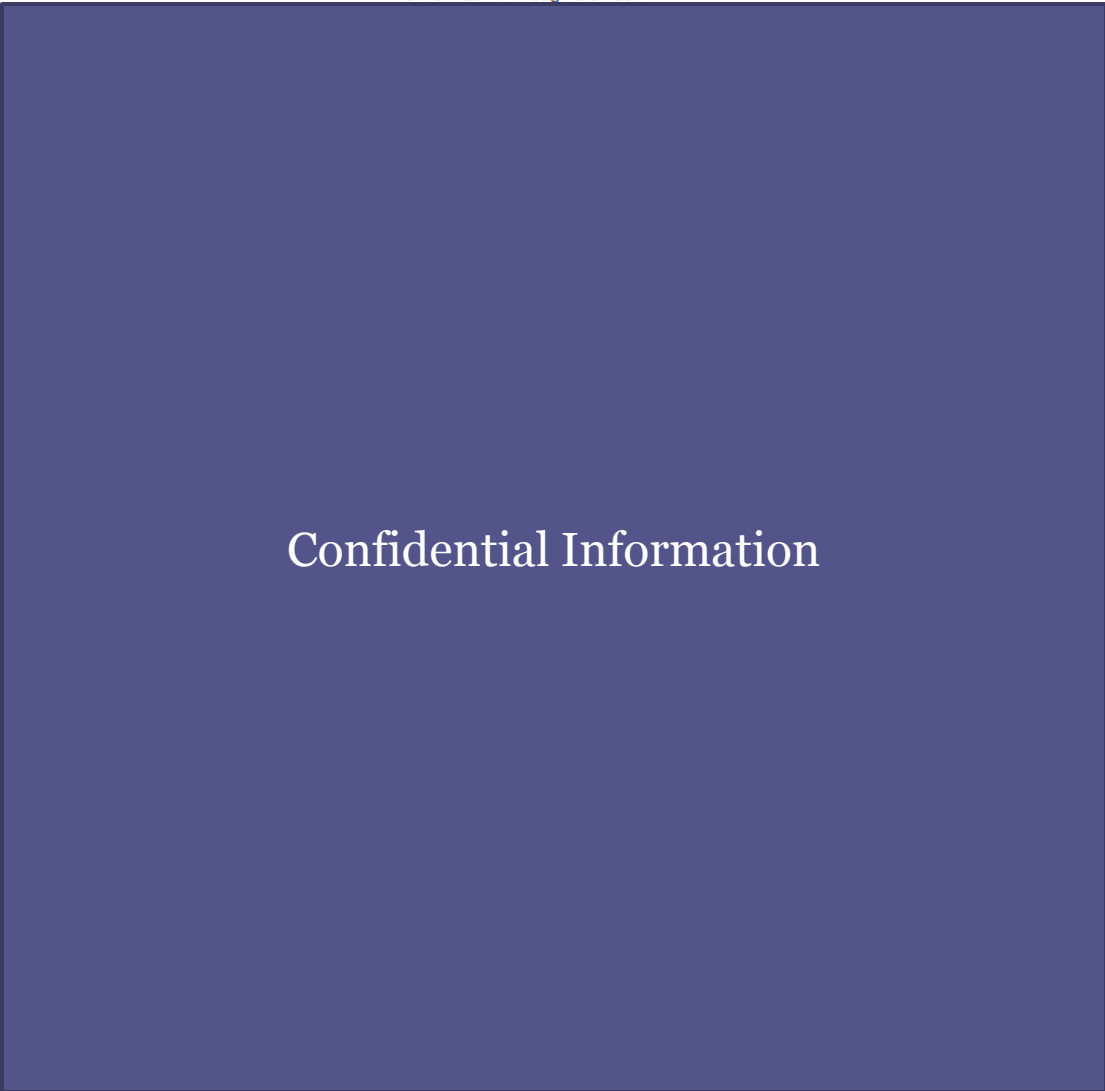
Racine Kenosha CAA, Inc.  
Statement of Revenues and Expenditures - Unposted Transactions Included In Report



Confidential Information

6400	Bldg Maintenance and Repair	0.00	0.00	2,500.00	2,500.00
7100	Office Supplies/Minor Equip	26.34	731.60	2,200.00	1,468.40
7105	Office Furniture	0.00	1,599.50	1,200.00	(399.50)
7120	Cmptnr/Sttwre/Cnsltnt	115.65	662.47	2,360.00	1,697.53

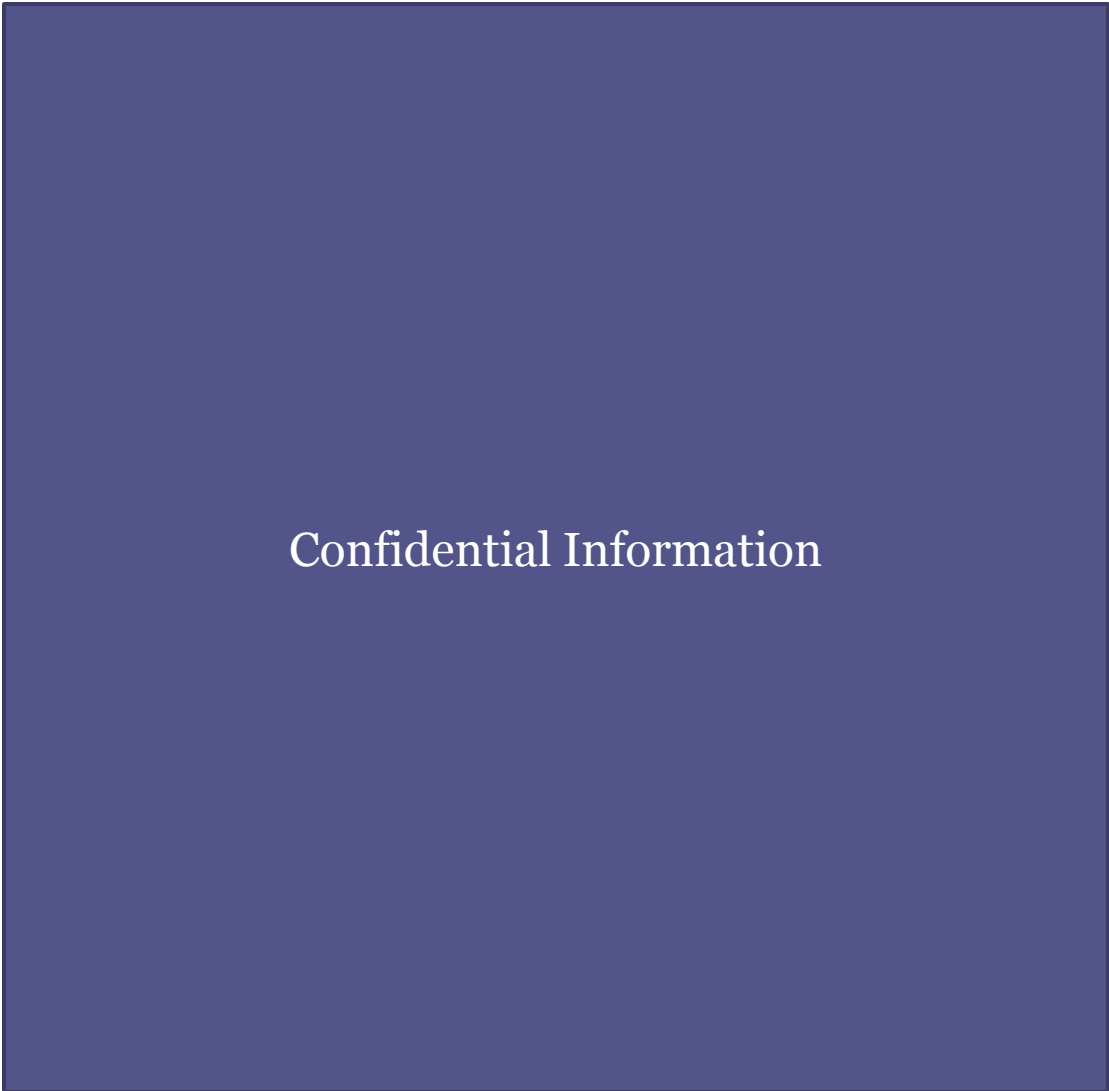
Racine Kenosha CAA, Inc.  
Statement of Revenues and Expenditures - Unposted Transactions Included In Report  
704 - WIC 2014  
From 8/1/2014 Through 8/31/2014



Confidential Information

3302	Fringe	0.00	0.00	1,043.00	1,043.00
3500	FICA	0.00	34.15	0.00	(34.15)
3600	Unemployment Comp	0.00	2.35	0.00	(2.35)

Racine Kenosha CAA, Inc.  
Statement of Revenues and Expenditures - Unposted Transactions Included In Report  
704 - WIC 2014



Confidential Information

9200	Printing	0.00	(36.24)	0.00	36.24
9210	Publications/Subscriptions	0.00	(5.75)	0.00	5.75
9400	Employee Development	0.00	(3.31)	0.00	3.31

Racine Kenosha CAA, Inc.  
Statement of Revenues and Expenditures - Unposted Transactions Included In Report  
704 - WIC 2014  
From 8/1/2014 Through 8/31/2014

Confidential Information

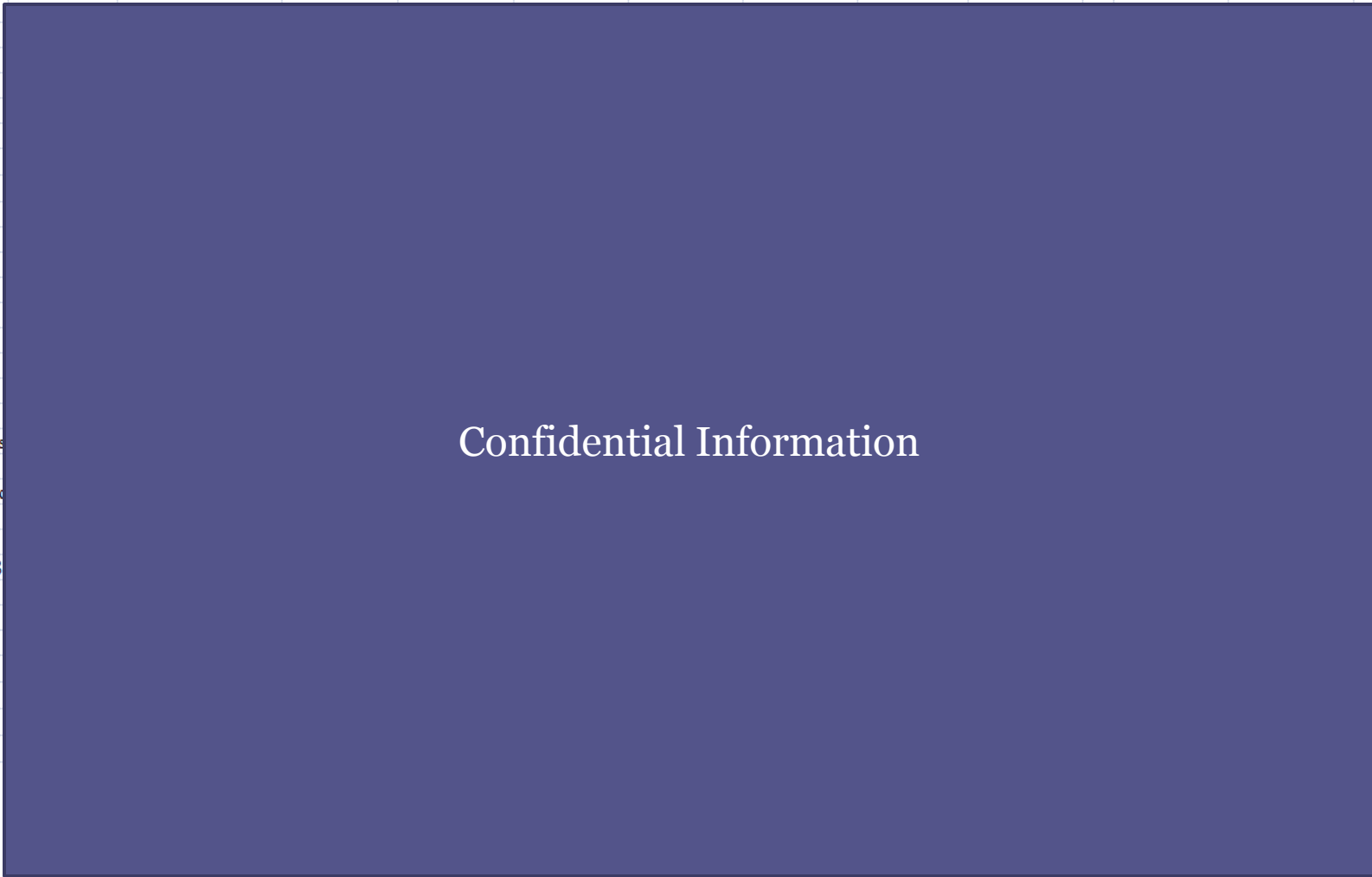
EXCESS OF REVENUES (EXPENDITURES)	<u>0.20</u>	<u>0.74</u>	<u>0.00</u>	<u>(0.74)</u>
-----------------------------------	-------------	-------------	-------------	---------------

ABC Example			
Statement of Activities			
1/1/14 - 8/31/14			
	Current Month	YTD	Budget
REVENUES:			
Grant Income			
Program Income			
Donations			
TOTAL REVENUE			
EXPENDITURES:			
Program Expenditures			
General and Admin			
Fundraising Expenses			
TOTAL EXPENDITURES			
EXCESS REVENUE OVER			
EXPENDITURES			



Racine Kenosha CAA, Inc  
 Statement of Revenue and Expenditures  
 YTD Through 8/31/2014

(in whole numbers)	HEAD START PROGRAMS	WEATHERIZATION PROGRAMS	WIC PROGRAMS	FOOD AND HOUSING PROGRAMS	SOCIAL PROGRAMS	CSBG	BUILDINGS	DONATIONS	OTHER	AGENCY TOTAL	REVISED 2014 BUDGET
<b>REVENUE</b>											
15	Grant Income										
16	Program Income										
17	Interest Income										
18	Other Income										
	<b>TOTAL REVENUE</b>										
<b>EXPENSES</b>											
1	Personnel										
2	Consultants										
3	Mileage, Travel, and Training										
4	Space and Utilities										
5	Cmptr, Sftwre, Phone										
6	Supplies and Equipment										
7	Insurance										
8	Advertising and Printing										
9	Equipment and Vehicle Repairs										
10	Client Direct										
11	WX Agency and Subcontract										
12	Program Support/Other										
	<b>TOTAL PROGAM EXPENSES</b>										
	Administrative/Pool										
	<b>TOTAL EXPENSES</b>										
	<b>EXCESS REVENUES OVER EXPENDITURES</b>										



# Statement of Functional Expenses

- Useful for program managers
- Can include funding sources
- Provides information by function and program
- Required in the preparation of the 990
- Changing the expense structure while maintaining necessary infrastructure
- What are the costs of core programs?

**National Youth Training and Resources Organization**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2000**

	<u>Program Services</u>		<u>Supporting Services</u>		<b>Total Expenses</b>
	<b>Educational/ Scholarships</b>	<b>Recreational Programs</b>	<b>General Administration</b>	<b>Fund- Raising</b>	
Salaries	\$ 65,000	\$ 88,000	\$ 82,000	\$ 15,000	\$ 250,000
Employee Benefits	15,000	22,000	20,000	3,000	60,000
Payroll Taxes	7,000	11,000	10,000	1,500	29,500
Total Personnel Costs	<u>\$ 87,000</u>	<u>\$ 121,000</u>	<u>\$ 112,000</u>	<u>\$ 19,500</u>	<u>\$ 339,500</u>
Professional Fees	-	-	-	45,500	45,500
Supplies	45,000	10,000	8,000	8,000	71,000
Telephone	10,000	15,000	7,000	7,000	39,000
Postage	10,000	5,000	5,000	3,000	23,000
Occupancy Costs	20,000	20,000	15,000	3,000	58,000
Equipment Rental and Maintenance	5,000	5,000	20,000	-	30,000
Printing and Publications	20,000	45,000	\$ 2,000	26,000	93,000
Travel	40,000	40,000	\$ 1,000	3,000	84,000
Conferences and Meetings	20,000	15,000	7,500	-	42,500
Scholarships	143,000	-	-	-	143,000
Interest	-	-	14,500	-	14,500
Total before Depreciation	<u>\$ 400,000</u>	<u>\$ 276,000</u>	<u>\$ 192,000</u>	<u>\$ 115,000</u>	<u>\$ 983,000</u>
Depreciation	-	-	5,000	-	5,000
Total Expenses	400,000	276,000	197,000	115,000	\$ 988,000

The pessimist  
sees the glass  
half empty



The optimist  
sees the glass  
half full



The accountant sees  
the glass in balance.



# Balance Sheet

- Snapshot in time
- What do you have?
- Who do you owe?
- $A = L + E$  in for profit

# Accounting Equation- cont...

ASSETS =



\$150,000 =

LIABILITIES +



\$135,000 +

EQUITY



\$15,000

# Balance Sheet- Not for Profit

- $A = L + \text{Net Assets}$



"The short-term solution is money and the long-term solution more money."



# Statement of Cash Flows

- Provides cash in and cash out information
- Normally prepared annually
- Better information is around cash management
- Good projections help anticipate cash flow issues

# Cash Management Tools

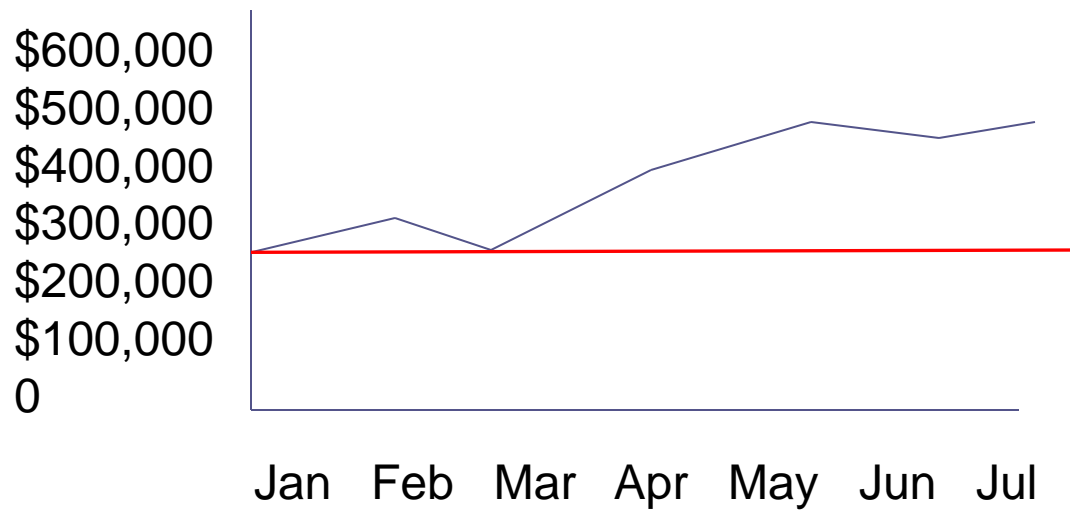
- Days of Cash

$\text{Annual Expenses} / 365 \text{ days} = 1 \text{ day of Cash}$

$\text{Cash balance} / 1 \text{ day of cash} = \text{Days of Cash}$

Can you survive?

# Cash Balance Trends



# Sustainability

- Sufficient cash
- Managed debt
- Funding diversification
- Net Assets and operating reserves


# Net Assets and Operating Reserves

- Unrestricted Net Assets = Operating Reserve
- Cushion against unexpected events
- Have a realistic plan to replenish
- Solve temporary problems, not structural financial problems
- Goal: 3-6 months expenses
- Reliability of funding can impact

# People

- Employees: Value of a good culture
- “Customers”:  
What do the funding sources need?
- Internal Customers: What do program managers need and want?
- Internal Customers: What does the Executive Director need?
- Staff Finance Function: Transactional, Operational, and Strategic
- Board and Committees: How to make financial information understandable

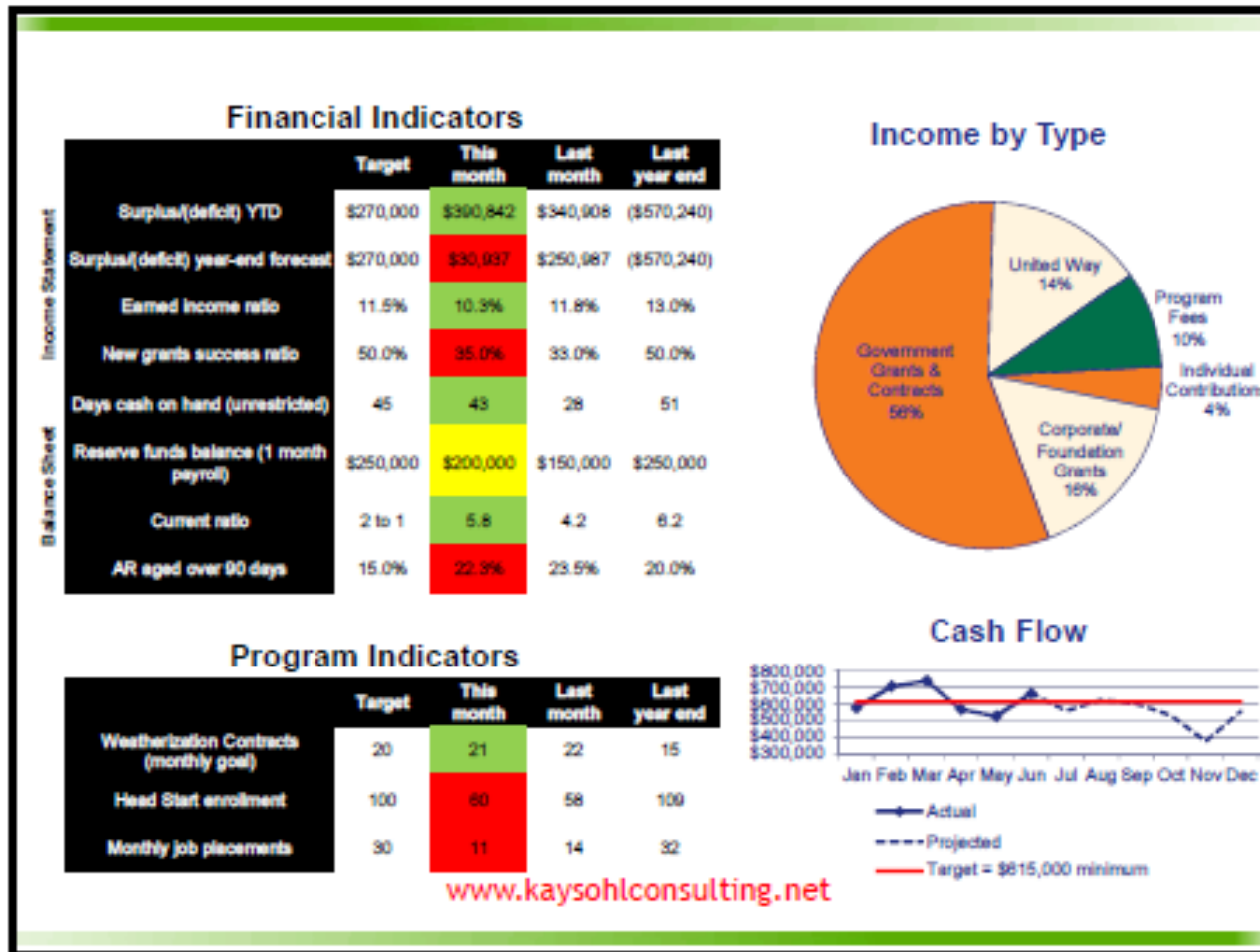




So, how well does your Board understand the financial health of your organization???



# Is this better?



Than this??

<b>Vail Resorts, Inc.</b>				
<b>Consolidated Financial Statements</b>				
<b>(in thousands except per share amounts)</b>				
<b>(unaudited)</b>				
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>January 31,</b>		<b>January 31,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
		(as restated)		(as restated)
<b>Net revenue:</b>				
Mountain	\$ 201,368	\$ 188,385	\$ 235,447	\$ 222,014
Lodging	38,372	35,612	81,024	76,213
Real estate	7,496	24,192	34,388	63,546
Total net revenue	247,236	248,189	350,859	361,773
<b>Operating expense:</b>				
Mountain	126,860	123,505	188,775	188,161
Lodging	38,367	37,982	78,885	77,275
Real Estate	6,065	22,294	18,189	49,839
Gain on transfer of property	(233)	--	(2,147)	--
Depreciation & amortization	22,568	21,138	42,933	39,764
Asset impairment charge	933	--	933	--
Mold remediation charge	5,500	--	5,500	--
Loss on disposal of fixed assets, net	545	3	1,556	19
Total operating expense	200,605	204,922	334,624	355,058
Income from operations	46,631	43,267	16,235	6,715
<b>Other income (expense)</b>				
Mountain equity investment income, net	586	452	568	1,541
Lodging equity investment loss, net	(1,214)	(1,975)	(2,954)	(3,281)
Real estate equity investment income, net	3	771	206	3,841
Investment income	328	404	893	610
Interest expense	(12,857)	(12,935)	(26,266)	(24,714)
Loss on extinguishment of debt	(36,195)	--	(36,195)	--
Gain (loss) on put option, net	(696)	1,371	(1,306)	1,371
Other income (expense), net	(10)	(10)	(10)	19
Minority interest in income of consolidated subsidiaries	(4,094)	(2,343)	(2,003)	(319)
Income (loss) before provision for income taxes	(7,518)	29,002	(50,832)	(14,217)
Benefit (provision) for income taxes	781	(12,277)	18,691	5,827
Net income (loss)	<u>\$ (6,737)</u>	<u>\$ 16,725</u>	<u>\$ (32,141)</u>	<u>\$ (8,390)</u>
<b>Basic weighted average shares</b>				
	35,286	35,187	35,280	35,176
<b>Diluted weighted average shares</b>				
	35,286	35,227	35,280	35,176
<b>Per share amounts:</b>				
Basic net loss per share	<u>\$ (0.19)</u>	<u>\$ 0.48</u>	<u>\$ (0.91)</u>	<u>\$ (0.24)</u>
Diluted net loss per share	<u>\$ (0.19)</u>	<u>\$ 0.47</u>	<u>\$ (0.91)</u>	<u>\$ (0.24)</u>
<b>Other Data:</b>				
Mountain Reported EBITDA	\$ 75,094	\$ 65,332	\$ 47,240	\$ 35,394
Lodging Reported EBITDA	(1,209)	(4,345)	(815)	(4,343)
Resort Reported EBITDA	73,885	60,987	46,425	31,051
Real Estate Reported EBITDA	\$ 1,667	\$ 2,669	\$ 18,552	\$ 17,548

# Dashboard Basics

- Like the dashboard on your car
- High level
- Match to the audience
- Avoid urge to load with details

# Ideas for your dashboard

- Graph of days of cash (Cash)
- Graph of cash balance trends (Cash)
- Funding by type (Sustainability)
- Program service information (Funding v. Expenditures)
- Program expenditures to funding % (Funding v. Expenditures)
- Current Ratio (Assets)
- Liquid Net Assets (Assets and Sustainability)
- Surplus/Deficit information (Funding v. Expenditures and Sustainability)
- Operating Reserves (Sustainability)

ONLY  
**ACCOUNTANTS**  
CAN SAVE  
THE WORLD!

*Through Peace, Goodwill and Reconciliations.*