

# Intro to Nonprofit Finance

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Distance Learning Course

June 2010

Washington State Coalition Against Domestic Violence

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# How to Use this Presentation

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- ❑ Read and study all the slides.
- ❑ Follow the links if you want to learn more.
- ❑ Read the lessons, and take the quiz or do the activity at the end of each lesson to test your knowledge and to complete it.
- ❑ You are welcome to take this lesson with a co-worker(s) or colleague. However, to receive a training certificate, each of you will need to complete the online material individually.

# Course Outline

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1. Lesson 1: Core Concepts
2. Lesson 2: The Budget, Income Statement, and Balance Sheet
3. Lesson 3: Practice! [Link to Exercise and Evaluation](#)

# Welcome!

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This course is for *managers, advocates, and board members* who want to increase confidence and basic knowledge of financial management at domestic violence organizations.

While geared to nonprofits, the overall principles also apply to for-profits and government agencies.

# Why Bother?

## (Finance makes my head hurt!)

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Survivors of domestic violence increase their self-determination and paths to freedom when they gain/regain control over their own economic resources.

As nonprofit leaders and activists, we can learn from survivors' experience.

*If we do not understand and manage our financial resources, who will?*

# “We Are Not Alone”

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The best \$ decisions are usually made collectively, by caring, informed people.  
(That means *you*.)

We encourage you to take this course with a colleague, so that you can help each other learn.

Remember that to receive a training certificate, each of you will need to register and complete the online material **individually**.



# Lesson 1:

## Core Concepts in Nonprofit Financial Management

# Money In, Money Out

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Money In = *Revenue*

(Revenues is a nonprofit way of saying “income”)

Common sources:

- Contracts (from government agencies such as DSHS)
- Grants (from foundations or corporate giving)
- Donations
- Earnings (such as speaker fees or a thrift store)
- Sales (on products you make and sell), and interest (from your bank accounts)

# Are Revenues Only Cash?

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No, revenues can be

- Cash (such as donations or contract payments)
- Promised money (such as signed contracts with a funder, or donor pledges)
- *In-kind* money (such as donated equipment, services, office space, or the like)

# More Money In, Money Out

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Money Out = *Expenses*

For nonprofit DV programs, expenses are usually the cost of providing direct services + the cost of managing your organization.

Common expenses:

- Personnel (salary + benefits and payroll taxes paid by the employer)
- Program expenses (such as facilities, groceries for shelter, mileage for advocates)
- Operating expenses (such as insurance and accounting)

# What You Own, and What You Owe

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Nonprofit leaders (that means you) also think about the organization's...

- *Assets*: what you own
- *Liabilities*: what you owe
- *Net Assets*: net worth (assets - liabilities)

# Assets – What You Own

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- Cash (such as bank accounts)
- Savings, certificates of deposit, and any investments
- Property (major items, vehicles, buildings)
- *Accounts Receivable*: what people owe you (invoices you have sent)

# Liabilities – What You Owe

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- Payroll, taxes, and accrued vacation that are due to employees but not yet paid.
- *Accounts Payable*: payments due to others (bills received but not yet paid)
- Debts (such as a mortgage or loan on a line of credit)

# Net Assets

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What you own, minus what you owe.

- $\text{Assets} - \text{Liabilities} = \text{Net Assets or equity}$
- Same idea as a person's *net worth*.
- Net assets represent what your agency has accumulated over time, since its birth.
- We'll revisit assets, liabilities and net assets in Lesson 2.

# Accrual vs. Cash Accounting

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- ❑ *Cash* accounting is what most people use in our **personal** lives.
- ❑ In contrast, the *accrual* method allows people to see the big picture of an **organization's** finances and not lose sight of what you owe, what others owe you, and property.

# Why is the *Accrual* Method of Accounting Important?

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- ❑ Because nonprofits that do not have a unified way of tracking unpaid bills, money others owe them, or other assets, can face cash flow crisis, fall behind on bills, and fail.
- ❑ Because it is the standard set by *Generally Accepted Accounting Principles* (GAAP). These are rules that govern for-profit, nonprofit and governmental accounting in the U.S.
- ❑ Because most funders require it.

# Fiscal Year

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*Fiscal Year* means the 12 months that an organization has decided to use for budgeting.

*FY* = Fiscal Year.

- So FY10 means fiscal year ending in 2010.
- A fiscal year can start in one calendar year (such as July 1, 2009) and end in the next (in this case, June 30, 2010).

# Let's Get Fiscal

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You have a choice on when to start the fiscal year.

## Typical fiscal years

- January 1 – December 31 (calendar fiscal year)
- July 1 – June 30 (state fiscal year, or "SFY")
- October 1 – September 30 (federal fiscal year, or "FFY")
- So SFY10 means state fiscal year starting July 1, 2009 and ending June 30, 2010.

Many nonprofits use the state or federal fiscal years to synchronize budgeting with their main funding sources.

- *When does your organization's fiscal year start and end? Take a minute now to find out.*

# The Balancing Act

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As a leader (at whatever level of formal authority), your job is to bring financial awareness to your team's decisions, in the context of core management values, such as:

- Fairness
- Equitability
- Accountability
- Sustainability
- Transparency

(We at WSCADV coined this as *FEAST*)

# Congratulations! You made it!

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- ❑ You've completed this portion of the course, now it's time to see how much you can remember.
- ❑ Click the link below to test yourself and to signal to us that you have completed this section so we can record your credit.
- ❑ No worries – we're not grading the quiz!
- ❑ [Take the quiz](#)