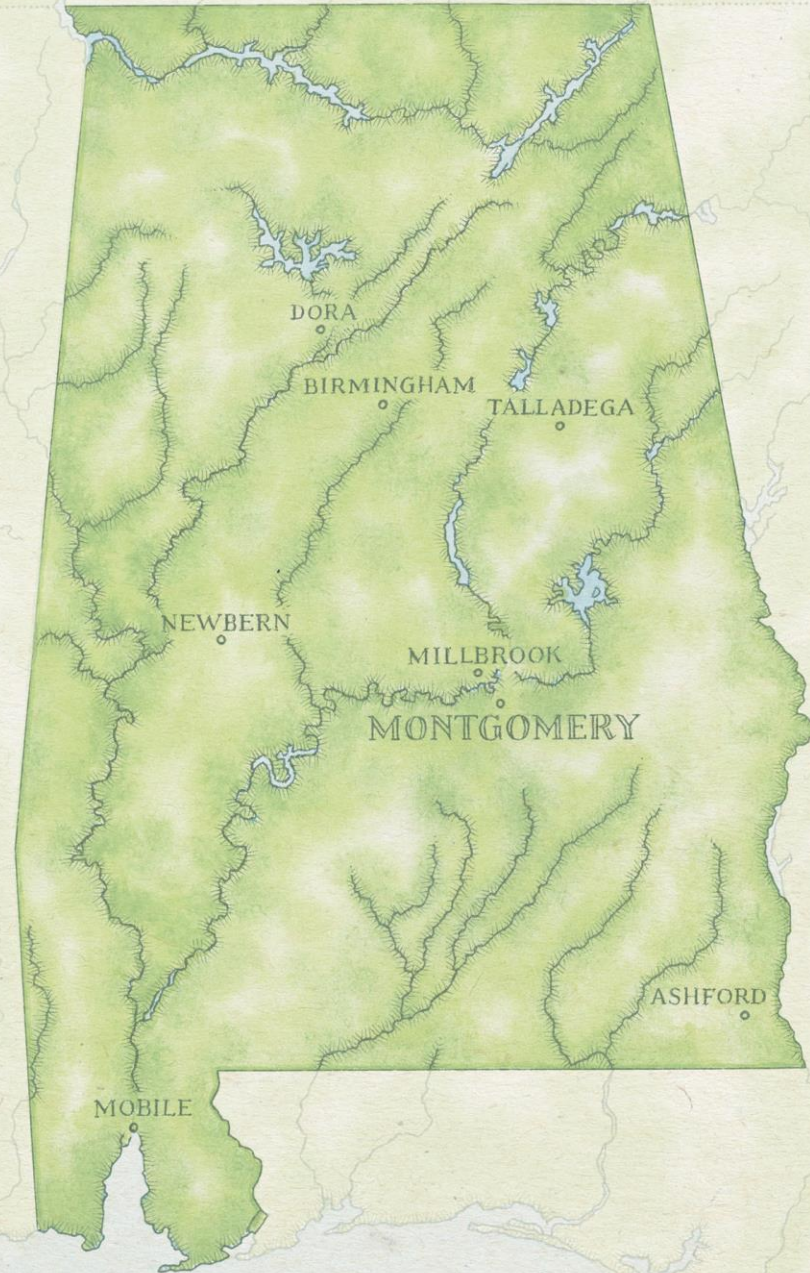


NONPROFIT FINANCIAL HEALTH BASICS DURING A CRISIS PERIOD AND HYPER-CHANGE: IMPACT ON FINANCIAL HEALTH AND CONTINUITY

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LEARNING OBJECTIVES

Part I

- Understanding Financial Health
 - Balance Sheet
 - Accrual Basis vs. Cash Basis
 - Key Parts of the Balance Sheet
 - Impact on Financial Health

Part II

- Pivoting to 3-Month Rolling Budgets
 - Strategy
 - Process
 - 3-Month Budget Template

PART I

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY

BALANCE SHEET

KEY TO FINANCIAL HEALTH

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY BALANCE SHEET

Accrual Basis Accounting

vs.

Cash Basis Accounting

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY

COMPONENTS OF ACCOUNTING SYSTEM AND FINANCIAL STATEMENTS

Assets

➤ Revenue and Support

Liabilities

➤ Expenses

Net Assets

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY

ASSETS

- Assets
 - Cash
 - Cash Equivalents
 - Investments
 - Accounts Receivable
 - Pledges Receivable
 - Other Receivables
 - Prepaid Expenses
 - Inventory

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY

ASSETS

- **Assets** (continued)
 - Fixed Assets
 - Deposits
 - Other Assets

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY

LIABILITIES

- Current Liabilities
 - Accounts Payable
 - Accrued Expenses
 - Deferred Income
 - Deferred Liabilities
 - Grants Payable
 - Debt

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY

LIABILITIES

- Non-Current Liabilities
 - Accrued Expenses
 - Deferred Income
 - Deferred Liabilities
 - Grants Payable
 - Debt

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY

NET ASSETS

How Different from For-Profits?

- **Two Classes**

- 1. **Without Donor Restrictions**

- Unrestricted

- Undesignated

- Board Designated

- 2. **With Donor Restrictions**

- Temporarily Restricted

- Permanently Restricted

- Endowments

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY CASE STUDY – REPORTS

Explore Sample Balance Sheets

“Key Facts vs Hidden Clues”

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY

REVENUE AND SUPPORT

➤ Support

- Contributions
- Grants

➤ Revenue

- Membership Dues
- Registrations
- Fees for Service
- Catalogue Sales
- Interest Income
- Miscellaneous

UNDERSTANDING FINANCIAL HEALTH AND SUSTAINABILITY EXPENSES

- **Three Categories**
 - Programs
 - Fundraising
 - General and Administrative

PART II

PIVOTING

TO SHORT-TERM

ROLLING 3-MONTH BUDGETS

PROTECTING FINANCIAL HEALTH

Both Strong and Weak Nonprofits

Must Pivot to

Rolling 90 Day – 3 Month Budgets

Until True Recovery Begins

PROTECTING FINANCIAL HEALTH

Because there is So Much Uncertainty Around the Crisis
and Timing, Scope and Pace of Change

We Need to Pivot Planning From Annual Budgets to
Short-Term Rolling 3 Month Budgets

Until True Recovery Begins

3 MONTH ROLLING BUDGETS

Strategy

- Assess Short-Term Sources of Funding
 - What Has Changed?
- Assess Capacity and Demand for Services
 - Uncontrollable
 - Controllable
- Assess Impact on Bottom-line – (Deficits)
- Assess Risk to Financial Position

3 MONTH ROLLING BUDGETS

Process – Step #1

- Complete Framework Assessment Dashboard
 - Document Expected Changes in Funding
 - Document Capacity and Demand Changes

3 MONTH ROLLING BUDGETS PROCESS – STEP #1

Walk Through the Framework Assessment Dashboard

3 MONTH ROLLING BUDGETS

Process – Step #2

- Understand Format for Rolling 3 Month Budgets
 - Natural Calendar Quarters
 - April – June, July – Sept, Oct – Dec and Jan – March
 - One Month Prior Start Next Quarter – Prepare Next Quarter
 - Three Strategies Based On:
 - Risk Assessment
 - Best Case
 - Worst Case
 - Likely Case

3 MONTH ROLLING BUDGETS

Process – Step #2 (continued)

- Risk Assessment
 - Best Case
 - If Everything Plays Out as Expected
 - High End – Best Case
 - Worst Case
 - The Level You Will Not Fall Below
 - Low End – Worst Case
 - Likely Case
 - Somewhere In the Middle
 - But Not Always the Halfway Point
 - Explain in Key Assumptions

3 MONTH ROLLING BUDGETS

Process – Step #2 (continued)

➤ Risk Assessment

➤ Likely Case

➤ Explain in Key Assumptions:

➤ Document Anticipated Changes for Key Budget Lines

➤ Funding Sources

➤ Programs and Activities

➤ Capacity

➤ Staffing, Overhead (occupancy and others), Direct Costs

3 MONTH ROLLING BUDGETS PROCESS – STEP #2

Walk Through the 3 Month Rolling Budget Worksheet

CONCLUSION

The purpose of the Framework Assessment and the Rolling 3 Month Budget is to give the board of directors confidence that the senior management team has taken a thoughtful and objective approach to quantify near-term decision making with a conservative bias of protecting the organization's financial position during a time of hyper-change.

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