



“Ready to Serve”
February 2, 2010
Financial Statement Overview

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Goals of Presentation

- Develop an understanding of the board's role in financial oversight
- Provide a basic understanding of not for profit financial statements
- Develop familiarity with the terminology of financial statements
- Identify potential “red flags” regarding an organization's finances



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POP QUIZ!

- The most important internal function of a nonprofit board is to:
 - a) Guard resources
 - b) Guide staff
 - c) Direct mission
 - d) All of the above

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The "Duty of Care" includes:



- Ensuring the organization has sufficient resources, including people, funding and other assets.
- Provide fiscal accountability including approving the budget
- Manage resources effectively

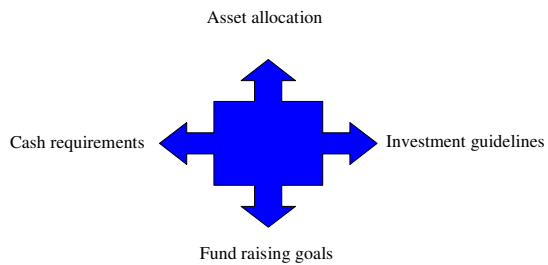
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Key Elements of Financial Management and Reporting

- Fiscal policies and procedures
- Financial Statements
 - Statement of activities (income statement)
 - Statement of financial position (balance sheet)
 - Budget
- Tax filings (Form 990)
- Summary of investment performance



Fiscal Policies and Procedures



POP QUIZ!

- A Not-For-Profit is defined as:
 - a) An organization that spends more than it brings in
 - b) An organization that is not allowed to make a profit
 - c) An organization that must use profits to support the mission of the organization



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Financial Statements – Income Statements

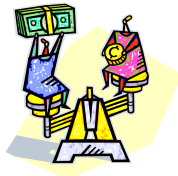


- Cash vs. Accrual Accounting
- By themselves, numbers don't really mean much
- Cash Flow

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Financial Statements – Balance Sheet

- Unrestricted, temporarily restricted, permanently restricted assets
- Cash
- Long term assets



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POP QUIZ!

- Designation as a 501(c)3 results in:
 - a) The organization is granted charitable tax exempt status
 - b) Donors are able to claim a tax deduction for donations to the organization
 - c) The organization has a fiduciary responsibility to its donors
 - d) All of the above

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Once a nonprofit has received its charitable status from the IRS, its board of directors has a “fiduciary responsibility” to the people or entities that donate monies to the organization. When a charitable organization accepts a donation, it is held accountable for using the money for the public good.

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IRS Form 990

Provides information about the organizations’ revenue, expenses, assets, and liabilities

and

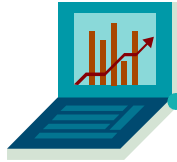
Explains its mission, major program areas, and governance practices

Failure to file a Form 990 is cause for loss of tax exemption.

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Financial Statements – Summary of Investment Performance

- Compliance with investment policy
- Realized and Unrealized gains and losses
- Evaluation of investment advisor



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FINAL POP QUIZ!

- As a Board member, I can rely on the Treasurer and/or Finance Committee to oversee the financial aspects of a nonprofit organization.

a) True
b) False

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Questions

Questions
