

What's in the Numbers?
Cheat Sheet - What to look for

What do financial statements tell us:

- How much money are we spending
- If we have cash
- Do we have bills to pay
- If we are we collecting our receivables
- What is our liquidity
- What our other obligations are to vendors, employees, lenders, etc.

Type of Financial Statements required for a nonprofit organization/CDC:

1. Statement of Financial Position/Consolidated
2. Statement of Activities/Consolidated
3. Statement of Functional Expenses/Consolidated
4. Statement of Cash Flow/Consolidated
5. Note Section

Things to look for:

1. Statement of Financial Position/Consolidated
 - Does is balance? $Assets = Liabilities + Net Assets$
 - Are net assets positive or negative? Negative net assets means the organization has deficits (expenses exceed revenues)
 - Continual losses year after year signal financial trouble
 - How much of the net assets are unrestricted and temporarily restricted?
2. Statement of Activities/Consolidated
 - Lists revenues by sources and expenses by line item
 - Tells us if we made or most money
 - Tells us what we are sending our money on
 - Tells us if we are managing to our budget
3. Statement of Functional Expenses/Consolidated
 - Lists our expenses by category
4. Statement of Cash Flow/Consolidated
 - Shows if you made or lost money
 - Shows if you deposited money into reserves and escrow accounts
 - Shows if you received/repayed any money for a mortgage or notes payable
5. Note Section
 - Tells us information about the organization and its operations
 - Tells us what our accounting policies are

Financially Stable

- An organization is able to stay out of debt
- An organization can fund its current programs
- If an organization has a negative fund balance:
 - Total liabilities exceed assets
 - Look at historical performance
 - Look at revenue by performance
 - Look at the cost structure of the program
 - Remember, don't judge a nonprofit's financial health as if it's a for-profit