

# Budgeting and financial management

**October 13, 2022**

PMAP 3210: Introduction to Nonprofits  
Andrew Young School of Policy Studies

# Plan for today

**Anatomy of a budget**

**Financial analysis**

# Anatomy of a budget

**This week just barely  
scratches the surface  
of nonprofit finance!**

**You can get a whole master's degree in this stuff!**

# Components of nonprofit finance

## 1—Assets

- 10 Cash
- 11 Temporary investments
- 12 Receivables
- 13 Prepaied expenses
- 14 Buildings
- 15 Equipment
- 16 Other assets

## 2—Liabilities

- 20 Accounts payable
- 21 Taxes payable
- 22 Salaries payable
- 23 Mortgage payable
- 24 Notes payable
- 25 Other liabilities

## 3—Net assets

- 30 Unrestricted
- 31 Temporarily restricted
- 32 Permanently restricted

## 4—Revenues

- 40 Contributions
- 41 Fees
- 42 Grants
- 43 Contracts
- 44 Other revenues

## 5—Expenses

- 50 Salaries
- 51 Fringe benefits
- 52 Computers
- 53 Equipment
- 54 Copier contract
- 55 Phones
- 56 Office rental
- 57 Supplies
- 58 Travel
- 59 Consultants
- 60 Per diem
- 61 Depreciation
- 62 Other expenses

# Tracking finances

## Balance sheet

### Where you are

Assets		
	2010	2009
<b>Current assets</b>		
Cash	\$ 20,000	\$ 5,000
Marketable securities	\$ 18,000	\$ 3,000
Accounts receivable	\$ 12,000	\$ 2,000
Pledges receivable	\$ 1,150	\$ 12,000
Supplies inventory	\$ 2,000	\$ 2,000
Prepaid expenses	\$ 1,000	—
<b>Total current assets</b>	<b>\$ 54,150</b>	<b>\$ 24,000</b>
<b>Long-term assets</b>		
Equipment, net	\$ 8,800	\$ 6,800
Building, net	\$ 98,000	\$ 100,000
Investments	\$ 130,000	\$ 121,000
<b>Total long-term assets</b>	<b>\$ 236,800</b>	<b>\$ 227,800</b>
<b>Total assets</b>	<b>\$ 290,950</b>	<b>\$ 251,800</b>

Liabilities		
	2010	2009
<b>Current liabilities</b>		
Accounts payable	\$ 7,950	\$ 17,000
Salaries payable	\$ 5,000	\$ 3,000
Mortgage payable	\$ 5,000	\$ 5,000
<b>Total current liabilities</b>	<b>\$ 17,950</b>	<b>\$ 25,000</b>
<b>Long-term liabilities</b>		
Mortgage loan	\$ 20,000	\$ 25,000
<b>Total liabilities</b>	<b>\$ 37,950</b>	<b>\$ 50,000</b>

Net assets		
	2010	2009
Unrestricted	\$ 69,800	\$ 60,800
Temporarily restricted	\$ 55,200	\$ 20,000
Permanently restricted	\$ 128,000	\$ 121,000
<b>Total net assets</b>	<b>\$ 253,000</b>	<b>\$ 201,800</b>
<b>Total liabilities and net assets</b>	<b>\$ 290,950</b>	<b>\$ 251,800</b>

## Budget

### Where you're going

# Tracking finances

**Balance sheet**

**Where you are**

**Assets and liabilities**

**Budget**

**Where you're going**

**Revenues and expenses**

# Balance sheet stuff



# Assets

**Things of value that you can measure**

**Money in bank, investments held, property owned, etc.**

# Assets

## Liquid / current

Cash or things that can quickly turn into cash

Cash, securities, inventory, accounts/pledges receivable

## Long-term

Things that can't quickly turn into cash

Property, equipment, investments

# Liabilities

**Things you owe**

**Debts, bills, mortgage, etc.**

# Net assets

**Assets – liabilities**

**A measure of how financially healthy your organization is and how well it can weather a financial emergency**

# Budget stuff

<b>Revenues</b>	2010	2009
Foundation grant	\$ 150,000	\$ 125,000
State education grant	\$ 250,000	\$ 250,000
Contributions	\$ 90,000	\$ 80,000
Investment income	\$ 25,000	\$ 23,000
Special events	\$ 50,000	\$ 55,000
<b>Total revenues</b>	<b>\$ 565,000</b>	<b>\$ 533,000</b>

<b>Expenses</b>	2010	2009
Salaries	\$ 377,000	\$ 350,000
Fringe benefits	\$ 24,000	\$ 21,800
Computer equipment	\$ 5,000	\$ 2,000
Copier contract	\$ 300	\$ 300
Depreciation expense	\$ 3,000	\$ 3,000
Equipment	\$ 000	\$ 000

# Revenues

**Ways the organization brings in money**

**Private fundraising**

**(individual donations and foundation grants)**

**Government sources**

**Commercial activities**

# Expenses

Ways the organization spends money

Salaries

Benefits

Rent

Travel

Computers, equipment, supplies

Lots of other things!

# Funds

**Types of money the organization can use**

**Endowment funds**

**Unrestricted funds**

**Restricted funds**



# Budgets

**A budget is a moral document**

**Budgets reflect your strategy**

# Budget best practices

**Involve everyone**

**Budget monthly**

**Save a reserve**

**Track performance relative to past budgets,  
especially deviations**

**Rebudget when unexpected changes happen**

# Budget example

# Financial analysis

# Why analyze finances?

**Nonprofits have special stewardship over donor money!**

**Increased accountability!**

**Required to make tons of financial information public, including assets, revenues, expenses, and salaries**

**Gauge a nonprofit's financial health**

# GuideStar Seals



## Bronze Seal

Make sure donors find you

~5-minute update

- Organization mission and contact details
- Donation information
- Leadership information
- Grantmaker status



## Silver Seal

Guide funding decisions

~10 minute update

- Program(s) information
- Brand details (website, social media, logo)
- Plus Bronze [info](#)



## Gold Seal

Gain trust and support

~15-minute update

- Audited financial report or basic financial information
- Board Chair name and leadership demographics
- Plus Silver [info](#)



## Platinum Seal

Highlight your impact and boost funding

~15 minute update

- Strategic plan or strategy and goal highlights
- At least one metric demonstrating your progress and results
- Plus Gold [info](#)

# GuideStar and transparency



Trees Atlanta Inc. **Platinum**

Trees Atlanta

Atlanta, GA | EIN: 58-1584758

*Trees Atlanta* protects and enhances *Atlanta's* urban forest by planting, conserving, and educating. We engage diverse community support ... volunteer service within neighborhoods across metro *Atlanta*. *Trees* are iconic to our city. They clean our air and water, reduce temperatures, and provide beauty and

**GROSS RECEIPTS** ⓘ

\$6,392,582

**ASSETS**

\$24,357,590

# IRS Form 990

Form **990**



Department of the  
Treasury  
Internal Revenue Service

## Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter social security numbers on this form as it may be made public

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

OMB No 1545-0047

# 2018

**Open to Public  
Inspection**

**A** For the **2019** calendar year, or tax year beginning **07-01-2018**, and ending **06-30-2019**

**B** Check if applicable

- Address change
- Name change
- Initial return
- Final return/terminated
- Amended return
- Application pending

**C** Name of organization  
COOPERATIVE FOR ASSISTANCE AND RELIEF  
EVERYWHERE INC

Doing business as

Number and street (or P O box if mail is not delivered to street address) Room/suite  
151 ELLIS STREET NE

City or town, state or province, country, and ZIP or foreign postal code  
ATLANTA, GA 303032440

**D** Employer identification number

13-1685039

**E** Telephone number

(404) 681-2552

**G** Gross receipts \$ 818,735,149

**F** Name and address of principal officer  
MICHELLE NUNN  
151 ELLIS STREET NE  
ATLANTA, GA 303032440

**H(a)** Is this a group return for subordinates?  Yes  No

**H(b)** Are all subordinates included?  Yes  No

If "No," attach a list (see instructions)

**H(c)** Group exemption number ▶

**I** Tax-exempt status  501(c)(3)  501(c) ( ) ◀ (insert no )  4947(a)(1) or  527

**J** Website: ▶ WWW CARE ORG



# IRS Form 990

Part I Summary			
Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities CARE WORKS AROUND THE GLOBE TO SAVE LIVES, DEFEAT POVERTY AND ACHIEVE SOCIAL JUSTICE		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	18
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	17
	<b>5</b> Total number of individuals employed in calendar year 2018 (Part V, line 2a)	<b>5</b>	557
	<b>6</b> Total number of volunteers (estimate if necessary)	<b>6</b>	20
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	0
	<b>b</b> Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>	57,812
Revenue		<b>Prior Year</b>	<b>Current Year</b>
	<b>8</b> Contributions and grants (Part VIII, line 1h)	596,595,507	602,938,894
	<b>9</b> Program service revenue (Part VIII, line 2g)	0	0
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	6,801,910	11,738,373
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,411,441	6,278,816
<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	606,808,858	620,956,083	
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3)	127,574,515	129,189,896
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	183,644,941	198,832,105
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)	4,393,306	5,615,631
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) $\blacktriangleright$ 30,424,179		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	280,752,336	270,782,469
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	596,365,098	604,420,101
<b>19</b> Revenue less expenses Subtract line 18 from line 12	10,443,760	16,535,982	
Net Assets or Fund Balances		<b>Beginning of Current Year</b>	<b>End of Year</b>
	<b>20</b> Total assets (Part X, line 16)	517,533,991	538,474,281
	<b>21</b> Total liabilities (Part X, line 26)	156,287,453	162,215,502
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20	361,246,538	376,258,779

# Things to look for in 990s

Salaries and staff details

Revenue source mix

Spending ratios

Program ratio

Administrative ratio (overhead)

Fundraising ratio

# Charity Navigator



**Highest ratings**

**Program expense ratio**

**85%+**

**Administrative expense ratio**

**<15%**

**Fundraising efficiency ratio**

**Spend less than \$0.10 per \$1 raised**

# Ratios vs. impact



CARE works around the globe to save lives, defeat poverty and achieve social justice. We seek a world of hope, tolerance and social justice, where poverty has been overcome and all people live with dignity and security.



90% of all our expenses go to program services.

**[Learn more](#)**

# Ratios vs. impact

Program ratios should be a management tool,  
not a donor tool

All budget decisions should prioritize impact

Nonprofits that show robust impact  
**have better stories** to tell donors

**990 example**