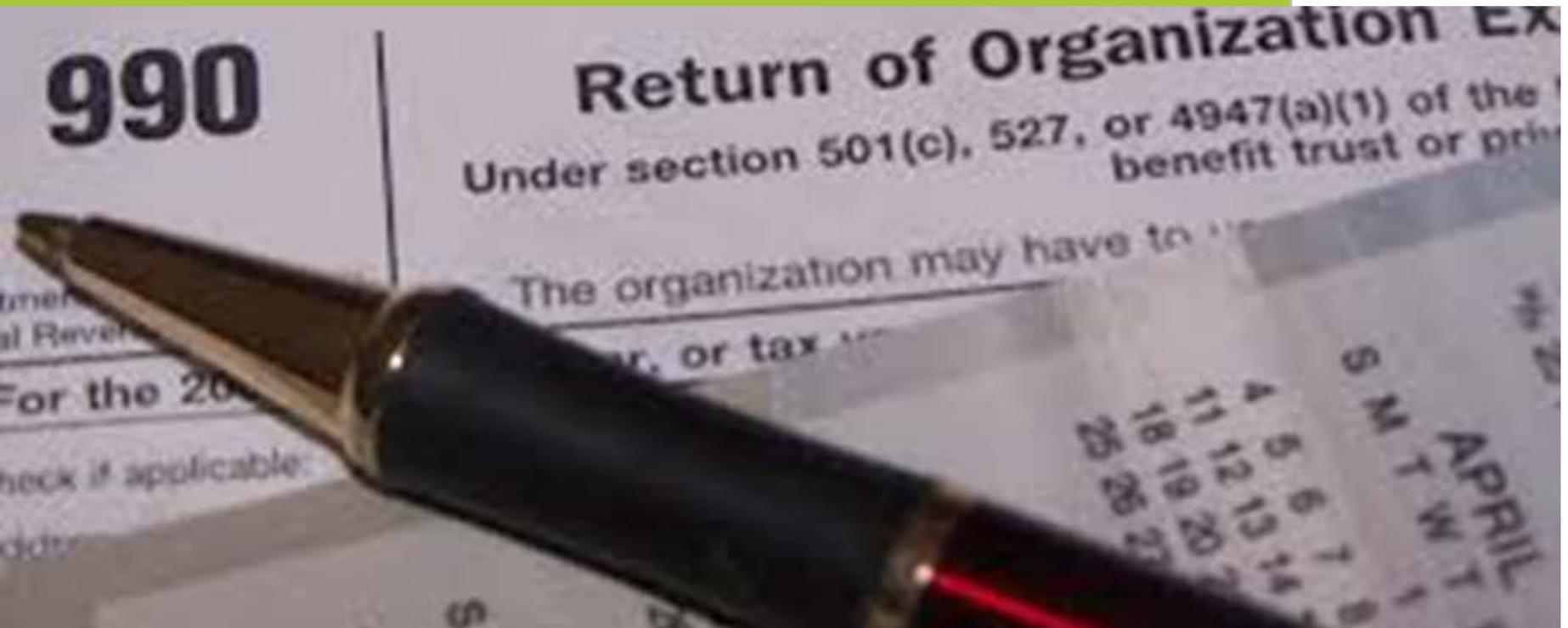


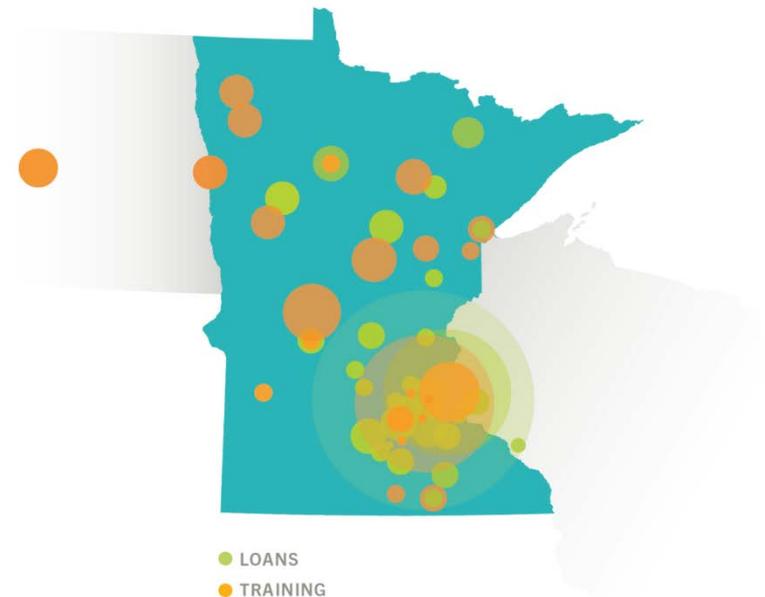
IRS Form 990



State of Minnesota – Office of Grant Management
February 2016

About NAF

Nonprofits Assistance Fund delivers two services to nonprofits. We are a lender and invest capital in the sector. And we share financial expertise. This training is one of the ways we do that.



Training Goals

- Discuss purpose of IRS Form 990
- Overview of Form 990
- Grantee Review utilizing 990
- Compare Audit to IRS Form 990



Purpose of IRS Form 990

- Federal Tax Compliance
- Regulatory Alignment
- Accountability
- Transparency



What?

- \$50,000+ in revenue
- 990EZ if revenue <\$200,000 & assets <\$500,000
- Statement of Program Accomplishments
- Checklist of Schedules (triggers)
- Tax Filings
- Governance, Management & Disclosure
- Trustees, Directors, Officers & Key Employees
- Compensation

Who?



Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

2008

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2008 calendar year, or tax year beginning _____, 2008, and ending _____, 20

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Termination <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type. See Specific Instructions.	C Name of organization Exempt Organization for Disaster Relief		D Employer identification number 99 : 9999999
		Doing Business As EODR		E Telephone number (XXX) 555-1212
		Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	
		123 State Street City or town, state or country, and ZIP + 4 City, LA 12345		
F Name and address of principal officer: Belle Hood same as C above				G Gross receipts \$ 6,200,000
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c) (3) (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527				H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions)
J Website: ▶ www.EOfordisasterrelief.org				H(c) Group exemption number ▶
K Type of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			L Year of formation: 1997	M State of legal domicile: LA

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: _____ To provide disaster relief to persons located in Louisiana, Mississippi, and Florida		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its assets.		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	10
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	6
	5 Total number of employees (Part V, line 2a)	5	85
	6 Total number of volunteers (estimate if necessary)	6	350
	7a Total gross unrelated business revenue from Part VIII, line 12, column (C)	7a	30,000
	b Net unrelated business taxable income from Form 990-T, line 34	7b	6,000



Summary

		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)	6,100,000	5,800,000
	9 Program service revenue (Part VIII, line 2g)		
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	220,000	170,000
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	233,000	230,000
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	6,553,000	6,200,000
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	3,400,000	2,700,000
	14 Benefits paid to or for members (Part IX, column (A), line 4)		
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	1,778,000	1,833,000
	16a Professional fundraising fees (Part IX, column (A), line 11e)	122,000	115,000
	b Total fundraising expenses (Part IX, column (D), line 25) ▶	399,900	
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	768,000	702,000
18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)	6,168,000	5,350,000	
19 Revenue less expenses. Subtract line 18 from line 12	485,000	850,000	
Net Assets or Fund Balances		Beginning of Year	End of Year
	20 Total assets (Part X, line 16)	2,430,000	2,400,000
	21 Total liabilities (Part X, line 26)	1,783,000	903,000
	22 Net assets or fund balances. Subtract line 21 from line 20	647,000	1,497,000

Part II Signature Block

I, Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, the information is true, correct, and complete.



Financial Highlights

Center for Victims of Torture

4a (Code:) (Expenses \$ 2,381,060. including grants of \$) (Revenue \$ 2,420,642.)

INTERNATIONAL SERVICES

CVT DIRECTLY PROVIDES PSYCHOSOCIAL SERVICES TO ADULT AND CHILD VICTIMS OF TORTURE IN SIERRA LEONE, LIBERIA, AND THE DEMOCRATIC REPUBLIC OF CONGO. IN ADDITION, PROFESSIONAL EXPATRIATE CLINICIANS RECRUIT, HIRE, TRAIN AND SUPERVISE NATIONAL STAFF, MANY OF WHOM WERE REFUGEES OR INTERNALLY DISPLACED DURING THEIR COUNTRIES' WAR, TO BE PARAPROFESSIONAL PSYCHOSOCIAL COUNSELORS AND WORK UNDER THE DIRECTION OF THE PROFESSIONAL STAFF. CVT EXTENDS ITS SERVICES THROUGH LARGE-GROUP AND COMMUNITY WIDE SENSITIZATION EVENTS; SMALL-GROUP COUNSELING; AND INDIVIDUAL COUNSELING. IN 2008 CVT BEGAN A NEW PROGRAM IN AMMAN, JORDAN TO PROVIDE HEALING TO IRAQI TORTURE SURVIVORS AND THEIR FAMILIES

Program Service Accomplishments

Schedules

- A. Public Charity Status
- B. Contributors
- C. Lobbying
- D. Supplemental Financial
- E. Schools
- F. Foreign Activities
- G. Fundraising & Gaming
- H. Hospitals
- I. Grants Paid
- J. Compensation
- K. Tax Exempt Bonds
- L. Loans
- M. Noncash contributions
- N. Termination
- O. Supplemental information
- P. Related organizations

Section A. Governing Body and Management

For each "Yes" response to lines 2–7b below, and for a "No" response to lines 8 or 9b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

		Yes	No
1a	Enter the number of voting members of the governing body		
			10
1b	Enter the number of voting members that are independent		6
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	✓	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		✓
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?	✓	
5	Did the organization become aware during the year of a material diversion of the organization's assets?		✓
6	Does the organization have members or stockholders?		✓
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		✓
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		✓
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
8a	a The governing body?	✓	
8b	b Each committee with authority to act on behalf of the governing body?		✓
9a	Does the organization have local chapters, branches, or affiliates?	✓	
9b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?		✓
10	Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990	✓	
11	Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		✓

Governance & Management

Section B. Policies

	Yes	No
12a Does the organization have a written conflict of interest policy? <i>If "No," go to line 13</i>	✓	
b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	✓	
c Does the organization regularly and consistently monitor and enforce compliance with the policy? <i>If "Yes," describe in Schedule O how this is done</i>	✓	
13 Does the organization have a written whistleblower policy?		✓
14 Does the organization have a written document retention and destruction policy?		✓
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision:		
a The organization's CEO, Executive Director, or top management official?	✓	
b Other officers or key employees of the organization? Describe the process in Schedule O. (see instructions)	✓	
16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	✓	
b If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?		✓

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed ► LA, MS, FL
- 18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.
 Own website Another's website Upon request
- 19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.
- 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ► Ed Stanton, 123 State Street, City, LA 12345 XXX-555-1212

Governance & Management (continued)

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions).	1e	800,000			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	5,000,000			
	g	Noncash contributions included in lines 1a-1f: \$		35,000			
	h	Total. Add lines 1a-1f ▶		5,800,000			
Program Service Revenue				Business Code			
	2a	-----					
	b	-----					
	c	-----					
	d	-----					
	e	-----					
	f	All other program service revenue .					
g	Total. Add lines 2a-2f ▶						



Revenue

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21	300,000	300,000		
2	Grants and other assistance to individuals in the U.S. See Part IV, line 22	2,400,000	2,400,000		
3	Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	463,000	361,100	55,600	46,300
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	1,050,000	819,000	126,000	105,000
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	150,000	117,000	18,000	15,000
9	Other employee benefits				
10	Payroll taxes	170,000	132,600	20,400	17,000
11	Fees for services (non-employees):				
a	Management				
b	Legal				
c	Accounting				
d	Lobbying				
e	Professional fundraising services. See Part IV, line 17	115,000			115,000
f	Investment management fees				
g	Other	165,000	128,700	19,800	16,500

Expenses

Part X Balance Sheet

		(A) Beginning of year		(B) End of year		
Assets	1	Cash—non-interest-bearing	75,500	1	190,000	
	2	Savings and temporary cash investments		2		
	3	Pledges and grants receivable, net		3		
	4	Accounts receivable, net		4		
	5	Receivables from current and former officers, directors, trustees, key employees, or other related parties. Complete Part II of Schedule L	10,000	5	10,000	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L		6		
	7	Notes and loans receivable, net		7		
	8	Inventories for sale or use		8		
	9	Prepaid expenses and deferred charges		9		
	10a	Land, buildings, and equipment: cost basis	10a	2,100,000		
	b	Less: accumulated depreciation. Complete Part VI of Schedule D	10b	1,200,000	10c	900,000
	11	Investments—publicly traded securities	1,410,000	11	1,300,000	
	12	Investments—other securities. See Part IV, line 11		12		
	13	Investments—program-related. See Part IV, line 11		13		
	14	Intangible assets		14		
	15	Other assets. See Part IV, line 11		15		
16	Total assets. Add lines 1 through 15 (must equal line 34)	2,430,000	16	2,400,000		

Balance Sheet

Grantee Review



<https://nonprofitsassistancefund.org/resources/item/irs-990-decoder-worksheet-resource>

Grantee Review

Income Statements

- Change in Net Assets
- 990 doesn't separate funds
- Types of income, expenses & depreciation
- Program, management & fundraising

Balance Sheets

- Restricted & Unrestricted Net Assets
 - Cash, investments & fixed assets
 - Changes from beginning to end of year
- 

Grantee Review – Comparing 990 & Audits

Audited Financials

- Opinion Letter
- Statement of Cash Flow
- Footnotes
- Management Letter

IRS Form 990

- Summary Page
- Program Narrative
- Governance
- List of Directors, etc.
- Compensations
- Detailed Schedules

Both: Income, Functional Expenses,
Balance Sheet

Grantee Review – Comparing 990 & Audits

Balance Sheet

- Cash and short-term investments
- Total assets
- Net Assets by Classification

Statement of Activities (Revenue)

- Total Revenues

Statement of Functional Expenses

- Total Program Expenses

Reconciliation of Financial Statements



What Might it Mean?

Stability

- Sufficient Cash
- Reliability of Income

Sustainability

- Operating Results (surplus or deficit)
- Budget Planning

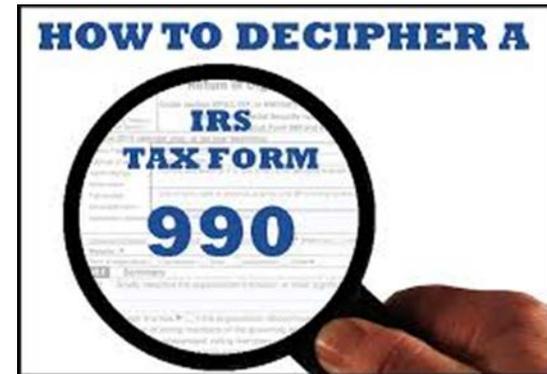
Reasonable Financial Structure

- Assets and Liabilities
- Expense Composition

Indicators



- IRS Form 990 (is primarily non-financial)
- Measures of Program Service Outcomes useful
- Relationship to Audit, Income Statement and Balance Sheet



Summary

Ratios for Grant Makers



What Do You Want to Know?

- Financial Condition
 - How is the organization doing financially?
 - Does financial position match reasonable expectations?
 - Financial Viability
 - Can the mission be carried out in a stable and effective way?
 - Is there a realistic financial plan for programs (especially new ones)?
- 

What Do You Want to Know?

- Financial Management
 - Are practices in place for financial reporting, oversights and controls?
 - Does the organizational culture value financial responsibility?
 - Financial Accountability
 - Will the organization be a responsible steward of its resources?
 - Does the organization carry out financial operations openly and honestly?
- 

What Do You Want to Know?

- Financial Acumen
 - Do the management and board know how to manage the organization, even through changes?
 - Financial Leadership
 - Does staff leadership demonstrate understanding and mastery of financial information?
 - Are the strategic goals and financial structure aligned?
- 

How to Recognize a Financially Healthy Nonprofit

Stable

Ability to provide uninterrupted programs/services currently and in the future

Sustainable

Ability to carry out activities that achieve mission while also developing and maintaining capacity for mission relevance in the future

Is This Nonprofit Financially Healthy?

Strive for the Future

Youth services agency with \$8 million budget operates six programs – a charter school, after-school programs, truancy intervention, case management, community mediation, and recreation.

They offer programs in facilities they own in four different neighborhoods.

They receive revenue from government contracts, foundation grants, United Way and individual contributions.

They have three months of expenses in cash reserves and a \$500,000 endowment.



Is This Nonprofit Financially Healthy?

Forest and River Center	<p>Environmental organization with \$600,000 budget that operates two programs – an environmental education center and outreach to preserve and restore properties in the region.</p>
	<p>They operate on land and facilities owned by a state agency.</p>
	<p>A membership organization, they receive income from memberships, fees, and rental for one day and residential programs, foundation grants, individual contributions, and contracts with state agencies.</p>
	<p>They have four months of expenses in cash reserves, no endowment.</p>



Financial Reports for Analysis

- Income Statement (Statement of Activities)
- Balance Sheet (Statement of Financial Position)
- Program financial reports (Statement of Functional Expenses)
- Budget



Net Asset Classifications

Unrestricted	Temporarily Restricted	Permanently Restricted
Funds available for general use.	Restrictions expire over a defined period of time or by performing desired activities. Often in the form of a program grant.	Principal remains intact, but investment income can be used. Often in the form of an endowment or scholarship fund.

Not all contributed income is the same.
Contributions may be restricted based on donor intent and direction

Income Statement

Helpful Services For All, Inc.	
Statement of Activities	
For the Year Ending September 30, 2014	
SUPPORT AND REVENUE	
Individual contributions	24,940
Special events	21,865
Foundation grants	275,000
Corporate grants	185,000
United Way	94,000
Government grants & contracts	405,680
Total Support	1,006,485
Program Service Fees	532,578
Rental Income	-
Interest Income	3,190
Other Income	925
Total Earned Revenue	536,693
Total Support and Revenue	1,543,178
EXPENSES	
Salaries and wages	928,332
Employee benefits	207,018
Payroll taxes	71,073
Personnel expenses	1,206,423
Occupancy and facility	89,565
Office and administrative	41,576
Communications	44,378
Professional services	59,872
Program related expense	69,572
Depreciation	56,316
Total Expenses	1,567,702
Change in Unrestricted Net Assets	(24,524)

Balance Sheet

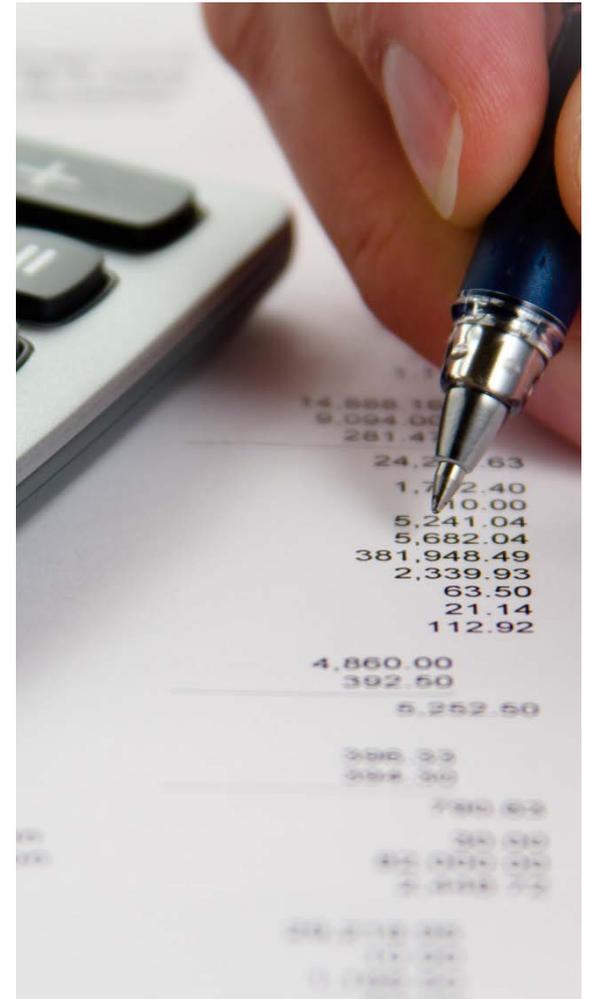
Helpful Services For All, Inc.		
<u>Consolidated Statement of Financial Position</u>		
September 30, 2014		
		Total
<u>ASSETS</u>		
Friendly Town Bank		28,923
Money Market Fund		145,465
Investments		175,000
Grants Receivable		60,000
Accounts Receivable		98,826
Total Current Assets		508,214
		-
Building		850,000
Furniture and Equipment		224,645
(Accumulated Depreciation)		(332,854)
Net Fixed Assets		741,791
		-
Pre-paid/Deposits		1,654
		-
	TOTAL ASSETS	\$ 1,251,659
<u>LIABILITIES AND NET ASSETS</u>		
Line of Credit		
Accounts Payable		72,035
Payroll taxes payable		22,553
Accrued Vacation		38,686
Current Maturities LT Debt		35,500
Total Current Liabilities		233,774
		-
Bond payable		415,000
(Less Current Maturities)		(35,500)
Total Long Term Liabilities		379,500
		-
		-
	TOTAL LIABILITIES	\$ 613,274
<u>Net Assets</u>		
Unrestricted Net Assets		-
Board designated operating reserves		175,000
Undesignated net assets		413,385
Temporarily Restricted Net Assets		50,000
		-
	TOTAL NET ASSETS	\$ 638,385
	TOTAL LIABILITIES AND NET ASSETS	\$ 1,251,659

Balance Sheet

Helpful Services For All, Inc.				
Consolidated Statement of Financial Position				
September 30, 2014				
		Unrestricted	Temporarily Restricted	Total
ASSETS				
Friendly Town Bank	\$	28,923		28,923
Money Market Fund		120,465	25,000	145,465
Investments		175,000		175,000
Grants Receivable		35,000	25,000	60,000
Accounts Receivable		98,826		98,826
Total Current Assets		458,214	50,000	508,214
Building		850,000		850,000
Furniture and Equipment		224,645		224,645
(Accumulated Depreciation)		(332,854)		(332,854)
Net Fixed Assets		741,791		741,791
Pre-paid/Deposits		1,654		1,654
				-
TOTAL ASSETS	\$	1,201,659	\$ 50,000	\$ 1,251,659
LIABILITIES AND NET ASSETS				
Line of Credit	\$	65,000		
Accounts Payable		72,035		72,035
Payroll taxes payable		22,553		22,553
Accrued Vacation		38,686		38,686
Current Maturities LT Debt		35,500		35,500
Total Current Liabilities		233,774	-	233,774
Bond payable		415,000		415,000
(Less Current Maturities)		(35,500)		(35,500)
Total Long Term Liabilities		379,500	-	379,500
				-
				-
TOTAL LIABILITIES	\$	613,274	\$ -	\$ 613,274
Net Assets				
Unrestricted Net Assets				-
Board designated operating reserves		175,000		175,000
Undesignated net assets		413,385		413,385
Temporarily Restricted Net Assets			50,000	50,000
TOTAL NET ASSETS	\$	588,385	\$ 50,000	\$ 638,385
TOTAL LIABILITIES AND NET ASSETS	\$	1,201,659	\$ 50,000	\$ 1,251,659

Analysis Tool: Ratios

- Ratios create a “common-size” for financial information
- Calculate using reliable, accurate financial reports
- Calculate consistently from period to period



Ratio Example

The Helping Place nonprofit's budget in **2011** was **\$100,000**.
The budget grew to **\$500,000** in **2014**.

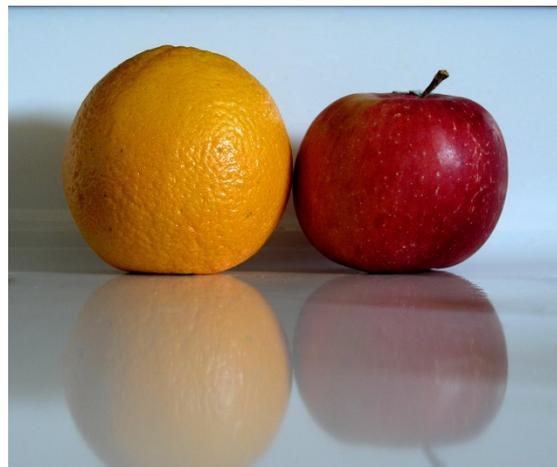
The organization spent **\$25,000** on fundraising in **2011**.
They spent **\$50,000** on fundraising in **2014**.

Did the fundraising expense double from 2011 to 2014?

Yes and no

Common-Sizing

The Helping Place	2011	2014
Total Budget	\$100,000	\$500,000
Fundraising Expense	\$25,000	\$50,000
Percentage of budget spent on fundraising	25%	10%

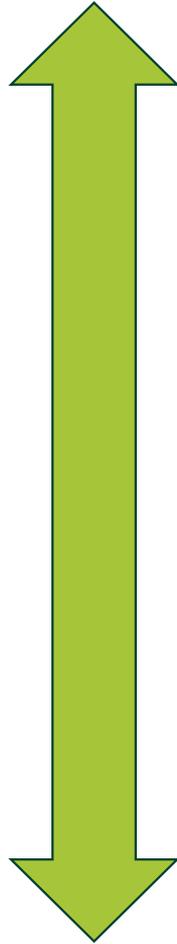


Using Ratios Effectively

- Use ratios in comparison to benchmarks or goals
 - View ratios at a single point and as a trend over time
 - Compare ratios that are calculated using the same type of information
 - Remember, no single ratio is sufficient to draw conclusions
- 

Financial Analysis Measures

Stability



Days cash on hand

Current ratio

Net assets

CUNA ratio

Cost per unit of service

Income mix

Reliance ratio



Sustainability



Financial Analysis Measures

Balance Sheet	Income Statement	Program Statement
<ul style="list-style-type: none">• Days cash on hand• Current ratio• Net asset review	<ul style="list-style-type: none">• Reliance ratio• CUNA ratio• Income mix review• Earned income ratio	<ul style="list-style-type: none">• Cost per unit of service



Ratio Analysis

Ratio analysis should always be understood alongside and in the context of program outputs, outcomes, and mission impact.



Reliance Ratio

Amount of largest type
of income

Total income

Reliance ratio measures an organization's dependence on certain sources or certain types of income.

CUNA Ratio

Surplus (or deficit)

Total unrestricted
income

The Change in
Unrestricted Net Assets
(CUNA) ratio measures
the annual surplus as a
percent of operating
income.

Income Mix

Type of Funding	2011	2012	2013
Foundation Grants	38%	35%	42%
Government Grants	20%	20%	18%
United Way	20%	12.5%	7.5%
User Fees	14%	17.5%	21.5%

Is the organization's income mix stable from year to year?

Are changes planned?

How does the income mix relate to the organization's business model and mission?

Is a Diverse Income Mix Important?

Different types of income require:

- Systems to bring in income
- Operational structures
- Program management approaches
- Income opportunity
- Relationships with community and funders



Earned Income Ratio

Earned income

Total unrestricted
income

Earned income as a percentage of total income measures organization's ability to earn income rather than gain income through contributions and is determined by the business model. Earned income often results in more autonomy and flexibility.

Cost Per Unit of Service

Program expense

Units of service

This calculation is valuable if the organization uses program-based record-keeping and has an identifiable “unit” of service. Evaluates financial efficiency and identifies changes of costs over time.

Days Cash on Hand

Cash and current
investments

Daily cash required

Daily cash required =
Annual expense budget
minus non-cash
expenses, pass-through
funds, and unusual, one-
time expenses/365

Current Ratio

Current assets

Current liabilities

An indication of the organization's ability to pay obligations in a timely way (within 12 months).

A current ratio of <1 can be an indication of a future cash flow problem.

Net Asset Review

- Net assets are the nonprofit equivalent of equity or capital
- Not all net assets are the same because of restrictions
- Unrestricted net assets are a nonprofit's cushion for emergencies and new opportunities

Review the net asset section of the balance sheet

$Assets = Liabilities + Net Assets$

$Assets - Liabilities = Net Assets$



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