



Financial Leadership in Turbulent Times

Steve Zimmerman
Spectrum Nonprofit Services



The face behind the voice



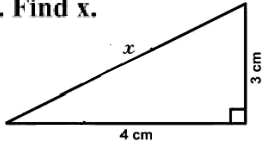


Our Agenda

- What is Financial Leadership?
- Reading financial statements
- What should I really be looking for?
- But we're out of cash?
 - Cash flow projections
- Ongoing monitoring

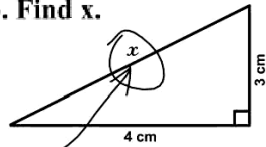


3. Find x.





3. Find x.



Here it is



Financial Leadership

The financial leader of your organization is















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Who is involved?

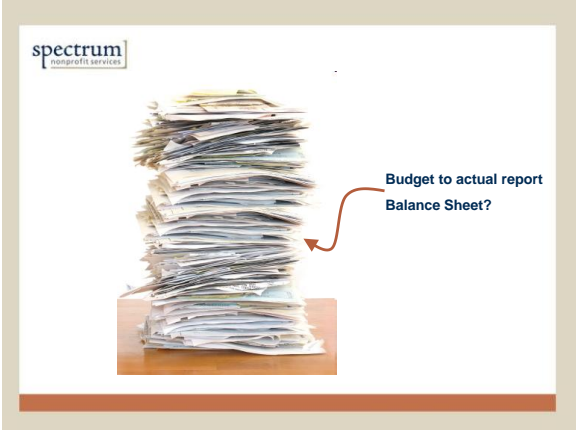


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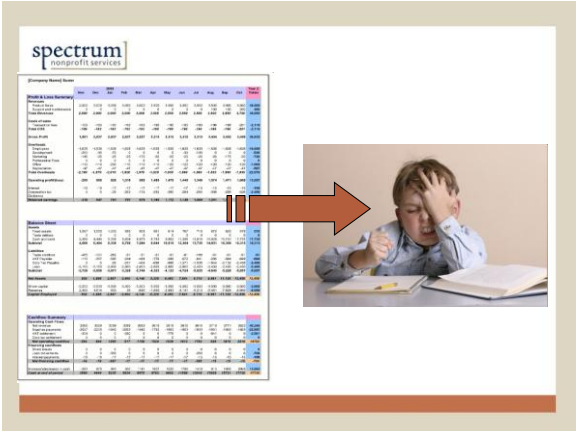
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Reporting Month/Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Block & Unit Revenues													
Block Revenue	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Unit Revenue	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Block Expenses													
Block Expense	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Unit Expense	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Block Net Income													
Block Net Income	0	0	0	0	0	0	0	0	0	0	0	0	0
Unit Net Income	0	0	0	0	0	0	0	0	0	0	0	0	0



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How do I read these things?

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What monthly accounting reports are you getting?

Accounting Reports

- Of Date Balance Sheet
- Monthly Statement
- Check Ledger
- Deposit Ledger
- Journal Entry Ledger
- Account Ledger
- Journal
- Outstanding Cheques
- Outstanding Receipts
- Paged Ledger
- Bank Reconciliation
- Agent Expenses
- Agent Aged Receivables
- Trial Balance Worksheet
- Cash Flow Worksheet
- Sales Tax (PST/GST)
- T912a forms
- Invoice Ledger
- Cash Requirements
- Receivable Invoice Ledger
- Receivables
- Unbalanced Entries
- Back Dated Entries
- Special In Case Files
- Account Reconciliation
- Bank Summary

Vendor(s)

Build Report Cancel Save Settings Load Previous

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2 Key Financial Statements

Balance Sheet
AKA: Statement of Financial Position

Income Statement
AKA: Statement of Activities



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Balance Sheet

- Snapshot as of a particular date.
- Cumulative history from the beginning of the company.
- Tells you:
 - How much cash do I have?
 - How much do I owe to people?
 - What is my net worth?

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3 Parts to a Balance Sheet

Assets	Liabilities	Net Assets
Things you own	Things you owe	Your net worth
Listed in order of liquidity. How quickly can I get my hands on the cash?	Current liabilities represent those liabilities that are payable in the next year.	Broken out by restriction: <ul style="list-style-type: none"> • Unrestricted • Temporarily restricted • Permanently restricted



Income Statement

- For a specified range of time: Usually the fiscal year to date.
- Typically compared with budget to see performance
- Tells you:
 - How much revenue have we earned?
 - Where are we spending our money?
 - What is the "bottom line"?



I can read the financial statements, but how do I know if I have enough cash in the bank to pay my bills?



Immediate Financial Health

Current Ratio

$$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

Quick Ratio

$$\frac{\text{Cash \& Equivalents}}{\text{Total Current Liabilities}}$$



What should the ratio be?

- Ideally greater than 1.
- This is a TRENDING tool.
- What if it is not greater than 1?



What about the long term? Am I financially secure?



Assessing Long-Term Health: The Reserve



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Assessing Long-Term Health: The Reserve



The slide features two images: on the left, a silver metal bucket with a handle; on the right, a close-up of a green faucet with a single drop of water falling from its spout against a blue sky with clouds.

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Calculating the Reserve

$$\frac{\text{Unrestricted Net Assets}}{\text{Typical Monthly Expenses}}$$
$$\frac{\text{Unrestricted N.A.} - \text{Fixed Assets}}{\text{Typical Monthly Expenses}}$$

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What is a good reserve?



A large, blue, 3D-style question mark icon is centered on the slide.



What is a good reserve?



3 months is fairly common.



Paper Rich but Cash Poor





Two Types of Accounting

Cash Basis Accounting



Accrual Accounting





Two Types of Accounting

Cash Basis Accounting

- Items recorded when you actually have the cash.

Accrual Accounting

- Items recorded when they are earned or incurred.



Cash vs. Accrual: An Example


We have a reimbursable government contract, the usual process looks something like this:

- Work performed: July
- Bill sent to government: August
- Check received from government: October.

Month Recorded	Cash Basis	Accrual Basis
Revenue	October	July
Expense	When Paid. July or August	July



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- Look at your Accounts Payable
- If it increases, it could mean that you are having cash flow issues.

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Temporarily Restricted Net Assets

- Are we using restricted net assets for operations?

$$\frac{\text{Cash + Grants Receivable}}{\text{Temporarily Restricted Net Assets}}$$

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Ways to Adjust Cashflow

- Investments
- Line of Credit
- Moving Big Expenses
- Revenue Shifts

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Key Ratios to Watch Over

Immediate Health

- Budget to Actual
 - Look at Revenue
- Current Ratio
 - Payroll Ratio:
Payroll Expenses / Cash

Long-Term Health

- Reserve
- Restricted Cash

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These are . . .



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Create a Dashboard to Monitor

XYZ Organization
2009 Dashboard

Key	Red	Act Now
	Yellow	Monitor
	Green	Celebrate

Performance Indicators	Targets	Current Indicator	Trend		
			3 mos ago	6 mos ago	9 mos ago
Current Ratio	2 or more	1.5	0.8		
Surplus / deficit compared to budget	within 3%	5%	8%		
Reserve	3 months	2.8 months	3.00		
Temp. Restricted Ratio	1 or more	3.20	3.50		



The Dashboard Opportunity

- Agreement AHEAD OF TIME on what matters
- Agreement AHEAD OF TIME on targets
- Agreement AHEAD OF TIME on when action is needed
- Ability to monitor and update strategic plan



Two Saviors

DUE DILIGENCE
THE EASY WAY!



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Steve Zimmerman
Spectrum Nonprofit Services
stevez@spectrumnonprofit.com
414.226.2322
