


# Financial ABCs for Nonprofit Organizations




## Getting Started

- Develop a Plan
    - Establish a purpose
    - Recruit a Board of Directors
    - Develop program plans and a budget
    - Create a mission statement
    - Draft bylaws
  - Create a Corporation
    - File Articles of Incorporation
    - Conduct organizational board meeting
    - Obtain Federal EIN
- 




## Getting Started

- Obtain 501(c)(3) Status
    - File Form 1023 with the IRS
    - Await determination letter
  - Final Steps
    - Register with State
    - Request Sales & Use tax exemption
    - File for state income tax exemption
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## Recordkeeping

- Selecting appropriate software
  - Donor databases to track contributions and provide donation letters
  - Leverage state nonprofit associations, if available
  - Consider outsourced accounting for smaller organizations
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## Financial Statement Review


### **Balance Sheet (what you own vs. what you owe)**

- Restricted vs. Non-restricted net assets
  - Net assets with restrictions
    - What are the restrictions?
    - Ways to move to “without restriction”
  - Liquid reserves
    - How to calculate
    - Setting goals for desired amount
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## Financial Statement Review

### **Statement of Activities (how the organization did compared to last year)**

- Comparison to budget and prior year
  - Emphasis on operating income
  - Impact of PPP and other Government funds
  - Amount of income restricted vs non-restricted
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## Financial Statement Review

### Statement of Functional Expenses

- Emphasis on program, management and general, fundraising
- Tracking special events





## Getting Audited

- When is an audit necessary?
  - State thresholds regarding contributions received from the general public
  - Large grants from foundations
- Alternative options
  - Review
  - Compilation







## Form 990 - Walkthrough

- Public document
- Different types of forms: 990-N, 990-EZ, 990
- Best practices
- Reviewing with the Board



# Questions?

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