

---

# Hot Topics 6<sup>th</sup> Annual Seminar

## ***Financial Reporting for Large NPOs***

Tuesday, October 1, 2013  
8:30am – 11:30am

Dar Ringling, CMA, CFM, MBA  
Chief Financial Officer  
Rock Church

# ***Financial Reporting for Large NPOs***

## **External Users:**

- Bank
- Organization members
- Vendors
- Donors
- Public

## **Internal Users:**

- Ministry Leadership
- Department Heads
- Board of Directors
- Finance Committee Members



## **Finance Committee**

# ***MONTHLY REPORTS AND ANALYSIS***

(Unaudited)

## **August-13**

Presented September 15, 2013

# Table of Contents August 2013



<b>Guiding Financial Principles</b>	<b>1</b>
<b>BOD Summary Financial Report</b>	<b>2</b>
<b>Balance Sheet</b>	<b>3</b>
Consolidated Balance Sheet	3-A
Organization #1	3-B
Organization #2	4-F
<b>YTD Income / Expense Statements (Current / Prior Years)</b>	<b>4</b>
Organization #1	4-A
Revenue Center #1	4-B
Revenue Center #2	4-C
Revenue Center #3	4-D
Organization #2	4-E
<b>Management Discussion and Analysis</b>	<b>5</b>
<b>Cash Flow Analysis and Projections</b>	<b>6</b>
Rock Church Cash flow Graph - current month	6-A
Rock Church Cash flow Graph - prior month	6-B
Weekly Cash Report	6-C

# Guiding Financial Principles



## Goals

To operate and maintain the Church and its various related ministries in a manner that recognizes and aligns with Biblical principles of Finance.

## Key Guidance Principles

To account for the financial position and statement of activities of the Church in accordance with generally accepted accounting principles (U.S. GAAP).

To report the results of the Church and its various ministries in a manner that conforms to the ethics and standards of the Bible.

To develop and maintain a model which will minister to all who are part of the Church and unrelated parties outside of the Rock Church.

# Guiding Financial Principles (Continued)



## Practical Application

Develop and maintain adequate working capital.

Teach Biblical principles of tithing and gifts to the congregation as the major source of Church revenue.

Use debt wisely and seek to repay it in a timely / accelerated manner.

Maintain adequate cash reserves of at least 60-90 days at all times.

Develop separate reserves for:

- Debt sinking fund (early extinguishment)

- New Ventures

- Endowments

- Missions

- Compassion projects

Utilize internal accounting control frameworks to ensure the safety of funds donated to the Church.

We will respect minimum mandatory working capital reserves and consider each major initiative individually regarding strength of pledges, solvency, and sustainability before expending new project funding.

# BOD Summary Financial Report



Corporation Name  
For the Month Ended August 31, 2013  
(Unaudited)

	Current Fiscal Year (2013)			Prior Fiscal Year (2012)	
	8/31/2013	Budget	<i>Over (under) budget*</i>	8/31/2012	<i>Over (under) prior year*</i>
<b>Organization #1</b>					
<b>Cash</b>	\$ -	\$ -	- (a)	\$ -	\$ -
Contributions	\$ -	\$ -	- (b)	\$ -	\$ -
Capital Campaign	\$ -	\$ -	-	\$ -	\$ -
Total Income	\$ -	\$ -	-	\$ -	\$ -
Total Expenses	\$ -	\$ -	- (b)	\$ -	\$ -
<b>Net Income/(Loss)</b>	\$ -	\$ -	- (b)	\$ -	\$ -
 <b>Capital Equipment Purchases</b>	 \$ -	 \$ -	 - (c)	 \$ -	 \$ -
<b>Organization #2 (Fiscal year Jul- Jun):</b>					
<b>Cash</b>	\$ -	\$ -	- (d)	\$ -	\$ -
Total income	\$ -	\$ -	-	\$ -	\$ -
Total expense	\$ -	\$ -	-	\$ -	\$ -
<b>Net Income/(Loss)</b>	\$ -	\$ -	- (e)	\$ -	\$ -

# Consolidated Balance Sheet



Corporation Name  
Statement of Financial Position  
(Unaudited)

	<u>8/31/2013</u>	<u>8/31/2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ -
Cash - Capital Campaign	-	-
Property and equipment, net	-	-
Investment in Bldg 271	-	-
Other assets	-	-
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>
<b>Liabilities and net assets</b>		
Accounts Payable	\$ -	\$ -
Accrued Mortgage Interest Payable	-	-
Other Accrued Liabilities	-	-
Notes payable	-	-
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		
Unrestricted - Prior Year	-	-
Unrestricted - Net Income Current Year	-	-
Temporarily restricted	-	-
	<hr/>	<hr/>
<b>Total net assets</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>

(a)  
Restricted funds: List funds that are restricted

# Balance Sheet



Organization #1  
Statement of Financial Position  
(Unaudited)

	8/31/2013	8/31/2012
<b>Assets</b>		
Cash and cash equivalents	\$	\$ (a)
Cash - Capital Campaign		
Investments		
Property and equipment, net		
High Interest Asset		(b)
A/R - Intercompany		(c)
Other assets		(d)
	_____	_____
<b>Total assets</b>	\$ -	\$ -
<b>Liabilities and net assets</b>		
Accounts Payable	\$	\$
Accrued Mortgage Interest Payable		
Other Accrued Liabilities		(e)
Notes payable		
	_____	_____
<b>Total liabilities</b>	-	-
<b>Net assets</b>		
Unrestricted - Prior Year		
Unrestricted - Net Income Current Year		
Temporarily restricted		
	_____	_____
<b>Total net assets</b>	-	-
<b>Total liabilities and net assets</b>	\$ -	\$ -
Days of cash on hand (excludes capital campaign)	60	45

**Comments**

(a) This can be used to explain any important details that would not be included above. This includes major accounts that are summarized above.

(b)

(d)

# Balance Sheet – Company #2



**Organization #2  
Statement of Financial Position  
(Unaudited)**

	8/31/2013	8/31/2012
<b>Assets</b>		
Cash and cash equivalents	\$	\$
Property and equipment, net		
Other assets	_____	_____
<b>Total assets</b>	\$ <u>          -</u>	\$ <u>          -</u>
<b>Liabilities and net assets</b>		
Accounts Payable	\$	\$
A/P Intercompany		
Other Accrued Liabilities		
Notes Payable	_____	_____
<b>Total liabilities</b>	_____	_____
<b>Net assets</b>		
Unrestricted - Prior Year		
Unrestricted - Net Income Current Year		
Temporarily restricted		
<b>Total net assets</b>	_____	_____
<b>Total liabilities and net assets</b>	\$ <u>          -</u>	\$ <u>          -</u>

# YTD Income / Expense Stmt - Company #1



Organization #1  
For the Month Ended August 31, 2013  
(Unaudited)

	Current Fiscal Year (2013)			Prior Fiscal Year (2012)	
	8 Months	Budget	Over (under) budget*	8 Months	Over (under) prior year*
<b>Income</b>					
Contributions			\$ - (a)		\$ -
Capital Campaign			- (b)		-
Segmented Cost Centers			- (c)		-
Other Income			-		-
<b>Total income</b>	-	-	-	-	-
<b>Expenses</b>					
Salaries, taxes, benefits			-		\$ -
Program			-		-
General Administration			-		-
Capital Campaign			-		-
Segmented Cost Centers			- (c)		-
Occupancy costs			-		-
Interest Expense			-		-
<b>Total expense</b>	-	-	-	-	-
<b>Net Income/(Loss)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Free Cash**	-			-	-
Required Free Cash				-	-
<b>Free Cash Excess/(Shortage)</b>	<b>\$ -</b>			<b>\$ -</b>	<b>\$ -</b>
<b>Capital Equipment Purchases</b>			<b>\$ - (d)</b>		<b>\$ -</b>

Free Cash is the amount of cash available for loan payments

\*\* (EBITDA)

### Variance Comments

- (a) Explanation for important variances.
- (b)
- (c) See segmented cost centers detail pages
- (d)

# YTD Income / Expense Statement



**Revenue Center #1  
For the Month Ended August 31, 2013  
(Unaudited)**

	Current Fiscal Year (2013)			Prior Fiscal Year (2012)	
	8 Months	Budget	Over (under) budget*	8 Months	Over (under) prior year*
<b><u>Income</u></b>					
Revenue			\$ - (a)		\$ -
Other Income			-		-
<b>Total income</b>	-	-	-	-	-
<b><u>Expenses</u></b>					
Salaries/payroll costs			\$ - (b)		\$ -
General Administration			\$ -		-
Occupancy costs			-		-
Indirect Cost Allocation			-		-
<b>Total expense</b>	-	-	-	-	-
<b>Net Income/(Loss)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ - (c)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Capital Equipment Purchases</b>			<b>\$ -</b>		<b>\$ -</b>
<b>Life-To-Date Cash Investment</b>					

**Variance Comments**

- (a) Sales are slipping compared to budget and last year.
- (b) Salaries are below budget, but over last year.
- (c) Management is working to increase sales. Net Income was a loss of \$3k and \$15k behind budget in Aug.

# Income / Expense Statement - Company #2



Organization #2  
8/31/2013  
(Unaudited)

	Current year			Last year	
	7/1/2013 - 8/31/2013	2 Month Budget	Over (under) budget*	7/1/2012 - 8/31/2012	Over (under) prior year*
<b>Income</b>					
Program Fees			\$ -		\$ - (a)
Contributions			-		-
Other Income			-		- (b)
<b>Total income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>					
Salaries/payroll costs			-		\$ -
School Operating Expenses			-		-
Occupancy costs			-		-
<b>Total expense</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Income/(Loss)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Capital Equipment Purchases</b>			<u>\$ -</u>		<u>\$ -</u>

**Academy Notes - Current Year**

**Variance Comments**

- (a)
- (b)
- (c)
- (d)

# Management Discussion & Analysis



## **Liquidity / Working Capital Analysis**

Cash Reserves: Include current status and forecast. Include assumptions and possible risks.

## **Budget Analysis**

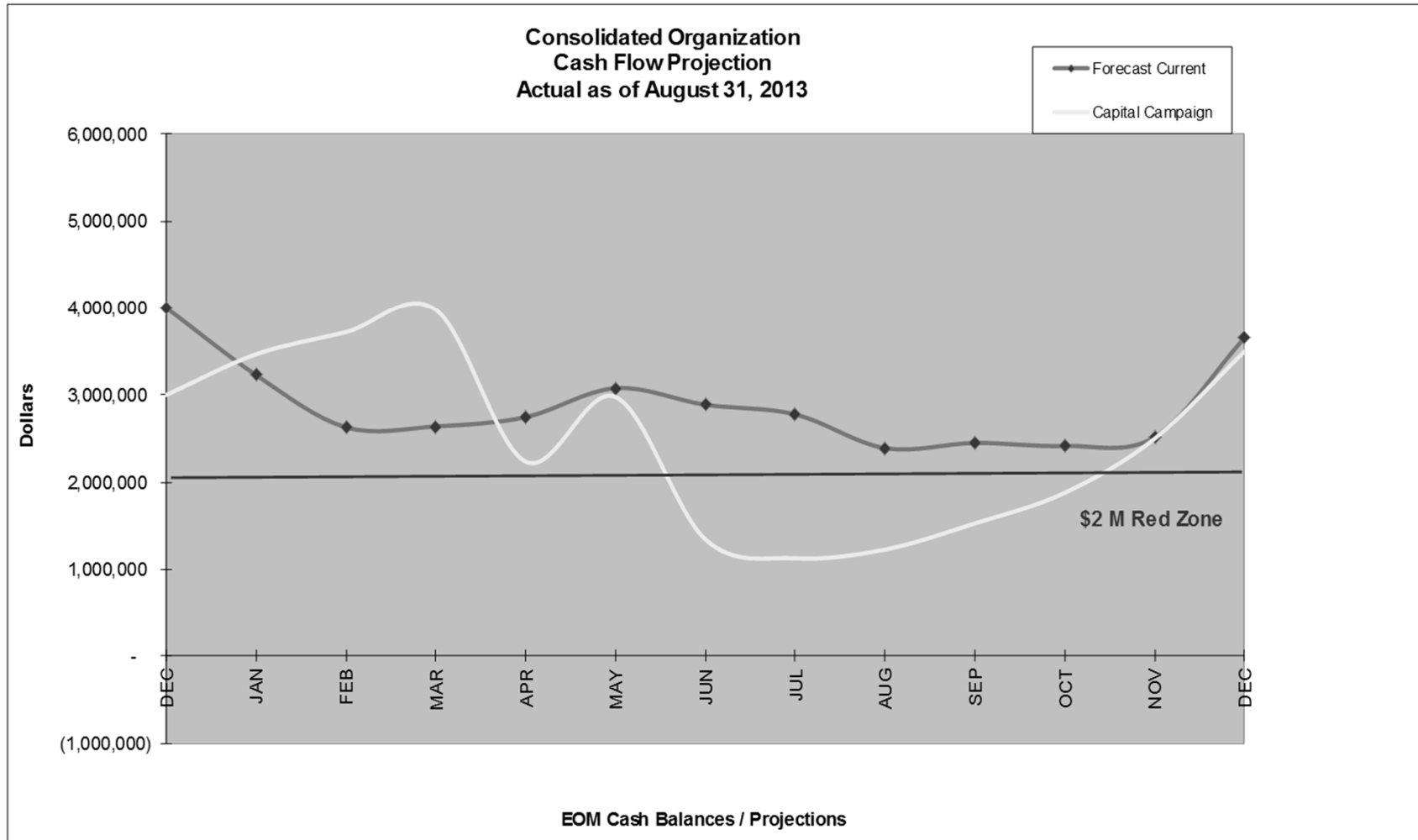
Include overview of current status and expected results for EOY.

## **Management Analysis**

Core Ministry analysis:

Segment analysis:

Subsidiary analysis:

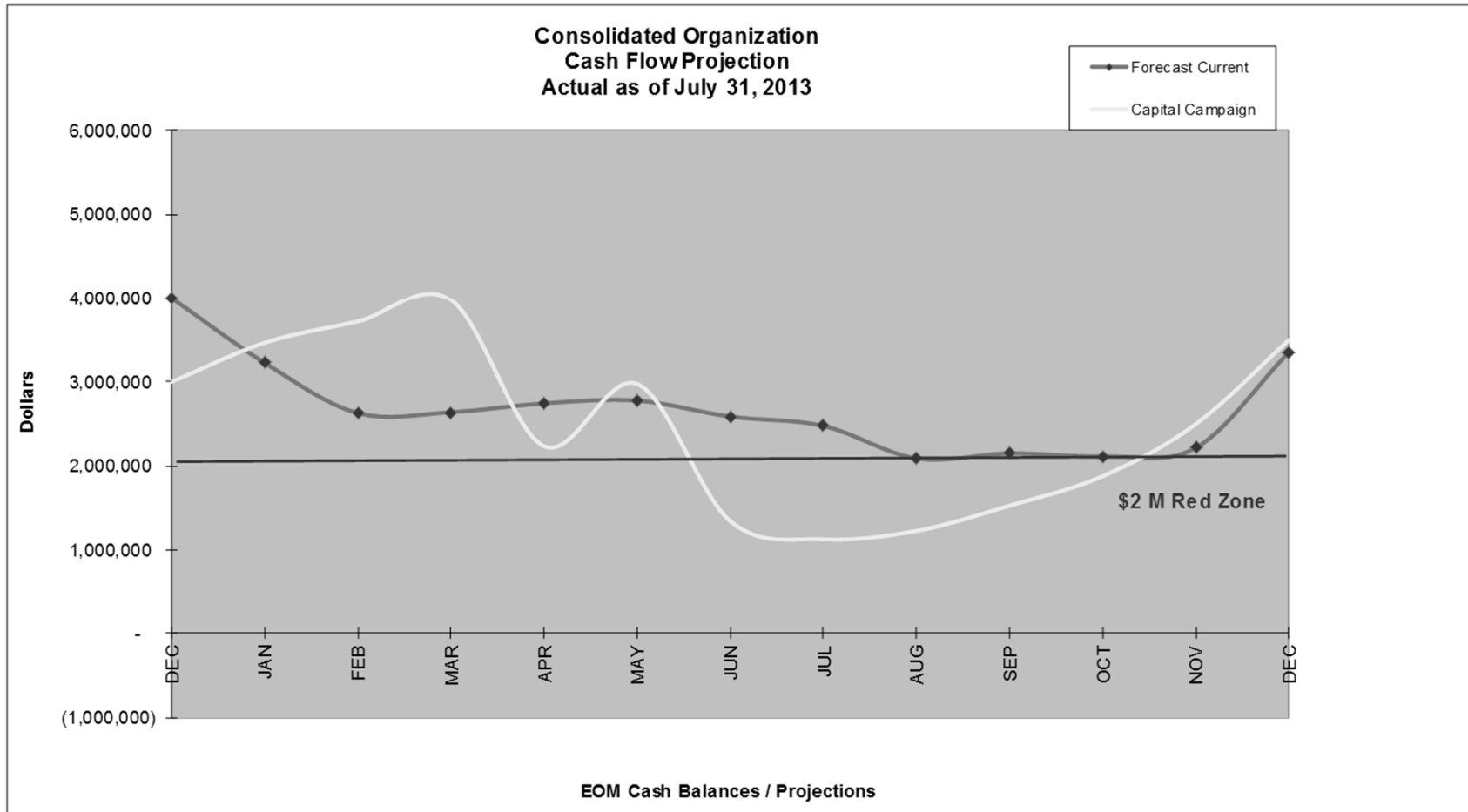


**Current Forecast Assumptions**

- Assumes revenues and expenses are within budget.

**Capital Campaign Assumptions**

- \$5 mm collected in 2013
- \$2.0 project #1 paid out in Apr
- \$2.5 mm project #2 paid out over Jun, Jul, Aug.



**Current Forecast Assumptions**

- Assumes revenues and expenses are within budget.

**Capital Campaign Assumptions**

- \$5 mm collected in 2013
- \$2.0 project #1 paid out in Apr
- \$2.5 mm project #2 paid out over Jun, Jul, Aug.

# Weekly Cash Analysis



Weely Cash Report  
2013

Week	Date	Adult	Children	Site #2	Site #3	Total	Contributions	Weekly Contribution	Site #2	Site #3	Total for Week	Capital Campaign
1	01/07/13					0					0	
2	01/14/13					0					0	
29	07/22/13					0					0	
30	07/29/13					0					0	
31	08/05/13					0					0	
32	08/12/13					0					0	
33	08/19/13					0					0	
34	08/26/13					0					0	
35	09/02/13					0					0	
36	09/09/13					0					0	
37	09/16/13					0					0	
38	09/23/13					0					0	
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

Average: - - - - - - - - - - - - - - - -

**WEEKLY REPORT SUMMARY - WEEK OF: 9/23/13 38**

Income	Contributions					Other Income		
	Sunday	Mail/C.C.	Site #2	Site #3	Per Capita	Rev CTR #1	Rev CTR #2	Other
This week	0	0	0	0	#DIV/0!	0	0	0
Average year-to-date	0	0	0	0	#DIV/0!			

EXPENSES	This Week
Gross Compensation	
Tax & Benefits	
Op & Ministry Exp	
Trans from Academy	
Capital Equip	
Mortgage pymt	
Other	
<b>Sub-Total</b>	<b>0</b>

CASH BALANCE	General Fund	Capital Campaign	Total
Last Week			0
Change in Cash			0
Transfer			0
<b>New Balance</b>			<b>0</b>

# Department Budget Variance



Department #1	Aug 13	Budget	\$ Over Budget	Jan - Aug 13	YTD Budget	\$ Over Budget	Annual Budget
Ordinary Income/Expense							
Expense							
6160 · Dues and Subscriptions	90	45	45	774	360	414	535
6165 · Education	0	353	(353)	1,018	2,824	(1,806)	4,230
6168 · Equipment < \$500	0	46	(46)	156	368	(212)	550
6241 · Mileage Reimbursement	20	63	(43)	550	504	46	750
6243 · Outside Services	0	125	(125)	202	1,000	(798)	1,500
6250 · Payroll	0	0	0	0	0	0	2,000
6260 · Postage and Delivery	0	20	(20)	100	140	(40)	2,200
6270 · Printing and Reproduction	176	197	(21)	940	1,576	(636)	2,367
6280 · Professional Fees	2,500	2,000	500	39,610	46,000	(6,390)	51,829
6670 · Supplies	222	333	(111)	3,055	2,664	391	4,000
6700 · Telephone	90	365	(275)	1,491	2,920	(1,429)	4,380
6750 · Travel & Ent	5,000	0	5,000	5,000	1,000	4,000	1,250
Total Expense	8,098	3,547	4,551	52,896	59,356	(6,460)	75,591
Net Ordinary Income	(8,098)	(3,547)	(4,551)	(52,896)	(59,356)	6,460	(75,591)
Net Income	(8,098)	(3,547)	(4,551)	(52,896)	(59,356)	6,460	(75,591)

# Audited Financial Statements



	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 22,119
Receivables		
Pledges, net	791,982	455,426
Interest	2,838	4,369
Other	222,134	201,653
Prepaid expenses	<u>364,056</u>	<u>375,046</u>
	1,381,010	1,058,613
LONG-TERM PLEDGES RECEIVABLE	210,286	215,497
LONG-TERM INVESTMENTS	2,491,653	2,450,297
PROPERTY AND EQUIPMENT, NET	147,410	174,685
BENEFICIAL INTEREST IN PERPETUAL TRUST	<u>1,522,399</u>	<u>1,674,379</u>
	<b><u>\$ 5,752,758</u></b>	<b><u>\$ 5,573,471</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ 48,752	\$ -
Line of credit	250,000	400,000
Long-term debt - current portion	36,667	-
Accounts payable and accrued expenses	379,182	391,087
Deferred revenue	<u>1,064,918</u>	<u>1,064,842</u>
	1,779,519	1,855,929
LONG-TERM DEBT	<u>360,000</u>	-
	<u>2,139,519</u>	<u>1,855,929</u>
<b>NET ASSETS</b>		
Unrestricted	(1,866,744)	(2,115,677)
Temporarily restricted	805,601	756,857
Permanently restricted	<u>4,674,382</u>	<u>5,076,362</u>
	<u>3,613,239</u>	<u>3,717,542</u>
	<b><u>\$ 5,752,758</u></b>	<b><u>\$ 5,573,471</u></b>

# Audited Financial Statements



## STATEMENTS OF ACTIVITIES

YEARS ENDED MAY 31, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>								
Concerts	\$ 1,958,775	\$ -	\$ -	\$ 1,958,775	\$ 2,026,016	\$ -	\$ -	\$ 2,026,016
Tax supported grants	113,319	-	-	113,319	175,130	-	-	175,130
Contributions and support	1,994,419	457,433	-	2,451,852	1,427,624	523,284	12,000	1,962,908
Campaign pledges, net of discount	-	-	-	-	-	-	15,945	15,945
Contributed services and materials	172,813	-	-	172,813	107,726	-	-	107,726
Investment income (loss), net	282,041	-	-	282,041	(860,845)	-	-	(860,845)
Other income	65,706	-	-	65,706	74,230	-	-	74,230
Income from perpetual trust distribution	77,789	-	-	77,789	89,426	-	-	89,426
Unrealized gain (loss) from interest in perpetual trust	-	-	90,550	90,550	-	-	(491,694)	(491,694)
Net assets released from restrictions	901,219	(408,689)	(492,530)	-	302,117	(302,117)	-	-
	<u>5,566,081</u>	<u>48,744</u>	<u>(401,980)</u>	<u>5,212,845</u>	<u>3,341,424</u>	<u>221,167</u>	<u>(463,749)</u>	<u>3,098,842</u>
<b>Expenses</b>								
Program services	4,541,641	-	-	4,541,641	4,532,368	-	-	4,532,368
General and administrative	429,113	-	-	429,113	526,211	-	-	526,211
Fund raising	297,719	-	-	297,719	405,163	-	76,000	481,163
Depreciation and amortization	48,675	-	-	48,675	51,636	-	-	51,636
	<u>5,317,148</u>	<u>-</u>	<u>-</u>	<u>5,317,148</u>	<u>5,515,378</u>	<u>-</u>	<u>76,000</u>	<u>5,591,378</u>
Change in net assets	248,933	48,744	(401,980)	(104,303)	(2,173,954)	221,167	(539,749)	(2,492,536)
Net assets, beginning of year	(2,115,677)	756,857	5,076,362	3,717,542	58,277	535,690	5,616,111	6,210,078
Net assets, end of year	<u>\$ (1,866,744)</u>	<u>\$ 805,601</u>	<u>\$ 4,674,382</u>	<u>\$ 3,613,239</u>	<u>\$ (2,115,677)</u>	<u>\$ 756,857</u>	<u>\$ 5,076,362</u>	<u>\$ 3,717,542</u>

# Audited Financial Statements



STATEMENTS OF CASH FLOWS  
YEARS ENDED MAY 31, 2010 AND 2009

	2010	2009
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (104,303)	\$ (2,492,536)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	48,675	51,636
Net realized losses of long-term investments	26,223	526,186
Net unrealized (gains) losses of long-term investments	(263,859)	400,658
Realized and unrealized (gains) losses from interest in perpetual trust	(168,339)	402,268
Distributions from interest in perpetual trust	320,319	89,426
Donated property and equipment	-	(19,360)
Change in discounts on pledges receivable	579	(17,833)
	<u>(140,705)</u>	<u>(1,059,555)</u>
Changes in operating assets and liabilities:		
Receivables	(350,874)	(1,432)
Prepaid expenses	9,191	36,834
Bank overdraft	48,752	-
Accounts payable and accrued expenses	(11,905)	86,316
Deferred revenue	76	114,231
	<u>76</u>	<u>114,231</u>
Net Cash Used by Operating Activities	<u>(445,465)</u>	<u>(823,606)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(19,600)	(7,985)
Proceeds from sale of long-term investments	1,855,382	2,682,691
Purchases of long-term investments	<u>(1,659,103)</u>	<u>(1,877,150)</u>
Net Cash Provided by Investing Activities	<u>176,679</u>	<u>797,556</u>
<b>FINANCING ACTIVITIES</b>		
Net borrowings (payments) on line of credit	(150,000)	5,000
Borrowing on long-term notes payable	<u>396,667</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>246,667</u>	<u>5,000</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(22,119)</b>	<b>(21,050)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>22,119</u>	<u>43,169</u>
End of year	<u>\$ -</u>	<u>\$ 22,119</u>

# ***Financial Reporting for Large NPOs***

## **Review:**

- Audited Financial Statements
- IRS Form 990
- Board of Directors Summary Report
- Board Finance Committee Report
- Department Budget Variance Report
- Annual Report



# Questions?

**Dar Ringling, CMA, CFM, MBA**

[Dar.ringling@sdrock.com](mailto:Dar.ringling@sdrock.com)

[www.rocksandiego.com](http://www.rocksandiego.com)