



BASIC NONPROFIT FINANCIAL MANAGEMENT INSTITUTE

**Specialist Certificate Program
February 3 and 4, 2011 Alexandria, VA**

offered by the National Center for Nutrition Leadership



*in collaboration with the Nonprofit Leadership Institute of
Duquesne University*



Supported by Bank of America



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NON-PROFIT FINANCIAL MANAGEMENT INSTITUTE
Sponsored by Bank of America

BASIC CERTIFICATE PROGRAM

February 3, 2011

9:00 AM – 9:30 AM

Shuttle to Center

9:30 AM – 10:00 AM

Arrival and Registration

10:00 AM – 10:15 AM

Introduction to Non-Profit Organizations

10:15 AM – 12:15 PM

***Basic Accounting and Financial Reporting
for Non-Profit Organizations – Part I***

Introduction to the basic financial statements
utilized by non-profit organizations, including the:

- Statement of Financial Condition
- Statement of Activities
- Cash Flow Statement
- Footnotes to the Financial Statements

12:15 PM – 1:00 PM

**Lunch and Welcome by Enid Borden,
President and CEO of the Meals On Wheels
Association of America**

1:00 PM – 3:00 PM

***Basic Accounting and Financial Reporting
for Non-Profit Organizations – Part II***

Typical transactions of non-profit organizations will
be reviewed, with emphasis on their impact on the
organization's financial statements.

3:00 PM – 3:15 PM

Break

3:15 PM – 4:45 PM

***Analyzing and Interpreting Financial
Statements of Non-Profit Organizations***

This module is an introduction to basic financial
analysis techniques, including simple ratio analysis.
Basic ratios that can be used to gauge the financial
strength of a NPO will be presented, with an

emphasis on the interpretation of the applicable ratio (e.g., current ratio, general & administrative expenses as a % of total expenses, etc.). Participants will work in groups and perform a basic analysis of two NPOs, comparing the financial similarities and differences between the two organizations.

6:00 PM – 8:00 PM

Dinner and Welcome by Representatives of the Bank of America

8:15 PM

Shuttle to Hotel

February 4, 2011

8:30 AM

Shuttle to Center

9:00 AM – 11:00 AM

The Form 990 Information Return & Fund-raising Strategies for Small Non-Profit Organizations

Participants will receive an overview of the Form 990 Information Return that is required to be filed with the Internal Revenue Service by non-profit organizations. Since the 990 is public information, it is used by many large donors. Knowing what donors look for can help non-profits be more effective in raising money.

11:00 AM – 11:15 AM

Break

11:15 AM – 12:45 PM

Financial Fraud Risk and Prevention

Every manager/director/board member needs to have a general understanding of fraud risk. In this module, the various types of fraud will be discussed: asset misappropriation; fraudulent financial reporting; and corruption (bribery, kickbacks). Statistics from the Association of Certified Fraud Examiners (ACFE) Report to the Nation will be presented and discussed. Specific examples of non-profit frauds will be shared. Participants will work in groups to assess and develop responses to several fraud risk scenarios.

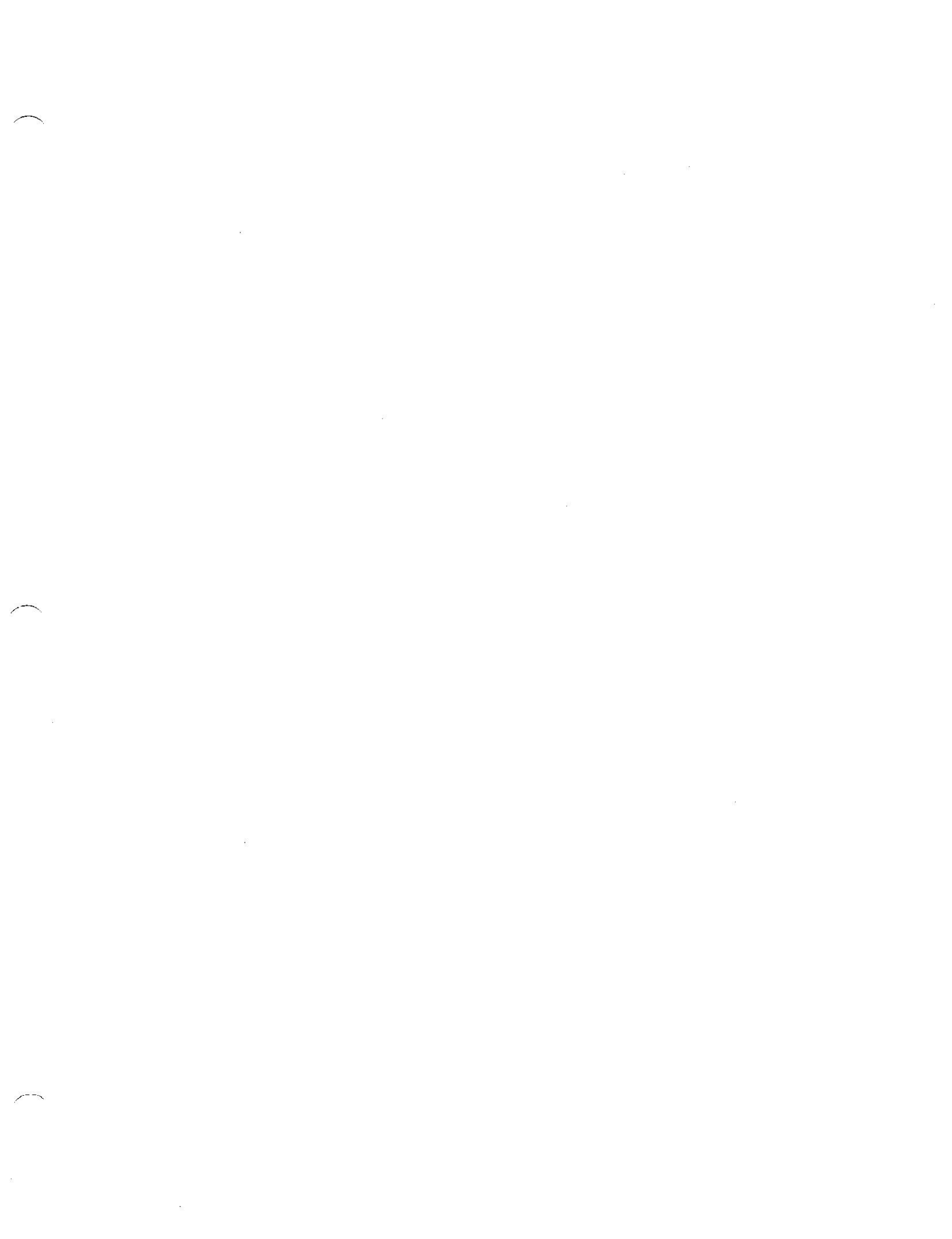
12:45 PM – 1:00 PM

General Questions, Program Summary and Wrap-Up

An overall review of the day will be presented and final questions from participants will be addressed.

1:00 PM – 1:30 PM

Evaluation and Lunch



Basic Financial Management Institute Participants

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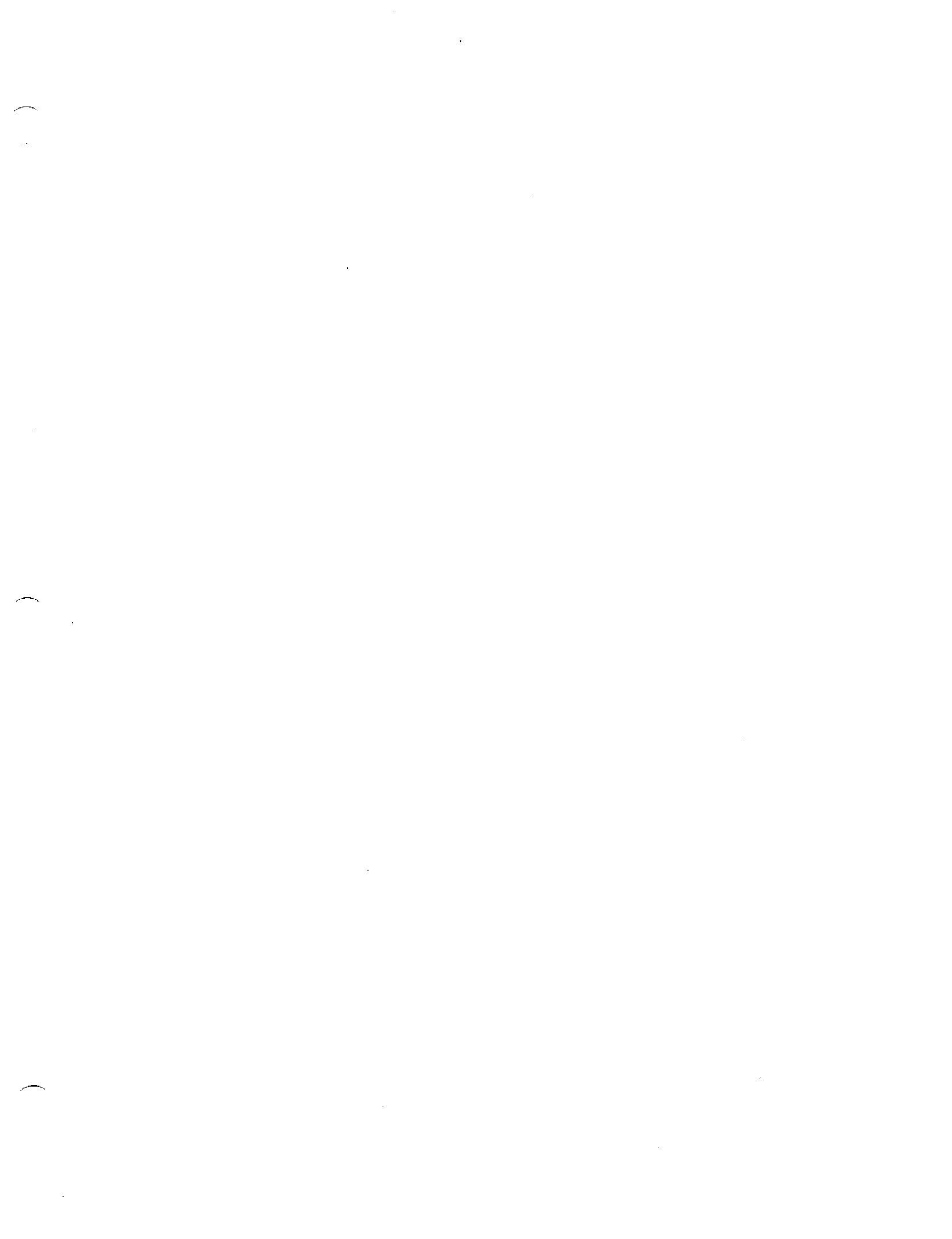
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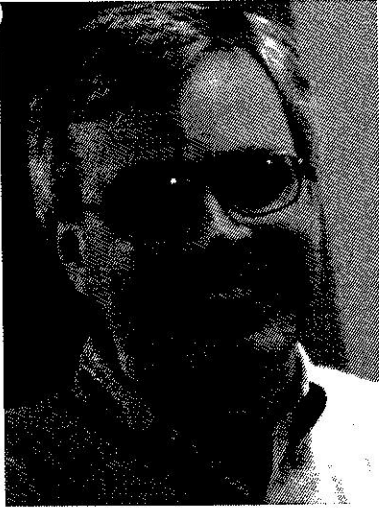
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ROBERT J. KOLLAR, CPA



Experience

Bob Kollar is a **CPA with over 27 years of business and public accounting experience**. Bob and his wife Kellie, also a CPA, own Kuhleman Kollar & Associates CPA's, P.C., an accounting and business consulting firm that works primarily with small businesses, mid-sized companies and non-profit organizations in a variety of industries. Bob's background includes 14 years of experience with the international professional services firm of Ernst & Young LLP. As a senior manager with Ernst & Young, Bob provided accounting, auditing and business advisory services to public and privately held companies in the financial services, communication, manufacturing and health care sectors, as well as not-for-profit organizations. Bob also worked for five years at the regional accounting firm of Schneider Downs & Co., Inc. where, as an audit senior manager, he served primarily middle-market, privately held companies in the manufacturing and service sectors. Bob has been a CPA since 1985.

As co-managing shareholder of Kuhleman Kollar and Associates CPA's, P.C., Bob provides part-time and contract CFO services to small and mid-size companies. He also works directly with the accounting personnel of client companies to improve their accounting systems in order to provide management with better information to run their business, and assists companies in their annual closing process and preparation of their annual reports and required SEC filings. He has also assisted companies in the selection of controllers and other management personnel.

During his public accounting career, Bob has been recognized for his teaching and mentoring skills, and has been requested on numerous occasions to instruct continuing professional education (CPE) programs for his employers and for member firms of the International Group of Accounting Firms (IGAF). Bob has also developed customized executive level training courses for a variety of privately held and publicly traded companies, including Alcoa, Bayer Corporation and H.J. Heinz. Additionally, Bob has developed specific training programs for non-profit organizations for **Duquesne University's Non-Profit Leadership Institute**. In the fall of 2003, Bob accepted an appointment on the faculty of Duquesne University's Palumbo-Donahue School of Business as an Assistant Professor of Accounting. In March of 2004, Bob was appointed Director of the **Master of Accountancy Program in Duquesne's John F. Donahue Graduate School of Business**.

Awards, Professional and Community Activities

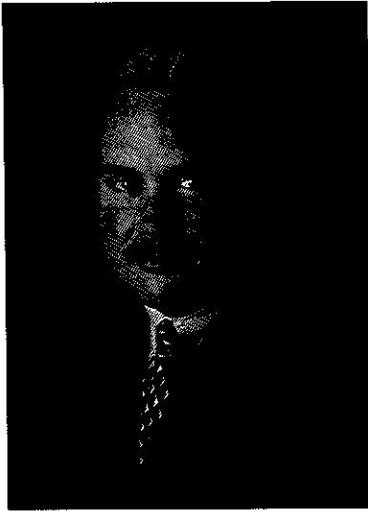
Bob has been actively involved in his profession and in the local community. His activities include:

- Graduate—Leadership Pittsburgh, Class XIV (1997-1998)
- 1997 Southwestern Pennsylvania Accountant Advocate of the Year—U.S. Small Business Administration
- President and Director, Duquesne University School of Business Administration Alumni Association, 1990 to present.
- Treasurer and Director, Center for Victims of Violence and Crime (CVVC), 2007 to present.
- Treasurer and Director, Pittsburgh Mediation Center, 2002 to 2006 (merged into CVVC).
- Director, Allegheny County Library Association, 2006 to 2008; Treasurer—2007 - 2008.
- Member, Accounting Advisory Board to the Duquesne University School of Business Administration; 1995 to present; Chairperson 2000 - 2002.
- Past President and Director, volunteer business advisor, PowerLink.
- Member, American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants; Associate Member of the Association of Certified Fraud Examiners.
- Teacher of the Year Award, 2004, Duquesne University and the Palumbo-Donahue School of Business.
- Co-recipient, Duquesne University Creative Teaching Award—2008.
- Director, Carnegie Library of Pittsburgh, 2009.

Education

Bob received his Bachelor's and Master's Degrees in Business Administration from Duquesne University.

JOHN A. MURPHY



John is a Director and Philanthropic Consultant with Bank of America Merrill Lynch's Retirement & Philanthropic Services Group. In this position, John provides product strategies and opportunity assessments to bankers and financial advisors pursuing institutional investment management opportunities in the non-profit market space.

John has extensive experience working with non-profit organizations, including foundations and endowments, health care systems, professional and industry associations, museums and charitable organizations. His experience has allowed him to work with the Annie E. Casey Foundation, Kaiser Family Foundation, Smithsonian Institutes, US Holocaust Memorial Museum, National Geographic, Africare, and other legacy clients throughout the Mid-Atlantic region.

John joined Bank of America Merrill Lynch in January 2010, coming from a national consulting firm offering investment management strategies to institutional clients. He has been in the Mid-Atlantic marketplace for more than 20 years, having been with Riggs Bank, NA as lead for the

Institutional Trust Group for 12 years and then as a Financial Advisor in Merrill Lynch's Washington Office.

John has a BA in Economics from Villanova University and a Masters in Finance from Drexel University. He holds Series 7, 63 & 65 securities licenses.

TIA M. WADE

Tia is the Assistant Vice President and Institutional Business Development Strategist for Bank of America Merrill Lynch's Philanthropic Management Group in Washington, DC. In this position, Tia provides product strategies and opportunity assessments to bankers and financial advisors pursuing institutional investment management opportunities in the non-profit market space.

Philanthropic Management delivers expertise and a comprehensive suite of investment and charitable management services to help institutions build and sustain their missions.

Tia began her career with Bank of America in 1998 as a marketing intern with the National Direct Sales group in Richmond, Virginia. From there she worked within the Consumer Bank on various associate delight and marketing projects. In 2003 she entered a leadership development program and subsequently managed a team of consumer bankers and in 2005 accepted a position as a Client Manager in Premier Banking & Investments where she built and managed a portfolio of 200 affluent clients. In addition to working at Bank of America Merrill Lynch, she has also held marketing positions at Morgan Stanley and Merrill Lynch in McLean, Virginia.

Tia obtained her Bachelor of Science degree in Finance from the George Mason University School of Management. She holds NASD licenses Series 7 and 66. She is a Director at Large of the George Mason University Alumni Association and the Mentoring Committee Chairperson for the Black Professional Group within Bank of America.



**MEALS ON WHEELS
ASSOCIATION OF AMERICA**

NON-PROFIT FINANCIAL MANAGEMENT INSTITUTE

Basic Certificate Program

**Presented by: Robert J. Kollar, CPA
Director, Master of Accountancy Program
Duquesne University
February 3 - 4, 2011**

Learning Objectives

At the end of this program, participants should be able to:

1. Read and understand the basic information conveyed by the financial statements of a non-profit organization.
2. Understand the impact of typical business transactions of a non-profit organization's financial statements.

Learning Objectives

3. Perform basic financial analysis of a non-profit organization.
4. Draw conclusions about the financial strength and operating performance of a non-profit organization.
5. Understand the general requirements of the Form 990 tax return.
6. Discuss the risk of financial fraud in a non-profit organization and how it can be prevented.

Thanks to our Sponsor!

Meals on Wheels Association of America
extends its sincere thanks to:

Bank of America

for making this program possible through
its generous financial support.

Program Schedule

Day One - Thursday, February 3, 2011

- Introduction to non-profit organizations
- Financial statements of non-profits and their business transactions
- Financial analysis of non-profits

Program Schedule

Day Two - February 4, 2011

- The Form 990 tax return
- Fund-raising strategies for small non-profit organizations
- Fraud risk and prevention
- General questions, program summary and wrap-up

Introduction to Non-Profit Organizations

- What is unique about non-profit organizations?
- How are non-profits financially different from for-profit entities?

Financial Statement Differences Between Non-Profit and For-Profit Entities

Non-Profit

- Statement of Financial Position/Condition
- Statement of Activities
- Statement of Cash Flows
- Notes to Financial Statements

For-Profit

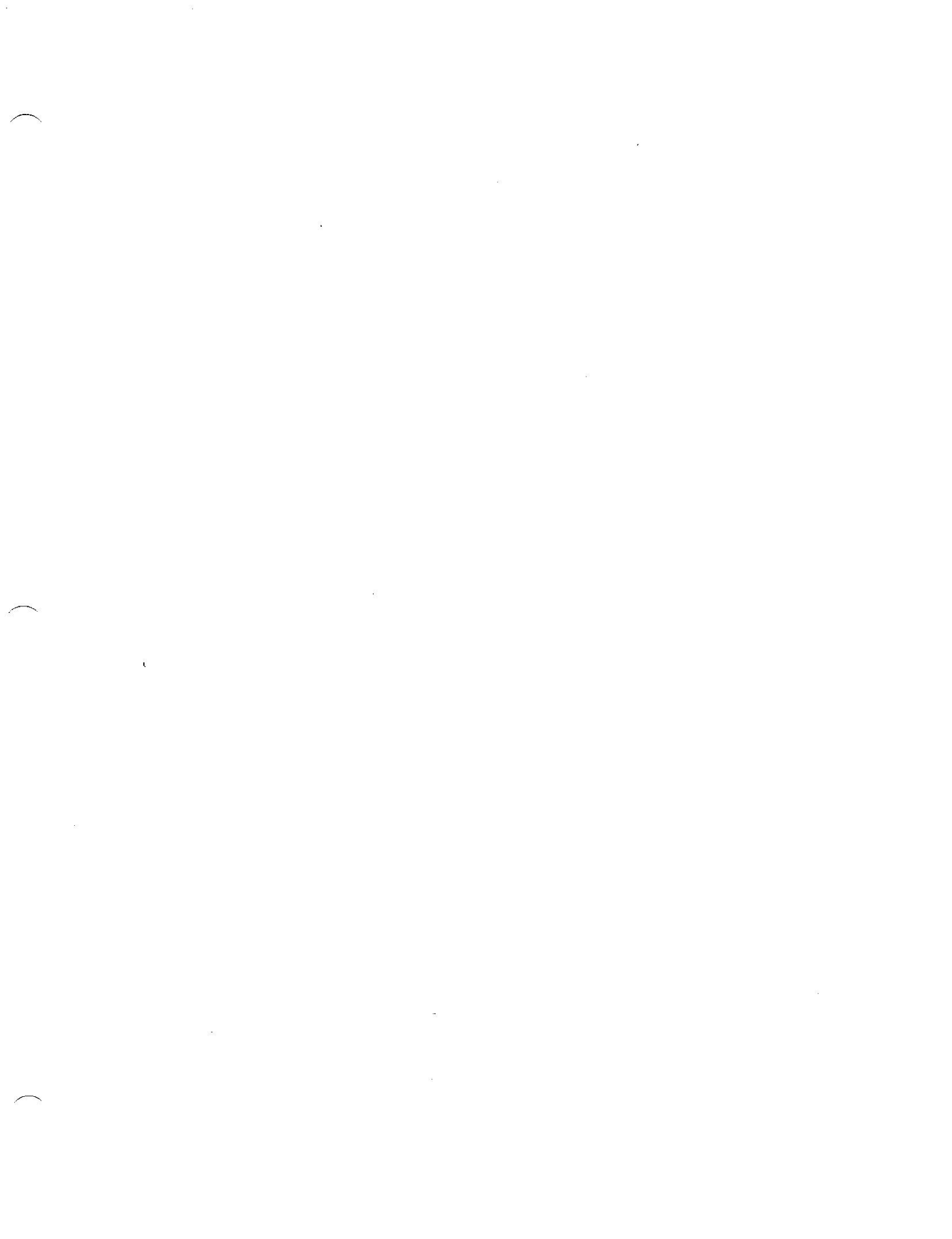
- Balance Sheet
- Income Statement
- Statement of Cash Flows
- Notes to Financial Statements

Financial Statement Differences

- Statement of Financial Position — includes the organization's assets, liabilities and its "net assets"
- Statement of Activities — reports the organization's revenues and expenses
- Statement of Cash Flows — reports cash inflows and outflows

Financial Statement Differences

- Non-profits have “net assets” on their statement of financial position. Three types or categories of net assets:
 - Unrestricted
 - Temporarily Restricted
 - Permanently Restricted



The Statement of Financial Position—A Closer Look

- The statement is as of a “point in time”—covers a specific date (usually at month-end or year-end)
- Includes assets, liabilities and “net assets”
- A summary of what the organization owns, owes, and what’s “left over”

The Statement of Financial Position—A Closer Look

Let's start with general definitions:

- Assets—
- Liabilities—
- Net Assets—

The statement is based on the accounting equation:

$$\mathbf{Assets = Liabilities + Net Assets}$$

The Statement of Financial Position—A Closer Look

Classification on the statement:

Current vs. non-current

Current Assets (examples)

Cash Prepaid expenses

Accounts receivable Other assets

Short-term investments

The Statement of Financial Position—A Closer Look

Long-term assets (examples)

Investments	Vehicles
Land	Furniture & Fixtures
Buildings	Vehicles
Equipment	

The Statement of Financial Position—A Closer Look

Current Liabilities (examples)

Accounts payable

Accrued liabilities

Current portion of long-term obligations
(e.g., mortgage)

The Statement of Financial Position—A Closer Look

Long-term liabilities (examples)

Bonds payable

Mortgage loan payable

Pension liability

The Statement of Financial Position: Net Asset Categories

- Unrestricted –
- Temporarily Restricted –
- Permanently Restricted –

Statement of Activities—A Closer Look

- Captures the “operations” of the organization
- Covers a “period” of time (typically a month/quarter/year)
- Reports information in the categories of the net assets (unrestricted, temporarily restricted, and permanently restricted)

Statement of Activities— Accounting for Contributions

- Contributions:
 - a) Conditional promise to give
 - b) Unconditional promise to give
 - c) Donated goods and services
- Unconditional promises to give:
 - a) Unrestricted
 - b) Restricted—temporarily or permanent

Statement of Activities—A Closer Look

Operations of the organization:

- Public Support—contributions, grants, etc. (impact of restrictions)
- Revenues—contracted services, rental revenue, program fees, etc.
- “In-kind” donations
- “Releases from Restrictions”

Statement of Activities—A Closer Look

Expenses—typically shown two ways:

- Summarized into categories: program expenses, general & administrative, and fundraising
- Additionally, most organizations provide more detail on expenses in a “Statement of Functional Expenses” which shows the detail of expenses (wages, benefits, etc.)

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

Let's review a series of transactions of a typical non-profit organization and their specific effect on the organization's financial statements.

Remember the Accounting Equation:

$$\text{Assets} = \text{Liabilities} + \text{Net Assets}$$

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

The following is a series of transactions experienced by the Anytown Meals Program (AMP), a non-profit organization, for a six month period.

Transaction #1

AMP receives \$150,000 in unrestricted donations, and another \$400,000 in pledges (no restrictions) that are to be paid by year-end. Experience shows 80% collection rate on pledges.

**Example Transactions Affecting
Non-Profit Organizations and their
Financial Statement Effects**

Transaction #1—Effect

Assets—Cash increases by \$150,000 and pledges receivable increase by \$400,000 net of allowance for uncollectible pledges of \$80,000.

Net Assets—unrestricted—increases from unrestricted contributions revenue of \$470,000.

**Example Transactions Affecting
Non-Profit Organizations and their
Financial Statement Effects**

Transaction #2

AMP receives \$310,000 in cash related to the pledges receivable.

Effect #2

Assets—Cash increases by \$310,000

 Pledges receivable decreases by
 \$310,000

**Example Transactions Affecting
Non-Profit Organizations and their
Financial Statement Effects**

Transaction #3

AMP determines that they need an additional storage facility. Estimated cost is \$300,000. Dr. Glad Todonate agrees to contribute \$150,000 if AMP can provide the remaining amount from fund-raising efforts.

**Example Transactions Affecting
Non-Profit Organizations and their
Financial Statement Effects**

Effect #3

What is the effect on AMP's financial statements at this time? Why?

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

Transaction #4

Dewey, Cheatem & Howe, Attorneys, provided services to AMP at no charge. The fair market value of the services provided was \$15,000.

Effect #4

Net Assets—unrestricted—recognize an increase in donated services revenue of \$15,000 and an offsetting increase in legal expense of \$15,000. Why is this recorded in this manner?

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

Transaction #5

AMP's Fund-raising and Development Committee raises \$165,000 specifically for the storage facility. Dr. Glad Todorate provides his donation of \$150,000.

Effect #5

Assets—Cash increases by \$315,000

Net Assets—temporarily restricted—contributions revenue increases by \$315,000.

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

Transaction #6

Construction of the storage facility completed. Final cost was \$320,000. Paid for with amounts raised and remainder with unrestricted funds.

Effect #6

Assets—Buildings increase and cash decreases by \$320,000.

Net Assets—a release from restriction (RFR) occurs, increasing unrestricted and decreasing temporarily restricted.

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

Transaction #7

Received county contract (Area Agency on Aging) to provide meals to qualified county residents in the next six months.

Received advance payment of \$20,000. County agency will be final billed based on actual meal counts and agreed upon amount per meal served (\$2.05/meal) plus delivery expense.

Effect #7

Assets—Cash increases by \$20,000.

Liabilities—Unearned revenue increases by \$20,000 (will be recognized as contract revenue when earned).

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

Transaction #8

AMP pays for the following expenses and purchases during the period:

Salaries and wages	\$78,300
Payroll taxes & benefits	51,485
Utilities	24,100
Food purchases	225,000
Supplies	33,575

**Example Transactions Affecting
Non-Profit Organizations and their
Financial Statement Effects**

Effect #8

Assets—cash decreases by \$412,460.
Food inventory increases by \$225,000.
Total assets decrease by \$187,460 (net
effect).

Unrestricted net assets—decreases by
\$187,460 (total of the various expenses).

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

Transaction #9

Billed the county Agency on Aging for meals served during the period. 10,105 meals served @ \$2.05/meal (per contract), less advance received of \$20,000, plus \$1,875 in delivery expenses.

$$(10,105 \times \$2.05) - \$20,000 + \$1,875 = \$22,590.25$$

Effect #9

Assets—Accounts receivable increases by \$22,590.25

Net assets—unrestricted—increases by \$22,590.25
(County Contract Revenue)

**Example Transactions Affecting
Non-Profit Organizations and their
Financial Statement Effects**

Transaction #10

Received food donations, 232,750 pounds,
valued at \$1.50/lb., from various sources
(grocery stores, bakeries, etc.).

Effect #10

Assets—Food inventory increases by \$349,125.

Net Assets—unrestricted—donated goods
revenue increases by \$349,125.

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

Transaction #11

Local residents donate 675 hours of volunteer time to the operation. AMP would have paid \$7.25/hour (minimum wage) if it had to hire individuals to perform these tasks.

Effect #11

Nothing is recorded in the accounting records.
Why not?

Example Transactions Affecting Non-Profit Organizations and their Financial Statement Effects

Transaction #12

A local foundation makes a pledge of \$150,000 to AMP, payable in three years. The present value of the pledge today is \$125,943 (assuming a 6% interest rate).

Effect #12

Assets—pledges receivable increase by \$125,943.

Net assets—temporarily restricted—contribution revenue increases by \$125,943 (time restriction)

**Example Transactions Affecting
Non-Profit Organizations and their
Financial Statement Effects**

Transaction #13

Dr. Glad Todonate and several of his friends donate \$350,000 to the organization to establish an endowment fund. The principal cannot be utilized; however, investment earnings can be used for AMP's general operations.

**Example Transactions Affecting
Non-Profit Organizations and their
Financial Statement Effects**

Effect #13

Assets—cash/investments increases by
\$350,000.

Net Assets—permanently restricted—
contribution revenue is reported in the
amount of \$350,000. Future investment
income on the fund will be unrestricted.

**Example Transactions Affecting
Non-Profit Organizations and their
Financial Statement Effects**

Transaction #14

A physical count of the food inventory on hand at the end of the period valued it at \$42,285.
(Purchases + donations less ending amount)

Effect #14

Assets—decrease inventory by \$531,840.

Net Assets—unrestricted—decrease by recognizing \$531,840 in food expense.

In-Class Exercise—Transactions and Their Effect on Non-Profit Financial Statements

- Participants will be provided a list of transactions for a hypothetical non-profit organization (see separate handout)
- Participants will “process” the transactions on pre-printed forms and prepare resulting financial statements for the organization (see separate handouts)