

Putting Your Best (Financial) Foot Forward

Budgets, Balance Sheets and
Income Statements Demystified!



**COMMUNITY
FOUNDATION**
— OF THE MAHONING VALLEY —

Today's Goals

For you:

- Increased understanding of financial numbers and documents requested in a grant application including budgets and financial statements
- Confidence in completing grant applications, especially to CFMV

For us:

- A clearer picture of your nonprofits' work through a financial lens, leading to more successful grant applications
- Less follow-up for us means you have more time to focus on your work

Financial Statements

- Income Statements
- Budgets
- Balance Sheets

Income Statements



COMMUNITY
FOUNDATION
— OF THE MAHONING VALLEY —

Income Statement

- Tells the story of your organization's financial activities over a specified period of time
- Calculates the resulting Net Income or a Net Loss
 - Also called Change in Net Assets (nonprofit sector)
- Other names...
 - Statement of Activities (nonprofit sector)
 - Income and Expense Sheet
 - Profit and Loss Statement (or "P&L" for short)

Sample income statement!

Key Elements of an Income Statement:

- Header
 - Organization name
 - Type of Financial Statement
 - Specify the time period
- Revenues
- Expenses
- Change in Net Assets (aka - Net Income or Net Loss)

IMAGINARY COMMUNITY THEATER	
JANUARY 1, 2021 THROUGH DECEMBER 31, 2021	
STATEMENT OF ACTIVITIES	2021
REVENUES	
THEATER PRODUCTION REVENUE:	
Tickets, Program Ads & concessions	23,000
Tuition For Kids Summer Theater Camp	4,000
Total Theater production Income	27,000
OTHER REVENUE:	
Loan Proceeds (flooded basement)	5,000
Total Other Income	5,000
TOTAL REVENUE	32,000
EXPENSES	
THEATER PRODUCTION EXPENSES:	
Rights & Scripts	4,800
Director & musicians for orchestra pit	8,400
Costumes, Set, Props, program, etc.	2,000
Camp Counselors; Fundraiser Catering	3,000
Total Theater production expenses	18,200
OTHER EXPENSES:	
Rent & Utilities - Theater	6,400
Flooded basement repairs	4,380
Loan Payments - Principal & Interest	2,020
Total Other Expenses	12,800
TOTAL EXPENSES	31,000
TOTAL CHANGE IN NET ASSETS	1,000

Building an Income Statement

- **Determine the relevant period of time**
 - Often a year, but may be any duration
 - Pay attention to the dates requested in your grant application instructions!
- **Gather ALL of your revenues and expenses for that time period**
 - REVENUES: Money in from grants awarded, donations, fees, etc.
 - EXPENSES: Money out for supplies, salaries, utilities, etc.
- **Calculate the infamous, aptly-named “Bottom Line”...**
 - $\text{NET INCOME}/(\text{NET LOSS}) = \text{REVENUES} - \text{EXPENSES}$
 - Also called “Change in Net Assets”
- **Format to tell the unique story of your organization** - not just the bottom line!!

Making Your Income Statement Meaningful

A compelling Income Statement offers meaningful insights at a glance!

REFLECT - What key takeaways do you want to make obvious?

- What are your most significant activities?
- What happened? Was that typical?
- What should stand out to someone who knows nothing else about your organization?

EXAMPLES

- *Primary Activities (programs, locations, services, etc.)*
- *Overhead/Fixed Costs*
- *Geographic or Demographic impact*
- *The nature of funding sources (One-time vs recurring)*

Making Your Income Statement Meaningful

How to convey what's important at a glance...

- Meaningful Structure (visually clean, organized)
- Meaningful level of detail (forest from the trees)
- Meaningful to the intended audience (anticipate questions)

Ideas...

- Group revenues and expenses according to activity
- Add footnotes for important context!
 - "Our Income Statement for 2025 reflects a net loss because it does not include the \$5K grant we received in December of 2024 to support our 2025 programming."
 - "One-time startup costs of \$15K led to the loss shown for our new Mahoning County location."

Customize for your
internal use too!

Monthly columns
can help you
anticipate cash
needs!

IMAGINARY COMMUNITY THEATER													
JANUARY 1, 2021 THROUGH DECEMBER 31, 2021													
STATEMENT OF ACTIVITIES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2021
REVENUES													
THEATER PRODUCTION REVENUE:													
Tickets, Program Ads & concessions	-	-	-	-	5,200	-	5,600	-	5,200	-	7,000	-	23,000
Tuition For Kids Summer Theater Camp	-	-	-	-	-	-	4,000	-	-	-	-	-	4,000
Total Theater production Income	-	-	-	-	5,200	-	9,600	-	5,200	-	7,000	-	27,000
OTHER REVENUE:													
Loan Proceeds (flooded basement)	-	-	5,000	-	-	-	-	-	-	-	-	-	5,000
Total Other Income	-	-	5,000	-	-	-	-	-	-	-	-	-	5,000
TOTAL REVENUE	-	-	5,000	-	5,200	-	9,600	-	5,200	-	7,000	-	32,000
EXPENSES													
THEATER PRODUCTION EXPENSES:													
Rights & Scripts	-	-	-	-	1,600	-	1,600	-	1,600	-	-	-	4,800
Director & musicians for orchestra pit	-	-	-	-	2,800	-	2,800	-	2,800	-	-	-	8,400
Costumes, Set, Props, program, etc.	-	-	-	-	600	-	600	-	600	-	200	-	2,000
Camp Counselors; Fundraiser Catering	-	-	-	-	-	-	1,500	-	-	-	1,500	-	3,000
Total Theater production expenses	-	-	-	-	5,000	-	6,500	-	5,000	-	1,700	-	18,200
OTHER EXPENSES:													
Rent & Utilities - Theater	500	500	500	500	500	600	500	600	500	600	500	600	6,400
Flooded basement repairs	-	-	4,380	-	-	-	-	-	-	-	-	-	4,380
Loan Payments - Principal & Interest	-	-	202	202	202	202	202	202	202	202	202	202	2,020
Total Other Expenses	500	500	5,082	702	702	802	702	802	702	802	702	802	12,800
TOTAL EXPENSES	500	500	5,082	702	5,702	802	7,202	802	5,702	802	2,402	802	31,000
Change in Net Assets - Theater	-	-	-	-	200	-	3,100	-	200	-	5,300	-	8,800
Change in Net Assets - Other	(500)	(500)	(82)	(702)	(702)	(802)	(702)	(802)	(702)	(802)	(702)	(802)	(7,800)
TOTAL CHANGE IN NET ASSETS	(500)	(500)	(82)	(702)	(502)	(802)	2,398	(802)	(502)	(802)	4,598	(802)	1,000

Budgets



COMMUNITY
FOUNDATION
— OF THE MAHONING VALLEY —

Budgets

- An estimate of revenue and expenses your organization will incur over a set period of time – usually one year
- Your forecast and best guess
- Very unlikely it will be a perfect match with actual income and expenses
- BUT! It's important to lay out your best picture of “Here's what we think will happen”

Annual Budget

- Projected expenses
- All of your projected revenue
- Usually represents a 12-month period

Project Budget

- Specific to the program you're applying for
- All projected expenses and income for the program
- Part of your Annual Budget

Make sure you pick the right option in our grant application!

Request Type*

Is your request to support a specific activity/project, or for general support of your organization's work? Our foundation provides both types of grants.

- *If you know exactly what you want to use funds for, select specific activity or project. An example could be a furnace for your building or a youth summer camp your organization is planning.*
- *If you need grant funds to support the ongoing costs of operating your non-profit, select general support. These types of grants are more flexible and are awarded to impactful organizations that have clear goals and ways to measure their success.*

- ☐ Specific activity/project
- ☐ General support



- ☐ Specific activity/project
- ☐ General support

Building Your Budgets

- Always easier to build on a foundation
- Use your recent income statements to put together your best projection
- Consider EVERYTHING your organization wants to do
- List projected income and expenses
- Same format as income statement
- **Make notes for things that are out of the ordinary!**

Sample budgets!

IMAGINARY COMMUNITY THEATER	
JANUARY 1, 2022 THROUGH DECEMBER 31, 2022	
OPERATING BUDGET	2022
REVENUES	
THEATER PRODUCTION REVENUE:	
Tickets, Program Ads & concessions	23,000
Tuition For Kids Summer Theater Camp	4,000
Total Theater production Income	27,000
OTHER REVENUE:	
Community Foundation Grant (applied)	5,000
Total Other Income	5,000
TOTAL REVENUE	32,000
EXPENSES	
THEATER PRODUCTION EXPENSES:	
Rights & Scripts	4,800
Director & musicians for orchestra pit	9,000
Costumes, Set, Props, program, etc.	3,300
Camp Counselors; Fundraiser Catering	3,100
Total Theater production expenses	20,200
OTHER EXPENSES:	
Rent & Utilities - Theater	7,600
Loan Payments - Principal & Interest	2,424
Total Other Expenses	10,024
TOTAL EXPENSES	30,224
TOTAL CHANGE IN NET ASSETS	1,776

IMAGINARY COMMUNITY THEATER													
JANUARY 1, 2022 THROUGH DECEMBER 31, 2022													
OPERATING BUDGET	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2022
REVENUES													
THEATER PRODUCTION REVENUE:													
Tickets, Program Ads & concessions	-	-	-	-	5,200	-	5,600	-	5,200	-	7,000	-	23,000
Tuition For Kids Summer Theater Camp	-	-	-	-	-	-	4,000	-	-	-	-	-	4,000
Total Theater production Income	-	-	-	-	5,200	-	9,600	-	5,200	-	7,000	-	27,000
OTHER REVENUE:													
Community Foundation Grant (applied)	-	-	-	5,000	-	-	-	-	-	-	-	-	5,000
Total Other Income	-	-	-	5,000	-	-	-	-	-	-	-	-	5,000
TOTAL REVENUE	-	-	-	5,000	5,200	-	9,600	-	5,200	-	7,000	-	32,000
EXPENSES													
THEATER PRODUCTION EXPENSES:													
Rights & Scripts	-	-	-	-	1,600	-	1,600	-	1,600	-	-	-	4,800
Director & musicians for orchestra pit	-	-	-	-	3,000	-	3,000	-	3,000	-	-	-	9,000
Costumes, Set, Props, program, etc.	-	-	-	-	1,000	-	1,000	-	1,000	-	300	-	3,300
Camp Counselors; Fundraiser Catering	-	-	-	-	-	-	1,500	-	-	-	1,600	-	3,100
Total Theater production expenses	-	-	-	-	5,600	-	7,100	-	5,600	-	1,900	-	20,200
OTHER EXPENSES:													
Rent & Utilities - Theater	600	600	600	600	600	700	600	700	600	700	600	700	7,600
Loan Payments - Principal & Interest	202	202	202	202	202	202	202	202	202	202	202	202	2,424
Total Other Expenses	802	802	802	802	802	902	802	902	802	902	802	902	10,024
TOTAL EXPENSES	802	802	802	802	6,402	902	7,902	902	6,402	902	2,702	902	30,224
Change in Net Assets - Theater	-	-	-	-	(400)	-	2,500	-	(400)	-	5,100	-	6,800
Change in Net Assets - Other	(802)	(802)	(802)	4,198	(802)	(902)	(802)	(902)	(802)	(902)	(802)	(902)	(5,024)
TOTAL CHANGE IN NET ASSETS	(802)	(802)	(802)	4,198	(1,202)	(902)	1,698	(902)	(1,202)	(902)	4,298	(902)	1,776

Things to keep in mind

- Include anticipated revenue
 - What grants are you applying for? How much do your fundraisers bring in?
- A balanced budget means your projected income and expenses are equal
 - **Make notes for things that are out of the ordinary!**
- How big is your budget?
 - Use your projected expenses

Balance Sheets



COMMUNITY
FOUNDATION
— OF THE MAHONING VALLEY —

Balance Sheet

- Summarizes your organization's assets (what it owns) and its liabilities (what it owes) and equity (accumulated earnings)
- Snapshot in time of your organization's financial state as of a single point in time
- Other names...
 - Statement of Financial Position
 - Statement of Financial Condition

Sample balance sheet!

Key Elements:

- Header - Specify your point in time
 - Hint! This should match the ending date of your Income Statement
- Assets
- Liabilities
- Net Assets (aka Equity)

IMAGINARY COMMUNITY THEATER STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2021	
	TOTAL
ASSETS	
Cash - Checking Account	7,030
TOTAL ASSETS	7,030
LIABILITIES	
Small Business Loan - outstanding principal owed	3,000
Small Business Loan - outstanding interest owed	30
TOTAL LIABILITIES	3,030
NET ASSETS	
Net Assets - Historic	3,000
Change in Net Assets - Current year	1,000
TOTAL NET ASSETS	4,000
ASSETS - (LIABILITIES + NET ASSETS)	-

Building a Balance Sheet

Determine your **BALANCE SHEET DATE**

- Hint! This should match the ending date of your Income Statement

List your **ASSETS**

- Cash is the most common (bank account balance, for example)
- May also have Fixed Assets or Accounts Receivable

List your **LIABILITIES**

- Debt is the most common (total owed on credit cards or loans)
- May also have Accounts Payable

Calculate **EQUITY** (aka **NET ASSETS**)

- The historic build up of all net income and losses

An easy equation to back into your equity number

The Balance Sheet Equation is...

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

Therefore...

$$\text{Assets} - \text{Liabilities} = \textbf{Equity}$$

Example:

- \$100 Assets = \$80 Liabilities + \$??? Equity
- \$100 Assets - \$80 Liabilities = **\$20 Equity**

Balance Sheets & Income Statements Work Together!

To get the full picture, we can't rely on the Income Statement or Balance Sheet in isolation - it's important to look at both!

Consider...

- Net loss on the Income Statement BUT!... large cash reserves on the Balance Sheet
- Net income on the Income Statement BUT!... large debts on the Balance Sheet

Wrapping Up



COMMUNITY
FOUNDATION
— OF THE MAHONING VALLEY —

What we look for

- Make notes for things that are out of the ordinary!
- Always include projected income on budgets
 - An important part of our consideration is how a project is getting funded
 - If we're the only funder (or it seems like we are) and we can't fund the full request, the answer will probably be No
- We don't nitpick
- Big numbers aren't the most important thing
 - We want to see the plan and how organized the work is
- **Make notes for things that are out of the ordinary!**

What we look for

- Did you pick the right kind of application?
 - Operating or Program
- Can we see how our funding fits into the full picture?
- Who else are you approaching for funding?
- Too much detail vs. Too little detail

Wrapping up

Income statement: Real-life report for a period of time (year, quarter, month, etc)

Balance sheet: Real-life snapshot in time (Ex.: June 19, 2024)

Annual budget: Projection of your organization's income and expenses for a coming year

Project budget: Projection of income and expenses for a specific part of your work for a period of time in the future

Wrapping up

- Make notes for things that are out of the ordinary!
 - In CFMV grant applications, pick the right kind of application
 - Your financial documents are part of your story
 - A lot of requests come down to the financial documents
-
- [CFMV.org/nonprofit-toolkit](https://cfmv.org/nonprofit-toolkit)
 - Grant Resource Center at the Library



COMMUNITY
FOUNDATION
— OF THE MAHONING VALLEY —

Questions?

We probably
have answers!