



A Quick Guide to Financial Documents

Income Statements

- ◆ Also called: Statement of Financial Activity | Profit & Loss Statement | Income and Expense Sheet
- ◆ A record of an organization's actual revenue and expenses over a specific period of time (year, quarter, month, etc.)
 - ◆ Be clear about what time frame is represented
- ◆ The **revenue** section includes all income to your organization
 - ◆ Grants, donations, fundraiser proceeds, collected fees, etc.
- ◆ The **expenses** section includes all costs your organization had over a specific period of time
 - ◆ Supplies, salaries, rent/mortgage, utilities, overhead/fixed costs, etc.
- ◆ At the bottom of your income statement, you'll list your organization's **Change In Net Assets** to show the total of your revenues minus your expenses
- ◆ Funders usually ask for a full-year or year-to-date income statement with applications
 - ◆ For a nonprofit's internal use, having an income statement broken down by month can help visualize income and revenue flows over the course of a year

Budgets

- ◆ A projection of what your organization will spend (expenses) and receive (revenue) over a specific period of time
 - ◆ Budgets are your best guess for the future, while income statements are records of what has happened
- ◆ Follow the same format as an income statement, with revenue in one section and expenses in another
 - ◆ When submitting grant applications, be sure to include what other grant funding you're applying for and how much is requested in your budget
- ◆ Foundations will usually ask for two kinds of budgets: an Annual Budget and a Project/Program Budget
 - ◆ Annual Budget: A projection of all of your nonprofit's programs and income
 - ◆ Project Budget: A breakdown of how money will be spent to support a program and how your nonprofit will get the money to carry out the work. The total number for revenue and expenses from a Project Budget will be included in your Annual Budget

Balance Sheets

- ◆ Also called a Statement of Financial Position | Statement of Financial Condition
- ◆ A list of what your organization owns (assets), what it owes (liabilities) and its net assets (equity)
 - ◆ Provides a snapshot in time to show the overall financial health of your organization
- ◆ Examples of **assets** include the balance of your organization's bank account or any long-lived assets, such as the historic cost of a building your organization owns
- ◆ Examples of **liabilities** include credit card debt or a loan your organization has taken out
- ◆ **Equity** is the total of all your income and losses since your nonprofit began
 - ◆ In the nonprofit sector, this figure is often referred to as **Net Assets**
- ◆ The Balance Sheet is aptly named, because it must balance by definition: Your total **assets** must equal the sum of your total **liabilities** plus **equity**
 - ◆ Example: \$100 Assets - \$80 Liabilities = \$20 Equity
- ◆ The date on a balance sheet should match the final date of the timeframe represented on your income statement

What Else to Know

- ◆ Use your income statements and balance sheets (which use historical information) to put together your budgets. If you're doing the same programs every year, you can build on the knowledge from previous years to estimate the cost in the future.
- ◆ Having a "balanced budget" means that your projected income and projected expenses are equal.
- ◆ Budgets will rarely end up being completely accurate. What funders typically look for is your best guess at what expenses and revenue will be, and if you've taken the time to plan your nonprofit's cash flow.
- ◆ It's OK to use words! While numbers are the critical parts of financial documents, it may be necessary to explain shortfalls, unexpected costs or other nuances of budgets, income statements and balance sheets. Make notes to help people who aren't part of your organization make sense of what they're looking at.

What CFMV Looks For

- ◆ Our grant reviewers' top consideration is that nonprofits have a plan. A nonprofit with a well-planned \$5,000 budget is better than a \$500,000 organization that doesn't communicate how it's thinking of spending money
- ◆ CFMV's approach is to trust the nonprofits applying to us; we won't go over your financial documents with a fine-tooth comb. However, our grant review team may reach out if we're having trouble making sense of what's submitted
- ◆ All CFMV grant opportunities offer Operating Grants (unrestricted funds for nonprofits to use as they need) and Program Grants (to support one specific part of your nonprofit's work). In your application, be sure to pick the right option in the Request Type question. How you answer this question affects what other questions show up in the application
- ◆ If you have questions about the financial documents that go into grant applications, reach out to CFMV's Community Impact Team at 330-743-5555. We're not able to give specific financial guidance, but we'll do our best to answer your question!