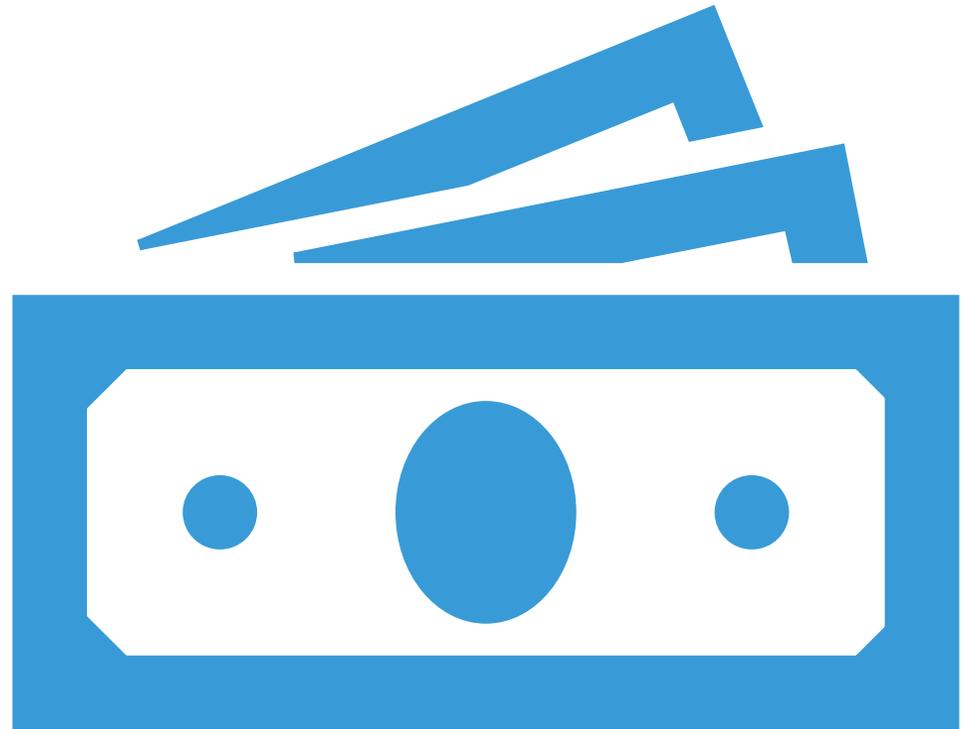


**More than
Money:
Budgeting and
Financials 101**



Who are We?

Danitra
Mason, CPA

- Controller, The Pittsburgh Foundation
- Pittsburgh native
- Graduate of the University of Pittsburgh, College of Business Administration
- 9+ years in Public Accounting
- 8 years at the Foundation

Beth Mellon

- Senior Accounting Manager, The Pittsburgh Foundation
- Pittsburgh native
- B.S. in Business Administration from Robert Morris University
- 30+ years of experience in nonprofit accounting, taxation, payroll
- 10+ at the Foundation

The background of the slide is a dense, overlapping pattern of US dollar bills, including \$100, \$50, and \$20 bills, rendered in a light, semi-transparent grey color. In the top-left corner, there is a small yellow speech bubble icon.

Why are we here?

“Cash rules everything around me”
-Wu-Tang



What can you expect from us?

Answers to these questions:

- What is a budget and how do I prepare one?
- What are the standard components of financial information that I should understand?
- What are the primary regulatory requirements related to my organization's finances?

An excessive amount of details

Honest answers



What do we expect from you?

Be Present

- Please be attentive
- Take notes if desired

Ask Questions

Open dialogue

Agenda

Internal Reporting

- Budgets and Cash Flows

External Reporting

- Financial statements
- IRS Form 990

Compliance Matters

- Filing Requirements
- Internal Controls

Wrap-up

- Takeaways and Q&A



Who is involved in financial oversight?

Organization's
management

Bookkeepers/CPAs

Board

Auditors

Public/Funders



Internal Financial Records

Budgets

Cash Flow Projections

Budget:

An estimate of income and expenses for a set period of time

Category	Estimated Amount (\$)	Actual Amount (\$)
Revenue		
Sales	\$15,000	\$14,998
Services	\$2,000	\$3,264
Operating Expenses		
Rent	\$6,000	\$5,820
Utilities	\$900	\$1,013
Owner Salary	\$6,000	\$5,983
Marketing	\$1,200	\$1,100
One-Time Expenses		
Equipment	\$0	\$250
Repairs	\$200	\$175
Taxes	\$1,000	\$1,040
Contingency Fund	\$500	\$500
Business Profit	\$1,200	\$2,381
Total	\$15,800	\$15,881
©2024 Centier Bank		



Methods for Budget Preparation

Zero-Based

Traditional/Incremental

Activity-based



Types of Budgets



OPERATING

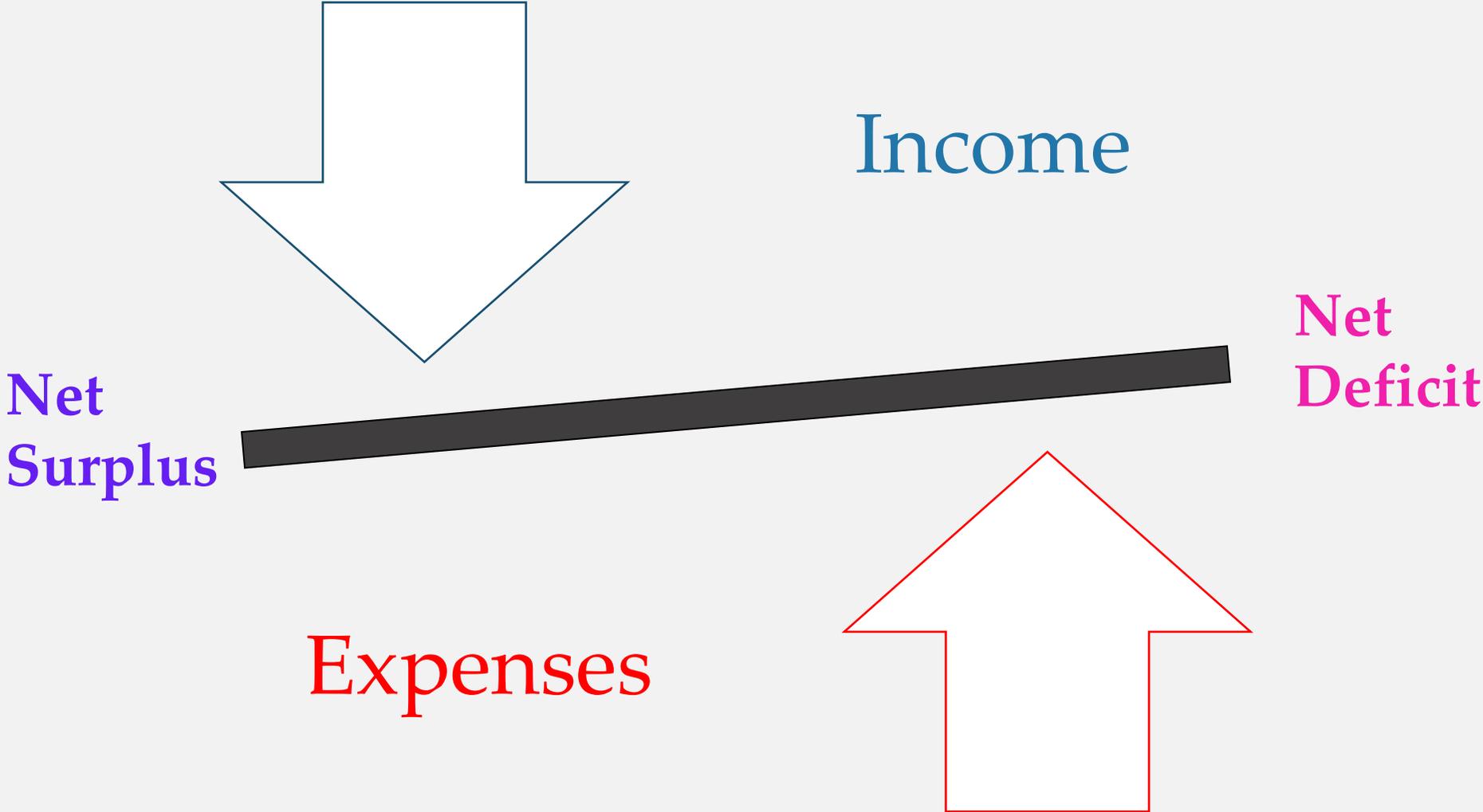


PROGRAMMATIC



CAPITAL

Budget Components





Budget Components

Income

- Grants and Contributions
- Government Contracts
- Service Income (Memberships, Program fees, etc.)
- Investment Earnings

Expenses

- People (Wages, Benefits, Travel, etc.)
- Rent/Facility Costs
- Supplies, Meals, Etc.
- Services (Consulting, Legal, Accountants, etc.)
- Other Admin (Software, Marketing, etc.)

Capital Budgets





Budget vs Actual Analysis

How is the organization *actually* doing vs plan?

Are we over/under budget and why?

Can we explain large variances?

Should we temporarily (or permanently) pivot?



Additional Questions

What is the probability that my organization will receive the budgeted funding? Is there a back-up plan?

When assessing membership/service fees, have we accounted for indirect costs?

What are we missing? Did we account for inflation?

Cash Flow Projections

A projection of the organization's cash inflows and outflows over a period time.

Working Capital Cash and Operating Reserve In Action ~ Illustration							
ORG Cash Flow Projections	Minimum desired Working Capital / Operating Cash Balance set at \$35,000						
Month >>	JAN	FEB	MAR	APR	MAY	JUN	JUL ...
Operating Cash Opening Balance >>	126,000	37,000	35,200	36,600	125,250	38,050	52,050
Operating Activity							
Inflows from Operations	65,000	173,000	143,000	294,000	51,000	185,000	
Released from Restriction			25,000	5,000	40,000		
Outflows from Operations	(150,000)	(195,000)	(175,000)	(166,000)	(175,000)	(168,000)	
Net Cash from Operations	(85,000)	(22,000)	(7,000)	133,000	(84,000)	17,000	
Other Cash Transactions							
Capital Purchases				(4,950)			
Loan Principal Payments	(4,000)	(3,800)	(3,600)	(3,400)	(3,200)	(3,000)	
Access <Repay> Operating Reserve		24,000	12,000	(36,000)			
Net from Other Cash Transactions	(4,000)	20,200	8,400	(44,350)	(3,200)	(3,000)	
Net Cash Increase <Decrease >	(89,000)	(1,800)	1,400	88,650	(87,200)	14,000	
Ending Operating Cash Balance	37,000	35,200	36,600	125,250	38,050	52,050	
Operating Reserve Balance in Savings	140,000	116,000	104,000	140,000	140,000	140,000	
Restricted Balance in Savings	70,000	70,000	45,000	40,000	-	-	
Savings Account Total >>	210,000	186,000	149,000	180,000	140,000	140,000	
Total All Cash	247,000	221,200	185,600	305,250	178,050	192,050	
Loan Principal Balance	28,000	24,200	20,600	17,200	14,000	11,000	

Budgeting and Forecasting Takeaways



Budgets and cash forecasts provide estimates of the organization's future financial activity.



Be careful to consider all resources needed when budgeted.



Non-profits typically target a balanced budgets.



Budgets and forecasts should be revisited throughout the year.



External Financial Records

Financial Statements

Form 990



Financial Statements

The formal records of an organization's financial activity and account balances.

The financial story of a past period or point in time



Primary Statements

Balance Sheet (Statement of Financial Position)

Income Statement (Statement of Activities)

Statement of Functional Expenses (Non-Profits Only)

Cash Flow Statement

Balance Sheet (Statement of Financial Position)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS		
	2022	2021
CURRENT ASSETS		
Cash on hand and in bank	\$ 550,823	\$ 485,367
Accounts receivable	52,800	25,241
Prepaid rent - current portion	150,000	1,000
TOTAL CURRENT ASSETS	753,623	511,608
FIXED ASSETS		
Land	47,518	47,518
Building and improvements	399,771	4,941,542
Office furniture and fixtures	-	135,405
Vehicles - vans	51,006	51,006
Machinery and equipment	8,331	263,793
	506,626	5,439,264
Less: accumulated depreciation	(249,673)	(3,453,601)
TOTAL FIXED ASSETS	256,953	1,985,663
OTHER ASSETS		
Construction in progress - Gymnasium	-	651,319
Prepaid rent, less current portion	212,500	-
Right-of-Use Asset	589,551	-
TOTAL OTHER ASSETS	802,051	651,319
TOTAL ASSETS	\$ 1,812,627	\$ 3,148,590
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,403	\$ 24,505
Payroll related liabilities	26,987	124,294
Accrued interest on outstanding debt	-	81,887
Line of credit - bank	-	525,000
Notes payable - current portion	-	60,000
Current portion of lease liabilities	126,049	-
TOTAL CURRENT LIABILITIES	159,439	815,686
LONG-TERM LIABILITIES- Less current portions due within one year:		
Notes payable	-	277,958
Operating lease liability	463,502	-
TOTAL LONG-TERM LIABILITIES	463,502	277,958
TOTAL LIABILITIES	622,941	1,093,644
NET ASSETS		
Net assets without donor restrictions:		
Undesignated	932,733	280,922
Invested in fixed assets, net of related debt	256,953	1,774,024
Total net assets without donor restrictions	1,189,686	2,054,946
Net assets with donor restrictions		
	-	-
TOTAL NET ASSETS	1,189,686	2,054,946

Income Statement (Statement of Activities)

CONSOLIDATED STATEMENTS OF ACTIVITIES

SEPTEMBER 30, 2022 AND 2021

	2022	2021
Net Assets Without Donor Restrictions:		
Support and revenues:		
Contributions	\$ 7,455,239	\$ 8,327,981
Government grants	290,807	247,466
In-kind and food contributions	1,924,792	1,609,568
Special events	540,802	129,731
Program fees	15,440	7,616
Rental income	-	-
Investment gain (loss) recognized	137,858	75,934
Food truck, net	(13,630)	(23,745)
Miscellaneous	16,815	34,417
Released from restrictions	6,148,047	673,546
Total support and revenues	<u>16,516,170</u>	<u>11,082,514</u>
Expenses:		
Program:		
Mission	7,389,270	6,372,776
Management and general	945,733	1,034,800
Fundraising	1,849,849	1,801,102
Total expenses	<u>10,184,852</u>	<u>9,208,678</u>
Change in Net Assets Without Donor Restrictions	<u>6,331,318</u>	<u>1,873,836</u>
Net Assets With Donor Restrictions:		
Grants/contributions	890,905	370,570
Capital campaign contributions	3,240,166	1,501,017
Net assets released from restrictions	(6,148,047)	(673,546)
Change in Net Assets With Donor Restrictions	<u>(2,016,976)</u>	<u>1,198,041</u>
Change in Net Assets	4,314,342	3,071,877
Net Assets:		
Beginning of year	<u>16,782,788</u>	<u>13,710,911</u>
End of year	<u>\$ 21,097,130</u>	<u>\$ 16,782,788</u>

Statement of Functional Expenses

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Community Development Activities	Finance, Governance, and Administration	Fundraising	Total
Grants to other organizations	\$ 1,233,353	\$ -	\$ -	\$ 1,233,353
Sponsorships and technical assistance	1,841,896	2,061	-	1,843,957
Salaries and wages	1,504,613	264,174	148,290	1,917,077
Pension contributions	109,367	46,403	11,496	167,266
Other employee benefits	284,538	59,402	15,104	359,044
Payroll taxes	112,493	17,231	11,384	141,108
Accounting fees	20	11,000	-	11,020
Other professional fees	68,935	60,224	-	129,159
Advertising and promotion	3,814	4,261	-	8,075
Office expenses	2,000	21,494	-	23,494
Occupancy	1,201	68,387	-	69,588
Travel	8,258	28,797	-	37,055
Conferences, conventions, and meetings	8,381	6,565	-	14,946
Depreciation	-	1,806	-	1,806
Insurance	-	17,728	-	17,728
Printing and publications	257	9,043	-	9,300
Equipment	10,373	51,513	-	61,886
Membership dues	4,723	4,954	-	9,677
Miscellaneous	2,969	13,062	-	16,031
Total expenses	<u>\$ 5,197,191</u>	<u>\$ 688,105</u>	<u>\$ 186,274</u>	<u>\$ 6,071,570</u>

Cash Flow Statement

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (1,849,893)	\$ 1,912,347
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Contribution of noncash gifts	-	(77,028)
Net realized and unrealized (gains) losses on investments	993,099	(1,103,344)
Increase (decrease) in cash from changes in		
Contributions and other receivables	104,030	(105,935)
Investment income receivable	(16,969)	2,063
Accounts payable and other liabilities	79,191	27,326
Grants payable	122,390	(117,678)
Accrued pension liability	(63,790)	(89,834)
Net cash provided by (used in) operating activities	<u>(631,942)</u>	<u>447,917</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,419,946)	(1,597,252)
Proceeds from sales of investments	<u>1,464,715</u>	<u>2,006,727</u>
Net cash provided by investing activities	<u>44,769</u>	<u>409,475</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(587,173)	857,392
CASH AND CASH EQUIVALENTS - Beginning of year	<u>3,392,468</u>	<u>2,535,076</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 2,805,295</u>	<u>\$ 3,392,468</u>



Other Items

- **Audit Opinion**
- **Notes to the Financial Statements**
- **Supplemental Schedules**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Pittsburgh Promise Foundation

Opinion

We have audited the accompanying financial statements of The Pittsburgh Promise Foundation (a controlled supporting organization of The Pittsburgh Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pittsburgh Promise Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — The Pittsburgh Foundation, comprised of both a trust and corporate form, is one of the largest community foundations in the United States. The Pittsburgh Foundation Trust (the “Trust”) was created in 1945 by a Declaration of Trust adopted by local banks. The Trust was determined to be exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”) and has been classified as an organization that is not a private foundation as defined in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code. In 1990, a nonprofit corporation, The Pittsburgh Foundation, Inc., (the “Corporation”), became active as a component part of The Pittsburgh Foundation, primarily to provide the capacity to receive alternate forms of charitable gifts from donors. The Foundation’s consolidated financial statements have been prepared on the accrual basis of accounting and include the activity of the Trust and the Corporation, each of which are components of The Pittsburgh Foundation. All intra and inter foundation balances and transactions have been eliminated in the consolidated financial statements.

Financial Statement Takeaways

Financial statements provide historical context.



Management is responsible for providing financial information to the board for their review and understanding.



Audited financial statements, if required, may provide assurance that the information presented is materially accurate and complete.



Annual reports



Other marketing and
publications

Other
Reporting



Form 990 – What is It?

NOT a tax return, it is an “information” return

Filed by organizations that have been granted tax-exempt status by IRS

990 series: Form 990, 990-EZ, 990-N Postcard, 990-T and 990-PF

Possible additional schedules –16 total for Form 990; 8 for Form 990-EZ

Six-month extension available – final due date 11.5 months after year end

Orgs eligible to file a 990-EZ may still opt to file the full 990 voluntarily

Failure to file Form 990 / 990-EZ / 990-N for three consecutive years results in loss of tax exemption

Strongly suggested review by members of the board



Gross Receipts	Total Assets	File Form
Less than or equal to \$50,000		990-N Postcard
Less than \$200,000 AND	Less than \$500,000	990-EZ or 990
At least \$200,000 OR	At least \$500,000	990

Form 990 - filing requirements

Form 990/990-EZ Public inspection/disclosure

Form 990/990-EZ and 990-T are required to be made available to the public

Schedule B is NOT subject to public disclosure

Request can be made directly to the organization in person, by phone or in writing/email

See Appendix D of instructions for internet posting requirements

If providing 990/990-EZ on your website, use "PUBLIC DISCLOSURE" copy

Form 990-N Postcard

990N is a “postcard” submitted electronically thru IRS website

Orgs with gross receipts less than \$50k are eligible to file

Items needed to file:

- Organization’s EIN (Tax ID)
- Tax year (ending 6/30, 12/31 or other)
- Legal name and mailing address
- Other names the org uses
- Name and address of a principal officer
- Website address
- Confirmation that gross receipts are \$50k or less
- If applicable, statement that org has terminated or planning to

Who is looking at your 990 / 990-EZ?

The IRS!

State regulatory authorities:

Are you registered to solicit with PA BCO?

Does your org have PA sales tax exemption?

Are you registered to lobby with PA DOS?

The media / public
(local news coverage)

Potential funders /
Grantmakers /
donors and peers

Potential board
members or
employees

General public via
websites and charity
rating agencies

Form 990 / 990-EZ – Important Sections

Primary exempt purpose / mission statement

Program Service Accomplishments

Officer/Director Board Listing

Compensation reporting

Other information – additional schedules

- 990: 16 possible additional schedules
- 990EZ: 8 possible additional schedules (A, B, C, E, G, L, N, O)

Form 990 vs. Form 990-EZ

Similarities

- Program service accomplishments
- Officers/Directors Board Listing
- Compensation/benefit reporting
- Revenue, expenses, net assets

Differences

- 12 pages vs. 4 + possible schedules
- 990 reporting more detailed (financials, governance, activities, functional expenses)
- 990 provides two-year dashboard for readers
- 990 has more trigger questions = more possible schedules
- 990 more opportunity for transparency

990 Takeaways

Form 990 tells a financial story to the reader.

Not all organizations have the same filing requirement.

Review trigger questions for additional schedules.

Suggested to present to your board.

Form 990 Resources

- Form instructions (<https://www.irs.gov/forms-instructions>)
 - Appendices provide detailed information
 - Glossary is very helpful with definitions
 - Check the “What’s new” section each year
- Form 990N e-Postcard: <https://www.irs.gov/pub/irs-pdf/p5248.pdf>
- Candid (GuideStar) (<https://www.guidestar.org>)
- Charity Navigator (<https://www.charitynavigator.org>)

Compliance Matters – State Level

PA Department of State
www.dos.pa.gov

- PA Annual Report
(www.File.dos.pa.gov)
- PA Bureau of Charitable Organizations
- Filing in other states –
“Donate Now” button?

PA Department of Revenue
www.revenue.pa.gov

- 1099-MISC withholding tax
- PA Small Games of Chance License
- PA Sales Tax Exemption

Compliance Matters – State and Federal

Form W-9

Standard data collected from your vendors

Form 1099

Independent contractor vs. employee

Reporting requirements

Payroll related employment filings

If engaged with outside provider, make sure they're filing

Compliance Matters – Best Practices

Organizational policies

- Conflict of Interest policy
- Document Destruction & Retention policy
- Whistleblower policy
- Gift Acceptance policy

Acknowledgement Letters



Internal Controls

Segregation of Duties

- If/when possible, involve 2+ parties
- No one person should have sole access to your \$

Authorized Signers

- Staff
- Board
- Backup

Account Reconciliations

- Are you verifying your records?
- Who is checking the work?

Closing Procedures

- Monthly, quarterly, and annual
- Set deadlines for accountability



Finding the Right People

Book-keepers
vs CPAs

Financial
Advisors

Payroll
Providers



In Summary



Management and board members have a fiduciary responsibility to review and understand the organization's financial information.



Detailed budgets and periodic review can assist with strategy and efficient resource allocation.



Financial statements and other reports tell a numeric story of the organization's past operations and future sustainability.



Be mindful of required filings that are applicable to your organization.



Trust but verify; enforce sufficient controls when possible.



When in doubt ask the experts, you do not have to know it all.

Thank you!

