GOOD SHEPHERD SHELTER OF LOS ANGELES
2008 - 2012

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Financial SCAN brought to you by Nonprofit Finance Fund (NFF) and GuideStar

Financial SCAN[SM]

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How To Use The Report
This Financial SCAN uses IRS Form 990 data to provide a comprehensive overview of the selected organization's financial condition, incorporating Nonprofit Finance Fund's (NFF) philosophy and approach. It demystifies nonprofit finance, helping you understand how and what financial data to measure and comparing one organization's situation to up to five others. It can be used by nonprofits, boards, funders, consultants, and other stakeholders to plan for the future, communicate resource needs and make better decisions.

Remember that no one ratio or metric defines financial health for all nonprofits. NFF recommends that you enlist the help of experts to interpret the numbers and make sure you're drawing the right conclusions—the numbers always tell a story, but it is incomplete without an understanding of internal and external context.

Helpful Links
nonprofitfinancefund.org
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Nonprofit Finance Fund. GUIDESTAR

GOOD SHEPHERD SHELTER OF LOS ANGELES
EIN: 95-1652906
2561 VENICE BLVD
LOS ANGELES , CA 90019
Forms 990: 2012 , 2011 , 2010 , 2010 , 2009 , 2008 , 2007* ,
2006* , 2005*
** Year(s) not included in this Financial SCAN Report*

Income Statement

Expenses	2008	2009	2010	2011	2012
Expenses before depreciation	$2,075,100	$1,409,301	$1,700,363	$1,452,046	$1,542,251
Growth rate (%)	-4.1%	-32.1%	20.7%	-14.6%	6.2%
Personnel	$621,274	$738,094	$772,858	$809,269	$848,331
Growth rate (%)	-17.3%	18.8%	4.7%	4.7%	4.8%

Revenue Sources (% of total)	2008	2009	2010	2011	2012
Membership dues	0.0%	0.0%	0.0%	0.0%	0.0%
Government grants	0.0%	0.0%	0.0%	0.0%	0.0%
All other grants and contributions	92.7%	111.0%	93.6%	90.1%	89.2%
Program services revenue	0.4%	0.9%	0.9%	3.8%	3.1%
Investment income	4.0%	4.7%	5.4%	6.1%	3.2%
Other revenue	2.9%	-16.5%	0.0%	0.0%	4.5%
Total revenue (unrestricted & restricted)	**$2,020,007**	**$1,045,907**	**$1,495,332**	**$1,465,675**	**$1,684,318**
Growth rate (%)	-36.6%	-48.2%	43.0%	-2.0%	14.9%

Profitability	2008	2009	2010	2011	2012
Change in unrestricted net assets before depreciation	-$1,006,913	-$102,284	$436,049	-$47,188	$411,085
As % of expenses	-48.5%	-7.3%	25.6%	-3.2%	26.7%
Change in unrestricted net assets after depreciation	-$1,061,349	-$150,436	$392,380	-$94,388	$358,485
As % of expenses	-49.8%	-10.3%	22.5%	-6.3%	22.5%

Balance Sheet

Composition	2008	2009	2010	2011	2012
Cash	$232,196	$141,034	$354,197	$440,626	$639,235
Investments	$4,565	$5,196	$5,140	$0.0	$0.0
Gross land, buildings, and equipment	$1,789,741	$1,856,018	$2,657,287	$2,658,958	$2,714,677
Accumulated depreciation	73.9%	73.0%	52.7%	54.4%	55.2%
Liabilities as % of assets	0.9%	1.4%	16.6%	16.0%	15.1%
Unrestricted net assets	$2,496,570	$2,346,134	$2,738,514	$2,644,126	$3,002,611
Temporarily restricted net assets	$463,390	$707,246	$164,923	$178,762	$20,000
Permanently restricted net assets	$0.0	$0.0	$0.0	$0.0	$0.0
Total Net Assets	$2,959,960	$3,053,380	$2,903,437	$2,822,888	$3,022,611

Liquidity	2008	2009	2010	2011	2012
Months of cash	1.3	1.2	2.5	3.6	5
Months of cash and investments	1.4	1.2	2.5	3.6	5
Months of estimated unrestricted liquid net assets	11.7	15.7	10.4	11.8	13.9

Key Data Checks

	2008	2009	2010	2011	2012
Material Data Errors	No	No	No	No	No

Note: This issue is relevant to a small number of organizations: The nonprofit subject(s) of this report may have affiliates. The Form 990 data may not include information about any or all potential affiliates. If an organization does have affiliates and these affiliates have substantial financial activity, the financial data in this report may not present a comprehensive picture of the nonprofit's financial condition. Please consult the 990s of any potentially related affiliates for additional information.

Financial SCAN℠

Expenses

NFF Perspective

A nonprofit's size can be determined by its annual operating expenses. Size reflects mission, strategy, and environment. The decision to grow should be informed by mission and whether clients, donors and others who financially support programs can pay for the costs of running the organization at its current and future size. Not every organization can or should grow. Growth does not always lead to greater social impact.

Nonprofits need to cover the full costs of doing business. Full costs includes: 1) direct costs of delivering programs, 2) indirect costs that support effective program delivery, such as: fundraising and marketing staff, management salaries, occupancy and other infrastructure, and 3) costs associated with strengthening the balance sheet, such as investments in facilities or other fixed assets and the reduction of debt or other liabilities.

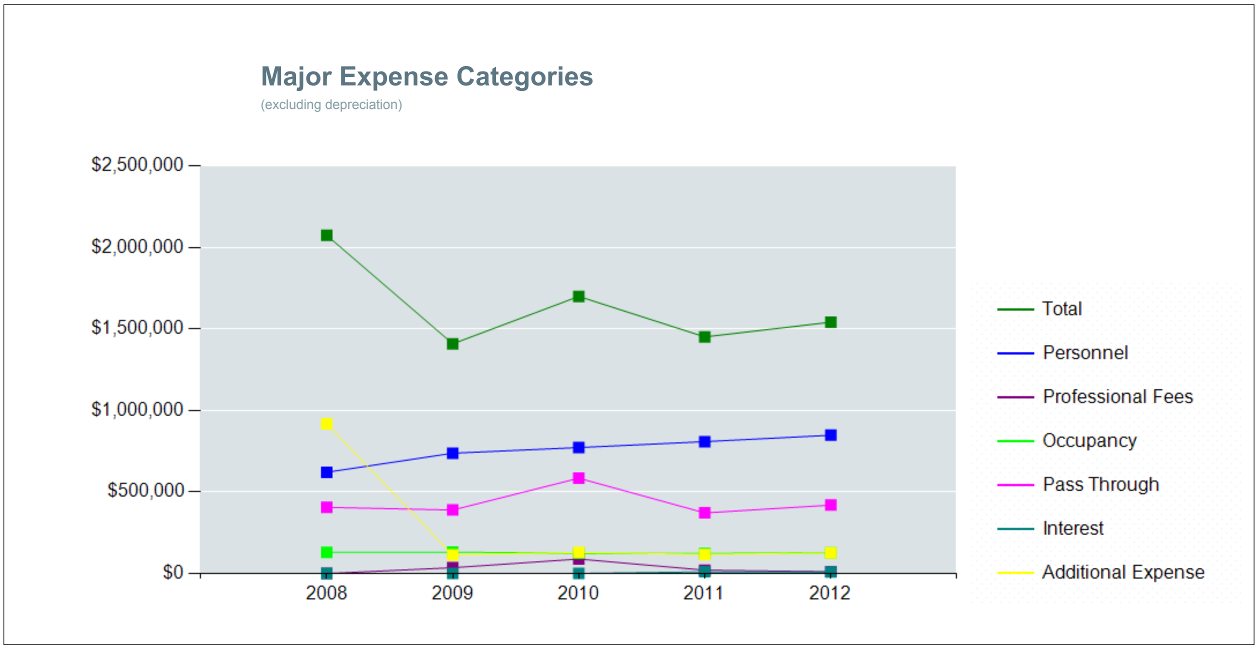
What Has Been the Size & Growth Trajectory of the Organization?

While some organizations experience incremental growth, others run periodic campaigns to scale their operations or go through planned cycles of increased and decreased activity. Growth can be destabilizing because hiring new personnel, building more complex infrastructure and starting new programs often precede the expansion of revenue to pay for it all.

Questions to Consider

- Has the organization grown steadily or become smaller?
- Does the organization's size reflect the demand for its programs?
- How have personnel decisions affected overall costs?

What Have Been Notable Trends in Expenses?



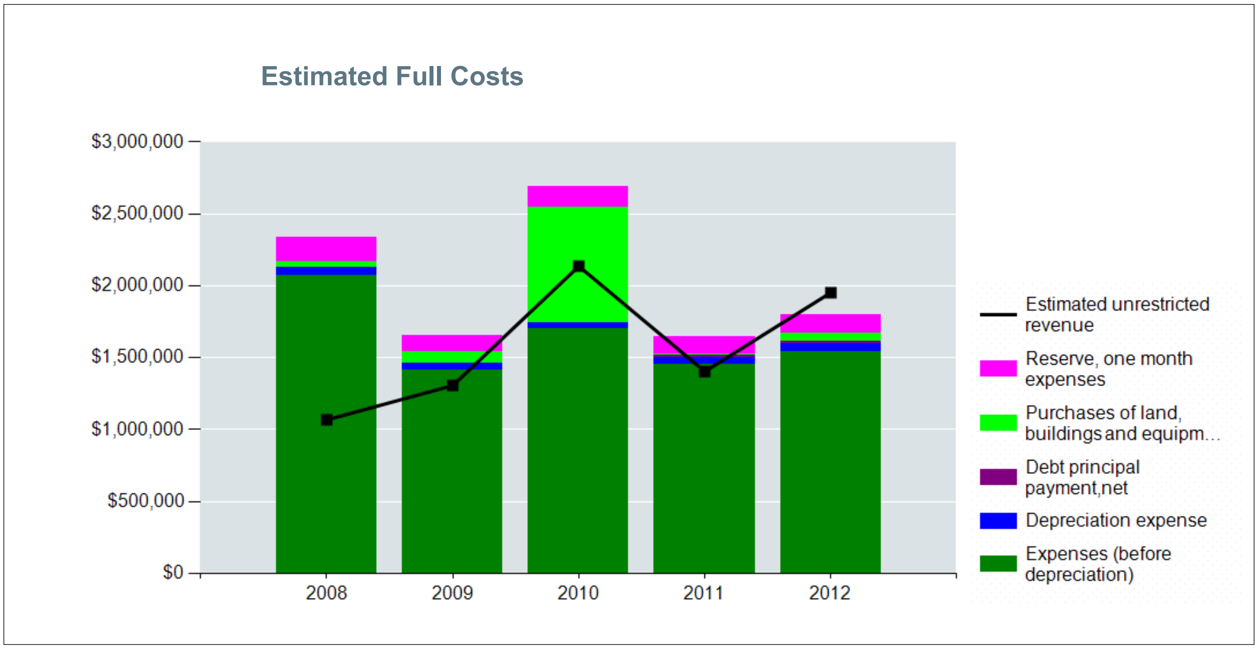
Nonprofit managers and boards need to focus on the major costs of running their operations. Often, personnel costs are the largest expense and drive overall growth or contraction. Ratios of spending among fundraising, administration and programs are not indications of an organization's social impact, and nonprofit supporters should not rely on arbitrary percentages. Instead, explore how supporting functions such as administrative costs are helping achieve desired and measurable program results. Remember, growing organizations often see indirect costs rise as they build their infrastructure ahead of new program delivery.

Technical Note: *"Additional Expenses" include any costs that the filing organization itemizes outside of the defined categories on the Form 990, as well as other expenses not included in the above five categories. These expenses may be both program and administrative in nature, and they may be substantive. Further analysis of the individual components of these expenses may be needed.*

Questions to Consider

- Which expense categories have grown or contracted significantly and why?
- Which expenses have been the most significant drivers of overall costs?
- Which expenses are fixed (i.e., cannot easily be reduced if revenue decreases) and which are flexible?

What Have Been the Estimated Full Costs of Doing Business?



This graph estimates the organization's annual full costs of doing business, which is calculated as the sum of: 1) operating expenses, 2) depreciation, 3) annual debt principal payment, 4) purchases of land, buildings and equipment, and 5) one month of cash savings (based on the expense size in the given year). The line shows whether estimated unrestricted revenue covers estimated costs.

Organizations frequently budget only to meet expenses before depreciation (bottom stacked bar). However, the items reflected in the other stacked bars can be critical for maintaining and building a healthy enterprise, supportive of mission and programs. While organizations rarely cover full costs every year, NFF encourages organizations to consider which of these items should be included in annual budgeting and fundraising planning.

Technical Note: *Because the Form 990 does not classify revenue according to restriction level, estimated unrestricted revenue is calculated as the sum of the change in unrestricted net assets and expenses. [Unrestricted Revenue-Expenses = Change in Unrestricted Net Assets]. "Debt principal payment, net" represents the overall decrease in outstanding debt principal and is calculated as: end of year debt minus beginning of the year debt.* ***For years where debt principal payment is zero in the graph above, either the debt balance increased or no debt payment was made.***

Questions to Consider

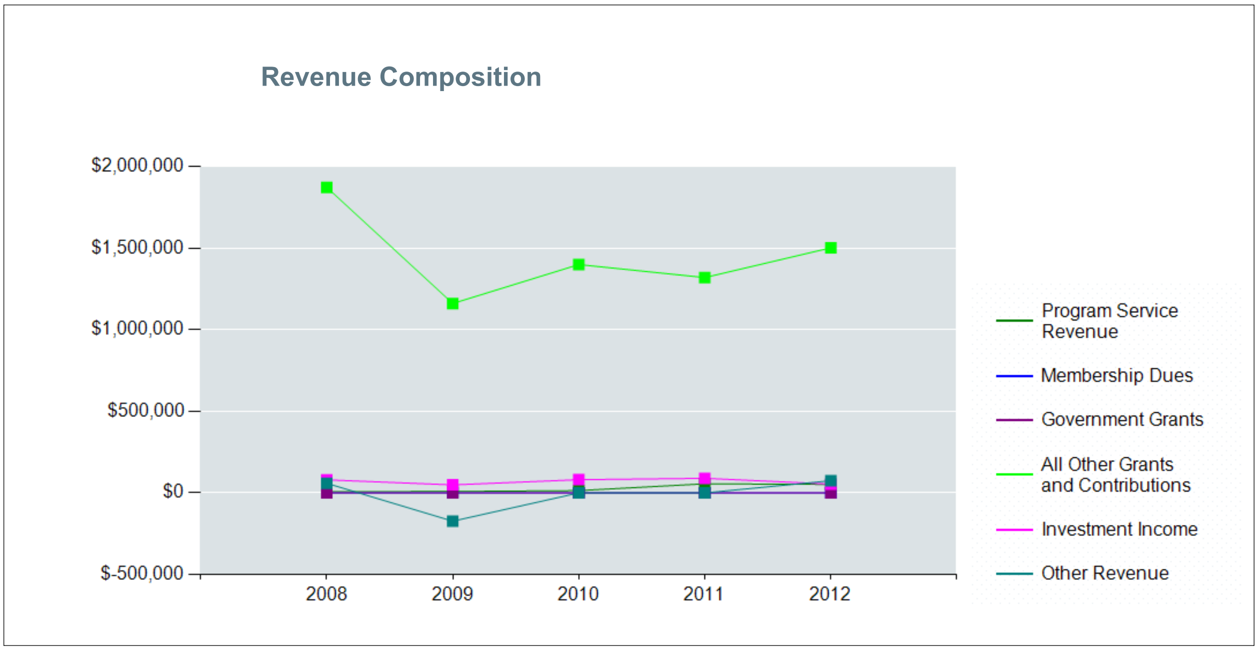
- Does the organization tend to generate enough unrestricted revenue to cover full costs, including balance sheet investments?
- Has the organization fully or partially covered depreciation annually or does it have a plan to set aside funds for future repairs and replacements of fixed assets?
- Has the organization periodically generated surplus cash to be set aside as working capital or a reserve?

Revenue Sources

NFF Perspective

The reliability, repeatability and flexibility of revenue are more important than where revenue comes from (revenue composition) and the ratio of earned vs. contributed revenue. The key is to invest in the staff and infrastructure to sustain the best revenue mix. Each type of revenue requires a different set of skills and expertise to develop. Nonprofits should evaluate their existing core competencies before pursuing a new type of revenue.

What Have Been the Major Revenue Sources?



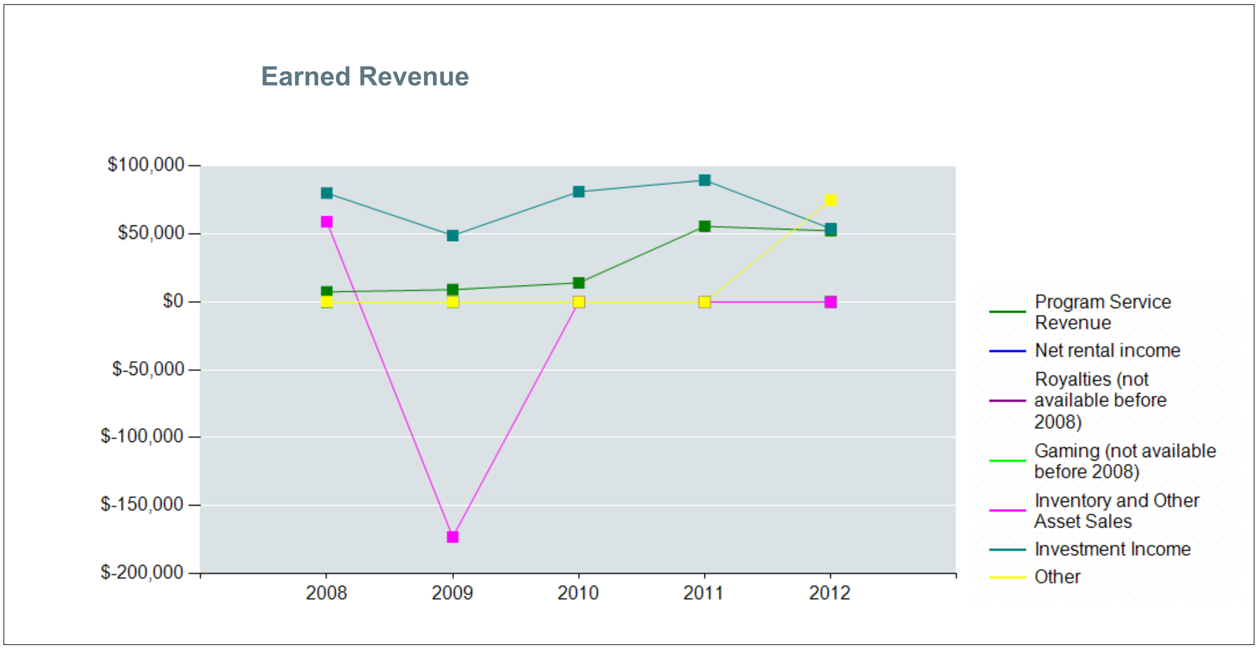
Most organizations operate best with steady, predictable revenue to cover both fixed and variable costs. Organizations, however, may experience normal volatility in revenue if programming goes through cycles where expenses fluctuate with revenue. On the contrary, unexpected swings in revenue need to be assessed for cause, with appropriate action taken to identify replacement revenue or reduce expenses. A more detailed analysis of earned and contributed revenue streams than is often available in the Form 990 can provide greater insight about the organization's supporters and paying constituents.

Technical Note: Because revenue on the Form 990 does not distinguish between restricted and unrestricted contributions, this graph may contain temporarily and permanently restricted revenue that is not available for supporting operations in the given year. Please see the FAQ for more information.

Questions to Consider

- Has the mix of revenue remained stable over time and how might it change in the future?
- Is leadership investing in future revenue-generating capacity (staff, skills, time, etc.) with potential payoff?
- If the organization has an endowment or other investments, how much income have they generated each year to support operations?

What Have Been Sources of Earned Revenue?

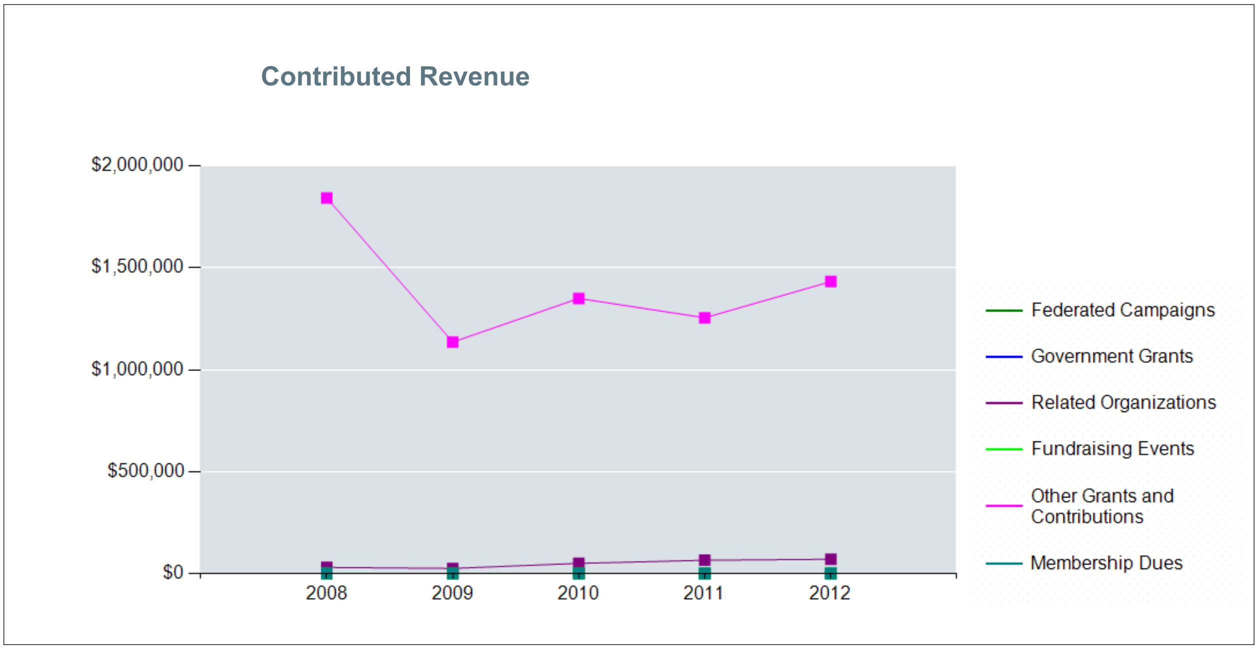


"Self-sufficiency," when earned revenue covers expenses, is rarely possible for nonprofits. Organizations often depend on a mix of reliable earned and contributed revenue. Earned revenue can be mission-related—such as tuition for classes or government contracts—or not. Nonprofits should consider whether these activities that are not central to programs—such as rentals of excess space or concession/boutique sales—are making or losing the organization money, after accounting for related costs and staff time.

Questions to Consider

- Does the organization have a clear sense of its clients' willingness and ability to pay for programs?
- Are activities appropriately priced, based on an assessment of cost and competition?
- Is the organization generating earned revenue through activities that may not be mission related and if so, do these activities fully cover their costs?

What Have Been Sources of Contributed Revenue?



Contributed revenue is composed of donated funds from individuals, foundations, corporations, and/or government agencies. Grants or donations can be unrestricted or restricted to specific programs or time periods. Unrestricted contributed income is used to cover the gap between expenses and the revenue earned through programs and other activities. This contributed “subsidy” is needed because nonprofits often provide services for which they can’t make money. As organizations grow, the gap between earned income and expenses widens. This increases the need for unrestricted contributed revenue.

Technical Note: *Because revenue on the Form 990 does not distinguish between restricted and unrestricted contributions, this graph may contain temporarily and permanently restricted revenue that is not available to support operations in a given year. Also, in the IRS Form 990, government contracts or grants where the government is not the primary beneficiary of the services provided, are considered contributed revenue. Please see the online FAQ section for more information.*

Questions to Consider

- Which revenue streams appear to have been relatively consistent and reliable over time?
- Which revenue streams may be at risk and how does the organization plan to replace them (or respond with cost cuts)?
- Is the organization able to turn down funding that might take it off course?

Profitability

NFF Perspective

Nonprofits need unrestricted surpluses to support long-term financial health, manage risk, and pursue innovation. Breaking even every year is rarely enough. Deficits mean an organization is borrowing money or depleting its cash. Consistent deficits can threaten mission and programs. Surpluses should be enough to meet annual debt obligations, make critical investments in fixed assets and contribute to savings. Some organizations have programming cycles that lead to surpluses only in certain years. They should ask whether the cash generated in surplus years is sufficient to cover the losses in deficit years, while also contributing to necessary savings.

Has the Organization Covered Its Costs?

Steady declines in unrestricted surpluses or regular deficits can indicate that leadership is not making the difficult decisions necessary to keep the organization in balance. There are times when deficits are unavoidable (in economic downturns or due to unexpected funding losses) and times when they are strategically planned with the expectation of future revenue. In either case, it is important to communicate early and clearly the reasons for deficits.

Technical Note: *The revenue reported in the IRS Form 990 includes operating and non-operating revenue and donor restricted revenue. Because some of this revenue may be unavailable for use in a given year or earmarked for capital purposes, the surplus or deficit line on the Form 990 (calculated as total revenue less expenses) may be misleading as a definitive measure of operating performance. In this report, NFF therefore uses the change in unrestricted net assets –which is calculated from the balance sheet and excludes restricted funds—to calculate surplus or deficit.We are unable to remove non-operating funds, such as gains/losses on an investment portfolio or unrestricted revenue associated with a capital project, because they are not specified in the Form 990.*

Questions to Consider

- How consistent have unrestricted surpluses (or deficits) been over time?
- Have results been improving or getting worse?
- Does the organization manage to regular surpluses in anticipation of future challenges and opportunities?

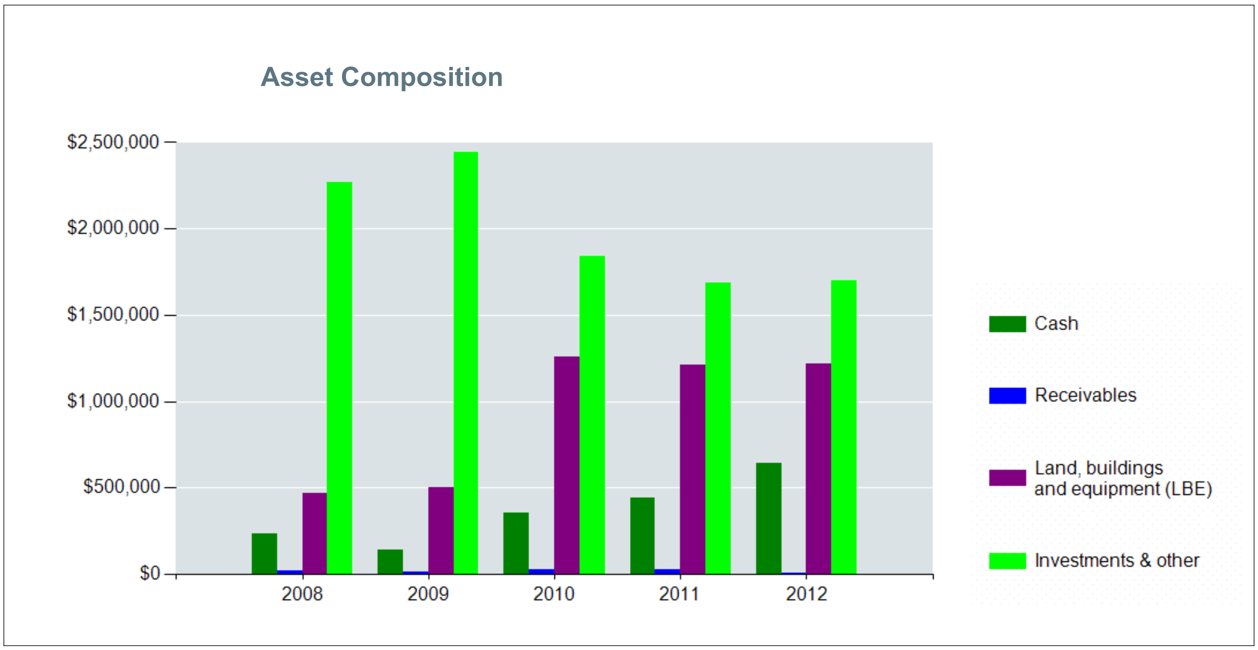
Balance Sheet Composition

NFF Perspective

The balance sheet, also known in the nonprofit sector as the Statement of Financial Position, reveals an organization's ability to manage risk and pursue growth or other opportunities. It is a summary of an organization's financial condition at a specific point in time—in the case of this report, each fiscal year end. The balance sheet includes an organization's assets (what it owns), liabilities (what it owes to others) and net assets (net worth). A strong balance sheet has enough accessible cash to withstand seasonal fluctuations in cash flow, maintain and upgrade fixed assets, repay short- and long- term obligations, and save for future strategies and innovations.

The balance sheet is directly impacted by annual operating surpluses or deficits. Each year that ends with an operating surplus will increase net assets, while each deficit year will decrease net assets. If an organization does not generate revenue to cover its expenses, it will need to find the funds somewhere—often by depleting existing cash, extending payables or maxing out a line of credit.

How Has Asset Distribution Changed Over Time?

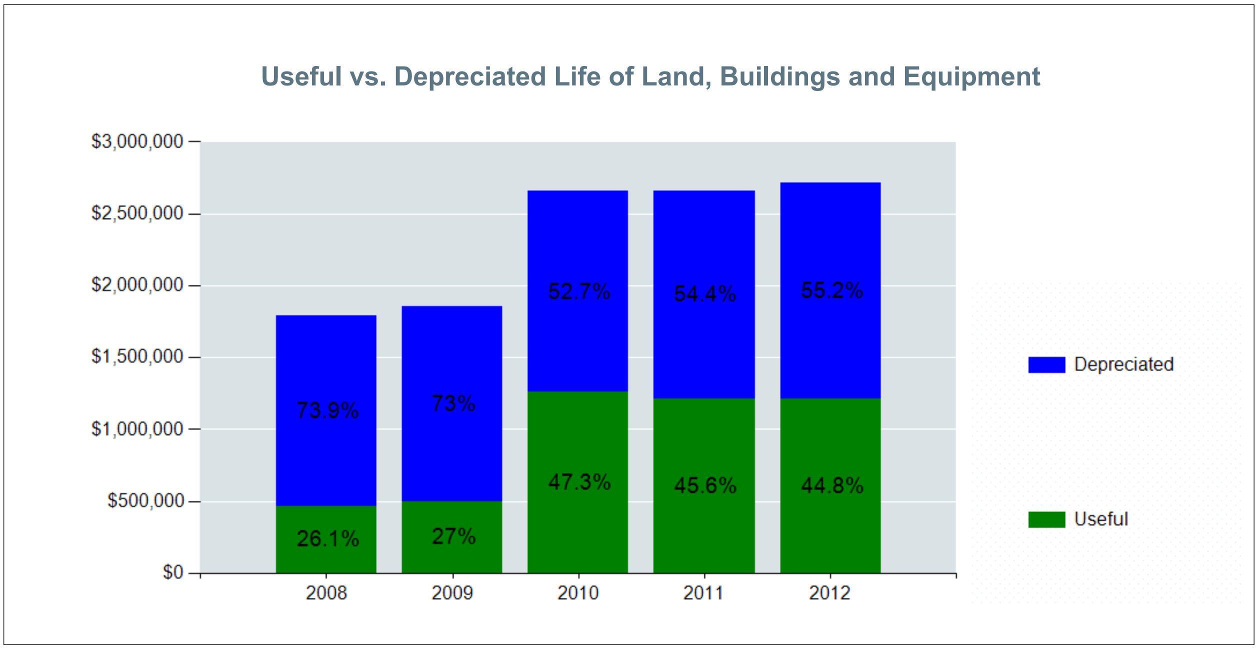


Assets often influence business decisions and liquidity. Organizations with significant land, buildings and equipment (LBE) and/or receivables often need more cash than those with simpler asset structures. As organizations grow, their balance sheets often become more complex. It is important to understand the terms of any donor-imposed restrictions on cash, receivables and investments, as they can limit the availability of funds.

Questions to Consider

- What assets does the organization require to support its mission and does the current distribution meet these needs?
- Does the organization's mission require that it own a "home" or could leadership explore other space alternatives?
- If receivables are significant, how readily do they convert into cash? Can they be collected faster?
- Does the organization have adequate cash and/or liquid investments to manage the seasonality of cash flow and save for a rainy day? If not, what is its strategy to address liquidity constraints?

Does the Organization Own Land, Buildings and Equipment?



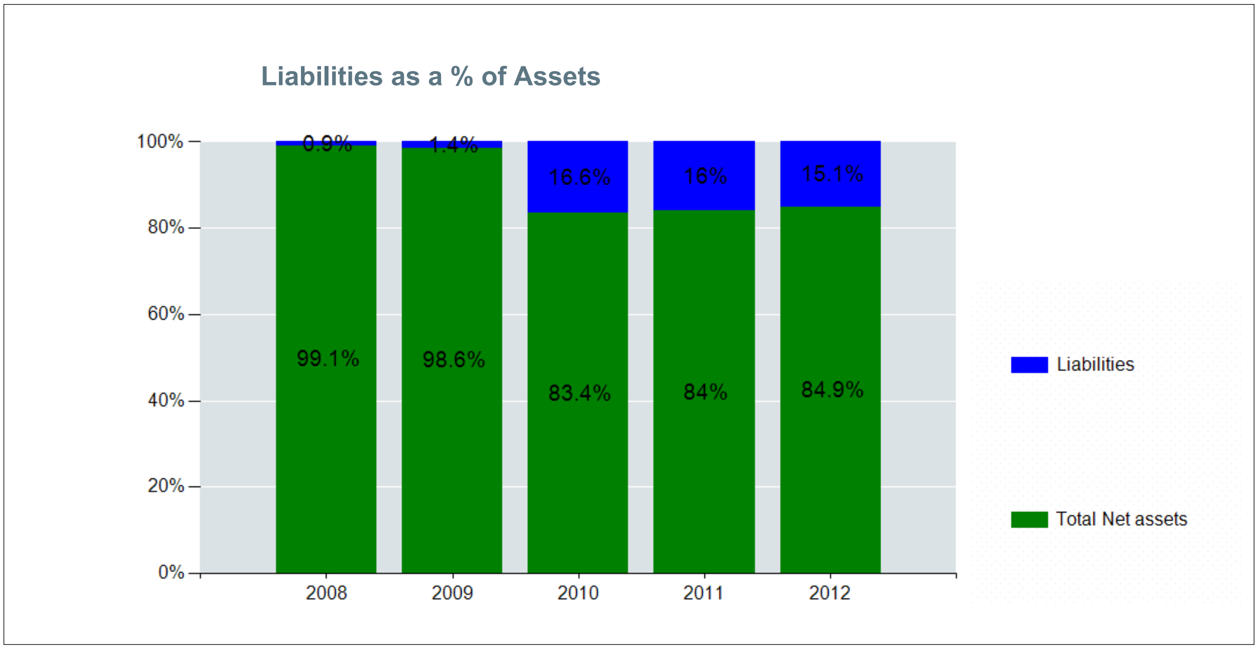
The sum of each green and blue column represents the total land, buildings and equipment ("LBE"), or fixed assets, at their historical acquisition costs. For example, if a nonprofit bought a building for $100,000 and over time the market value appreciated to $120,000, the building would remain on the books at $100,000. (Accounting differs from market value, which is educated speculation until property is sold.) The blue bars represent an accounting estimate of the accumulated wear and tear on fixed assets.

A more accurate estimate of accumulated depreciation (blue bar) can be obtained through professional assessment (i.e., from an engineer). High accumulated depreciation suggests postponed facility repairs and systems replacements. Some nonprofits choose to set aside surpluses in order to replace fixed assets when the time comes. Others pursue periodic capital campaigns. If the organization's leadership does not prioritize raising and setting aside funds for fixed assets, program effectiveness and constituents' safety may be at risk.

Questions to Consider

- What has been the wear and tear on the organization's fixed assets over time?
- If mission considerations make property ownership the best option, how will leadership secure and set aside cash to pay for replacements and upgrades?
- How will new fixed assets impact regular operations? What will be the additional ongoing costs that require new sources of revenue?

How Have Assets Been Financed?



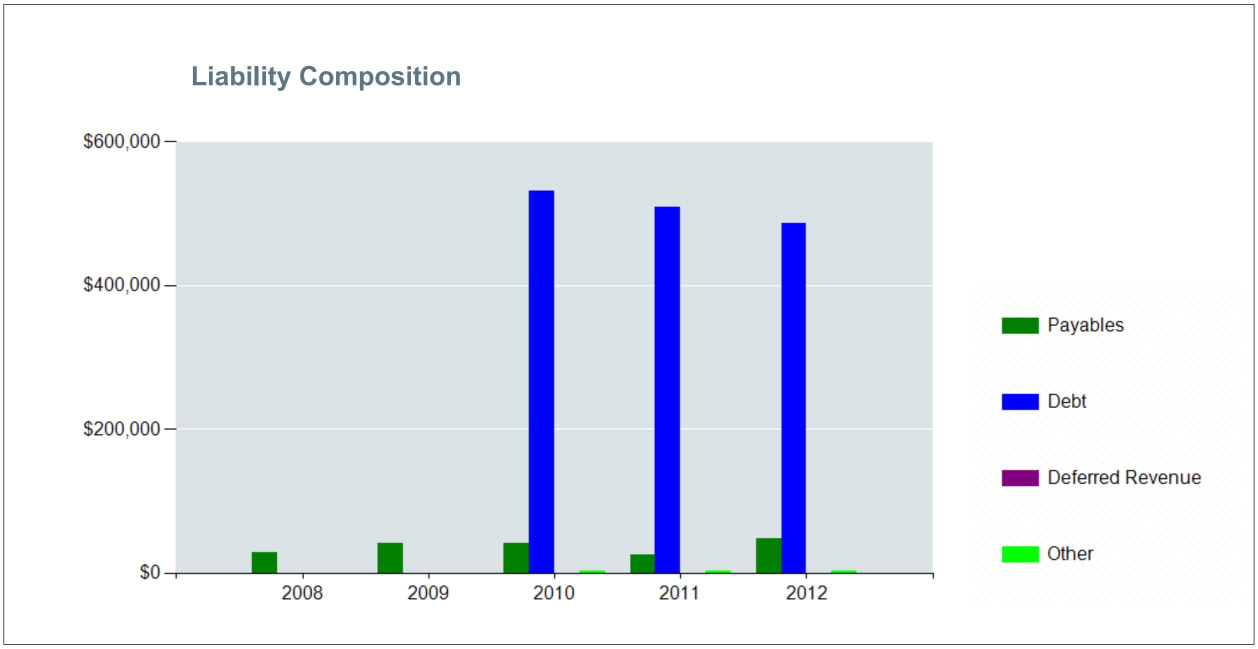
This graph shows the percentage of assets owed to others (blue bar), versus those that are wholly owned and clear of obligations (green bar). If liabilities as a percent of assets exceed 100%, the organization has negative net assets, meaning it owes to others more than it owns in assets.

When managed properly, liabilities can be an essential element of an organization's financial structure. However, they need to be repaid in a timely manner. Special attention should be paid to a situation of steadily increasing liabilities or obligations exceeding 50% of assets.

Questions to Consider

- If liabilities have been significant and/or growing, what are the organization's plans to reduce them over time?
- If the organization has significant fixed assets, have they been financed by debt, and, if so, what is the plan to repay obligations and/or borrow again?
- Will any growth plans require the organization to take on new debts?

How Has the Distribution of Liabilities Changed Over Time?

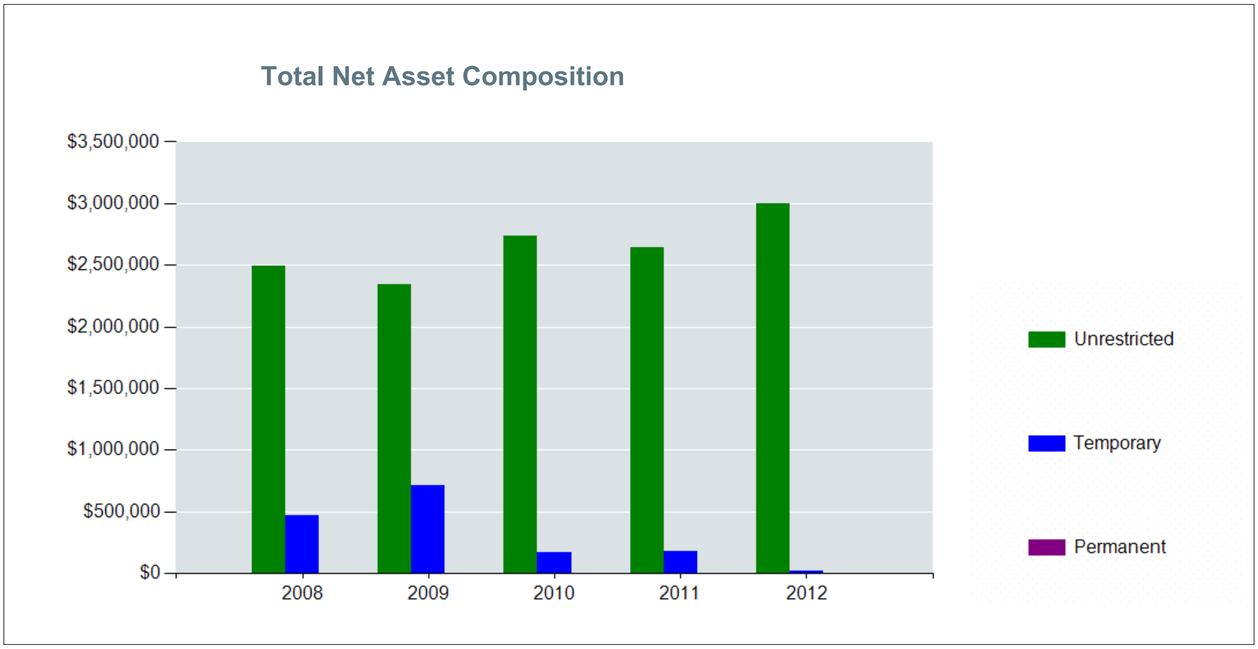


Debt can be used as a temporary source of capital, to manage cash flow or finance fixed assets. Organizations that borrow need to understand the size of annual surpluses required each year to repay borrowed funds over the life of the loan. Organizations that delay payments to vendors (payables) and/or spend cash in advance of service delivery (deferred revenue) on an unrelated purpose may be jeopardizing relationships with important suppliers or constituents.

Questions to Consider

- Has the organization delayed payables, incurred unplanned debt, or inappropriately spent deferred revenue as a way of accessing cash to fund operations?
- If the organization has debt, what is the impact of annual debt service on cash flow?
- What is the nonprofit's strategy to reduce payables or accrued expenses that are too high?

What Has Been the Composition of Net Assets?



There are two main types of donor-restricted funds: temporary and permanent. Both can limit the flexibility of an organization's net worth. Temporarily restricted net assets are restricted to specific uses or for a particular period of time; they become unrestricted when the designated purpose is satisfied or period is over. Temporarily restricted net assets are most useful when they can be released in a timely fashion and cover the full costs of particular programs or projects. Permanently restricted net assets are commonly endowments but may also be historic buildings or land trusts. Unrestricted net assets have no restrictions but may not be liquid and readily available for operations. To estimate unrestricted liquid net assets (ULNA): ULNA= Unrestricted Net Assets – (Fixed Assets –Mortgage or Equipment Loans). You are subtracting out the "home equity" portion of the organization's unrestricted net worth.

Questions to Consider

- What portion of unrestricted net assets has been liquid and available for operations, as opposed to invested in land, buildings and equipment?
- What portion of temporarily restricted net assets is not available within the year for program delivery and operations? Does the organization have any ability to negotiate the terms of restricted funds?
- Does the organization have a permanently restricted endowment and, if so, what percent of the annual operating budget has its interest typically covered?

Liquidity

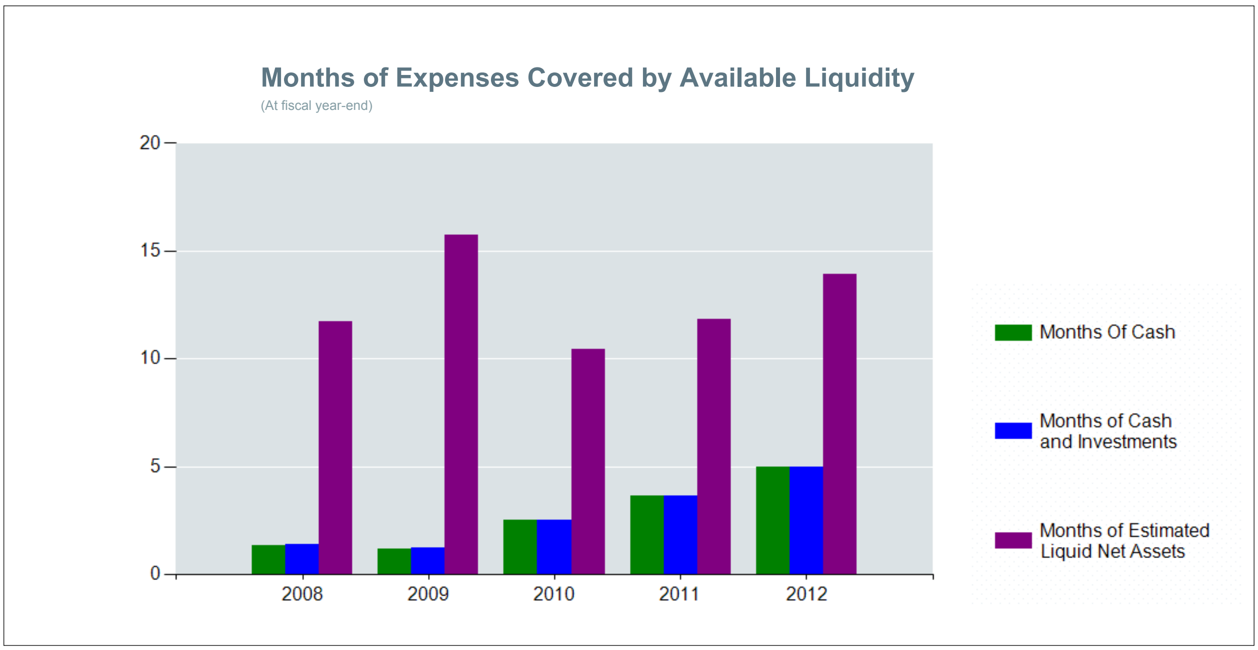
NFF Perspective

Liquidity represents cash or assets readily convertible to cash. Organizations require liquidity to manage the uneven timing of cash flow, cope with the unexpected, and take program and operational risks.

There is no “right” amount of liquidity. Organizations need more or less depending on multiple considerations, such as: stage of development, facility needs, predictability of revenue streams, and strategic goals. Liquidity can also vary from month to month depending on the cyclicality of the business. Organizations with surplus cash often make the sound choice to set aside a portion of these funds into one or more unrestricted boarddesignated reserves, with policies governing the use and replenishment of funds. While operating with no reserves may signal neediness, it can be a risky and unstable management strategy.

Risk means not having cash when you need it!

Has the Organization Had Adequate Access to Cash?



Several indicators are used in this report to assess appropriateness of liquidity. These metrics are presented here in terms of how many months of expense coverage they provide at fiscal year end. “Months of cash and investments”, for example, measures how long an organization can operate with existing cash and investments at current expense levels.

Determining liquidity is often complex for nonprofits. Receivables can take longer than usual to collect. Cash and investments are often restricted by donors, creating the impression that a nonprofit is flush, when it may be dealing with a cash crunch. (Investments, in particular, may represent a permanently restricted endowment, where the corpus cannot be spent.) In contrast, unrestricted liquid net assets (Unrestricted Net Assets – [Fixed Assets –Mortgage or Equipment Loans]) can be spent for any purpose. IRS Forms 990 do not require nonprofits to report reserves, so they will typically appear in cash or investments and unrestricted net assets.

Technical Note: Not all unrestricted net assets are liquid and available for meeting operating needs. Months of liquid net assets represent the portion of unrestricted net assets that are not concentrated in fixed assets. This metric is calculated as unrestricted net assets minus "ownership" of fixed assets. Ownership is estimated as: unrestricted land, buildings and equipment (LBE), net of associated debt and accumulated depreciation. For the purpose of this report, all secured debt up to the value of net LBE is assumed to represent financing of fixed assets. The graph may not accurately represent an organization's liquid net assets IF one or more of the following is true: 1) fixed assets are donor restricted, 2) most secured debt is for operating purposes rather than for the purchase of LBE, 3) most unsecured debt is actually LBE-related.

Questions to Consider

- What liquidity is available to manage cash flow cycles, handle the unexpected and respond to future opportunities?
- If cash has been tight, how does the leadership plan to address this in the future?
- If the organization has a line of credit, has it been used properly as a tool to manage cash flow, as opposed to as a source of cash to cover deficits?
- Has the leadership considered establishing and fundraising for one or more unrestricted board-designated reserves with policies governing use and replenishment?

Definitions of Key Terms

A

Accounts payable and accrued expenses: Accounts payable are monies owed to suppliers and/or vendors for goods or services purchased. Accrued expenses, commonly accrued salaries, are costs incurred during an accounting period for which cash payment is postponed until a later period.

Calculation: Balance Sheet, Line 17 (Accounts payable and accrued expenses) + Line 18 (Grants payable)

Accumulated depreciation (% of LBE): An accounting estimate of how much wear and tear fixed assets have experienced relative to historical acquisition cost. A high percentage of accumulated depreciation can suggest deferred repair and replacement needs.

Calculation: Balance Sheet, Line 10b (Less: accumulated depreciation) / Line 10a (Land, buildings, and equipment)

Additional expense: For the purposes of this report, this expense category includes several expense line items and appears in the “Major Expense Categories” graph.

Calculation: Statement of Functional Expenses, Sum of Lines 12 (Advertising), 13 (Office expenses), 14 (Information technology), 15 (Royalties), 17 (Travel), 18 (Payments of travel or entertainment), 19 (Conferences, conventions), 21 (Payments to affiliates), 23 (Insurance), 24a, b, c, d, e, f (Other expenses)

All other grants and contributions: For the purposes of this report, includes: support from federated campaigns (such as United Way), foundations, individuals, corporations, fundraising events (net of expenses) and other related organizations. May include restricted funds received for future years, and therefore not accurately represent revenue available for use in the given year. May also include funds not intended for operations, e.g., capital campaign dollars for a facility project or an endowment.

Calculation: Statement of Revenue, Sum of Lines 1a (Federated campaigns), 1c (Fundraising events), 1d (Related organizations), 1f (All other contributions), 8c (Net income from fundraising events)

Assets: An item of current or future economic benefit to an organization. Examples include: cash, short-term investments, accounts receivable, grants receivable, inventories, prepaid expenses, buildings, furniture, equipment, vehicles, and long-term investments.

Balance Sheet, Lines 1-16

B

Balance Sheet: Also known as the Statement of Financial Position, this financial statement reveals an organization’s ability to manage risk and pursue opportunities. It is a snapshot of an organization’s financial condition at a specific point in time and is comprised of assets, liabilities and net assets.

Note: All calculations shown in this document are derived from the latest IRS Form 990, implemented in 2008. Unless otherwise indicated in calculations, all Balance Sheet items are end of year figures.

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Business Model: Represents how an organization makes and spends money, in service of its mission.

C

Capacity: The human resources and infrastructure that support an organization's programs and operations. Capacity is comprised of staff, their expertise, technology, space, internal processes, organizational knowledge, etc.

Capacity: The financial resources deployed for building or changing an organization's capacity or financial structure (e.g., working capital, risk & opportunity capital, change capital, facilities & equipment capital, and endowment or investment reserves).

Cash: Includes amounts held as "petty cash", and in interest bearing and non-interest bearing accounts at banks, temporary cash investments (e.g., money market or certificate of deposit accounts), and government obligations that will mature within 12 months.

> Calculation: Balance Sheet, Line 1 (Cash) + Line 2 (Savings)

Cash flow: The timing of cash inflows (sources of cash) and outflows (uses of cash).

Change in unrestricted net assets after depreciation: Calculated from the balance sheet, one measure of the unrestricted surplus or deficit after depreciation. Depreciation is a non-cash expense, which, for property owners, can be sizable. It is important for organizations to aim for surpluses that exceed their expenses including depreciation. Changes in unrestricted net assets may not always reflect the amount available for operations if non-operating items, such as capital campaign contributions released from restriction and gains/losses on investments, are present.

> Calculation: Balance Sheet, Line 27B (Unrestricted net assets, end of year) – Line 27A (Unrestricted net assets, beginning of year)
>
> As % of expenses: The unrestricted surplus/deficit relative to expenses, inclusive of depreciation. Calculation: [Balance Sheet, Line 27B (Unrestricted net assets, end of year) – Line 27A (Unrestricted net assets, beginning of year)] / Statement of Functional Expenses Line 25A (Total functional expenses)

Change in unrestricted net assets before depreciation: Same as above but calculated before annual depreciation expense.

> Calculation: Balance Sheet, Line 27B (Unrestricted net assets, end of year) – Line 27A (Unrestricted net assets, beginning of year) + Statement of Functional Expenses, Line 22A (Depreciation)
>
> As % of expenses: The unrestricted surplus/deficit relative to expenses, exclusive of depreciation. Calculation: [Balance Sheet, Line 27B (Unrestricted net assets, end of year) – Line 27A (Unrestricted net assets, beginning of year) + Statement of Functional Expenses, Line 22A (Depreciation)] / [Statement of Functional Expenses, Line 25A (Total functional expenses) – Line 22A (Depreciation)]

Contributed revenue: Donations and grants received from individuals, foundations, corporations, and/or government agencies. Contributed revenue may be unrestricted, temporarily restricted or permanently restricted by the donor.

> Statement of Revenue, Lines 1a – 1h, 8c

D

Debt: An amount owed to an outside entity for money borrowed. Debt can be represented by a promissory note, bond, mortgage or other form stating repayment terms and interest requirements. Debt may or may not be secured by a pledge of assets.

> Calculation: Balance Sheet, Sum of Lines 20 (Tax-exempt bond liabilities), 23 (Secured mortgages), 24 (Unsecured notes and loans)

Debt principal payment, net: The principal portion of loan payments made during a year. Estimated as the difference between beginning and end of year debt. For the purposes of the "Estimated Full Costs" graph in this report, a value only appears if the organization shows a net decrease in debt in a given year.

Calculation: Balance Sheet, [Sum of Lines 20 (Tax exempt bond liabilities, beginning of year), 23 (Secured mortgages, beginning of year), 24 (Unsecured notes, beginning of year)] – [Sum of Lines 20 (Tax exempt bond liabilities, end of year), 23 (Secured mortgages, end of year), 24 (Unsecured notes, end of year)]

Deferred revenue: A liability associated with upfront cash payment for a program or service that has not yet been delivered (e.g., subscription purchase for future performances or tuition for a future academic period). This situation creates an obligation, and thus a liability, for an organization to provide services in the future.

Balance Sheet, Line 19

Depreciation: An accounting estimate of the general wear and tear of land, buildings, equipment or other fixed assets over a defined useful life. Depreciation is an imperfect proxy for how much an organization should save each year for the future repair and replacement of fixed assets. Depreciation is based on the cost of fixed assets when they were obtained by an organization; the replacement cost of those items may be greater or less than the original acquisition cost. As such, the amount an organization should save each year to fund true repair and replacement costs will likely differ from annual depreciation expense.

Statement of Functional Expenses, Line 22

E

Earned revenue: Income received by an organization in direct exchange for its products or services (e.g., ticket sales, subscriptions, memberships, tuition, and/or performance-based government contracts).

Statement of Revenue, Lines 2a -2g, 3, 4, 5, 6d, 7d, 9c, 10c, 11e

Estimated unrestricted revenue: Estimate of funds received as unrestricted or released from temporary restriction. While this estimate excludes permanently restricted and temporarily restricted revenue, it may still include non-operating/one-time/episodic sources of income (such as revenue released from a capital campaign, realized/unrealized investment gains and losses, gains from sale of property, and/or other extraordinary items).

Calculation: [Balance Sheet, Line 27B (Unrestricted net assets, end of year) – Line 27A (Unrestricted net assets, beginning of year)] + Statement of Functional Expenses, Line 25 (Total functional expenses)

Expenses before depreciation: The annual costs of running operations and programming. Depreciation, an accounting estimate of the general wear and tear of land, buildings, equipment or other fixed assets over a defined useful life, is excluded because it is a non-cash expense. It remains important for organizations to plan for the maintenance and replacement of depreciated fixed assets.

Calculation: Statement of Functional Expenses, Line 25A (Total functional expenses) – Line 22A (Depreciation)

F

Federated Campaigns: Contributions received indirectly from fundraising solicitations of federated fundraising organizations and other similar fundraising organizations (e.g., United Way). Federated fundraising agencies normally conduct campaigns within a single region and allocate part of the net proceeds to each participating organization on the basis of donors' individual designations and other factors.

Statement of Revenue, Line 1a

Fixed assets: The physical assets owned by an organization (e.g., a facility, major building systems, leasehold improvements, production sets, etc.). Also known as property, plant, and equipment or land, buildings, and equipment in accounting terminology.

Balance Sheet, Line 10a

Fundraising events: Contributions received from fundraising events, such as dinners, auctions, galas, etc. This figure is net of event-related expenses.

Calculation: Statement of Revenue, Line 1c (Fundraising events) + Line 8c (Net income or (loss) from fundraising events)

G

Gaming: Net income from gaming activity (e.g., bingo, Las Vegas nights, raffles, etc.). Please see the Form 990 Instructions for specifics of what qualifies as a gaming activity.

Statement of Revenue, Line 9c

Government grants: Government revenue, whether from local, state, federal or foreign government units, is considered contributed if the primary beneficiary of services provided is the public, rather than the government unit itself. Most government contracts should be booked under government grants since the beneficiary is the general public. However, it is not uncommon for nonprofits to book contracts as program services revenue.

Statement of Revenue, Line 1e

Gross land, buildings and equipment (LBE): Often called fixed assets, the physical items an organization owns (e.g., property, building, equipment, improvements). These are represented on a gross basis, before deducting accumulated depreciation, at the historical cost that an organization initially paid to obtain them or the estimated value at the time property was donated.

Balance Sheet, Line 10a

Growth rate: In this report, all growth rates are calculated as year over year changes.

Calculation Example: (Year 2 Value / Year 1 Value) - 1

I

Income Statement: This financial statement summarizes revenue and expenses during an accounting period (typically a 12-month time period). It is also known as the Statement of Activities or profit and loss statement.

Interest expense: The interest portion of loan payments – does not include payments of loan principal.

Statement of Functional Expenses, Line 20

Inventory and other asset sales: Net income from sales of inventory (for organizations that are not hospitals, colleges or universities) and other assets (e.g., gains/losses from sale of property and investments).

Calculation: Statement of Revenue, Line 7d (Net gain or (loss)) + Line 10c (Net income of (loss) from sales of inventory)

Investment income: Interest and dividend income from equity, debt and bond securities. Excludes realized and unrealized gains and losses on investments.

Calculation: Statement of Revenue, Line 3 (Investment income) + Line 4 (Income from investment of tax-exempt bond proceeds)

Investments: Public and other securities (such as stocks, bonds, treasury bills, mutual funds, and other vehicles for earning a financial return), as well as program-related investments (such as student loans or notes receivable from other nonprofits in the service of the organization's mission).

Calculation: Balance Sheet, Sum of Lines 11 (Investments – publicly traded), 12 (Investments – other securities), and 13 (Investments – program-related)

Investments and other: Securities, program-related investments and other miscellaneous assets, such as prepaid expenses and inventory. This asset category contains several Form 990 line items for the purposes of this report and can be found on the "Asset Composition" graph.

Calculation: Balance Sheet, Sum of Lines 8 (Inventories), 9 (Prepaid expenses), 11 (Investments – publicly traded), 12 (Investments – other securities), 13 (Investments – program-related), 14 (Intangible assets), 15 (Other assets)

L

Land, buildings and equipment (LBE): Ownership of fixed assets, the physical items an organization owns (e.g., property, building, equipment, improvements), net of accumulated depreciation. Fixed assets are represented at the historical cost that an organization initially paid to obtain them or the estimated value at the time property was donated

Balance Sheet, Line 10c

Liabilities: Debts and/or obligations owed by an organization, or claims against its assets (e.g., accounts payable, accrued salaries and benefits, accrued payroll taxes, deferred revenue, current and long-term debt).

Balance Sheet, Lines 17 – 26

Liabilities as a % of Assets: The percentage of what an organization owns that is owed to vendors, financial institutions and/or other third parties.

Calculation: Balance Sheet, Line 26 (Total liabilities) / Line 16 (Total assets)

Line of credit: A loan in which a lender allows advances up to a specific amount over a specific period of time until the maturity date. Usually revolving, meaning amounts repaid can be re-borrowed up to the total committed amount and/or the limitations of a borrowing base.

Liquidity: Refers to how much cash and short-term investments (such as money markets and CDs) an organization has available.

M

Median: The middle value in a set of values arranged in numerical order, such that there is an equal probability of falling above or below it.

Membership dues: The portion of a charge for organizational membership that is not given in exchange for any goods or services. For example, a theater provides a donor with two tickets worth $50 for a $75 membership. Only $25 would be recognized in this line item.

Statement of Revenue, Line 1b

Months of cash: Measures how long an organization can operate solely on existing cash at current expense levels. Some cash may be restricted by donors for future years or purposes and limited in availability. A portion of temporarily restricted cash, however, may be available in the following fiscal year to deliver programs. Only a conversation with management can clarify what is available and when. Months of cash is calculated as end of year cash balance divided by monthly expenses (excluding depreciation).

Calculation: [Balance Sheet, Line 1 (Cash) + Line 2 (Savings)] / [(Statement of Functional Expenses,Line 25A (Total functional expenses) – Line 22A (Depreciation)) / 12 (months)]

Months of cash and investments: Measures how long an organization could operate solely on existing cash and investments at current expense levels. Cash and investments may be temporarily or permanently restricted by donors and therefore, not readily converted to cash. Months of cash and investments is calculated as end of year cash and investment balances divided by monthly expenses (excluding depreciation).

Calculation: [Balance Sheet: Sum of Lines 1 (Cash), 2 (Savings), 11(Investments – publicly traded),12 (Investments – other securities), 13 (Investments – program-related)] / [(Statement of Functional Expenses, Line 25A (Total functional expenses) – Line 22A (Depreciation)) / 12 (months)]

Months of estimated unrestricted liquid net assets: Unrestricted liquid net assets represent the portion of unrestricted net assets exclusive of any ownership of land, buildings, equipment or other fixed assets (net of associated debt). Generally includes a combination of cash, receivables, and prepaid expenses net of liabilities. As one measure of liquidity, it represents flexible funds available to support operations. Months of estimated unrestricted liquid net assets is calculated as unrestricted liquid net assets divided by monthly expenses (excluding depreciation).This number is estimated due to assumptions made about the nature of debt reported in the Form 990. For more details, please see the Technical Note on the Liquidity Graphs page.

Calculation: [Balance Sheet, Line 27 (Unrestricted net assets) – (Line 10c (Land, buildings, and equipment) – Line 23 (Secured mortgages) – Line 20 (Tax-exempt bond))] / [(Statement of Functional Expenses, Line 25A (Total functional expenses) – Line 22A (Depreciation)) / 12 (months)]

N

Net assets: The difference between total assets and total liabilities, effectively an organization's net worth. Net assets are categorized as unrestricted, temporarily restricted, or permanently restricted, based on donor intent.

Balance Sheet, Lines 27 – 34

Net rental income: Revenue received from investment property that is unrelated to a nonprofit's exempt function. A nonprofit whose exempt purpose is to provide low-cost rental housing to lower-income families would report rental income as "program service revenue," not "net rental income.

Statement of Revenue, Line 6d

Non-operating revenue: Revenue not directly related to an organization's program or other main activities. May include capital campaign grants, gains/losses in the investment portfolio, and one-time or extraordinary transactions, such as the sale or write-off of assets. May also include dollars passed through to another organization (e.g., re-grant funds).

O

Occupancy expenses: All costs relating to the rent, utilities, insurance and maintenance of square footage occupied. Does not include periodic capital improvements to property (leased or owned), which would be capitalized on the balance sheet.

Statement of Functional Expenses, Line 16

Operating revenue: Describes unrestricted revenue received and deployed to sustain day-to-day activity. Excludes capital or revenue received for non-operating purposes.

Other contributions: For the purposes of this report, this revenue category includes contributions, gifts and grants not included in other contributed revenue line items, and appears in the “Contributed Revenue” graph.

Statement of Revenue, Line 1f

Other earned revenue: For the purposes of this report, this revenue category includes miscellaneous revenue not included in other earned revenue line items, and appears in the “Earned Revenue” graph.

Statement of Revenue, Line 11e

Other liabilities: For the purposes of this report, this liability category includes several liability line items not included elsewhere, and appears in the “Liability Composition” graph.

Calculation: Balance Sheet, Sum of Lines 21 (Escrow account liability), 22 (Payables to current and former officers, etc.), 25 (Other liabilities)

Other revenue: For the purposes of this report, this category includes rental income, royalties, gaming, gains/losses on sales of assets and investments, sales of inventory items, and miscellaneous revenue.

Calculation: Statement of Revenue, Sum of Lines 5 (Royalties), 6d (Net gain or loss, Gross Rents), 7c(I) (Gain or loss, Securities), 7c(II) (Gain or loss, Other), 9c (Net income or (loss) from gaming), 10c (Net income or (loss) from sales of inventory), 11e (Total miscellaneous revenue)

P

Pass-through expenses: Funds either spent on behalf of, or passed through to, a secondary recipient.

Statement of Functional Expenses, Lines 1-4

Permanently restricted net assets: Funds with donor-imposed stipulations requiring that the principal balance never be spent. Typically represents an endowment where some or all of the investment earnings are available for specific or general operations. May also represent a land trust or historical building.

Balance Sheet, Line 29

Personnel: Personnel expenses include salaries, payroll taxes and benefits. This category generally excludes costs associated with contract personnel, but will depend on how the nonprofit filled out the Form 990.

Calculation: Statement of Functional Expenses, Sum of Line 5 (Compensation of current), 6 (Compensation not included),7 (Other salaries and wages), 8 (Pension plan contributions), 9 (Other employee benefits), 10 (Payroll taxes)

Professional fees: All contract professionals, such as teachers, artists, musicians, lawyers, accountants, architects, who do not have their taxes withheld by an organization or receive benefits.

Calculation: Statement of Functional Expenses, Sum of Lines 11a (Management), 11b (Legal), 11c(Accounting), 11d (Lobbying), 11e (Professional fundraising), 11f (Investment mgmt.), 11g (Other)

Program service revenue: Funds received by an organization in exchange for providing the services for which it received tax-exemption (e.g., tuition, fees, or admissions). Government revenue is considered program service revenue if the government, rather than the public, is the primary beneficiary of the services. Most government contracts should be booked under government grants since the beneficiary is the general public. However, it is not uncommon for nonprofits to book contracts as program services revenue. Medicare and Medicaid payments should be considered program services revenue since the insurance coverage is with the individual who contracts with the nonprofit organization for service. May also include earned revenue from sales of inventory for hospitals, colleges and universities only and revenue from certain unrelated trade and business activities.

Statement of Revenue, Line 2g

R

Receivables: Funds owed to an organization for goods and services it has provided or that have been committed as a grant or donation. While booked as revenue, the cash has not yet been received. May also include loans receivable (i.e., loans made to other parties).

Calculation: Balance Sheet, Sum of Lines 3 (Pledges and grants receivable), 4 (Accounts receivable),5 (Receivables from current and former), 6 (Receivables from other), 7 (Notes and loans receivable)

Related organizations: Contributions received from organizations that stand in a parent/subsidiary, brother/sister or supporting/supported organization relationship (e.g., a national organization provided a grant to a local affiliate).

Statement of Revenue, Line 1d

Reliable revenue: An estimate of the amounts of earned and contributed revenue with a track record of recurrence. For example, the amounts of ticket sales, membership or tuition income that have been generated consistently over three to five years.

Reserves: Money set aside to pay for anticipated future activities. Reserves can be established for many purposes, including: emergencies/rainy days, capital improvement and building replacement needs, future investments, and general operations.

Revenue: Payments for services, donations from individuals, foundations and corporations, support and contract payments from government agencies, income from fundraising activities, and investments.

Royalties: Payments received by an organization for ongoing use of its property by others. Typically, royalties are related to intellectual property, such as patents and trademarks.

Statement of Revenue, Line 5

S

SFAS (Statement of Financial Accounting Standards) 117: This Statement establishes standards for the external financial statements provided by a nonprofit organization. In addition to requiring that all nonprofits provide a statement of financial position (balance sheet), statement of activities (income statement), and statement of cash flows, it also requires the classification of an organization's net assets, revenue, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets--permanently restricted, temporarily restricted, and unrestricted--be displayed in the statement of financial position and that the amounts of change in each class of net assets be displayed in the statement of activities. Organizations that follow SFAS 117 indicate as much between lines 26 and 27 of Balance Sheet section on the IRS Form 990.

T

Temporarily restricted net assets: Net assets with donor-imposed restrictions governing the timing or purpose of their expenditure. Once these terms are satisfied, the funds are released from restriction to pay for associated expenses.

Balance Sheet, Line 28

U

Unrestricted liquid net assets: The portion of unrestricted net assets exclusive of any ownership of land, buildings, equipment or other fixed assets (net of associated debt). Generally includes a combination of cash, receivables, and prepaid expenses net of liabilities. As one measure of liquidity, it represents flexible funds available to support operations. This number is estimated due to assumptions made about the nature of debt reported in the Form 990. For more details, please see the “technical note” on the Liquidity Graphs page.

Calculation: Balance Sheet, Line 27 (Unrestricted net assets) – (Line 10c (Land, buildings, and equipment) – Line 23 (Secured mortgages) – Line 20 (Tax-exempt bond))

Unrestricted net assets: The portion of a nonprofit’s net worth that is free and clear of any donor-imposed restrictions on the timing or purpose of use. Unrestricted net assets are not necessarily converted to cash readily as a portion may be tied up in land, buildings, equipment and other fixed assets.

Balance Sheet, Line 27

Unrestricted revenue: Revenue generally available for use with no donor-imposed restrictions, as well as funds that have satisfied restrictions and are therefor available for use. Unrestricted revenue may differ from true operating revenue because it may include one-time or episodic sources of capital (e.g., capital campaign receipts, gains from sale of property, and/or other extraordinary items).

Unrestricted surplus/(deficit): Total unrestricted revenue less expenses. In this report, the change in unrestricted net assets is used as a proxy for the unrestricted surplus/deficit since the Form 990 does not specifically calculate unrestricted revenue. Unrestricted results may not always reflect the amount available for operations if non-operating items, such as capital campaign contributions released from restriction and gains/losses on investments, are present.