TEXAS HISTORICAL COMMISSION

REAL PLACES TELLING REAL STORIES

Can You Weather the Storm? Tips on Budgeting, KPIs, and Reviewing Financial Statements

Welcome!

The webinar will begin at 2:00 p.m. CT.

While you wait:

1. Download PDFs of the slides and handout under the “Handouts” tab of your control bar.

2. Confirm that your speakers are turned on and your audio is working by doing a sound check in the “Audio” tab of the control bar. Having problems? Exit and restart the webinar or switch to “phone call” for a phone number and access code to hear the audio through your telephone.

TEXAS HISTORICAL COMMISSION
REAL PLACES TELLING REAL STORIES

Museum Services

The Museum Services Program provides support, resources, and training to museums in Texas.

- Consultations
- Webinars and workshops
- Resources

TEXAS HISTORICAL COMMISSION
REAL PLACES TELLING REAL STORIES

Museum Services

www.thc.texas.gov/museum-services

On our webpage:

- Webinars
- Workshops
- Grants and Fundraising
- Helpful Resources
- Connect and Learn

TEXAS HISTORICAL COMMISSION
REAL PLACES TELLING REAL STORIES

Museum Services

Laura Casey

Museum Services Program Coordinator

laura.casey@thc.texas.gov

Emily Hermans

Museum Services Program Specialist

emily.hermans@thc.texas.gov

TEXAS HISTORICAL COMMISSION
REAL PLACES TELLING REAL STORIES

Upcoming Free Museum Services Webinar

www.thc.texas.gov/museumwebinars

- Let's Meet Halfway: Authentic Community Engagement for Local Museums
  - Wednesday, January 13, 2:00 p.m. CT

- Tending the Field for a Strong Harvest: Board Development for Nonprofits
  - Thursday, January 21, 10:00 a.m. CT

TEXAS HISTORICAL COMMISSION
REAL PLACES TELLING REAL STORIES

Upcoming Free Webinars from Other Orgs

www.thc.texas.gov/museumconnections

- *Rethinking Migration Exhibits Around the Globe*, Dec. 16, 8:00 a.m. CT, ICSC
- *Collaborating with Curators and Archivists to Preserve Community History*, Dec. 16, 11:00 a.m. CT, PSA
- *Overcoming the Overhead Myth: Budgeting for an Effective Website, Marketing and Growth*, Dec. 16, 11:30 a.m. CT, Firespring
- *Financial Information and Your Board*, Dec. 16, 12:00 p.m. CT, Propel Nonprofits
- *The Art of Modified Gatherings: Optimizing Online Events*, Dec. 16, 1:00 p.m. CT, Lyrasis
- *Grantseeking in 2021: Tips and Trends*, Dec. 17, 11:00 a.m. CT, Foundant
- *Preventative Conservation*, Dec. 17, 6:00 p.m. CT, DAT
- *PPP Forgiveness Options and Income Tax Implications on Receiving CARES Act Grants, Loans, or Unemployment Compensation*, Dec. 18, 12:30 p.m. CT, AA

TEXAS HISTORICAL COMMISSION
REAL PLACES TELLING REAL STORIES

Nicole Riley

Texas Historical Commission

Can You Weather the Storm? Tips on Budgeting, KPIs, and Reviewing Financial Statements

Nicole Riley, CPA, CFE
Audit Senior Manager
PKF Texas

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

The Legal Stuff

This presentation contains general information only. Pannell Kerr Forster of Texas, P.C. (PKF Texas) is not rendering accounting, business, financial, investment, legal, tax or other professional advice or services. This presentation is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

The views expressed are mine and mine alone and do not represent the views of PKF Texas. PKF Texas is not responsible for any loss sustained by any person who relies on this presentation.

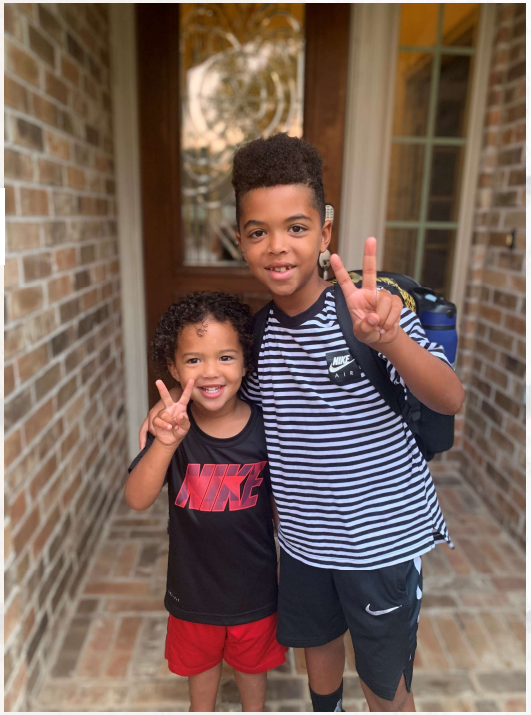
**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

Nicole Riley, CPA, CFE

AICPA

Not-for-Profit (NFP) Section



FSA
FAIRFIELD SPORTS ASSOCIATION

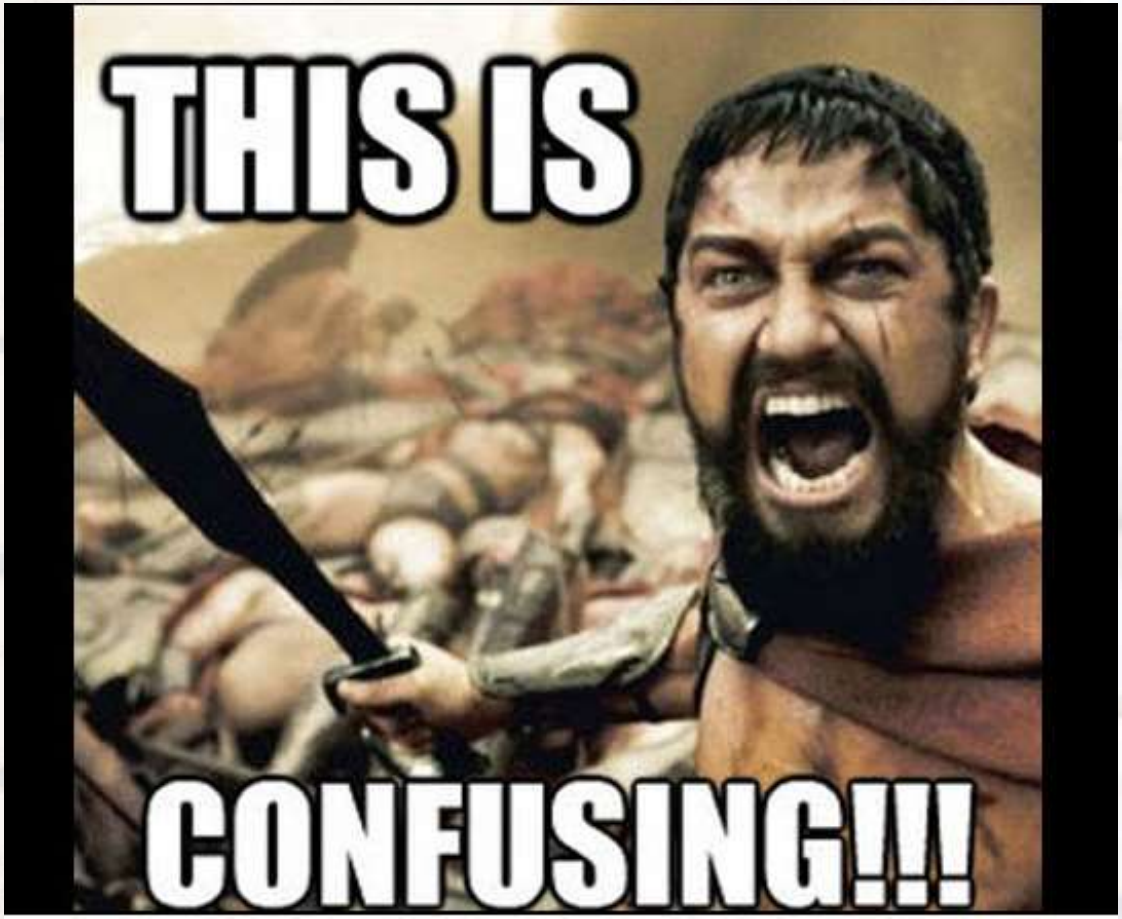
HOUSTON GREATER WOMEN'S CHAMBER OF COMMERCE

TXCPA
Texas Society of Certified Public Accountants

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

Reading Financial Statements



Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

What is a Not-for-Profit?

- A tax status – not a way of operating
- A not-for-profit is allowed to (and should) make a profit.
  - Accumulation of unrestricted net assets increases the ability to enhance and expand programs
  - Helps carry not-for-profits through rough economic times, as they are primarily reliant on the giving capabilities of individual donors which cannot always be reasonably estimated or relied upon when forecasting

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

What's the point?

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

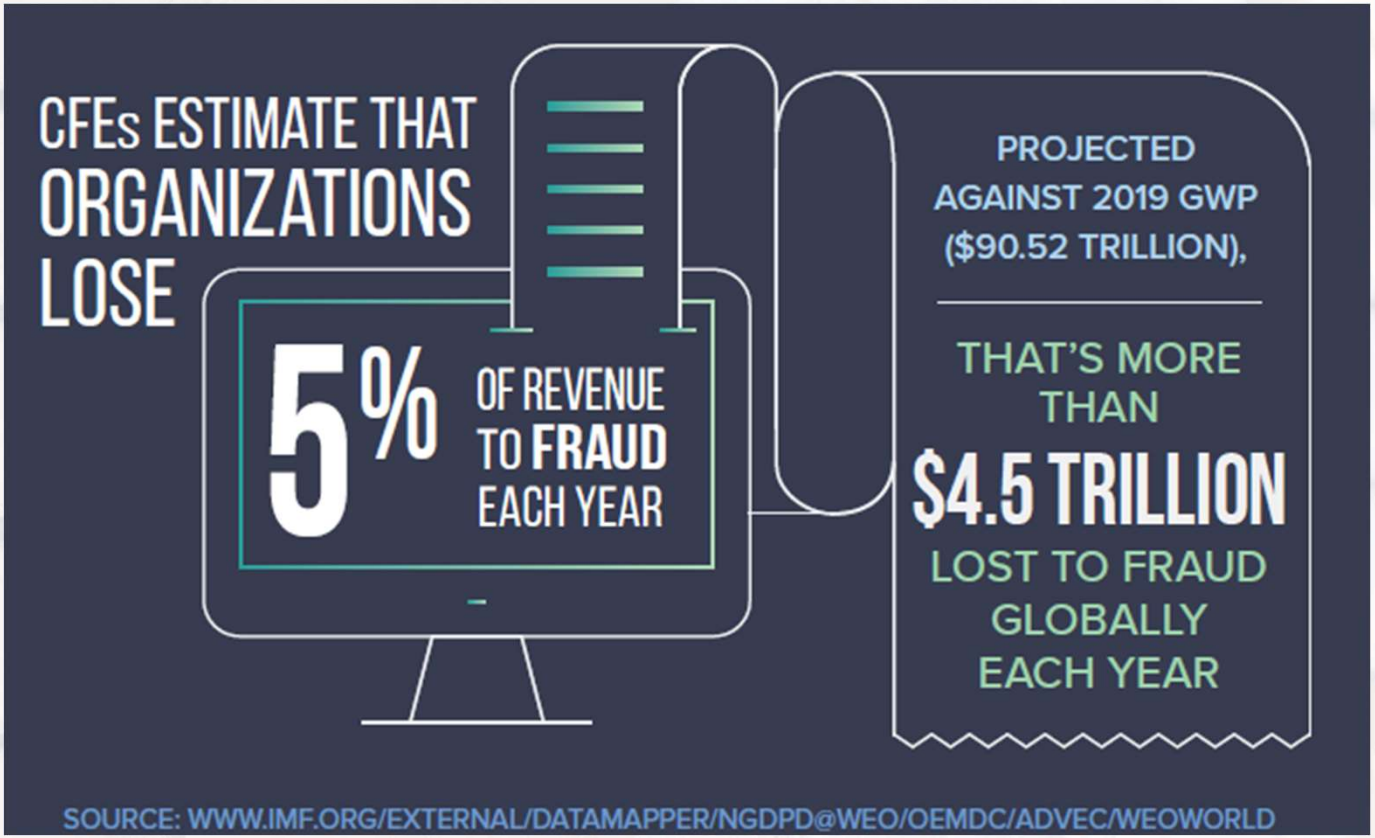
PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

Importance of Financial Literacy

- Fiduciary responsibilities of Board members
  - Legally and ethical responsibility to oversee not-for-profit management and provide accountability
- Strategic planning
- Key decision making
- Budget oversight
- Fraud prevention

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

Cost of Fraud



Source: ACFE 2020 Report to Nations

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

Basic Financial Statements

- Balance Sheet = Statement of Financial Position
  - Net assets = Retained earnings
- Income Statement = Statement of Activities
  - With donor restrictions
- Statement of Functional Expenses
  - Program versus administrative costs
- Statement of Cash Flows

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

Contributions

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

Contributions

- Can be cash now, cash in the future, services or goods
- Fair value
- Conditional – not recorded, disclosed
  - Must contain a right of return/release AND a barrier that must be overcome
  - No assessment of likelihood of failure
  - Most government grant programs now fall in this category

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

Contributions

- Unconditional – record
  - With donor restrictions or without donor restrictions
    - Limited purpose or time period
  - Statement of activities must segregate
  - Restrictions met in the same accounting period can be reported without donor restrictions if policy elected
  - With donor restricted net assets reports those contributions with restrictions that have not been met at the end of the reporting period

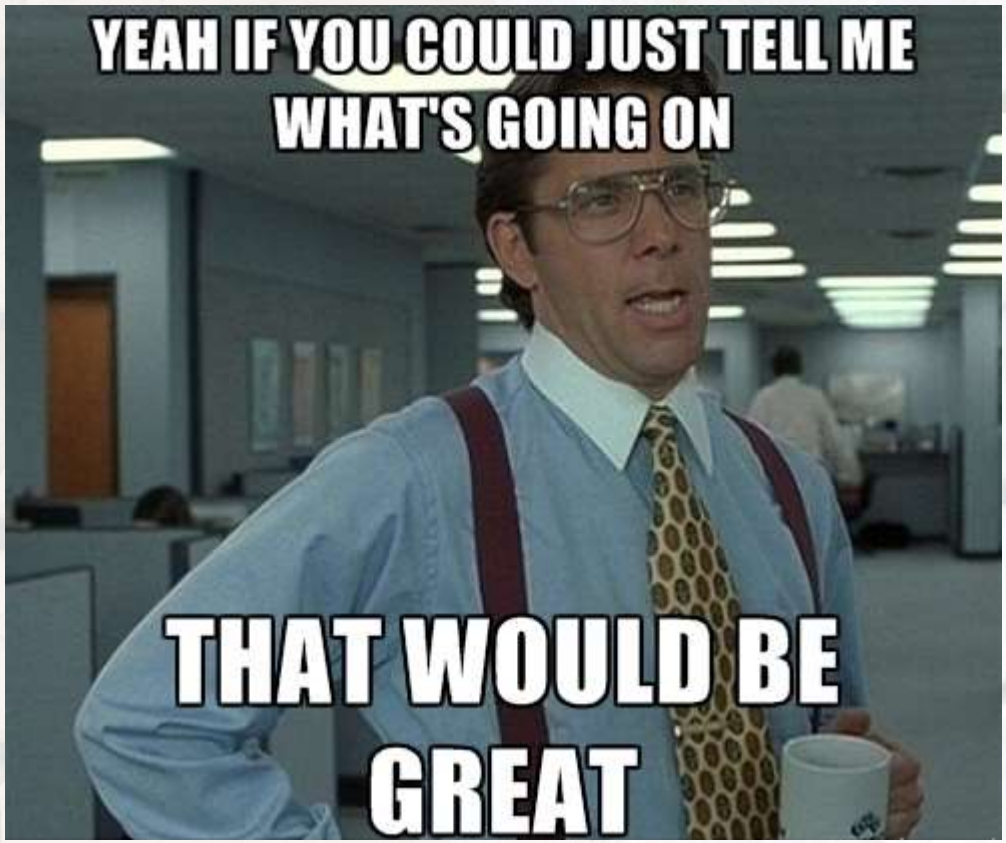
*Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

Net Assets

Net assets		
Without donor restrictions		
Undesignated – operating	8,010,614	7,813,484
Undesignated – contributed food	5,382,928	4,257,045
Board-designated	107,957	113,340
	13,501,499	12,183,869
With donor restrictions		
Restricted as to time	187,661	166,922
Restricted as to purpose	2,233,238	1,327,704
Perpetual in nature	110,000	110,000
	2,530,899	1,604,626
Total net assets	16,032,398	13,788,495
Total liabilities and net assets	**$ 18,225,288**	**$ 15,722,688**

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

Net Assets



Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

Restricted Net Assets

- Net asset roll forward
  - Type of restriction
    - Part of current year budget
  - Designated assets
- Custom metrics and reporting
  - Liquid assets
  - Restricted amounts
  - Restricted expected to be used in normal operations
  - Contributions from prior period used during the period

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

Net Asset Rollforward

Net Asset Rollforward Fiscal Year Ending June 30, 2020						
	FY2019	FY 2020				
	6/30/2019 Balance	Contributions /Additions	Expenses	Capital Purchases	Net Change	6/30/2020 Balance
Acquisition of works of art						
General	-	7,500	(4,041)	-	3,459	3,459
Artists within before the 1900s	-	175,000	-	-	175,000	175,000
United Way Community Foundation Grant	-	110,000	(2,778)	-	107,222	107,222
Total Acquisition Support	-	292,500	(6,819)	-	285,681	285,681
Building capital campaign	2,325,316	383,558	(1,901,753)	(365,292)	(1,518,195)	807,121
Speical Program Expenses						
Youth education	304,280	(11,000)	(292,979)	-	(303,979)	301
Collections maintenance	399,667	-	(377,325)	-	(377,325)	22,342
Community education	847,426	361,123	(770,899)	-	(409,776)	437,649
Funded staff positions	500,000	33,435	(33,435)	-	-	500,000
Total other programs	2,051,373	383,558	(1,474,638)		(1,091,080)	960,292
Endowment	994,600	250,000	(265)		249,735	1,244,335
Total Net Assets With Donor Restrictions	**$5,371,288**	**$ 1,309,615**	**$(3,383,475)**	**$(365,292)**	**$ (2,073,859)**	**$ 3,297,429**
Cash and cash equivalents						**2,924,956**
Grants and other promises receivable						**852,475**
Investments						**1,335,847**
						$ 5,113,278

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

Liquidity and Availability of Assets

- New information required to be disclosed
  - ASU 2016-14
- Provide information on how a not-for-profit manages its liquid resources
- The amount of financial assets on hand at the reporting date to meet cash needs for general expenditure within one year
- Internal and external limitations on financial assets

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

Liquidity and Availability of Assets

(j) *Liquidity and Availability*

The Association's financial assets available within one year of the balance sheet for general expenditure are as follows:

Financial assets at year end:		
Cash and cash equivalents	$	5,715,587
Accounts and pledges receivable, net		2,899,788
Short-term investments		16,134,854
Total financial assets		24,750,229
Less amounts not available to be used within one year:		
Net assets with donor restrictions		(11,913,430)
Less net assets with purpose restrictions to be met in less than a year		8,978,808
Financial assets available to meet general expenditures over the next twelve months	$	21,815,607

The Association's goal is generally to maintain cash and cash equivalents to meet 60 days of operating expenses (approximately $4,800,000). As part of its liquidity plan, excess cash is invested in short-term investments, including certificates of deposit, mutual funds, common stock and exchange traded funds. The Association has a margin account to meet additional cash flow needs.

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

Budgeting

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

Budgeting

- Use as a guide
  - Plan for the future
  - Assess current financial health
- Be realistic
- Get wide-spread input
  - Board strategic plan
  - Current and planned program changes
  - Wants vs. needs
  - Investments
- Start with last year

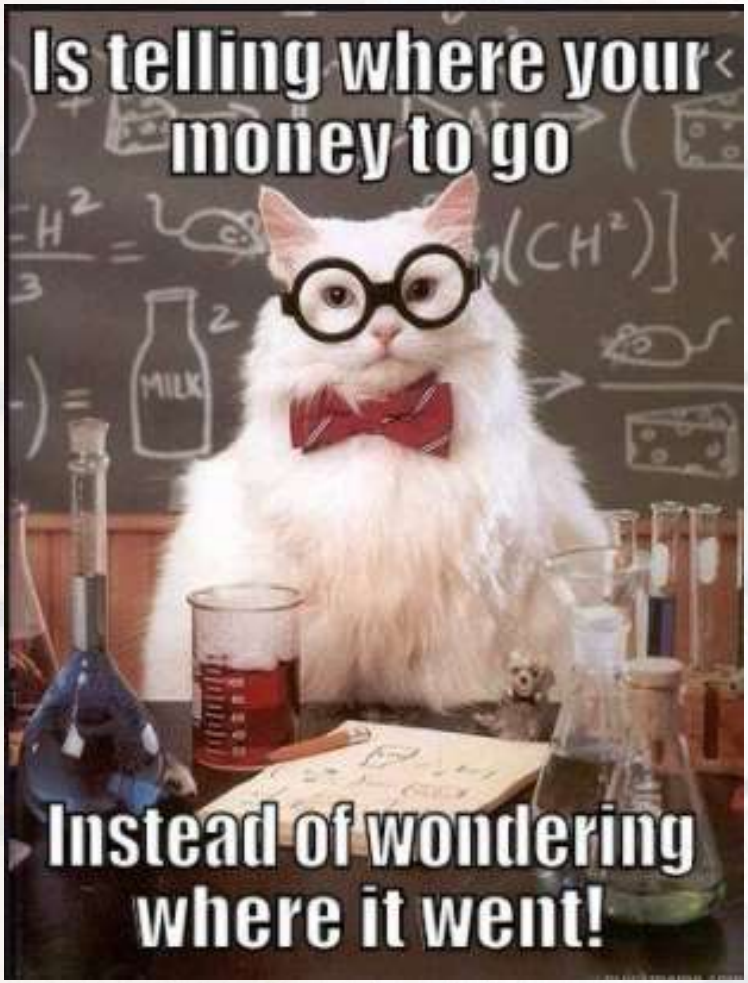
*Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

Budgeting

- Don’t budget breakeven
  - Contribution timing
  - Strategic plan
- Level of detail to present
  - Use details in developing
  - Monitor at a higher level
- Budget by month
  - Seasonality considerations
- Budget by department
- Fixed versus variable

*Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

Budgeting



Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

Key Performance Indicators

- Quickly communicates meaningful information
- Accountability tool
  - Management dashboards
- Customize to your organization and audience
  - High-level KPI – overall performance
  - Lower level KPIs – more detail
  - Meaningful to the user
  - Mix of financial and non-financial measures

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

Key Performance Indicators

- Simple, understandable, logical and repeatable
- Clearly defined
- Availability of data – economical?
  - Already available
  - Need to develop
- What behavior or outcome are desired
  - Ability to manipulate
  - Behavior changes good and bad
- Pass the SMART test?

Manipulation

Watch scale

*Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

"When a measure becomes a target, it ceases to be a good measure."

- Goodhart's Law

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

Key Performance Indicators

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

Ratio Types

- Financial Ratios
  - Profitability ratios
  - Leverage ratios
  - Liquidity ratios
  - Efficiency ratios
  - Working Capital
- Non-Financial
- Mixed
  - Find something that would identify a behavior
  - Ex: Sales per Square Foot (retail)

*Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

Key Performance Indicators

- Lower level KPIs
  - Program and service delivery
    - Membership numbers
    - Event and education program attendance
    - Growth in certification programs
    - Number of visitors / repeat visitors
    - Visitor satisfaction
    - New collections acquired
  - Fundraising
    - Donor growth year over year
    - Average gift size
    - Donor retention rate
    - Funding success rate (awarded/applied)
    - Diversity of funding sources
    - Fundraising ROI

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

Key Performance Indicators

- Lower level KPIs (continued)
  - Human Resources
    - Employee retention rate
    - Satisfaction rate
    - Time to hire for position vacancies
  - Marketing and Communications
    - Email open and click-through rates
    - Website page views
    - Social media engagement
  - Risk Management
    - Board engagement rate (number of activities/period)
    - Board composition

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

Key Performance Indicators

Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS

Thank you!

Nicole Riley, CPA, CFE
Audit Senior Manager
PKF Texas
NRiley@pkftexas.com
(713) 860-1491

**Disclaimer: No part of the materials available through Nicole Riley's presentation may be copied, photocopied, reproduced, translated or reduced to any electronic medium or machine-readable form, in whole or in part, without prior written consent of Nicole Riley.*

PANNELL KERR FORSTER OF TEXAS, P.C. | PKF
CPAs AND PROFESSIONAL ADVISORS