



# Contents

---

<b>Preface</b>		<b>xi</b>
<b>Acknowledgments</b>		<b>xv</b>
<b>Note to Reader</b>		<b>xvii</b>
<b>PART ONE ANALYSIS</b>		<b>1</b>
<b>CHAPTER 1 Organizational Structure: Programs and Corporations</b>		<b>3</b>
Types of Nonprofit Organizations		3
Structure of Nonprofit Organizations		8
Loss of Tax-Exempt Status—The Monster Within		16
<b>CHAPTER 2 Mission: Managing Your Two Bottom Lines</b>		<b>19</b>
The Role of a Value System		20
The Nonprofit's Dilemma and How to Solve It		22
<b>CHAPTER 3 Accounting as a Second Language—A Nine-Point Program</b>		<b>25</b>
The Entity Principle		25
Money Measurement		26
Conservatism Principle		26
The Cost Concept		28
The Materiality Principle		30
Going Concern		32
Dual Aspect		33
Realization Principle		34
Matching Principle		35
<b>CHAPTER 4 Assets Are for Boards, Activities Are for Managers</b>		<b>37</b>
Concepts versus Details		38
Boards Invest, Managers Spend		39
If It Has to Be Decided Today, It's Probably the Wrong Question		40
Boards Own the Controls, Managers Implement Them		40
		<b>vii</b>

## VIII CONTENTS

<b>CHAPTER 5</b>	<b>Balance Sheets: How They Get That Way</b>	<b>41</b>
	Current Assets	42
	Noncurrent Assets	45
	Current Liabilities	47
	Noncurrent Liabilities	47
	Making the Balance Sheet Dance	50
	Transparency, Thy Name Is IRS Form 990	53
	Sweeping Change	54
	What to Do	55
<b>CHAPTER 6</b>	<b>Financial Analysis: A Few Diagnostic Tools</b>	<b>67</b>
	Financial Statement Analysis for Math Phobics	68
	Current Ratio	75
	Days' Cash	76
	Days' Receivables	78
	Cash Flow to Total Debt	80
	Debt to Net Assets	81
	Total Margin	83
	Operating Margin	84
	Accounting Age of Plant/Equipment (or Land, Buildings, and Equipment)	85
	A Footnote	86
<b>PART TWO</b>	<b>ACCOUNTING</b>	<b>89</b>
<b>CHAPTER 7</b>	<b>Nonprofit Accounting: Acknowledging the Strings Attached</b>	<b>91</b>
	Net Asset Categories	92
	Other Provisions	93
	What It All Means	93
<b>CHAPTER 8</b>	<b>Cost Accounting: How Much Does It Cost?</b>	<b>99</b>
	A Form of Management Accounting	100
	Indirect Costs	102
	Certain Support Costs Get Assigned to Other Support Costs	102
	Breakeven Analysis—Another Use for Cost Data	106
	Cost Accounting versus Cost Reporting	109
<b>CHAPTER 9</b>	<b>Auditing: Choosing and Using an Auditor</b>	<b>111</b>
	Audit, Review, and Compilation	113
	The Auditor Market	115
	Getting Value from the Audit	118
	Conclusion	120

<b>PART THREE OPERATIONS</b>	<b>121</b>
<b>CHAPTER 10 Cash Flow Management: Why Cash Is King</b>	<b>123</b>
Up the Balance Sheet	124
How Much Cash Is Enough?	134
Conclusion	139
<b>CHAPTER 11 Capital: Why Capital Is Not a Four-Letter Word</b>	<b>141</b>
The Mechanics of Capital Financing	142
The Present Value of Money	148
Sources of Capital	149
The Great Divide among Nonprofits	151
Future Access to Capital Markets	153
The Role of Net Assets	155
Strategic Capital Management	155
<b>CHAPTER 12 Budgeting: Taming the Budget Beast</b>	<b>157</b>
Playing Revenues Like a Symphony	159
Expenses	160
Indirect (General and Administrative) Costs	169
Conclusion	170
<b>CHAPTER 13 Indirect Costs and Other Despised Items</b>	<b>171</b>
Still, It's Low That Counts	172
Secret of the Indirect Cost Game	174
<b>CHAPTER 14 Pricing: How Much Should It Cost?</b>	<b>179</b>
Pricing Methodologies	182
Going the Other Way—Contractual Adjustments and Subsidies	186
Pricing Strategies	187
How to Price	189
<b>CHAPTER 15 Profit: Why and How Much?</b>	<b>193</b>
Profit Defined	193
Uses of Profit	194
Profit—How to Get It	202
What Can Be Done	204
<b>CHAPTER 16 To Raise More Money, Think Cows</b>	<b>205</b>
Donations	206
Bequests—Cow to Charity	206
Charitable Remainder Trusts—Milk to Beneficiaries, Cow to Charity	206
Pooled Income Funds—Donors Put Their Cows in a Herd, Keep Rights to Milk	208

## X CONTENTS

<b>PART FOUR CONTROL</b>	<b>211</b>
<b>CHAPTER 17 Insurance: The Maddeningly Complicated Art of Covering Your Assets</b>	<b>213</b>
To Insure or Self-Insure?	215
Risk Management	216
<b>CHAPTER 18 Internal Controls for External Goals</b>	<b>219</b>
The Elements of Internal Control	221
How to Monitor the System	233
Maintaining the System	235
Conclusion	237
<b>CHAPTER 19 Enron Spawn</b>	<b>239</b>
Some Predictions	242
The New Industry of Charity Watching	244
<b>CHAPTER 20 Management Controls: Toward Accountability for Performance</b>	<b>249</b>
Management Controls Circa 1980	250
Beyond Management Controls in the Twenty-First Century: How to Do It	250
Messages	251
How to Prepare—The CFO of the Future	252
<b>Appendix A A Financial Management Cultural Primer</b>	<b>257</b>
<b>Appendix B Budget Bloopers</b>	<b>263</b>
<b>Appendix C Using the Web Site</b>	<b>267</b>
<b>Index</b>	<b>273</b>