

# **Manchester Center: A Comparative Analysis of Similar Local Nonprofits Using Financial Ratios**

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## **I. Executive Summary**

The Manchester Center is a nonprofit agency located in Lexington, KY whose mission is “to enrich lives in our neighborhood through educational, recreational, and social activities.” A project team from the University of Kentucky studied the Center’s finances, internal business processes, employee development, and services to customers to develop a balanced scorecard. It became evident to the team that the center was strained financially and additional funds would be beneficial to the organization. However, before any suggestions could be made it was important to determine where the Manchester Center stood financially compared to similar nonprofit organizations in the Lexington area. To make this comparison, a financial analysis was conducted through the use of ratios. Through the calculated ratios, it became apparent that the Manchester Center was in a financial condition comparable to its similar counterparts. There were two areas of distinctly different ratios from the comparison group. The Center should further investigate why these differences occurred. The Center could benefit from developing a strategic plan, revamping the board, developing strategic alliances, increasing donations, increasing fundraising and developing partnerships with the government.

## **II. Identification of the Problem**

The Manchester Center, located in Lexington, Kentucky, is a full-service community center seeking to enhance the lives of those in its service area by providing programs that support education, community involvement and personal/family enrichment. A project team from the University of Kentucky's Martin School of Public Policy and Administration's Organizational Change and Strategic Planning class studied the Center's finances, internal business processes, employee development, and services to customers to develop a balanced scorecard for the Center in the fall of 2008. The team found that in order for the Center to accomplish its mission, the organization should provide services that reach its diverse population encompassing the various racial ethnicities, educational attainment levels and age groups of the community. The Center knows the needs of its customers well. The organization does a good job providing a multitude of programming for its service population. However, the team and the Executive Director concluded that the Center has a lot of work to do to secure its future. The Center's success depends greatly on its financial stability and size (variability and amount of resources), which in the past has inhibited what the organization is able to accomplish.

Currently, the organization receives 41% of its funding from the United Way and 23% from the government. Assuming that funding from the United Way and the government will remain limited, the Manchester Center should seek to acquire additional funding from other sources to secure its future. The Center obtains 18% of its funding from outside grants, 11% from fees, 4% from donations and 3% from fundraising.

The Manchester Center serves a low-income area. Considering that many of the residents served by the Manchester Center earn an income less than \$17,000, raising fees is not an option for increasing revenue. The only fee-based programs offered to its service area are the preschool and youth after-school programs. Even for those programs, 90% of the children who attend receive tuition scholarships, which is where the Center indirectly pays for the child to attend the program.

The financial weakness of the organization limits the quality of services the Center provides to neighboring communities. Because money drives the organization's ability to continue its mission, it is critical that the organization seek new resources as recommended by the project team. Doing this will better serve the clientele and reduce the strain on the Executive Director.

At the end of June 2008, the statement of financial position shows the center produced a negative cash flow of -\$1,318.67 in the operating account, which was more than doubled by the end of August 2008 to -\$3,495.01. Financial stress was placed on the operating account to pay the bills. The savings account was reduced to half in this time period. It went from \$30,658.62 to \$15,163.97. There can be numerous factors, which caused this reduction.

An increase in funds will allow the Center to open up a second preschool classroom, offer additional programs for senior citizens and the community as well as hire additional staff. The Executive Director of the organization told the project team that he feels the Center

could benefit from an additional \$5-\$8K each month to balance the cash increasing the operating account. To survive these economic conditions, the Manchester Center should seek additional revenues.

### ***Research Question***

Where does the Manchester Center stand financially compared to similar local nonprofits? The Manchester Center will be compared to similar nonprofit organizations in the Lexington area through the use of ratios. For each of the comparison organizations, the research will examine:

- Cash in relation to total assets
- Current assets to current liabilities
- Amount given to the organization through direct support, indirect support and government contributions' compared to total contributions
- Fundraising expense to total expense

This will ultimately identify areas for further investigation to explore additional opportunities.

### **III. Background**

The Manchester Center was founded in 1940 by Ms. Frances VanMeter, Manchester Center's first Executive Director, and other volunteers wishing to provide library services to the people of the Irishtown area, which is a neighborhood located in Lexington. The Manchester Center became incorporated in January of 1952. In 1960, the main building of the center was built on Manchester Street. This consisted of an office space, a gym, a kindergarten room and a kitchen. Additions continued to be made as years went on. By

1977, under new leadership, an educational building was completed for kindergarten. Leadership changed over the years and by 1988 Dianne Kalbfleisch stepped in and stayed with the center for over 10 years. In December of 2005, the Center moved its facility from the one located on Manchester Street to the Carver Center located on Patterson Street, where it rents its space. The Carver Center houses Tubby's Playhouse, a recreation room, cafeteria, social worker, computer lab and gym. Marty Jones is the current executive director. He acquired this position in the fall of 2006.

The mission of the Manchester Center is "to enrich lives in our neighborhood through educational, recreational, and social activities." The center has a staff of 9. The staff work together to provide services to residents in the Irishtown, Davistown, Smithtown, Thompson Road Addition, Melrose and Speigle Heights neighborhoods. The Center seeks to enhance the lives of those living in these areas through providing programs that support education, community involvement and personal and family enrichment. The Manchester Center currently offers programs for preschoolers, youth, and senior citizens. The center also provides for the social service needs of the community through a clothing bank, diaper giveaway, bus pass giveaway, school supplies giveaway, kids café, preschool and youth after school program.

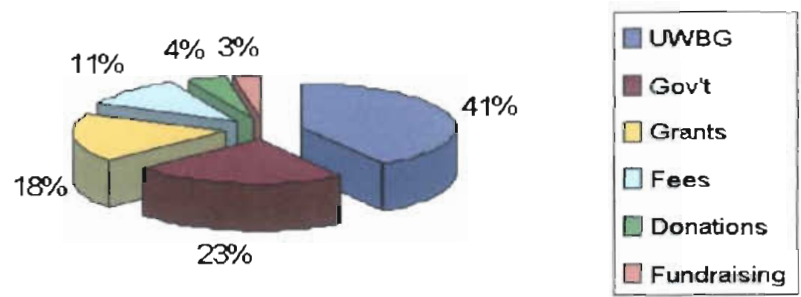
As previously mentioned, the Manchester Center serves low-income residents. The Manchester Center's service area has lower educational and income levels than Lexington as a whole. Many of the residents earn an income of less than \$17,000 and quite a few of these residents have lived in the area for over twenty years. The current

federal poverty threshold for a family of four is \$21,200. Of those living in Irishtown (one of Manchester's Center service neighborhoods), 67% of households are at or below this federal poverty level. As a whole (all neighborhoods the Manchester Center serves) 33% of those residents do not have a high school diploma.

Of the 20 children in the preschool program, 18 of them live below the poverty line, which is \$21,200 per year. The average annual cost of preschool care in Kentucky as reported by USA Today is \$4,710. The average median family income spent on childcare is 32.4%. Two parent homes spend an average of 8.1% on preschool care. The estimated cost of providing full day year round preschool for one child is \$12,910. Of the number of children enrolled in the center's preschool and youth programs, 90% receive tuition assistance.

Figure 1 on the next page is found on the Manchester Center's website. It depicts how the organization divides and categorizes its funding sources. As seen on the chart, funding sources for the Manchester Center include the United Way (Bluegrass), government agencies, grants, fees, donations and fundraising.

**Figure 1**  
Funding Sources



\*United Way- United Way of the Bluegrass Grant Monies

[www.manchestercenter.org](http://www.manchestercenter.org)

**IV. Literature Review**

Nonprofit organizations have numerous forces working for and against them. They have to deal with changes in the economic environment, changes in governmental assistance, and competition from other organizations for private gifts and grants. To respond in a way that is beneficial to an organization in the midst of these forces, it is important for practitioners to understand the financial condition of their organization (Chabotar, 1989). After understanding the condition of the organization, they can proceed to handle the financial business of the organization in the best possible manner, leading to a financially sound organization.

Financial analysis is a way to determine the financial needs of an organization. Its main goals can include the examination of the organization’s profitability, solvency, liquidity and stability to make judgments on further actions. It utilizes the financial statement and other accounting forms to gather information. One way to conduct a financial analysis is through the use of ratios (Helfert, 1967).

A ratio analysis has three main uses. They are to help diagnose a situation, to monitor performance, and to help plan for the future (Westwick, 1973). A ratio analysis can serve as a warning system by analyzing noticeable trends. The analysis can identify aspects of the financial situation that may require additional action, whether good or bad. Financial ratios are indicators of the organizations performance (Finkler, 2004). They can be used to monitor the performance of the organization and of funding competitors. From there, decisions can be made on what actions to take.

The financial ratios can help an organization understand its strengths and weaknesses (Finkler, 2004). Usually when evaluating a ratio, a standard of comparison is needed. Ratios give a number meaning through this comparison with another number (Westwick, 1973). From this standard, benchmarks can be established to determine organizational goals.

Comparisons can be made with the industry, other organizations or with an organization's own data over a 3 to 5 year period (Finkler, 2004). Organizations should compare themselves financially with organizations similar in mission, size and budget to determine similarities and differences in the financial condition. When organizations compare their own data over a period of time, the organization can identify areas of improvement or deterioration based on their own history (Chabotar, 1989).

Most ratios can be calculated from information provided in the financial statement. A considerable amount of financial information can be found from an organization's Form 990 (Finkler, 2004). This form is a tax return filed by federally tax exempt nonprofits that have incomes of more than \$25,000. All 501(c)(3) private foundations, regardless of income are required to file by the IRS. Form 990's are public documents and usually available through an online database called Guidestar (Finkler, 2004).

## **V. Research Design**

Guidestar was used to gather data in order to see where the Manchester Center stands financially compared to similar organizations. Guidestar is an online database, which provides information on nonprofits. This information is obtained from the IRS. The site supplies its users with the organization's IRS Forms 990, 990 EZ and 990-PF. The Form 990 is an annual reporting return filed by federally tax-exempt organizations to the IRS. The form provides information on the organization's finances such as the amount of income received and the sources of that income, types of programs offered and total expenses.

Guidstar provides data on over a million nonprofits across the United States. The Form 990's are only available on a 3-year period. Some of the organizations on the site file 990's consecutively year after year, while others do not. Other organizations have the most recent 2008 990 available, while other organizations have 990's from previous years. Some nonprofit organizations do not have a single 990 available. Organizations may not have a Form 990 on file with Guidestar because it may not be required to file, the organization may be newly formed, the organization may not have filled for that year,

Guidestar may have not received the return from the IRS, the organization is not 501(c)(3), the organization is a religious entity or the organization is apart of a larger parent organization ([www.Guidestar.com](http://www.Guidestar.com)).

Through the use of Guidestar, 8 organizations were identified. To identify these organizations, the most important objective was to choose organizations similar in mission, service and type of population served to that of the Manchester Center. All organizations had Form 990's available for the years 2005, 2006, and 2007. These organizations' Form 990s along with the Manchester Center Form 990 were used to gather financial information. Table 1 on the next page depicts the name of the organizations chosen, their mission, service delivery, and service population.

**Table 1:**  
**Comparison Organizations**

<b>Organization</b>	<b>Mission</b>	<b>Services</b>	<b>Service Area</b>
<b>Big Brothers Big Sisters of the Bluegrass, Inc.</b>	To create and support relationships that provide consistent, positive, one-to-one interaction between a single-parent child and an adult volunteer who will be an advisor and friend on the journey from childhood to adulthood.	Matches children ages 6 through 18 with mentors in professionally supported one-to-one relationships through community based mentoring and site based mentoring	Big Brothers Big Sisters of the Bluegrass, Inc. provides services to Anderson, Bourbon, Boyle, Clark, Fayette, Franklin, Garrard, Jessamine, Madison, Mercer, Montgomery, Scott, and Woodford Counties.
<b>Brenda D. Cowan Coalition for Kentucky, Inc.</b>	The Brenda Cowan Coalition for Kentucky, Inc. is a movement nourished by its roots and sustained by the richness of many beliefs and values. Strengthened by diversity, the Coalition draws together those who strive to create opportunities for under served women, children, and families' self-growth, leadership and empowerment in order to attain a common vision: self-sufficiency, peace, justice, freedom and dignity for all people.	The Coalition offers direct service programs for survivors of domestic violence, permanent and temporary housing programs, Second Glance clothing store, truancy and delinquency prevention, supervised visitation/exchange, Sister to Sister, and a licensed early learning center.	Fayette, Danville, Madison, Clark, Estill, Powell Counties
<b>Carnegie Literacy Center</b>	The mission of the Carnegie Center for Literacy and Learning is to create and support programs that foster literacy and learning as a lifelong process for all citizens.	Provides workshops, groups, writer mentoring, tutoring, camp Carnegie, bluegrass writing project, special events for kids and families, family fun and learning night, author related events, visual art exhibits, concerts and conferences	Everyone—families, workers, students, and teachers
<b>Center for Family and Community Services, Inc.</b>	To empower children and families to overcome barriers to self-sufficiency.	After School Program provides additional help for students academically. We also provide social enrichment activities such as step team, drama, dance team, and much more.	Parents of low-income, minority, and limited -English proficient children in its service schools
<b>The Children's Advocacy Center of the Bluegrass, Inc.</b>	Our mission is accomplished by providing a safe, friendly location where a sexually abused child can receive services.	Forensic interviews, medical examinations, therapy assessments, advocacy and support, family support group, teen girls educational group, kids in court, information and referral	Sexually abused children and their families

<b>Growing Together Preschool</b>	The mission of Growing Together Preschool, Inc. is to provide affordable learning and developmentally focused child care services to families of infants and preschoolers. The nature of the services is educational and therapeutic, with emphasis on inclusion.	Childcare service to families of infants and preschoolers	Serves families with children from 6 weeks through 5 years of age.
<b>Imani Family Life Center</b>	The mission of the Imani Family Life Center, Inc. is to promote educational, health, and social well-being of families in Fayette and surrounding counties; to address the educational, vocational, occupational, social, cultural and recreational needs of today's family. Additionally, the Imani Family Life Center, Inc. develops a forum for families to discuss and determine the best alternatives for coping with problems that face them daily.	Programs offered by the Center are After School Program, Preschool Jumpstart Program, Summer Camp, computer lab, tutoring, and various sports programs such as basketball, football, baseball, soccer, gymnastics, wrestling, volleyball, and cheerleading. In addition, the facility houses a 45 X 90 weight room, aerobics room and walking track.	Families in Fayette and surrounding counties
<b>Manchester Center</b>	To enrich lives in our neighborhood through educational, recreational, and social activities.	Youth after school program, preschool, clothing bank, kid's café, giveaways, community events, senior citizen activities	Services the residents of Lexington's Irishtown, Davistown, Smithtown, Thompson Road Addition, and Speigle Heights neighborhoods
<b>Partners for Youth Foundation</b>	To promote positive youth development and prevent juvenile delinquency through collaboration and capacity building	5 programs serve youth and their families in low income neighborhoods to combat juvenile delinquency through education and incentives	Low income neighborhoods

Through the Form 990s numbers for the direct public support, indirect public support, government contributions, total functional fundraising expense, end of year cash-noninterest bearing, total assets, total liabilities and total net assets were captured in an excel sheet, located in Appendix A. From the information gathered, ratios were calculated to compare the organizations. These ratios were calculated in an excel sheet located in Appendix B.

The cash vs. total asset ratio was the first ratio calculated for the organizations. To get this ratio, cash was divided by total assets. This ratio will tell how much of an organization's assets are in cash. Assets are defined as everything tangible or intangible that is of value owned by the organization. The Finkler text notes that too low or too high a ratio may indicate some problems. A low ratio could mean the organization may have problems paying their obligations when due. A high ratio could mean that there was additional cash that could have been used for other purposes such as additional services or the money could have been used to reduce the current debt or invested (Finkler, 2004).

The second ratio used was the ratio of current assets to current liabilities. The current means that this number can be converted to cash within a year. Assets refer to those things tangible and intangible that are of value to the organization and liabilities refer to the debt or obligations owed by an organization. To calculate this ratio, the current assets were divided by current liabilities. This particular ratio examines whether an organization is able to pay their daily bills (Chabotar, 1989). It is a forbearance of an organization's financial capacity of daily operations and tells about the financial strength

of the organization. Chabotar mentions the optimal current ratio for nonprofits is to 2:1 (Chabotar, 1989). Assets should be greater than liabilities or a deficit may occur. A current ratio below 2:1 could lead to financial strains and a ratio above 2:1 may signify an overly cautious approach to cash management (Chabotar, 1989). However, other literature suggests that there is really no optimal ratio (Haller, 1982).

The third ratio calculated was a ratio comparing the amount of total contribution including gifts, grants, and similar amounts received through direct support. This ratio will tell what percentage of total contributions is coming from direct support. This ratio was calculated by dividing direct support by total contributions. The IRS defines direct public support as contributions, gifts, grants and bequest that the organization received directly from the public. This includes donated items, amounts received through fundraising and membership dues. Total contributions of gifts, grant and similar amounts received are the total of the three categories direct, indirect and government support.

The fourth ratio calculated was the ratio of indirect support to total contributions. This ratio divided the organization's total amount in indirect support by the total contribution including gifts, grants, and similar amounts received. Indirect support includes contributions received through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations such as the United Way. Total contributions of gifts, grant and similar amounts received are the total of the three categories direct, indirect and government support.

The fifth ratio compared the amount received from government contributions to total contributions including gifts, grants, and similar amounts received. This divided the amount of government contributions by the amount received in total contributions. Government contributions are grants or other payments provided by the government. Total contributions of gifts, grant and similar amounts received are the total of the three categories direct, indirect and government support.

The last ratio calculated is the fundraising expense vs. total expense ratio. This ratio projects the percentage of money spent on fundraising in relation to the total expenses. This ratio will determine what is being spent on fundraising initiatives at the organizations.

The 3-year average for the Manchester Center ratio's was calculated. An average was also calculated using each organization's ratio for the period of 2005-2007. Once these averages for the organizations were calculated they were grouped together and the median was gathered as seen in Appendix C. Some of the organizational averages were considerably higher than others. To offset these differences, the median was used as the comparison number.

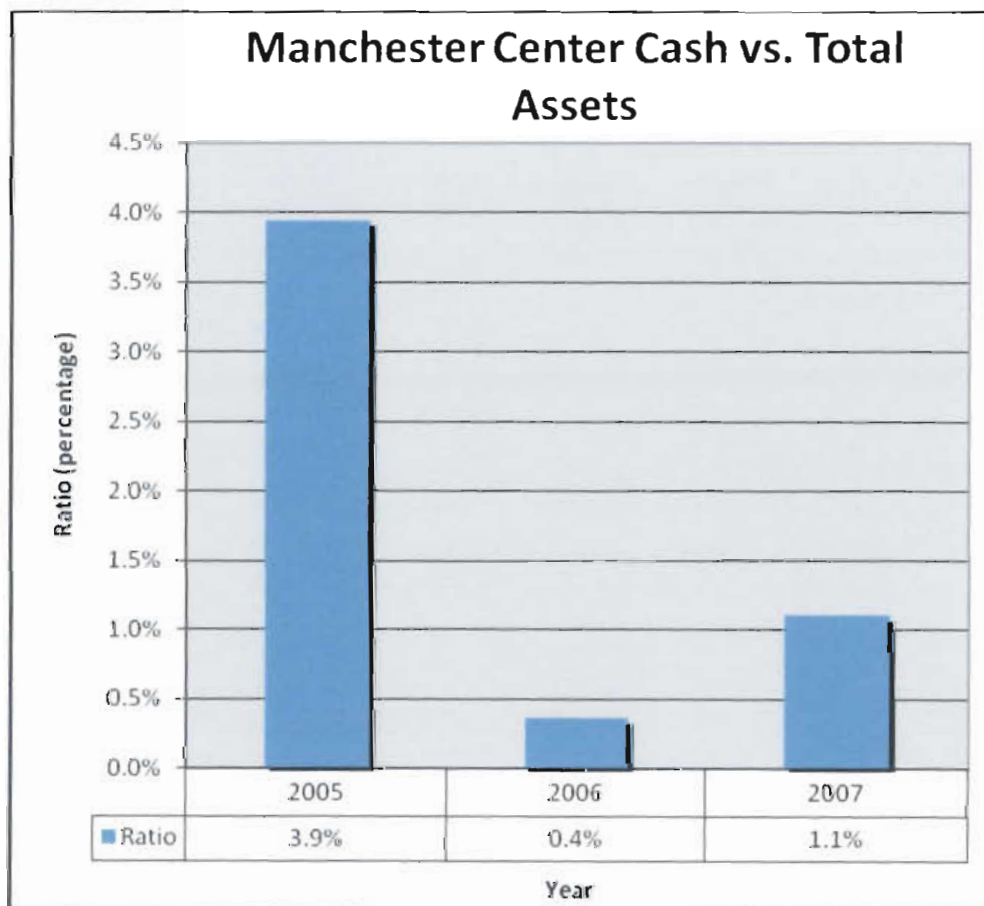
## **VI. Analysis and Findings**

### ***Manchester Center***

The cash vs. total asset ratio for the Manchester Center has fluctuated as seen below in Figure 2 from 2005 to 2007. This tells the amount of assets held in cash. The ratio in

2005 was 3.9%. In 2006, the ratio decreased to .4% and in 2007 the ratio was 1.1%. The Finkler text notes that when this ratio is too high or too low it may indicate some problems. These ratios are low and may indicate some trouble paying obligations when they are due, such as the organization's bills. As mentioned, the Manchester Center has had trouble in the past keeping the operating account in the positive.

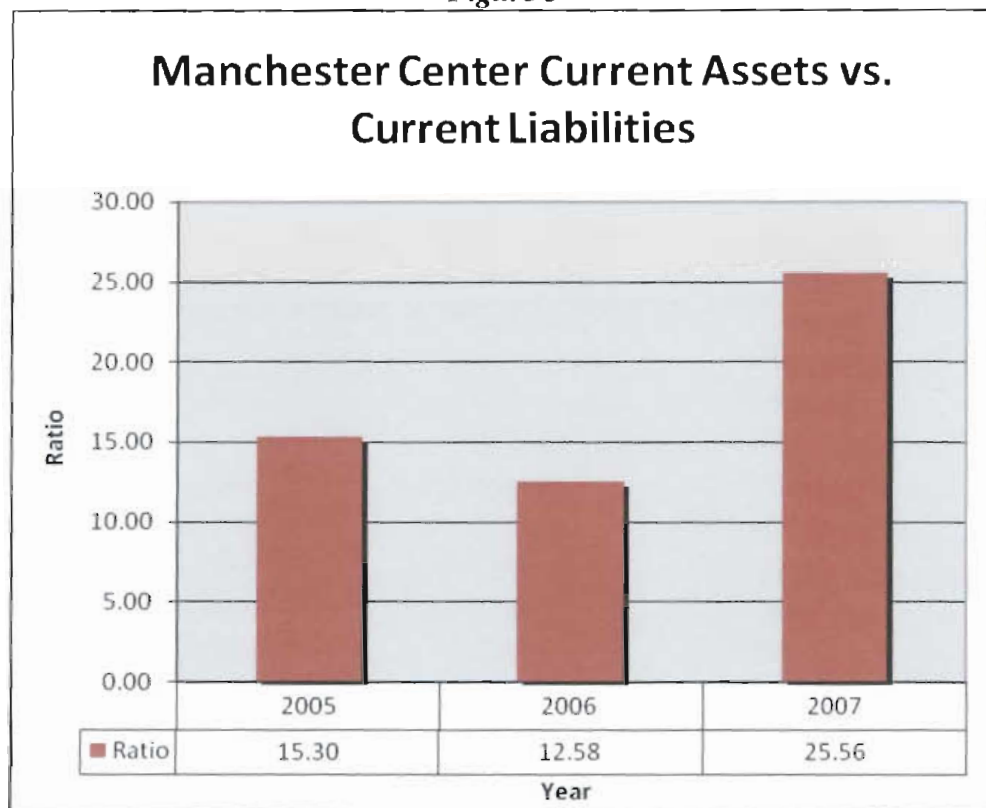
*Figure 2*



The Manchester Center's current asset to current liabilities ratio for 2005 was 15.3, for 2006 it was 12.58 and for 2007 it was 25.56. This ratio puts a dollar amount for each liability within the current year. For example, in 2007 there were \$25.56 dollars in assets for every dollar in liability. An asset refers to those things, which are of value to the Manchester Center and a liability refers to those things the Center owes. It is good that

the Manchester Centers liabilities do not exceed assets. However, Chabotar mentions that a current asset to current liability ratio above 2 could mean the organization may be too cautious in its approach to spending. It's suggested that the cash be invested so interest can be gained. Chabotar mentions that a high current ratio may not be viewed favorably in the nonprofit community because it could be considered hoarding funds rather than providing services to those in need. This ratio is graphed below in Figure 3.

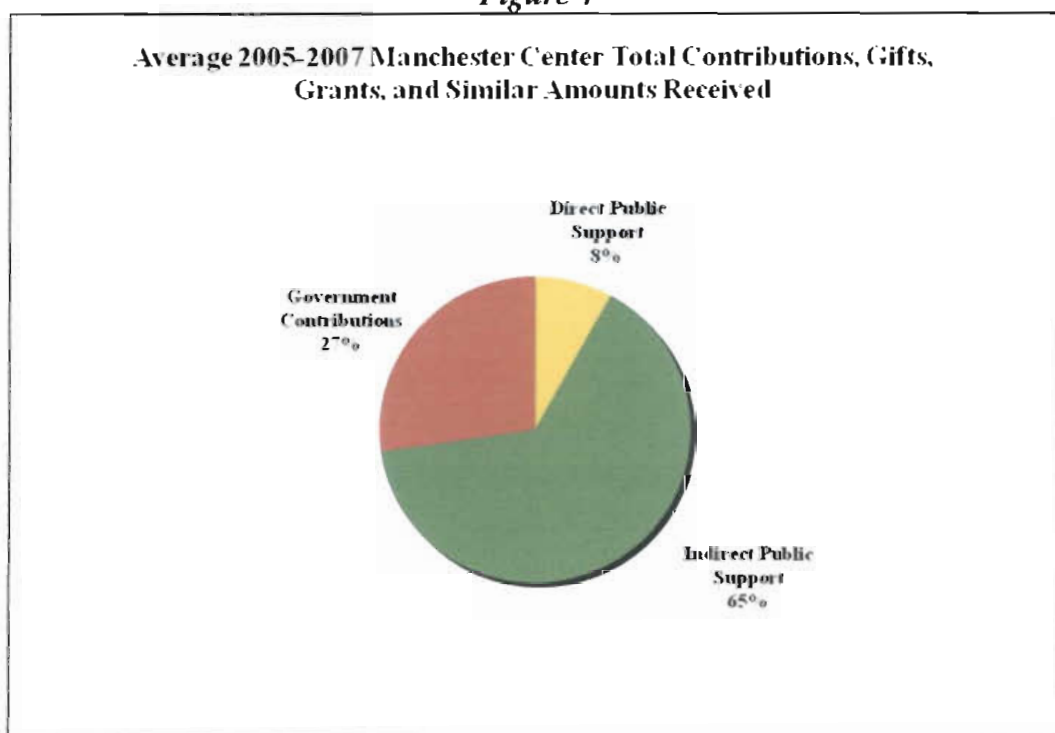
*Figure 3*



The average of the ratios of contributions was calculated. This is the average amount on a 3-year basis of direct support, indirect support and government contributions for the organization. This is seen in Figure 4. The average amount of direct support was 8%. The average amount of indirect support was 65%. The average amount of government

contributions was 27%. The Manchester Center receives on average most of its total contributions indirectly. As a reminder, indirect support refers to contributions received through solicitation campaigns conducted by federally fundraising agencies such as the United Way. The individual breakdown of total contributions is listed in Appendix E on a year to year basis.

*Figure 4*



A ratio of fundraising expense to total expense was calculated to see how much was spent on fundraising initiatives. For the year 2005 and 2006, the ratio was 0. In the year 2007, the ratio was 1%. This made the 3-year average 0. On average the Manchester Center is spending nothing on fundraising.

### *All Organizations*

From the information calculated, the Manchester Center proves to be in alignment with similar local nonprofits in most of the ratios calculated. The ratio of cash to total assets was close to the calculated average median of all the organizations. The ratio comparing current assets divided by current liabilities is different from the median of the other organizations. The Manchester Center's ratio is higher than that of the median. The ratio of direct support vs. total contributions was similar to that of the median. The ratio of indirect support vs. total contributions for the Manchester Center was considerably higher compared to the median average for all organizations. In comparison to the median of all organizations, the Manchester Center had the same ratio for the government contributions vs. total contributions; and fundraising expense vs. total expense. The table below depicts the 3 year average for the Manchester Center and the average median ratios calculated for the organizations and the difference between these.

**Table 2**

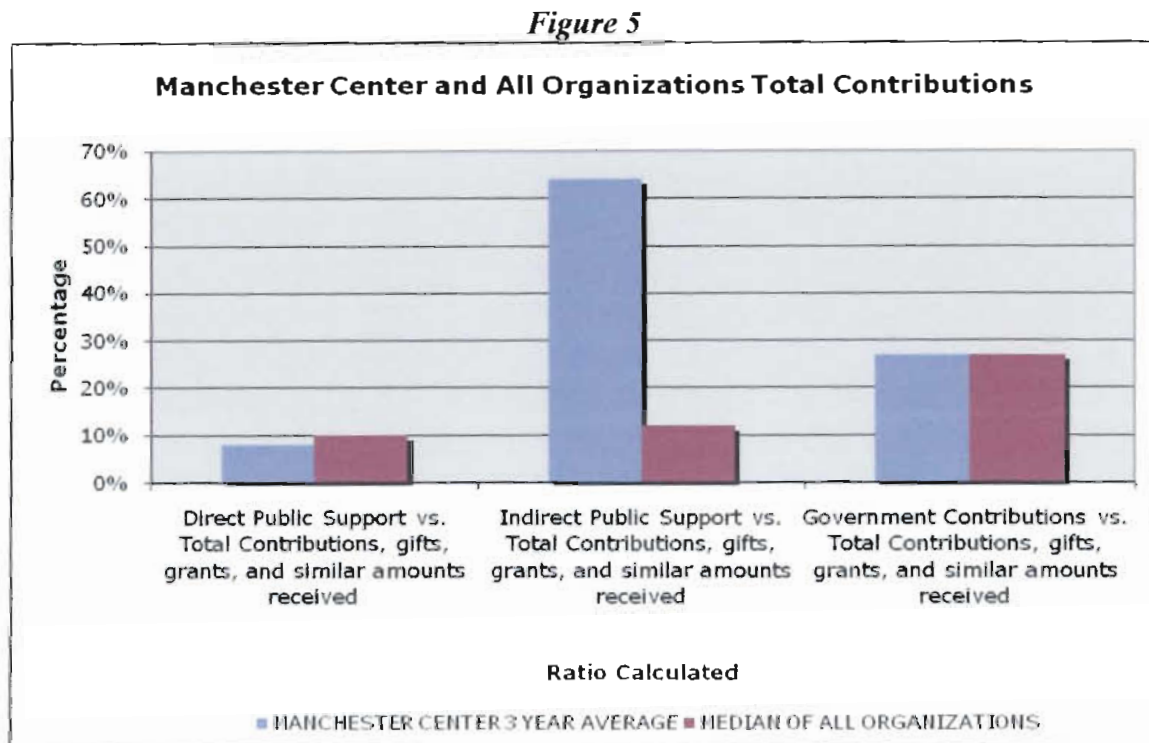
	<b>MANCHESTER CENTER 3 YEAR AVERAGE</b>	<b>MEDIAN OF ALL ORGANIZATIONS</b>	<b>DIFFERENCE</b>
<b>RATIO</b>			
Cash vs. Total Assets	0.02	0.03	-0.01
Current Assets vs. Current Liabilities	17.81	6.63	11.18
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.06	0.1	-0.02
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.64	0.12	0.52
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.27	0.27	0
<i>Fundraising Expense vs. Total Expense</i>	0	0	0

As mentioned previously, the average Manchester Center ratios was calculated. Another average was calculated for each ratio using all the organizations for the period of 2005-2007. Once these averages were calculated they were grouped together and the median was extracted. The median was used because some of the organizational averages were considerably higher than others. A table depicting the averages and the median is located in Appendix C.

One distinct difference was noted in the ratio of current assets vs. current liabilities. The Manchester Center's ratio was 17.81, while the ratio of the median of all organizations was 6.63. The Manchester Center's ratio was almost 2 times that of the average median. This ratio says that the Center holds \$17.81 dollars of current assets for every dollar of current liabilities. This ratio refers to the organization's ability to pay its bills (Chabotar, 1989). It is a forbearance of an organization's financial capacity of daily operations and tells about the financial strength of the organization. The Manchester seems to be financially strong for the given year when looking at the amount of assets to liabilities. However, too high a ratio may signify an overly cautious approach to cash management.

The ratio of indirect support to total contribution for the Manchester Center was considerably higher. The Manchester Center's received on average 65% of its contributions indirectly, while the median was 12%. Indirect support was defined as contributions received through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations. As mentioned earlier, the Manchester Center receives 41% of its funding from the United Way. This would be filed under the

category of indirect support. A breakdown of the Manchester Center's and all the organizations total contributions is depicted in below Figure 5.



## VII. Limitations

No two nonprofit organizations are exactly the same. (Wacht, 1984) Missions may be similar, but two separate nonprofits which share the same budget, methods of operation, capital structure, size and accounting methods (policies and standards) does not exist, especially when limited to a specific locality. While some organizations may report some things, others may not. Because of this, the ratio's maybe skewed. Financial decision should not be based solely on the ratio. It is just a standard of comparison for further investigations.

In keeping with the research design, using Guidestar put additional restrictions on identifying organizations that were similar to the Manchester Center. Guidestar only provides Form 990's for 3 years for free access. Some of the organizations had Form 990s on file for 2008 while others did not. Organizations were listed on Guidestar, but did not have Form 990s available. Some of the Form 990s were missing information and incomplete.

Financial ratios provide clues to an organization's past financial situation (Finkler, 2004). They are a reflection of the past performances which may have been good or bad, but they are not a definite indication of what will happen in the future. It is possible to some extent to determine what could happen, but it is not a reliable prediction.

The information listed on the Form 990 is likely to be to some extent outdated. It was information listed on the chart at that specific time and it is more than likely to have changed. It is hard to determine if a given figure is representing the year-round position of the organization compounded with it not being a proper indication of the financial condition of the organization at that given time. Ratios can identify potential problems and strengths to investigate financial efficiency. In that case, these ratios can be used for further investigation to make financial decisions. Since most nonprofits are mission driven, it may be useful to look at the organizational objectives to see if those are being met, maybe some type of program evaluation or SWOT (strengths, weaknesses, opportunities, threats) analysis. This will make it possible to determine if the funds are being spent effectively to achieve program goals.

The economic condition during a given year may affect what the numbers look like for the organization. There may be increases and decreases in various years due to the economic condition. This may have an impact on a specific ratio causing it to look better or worse. This is misleading when making comparisons over time.

## **VII. Recommendations**

### *Drawn from Analysis*

The two ratios that were different were the ratios in current assets vs. current liabilities and indirect support vs. total contributions. The current assets vs. current liabilities gives a number value of current assets for every one dollar of current liabilities. The Manchester Center's ratio is double that of the median of all organizations. The literature states that if this ratio is too high it could suggest an overly cautious approach to financial management. This cannot be considered good or bad. It would seem beneficial for the Center to investigate why this ratio is higher than the standard of comparison by looking at their organization's financial statements and investigating the circumstances surrounding the assets and liabilities. It may become apparent that there may be opportunities for changes.

The other ratio, which was distinctly different, was the ratio of indirect support vs. total contributions, gifts, grants, and similar amounts. The Manchester Center ratio was .64, while the median was .12. The Manchester receives 41% of its funding from the United Way, which would fall under the indirect support category. It would be beneficial to the

Center to investigate why this difference has occurred and why the organization is over-reliant on this method of support. There is a possibility that there may be opportunities for growth in the areas of direct support and government contributions.

### ***General Recommendations for the Manchester Center based on Other Literature***

The Manchester Center is doing what it needs to survive, which is what most nonprofits are doing today especially in light of the current economic downturn. It may be beneficial for the center to develop a strategic plan, which can give the organization an idea of where it should be headed and how it will get there. It may also be a good idea to revamp the board with better suited individuals who are excited about the mission of the organization and willing to meet the new challenges (Bowman 2003). Forming strategic alliances and merges with other organizations may prove successful. Costs and manpower may be saved if the Manchester Center teams up with other nonprofits in the area to offer a particular service. If possible, the center can seek to increase the level of donations from current donors or increase fundraising initiatives. A partnership with the local government may also benefit the center. The local government and the Center can plan services regarding the public service needs of the community through the coordination and development of programs. While this may not be the best option at this point in time since government funding has been cut, it is well worth the try (Whitaker 2001).

**Appendix A:  
Numbers Captured through the Form 990**

	2005	2006	2007
<b>BIG BROTHERS BIG SISTERS OF THE BLUEGRASS, INC.</b>			
1a. Direct Public Support	858,663	955,119	944,823
1b. Indirect Public Support	314,870	311,889	318,360
1c. Government Contributions			
1d. Total	1,173,533	1,267,008	1,263,183
12. Total Revenue	1,201,735	1,294,093	1,403,740
17. Total Expenses	1,158,609	1,208,264	1,275,708
21. Net Assets or fund balances at end of year	1,074,395	1,160,224	1,314,721
44. Total Functional Expenses- Program Services	1,041,524	1,082,929	1,160,964
44. Total Functional Expenses- Management & General	94,711	97,093	96,457
44d. Total Functional Expenses- Fundraising	14,354	16,638	18,287
44. TOTAL Functional Expenses	1,150,589	1,196,660	1,275,708
45. End of Year Cash- Noninterest Bearing	53,266	12,775	
59. Total Assets	1,147,644	1,287,116	1,409,958
66. Total Liabilities	73,249	126,892	95,237
73. Total Net Assets or Fund Balances	1,074,395	1,160,224	1,314,721
74. Total Liabilities and Net Assets/Fund Balances	1,147,644	1,287,116	1,409,958
<b>BRENDA D. COWAN COALITION FOR KENTUCKY, INC.</b>			
1a. Direct Public Support	124,731	187,652	88,351
1b. Indirect Public Support			
1c. Government Contributions	285,409	207,348	386,496
1d. Total	410,140	395,000	474,847
12. Total Revenue	833,803	1,138,916	869,098
17. Total Expenses	1,369,811	1,360,958	1,583,120
21. Net Assets or fund balances at end of year	2,738,521	2,162,446	1,554,087
44. Total Functional Expenses- Program Services	1,044,993	1,044,398	1,144,143
44. Total Functional Expenses- Management & General	324,818	316,560	438,977
44d. Total Functional Expenses- Fundraising	0	0	0
44. TOTAL Functional Expenses	1,369,811	1,360,958	1,583,120
45. End of Year Cash- Noninterest Bearing	14,651	121,813	94,122
59. Total Assets	3,482,957	2,630,637	1,771,635
66. Total Liabilities	744,436	468,191	217,548
73. Total Net Assets or Fund Balances	2,738,521	2,162,446	1,554,087
74. Total Liabilities and Net Assets/Fund Balances	3,482,957	2,630,637	1,771,635
<b>CARNEGIE LITERACY CENTER</b>			
1a. Direct Public Support	335,297	527,077	
1b. Indirect Public Support		40,000	639,630
1c. Government Contributions	58,271		40,000
1d. Total	393,568	567,077	679,630
12. Total Revenue	468,718	671,369	793,784
17. Total Expenses	456,937	550,851	477,874
21. Net Assets or fund balances at end of year	1,056,738	1,177,256	689,812
44. Total Functional Expenses- Program Services	326,786	386,336	290,065
44. Total Functional Expenses- Management & General	115,548	145,112	145,673
44d. Total Functional Expenses- Fundraising	14,603	19,403	42,136
44. TOTAL Functional Expenses	456,937	550,851	477,874

45. End of Year Cash- Noninterest Bearing	224,885	133,425	280,573
59. Total Assets	1,182,203	1,188,861	794,487
66. Total Liabilities	125,465	11,605	104,675
73. Total Net Assets or Fund Balances	1,056,738	1,177,256	689,812
74. Total Liabilities and Net Assets/Fund Balances	1,182,203	1,188,861	794,487
<b>CENTER FOR FAMILY AND COMMUNITY SERVICES, INC.</b>			
1a. Direct Public Support			
1b. Indirect Public Support			
1c. Government Contributions	673,000	565,000	396,747
1d. Total	673,000	565,000	396,747
12. Total Revenue	673,182	565,337	397,164
17. Total Expenses	585,697	558,145	376,080
21. Net Assets or fund balances at end of year	90,743	97,935	94,019
44. Total Functional Expenses- Program Services	560,217	527,225	349,750
44. Total Functional Expenses- Management & General	25,480	30,920	26,330
44d. Total Functional Expenses- Fundraising	0	0	0
44. TOTAL Functional Expenses	585,697	558,145	376,080
45. End of Year Cash- Noninterest Bearing	103,430	38,158	59,703
59. Total Assets	109,430	130,818	144,938
66. Total Liabilities	18,687	32,883	50,919
73. Total Net Assets or Fund Balances	90,743	97,935	94,019
74. Total Liabilities and Net Assets/Fund Balances	109,430	130,818	144,938
<b>THE CHILDREN'S ADVOCACY CENTER OF THE BLUEGRASS, INC.</b>			
1a. Direct Public Support	15,045	10,185	8,752
1b. Indirect Public Support	35,050	34,985	40,400
1c. Government Contributions	227,550	222,811	293,983
1d. Total	277,645	267,981	343,135
12. Total Revenue	396,617	420,282	508,932
17. Total Expenses	373,944	415,760	498,412
21. Net Assets or fund balances at end of year	624,381	628,903	639,423
44. Total Functional Expenses- Program Services	229,963	266,349	326,730
44. Total Functional Expenses- Management & General	139,021	129,530	150,530
44d. Total Functional Expenses- Fundraising	4,960	19,881	21,152
44. TOTAL Functional Expenses	373,944	415,760	498,412
45. End of Year Cash- Noninterest Bearing	165,516	80,859	60,247
59. Total Assets	725,292	721,574	731,756
66. Total Liabilities	100,911	92,671	92,333
73. Total Net Assets or Fund Balances	624,381	628,903	639,423
74. Total Liabilities and Net Assets/Fund Balances	725,292	721,574	731,756
<b>GROWING TOGETHER PRESCHOOL</b>			
1a. Direct Public Support	17,774	18,140	17,438
1b. Indirect Public Support	176,612	159,094	155,462
1c. Government Contributions			
1d. Total	194,386	177,234	172,900
12. Total Revenue	1,275,048	1,274,730	1,291,691
17. Total Expenses	1,280,796	1,275,712	1,276,717
21. Net Assets or fund balances at end of year	89,055	88,073	105,998
44. Total Functional Expenses- Program Services	1,154,069	1,145,205	1,148,779

44. Total Functional Expenses- Management & General	115,729	122,064	118,156
44d. Total Functional Expenses- Fundraising	10,998	8,443	9,782
44. TOTAL Functional Expenses	1,280,796	1,275,712	1,276,717
45. End of Year Cash- Noninterest Bearing	1,115	5,625	9,362
59. Total Assets	456,221	436,432	426,473
66. Total Liabilities	367,166	348,359	320,475
73. Total Net Assets or Fund Balances	89,055	88,073	105,998
74. Total Liabilities and Net Assets/Fund Balances	456,221	436,432	426,473
<b>IMANI FAMILY LIFE CENTER</b>			
1. Contributions to Donor Advised Funds		3,636	884
1a. Direct Public Support			
1b. Indirect Public Support			
1c. Government Contributions			
1d. Total	1,429	3,636	884
12. Total Revenue	17,724	41,578	232,230
17. Total Expenses	21,846	21,904	28,994
21. Net Assets or fund balances at end of year	1,509	8,521,182	224,418
44. Total Functional Expenses- Program Services		17,505	21,656
44. Total Functional Expenses- Management & General		4,399	7,338
44d. Total Functional Expenses- Fundraising			0
44. TOTAL Functional Expenses		21,904	28,994
45. End of Year Cash- Noninterest Bearing		8,334	156,558
59. Total Assets	1,852	8,577,337	10,964,419
66. Total Liabilities	343	56,155	10,740,000
73. Total Net Assets or Fund Balances	1,509	8,521,182	224,419
74. Total Liabilities and Net Assets/Fund Balances		8,577,337	10,964,416
<b>MANCHESTER CENTER</b>			
1a. Direct Public Support	11,272	59,632	13,702
1b. Indirect Public Support	197,659	184,241	202,544
1c. Government Contributions	63,935	114,684	78,124
1d. Total	272,866	358,557	294,370
12. Total Revenue	331,619	397,763	373,125
17. Total Expenses	357,612	433,988	389,060
21. Net Assets or fund balances at end of year	305,188	370,199	375,708
44b. Total Functional Expenses- Program Services	310,146	376,679	338,102
44c. Total Functional Expenses- Management & General	47,466	57,309	45,563
44d. Total Functional Expenses- Fundraising			5,395
44a. TOTAL Functional Expenses	357,612	433,988	389,060
45. End of Year Cash- Noninterest Bearing	12,819	1,459	4,316
59. Total Assets- End of Year	325,131	399,627	390,406
66. Total Liabilities- End of Year	19,943	29,428	14,698
73. Total Net Assets or Fund Balances- End of Year	305,188	370,199	375,708
74. Total Liabilities and Net Assets/Fund Balances- End of Year	325,131	399,627	390,406
<b>PARTNERS FOR YOUTH FOUNDATION, INC.</b>			
1a. Direct Public Support	183,650	140,337	92,972
1b. Indirect Public Support			
1c. Government Contributions	85,461	104,264	220,270
1d. Total	269,111	244,601	313,242

12. Total Revenue	270,252	247,775	317,526
17. Total Expenses	223,781	273,003	288,662
21. Net Assets or fund balances at end of year	176,507	151,279	180,143
44. Total Functional Expenses- Program Services	218,513	251,887	264,899
44. Total Functional Expenses- Management & General	5,223	21,116	23,763
44d. Total Functional Expenses- Fundraising	45	0	0
44. TOTAL Functional Expenses	223,781	273,003	288,662
45. End of Year Cash- Noninterest Bearing	26,451	1,768	6,873
59. Total Assets	212,426	188,182	226,980
66. Total Liabilities	35,919	36,903	46,837
73. Total Net Assets or Fund Balances	176,507	151,279	180,143
74. Total Liabilities and Net Assets/Fund Balances	212,426	188,182	226,980

**Appendix B:  
Calculated Ratios and Their Average**

	2005	2006	2007	Average
<b>BIG BROTHERS BIG SISTERS OF THE BLUEGRASS, INC.</b>				
<i>Cash vs. Total Assets</i>	0.05	0.01	0.00	0.02
<i>Current Assets vs. Current Liabilities*</i>	14.67	9.14	13.80	12.54
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.73	0.75	0.75	0.74
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.27	0.25	0.25	0.26
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.00	0.00	0.00
<i>Fundraising Expense vs. Total Expense</i>	0.01	0.01	0.01	0.01
<b>BRENDA D. COWAN COALITION FOR KENTUCKY, INC.</b>				
<i>Cash vs. Total Assets</i>	0.00	0.05	0.05	0.03
<i>Current Assets vs. Current Liabilities</i>	3.68	4.62	7.14	5.15
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.30	0.48	0.19	0.32
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.00	0.00	0.00
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.70	0.52	0.81	0.68
<i>Fundraising Expense vs. Total Expense</i>	0.00	0.00	0.00	0.00
<b>CARNEGIE LITERACY CENTER</b>				
<i>Cash vs. Total Assets</i>	0.19	0.11	0.35	0.22
<i>Current Assets vs. Current Liabilities*</i>	8.42	101.44	6.59	38.82
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.85	0.93	0.00	0.59
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.07	0.94	0.34
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.15	0.00	0.06	0.07
<i>Fundraising Expense vs. Total Expense</i>	0.03	0.04	0.09	0.05
<b>CENTER FOR FAMILY AND COMMUNITY SERVICES, INC.</b>				
<i>Cash vs. Total Assets</i>	0.95	0.29	0.41	0.55
<i>Current Assets vs. Current Liabilities*</i>	4.86	2.98	1.85	3.23
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.00	0.00	0.00
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.00	0.00	0.00
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	1.00	1.00	1.00	1.00
<i>Fundraising Expense vs. Total Expense</i>	0.00	0.00	0.00	0.00
<b>THE CHILDREN'S ADVOCACY CENTER OF THE BLUEGRASS, INC.</b>				
<i>Cash vs. Total Assets</i>	0.23	0.11	0.08	0.14
<i>Current Assets vs. Current Liabilities*</i>	6.19	6.79	6.93	6.63
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.05	0.04	0.03	0.04
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.13	0.13	0.12	0.12
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.82	0.83	0.86	0.84

<i>Fundraising Expense vs. Total Expense</i>	0.01	0.05	0.04	0.03
<b>GROWING TOGETHER PRESCHOOL</b>				
<i>Cash vs. Total Assets</i>	0.00	0.01	0.02	0.01
<i>Current Assets vs. Current Liabilities*</i>	0.24	0.25	0.33	0.28
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.09	0.10	0.10	0.10
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.91	0.90	0.90	0.90
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.00	0.00	0.00
<i>Fundraising Expense vs. Total Expense</i>	0.01	0.01	0.01	0.01
<b>IMANI FAMILY LIFE CENTER</b>				
<i>Cash vs. Total Assets</i>	0.00	0.00	0.01	0.01
<i>Current Assets vs. Current Liabilities*</i>	4.40	151.74	0.02	52.05
<i>Contributions to donor advised funds vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	1.00	1.00	0.67
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.00	0.00	0.00
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.00	0.00	0.00
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.00	0.00	0.00
<i>Fundraising Expense vs. Total Expense</i>	0.00	0.00	0.00	0.00
<b>MANCHESTER CENTER</b>				
<i>Cash vs. Total Assets</i>	0.04	0.00365	0.01	0.02
<i>Current Assets vs. Current Liabilities*</i>	15.30	12.58	25.56	17.81
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.04	0.17	0.05	0.08
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.72	0.51	0.69	0.64
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.23	0.32	0.27	0.27
<i>Fundraising Expense vs. Total Expense</i>	0.00	0.00	0.01	0.00
<b>PARTNERS FOR YOUTH FOUNDATION, INC.</b>				
<i>Cash vs. Total Assets</i>	0.12	0.01	0.03	0.05
<i>Current Assets vs. Current Liabilities*</i>	4.91	4.10	3.85	4.29
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.68	0.57	0.30	0.52
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.00	0.00	0.00	0.00
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	0.32	0.43	0.70	0.48
<i>Fundraising Expense vs. Total Expense</i>	0.00	0.00	0.00	0.00

\* Current meaning within the given year.

Appendix C  
Average Ratios for All Organizations and Their Median

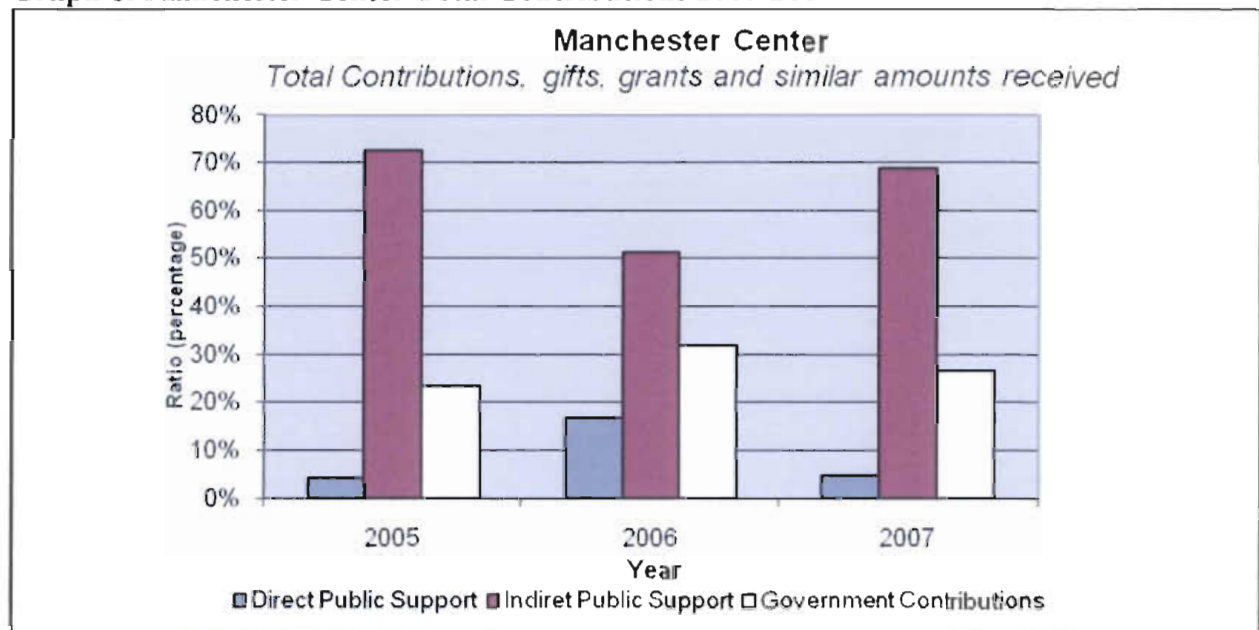
L. ORGANIZATIONS

	BIG BROTHERS BIG SISTERS OF THE BLUEGRASS, INC.	BRENDA D. COWAN COALITION FOR KENTUCKY, INC.	CARNEGIE LITERACY CENTER	CENTER FOR FAMILY AND COMMUNITY SERVICES, INC.	THE CHILDREN'S ADVOCACY CENTER OF THE BLUEGRASS, INC.	GROWING TOGETHER PRESCHOOL	IMANI FAMILY LIFE CENTER	MANCHESTER CENTER	PARTNERS FOR YOUTH FOUNDATION, INC.	AVERAGE	MEDIAN
<b>RATIO</b>											
Cash vs. Total Assets	0.02	0.03	0.22	0.55	0.14	0.01	0.01	0.02	0.05	0.12	0.03
Assets vs. Current Liabilities	12.54	5.15	38.62	3.23	6.63	0.28	52.05	17.81	4.29	15.64	6.63
Contributions to donor advised funds vs. Total Contributions, gifts, grants, and similar amounts received	0	0	0	0	0	0	0.67	0	0	0.07	0
Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received	0.74	0.32	0.59	0	0.04	0.1	0	0.08	0.52	0.27	0.1
Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received	0.26	0	0.34	0	0.12	0.9	0	0.64	0	0.25	0.12
Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received	0	0.68	0.07	1	0.84	0	0	0.27	0.48	0.37	0.27
Fundraising Expense vs. Total Expense	0.01	0	0.05	0	0.03	0.01	0	0	0	0.01	0

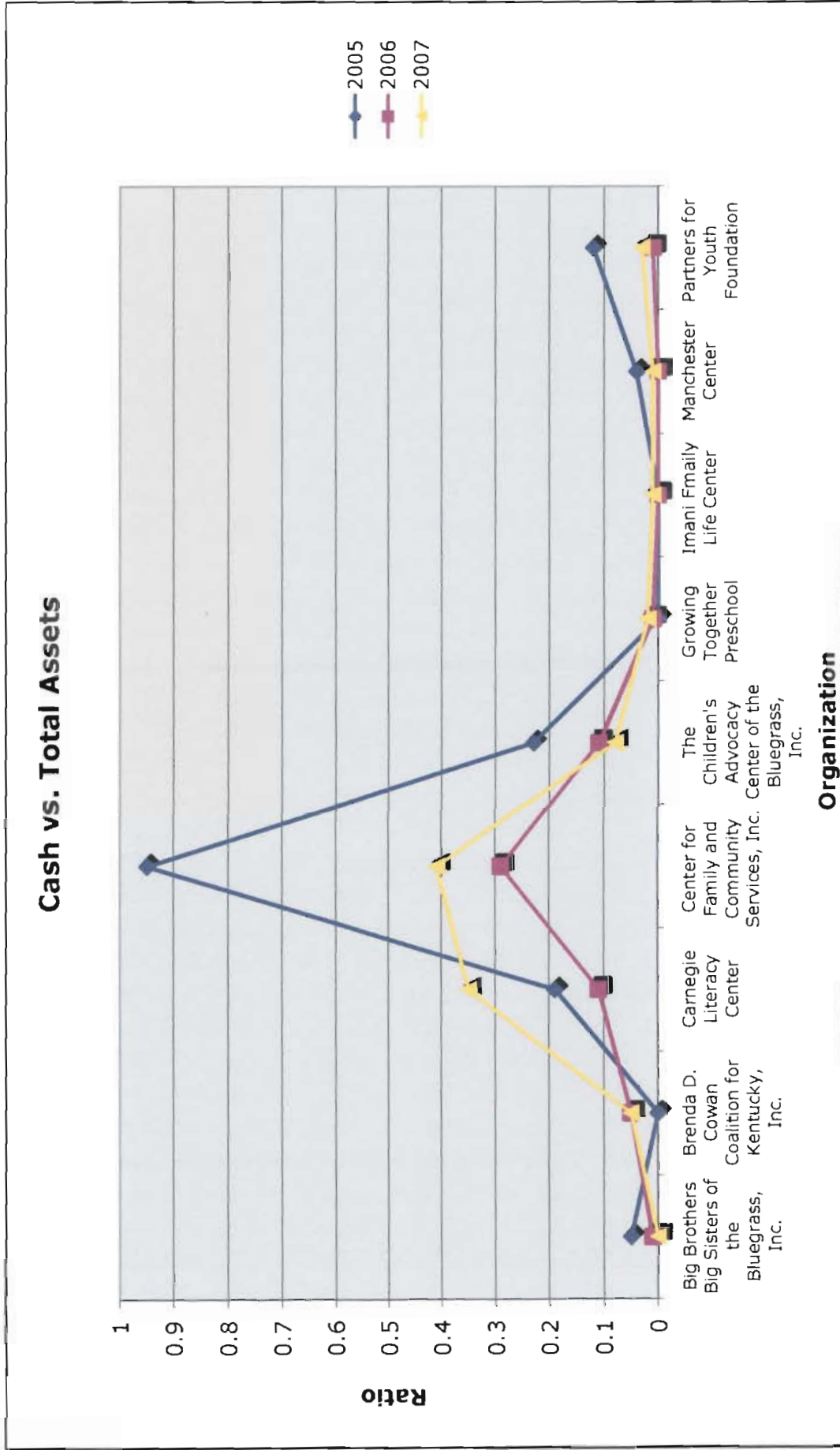
**Appendix D:  
Manchester Center Ratios**

<b>MANCHESTER CENTER</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<i>Cash vs. Total Assets</i>	3.9%	0.4%	1.1%
<i>Current Assets vs. Current Liabilities</i>	15.30	12.58	25.56
<i>Direct Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	4%	17%	5%
<i>Indirect Public Support vs. Total Contributions, gifts, grants, and similar amounts received</i>	72%	51%	69%
<i>Government Contributions vs. Total Contributions, gifts, grants, and similar amounts received</i>	23%	32%	27%
<i>Fundraising Expense vs. Total Expense</i>	0.00	0.00	0.01

**Appendix E:  
Graph of Manchester Center Total Contributions 2005-2007**



Appendix F  
 Average Organizational  
 Cash vs. Assets



### Appendix G:

### Graph of Average Organizational Current Assets vs. Current Liabilities



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