

In-class Exercise
SOCW 618 - Advanced Admin
Budgeting and Financial Analysis

Please write out all the steps in the calculations (not only the final results!)

1. **Income Projection:** Your organization is planning to hire two full time licensed counselors. Each counselor is expected to see 20 fully paying clients a **week**. Insurance companies reimburse on average \$70 per client. What is the income projection for these two counselors combined for the year?

Income Projection = Type of services at reimbursement amount x total # of services expected to be provided by staff per year

\$70 per client

20 clients/wk x 52 wks/yr = 1,040 clients/yr

\$70 per client x 1,040 clients/yr = \$72,800 for one full time counselor

\$72,800 x 2 staff members = **\$145,600** for 2 full time counselors

2. **Breakeven analysis:** Your organization provides services to pregnant teens. Part of the program encourages young families to purchase low cost layettes to welcome their baby.
- a. You found out that you can purchase in bulk 150 layettes for \$15 each from a vendor who believes in your mission (otherwise, layettes are priced at \$25 each). However, the layettes are not assembled nor labeled; you will have to create and print labels with instructions, as well as assemble the layettes.
 - b. You think that 3 employees, working full time, can complete the work in 60 hours each, for a total of 180 of manpower hours; you plan to pay them \$10/hours.
 - c. It will cost you \$400 to rent a facility that meets standards for packing the layettes
 - d. You will also need to use the print shop down the street to print your labels; each label costs you \$0.10.
 - e. The bags in which you package the layettes cost you \$0.25 each.
 - f. The program's prorated overhead portion is \$2,000

What is your breakeven point, if you budget for a 25% gain (profit)?

Fixed costs: **\$2,400**

\$400 rent

\$2,000 overhead

Variable costs: **\$4,102.50**

150 layettes for \$15 each = \$2,250

3 employees at \$10/hr for 60 hrs each (180 hrs total) = \$1,800

\$0.10 per label = \$15

\$0.25 per bag = \$37.50

Group Members Names: Nora Amador, Alan Robers, Allison Grady, Brianna Cheever

Price for 150 layettes:

Fixed + Variable

$$\$2,400 + \$4,102.50 = \$6,502.50$$

25% profit margin:

$$\$6,502.50 \times .25 = \$1,625.63$$

Total price for 150 layettes:

$$\$6,502.50 + \$1,625.63 = \\ \$8,128.13$$

Price for each layette:

$$\$8,128.13 / 150 = \$54.19$$

Breakeven point for 150 layettes is:

Fixed cost / (price - variable cost)

$$\$2,400 / (\$8,128.13 - \$4,102.50) = \$2,400 / \$4,025.63 = .59617998 = 60\%$$

To breakeven, you would have to sell 60 % of the layettes = 90 layettes

The following questions are based on the financial statements given to your group. Include the \$ figures and the line item/description (e.g. Fundraising: \$12,006)

Name of the nonprofit: Grameen Foundation USA and Affiliate

1. What is the current year's profit? $\$24,130,427 - \$29,714,993 = (\$5,584,566)$
2. How much did the organization spend on programs? $\$18,602,838$
3. How much did the organization spend on supporting services, such as administration, etc.? $\$4,057,710$
4. What was the total income for the year? $\$17,793,209$

Group Members Names: Nora Amador, Alan Robers, Allison Grady, Brianna Cheever

5. What did the organization spend most of its money on? Programs (microfinance & technology)

6. How much does the organization have in restricted assets, if any? \$13,318,044

7. How much does the organization have in unrestricted assets, if any? \$8,820,005

8. What is the organization's return on investment (ratio: ROI)?

ROI = total revenue / total assets

Total revenue = \$17,793,209

Total Assets = \$24,130,427

ROI = .73737647 = 74%

9. How many days cash on hand does the organization have? Should they increase it, keep the same? How soon should they take action?

\$10,900,830 cash on hand for 2012. They have enough to cover cash on hand for 3-5 months, but not enough to cover 6 months. Therefore, they should increase their cash on hand by \$429,444 for the year to account for 6 months of cash on hand. They should take action within the next 3 months to be able to prepare for any type of emergency.

Year expenses / 12 mths = monthly expenses

\$22,660,548 / 12 mths = 1,888,379 / mth

1,888,379 x 3 mths = \$5,665,137

1,888,379 x 6 mths = \$11,330,274

10. Based on the financial statements provided and the information above, what would you advise the nonprofit to change/not to change/ in the way they use their funds and operate?

We would advise them to increase their cash on hand by \$429,444. Their overall profit was negative and was lower than the year before, so they would need to make budgetary changes. They should increase the amount of contributions received and decrease the amount of grants given out. They should decrease the technology and microfinance allotment. They have some room to increase the fundraising budget (only spent \$191,272), and since they are not receiving as many contributions, they should focus on fundraising more.