**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?

52 weeks a year X 20 paying clients = 1040 client hours

$70 per client x 1040 = $72,800 (per counselor)

2 counselors = $145,600

1. **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.
   1. 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.
   2. 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.
   3. It will cost you $400 to rent a facility that meets standards for packing the layettes
   4. You will also need to use the print shop down the street to print your labels; each label costs you $0.10.
   5. The bags in which you package the layettes cost you $0.25 each.
   6. The program’s prorated overhead portion is $2,000

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

Fixed costs: (rent)

$400 rent

$2,000 prorated overhead

$2,400 total

Variable costs: (office supplies, utilities, etc.)

Bags - $0.25 X 150 = 37.50

Layettes - $15 X 150 = 2250 (if get 150 layettes; otherwise, $25/each layette)

Labels- $0.10/each label X 150 = 15

180 X 10 = $1800 (Salaries)

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Bags - $37.50

Layette’s - $2,250

Labels - $15

Salaries - $1800

TOTAL : $4102.50

Price for 150 layettes: $15 X 150 = 4102 +2400 = $6,502

25% profit margin:

$6,502 X 0.25 = $1,625.50 profit margin

Total price for 150 layettes: $8,127.50

$1,625.50 + 6502 = $8,127.50

Price for each layette: $54.18

Breakeven point for 150 layettes is:

2400

8127.50-4102.50

2400

4025

=0.596

**To breakeven, you would have to sell \_\_59.60\_\_\_\_ % 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 \_\_\_\_\_\_\_\_Joseph’s house\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. What is the current year’s profit?

1,203,013 - 1,159,394 = $43,619

1. How much did the organization spend on programs?

$966,272.00

1. How much did the organization spend on supporting services, such as administration, etc.?

$114,073

1. What was the total income for the year?

$1,203,013

1. What did the organization spend most of its money on?

Program services

1. How much does the organization have in restricted assets, if any?

27,060

1. How much does the organization have in unrestricted assets, if any?

712,836

1. What is the organization’s return on investment (ratio: ROI)? Total revenue

Total assets

$1,203,013

$750,473

= 1.6

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

Cash on hand = 81,957

Total daily expenses / 365 = expenses

1,159,394/365 = 3,176.42 expenses per day

81,957/ 3,176.42 = 25 days

Joseph’s house should increase the cash on hand for the organization to ensure daily operations. They should take action as soon as possible.

1. 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?

The organization’s assets exceed liabilities and the income exceeds expenses. They seem to be in a healthy financial situation. Their assets have grown continually over the last year. They should probably evaluate their line item expenses and assets to determine where to allocate the surplus from the former year and plan for the next year. Their cash on hand would only cover their expenses for 25 days, thus, it is in their best interest to increase cash flow and savings.