
Postgraduate Certificate in Nonprofit Healthcare Organization Accounting

Financial Statement Analysis and Budgeting for Nonprofit Healthcare Organizations

Accrual Basis Financial Statements:

Financial statements that report revenues and expenses when they are earned or incurred, regardless of when cash is received or paid. This basis provides a more accurate picture of a nonprofit healthcare organization's financial position and performance over time.

Balance Sheet:

A financial statement that presents a nonprofit healthcare organization's assets, liabilities, and net assets at a specific point in time. It provides information about the organization's financial position and solvency.

Budget:

A financial plan that outlines an organization's expected revenue and expenses for a specific period, typically a fiscal year. A budget helps a nonprofit healthcare organization plan for the future, allocate resources, and monitor financial performance.

Cash Basis Financial Statements:

Financial statements that report revenues and expenses when cash is received or paid. This basis provides a simpler view of a nonprofit healthcare organization's financial position and performance, but may not accurately reflect the organization's long-term financial health.

Cost of Goods Sold (COGS):

The direct costs associated with producing or delivering the goods or services that a nonprofit healthcare organization sells. COGS includes expenses such as labor, materials, and overhead.

Current Ratio:

A liquidity ratio that measures a nonprofit healthcare organization's ability to pay its current liabilities with its current assets. It is calculated by dividing current assets by current liabilities.

Debt Service Coverage Ratio (DSCR):

A solvency ratio that measures a nonprofit healthcare organization's ability to meet its debt obligations. It is calculated by dividing net operating income by total debt service.

Depreciation:

The systematic allocation of the cost of a long-lived asset, such as property, plant, or equipment, over its useful life. Depreciation is a non-cash expense that reduces an organization's net income.

Financial Position:

The state of a nonprofit healthcare organization's financial resources, including its assets, liabilities, and net assets. Financial position is typically assessed through a balance sheet.

Financial Ratios:

Quantitative measures used to evaluate a nonprofit healthcare organization's financial performance and position. Financial ratios compare various aspects of an organization's financial statements, such as liquidity, solvency, and efficiency.

Financial Statement Analysis:

The process of examining and interpreting a nonprofit healthcare organization's financial statements to assess its financial position, performance, and trends. Financial statement analysis involves comparing financial information to budgets, prior periods, and industry benchmarks.

Fundraising Expenses:

Expenses incurred in the process of soliciting and securing donations and grants. Fundraising expenses include costs such as salaries, consultants, events, and materials.

Functional Expenses:

Expenses that can be classified according to the programs and services they support, such as patient care, research, or education. Functional expenses are reported on a nonprofit healthcare organization's statement of activities.

General and Administrative Expenses (G&A):

Expenses that support the overall operations of a nonprofit healthcare organization, but cannot be directly attributed to specific programs or services. G&A expenses include costs such as salaries, rent, and utilities.

Government Grants:

Financial assistance provided by government agencies to support specific programs or services offered by a nonprofit healthcare organization. Government grants are typically subject to certain conditions and restrictions.

Indirect Costs:

Expenses that cannot be directly attributed to a specific program or service, but are necessary for the overall operation of a nonprofit healthcare organization. Indirect costs include items such as rent, utilities, and administrative salaries.

Invested Capital:

The total amount of long-term capital invested in a nonprofit healthcare organization, including equity, debt, and other long-term liabilities.

Liquidity:

The ability of a nonprofit healthcare organization to meet its short-term obligations as they come due. Liquidity is typically measured through ratios such as the current ratio and quick ratio.

Long-Term Debt:

Debt that is due after one year or more. Long-term debt is reported on a nonprofit healthcare organization's balance sheet and is a key factor in assessing its solvency.

Net Assets:

The difference between a nonprofit healthcare organization's total assets and total liabilities. Net assets represent the organization's residual interest in its assets and are reported on its balance sheet.

Operating Margin:

A profitability ratio that measures a nonprofit healthcare organization's operating efficiency. It is calculated by dividing operating income by total revenue.

Program Expenses:

Expenses that are directly attributed to the programs and services offered by a nonprofit healthcare organization. Program expenses include costs such as salaries, supplies, and equipment.

Restricted Net Assets:

Net assets that are subject to donor-imposed restrictions on their use. Restricted net assets are reported on a nonprofit healthcare organization's balance sheet and are typically designated for specific programs or purposes.

Revenue:

The inflow of resources from activities that are related to a nonprofit healthcare organization's mission, such as patient care, research, or education. Revenue is reported on a nonprofit healthcare organization's statement of activities.

Statement of Activities:

A financial statement that reports a nonprofit healthcare organization's revenues, expenses, and changes in net assets for a specific period, typically a fiscal year.

Statement of Cash Flows:

A financial statement that reports a nonprofit healthcare organization's cash inflows and outflows from operating, investing, and financing activities for a specific period, typically a fiscal year.

Solvency:

The ability of a nonprofit healthcare organization to meet its long-term obligations and remain financially viable. Solvency is typically measured through ratios such as the debt-to-equity ratio and debt service

coverage ratio.

Unrestricted Net Assets:

Net assets that are not subject to donor-imposed restrictions on their use. Unrestricted net assets are available for a nonprofit healthcare organization to use at its discretion.

Variance Analysis:

The process of comparing actual financial results to budgeted amounts to identify differences and understand the causes of those differences. Variance analysis can help a nonprofit healthcare organization identify areas for improvement and make informed decisions about resource allocation.