Fraud Prevention, Nonprofits, and Financial Literacy Combined Study Guides/Reading

Fraud Prevention Guide for Small Orgs

Protecting Your Organization from Theft and Dishonesty

Target Audience: Executive directors, board members, small nonprofit staff
Time to Read: 15-20 minutes
Skill Level: Beginner-Intermediate

What is Fraud?

Fraud = Intentional dishonesty for financial gain

Examples: - Theft of organization cash - Falsifying expense claims - Creating fake vendor to steal money - Misusing donated funds - Forging checks - Embezzlement

The reality: Small organizations are TARGET for fraud - Fewer controls - Less oversight - Easier to hide - Often caught months later

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THE FOUR MOST COMMON FRAUD TYPES IN NONPROFITS

Type 1: Cash Theft (25% of fraud)

How it happens: - Event collects cash donations - Someone pockets $500 - Reduces reported donations by same amount - No one knows

Red flags: - Donations reported lower than expected - Difference between event ticket sales and cash collected - No one watching cash box - Same person always handling cash

Prevention: - **Two people** always handle cash - Count immediately when received - Record in receipt book (in order, no erasures) - Deposit daily - Bank statement reviewed by independent person

Cost to prevent: Time only (no extra money)

Type 2: Fake Expenses (35% of fraud)

How it happens: - Person submits "receipt" for reimbursement - Receipt is fake or for personal item - Gets $1,000 reimbursed - Creates multiple fake receipts over months - Stealing $15,000 total

Red flags: - Always round amounts ($1,000 exactly) - Receipts hard to read/photocopy - Recipient defensive about requesting receipts - Pattern of reimbursements similar amount - Missing receipts "I'll send later"

Prevention: - Require receipt for EVERY expense - Supervisor verifies business purpose - Random spot checks (verify actual vendor) - If receipt missing: Personal responsibility - Monthly review of all expenses

Cost to prevent: Staff review time

Type 3: Payroll Fraud (20% of fraud)

How it happens: - HR person adds ghost employee - Paychecks issued to account she controls - Goes on for 6+ months

Red flags: - New employee starts; no one else knows them - Address is HR person's address or relative - No one ever sees this employee - Payroll growing but program capacity hasn't - Difficulty accounting for all staff

Prevention: - HR person creates employee record - Finance approves before first paycheck (verifies real person) - Direct supervisor meets new hire - Timesheet verification for all employees - Monthly: Count paychecks vs. employees on file - Quarterly: Management signs "These are all real employees"

Cost to prevent: Time only

Type 4: Vendor Fraud (20% of fraud)

How it happens: - Procurement person works with vendor - Vendor overcharges (invoice says $10,000 for $5,000 work) - Person shares "discount" ($2,500) as kickback - Organization pays inflated prices

Red flags: - Same vendor always selected (even at higher price) - Invoices unclear/hard to verify - Prices higher than competitors - Personal relationship with vendor - Same person always approves that vendor

Prevention: - Competitive bidding for expenses over $5,000 - Different person selects vendor (not same person year to year) - Price comparison with competitors - Board reviews vendor list quarterly - Conflict of interest: Procurement person can't select if they know vendor

Cost to prevent: Time for bidding process

THE FIVE MOST VULNERABLE POSITIONS

Position 1: Finance Director/Manager

Why vulnerable: - Direct access to cash - Reconciles bank accounts - Approves payments - Could hide transactions

To protect: - Someone else reviews bank statements (not finance person) - Two signatures required over certain amount - Surprise cash audit (count actual cash vs. records) - Take mandatory vacation (so fraud detected in their absence) - Segregate duties: Different person does reconciliation

Position 2: Executive Director

Why vulnerable: - Approves all expenses - Sets own compensation - Could override policies - Board may not question decisions

To protect: - Board approves ED salary (not self-approved) - Board signs off on ED reimbursements - Board reviews ED travel expenses - Compensation committee (not ED) sets wages - External audit required

Position 3: Development/Fundraising

Why vulnerable: - Handles donation checks - Asks for donations - Could pocket contributions - Covers by not reporting

To protect: - All donations reported to Finance immediately - Finance confirms donation received vs. reported - Two people open mail (if checks received) - Monthly report of donations vs. amounts deposited - Bank statements verify amounts deposited

Position 4: Program Staff with Cash Access

Why vulnerable: - Event collects cash - Could pocket portion - Hard to verify attendance

To protect: - Two staff count cash - Receipt given to every participant (numbered) - After event, count receipts issued vs. cash collected - Any variance = investigation - Event supervisor   Cash counter

Position 5: Accounting/Bookkeeping

Why vulnerable: - Records all transactions - Could delete/alter records - Could create fake entries - Records might not match reality

To protect: - Monthly reconciliation by someone else - Trial balance reviewed by independent person - Bank reconciliation (not same person) - Regular financial statements - External review/audit

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RED FLAGS CHECKLIST

Finance Red Flags

- ☐ Cash not counted immediately
- ☐ Receipts missing or hard to read

- ☐ Expensive computer/system access not restricted
- ☐ No backup to financial system
- ☐ Same person handles all finance tasks
- ☐ Reluctance to provide financial reports
- ☐ Unusual bank reconciliation delays
- ☐ Large expenses without documentation
- ☐ Personal expenses mixed with organizational

Governance Red Flags

- ☐ Board rarely meets
- ☐ Minutes not kept
- ☐ Board chair = ED (too much power one person)
- ☐ No audit committee
- ☐ No conflict of interest policy
- ☐ No whistleblower process
- ☐ Closed-door budget discussions

Personnel Red Flags

- ☐ New employee with no reference checks
- ☐ Same person always handles vendor relationships
- ☐ Resistance to taking vacation
- ☐ Defensive about expense reports
- ☐ Frequent explanations for missing documentation
- ☐ Resistance to segregation of duties

Operational Red Flags

- ☐ Financial reports delayed
- ☐ Reports don't balance
- ☐ Large transfers between accounts
- ☐ Unusual vendor relationships
- ☐ Program participation numbers don't match expenses
- ☐ Significant unexplained variance from budget

FRAUD DETECTION PROCESS

Step 1: Create Suspicion (Week 1)

You notice something unusual: - Cash count doesn't match receipt total - Expense seems excessive - Someone avoiding questions - Financial discrepancy

Step 2: Investigate Quietly (Weeks 1-2)

Do NOT: - Confront the person - Tell other staff - Change computer passwords - Restrict their access

DO: - Review documentation carefully - Verify facts independently - Calculate exact amount - Keep quiet until you have facts

Step 3: Document Everything (Week 2)

Keep: - Copies of suspicious documents - Timeline of discoveries - Calculations showing discrepancy - List of evidence

Don't: - Alter original documents - Discuss with accused - Leave evidence unsecured

Step 4: Report to Leadership (Week 2-3)

Tell: - Board Chair (not ED if ED suspected) - Finance Committee - Legal counsel (for guidance)

Don't: - Go to other staff first - Post on social media - Confront accused person alone

Step 5: Let Authorities Handle (Week 3+)

What usually happens: - Board meets (confidential) - If fraud confirmed, typically: - Person is terminated - Police may be notified - Funds recovered if possible - Internal investigation conducted

Whistleblower Protection: - Employee protected from retaliation - Cannot be fired for reporting fraud - This is federal law

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CREATING FRAUD-RESISTANT CULTURE

As Executive Director:

1. Create code of conduct
2. Make it clear: Fraud = Termination
3. Have transparent finances
4. Welcome questions
5. Report suspicious activity to board

As Board Member:

1. Require segregation of duties
2. Ask questions if things seem off
3. Request detailed financial reports

4. Create whistleblower process
5. Enforce consequences

As Staff:

1. Follow procedures
2. Report suspicious activity
3. Don't cover for others
4. Maintain documentation
5. Ask questions if unsure

SIMPLE CONTROLS ANYONE CAN IMPLEMENT

Cost: $0 (just time)

1. **Bank statement review by independent person**
    - Someone other than finance person
    - Check for unusual transactions
    - Verify amount matches records
2. **Monthly variance analysis**
    - Compare actual to budget
    - Investigate significant differences
    - Document explanations
3. **Receipt requirement**
    - Every expense must have receipt
    - No receipt = Personal responsibility
    - Keep for 7 years
4. **Two-person approval**
    - For expenses over threshold
    - Two unrelated people
    - Both must approve
5. **Asset verification**
    - Count equipment annually
    - Match to accounting records
    - Investigate any variance
6. **Bank reconciliation**
    - Do monthly
    - Different person than who writes checks
    - Investigate any difference

WHAT IF FRAUD IS DISCOVERED?

Immediate Actions (Day 1)

1. Don't confront person
2. Secure evidence
3. Tell board chair/legal counsel
4. Restrict computer access if needed

Short Term (Days 1-7)

1. Board emergency meeting
2. Legal counsel advises
3. Determine if police report needed
4. Assess financial impact

Medium Term (Weeks 1-4)

1. Investigation (if not police)
2. Terminate employee
3. Recover funds if possible
4. Update policies

Long Term (Month 1+)

1. Audit to verify full extent
2. Communication with stakeholders
3. Public statement if significant
4. Policy/control improvements

STATISTICS (WHAT THE RESEARCH SHOWS)

The Association of Certified Fraud Examiners reports:

- Average fraud loss: $110,000
- Average detection time: 18 months
- Nonprofits hit harder than for-profits (fewer controls)
- Financial fraud most common (73%)
- Who commits fraud: Mostly employees (79%), some board (21%)

Organizations WITH fraud prevention plan: - Fraud detected 50% faster - Average loss 50% lower - More likely to catch at early stage

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QUICK ACTION PLAN

This month: - [ ] Read this guide with board - [ ] List your current controls - [ ] Identify top 3 fraud risks

Next month: - [ ] Create fraud prevention policy - [ ] Implement 2-3 easy controls - [ ] Assign responsibilities

Next quarter: - [ ] Full internal control review - [ ] Train staff on policies - [ ] Audit existing procedures

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RESOURCES

National Council of Nonprofits: Fraud prevention guidance **Association of Certified Fraud Examiners:** Free resources **Your state charity regulator:** May have templates **Local CPA:** Can recommend controls for your size

Nonprofit Accounting Basics Summary – Restrictions, Funds, Programs

Organization: ________________________________
Your Name: ________________________________
Date: ________________________________

What Makes Nonprofit Accounting Different?

Regular businesses focus on making **profit**. Nonprofits focus on **mission**.

Key Differences:

Feature	Business	Nonprofit
Goal	Make profit for owners	Fulfill mission to help community
Taxes	Pay income tax	Tax-exempt (if approved)
Profit	Paid to owners as dividends	Reinvested in mission
Funding	Customer sales	Donations, grants, program revenue
Accountability	To shareholders	To donors, government, community

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The Unique Challenge: Restricted Funds

This is the BIG difference between business and nonprofit accounting.

What Are Restricted Funds?

Donors often give money WITH CONDITIONS.

Example:

- "Here's $5,000 for your youth program ONLY"
- "This grant is for 2025, cannot carry over"
- "This donation must go to technology, not salaries"

Why Restrictions Matter

Nonprofits MUST: Track restricted money separately
Use money ONLY for its restriction
Report to donors how money was spent
NOT mix restricted and unrestricted funds

Fund Accounting (How Nonprofits Organize Money)

Instead of one big account, nonprofits use **FUNDS** to track different restrictions.

The Three Fund Types:

1. UNRESTRICTED FUNDS

- Money with NO conditions
- Can use for anything
- Most flexible
- Example: General donations, event revenue

Why It Matters:

- Board can decide where to spend it
- Gives flexibility for emergencies
- Most valuable to organization

2. TEMPORARILY RESTRICTED FUNDS

- Money WITH TIME OR PURPOSE RESTRICTIONS
- Restrictions can eventually be fulfilled
- Once restriction is met, money becomes unrestricted
- Example: "Use this for 2025 youth program"

Timeline:

```
Donation arrives (Temporarily Restricted)
  ↓
Program runs in 2025 (Using restricted money)
  ↓
Program ends Dec 31, 2025 (Restriction fulfilled)
  ↓
Money becomes Unrestricted
```

3. PERMANENTLY RESTRICTED FUNDS

- Money that MUST stay restricted forever
- Cannot be converted
- Usually from endowments
- Example: "Keep this $100,000 in savings forever; spend only the interest"

Never Becomes Unrestricted

Tracking Restricted vs. Unrestricted (The Ledger)

Simple View:

Fund Type	Beginning	Revenue	Expenses	Ending
Unrestricted	$5,000	$10,000	($8,000)	$7,000
Temporarily Restricted	$3,000	$5,000	($6,000)	$2,000
Permanently Restricted	$50,000	$0	($0)	$50,000
TOTAL NET ASSETS	**$58,000**	**$15,000**	**($14,000)**	**$59,000**

Key Point: Each fund is tracked separately. You can't steal from one to pay the other!

Nonprofit Program Accounting

Nonprofits organize expenses by **PROGRAMS** (what they do) not just departments.

The Three Expense Types:

1. PROGRAM EXPENSES (The Mission)

- Directly helping people
- Examples:
  - Youth tutoring programs
  - Health clinic services
  - Emergency shelter
  - Food bank operations

Key Question: Does this directly help our mission?

2. ADMINISTRATIVE EXPENSES (Running the Organization)

- Keeping the nonprofit functioning
- Examples:
  - Executive director salary
  - Accounting and bookkeeping
  - Board meetings
  - Building rent (for main office)
  - Human resources

Key Question: Is this necessary to run the organization?

3. FUNDRAISING EXPENSES (Getting Money)

- Raising donations and grants
- Examples:
  - Event costs
  - Direct mail campaigns
  - Grant writing
  - Donor dinners

– Fundraiser staff

Key Question: Does this help us raise money?

Why Track Separately?

Donors want to know: How much of my donation goes to the mission?

Good Ratio:

- Program expenses: 60-80%
- Administrative: 15-25%
- Fundraising: 10-15%

Bad Ratio:

- Program: 40% (donors hate this)
- Administrative: 50% (too much overhead)
- Fundraising: 10%

Simple Program Budget Example

Youth Tutoring Program Budget

Category	Amount	% of Budget
Program Costs		
Tutor salaries (3 tutors × $15/hr × 40 hrs/month)	$1,800	60%
Student materials & books	$300	10%
Tutor training	$100	3%
Program supplies	$100	3%
Subtotal Program	**$2,300**	**77%**
Admin Allocation	$400	13%
(Office, director time, bookkeeping)		
Fundraising Allocation	$200	10%
(Cost to raise grants for this program)		
TOTAL PROGRAM BUDGET	**$2,900**	**100%**

Grant Compliance (A Critical Nonprofit Issue)

What Happens When a Funder Gives Money:

You receive a grant: "Here's $10,000 for your youth program"

What you MUST do:

- Spend ONLY on youth program
- Track expenses carefully
- Keep receipts for EVERYTHING
- Report spending to funder
- Show outcomes achieved
- Return unspent money (or get approval to carry over)

What happens if you mess up:

- Funder stops giving money
- Your nonprofit reputation damaged
- IRS audits
- You may have to return money
- Criminal charges possible (if intentional fraud)

Grant Tracking Example:

Category	Approved	Spent	Remaining	Status
Staff	$5,000	$4,500	$500	OK
Supplies	$2,000	$2,000	$0	OK
Equipment	$2,000	$1,800	$200	OK
Training	$1,000	$800	$200	OK
TOTAL	**$10,000**	**$9,100**	**$900**	OK

Question: What happens with the $900 remaining?

- Option A: Return to funder
- Option B: Ask for approval to carry over to next year
- Option C: Ask permission to spend on related activities

Key Accounting Records Nonprofits Keep

1. Donor Ledger

- Who donated?
- How much?
- Is it restricted?
- Tax receipt sent?

2. Grant Ledger

- What grant?
- From whom?
- How much?
- How spent?
- Report submitted?

3. **Fund Ledger**
   - Restricted vs. unrestricted balance
   - Changes each period
   - Shows compliance with restrictions

4. **Program Ledger**
   - Expenses by program
   - Actual vs. budget
   - Cost per participant

5. **Bank Reconciliation**
   - Monthly proof that records match bank
   - Catches errors and fraud

The Nonprofit Financial Statements

Statement of Financial Position (Balance Sheet)

Shows: **What we own, what we owe, our net assets**

	Amount
ASSETS	
Cash	$__________________
Equipment	__________________|| $*$ $*TOTALASSETS**$| $*$ $*$__________________**
LIABILITIES	
Loan	__________________|| $*$ $*TOTALLIABILITIES**$| $*$ $*$(__________________)**
NET ASSETS	
Unrestricted	$__________________
Temporarily Restricted	$__________________
Permanently Restricted	__________________|| $*$ $*TOTALNETASSETS**$| $*$ $*$__________________**

Statement of Activities (Income Statement)

Shows: **Did we break even, gain funds, or lose funds?**

<table>
<tr><th></th><th>Unrestricted</th><th>Restricted</th><th>Total</th></tr>
<tr><td>REVENUE</td><td></td><td></td><td></td></tr>
<tr><td>Donations</td><td>$__________</td><td>$__________</td><td>$__________</td></tr>
<tr><td>Grants</td><td>$__________</td><td>$__________</td><td>$__________</td></tr>
<tr><td>Program Revenue</td><td>$__________</td><td>$__________</td><td>__________|| ∗ ∗TotalRevenue ∗ ∗| ∗ ∗__________**</td></tr>
<tr><td>EXPENSES</td><td></td><td></td><td></td></tr>
<tr><td>Program</td><td>(∗ ∗ ∗ ∗ ∗ ∗ ∗)|(*******)</td><td>(∗ ∗ ∗ ∗ ∗ ∗ ∗)||Admin|(*******)</td><td></td></tr>
<tr><td>NET CHANGE</td><td>__________ ∗ ∗| ∗ ∗__________</td><td>$__________</td><td></td></tr>
</table>

Common Nonprofit Accounting Mistakes

Mistake 1: Mixing restricted and unrestricted money **Solution:** Use separate accounts or detailed records

Mistake 2: Not tracking grant spending carefully **Solution:** Keep spreadsheet, match receipts, report monthly

Mistake 3: Spending on the mission but not tracking the cost **Solution:** Create program budgets, track time, allocate costs

Mistake 4: Misunderstanding what's "unrestricted" **Solution:** Read donor letters carefully, ask questions

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You Now Understand:

- Why restricted funds matter
- How fund accounting works
- Three types of expenses (program, admin, fundraising)
- Grant compliance requirements
- Nonprofit financial statements
- Why nonprofits track things differently

Next Steps

Want to go deeper?

1. Study Form 990 (nonprofit tax return)
2. Learn about restricted fund release rules

3. Master grant tracking spreadsheets
4. Study internal controls for nonprofits
5. Learn about endowments and permanently restricted funds

Study Date: ______________________________

Confidence Level: Just started   Getting it   Know it well   Expert

Expenses vs. Investments Explanation Guide

Understanding When to Expense vs. Capitalize

Target Audience: Nonprofit board members, executive directors, accounting students
Time to Read: 15-20 minutes
Skill Level: Beginner-Intermediate

The Core Question

Every time you spend money, ask:

> "Will this benefit the organization for more than one year, or is it used up in operations?"

- **Used up this year** → Expense
- **Benefits multiple years** → Investment (Capitalize)

QUICK REFERENCE TABLE

Situation	Example	Category	Why
Office supplies	Printer paper ($100)	Expense	Used up within year
Computer	Desktop computer ($1,500)	Investment	Used 3-5+ years
Software subscription	Monthly software ($50/mo)	Expense	Renew annually
Building renovation	Office remodel ($25,000)	Investment	Benefits 10+ years
Staff salaries	Payroll ($5,000/week)	Expense	Only benefit current period
Equipment repair	Fix broken printer ($200)	Expense	Maintains current capacity
New equipment	New copier ($4,000)	Investment	Creates future capacity

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PART 1: UNDERSTANDING EXPENSES

What is an Expense?

Expense = Cost of running operations in the current period; typically lasts less than one year

The Expense Test

An item is an expense if: 1. Used up or consumed within a year, OR 2. Provides benefit only for current year, OR 3. Required for current operations

Common Nonprofit Expenses

Personnel Costs

- Salaries and wages: $50,000
- Payroll taxes: $4,000
- Benefits: $8,000
- Professional development: $1,500

Why: Paid for current year's work; benefits only apply to this period

Program Costs

- Participant meals: $2,000
- Activity supplies: $800
- Program materials: $500
- Instructor fees: $3,000

Why: Directly used in program delivery; consumed in current activities

Administrative Costs

- Office rent: $2,000/month
- Utilities: $300/month
- Phone/internet: $150/month
- Office supplies: $200/month

Why: Consumed in current operations; provide benefit for current year only

Fundraising Costs

- Event expenses: $5,000
- Direct mail printing: $1,500
- Donor appreciation: $2,000
- Consultant fees: $3,000

Why: Specific to current fundraising; benefit limited to this period

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PART 2: UNDERSTANDING INVESTMENTS (CAPITALIZATION)

What is an Investment?

Investment (Capitalize) = Purchase that benefits the organization for multiple years; typically lasts more than one year

The Investment Test

An item is an investment if: 1. Lasts more than one year (multiyear benefit), OR 2. Creates long-term capacity, OR 3. Significant dollar amount ($2,000+), AND 4. Organization retains ownership

Common Nonprofit Investments

Equipment & Furniture

- Computer: $1,500 (3-5 year life)
- Printer: $800 (5 year life)
- Office furniture: $3,000 (10 year life)
- Shelving/storage: $2,000 (15 year life)

Why: Used repeatedly over years; creates ongoing capacity

Vehicles

- Van: $30,000 (5-7 year life)
- Car: $25,000 (5-7 year life)

Why: Used for multiple years; essential for operations

Building/Property

- Building: $400,000 (40+ year life)
- Renovations: $50,000 (10-15 year life)
- Roof replacement: $25,000 (20 year life)

Why: Benefits organization for decades

Technology/Software

- Accounting software: $5,000 (3-year license)
- Database system: $8,000 (5 year life)
- Website: $4,000 (3-5 year life)

Why: Used repeatedly for multiple years

Collections/Inventory

- Art collection: $20,000 (indefinite life)
- Therapeutic equipment: $10,000 (10+ year life)

Why: Retained by organization; provides ongoing value

PART 3: THE DEPRECIATION CONCEPT

What is Depreciation?

Depreciation = Spreading the cost of an investment over its useful years

Example: - Buy a computer for $2,000 - Expected to use it for 5 years - Each year, record $400 depreciation expense (2,000 ÷ 5)

Why Depreciation?

Principle: Match the cost with the years it benefits

Example: - Computer lasts 5 years - Don't make the whole $2,000 expense in year 1 (inaccurate) - Instead, charge $400 each year (accurate)

Depreciation Methods

Straight-Line (Most Common)

- Equal depreciation each year
- Example: $2,000 ÷ 5 years = $400/year

Year	Depreciation	Total Expensed	Remaining Value
1	$400	$400	$1,600
2	$400	$800	$1,200
3	$400	$1,200	$800
4	$400	$1,600	$400
5	$400	$2,000	$0

Declining Balance (Faster write-off)

- Higher depreciation early years
- Example: 40% of remaining value each year

Year	Depreciation	Total Expensed	Remaining Value
1	$800	$800	$1,200
2	$480	$1,280	$720
3	$288	$1,568	$432

PART 4: CAPITALIZATION THRESHOLD

What Dollar Amount Triggers Capitalization?

Rule of Thumb: - **Under $500:** Expense (regardless of life) - **$500-$2,000:** Evaluate individually - **Over $2,000:** Usually capitalize

Examples by Organization Size

Small Organization (Budget: $100,000) - Threshold: $500 (0.5% of budget) - Anything significant: Capitalize

Medium Organization (Budget: $1,000,000) - Threshold: $2,500-5,000 (0.25-0.5% of budget) - Balance efficiency with accuracy

Large Organization (Budget: $10,000,000) - Threshold: $10,000+ (0.1% of budget) - Conservative approach

Your Organization's Policy

Best Practice: Establish written policy - Define capitalization threshold - List asset categories - Specify depreciation periods - Apply consistently

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PART 5: REAL-WORLD SCENARIOS

Scenario 1: Software Purchase

Situation: Executive Director wants to buy accounting software for $8,000

Questions: 1. Will it last more than 1 year? YES (3-year license) 2. Is cost significant? YES ($8,000) 3. Does organization benefit beyond this year? YES

Decision: CAPITALIZE (Investment)

Accounting: - Asset: Software $8,000 - Depreciate over 3 years: $2,667/year expense - Years 1-3: Each year shows $2,667 depreciation - After year 3: Fully expensed; value drops to $0

Scenario 2: Office Supplies

Situation: Spend $500 on printer paper, pens, and folders

Questions: 1. Will these last more than 1 year? NO (used within 1-2 months) 2. Are they routine operating costs? YES 3. Are they consumed immediately? YES

Decision: EXPENSE (Current Operating Cost)

Accounting: - Expense: Office Supplies $500 - Reduces net income by $500 in current period - Fully consumed; no ongoing value

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Scenario 3: Copier Purchase

Situation: Organization buys a new copier for $4,500

Questions: 1. Multiyear benefit? YES (5-7 years) 2. Significant cost? YES ($4,500) 3. Creates capacity? YES (improves operations)

Decision: CAPITALIZE (Equipment Investment)

Accounting: - Asset: Equipment $4,500 - Depreciate over 5 years: $900/year - Balance Sheet shows: Equipment $4,500 (Year 1), $3,600 (Year 2), etc. - Income Statement shows: Depreciation expense $900/year

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Scenario 4: Copier Repair

Situation: Copier breaks down; repair costs $200

Questions: 1. Does it extend the life significantly? NO (normal maintenance) 2. Does it create new capacity? NO (restores to original) 3. Is it routine maintenance? YES

Decision: EXPENSE (Maintenance Cost)

Accounting: - Expense: Equipment Maintenance $200 - Current year cost - No asset value created

Key Distinction: - **Repair** = Expense (restores to original) - **Upgrade** = May capitalize (adds new capability) - **Major replacement** = May capitalize (extends life significantly)

Scenario 5: Building Renovation

Situation: Renovate office for $30,000

Questions: 1. Benefits multiple years? YES (10-15+ years) 2. Adds long-term value? YES 3. Significant cost? YES ($30,000) 4. Improves building? YES

Decision: CAPITALIZE (Building Improvement)

Accounting: - Asset: Building Improvements $30,000 - Depreciate over 10 years: $3,000/year - Stays on balance sheet for 10 years - Gradually expensed through depreciation

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Scenario 6: Small Equipment Under Threshold

Situation: Buy a $400 whiteboard for meeting room

Questions: 1. Last more than 1 year? YES (3-5 years) 2. Significant cost? NO ($400 is small) 3. Worth tracking as asset? NOT NECESSARY

Decision: EXPENSE (Immaterial; under threshold)

Accounting: - Expense: Office Equipment $400 - Simpler to expense immediately - Alternative: Could capitalize (both acceptable) - Choose based on organizational policy

Why the flexibility? - Tracking small assets costs time/money - Materiality principle: Track what matters

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PART 6: NONPROFIT-SPECIFIC CONSIDERATIONS

Restricted Funds Impact

If investment funded by restricted grant: - Still capitalize - Track which fund (restricted/unrestricted) purchased it - Depreciate in appropriate fund

Example: - Grant for "equipment purchase" = $10,000 - Buy equipment for $10,000 - Capitalize in restricted fund - Depreciate over useful life in restricted fund

Donation of Equipment

If someone donates equipment: - Still capitalize at fair market value - Example: Donate computer worth $1,500 - Asset: Equipment $1,500 (valued at donation) - Depreciate normally

Endowment Purchases

If buying investment/art with endowment: - Capitalize (permanent asset) - No depreciation (maintains value indefinitely)

DECISION TREE

Use this flowchart to decide:

```
Spend money on item
    ↓
Is it routine/consumable?
```

```
  YES → EXPENSE (office supplies, meals, etc.)
  NO → Continue
    ↓
Does it benefit > 1 year?
  NO → EXPENSE (event costs, software subscription)
  YES → Continue
    ↓
Is cost > threshold?
  NO → EXPENSE (under $500-2,000)
  YES → Continue
    ↓
Will organization retain ownership?
  NO → EXPENSE (consulting, contracts)
  YES → CAPITALIZE (Investment/Asset)
    ↓
CAPITALIZE: Record as asset, depreciate over useful life
```

COMMON MISTAKES

Mistake 1: Capitalizing Everything

Wrong: Buy $50 stapler, capitalize as asset **Right:** Expense small items immediately **Impact:** Overstates assets; complicates records

Mistake 2: Expensing Major Purchases

Wrong: Buy $15,000 computer, fully expense in Year 1 **Right:** Capitalize; depreciate over 5 years **Impact:** Year 1 looks terrible; Years 2-5 look better than reality

Mistake 3: Ignoring Depreciation

Wrong: Buy asset, record on balance sheet, never reduce value **Right:** Record depreciation expense each year **Impact:** Assets become stale; balance sheet inaccurate

Mistake 4: Inconsistent Policy

Wrong: Capitalize $1,500 equipment one time; $1,500 equipment another time **Right:** Establish and follow written policy **Impact:** Auditors flag as inconsistency

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SUMMARY COMPARISON

Aspect	Expense	Investment
Life Span	< 1 year	> 1 year
Cost	Any; usually small	Usually $2,000+
Recording	Full cost immediately	Capitalized; depreciated
Financial Statement	Income Statement	Balance Sheet (then depreciation)
Example	Supplies, meals, events	Equipment, building, vehicles
Tax Treatment	Deductible immediately	Depreciated over years

NEXT STEPS

1. **Review Your Organization's Policy**
   - What's the capitalization threshold?
   - What are depreciation periods?
   - Is it documented?
2. **Track Future Purchases**
   - When you spend $1,000+, classify as expense or investment
   - Use this guide for decisions
3. **Audit Historical Records**
   - Have past items been classified correctly?
   - Significant errors to correct?
4. **Learn Depreciation Methods**
   - How to calculate depreciation
   - How it appears on financial statements
   - Tax implications

GLOSSARY

Term	Definition
Capitalize	Record a purchase as an asset; depreciate over time
Depreciation	Annual reduction in asset value
Useful Life	Number of years an asset provides benefit
Materiality	Dollar amount significant enough to matter
Threshold	Minimum cost for capitalization
Fair Market Value	What item would sell for on market
Accumulated Depreciation	Total depreciation recorded to date

Budgeting for Outreach Programs Guide

Planning Finances for Community-Based Programs

Target Audience: Program directors, nonprofit managers, board members
Time to Read: 20-25 minutes
Skill Level: Intermediate

What Makes Outreach Program Budgeting Different?

Outreach programs serve people in their communities (not at your facility)

Unique challenges: - Harder to predict participation - Transportation costs are significant - Staff travel time increases - Equipment must be portable - Partnerships require coordination

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THE FOUR PHASES OF OUTREACH BUDGETING

Phase 1: Estimate Participation

Starting Question: How many people will you reach?

Data Sources: - Past program data (if expanding) - Community needs assessment - Competitor programs (similar organizations) - Funder expectations - Geographic coverage area

Example: - Community has 25,000 residents - 30% are target demographic (7,500) - Realistic penetration: 5% participation (375 people) - Budget for: 375 participants

Build in Buffer: - Conservative estimate: 300 participants (80% of projection) - Prepare for growth: 400 participants (107% of projection) - Budget middle ground: 350 participants (realistic)

Phase 2: Calculate Per-Participant Cost

Formula:

```
Total Program Cost ÷ Number of Participants = Cost Per Person
```

Example: - Total program budget: $35,000 - Expected participants: 350 - Cost per person: $35,000 ÷ 350 = $100/person

Benchmark: Compare to similar programs - Youth mentoring: $1,500-2,500 per youth - Health education: $50-150 per participant - Job training: $2,000-5,000 per participant

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Phase 3: Line-Item Budgeting

Break down program into specific costs:

A. Staffing Costs (Usually 50-60% of budget)

Position	Hours/Week	Rate	Annual
Program Director	40	$25/hr	$52,000
Outreach Coordinators (2)	40 each	$18/hr	$37,440
Program Assistants (1)	20	$15/hr	$15,600
Staffing Total			**$105,040**

Add benefits (25-35%): - Health insurance: $15,000 - Payroll taxes: $8,000 - 401(k) match: $5,000 - **Total with benefits: $133,040**

B. Transportation (Usually 10-15% of budget) Breakdown: - Vehicle lease/payment: $3,500/month = $42,000/year - Fuel: $2,000/month = $24,000/year - Insurance: $1,200/month = $14,400/year - Maintenance: $500/month = $6,000/year - **Transportation Total: $86,400**

Alternative: Mileage-Based - Calculate miles driven per month: 8,000 miles - IRS rate: $0.655/mile (2024) - Monthly cost: 8,000 × $0.655 = $5,240 - Annual: $62,880

C. Program Materials/Supplies (5-10% of budget) Breakdown by program type: - Educational materials: $3,000 - Activity supplies: $2,000 - Snacks/refreshments: $1,500 - Equipment (portable): $2,000 - Technology (tablets, etc.): $1,500 - **Supplies Total: $10,000**

D. Facility Rental/Partner Fees (5-10% of budget) Breakdown: - Community center rental (4 locations, 2 days/week): $3,000/month = $36,000 - Library partnership (program space): $0 (donated) - School facility use: $500/month = $6,000 - **Facility Total: $42,000**

E. Insurance (2-3% of budget) Types: - General liability: $2,000/year - Professional liability: $1,000/year - Vehicle insurance: $14,400/year (included in transportation above) - Directors & Officers: $1,500/year - **Insurance Total: $4,500** (if separate from vehicles)

F. Administrative Overhead (Allocated from General Fund) If not charged to program: - Executive Director: 10% of time = $5,200 - Finance staff: 15% of time = $4,500 - Office rent (allocated): 10% = $2,000 - Technology/systems: 10% = $1,000 - **Overhead Total: $12,700**

Total Program Budget:

```
Staffing + Benefits        $133,040
Transportation             $86,400
Program Supplies           $10,000
Facility Rental            $42,000
Insurance                  $4,500
Admin Overhead             $12,700

TOTAL BUDGET              $288,640
```

Phase 4: Revenue Planning

Where will the money come from?

A. Government Grants (40% = $115,456) Sources: - City/county recreation funding: $40,000 - State education grants: $35,000 - Federal youth development grants: $25,000 - Other state grants: $15,456

Strategy: - Identify 5-8 grant opportunities - Submit proposals by deadline - Plan for 60% funding rate (conservative)

B. Foundation Grants (30% = $86,592) Sources: - Local community foundation: $25,000 - Regional health foundation: $20,000 - Technology foundation: $15,000 - National youth foundation: $26,592

Strategy: - Cultivate relationships with 5-10 foundations - Plan multi-year funding - Match grant priorities to program

C. Individual Donations (15% = $43,296) Sources: - Major donors ($1,000+): $20,000 - Mid-level donors ($500-1,000): $15,000 - General donations/events: $8,296

Strategy: - Identify 20-30 major donor prospects - Annual giving campaign - Fundraising events

D. Program Fees (10% = $28,864) Sliding scale: - Participants below poverty line: Free - 100-200% poverty line: $10-25/month - Above 200% poverty line: $50/month - Corporate sponsors: Full cost

Expected revenue: - 200 free participants: $0 - 100 at $15 average: $1,500 - 50 at $40 average: $2,000 - Total participant fees: $3,500/month = $42,000/year

Plus program fees: - Corporate workshops: $12,000 - Training programs: $8,000 - Consulting: $8,864 - Total program revenue: $28,864

Total Revenue Planning:

```
Government Grants      $115,456  (40%)
Foundation Grants       $86,592  (30%)
Individual Donations    $43,296  (15%)
Program Fees            $28,864  (10%)
Other/Sustainability     $14,432  (5%)

TOTAL REVENUE         $288,640
```

SPECIAL OUTREACH CONSIDERATIONS

1. Rural/Remote Program Adjustments

Challenges: - Greater distances = higher transportation - Fewer potential funders - Limited participants

Solutions: - Increase transportation budget 20-30% - Use volunteers for some outreach - Combine programs (reach multiple communities) - Partner with local organizations

Budget Impact: - Normal program: $8,000/month transportation - Rural program: $10,000/month transportation (+25%)

2. High-Need Population Adjustments

Challenges: - May need childcare, meals, transportation vouchers - Barrier removal is expensive - Outreach to marginalized groups requires trust-building

Solutions: - Provide meals: +$2,000/month - Childcare during programs: +$1,500/month - Transportation vouchers: +$1,000/month - Incentives for participation: +$500/month

Budget Impact: +$5,000/month for barrier removal

3. Multi-Site Program Adjustments

Example: Same program in 4 different locations

Staffing: - 1 Director (coordinates all sites) - 1 Coordinator per site (4 coordinators) - Shared assistants (2)

Advantages: - Shared director (cost efficient) - Dedicated coordinators (quality) - Economies of scale

Budget per site: - Director allocation: $13,000 (1/4 of salary) - Site coordinator: $35,000 - Program assistant: $7,500 - Total staffing per site: $55,500 - Plus materials, transportation: $25,000/site - Total per site: $80,500

4. Seasonal Adjustments

Summer youth programs: - Higher staffing (more sessions) - Increased transportation - More supplies

Q1-Q2: Ramp-up phase (-20% budget) **Q3-Q4:** Full operations (+10% budget for supplies/events)

Impact: Budget $288,640 $\times$ 1.05 = $303,072 (5% seasonal adjustment)

BUDGET SCENARIOS

Scenario 1: Expansion (150 to 250 participants)

Current budget: $150,000 **Participants:** 150 **Cost per person:** $1,000

Expansion to 250: - Fixed costs (admin, director): $50,000 (unchanged) - Variable costs (staff, supplies): $100,000 → $150,000 - **New total budget:** $200,000

Revenue needed: $50,000 increase - New grant: $30,000 - Increased fundraising: $15,000 - Program fees: $5,000

Scenario 2: Efficiency Gain

Current: $288,640 budget **Problem:** 20% lower participation than projected

New reality: - Projected: 350 participants - Actual: 280 participants - Cost per person: $288,640 ÷ 280 = $1,031 (up from $825)

Solutions: - Increase program fees: +$10,000 - Find volunteer staff (reduce labor): -$15,000 - Reduce facility costs through partnership: -$8,000 - Net reduction needed: $7,000 (to adjust per-person cost)

Scenario 3: Adding Quality Layer

Current: Basic health education program ($50/person) **Enhancement:** Add mental health component

Cost of enhancement: - Mental health counselor (part-time): $20,000/year - Training for staff: $3,000 - Additional materials: $2,000 - **Total increase:** $25,000

New budget: $313,640 **Revenue strategy:** - Increase foundation grants (health/mental health focus): +$15,000 - New government grant (mental health): +$10,000

BUDGET MONITORING DURING PROGRAM

Monthly Tracking

Item	Budget	YTD Actual	Variance	% Spent
Staffing	$11,087	$10,950	-$137	99%
Transportation	$7,200	$7,450	+$250	104%
Supplies	$833	$600	-$233	72%
Facilities	$3,500	$3,500	$0	100%
Total	**$22,620**	**$22,500**	**-$120**	**100%**

Analysis: - Transportation over budget (higher fuel costs?) - Supplies under budget (can redirect) - Overall: On track

Quarterly Board Report

Format:

```
Q2 Program Budget Report

Program: Community Health Outreach
Participants: 345 (goal: 350) - 99% of target
Revenue: $72,160 (goal: $72,160) - On target
Expenses: $65,000 (goal: $72,160) - 90% spent
Net: +$7,160 (ahead of schedule)

Key Points:
- Participation strong; slight reduction July expected
- All major grants received on schedule
- Transportation costs 5% over due to fuel price increase
- Recommend: Monitor fuel; no action needed
```

COST REDUCTION IDEAS (If Budget Tight)

1. **Partnership sharing:**
   - Share transportation with partner org: Save 20% = $17,000/year
2. **Volunteer engagement:**
   - 5 part-time volunteers (4 hrs/week @ $15/hr value): Save $15,000/year
3. **Technology efficiency:**
   - Use free software (Google Workspace instead of paid): Save $2,000/year

4. **Bulk purchasing:**
    - Buy program supplies in bulk: Save 15% = $1,500/year
5. **In-kind donations:**
    - Corporate matching for facilities: Save $5,000/year
6. **Group programs:**
    - Combine programs at single site: Save 30% on facilities = $12,600/year

Total potential savings: $53,100/year (18% of budget)

ACTION PLAN

1. **Gather data** (Week 1)
    - Past participation numbers
    - Staff time tracking
    - Current expenses
2. **Calculate per-person cost** (Week 2)
    - Total expenses ÷ participants
    - Compare to benchmarks
3. **Build line-item budget** (Weeks 3-4)
    - Staff, transportation, supplies
    - Include 10% contingency
4. **Identify revenue** (Week 5)
    - Grants, donations, fees
    - Match to funder priorities
5. **Board approval** (Week 6)
    - Present budget
    - Get buy-in on fundraising
6. **Monitor quarterly** (Ongoing)
    - Track actual vs. budget
    - Make adjustments as needed

Financial Literacy Quick-Study Packet – Money Basics for Everyone

Your Name: ______________________________
Date Started: ______________________________
Goal: Master money concepts that affect your life

Why Financial Literacy Matters

Financial Literacy = Understanding how money works

Why?

- Make smart decisions about your money
- Avoid debt traps
- Build wealth
- Understand your paycheck
- Invest wisely
- Plan for retirement
- Help family members

PART 1: PERSONAL MONEY BASICS

Income (Money Coming In)

Where Money Comes From:

Source	Example	Type
Wages	Paycheck from a job	Active (you work)
Salary	Annual pay (like $40,000/year)	Active (you work)
Business Income	Profit from selling things	Active (you work)
Interest	Bank pays you for saving	Passive (money works)
Dividends	Company shares pay you	Passive (money works)
Rental Income	Tenant pays rent	Passive (money works)

Key Concept: Gross vs. Net Pay

Gross Pay: Total money earned BEFORE taxes **Net Pay:** Money you actually receive AFTER taxes

Example:

- Gross pay: $2,000/month
- Taxes withheld: $300

- Social Security: $124
- Health insurance: $150
- **Net pay: $1,426**

Expenses (Money Going Out)

Fixed Expenses (Same Every Month)

Expense	Example	Amount
Rent	Apartment	$___________________
Car payment	Auto loan	$___________________
Insurance	Car, health, renter	$___________________
Subscriptions	Phone, streaming	___________________$\Vert *$ $*TOTALFIXED**\Vert *$ $*$___________________**

Variable Expenses (Changes Each Month)

Expense	Example	Amount
Groceries	Food	$___________________
Gas	Transportation	$___________________
Entertainment	Movies, going out	$___________________
Dining Out	Restaurants	___________________$\Vert *$ $*TOTALVARIABLE*$ $*\Vert *$ $*$___________________**

The Budget Formula:

INCOME - EXPENSES = SURPLUS or DEFICIT

Item	Amount
Monthly Income	___________________$\Vert FixedExpenses\vert$(************)
Variable Expenses	$(************)\Vert **SURPLUS/(DEFICIT)*$ $*\vert **$___________________**

Goal: Have a positive surplus to save

The 50/30/20 Budget Rule

A simple way to organize your money:

50% - Needs (Essential to live)

- Rent/mortgage
- Groceries
- Utilities
- Insurance
- Transportation

Example: Earn $2,000/month → $1,000 for needs

30% - Wants (Nice to have, not essential)

- Entertainment
- Dining out
- Hobbies
- Vacations
- Streaming services

Example: $2,000/month → $600 for wants

20% - Savings & Debt

- Emergency fund
- Retirement savings
- Extra debt payments

Example: $2,000/month → $400 for saving/debt

Why This Works:

- It's simple
- It's flexible
- It prioritizes savings
- You can adjust it

Debt Explained

What is Debt?

Debt = Money you borrowed that you must pay back

Simple Example:

- You borrow $1,000 from a friend
- You promise to pay back $1,000
- Until paid back, you HAVE DEBT

Types of Debt:

Type	Rate	Example	Risk
Mortgage	3-7%	House loan	Lower (backed by house)
Car Loan	5-10%	Vehicle loan	Lower (backed by car)
Student Loan	3-8%	Education	Varies
Credit Card	15-25%	Shopping	HIGHER (no collateral)
Personal Loan	10-15%	Any use	Higher

What is Interest?

Interest = Extra money you pay for borrowing

Formula: Interest = Loan Amount × Interest Rate × Time

Example:

- Borrow: $1,000
- Rate: 10% per year
- Time: 1 year
- Interest: $1,000 × 0.10 × 1 = $100
- Total to pay back: $1,100

Credit Card Debt (BE CAREFUL!)

Example Problem:

- Buy phone on credit card: $800
- Credit card rate: 20% per year
- Only pay minimum ($50/month)
- You'll pay it back in: 20 MONTHS
- Total interest: $400
- Total paid: $1,200 for an $800 phone

Better Solution:

- Save $800 first
- Buy phone with cash
- Pay $0 interest

Banking & Savings

Types of Bank Accounts:

Type	Purpose	Interest	Access
Checking	Everyday spending	0-1%	Unlimited
Savings	Emergency fund	1-5%	Limited
Money Market	Higher savings	4-5%	Limited
CD	Long-term savings	4-5%	Locked (penalty if early)

Building an Emergency Fund

What: Money set aside for unexpected costs

How Much: 3-6 months of expenses

Example:

- Monthly expenses: $2,000
- Emergency fund goal: 6 months × $2,000 = $12,000

Why:

- Car breaks down ($2,000)
- Medical emergency ($5,000)
- Job loss (3 months to find new one)
- Without fund, you go into debt

How to Build:

- Month 1: Save $100
- Month 2: Save $200
- Month 3: Save $300
- Keep going until you have 3-6 months

Credit & Credit Scores

What is Credit?

Credit = Lender's confidence that you'll pay back borrowed money

Credit Score (300-850)

Score	Rating	Getting
800+	Excellent	Best rates, approved for everything
750-799	Very Good	Good rates
700-749	Good	Normal rates
650-699	Fair	Higher rates
<650	Poor	Rejected or very high rates

What Affects Your Score:

Factor	Impact	How to Help
Payment History	35%	Pay bills on time
Credit Usage	30%	Use <30% of credit limit
Credit Mix	15%	Have different types of credit
Age of Accounts	10%	Keep accounts open
Hard Inquiries	10%	Don't apply for credit often

Example Scenario:

Bad Credit:

- Late payments
- 90% credit card usage
- No payment history
- Score: 580
- Loan approved at 18% interest

Good Credit:

- On-time payments
- 10% credit card usage
- 10 years history
- Score: 780
- Same loan at 4% interest
- **SAVES $28,000 in interest!**

PART 2: BUSINESS MONEY BASICS

Business Profit & Loss

The Formula:

REVENUE - EXPENSES = PROFIT (or LOSS)

Example: Lemonade Stand

Item	Amount
Lemons sold: 50 cups × $2	$100
Sugar cost	($10)
Cups cost	($5)
Ice cost	($3)
PROFIT	**$82**

Why Businesses Track This:

Know if business is successful
Make pricing decisions
Find expensive areas
Plan for future
Pay taxes

Business Accounting Basics

The Three Key Reports:

1. Income Statement (Profit/Loss)

- Shows: Did we make money?
- Formula: Revenue - Expenses = Profit

2. Balance Sheet (Financial Health)

- Shows: What do we own? What do we owe?
- Formula: Assets = Liabilities + Equity

3. Cash Flow Statement (Money Movement)

- Shows: When do we get money? When do we spend it?
- Formula: Beginning Cash + Inflows - Outflows = Ending Cash

Why Businesses Fail

Most Common Reasons:

Reason	Problem	Solution
Bad Cash Flow	Running out of money	Track cash carefully
Too Much Debt	Can't pay it back	Borrow wisely
No Budget	Spending without plan	Create budget
Bad Pricing	Selling too cheap	Understand costs
No Marketing	No one knows you exist	Promote business

Taxes

Personal Taxes

Why: Government needs money for roads, schools, military

Types:

- **Income tax:** Percent of your paycheck
- **Sales tax:** Added when you buy things (varies by state)
- **Property tax:** Tax on house/land you own

Example:

- Earn $40,000/year
- Federal tax rate: 12%
- Tax owed: $4,800
- Take-home pay: $35,200

Business Taxes

Sole Proprietor:

- Business income = personal income
- Pay personal income tax

LLC:

- Can choose tax treatment
- Often more flexible

Corporation:

- Business pays corporate tax
- You pay personal tax on dividends
- "Double taxation"

Investing Basics

What is Investing?

Investing = Putting your money into something that could grow

Types:

Investment	Risk	Return	Example
Savings Account	Very Low	1-5%	$1,000 → $1,050
Bonds	Low	3-6%	Loan to company
Stocks	High	10%+ (variable)	Own piece of company
Real Estate	High	5-10%	Rental property

Stock Market Basics

What: Place where you buy/sell pieces of companies

How:

1. Company: Apple stock
2. Price: $150/share
3. You buy: 10 shares ($1,500 total)
4. You own: 0.00001% of Apple
5. If stock goes to $200: Your 10 shares = $2,000 profit

Risk:

- Stock could go down
- You could lose money
- Don't invest money you need soon

Retirement Planning

Three Levels:

Level 1: Social Security

- Government program
- Money taken from every paycheck
- You get it at age 65-67
- Example: $2,000/month

Level 2: Employer 401(k)

- Your employer matches your savings
- Free money!
- Grows tax-free
- You get it at retirement

Level 3: Personal Savings

- Your own investments
- IRAs, brokerage accounts
- Build your own wealth

Why Start Early:

Start at 25, saving $200/month:

- By 65: ~$1.2 million (with growth)

Start at 35, saving $400/month:

- By 65: ~$600,000 (less time to grow)

Lesson: Start early, save consistently, let money grow

Financial Literacy Checklist

I understand:

- ☐ Income vs. expenses
- ☐ Fixed vs. variable costs
- ☐ The 50/30/20 budget rule
- ☐ What debt is and how interest works
- ☐ Credit scores and why they matter
- ☐ How to build an emergency fund
- ☐ Basic business accounting
- ☐ Why investing starts early
- ☐ The power of compound growth
- ☐ How taxes work

Key Takeaways

1. **Track your money** - Know where it goes
2. **Spend less than you earn** - Build surplus
3. **Avoid high-interest debt** - Credit cards are dangerous
4. **Build emergency fund** - 3-6 months expenses
5. **Invest for the future** - Start early
6. **Understand credit** - It affects your life
7. **Think long-term** - Money grows over time

Completed Date: ___________________________________
Ready to apply these concepts? Yes Need more study