Narrative Report
Non-profit – Mental Health Treatment

For the three year period ended 12/31/2018

Provided By

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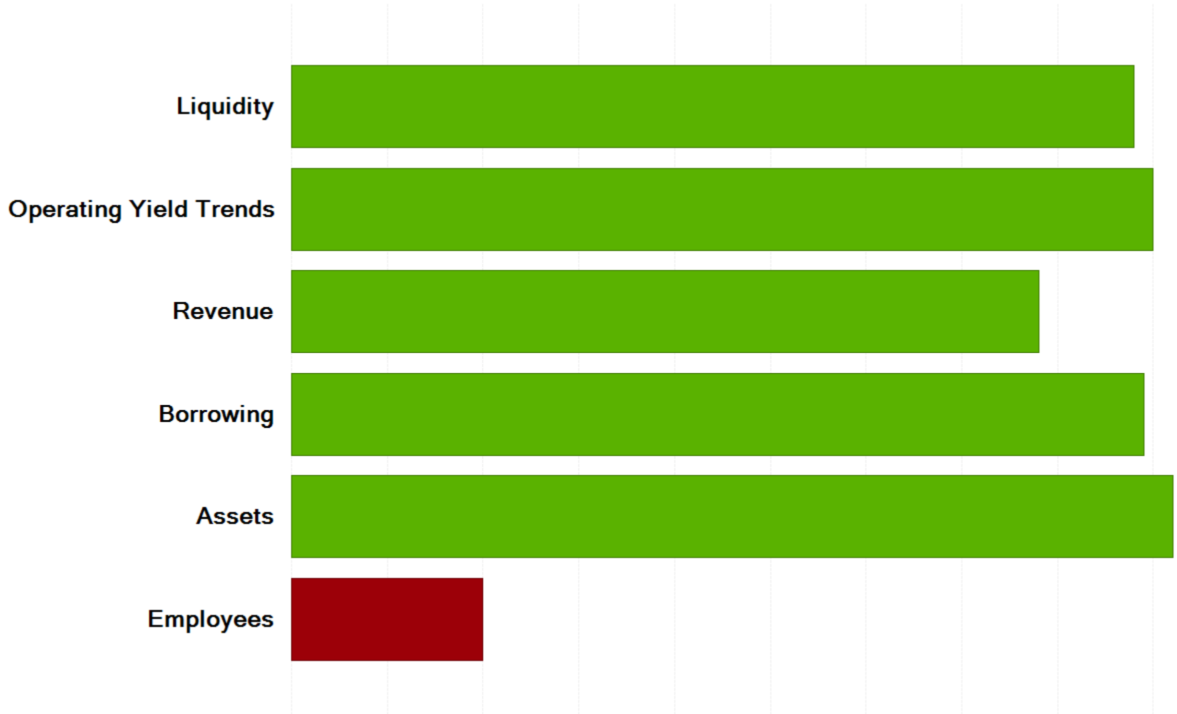
Financial Score

Narrative Report

Sector: F30 - Mental Health Treatment
Sales Range: Yearly revenue $10 Million to $50 Million
Periods: 12 months against the same 12 months from the previous year

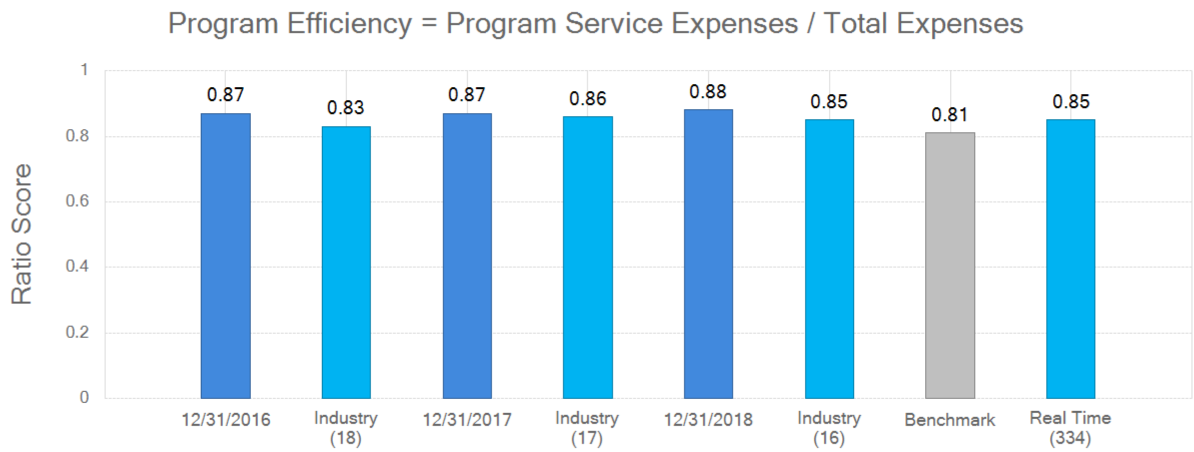
Report Summary



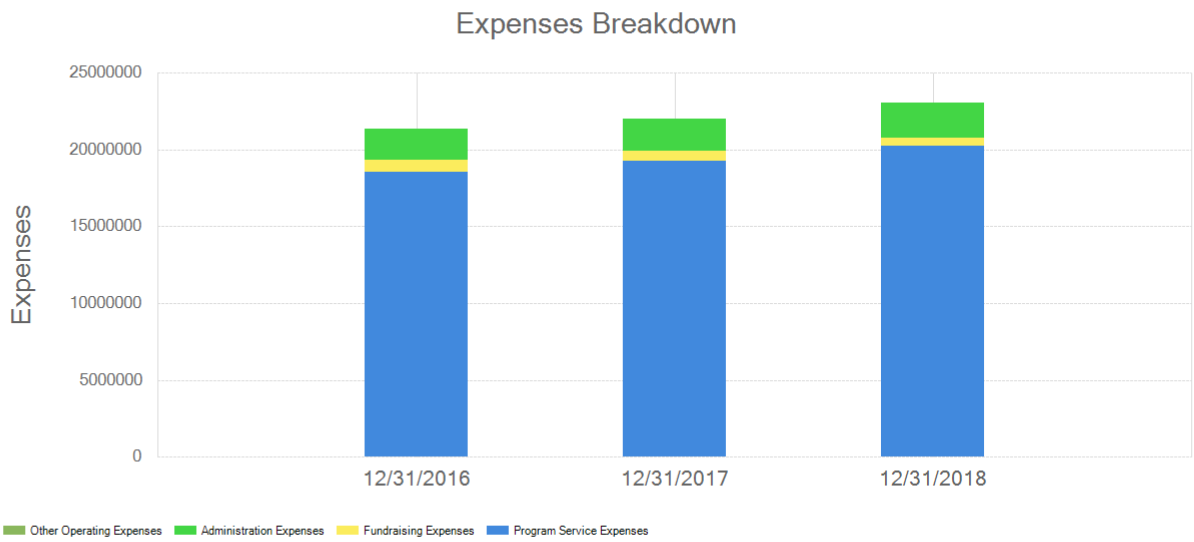
Nonprofit Operational Analysis

A measure of how well the organization is managing money with regard to its sector and mission.

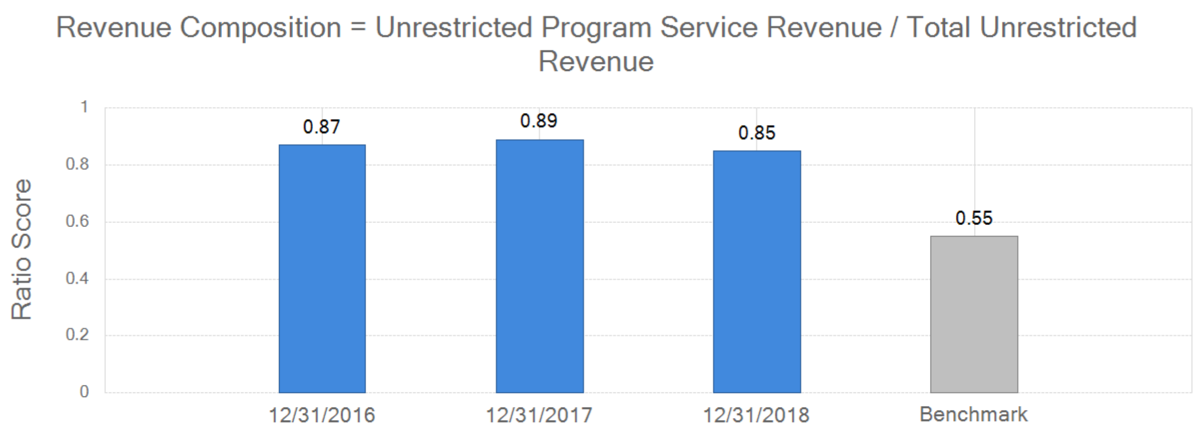
The organization is performing well in all metrics this period. Fundraising efficiency is above the sector average, meaning money the organization has dedicated to fundraising is generating a strong return. It is also good to see that the organization has enough program revenue to pay for a singificant amount of its total expenses, as evident by its good operating reliance. Revenue composition is high, which means that the organization has a large volume of program revenue relative to its total revenue. Lastly and most importantly, the organization's program efficiency is above average, meaning the organization is dedicating more of its expenses to programs than similar nonprofits. This metric is the most important indicator of a nonprofit's performance and is used by people inside and outside of an organization to assess how well it is able to achieve its goals.



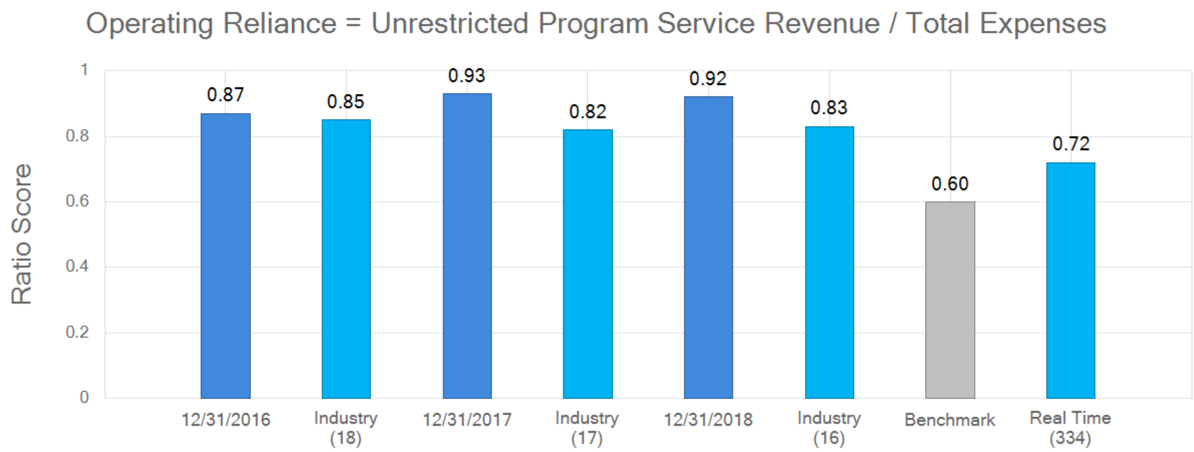
Shows the basic relationship between program expenses and total expenses. This ratio is typically keenly watched by employees, managers, Board members, donors, and contributors. It tends to be one of the more important metrics that many nonprofits use in assessing performance.



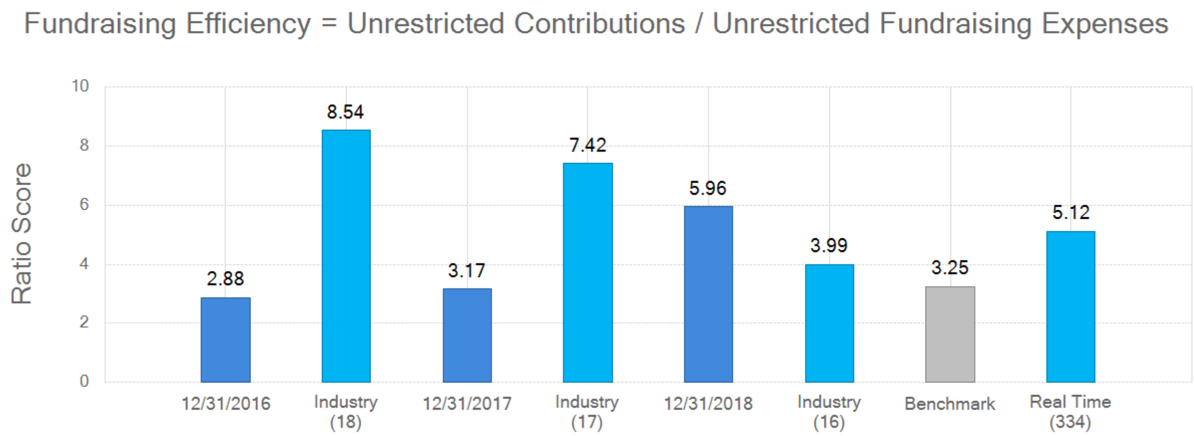
This shows the breakdown of all expenses of the nonprofit. In most cases, the majority should go towards Program Service Expenses.



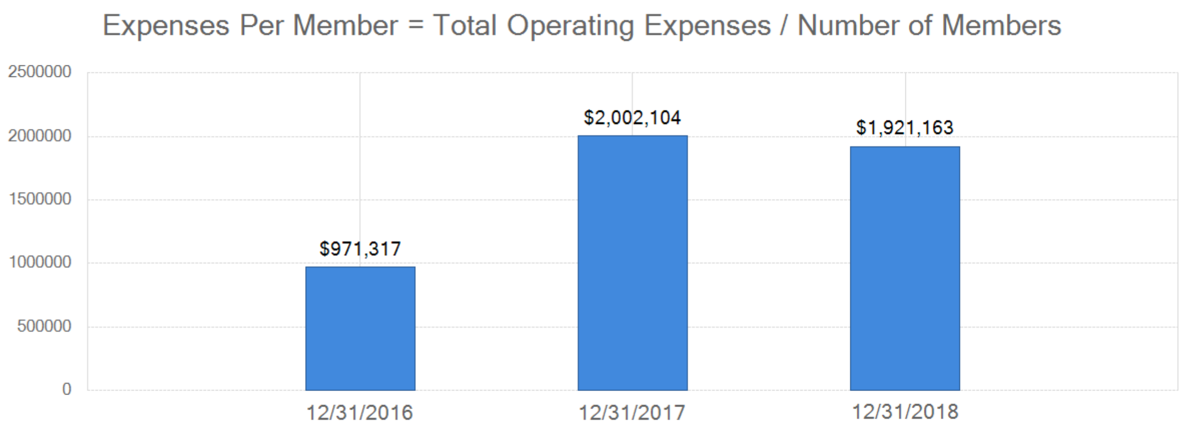
This metric shows the composition of the organization's revenue stream. Specifically, it shows how many cents in program revenue there are for each dollar of revenue generated. Some people like to look at this to see how dependent the entity is on outside funding.



Shows how able a nonprofit entity is to pay for total expenses from program revenues alone. Many times (although not always) program revenues are more predictable and consistent sources of money and, therefore, it is a point of interest to see how able a nonprofit is to liquidate expenses from just program revenue. The ideal score would be 1 or even above 1 in very rare cases.



Shows how much contribution revenue a nonprofit can generate from fundraising activities/expenses. The ideal relationship is a high number, which would mean that the nonprofit is able to generate a multiple of how much it costs to do fundraising.



Shows the amount of organization expenses per member. If this number is high the organization should look into aggressively seeking new members.

Liquidity

A measure of the organization's ability to meet obligations as they come due.

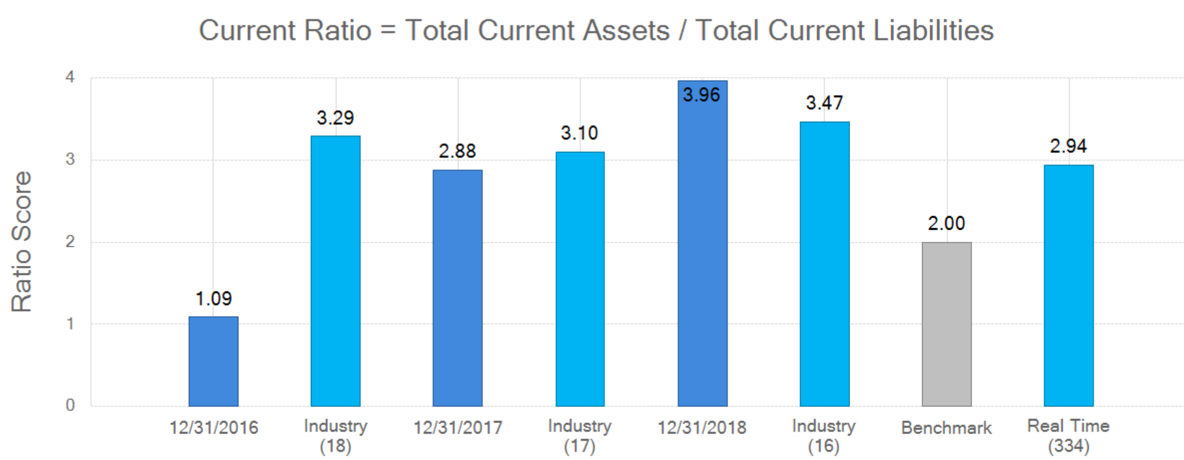
The organization seems to be in good condition in this key area. In fact, the organization's liquidity position has improved according to the multiple barometers used to evaluate liquidity. For example, the graph area of the report shows that both the organization's current and quick ratios have improved. This means that the composition and the breadth of the organization's liquidity base are now better than last period. **The organization's liquidity position is strong**.

Even though it is impossible to completely solve the cash flow challenge, the organization is in a solid **overall** position at this time (as of the specific Balance Sheet dates being analyzed). Notice that the organization is even strong relative to other similar firms in the sector. It is also positive that the organization has improved its operating yield this period. Generating good operating yield dollars over the long run is generally the best way to ensure positive cash flow. Moreover, as revenue volume has risen since last period, general liquidity conditions have improved as well. It is often the case that revenue increases can improve liquidity conditions.

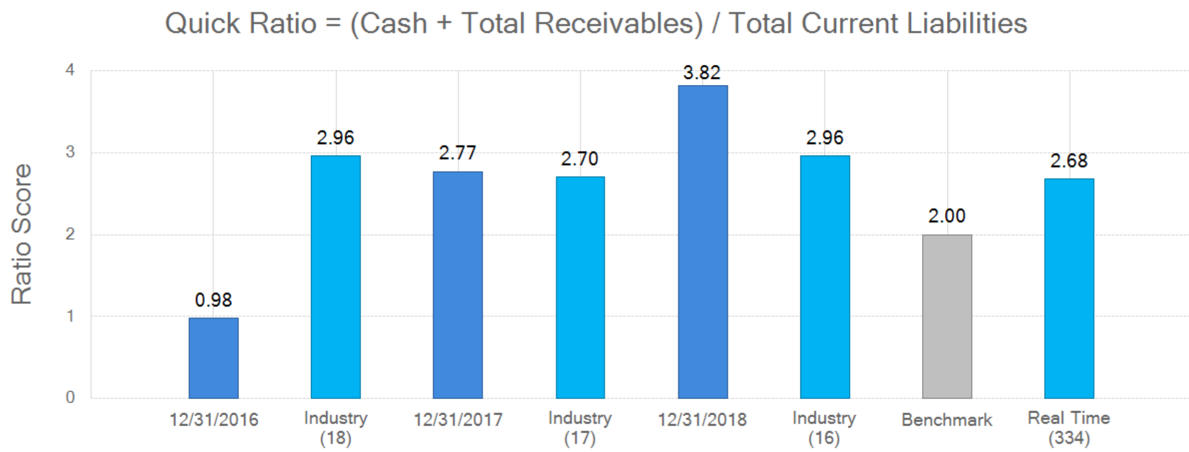
On a slightly cautionary note, keep in mind that having good <u>overall</u> liquidity does not necessarily lead to strong cash accounts. While the organization's overall position is quite good, it is still important to convert the current assets that the organization has to cash over time. Even though the organization has done this effectively this period, this area is still always a key managerial challenge.

The organization is doing a good job turning its inventory, as indicated by its relatively low inventory days statistic. Only managers inside of a nonprofit know how important inventory is to the overall management of the organization itself, but it is important to remember that this liquidity turnover ratio can have a direct effect on the cash account over time.

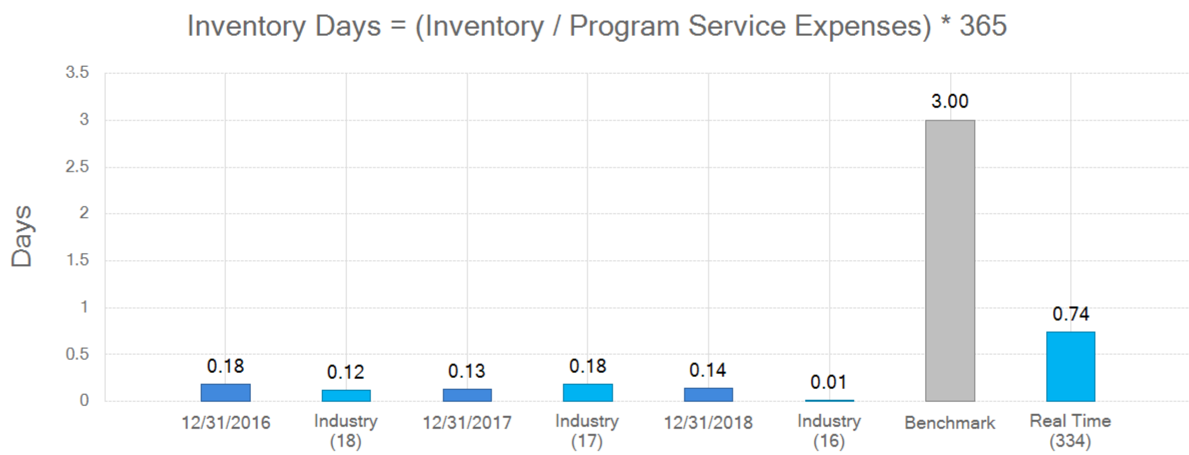
LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



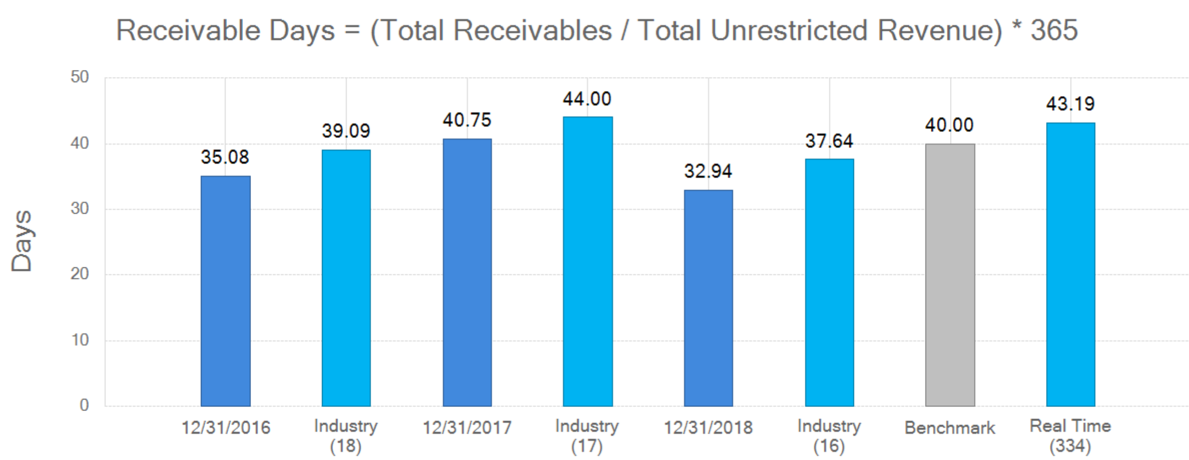
Generally, this metric measures the overall liquidity position of an organization. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" (numerator) are collectible. The higher the ratio, the more liquid the organization is.



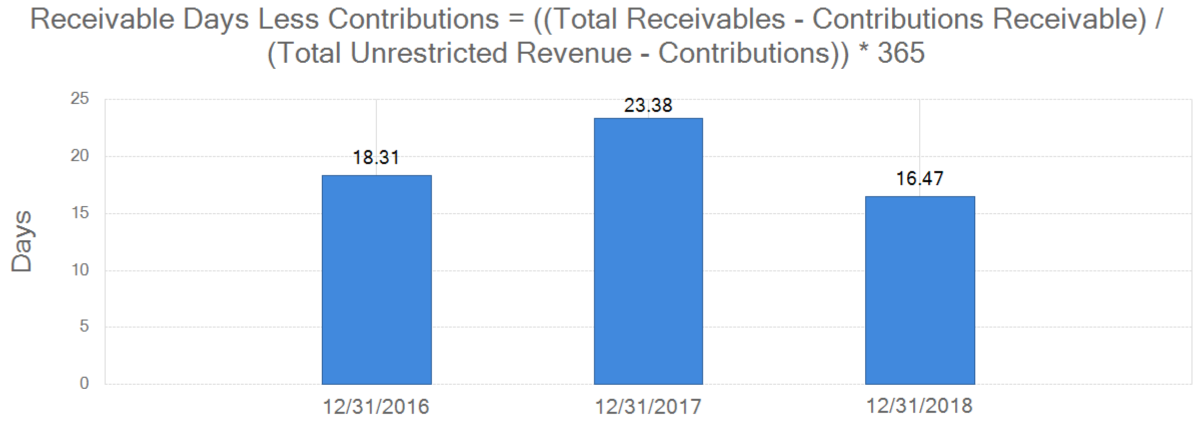
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the organization has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the organization.



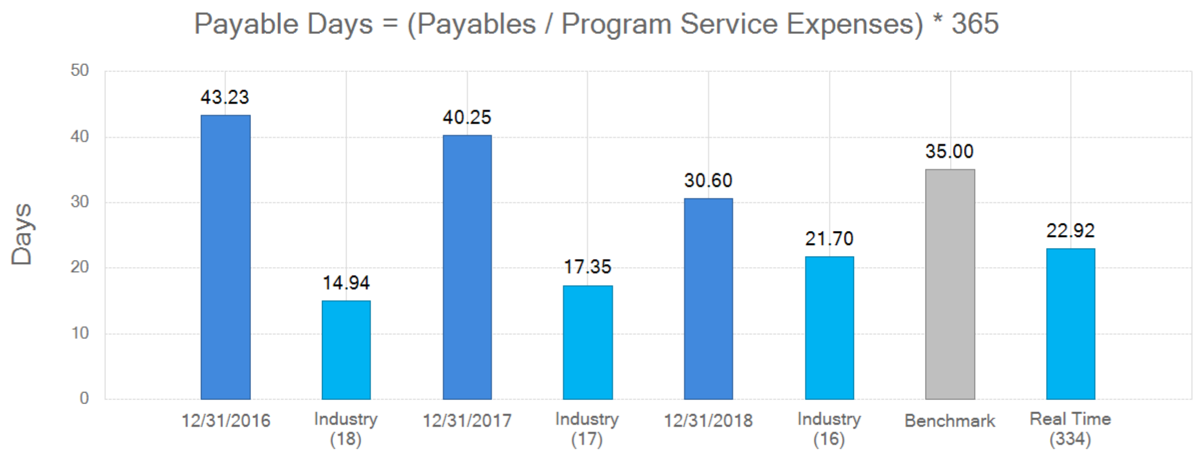
This metric shows how much inventory (in days) is on hand. It indicates how quickly an organization can respond to market and/or product changes. Not all organizations have inventory for this metric. The lower the better.



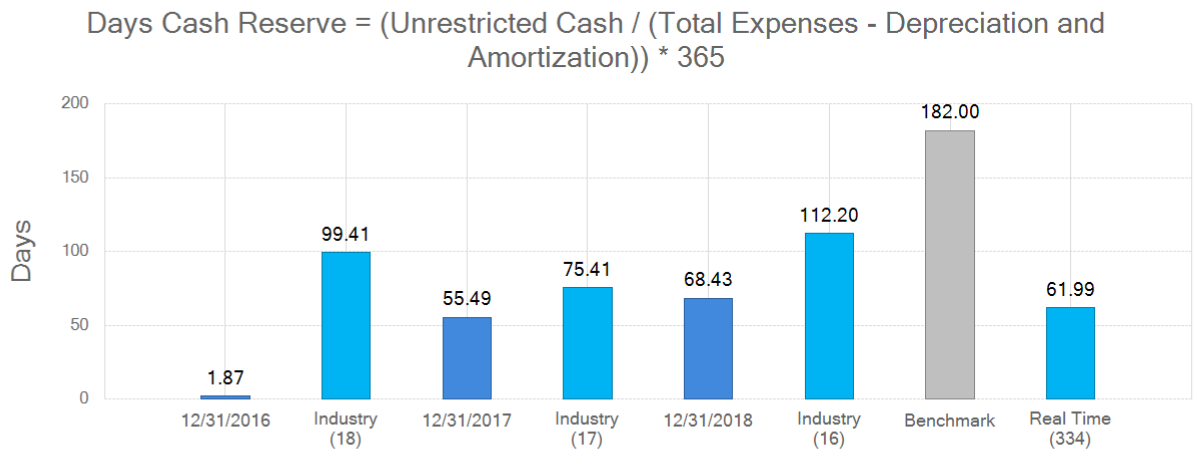
This number reflects the average length of time required to collect cash from receivable accounts such as pledged contributions and/or program services transactions completed using credit. It is crucial to maintaining positive liquidity.



This number reflects the average length of time required to collect cash from all receivable accounts except pledged contributions. It is crucial to maintaining positive liquidity.



This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely an organization is in meeting payment obligations.



Cash reserve is a rough measure of the amount of cash on hand to cover future expenses. The organization should target 182 or more days of cash reserve.

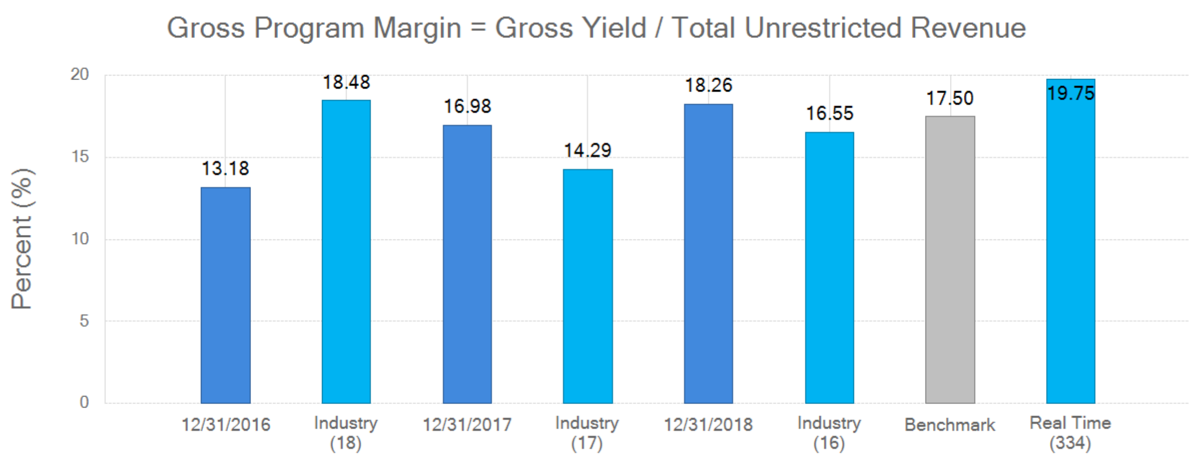
Operating Yield Trends[1]

A measure of whether the trends in profit are favorable for the organization.

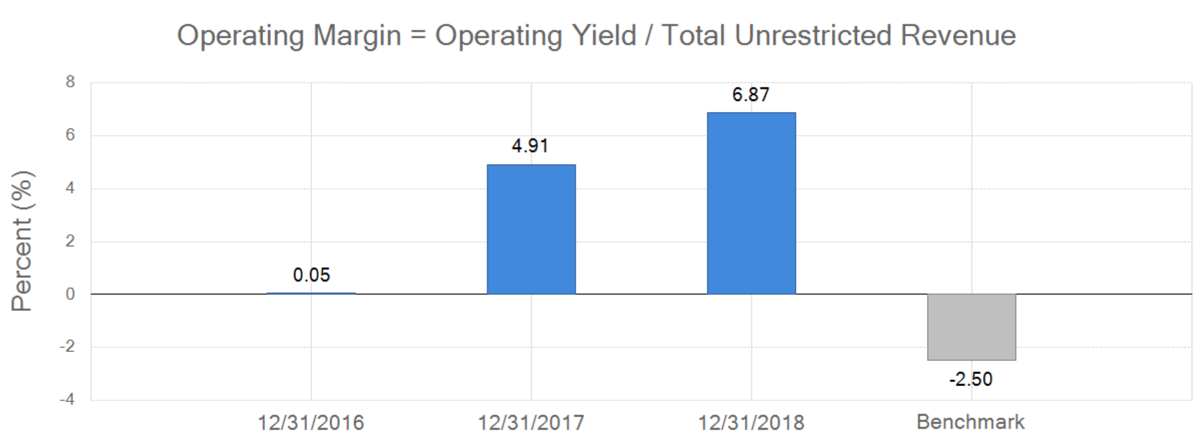
This organization has seen a positive trend this period -- the organization increased its revenues and operating margin concurrently, and the result has been a substantially higher operating yield in dollars. The organization is, in fact, earning a net gain this period. The organization's operating margin is strong overall, and it is higher than the operating margins of many similar organizations. In the Operating Yield area, trends can be even more important than raw data, and this nonprofit's trends are favorable. Whenever an organization has a solid operating margin and increases operating yield concurrently, most other aspects of its finances will fall into place. This will help the organization to deploy its assets more effectively, and even the cash position will improve over time. In short, this organization's results are quite good in this area of the report.

The reason that the operating margin is important is that it is the organization's operating yield percentage -- a measure of how efficiently the organization is using its revenue dollars to fund its programs and generate more revenues. This organization has a healthy operating margin, even compared to sector peers, as evidenced in the graph area of the report. Over time, maintaining such a strong margin should allow the organization an advantage over similar organizations.

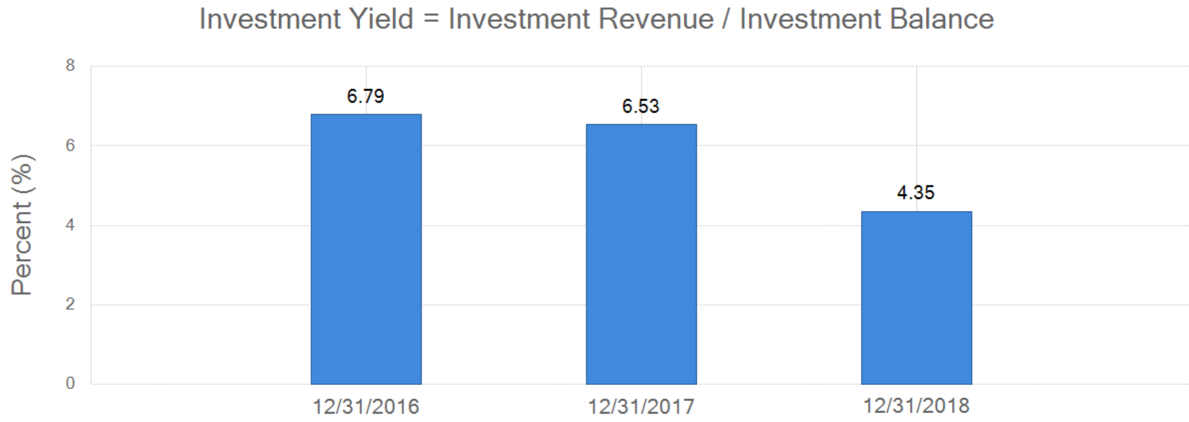
[1] Operating yield (net operating gain/loss) is the nonprofit equivalent of net profit.



This number indicates the percentage of revenue that is left over after paying for program expenses. It is an important statistic that can be used in business planning because it indicates how many cents of gross program profit can be generated by future revenue and also what percentage of revenue the organization can use for other expenses such as administration and fundraising.



A very important number. In fact, over time, it is one of the more important barometers that we look at. It measures how many surplus cents the organization is generating for every dollar it sells. This is a very important number in preparing forecasts.



Investment yield shows the investment rate of return.

Revenue

A measure of how revenue is growing and how it lends itself to the organization's program services.

The organization drove in more revenues with about the same level of fixed assets this period. Driving more revenues through a flat level of assets indicates that the organization is using assets more effectively to produce revenues. In other words, the organization has increased its “asset turns," which is positive.

The next three sections will examine how effectively the organization is using three of its most important resources: borrowed funds, assets, and employees. Ultimately, effectiveness here is determined by comparing changes in these resources to changes in the organization's revenue level. Resources are costs that should be used to leverage higher revenues, since higher revenues are necessary to improve and expand the organization's program services and make progress toward its mission.

Borrowing

A measure of how responsibly the organization is borrowing and how effectively it is managing debt.

In this case, the organization **generated higher revenues with less debt on the books**. An additional positive point is that operating margins have improved by 39.75%. It seems like this could be a good time to build the organization's programs, gain more efficiencies, try to improve overall liquidity, and reinvest any savings in long-term revenue generators such as advertising, employee benefits, etc. Over time, generating higher revenues on a lower debt level is a good way to lower costs in the organization and boost long-term operating yields.

Assets

A measure of how effectively the organization is utilizing their gross fixed assets.

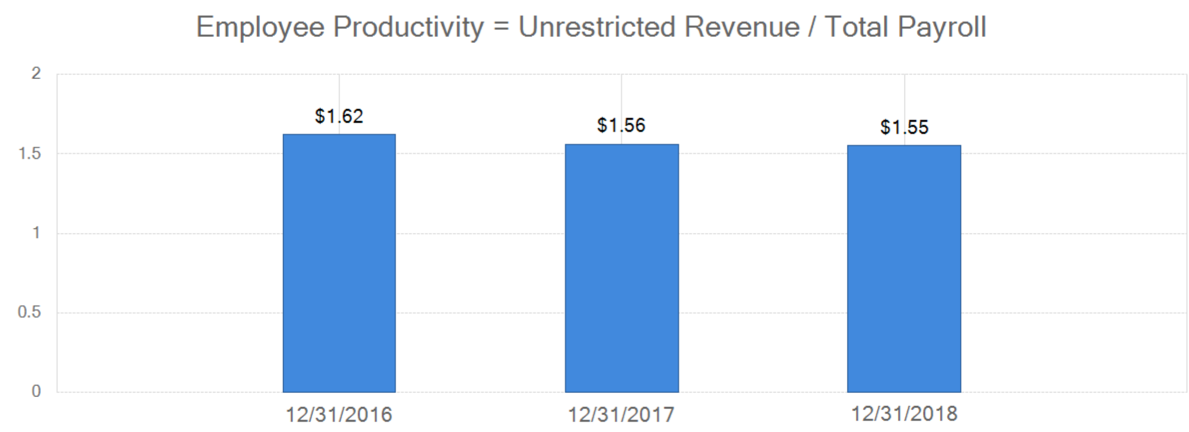
These results are interesting: the organization's fixed asset base stayed about the same this period, and revenues rose. In other words, the organization did not add additional assets, but it still increased its revenues; more assets were not needed to trigger a revenue increase. Also, the organization was able to improve both overall liquidity and operating margins, which indicates that overall financial health and efficiency are improving.

Employees

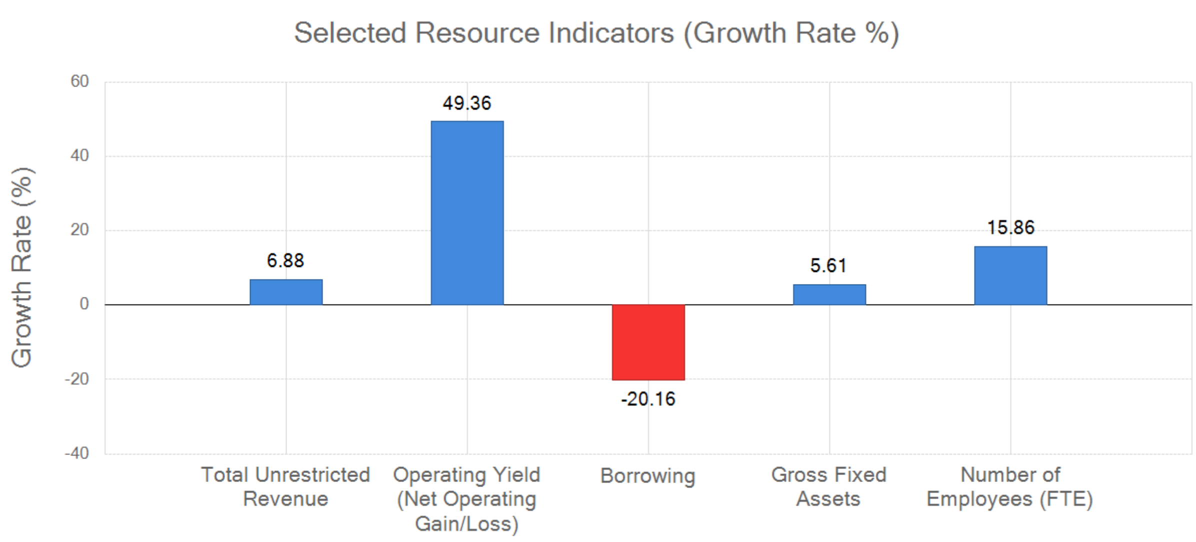
A measure of how effectively the organization is hiring and managing its employees.

Results in the employee management area can be deceiving, because improved revenues can often hide unfavorable trends. Although this nonprofit's revenue level has improved since last period, the employee base rose at a faster rate than revenues. This result could hurt the organization in the future; organizations prefer to see revenues improve faster than the rate at which they hire people.

A good strategy right now **might** be to postpone hiring any new employees for the immediate future. Or, managers may want to hire only people who will add to the revenue stream fairly quickly. It is difficult to make management judgments here since this analysis is only based upon past data. Although it is true that a nonprofit will have different employee levels at different pay scales, it is important to remember that organizations can tend to "over-hire" when revenues are growing.



This metric measures the dollars of revenue generated per dollar spent on payroll.



This data is based on the two most recent available periods.

Raw Data

Statement of Activities	12/31/2016	12/31/2017	12/31/2018
Program Service Revenue	$18,643,955	$20,586,713	$21,115,126
Contributions	$2,172,656	$2,073,309	$3,263,517
Government Grants	$0	$0	$0
Investment Revenue	$595,912	$546,952	$415,007
Membership Dues	$0	$0	$0
Other Operating Revenue	($33,703)	($45,602)	($39,678)
Net Assets Released From Restrictions	$0	$0	$0
Net Assets Released From Restrictions	$0	$0	$0
Total Unrestricted Revenue	$21,378,820	$23,161,372	$24,753,972
Program Service Expenses	$18,560,364	$19,227,834	$20,233,628
Interest Expense	$0	$0	$0
Depreciation and Amortization	$510,286	$405,117	$372,226
Payroll & Benefits	$11,532,660	$12,895,027	$13,994,394
Rent	$573,659	$934,509	$992,948
Travel	$300,321	$360,058	$372,097
Other	$5,643,438	$4,633,123	$4,501,963
Gross Yield	$2,818,456	$3,933,538	$4,520,344
Gross Program Margin	13.18%	16.98%	18.26%
Fundraising Expenses	$755,057	$654,884	$547,710
Depreciation and Amortization	$3,964	$14,646	$10,717
Interest Expense	$631	$244	$176
Payroll & Benefits	$547,159	$515,631	$427,189
Rent	$6,779	$12,229	$13,371
Travel	$4,692	$2,384	$2,018
Other	$191,832	$109,750	$94,239
Administration Expenses	$2,053,563	$2,140,424	$2,272,622
Depreciation and Amortization	$52,105	$42,455	$41,683
Interest Expense	$19,607	$12,335	$10,151
Payroll & Benefits	$1,155,555	$1,472,370	$1,522,879
Rent	$34,019	$48,527	$40,614
Travel	$9,596	$19,807	$20,303
Other	$782,681	$544,930	$636,992
Other Operating Expenses	$0	$0	$0
Depreciation and Amortization	$0	$0	$0
Interest Expense	$0	$0	$0
Rent	$0	$0	$0
Utilities	$0	$0	$0
Payroll & Benefits	$0	$0	$0
Total Operating Expenses	$21,368,984	$22,023,142	$23,053,960
Operating Yield (Net Operating Gain/Loss)	$9,836	$1,138,230	$1,700,012
Operating Margin	0.05%	4.91%	6.87%
Other Inflows	$0	$0	$0
Other Outflows	$0	$0	$0
Total Change In Net Assets	$9,836	$1,138,230	$1,700,012

Statement of Financial Position	12/31/2016	12/31/2017	12/31/2018
Total Cash and Cash Equivalents	$106,452	$3,277,659	$4,242,845
Restricted Cash	$0	$0	$0
Unrestricted Cash	$106,452	$3,277,659	$4,242,845
Total Receivables	$2,054,573	$2,586,077	$2,233,917
Other Receivables	$0	$0	$0
Contributions Receivable	$1,091,101	$1,235,526	$1,263,915
Accounts Receivable	$963,472	$1,350,551	$970,002
Inventory	$8,996	$6,636	$7,806
Current Investments	$0	$0	$0
Other Current Assets	$216,296	$243,498	$235,594
Prepaid exp & Deferred Charges	$216,296	$243,498	$235,594
Total Current Assets	$2,386,317	$6,113,870	$6,720,162
Gross Fixed Assets	$10,096,260	$10,240,852	$10,815,587
Accumulated Depreciation	$8,277,655	$8,388,772	$9,116,649
Net Fixed Assets	$1,818,605	$1,852,080	$1,698,938
Long Term Investment Assets	$8,777,679	$8,377,693	$9,549,207
Other Assets	$82,417	$82,417	$80,168
Intangible assets	$82,417	$52,212	$52,212
Other	$0	$30,205	$27,956
Total Assets	$13,065,018	$16,426,060	$18,048,475
Payables	$2,198,289	$2,120,358	$1,696,039
Short Term Debt	$0	$0	$0
Notes Payable / Current Portion of Long Term Debt	$0	$0	$0
Other Current Liabilities	$0	$0	$0
Total Current Liabilities	$2,198,289	$2,120,358	$1,696,039
Total Long Term Liabilities	$158,090	$334,404	$263,848
Notes Payable / Senior Debt	$0	$0	$263,848
Notes Payable / Subordinated Debt	$0	$0	$0
Other Long Term Liabilities	$0	$0	$0
Total Liabilities	$2,356,379	$2,454,762	$1,959,887
Total Net Assets	$10,708,639	$13,971,298	$16,088,588
Unrestricted	$8,140,242	$11,173,676	$13,337,541
Temporarily Restricted	$1,219,522	$1,444,662	$1,502,838
Permanently Restricted	$1,348,875	$1,352,960	$1,248,209
Number of Employees (FTE)	352.0	309.0	358.0
Number of Members	22.0	11.0	12.0

Common Size Statements

Statement of Activities	12/31/2016	12/31/2017	12/31/2018	Industry* (24)
Program Service Revenue	87%	89%	85%	42%
Contributions	10%	9%	13%	4%
Government Grants	0%	0%	0%	49%
Investment Revenue	3%	2%	2%	0%
Membership Dues	0%	0%	0%	0%
Other Operating Revenue	0%	0%	0%	4%
Net Assets Released From Restrictions	0%	0%	0%	1%
Net Assets Released From Restrictions	0%	0%	0%	1%
Total Unrestricted Revenue	100%	100%	100%	100%
Program Service Expenses	87%	83%	82%	77%
Interest Expense	0%	0%	0%	--
Depreciation and Amortization	2%	2%	2%	--
Payroll & Benefits	54%	56%	57%	--
Rent	3%	4%	4%	--
Travel	1%	2%	2%	--
Other	26%	20%	18%	--
Gross Yield	13%	17%	18%	23%
Fundraising Expenses	4%	3%	2%	0%
Depreciation and Amortization	0%	0%	0%	--
Utilities	0%	0%	0%	--
Interest Expense	0%	0%	0%	--
Payroll & Benefits	3%	2%	2%	--
Rent	0%	0%	0%	--
Travel	0%	0%	0%	--
Other	1%	0%	0%	--
Administration Expenses	10%	9%	9%	14%
Depreciation and Amortization	0%	0%	0%	--
Interest Expense	0%	0%	0%	--
Payroll & Benefits	5%	6%	6%	--
Rent	0%	0%	0%	--
Travel	0%	0%	0%	--
Other	4%	2%	3%	--
Other Operating Expenses	0%	0%	0%	3%
Depreciation and Amortization	0%	0%	0%	--
Interest Expense	0%	0%	0%	--
Rent	0%	0%	0%	--
Payroll & Benefits	0%	0%	0%	--
Total Operating Expenses	100%	95%	93%	99%
Operating Yield (Net Operating Gain/Loss)	0%	5%	7%	1%
Other Inflows	0%	0%	0%	0%
Other Outflows	0%	0%	0%	0%
Total Change In Net Assets	0%	5%	7%	1%

Statement of Financial Position	12/31/2016	12/31/2017	12/31/2018	Industry* (24)
Total Cash and Cash Equivalents	1%	20%	24%	22%
Restricted Cash	0%	0%	0%	--
Unrestricted Cash	1%	20%	24%	--
Total Receivables	16%	16%	12%	29%
Other Receivables	0%	0%	0%	--
Contributions Receivable	8%	8%	7%	--
Accounts Receivable	7%	8%	5%	--
Inventory	0%	0%	0%	0%
Current Investments	0%	0%	0%	0%
Other Current Assets	2%	1%	1%	6%
Prepaid exp & Deferred Charges	2%	1%	1%	--
Total Current Assets	18%	37%	37%	60%
Gross Fixed Assets	77%	62%	60%	62%
Accumulated Depreciation	63%	51%	51%	24%
Net Fixed Assets	14%	11%	9%	19%
Long Term Investment Assets	67%	51%	53%	7%
Other Assets	1%	1%	0%	4%
Intangible assets	1%	0%	0%	--
Other	0%	0%	0%	--
Total Assets	100%	100%	100%	100%
Payables	17%	13%	9%	13%
Short Term Debt	0%	0%	0%	0%
Notes Payable / Current Portion of Long Term Debt	0%	0%	0%	0%
Other Current Liabilities	0%	0%	0%	22%
Total Current Liabilities	17%	13%	9%	41%
Total Long Term Liabilities	1%	2%	1%	10%
Notes Payable / Senior Debt	0%	0%	1%	--
Notes Payable / Subordinated Debt	0%	0%	0%	--
Other Long Term Liabilities	0%	0%	0%	--
Total Liabilities	18%	15%	11%	55%
Total Net Assets	82%	85%	89%	45%
Unrestricted	62%	68%	74%	--
Temporarily Restricted	9%	9%	8%	--
Permanently Restricted	10%	8%	7%	--

*The industry common size figures shown above were taken from all nonprofit organizations with NTEE code F30 for all years in all areas with yearly sales $10 million to $50 million.

Sector Scorecard

Financial Indicator	Current Period	Sector Range	Distance from Sector
Program Efficiency = Program Service Expenses / Total Expenses **Explanation:** Shows the basic relationship between program expenses and total expenses. This ratio is typically keenly watched by employees, managers, Board members, donors, and contributors. It tends to be one of the more important metrics that many nonprofits use in assessing performance.	0.88	0.74 to 0.87	+1.15%
Revenue Composition = Unrestricted Program Service Revenue / Total Unrestricted Revenue **Explanation:** This metric shows the composition of the organization's revenue stream. Specifically, it shows how many cents in program revenue there are for each dollar of revenue generated. Some people like to look at this to see how dependent the entity is on outside funding.	0.85	0.40 to 0.70	+21.43%
Operating Reliance = Unrestricted Program Service Revenue / Total Expenses **Explanation:** Shows how able a nonprofit entity is to pay for total expenses from program revenues alone. Many times (although not always) program revenues are more predictable and consistent sources of money and, therefore, it is a point of interest to see how able a nonprofit is to liquidate expenses from just program revenue. The ideal score would be 1 or even above 1 in very rare cases.	0.92	0.45 to 0.75	+22.67%
Fundraising Efficiency = Unrestricted Contributions / Unrestricted Fundraising Expenses **Explanation:** Shows how much contribution revenue a nonprofit can generate from fundraising activities/expenses. The ideal relationship is a high number, which would mean that the nonprofit is able to generate a multiple of how much it costs to do fundraising.	5.96	1.50 to 5.00	+19.20%
Expenses Per Member = Total Operating Expenses / Number of Members **Explanation:** Shows the amount of organization expenses per member. If this number is high the organization should look into aggressively seeking new members.	$1,921,163	--	--
Current Ratio = Total Current Assets / Total Current Liabilities **Explanation:** Generally, this metric measures the overall liquidity position of an organization. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" (numerator) are collectible. The higher the ratio, the more liquid the organization is.	3.96	1.00 to 3.00	+32.00%
Quick Ratio = (Cash + Total Receivables) / Total Current Liabilities **Explanation:** This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the organization has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the organization.	3.82	1.20 to 2.80	+36.43%
Inventory Days = (Inventory / Program Service Expenses) * 365 **Explanation:** This metric shows how much inventory (in days) is on hand. It indicates how quickly an organization can respond to market and/or product changes. Not all organizations have inventory for this metric. The lower the better.	0.14 Days	1.00 to 5.00 Days	+86.00%
Receivable Days = (Total Receivables / Total Unrestricted Revenue) * 365 **Explanation:** This number reflects the average length of time required to collect cash from receivable accounts such as pledged contributions and/or program services transactions completed using credit. It is crucial to maintaining positive liquidity.	32.94 Days	25.00 to 55.00 Days	0.00%

Receivable Days Less Contributions = ((Total Receivables - Contributions Receivable) / (Total Unrestricted Revenue - Contributions)) * 365	16.47 Days	--	--

Explanation: This number reflects the average length of time required to collect cash from all receivable accounts except pledged contributions. It is crucial to maintaining positive liquidity.

Payable Days = (Payables / Program Service Expenses) * 365	30.60 Days	20.00 to 50.00 Days	0.00%

Explanation: This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely an organization is in meeting payment obligations.

Days Cash Reserve = (Unrestricted Cash / (Total Expenses - Depreciation and Amortization)) * 365	68.43 Days	120.00 to 244.00 Days	-42.98%

Explanation: Cash reserve is a rough measure of the amount of cash on hand to cover future expenses. The organization should target 182 or more days of cash reserve.

Gross Program Margin = Gross Yield / Total Unrestricted Revenue	18.26%	11.00% to 24.00%	0.00%

Explanation: This number indicates the percentage of revenue that is left over after paying for program expenses. It is an important statistic that can be used in business planning because it indicates how many cents of gross program profit can be generated by future revenue and also what percentage of revenue the organization can use for other expenses such as administration and fundraising.

Operating Margin = Operating Yield / Total Unrestricted Revenue	6.87%	-5.00% to 0.00%	+6.87%

Explanation: A very important number. In fact, over time, it is one of the more important barometers that we look at. It measures how many surplus cents the organization is generating for every dollar it sells. This is a very important number in preparing forecasts.

Investment Yield = Investment Revenue / Investment Balance	4.35%	--	--

Explanation: Investment yield shows the investment rate of return.

Employee Productivity = Unrestricted Revenue / Total Payroll	$1.55	--	--

Explanation: This metric measures the dollars of revenue generated per dollar spent on payroll.

NOTE: Exceptions are sometimes applied when calculating the Financial Indicators. Generally, this occurs when the inputs used to calculate the ratios are zero and/or negative.

READER: Financial analysis is not a science; it is about interpretation and evaluation of financial events. Therefore, some judgment will always be part of our reports and analyses. Before making any financial decision, always consult an experienced and knowledgeable professional (accountant, banker, financial planner, attorney, etc.).