

The Carpentries



2018

Annual Financial Report

In the interest of transparency, financial planning, and sustainability we have created this financial report for the fiscal year 2018, beginning January 1, 2018 and ending December 31, 2018. The goal of this financial report is to provide The Carpentries Executive Council and Carpentries Leadership Team the resources to make informed strategic financial decisions to support the long-term sustainability of The Carpentries.

This report begins with a narrative and graphical summary of the key financial events and trends of 2018. This is complemented by an appendix that includes all of the financial reports from which the summary information was put together, as well as information outlining how program expenses were allocated. For further examination and reference documentation please see the appendix.

Summary

The Carpentries reported approximately \$1.1 million in income during 2018 (see figure 1). The majority of this income, 70%, was generated through programs (Workshops, Instructor Training, and Memberships). It should also be noted that a significant portion of the remaining 30% of income, which came from grants and sponsorships, was restricted. Restricted income can only be used to support a specific part of our mission, as defined by the funder. In 2018, we received a grant from the Alfred P. Sloan Foundation to build a collaborative lesson development framework, in addition to other sponsorships to support travel scholarships and other activities for the 2018 CarpentryConnect event.

Our total expenses for 2018 were \$1.3 million (see figure 2), showing that we spent about \$200K more than we earned in 2018. Team salaries and professional fees (i.e., legal fees, consultants, etc.) made up 77% of our total expenses, so the majority of our expenses in 2018 went to personnel. Please see figure 2 for more information on our 2018 expenses by category.

Taking a look at how our finances changed over the year, we observe that during the second quarter (April - June, Q2) our income exceeded our expenses. This was due to the Sloan Grant being received during the second quarter and resulted in an increase of cash available. During the remaining quarters (Q1, Q3, and Q4) our expenses exceeded our income (see figure 3), decreasing the amount of cash available. Currently, our cash balances are cyclical; we receive a grant and because our regular income is not sufficient to cover our expenses, we slowly wear down the balance from that grant until we need to receive another to keep our bank balance positive.



Income by Category
Total = \$1,131,140

0.1%	Donations = \$1,366
5.9%	Instructor Training = \$66,543
15.3%	Workshops = \$172,944
29.6%	Grants & Sponsorships = \$335,022
49.1%	Memberships = \$555,264

Figure 1. Income by Category

Expenses by Category
Total = \$1,354,633

1.1%	Marketing & Communications = \$14,573
1.3%	Supplies, Utilities & Space = \$17,144
1.8%	Software & Subscriptions Services = \$24,511
7.6%	Meetings & Travel = \$102,580
9.1%	Professional Fees = \$123,552
11.6%	Fiscal Sponsorship = \$156,659
67.6%	Team Salaries & Benefits = \$915,615



Figure 2. Expenses by Category

Financial Overview by Quarter



Figure 3. Financial Overview by Quarter

Similarly, we can look at the year at a glance broken down into three areas: programs, fundraising, and administration (see table 1). Programs are the activities that fulfill the Carpentries mission and directly support our community. Examples include, but are not limited to, workshops and instructor training. Fundraising refers to activities to secure potential funding or services. Examples include contacting potential donors and writing grants or contribution solicitations. Administration refers to the activities that are not identifiable with a single program but are indispensable to our overall operations. Examples include budgeting, record keeping, and the overall management of The Carpentries.

All income was attributed to the area where the expenses to bring in that income were incurred. So, while the grant from the Alfred P. Sloan Foundation mainly supports the Curriculum program, the income from this grant was allocated to fundraising. Table 1 outlines the income and expenses associated with three areas, programs, fundraising and administration. Overall, our available cash at the start of 2018 was \$367,402. At the end of the year, taking into account all of our spending and income, the available cash amount decreased by about -\$230K, leaving us with a closing balance of \$138K. We recognize that this trend is not sustainable and are currently working with the Executive Council and Carpentries Leadership Team to plan for the long-term sustainability of our organization.

Financial Position	
<i>January 1, 2018 - December 31, 2018</i>	
Starting Balance	\$367,402
Programs	
Program Income	\$788,442
Program Expenses	-\$822,992
Net Programs	-\$34,550
Fundraising	
Fundraising Income	\$336,388
Fundraising Expenses	-\$26,217
Net Administration	\$310,171
Administration	
Operating Income	\$0
Operating Expenses	-\$505,424
Net Administration	-\$505,424
Net Change	-\$229,803
Ending Balance	\$137,598

Table 1. Financial Position

The operational averages and efficiencies shown in table 2 are intended to highlight information important to the financial sustainability of The Carpentries. The average expenses per quarter were about \$57K above the average income generated per quarter. An overhead ratio measures the portion of total expenses that are related to administration. Our overhead ratio of 37% is higher than it will most likely be in future years, due to the administrative investment required by the merger and transition to Community Initiatives. The operating reliance ratio demonstrates that 59% of the expenses generated in 2018 could be covered by the income generated from programs. Since our programs are the primary source of non-restricted income, this means that we relied primarily on grants to cover the remaining 41% of our annual expenses.

Operational Averages and Efficiencies

Averages Per Quarter	
Income <i>- The average income received each quarter</i>	\$281,208
Expenses <i>- The average amount of expenses each quarter</i>	\$338,658
Net Change <i>- The average change in cash available at the end of each quarter</i>	-\$57,451
Efficiency Ratios	
Operating Cash Flow <i>- The percent of cash gained/lost for every dollar of income generated for the year</i>	-20%
Income From Programs <i>- The portion of total income for the year that was generated from programs</i>	70%
Operating Reliance <i>- The portion of total expenses that can be covered by program revenue alone</i>	59%
Income Outside of Programs <i>- The portion of total income for the year that was generated from fundraising or administration</i>	30%
Overhead Ratio <i>- The portion of total expenses for the year that was generated from administration</i>	37%
Months Cash Available at Close <i>- The number of months operating expenses that can be covered by available funds on the last day of the year</i>	1.53

Table 2. Operational Averages and Efficiencies

One factor affecting the flow of income for The Carpentries is our invoicing. We use an invoicing system to bill for programs and services. Delays are often observed between the time an invoice is generated and when the income is received. In 2018, the average delay to receive income after the invoice was generated was 65 days (see figure 4).

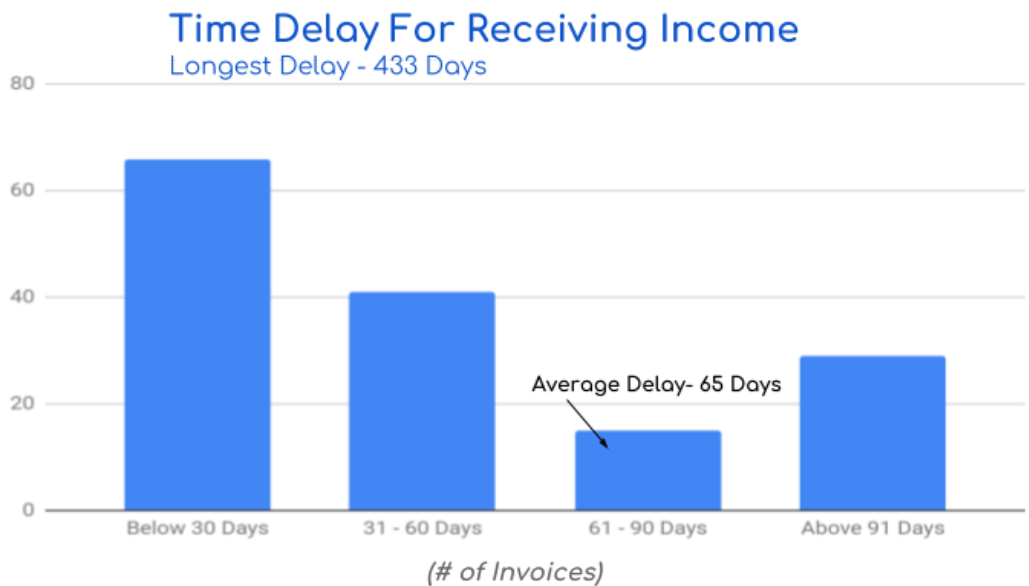


Figure 4. Time Delay For Receiving Income

If we look at income by the type of organization it came from, we see that Academic institutions were the source of the majority of the income in 2018 (see figure 5). It should be noted that only 10% of the income in 2018 that was received from foundations or non-profits was not a part of a grant or sponsorship.

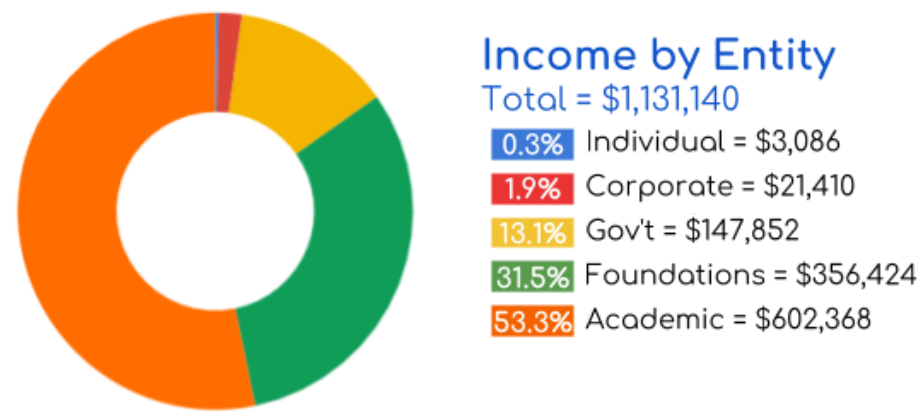


Figure 5. Income by Entity

Taking a closer look at our programs, we can see that three programs, Instructor Training, Membership, and Workshops, generated 70% of the income received in 2018 (see figure 6). The net income from Memberships was \$432K. While our memberships encompass multiple programs (Workshops, Instructor Training, etc.), we have attributed all income invoiced as a membership to the Memberships program. The resulting net income for Instructor Training was \$7K and Workshops was \$75K.

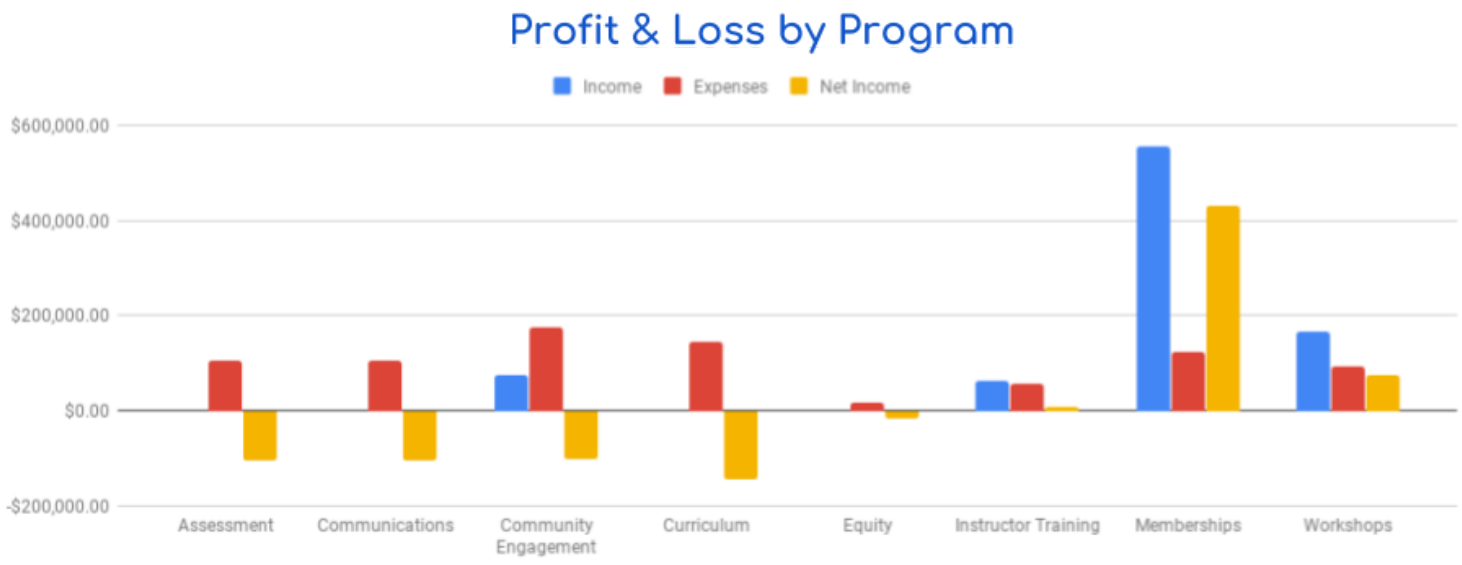


Figure 6. Profit & Loss by Program

The total income generated from memberships was \$555K. There were 72 new or renewing memberships invoiced in 2018. The standard prices for our memberships are \$5K for Bronze, \$7.5K for Silver, and \$15K for Gold. The price of a platinum membership is variable. Figure 7 shows the average income by membership type.



Figure 7. Memberships

The next figure shows income for memberships and workshops by each quarter. The average income brought in from memberships per quarter was \$140K. Similarly, workshops generated an average of \$39K in income per quarter.

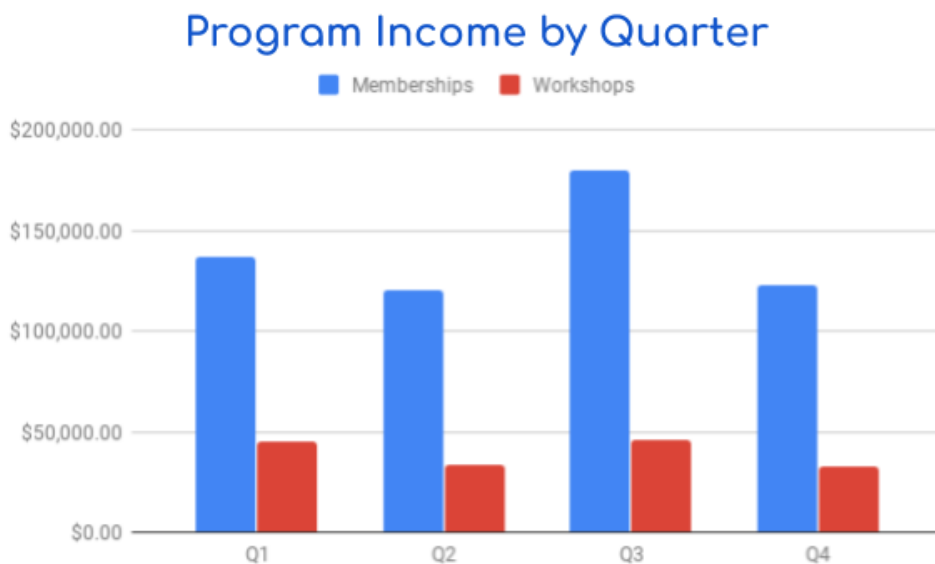


Figure 8. Program Income by Quarter

In conclusion, the Carpentries brought in less than we spent in the last year, and the majority of our income came from memberships, closely followed by grants and sponsorships, a large portion of which was encumbered to specific projects. Our unencumbered income is enough to cover about half of the total expenses of our programs. The vast majority of our expenses went to personnel time. During only one quarter in 2018 did our income exceed our expenses, and this was due to the receipt of the first payment of the Sloan Foundation grant. The amount of expense invested in administration was high in 2018, due to the merger and transition of fiscal sponsors.

Appendix

A full collection of financial statements and notes on our accounting practices are provided in the appendix.

[Link to Appendix \(pdf\)](#)