



FEDERATION OF  
CALGARY COMMUNITIES

# Want to Learn a New Language?:

How to read financial statements

November 21, 2015

# Objectives

Increase your confidence in reading your financial statements:

- ▶ Your responsibilities
  - ▶ How to use the financials in decision making
  - ▶ Roles and responsibilities
- ▶ Reports that make up financial statements
- ▶ Review and understand
  - ▶ Statement of Financial Position
  - ▶ Statement of Operations

# Your Fiduciary Duty

Financial responsibilities do not have to be overwhelming if you:

- ▶ understand that the board has the ultimate responsibility for governance
- ▶ understand the legislative requirements
- ▶ have good financial policies in place
- ▶ know the roles and responsibilities within the organization
- ▶ seek professional help when needed
- ▶ have board members who take their financial responsibilities seriously
- ▶ have an approved budget in place and monitor it, and
- ▶ take the time to read and understand the financial statements

# What is Included in Financial Statements?

- ▶ Statement of Financial Position (balance sheet)
- ▶ Statement of Operations (income statement)
- ▶ Statement of Changes in Net Assets
- ▶ Statement of Cash Flow
- ▶ Notes to Financial Statements

# Statement of Financial Position

- ▶ Also known as a “balance sheet”
- ▶ Reports:
  - ▶ What we own
  - ▶ What we owe

# Key Features

- Snap shot of the financial health
- Balance sheet must balance
- Must compare to a prior period to be useful
- Listed always in the order of:
  - ▶ Assets in order of liquidity
  - ▶ Liabilities in the order of how quickly the claim matures

# The Accounting Language

<b>Assets</b>	<b>Liabilities</b>	<b>Net Assets</b>
What a group owns	What a group owes	Assets - Liabilities

$$\text{ASSETS} = \text{LIABILITIES} + \text{NET ASSETS}$$



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# Examples

<b>Assets =</b>	<b>Liabilities +</b>	<b>Net Assets</b>
Cash Inventory Buildings Land Equipment A/R Investments	A/P Wages Payable Deferred Cash Deferred Capital	Retained Earnings





**XXX Organization**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2011

**ASSETS**

<b>CURRENT</b>	<u>2011</u>	<u>2010</u>
Unrestricted Cash	\$ 14,192	\$ 32,454
Unrestricted Investment	25,000	0
Accounts Receivable	1,455	0
Prepaid Expense	<u>2,999</u>	<u>250</u>
	<b>43,646</b>	<b>32,704</b>
<b>Externally Restricted Assets (Note 1)</b>	<b>86,398</b>	<b>41,998</b>
<b>PROPERTY, PLANT &amp; EQUIPMENT (Note 2)</b>	<u>155,036</u>	<u>167,098</u>
	<b>\$ <u>285,079</u></b>	<b>\$ <u>241,800</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT</b>		
Accounts Payable	\$ 4,889	\$ 3,806
Deferred Rental Revenue	<u>2,280</u>	<u>3,532</u>
	<b>7,169</b>	<b>7,338</b>
<b>Deferred Cash Contributions (Note 1)</b>	<u>86,398</u>	<u>41,998</u>
<b>Deferred Capital Contributions (Note 3)</b>	<u>127,998</u>	<u>137,771</u>
<b>NET ASSETS</b>		
Unrestricted	<b>36,476</b>	<b>25,366</b>
Invested in Property, Plant and Equipment	<u>27,038</u>	<u>29,328</u>
	<b>63,514</b>	<b>54,693</b>
	<b>\$ <u>285,079</u></b>	<b>\$ <u>241,800</u></b>



# Balance Sheet Questions

- ▶ Has our cash increased or decreased? Did we expect this?
- ▶ How much grant funds do we have? What are they to be used for? Are we on track to spend it according to the rules?
- ▶ Do we have plans for our savings?
- ▶ Have our liabilities been met? When?

# Balance Sheet Questions

- ▶ What items are included under accounts receivable?
  - ▶ When are those accounts to be received?
  - ▶ Are they overdue? Is there a possibility of not receiving the money that is overdue?
- ▶ What items are included under accounts payable?
  - ▶ When are they due?
  - ▶ Is there enough cash to cover them?
- ▶ Are there trends on the comparative balance sheet that might be an indication of financial health?



# Group Debrief

- ▶ What challenges did you have?
- ▶ What was surprising?
- ▶ Where did your group struggle in answering the questions?
- ▶ What other information would have helped you?

# Statement of Operations

- ▶ Also known as an “Income Statement”
- ▶ Reports:
  - ▶ What we earned in operational revenue
  - ▶ What we paid in operational expenses

# Key Features

- ▶ Reports over a period of time
- ▶ Shows operational revenues and expenses
- ▶ It is presented with revenue first then expenses followed by one of three outcomes,

Revenue=Expenses

Revenue>Expense=Surplus

Revenue<Expense=Deficit



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# Accounting Language

<b>Revenue</b>	<b>Expenses</b>
Funds earned and/or funds earned when related expenses occur	Non-capital items that your organization spends funds on



# Examples

<b>Revenue</b>	<b>Expenses</b>
Memberships	Rent & maintenance
Interest	Advertising
Advertising Revenue	Contract Services
Program Fees	Insurance
Grants	Office expenses
Fundraising	Utilities
	Programs
	Staffing





**XXX Organization**  
**STATEMENT OF OPERATIONS**

Year ended December 31, 2011

<b>Revenue</b>	<u>2011</u>	<u>2010</u>
Casino Contributions (Note 6)	\$ 32,962	\$ 35,534
Donations	0	322
Grant Revenue (Note 4)	0	9,540
Hall Income	24,333	26,610
Interest Income	201	0
Memberships	1,260	3,745
Miscellaneous	110	0
Newsletter	1,986	857
Program Revenue - Social	970	4,599
Program Revenue - Sports	<u>19,123</u>	<u>15,043</u>
	<u>80,944</u>	<u>96,250</u>
 <b>Expenditures</b>		
Consulting Fees	0	10,600
Gifts/Donations	0	567
Hall Operations (Schedule 1)	50,228	47,639
Licences and Dues	158	159
Newsletter	1,610	1,050
Office and Administration	1,711	682
Professional Fees	1,650	1,590
Programs - Social	6,335	6,110
Programs - Sports	<u>8,141</u>	<u>11,149</u>
	<u>69,833</u>	<u>79,546</u>
 Excess of Revenue (Expenditures) before Amortization	 11,110	 16,704
Plus: Amortized Deferred Capital Contributions	9,773	9,773
Less: Amortization Expense	<u>-12,063</u>	<u>-12,063</u>
 <b>EXCESS OF REVENUE (EXPENSES)</b>	 <u>\$ 8,821</u>	 <u>\$ 14,414</u>



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# Questions Continued

- ▶ Are there significant differences between this year and last year? Are they explainable?
- ▶ Where did we lose/gain money? Was this expected? Did we do better or worse than last year?
- ▶ If we had a goal to increase our membership, how did we do?
- ▶ If we had a goal to increase our social activities, how did we do?
- ▶ If we had a goal to increase revenue on our sports program, how much more did we raise?

# Group Debrief

- ▶ What challenges did you have?
- ▶ What was surprising?
- ▶ Where did your group struggle in answering the questions?
- ▶ What other information would have helped you?

# Wrap Up

- ▶ Financial decisions should be documented in the minutes and reflected in the financials
- ▶ Look at variances – under and over ask why in terms of “What are we not doing?” or “Why are we over budget?” or “Are we achieving our goals?”
- ▶ When you approve the financials you are saying you understand them and then are legally liable for them

# Resources Available

- ▶ Financial Responsibilities of Not-for-Profit Boards, The Muttart Foundation and Alberta Culture and Community Spirit,  
[http://culture.alberta.ca/bdp/workbooks/Financial\\_Responsibilities09.pdf](http://culture.alberta.ca/bdp/workbooks/Financial_Responsibilities09.pdf)
- ▶ Board Development, Understanding Financial Statements, Board Development Program,  
[http://www.culture.alberta.ca/bdp/bulletins/UnderstandingFinancialStatements-print\\_09.pdf](http://www.culture.alberta.ca/bdp/bulletins/UnderstandingFinancialStatements-print_09.pdf)

# Questions

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