



FEDERATION OF  
CALGARY COMMUNITIES

# Want to Learn a New Language?:

How to read financial statements

November 19, 2016

# 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 |

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

# Examples

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



FEDERATION OF  
**CALGARY COMMUNITIES**

# 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



FEDERATION OF  
CALGARY COMMUNITIES

# 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>    |
| <br>   |                 |                  |
| <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>    |
| <br>   |                 |                  |
| Excess of Revenue (Expenditures) before Amortization | 11,110          | 16,704           |
| <br>   |                 |                  |
| 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> |



# 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

Leslie Evans

Executive Director

Federation of Calgary Communities

[Leslie.evans@calgarycommunities.com](mailto:Leslie.evans@calgarycommunities.com)

