



FEDERATION OF
CALGARY COMMUNITIES

Demystifying Financial Statements

October 21, 2017

Objectives

Increase your confidence in reading your financial statements:

- ▶ Your responsibilities
- ▶ Reports that make up financial statements
- ▶ Review and understand
 - ▶ Statement of Financial Position
 - ▶ Statement of Operations



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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
- ▶ Statement of Operations
- ▶ 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



The Accounting Language

Assets	Liabilities	Net Assets
What a group owns	What a group owes	Assets - Liabilities



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

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



Examples

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



XXX COMMUNITY ASSOCIATION				
STATEMENT OF FINANCIAL POSITION				
December 31, 2016				
ASSETS				
CURRENT		2016		2015
Unrestricted Cash		\$ 14,192	\$	32,454
Unrestricted Investment		25,000		0
Accounts Receivable		1,455		0
Prepaid Expense		2,999		250
		<u>43,646</u>		<u>32,704</u>
Externally Restricted Assets (Note 1)		86,398		41,998
PROPERTY, PLANT & EQUIPMENT (Note 2)		155,036		167,098
		<u>\$ 285,079</u>		<u>\$ 241,800</u>
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts Payable		\$ 4,889	\$	3,806
Deferred Rental Revenue		2,280		3,532
		<u>7,169</u>		<u>7,338</u>
Deferred Cash Contributions (Note 1)		86,398		41,998
Deferred Capital Contributions (Note 3)		127,998		137,771
NET ASSETS				
Unrestricted		36,476		25,366
Invested in Property, Plant and Equipment		27,038		29,328
		<u>63,514</u>		<u>54,693</u>
		<u>\$ 285,079</u>		<u>\$ 241,800</u>

Statement of Operations

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

Accounting Language

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



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



Examples

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



XXX COMMUNITY ASSOCIATION

STATEMENT OF OPERATIONS

Year ended December 31, 2016

Revenue	2016	2015
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	19,123	15,043
	80,944	96,250
Expenditures		
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	8,141	11,149
	69,833	79,546
Excess of Revenue (Expenditures) before Amortization	11,110	16,704
Plus: Amortized Deferred Capital Contributions	9,773	9,773
Less: Amortization Expense	-12,063	-12,063
EXCESS OF REVENUE (EXPENSES)	\$ 8,821	\$ 14,414

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
- ▶ Board Development, Understanding Financial Statements, Board Development Program, http://www.culture.alberta.ca/bdp/bulletins/UnderstandingFinancialStatements-print_09.pdf



Questions

Leslie Evans
Executive Director
Federation of Calgary Communities

Leslie.evans@calgarycommunities.com

