



## 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

## 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'S INCLUDED IN FINANCIAL STATEMENTS?

- Auditor Letter Stating an Opinion
- 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”
- Snapshot of the financial health of the organization

<b>ASSETS</b>	<b>LIABILITIES</b>	<b>NET ASSETS</b>
What a Group <b>OWNS</b>	What a Group <b>OWES</b>	<b>OWN - OWES</b>

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

## KEY FEATURES

- Balance sheet must balance
- Must compare to a prior period to be useful
- Always listed in the order of:
  - Assets in order of liquidity
  - Liabilities in the order of how quickly the claim matures

## EXAMPLES

<b>ASSETS =</b>	<b>LIABILITIES +</b>	<b>NET ASSETS</b>
Cash	Accounts Payable	Retained Earnings
Investments	Wages Payable	
Accounts Receivable	Prepaid Rentals	
Prepaid Expenses	Damage Deposit	
Inventory	Deferred Cash	
Equipment	Deferred Capital	
Buildings and Land		
<i>(ordered in liquidity)</i>	<i>(ordered in maturity)</i>	

<b>XXX COMMUNITY ASSOCIATION</b>					
<b>STATEMENT OF FINANCIAL POSITION</b>					
December 31, 2016					
<b>ASSETS</b>					
<b>CURRENT</b>					
			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>
<b>Externally Restricted Assets (Note 1)</b>			<b>86,398</b>		<b>41,998</b>
<b>PROPERTY, PLANT &amp; EQUIPMENT (Note 2)</b>			<b>155,036</b>		<b>167,098</b>
			<u>\$ 285,079</u>		<u>\$ 241,800</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT</b>					
Accounts Payable		\$	4,889	\$	3,806
Deferred Rental Revenue			2,280		3,532
			<u>7,169</u>		<u>7,338</u>
<b>Deferred Cash Contributions (Note 1)</b>			<b>86,398</b>		<b>41,998</b>
<b>Deferred Capital Contributions (Note 3)</b>			<b>127,998</b>		<b>137,771</b>
<b>NET ASSETS</b>					
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 ONLY the operations for the fiscal year

<b>REVENUES</b>	<b>EXPENSES</b>
Funds earned and/or funds earned when related expenses occur	Non-capital items that funds are spent on

- Has one of three outcomes: profit, loss or breakeven

## EXAMPLES

<b>REVENUE</b>	<b>EXPENSES</b>
Casino Contributions	Contracts
Hall Revenue	Staff
Grant Contributions	Repairs and Maintenance
Memberships	Events
Interest	Insurance
Program Fess	Office Expenses
Fundraising	Utilities
Advertising Revenue	Cleaning and Janitorial
Donations	Telephone
	Memberships

<b>XXX COMMUNITY ASSOCIATION</b>			
<b>STATEMENT OF OPERATIONS</b>			
Year ended December 31, 2016			
		<b>2016</b>	<b>2015</b>
<b>Revenue</b>			
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
		<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		8,141	11,149
		<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		-12,063	-12,063
<b>EXCESS OF REVENUE (EXPENSES)</b>	<b>\$</b>	<b>8,821</b>	<b>\$ 14,414</b>

## 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

- 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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