

Financial Reports 101

The Purpose of Financial Reporting

Many nonprofit board members may not know the first thing about a balance sheet or an income statement. The first reaction is to yawn and pass the papers on to someone else. Board members of nonprofit organizations must set and monitor the organization's full set of goals. Financial reports are the documents and records that summarize an organization's financial position reflecting any differences between the actual operating results and the budgeted goals that were previously approved. The purpose of financial reporting is to deliver this information to the members of the organization.

What a financial report should accomplish

A financial report should answer certain basic financial questions:

- Is the organization increasing or decreasing its funds, and how much?
- How do assets stack up against liabilities?
- Where did the organization get its money and is it making good use of the money?.
- What's the cash flow from the period?
- Does the organization have enough money for future growth or in our case mission and ministry?
- Financial statements are planning tools.

Types of Financial Statements

There are two major financial statements: a Balance Sheet (or statement of financial position) and an Income Statement.

The Balance Sheet presents the assets and liabilities of the organization at a particular date.

The Income Statement presents the financial results, (income and expenses) over a period of time.

The Synod's Spending Plan includes money coming in (income) and money going out (expenses). On the Income Statement these categories are arranged with the money coming in at the top and the money going out (loosely arranged according to our ministry plan and partnerships) at the bottom.

The first column lists the categories and the next column shows the actual amounts year to date for those categories. The next column shows the 2009 Spending Plan (what we thought would happen for the entire year). The next column shows the 2010 Spending Plan that was approved at the assembly this year and will be modified early next year as we determine realistic numbers from the Statement of Intent from congregations and other sources of information. These "budget" numbers are guidelines based on expectations.

The Income Statement is the financial report usually presented to the council and assembly. The Balance Sheet and Designated Accounts financial information is available for review if you would like to see this.

The synod's financial information is audited each year and a copy of the auditor's report is available for review.