

Financial Statements 101

What exactly are financial statements?

What is an audit? Why is it important to have audited financial statements?

What is an audit opinion?

So, an audit will find mis-management, right?

Remember, there can be wide variances in the level of detail and disclosures, the accounting rules only proscribe the minimum requirements.

The Statements:

Balance Sheet (Statement of Financial Position) is a snapshot, a point in time;

Think of it as beginning and end of year goalposts, and the income statement is what happened to move us from beginning to end.

the order of items shown is governed by liquidity (time)

May not necessarily break out assets as Restricted or Unrestricted

What exactly are “Net Assets”?

Income Statement (Statements of Activities and Changes in Net Assets) is like a movie, in that it shows what happened over a period in time.

Why are Statements of Activities so complicated? Captions can be interspersed or in sections...

It shows Unrestricted AND Restricted activity, hopefully separated.

Cash Flow Statement is a lot like an income statement, but limited to things that directly affect cash. Two examples of transactions that don't affect cash – a new pledge (not yet collected), depreciation expense...

Footnotes: Information on the organization's accounting policies, containing more detailed information behind the numbers. This will be covered in more detail in the next session.

Form 990:

This is the name of the tax return form a non-profit has to file with the IRS. I use it to obtain salary data from the Statement of Functional Expenses (Part IX).