



# Presbyterian Foundation Webinar - Making Readable Financial Reports

Presented by Cheryl Anderson, MBA, CCA

The Presbytery of the Cascades  
March 8, 2017

# Making Readable Financial Reports

A financial report that is understandable to non-financial church leadership is a tool in effective financial stewardship.



# Financial Reporting Process

## **Simplified Method:**

Cash Basis of accounting where revenues and expenses are recognized by exchange of cash transactions.

## **Complex Method:**

Double entry bookkeeping system where revenues and expenses are recognized in the period in which they occurred. Known as the Accrual Basis of accounting.

# Financial Reports

(accrual basis)

- Statement of Financial Position
- Statement of Activities
- Statement of Cash Flows



# Key Terms on Statement of Financial Position

- **Assets** – items of value to the church
- **Liabilities** – obligations of the church
- **Net Assets** – difference between assets and liabilities

# Net Assets Classification

- **Unrestricted** – funds may used for any purpose or designated by Board action.
- **Temporarily Restricted** – funds may only be used for purpose intended by donor and are either restricted by use or time.
- **Permanently Restricted** – donated funds that require principle remain intact and only investment earnings available for use, and earnings may be either restricted or unrestricted.

# Sample – Statement of Financial Position

For the Year Ended December 31, 20XX

	<b>Assets</b>	<u>Current Year</u>
Cash and Cash Equivalents		\$ 321,000
Investments		\$ 148,000
Property and Equipment		\$ 2,640,000
Other assets		<u>\$ 5,000</u>
Total assets		<u>\$ 3,114,000</u>
	<b>Liabilities</b>	
Accounts payable and accrued expenses		\$ 40,000
Notes payable		<u>\$ 442,000</u>
Total liabilities		<u>\$ 482,000</u>
	<b>Net Assets</b>	
Unrestricted		
Undesignated		\$ 2,410,000
Board designated		<u>\$ 70,000</u>
Total unrestricted		\$ 2,480,000
Temporarily restricted		\$ 90,000
Permanently restricted		<u>\$ 62,000</u>
Total net assets		<u>\$ 2,632,000</u>
Total liabilities and net assets		<u>\$ 3,114,000</u>

# Key Terms for Statement of Activities

- **Revenue** - increase in recognizable value from contributions and investment earnings
- **Expense** – decrease in recognizable value from operating costs
- **Net surplus** – positive difference between revenue and expense
- **Net deficit** – negative difference between revenue and expense



# Sample – Statement of Activities

For the Year Ended December 31, 20XX

## Revenue

	<u>Current Year</u>
Contributions	\$ 809,000
Fees and registrations	\$ 400,000
Investment earnings	\$ 130,000
Other revenue	\$ 11,000
Total revenue	<u>\$ 1,350,000</u>

## Expenses

Church activities	
Program activities	\$ 465,000
Mission activities	\$ 270,000
Total church activities	<u>\$ 734,000</u>
Support activities	
General and administrative	\$ 165,000
Fundraising	\$ 370,000
Total support activities	<u>\$ 535,000</u>
Total expense	<u>\$ 1,269,000</u>
Total change in net assets	<u>\$ 81,000</u>



# Key Terms for Statement of Cash Flows

- Cash flows from operating activities
- Cash flows from investing activities
- Cash flows from financial activities

# Sample – Statement of Cash Flows

For the Year Ended December 31, 20XX

	<u>Current Year</u>
<b>Cash flows from operating activities</b>	
Contributions	\$ 749,000
Fees and registrations	\$ 40,000
Employee Expense	(\$ 530,000)
Mission Expense	( 90,000)
Administrative Expense	(\$ 11,000)
Net cash provided (used) by operating activities	<u>\$ 158,000</u>
<b>Cash flows from investing activities</b>	
Proceeds from sale of investments	\$ 465,000
Purchase of investments	(\$ 565,000)
Purchase of equipment	(\$ 25,000)
Net cash provided (used) by investing activities	<u>(\$ 125,000)</u>
<b>Cash flows from financing activities</b>	
Loan proceeds from loan initiated	\$ 100,000
Principle payments on loans	(\$ 17,000)
Net cash provided (used) by financing activities	<u>\$ 83,000</u>
<b>Net increase (decrease) in cash</b>	<b><u>(\$ 116,000)</u></b>
<b>Cash at beginning of period</b>	<b><u>\$ 197,000</u></b>
<b>Cash at end of period</b>	<b><u>\$ 81,000</u></b>



# Financial Reports

AS SIMPLE AS POSSIBLE

- Revenues and Expenses
- Investments
- Contributions

# Financial Reports

(cash basis)

## ***Net Asset Report to Session***

*Month of* \_\_\_\_\_

*Assets* \$ \_\_\_\_\_

*Liabilities* \$ \_\_\_\_\_

*Net Asset Balance* \$ \_\_\_\_\_

# Financial Reports

(cash basis)

## *Financial Report to Session*

Month of \_\_\_\_\_

	<i>Month</i>	<i>YTD</i>
<i>Receipts</i>	\$ _____	\$ _____
<i>Disbursements</i>	\$ _____	\$ _____
<i>Cash Balance</i>	\$ _____	\$ _____



QUESTIONS?



THANK YOU

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# Church Financial Officers Forum

Church financial topics can be complex and even confusing.  
So join a collaborative effort to...

ask some **QUESTIONS** get some **ANSWERS**

## F O R U M T O P I C S

1. Best Stewardship Practices(March 1<sup>st</sup> 10:00 AM (PST))
  2. Making Readable Finance Reports(March 8<sup>th</sup>, 10am)
  3. Creating Endowments (March 15<sup>th</sup>, 10:am)
  4. Payroll Issues (March 22<sup>nd</sup>, 10:00 am)
  5. How to do a Financial Review (March 29<sup>th</sup>, 10:00 am)
  6. On-Line giving (April 1<sup>st</sup>, 10:00am)
- (register at [rob.hagan@presbyterianfoundation.org](mailto:rob.hagan@presbyterianfoundation.org))

### FACILITATORS



**Cheryl Anderson,**  
MBA, CCA  
Business Manager,  
Presbytery of the  
Cascades.

Cheryl had served as Director of Business and Administration for a large church in the area. Cheryl's experience in administrative and financial management includes positions with other non-profit and for profit organizations, including time with a CPA firm as a staff accountant/auditor.



**Reverend Dr. Rob Hagan**  
Ministry Relations Officer,  
Presbyterian Foundation.

Rob works with pastors and church leaders to cultivate generosity and promote stewardship within their congregations. He also meets with donors to assist them in making gifts to support their church and other ministries. Before joining the Foundation, Rob was serving as Pastor and Head of Staff at Kennewick First Presbyterian Church in Kennewick, Washington since 1990.

**Where: Hosted by Foundation Webinar using Joinme.com. Directions on how to join and call in numbers will be distributed three days prior to the webinar.**