FINANCIAL STATEMENTS 101

2021

AGENDA

- Introductions
- Types of financial statements
- Terminology
- Investments
- Upcoming events
- Resources
- Session recorded

Introductions

- Your name
- Name of church(and city)
- Role in the church

FINANCIAL STATEMENTS 101

2021

Financial Statements: Tell a Story

- Why do we need to see financial information?
  - Fiduciary responsibility
  - Good stewards
- What does it tell us?
  - Challenges
  - Joys
- What is our mission and are we living into it?

TYPES OF FINANCIAL STATEMENTS

- BALANCE SHEET –STATEMENT OF FINANCIAL POSITION
- INCOME STATEMENT/PROFIT AND LOSS
  - STATEMENT OF ACTIVITIES – PERFORMANCE DURING A PERIOD OF TIME
- CASH FLOW STATEMENT – SHOWS ALL INFLOWS AND OUTFLOWS –
- CASH AVAILABLE
- REQUIRED TO BE ON CALENDAR YEAR

Balance sheet/statement of financial position

- Purpose – why do we need this? What does it tell us?
  - What we have
  - What we owe
- Snapshot as of the date of the statement
- Assets and liabilities

ASSETS – WHAT THE CHURCH OWNS

- CASH
  - CHECKING ACCOUNT
  - SAVINGS ACCOUNT
  - PETTY CASH
- INVESTMENTS
  - ENDOWMENT FUNDS - DONOR RESTRICTED CORPUS (PRINCIPAL)
  - QUASI-ENDOWMENT FUNDS- VESTRY DESIGNATED
  - FOUNDATIONS – WHO IS IN CONTROL? NAME OF IT? DOES THE CHURCH OWN IT?
- BUILDINGS AND LAND
- ACCOUNTS RECEIVABLE/PLEDGES RECEIVABLE

LIABILITIES – WHAT THE CHURCH OWES

(NOTE: DEBT NEEDS TO BE APPROVED BY BISHOP, STANDING COMMITTEE AND DIOCESAN COUNCIL)

- COPIER LEASE
- FABER FUND LOAN
- PPP LOAN
- OTHER LOAN/LEASE
- UNPAID BILLS
- ASSESSMENT PAYMENTS

NET ASSETS – SIMILAR TO EQUITY - AMOUNT LEFT

- Net assets – amount that would be left it the church sold all assets and paid all liabilities.
- Fund balances - market value of investments
- RESTRICTED BALANCES
  - DONOR
- UNRESTRICTED BALANCES
  - VESTRY DESIGNATED

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SAMPLE YEAR END FORMAT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, [CURRENT YEAR AND PRIOR YEAR]

		Prior Year
Assets:		
Cash and cash equivalents	$ 7,500	$ 4,600
Accounts and interest receivable	2,130	1,670
Prepaid expenses	610	1,000
Contributions receivable	30,250	27,000
Short-term investments	14,000	10,000
Assets held for restricted purposes	52,100	45,600
Land, buildings, and equipment	617,000	635,900
Long-term investments	218,070	203,500
Total Assets	$ 941,660	$ 929,270
Liabilities and net assets:		
Liabilities:		
Accounts payable	$ 2,570	$ 10,500
Refundable advance	0	650
Grants payable	875	1,300
Notes payable	1,685	2,840
Long-term debt	55,000	64,640
Total Liabilities	$ 60,130	$ 79,930

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Total Liabilities	$ 60,130	$ 79,930
Net Assets:		
Net assets without donor restrictions	$715,138	$686,870
Net assets with donor restrictions	166,392	162,470
Total Net Assets	$881,530	$849,340
Total Liabilities and Net Assets	$941,660	$929,270

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Income Statements/Profit and Loss Purpose – why do we need this? What story does it tell us?

- Are the pledges coming in on time?
  - If yes – celebrate and say thank you
  - If not – why? Are there people out of work? Have we had a major loss of donor though death, move, or anger? How can we minister? (you won't know individual situations… but will likely know if there is a death or major conflict)
  - More than just financial health – can also tell a story of general health of the congregation

INCOME STATEMENTS/PROFIT AND LOSS

OPERATING INCOME:

- PLEDGE
- PLATE
- OTHER OPERATING INCOME
- FUNDRAISERS
- INVESTMENT DRAWS
- PAYCHECK PROTECTION PROGRAM FUNDS – IF NOT A LOAN

OPERATING EXPENSES

- ANYTHING USED FOR THE CHURCH OPERATIONS:
  - CLERGY COMPENSATION AND BENEFITS
  - SALARY AND BENEFITS FOR SEXTON, ADMINISTRATOR, BOOKKEEPER, ETC. ANY LAY STAFF
  - ORGANIST FEES
  - SUPPLY PRIEST FEE
  - SUNDAY SCHOOL EXPENSES
  - UTLITIIES
  - FLOWERS
  - WINE
  - LAWN CARE/SNOW REMOVAL
  - CLEANING
  - ASSESSMENT PAYMENT TO DIOCESE

ASSESSMENTS

- BASED ON ROLLING AVERAGE OF THREE YEARS OF OPERATING INCOME – PAROCHIAL REPORTS
- 2017-2018-2019 FOR THE 2021 BUDGET
- FLAT RATE PAID MONTHLY
- USED FOR MISSION AND MINISTRY WITHIN AND BEYOND THE DIOCESE – (CANON 15) **FOR THE SPREAD OF THE GOSPEL OF JESUS CHRIST AND THE MISSION OF THE CHURCH;**

NON-OPERATING INCOME

- Discretionary funds
- Gains on investments
- Capital funds
- In and out funds
  - Episcopal relief & Development
  - United thank offering
  - Bishop's discretionary funds
  - CAMP MARSHALL

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Section D. Financial Report Examples

SAMPLE MONTHLY REPORT
REVENUE AND EXPENSES
FOR THE FIVE MONTHS ENDING MAY 31, [CURRENT YEAR]

Accounts	Annual Budget	Budget To Date	Actual To Date	Over/ Under
Revenue:				
Operating Income:				
Plate offering	$17,640	$8,820	$6,879	$(1,941)
Pledge receipts	151,368	75,684	79,312	3,628
Investment income	460	230	275	45
Other income	6,420	3,210	4,018	808
Diocesan assistance	-0-	-0-	-0-	-0-
Undesignated gifts and bequests	1,200	600	55	545)
Total Operating Income	$177088	$88,544	$90,539	$1,995
Non-Operating Revenue:				
Net realized gains on investments	$1,290	$645	$933	$288
Restricted gifts not for operations	2,810	1,405	864	(541)
Capital fund receipts	50,000	25,000	24,300	(700)
Total Non-Operating Revenue	$54,100	$27,050	$26,097	$953)
Total Revenue	$231,188	$115,594	$116,636	$1,042
Expenses:				
Operating Expenses:				
Clergy salaries	$55,000	$27,500	$27,500	-0-
Clergy housing allowance	14,000	7,000	7,000	-0-
Lay employee salaries	43,000	21,500	19,842	$1,658
Payroll tax expense	3,156	1,578	1,496	82
Benefits (pension, health ins., etc.)	11,244	5,622	6,018	(396)
Diocesan apportionment	18,536	9,268	9,268	-0-

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Expenses:				
Operating Expenses:				
Clergy salaries	$55,000	$27,500	$27,500	-0-
Clergy housing allowance	14,000	7,000	7,000	-0-
Lay employee salaries	43,000	21,500	19,842	$1,658
Payroll tax expense	3,156	1,578	1,496	82
Benefits (pension, health ins., etc.)	11,244	5,622	6,018	(396)
Diocesan apportionment	18,536	9,268	9,268	-0-
Utilities	26,690	13,345	15,637	(2,292)
Office supplies	5,242	2,621	1,116	1,505
Program costs:				
– Outreach	2,400	1,200	793	407
– Christian Education	3,800	1,900	2,205	(125)
– Preschool	2,300	1,150	933	217
Total Operating Expenses	$185,369	$92,684	$91,628	$1,056
Net Operating Totals	$ (8,280)	$ -0-	$(1,089)	$ 939
(operating income in excess of operating expenses)				
Non-Operating Expenses:				
Capital purchases	$48,100	-0-	$8,436	(8,436)
Depreciation expense	6,000	-0-	-0-	-0-
Total Non-Operating Expenses	$54,100	-0-	$8,436	$(8,436)
Total Expenses	$239,468	$92,684	$100,064	$(7,380)
Net Totals	$ (8,280)	$22,910	$ 16,572	$ (6,338)

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INVESTMENTS/ENDOWMENT FUNDS
WHY DO WE NEED INFO? WHAT DOES IT TELL US?

- ON BALANCE SHEET
- PAY ATTENTION TO RESTRICTIONS ON DRAWS ETC.
- WE CAN HONOR THOSE WHO HAVE GONE BEFORE US
- THINK ABOUT OUR OWN FUTURE AND PLANNING
  - MORE WILLING TO PARTICIPATE IN PLANNED GIVING IF WE KNOW FUNDS ARE CARED FOR
- HOW CAN WE USE THESE FUNDS WELL (WITHIN DONOR RESTRICTIONS)

INVESTMENTS/ENDOWMENT FUNDS

- MARKET VALUE
  - GAINS AND LOSSES
    - REALIZED – SOLD FOR A HIGHER PRICE THAN PURCHASE PRICE
    - UNREALIZED - PAPER LOSS OR GAIN – IINCREASE IN VALUE OF ASSET THAT HAS YET TO BE SOLD
- RISK TOLERANCE – FIDUCIARY RESPONSIBILITY
- INVESTMENT POLICY STATEMENT
- SOCIALLY RESPONSIBLE INVESTING
- ENDOWMENTS V. INVESTMENTS

Reports from Treasurer

- Income statement -monthly
- Balance sheet - monthly
- Notes about differences - monthly
- Quarterly investment updates
- Anything else the vestry requests

CASH FLOW

- Breakdown of the change in cash from period to periods; shows where cash was spent
- Broken down by:
  - Operating activities
  - Investing activities
  - Financing activities – borrowing and paying off loans

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SAMPLE YEAR END FORMAT
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, [CURRENT YEAR]

Cash flows from operating activities:	
Change in net assets	$32,190
Adjustments to reconcile change in net assets	
To net cash provided by operating activities:	
Depreciation	$3,200
Fire loss	800
Increase in accounts and interest receivable	(460)
Decrease is prepaid expenses	390
Increase in contributions receivable	(3,250)
Decrease in accounts payable	(7,930)
Decrease in refundable advance	(650)
Decrease in grants payable	(425)
Contributions restricted for long-term investment	(2,740)
Interest and dividends restricted for long-term investment	(300)
Net unrealized and realized gains on long-term investments	(15,800)
Net cash used by operating activities	$ 5,025
Cash flows from investing activities:	
Insurance proceeds from fire loss on building	$7,550
Purchase of equipment	(1,500)
Proceeds from sale of investments	76,100
Purchase of investments	(74,900)
Net cash provided by investing activities	$7,250
Cash flows from financing activities:	

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Net cash provided by investing activities		$7,250
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment		$ 200
Investment in term endowment		70
Investment in plant		1,210
Net cash provided by restricted contributions		$ 1,480
Other financing activities:		
Interest and dividends restricted for reinvestment		$ 300
Payments on notes payable		(1,155)
Payments on long-term debt		(10,000)
Net cash used by other financial activities		(10,855)
Net cash used by financing activities		$(9,375)
Net increase in cash and cash equivalents		$ 2,900
Cash and cash equivalents at beginning of year		4,600
Cash and cash equivalent at end of year		$ 7,500
Supplemental data:		
Noncash investing and financing and financing activities:		
Gifts of equipment	$140	
Gift of paid-up life insurance, cash surrender value	80	
Interest paid	382	

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FUNDS AVAILABLE

- SPREADSHEET THAT SHOWS CASH BALANCE AND ANY RESTRICTIONS OR DESIGNATED CASH

FUNDS AVAILABL TO SPEND		
1001 - Cash in Bank - Checking Balance	50,000.00	31-Oct
Restricted Funds -		
Discretionary Funds	4,000.00	
Accounts Payable	0.00	
Total restricted cash	4,000.00	
Amount available to spend	46,000.00	
1002-Savings	20,000.00	31-Oct
Building Reserve funds	3,000.00	
Total restricted cash	3,000.00	
Amount available to spend	17,000.00	

Other info to know

- Audit
  - Do the financial statements present a fair picture?
  - Due September 1 each year

UPCOMING EVENTS

- Youth ministry visioning workshop - February 27 from 1:00 to 3:00 pm
- Vestry training – march 2 at 6:30 pm via zoom
- Audit training – march 9 at 6:30 pm via zoom
  - Recorded sessions currently available of year end payroll, parochial reports and treasurers' training
- CHURCH INVENTORY WEBINAR – MARCH 16 WITH CHURCH INSURANCE
- Asset map training – April 27 at 5:30 with Tamara Plummer from episcopal relief & development
- All sessions will be available on the training options menu under church administration

Resources

- Manual of business methods in church affairs
- Diocesan website – diomontana.com
  - church administration
  - Training videos
- Barb Hagen – finance@diomontana.com or 800-247-1391 ext 101

QUESTIONS?