

Understanding the pieces CALVISTA LLP
PROFESSIONAL ACCOUNTANTS

- **Statement of operations**
 - “Story” of our activities in the year (from financial perspective)
 - What financial resources did the operations generate?
 - What financial resources did the operations use up?

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- **Statement of cash flows and statement of changes in net assets**
 - Connect the statements of financial position and operations
 - One tells the “story” of how we got from last year’s cash on hand to today’s cash on hand
 - The other tells the “story” of how we got from last year’s net resources to this year’s

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Financial position = "As At" Other statements = "For the year" Financial position = "As At"

Prior year cash Statement of cash flows Current year cash

Prior year net assets Operating statement Stmnt of changes in net assets Current year net assets

April 15, 2015 6

Statement of financial position			CALVISTA LLP PROFESSIONAL ACCOUNTANTS	
Assets	2018	2017		
Cash	\$ 200	\$ 150		
Accounts receivable	20	0		
Equipment	125	100		
Total	\$ 345	\$ 250		
Liabilities	2018	2017		
Accounts payable	\$ 90	\$ 150		
Deferred contributions	125	0		
Total	\$ 215	\$ 150		
Net assets	2018	2017		
Invested in equipment	\$ 125	\$ 100		
Unrestricted	5	0		
Total	\$ 130	\$ 100		

- | Statement of financial position | | | CALVISTA LLP
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|--|--|--|--|--|
| <ul style="list-style-type: none">▪ Also called a balance sheet▪ Assets – liabilities = net assets▪ Net assets = resources available for future use<ul style="list-style-type: none">▪ some may be tied up in capital assets such as property or equipment, not available to meet cash obligations▪ Net assets invested in capital assets = (net book value of capital assets) – [(related obligations such as mortgage) and/or (amounts others have given us to invest in capital assets)] | | | | |

- | Statement of financial position | | | CALVISTA LLP
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|--|--|--|--|--|
| <ul style="list-style-type: none">▪ Net assets = resources available for future use<ul style="list-style-type: none">▪ some net assets may be unavailable because the board has set aside reserves (“internally restricted net assets”)▪ some may be unavailable because of external restrictions (e.g., endowment).▪ External restrictions may be reflected by “deferring” the restricted balance (reporting unspent amounts as a liability) or by reporting part of net assets as restricted▪ remainder of net assets (unrestricted) is available for use | | | | |

Questions to consider CALVISTA LLP
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- Are “current assets” greater than “current liabilities”?
- Are cash and accounts receivable (combined) greater than deferred contributions?
- Are investments in property and equipment being replenished as they get older?
- Are any net assets being wisely “set aside” for future contingencies?
- How much discretion does management have to use/draw down on resources available?

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Statement of operations CALVISTA LLP
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Revenue	2018	2017
General revenue (fee for service)	\$ 1,345	\$ 1,415
Grant	90	0
Total	\$ 1,435	1,415
Expenses		
Salaries	\$ 620	\$ 600
Other	760	800
Amortization (depreciation)	25	25
Total	\$ 1,405	\$ 1,425
Excess (deficiency) of revenue over expenses	\$ 30	\$ (10)

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Statement of operations CALVISTA LLP
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- Presented on accrual basis
- Revenues reported when “earned” not when received
- Expenses are reported when “incurred” not when paid
- Externally restricted contribution revenue is reported as revenue
 - when spent on intended purpose OR
 - is set aside in a separate fund (if using fund accounting)

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Questions to consider CALVISTA LLP
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- Is there a significant variance between budgeted revenue/expenses and actual?
- Possible reasons:
 - a difference in accounting basis – ask for periodic reconciliation
 - poor forecasting/budgeting/planning
 - unexpected events and circumstances
- What are the trends in revenue/expenses?
- Explanations for significant variances year to year

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Statement of changes in net assets CALVISTA LLP
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	Invested in equip	Unrestricted	Total 2018	Total 2017
Beginning of year	\$ 100	\$ 0	\$100	\$110
Revenue over (under) expenses	(25)	55	30	(10)
Purchased new equipment	50	(50)	0	0
End of year	\$ 125	\$ 5	\$130	\$ 100

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Statement of changes in net assets CALVISTA LLP
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- Summarizes changes in resources
- Separate columns would be shown if:
 - there were net assets externally restricted as endowments, or
 - the board had set aside some of the net assets as a reserve
- In this case there are insufficient net assets available for the board to set up a significant reserve

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Statement of cash flows		CALVISTA LLP PROFESSIONAL ACCOUNTANTS
Cash from operations	2018	
Revenue over expenses	\$ 30	
An expense not using cash (amortization)	25	
Changes in operating assets and liabilities that produced/used cash in a different period than reported in operating statement;		
Receivables went up	(20)	
Payables went down	(60)	
Deferred contributions went up	125	
Cash produced by operations	100	
Cash used for investing		
Purchased new equipment	(50)	
Increase in cash	50	
Cash beginning of year	150	
Cash end of year	\$ 200	


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- | Statement of cash flows | | CALVISTA LLP
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|--|--|--|
| <ul style="list-style-type: none">▪ Explains why increase or decrease in cash may not align with increase or decrease in net assets▪ Classifies changes in cash by whether the change is produced by:<ul style="list-style-type: none">▪ operations▪ investing (e.g., in property and equipment, or income producing securities)▪ financing (e.g., borrowing, contributions received for investments) | | |

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|--|--|--|
| <ul style="list-style-type: none">▪ Accounting policies:<ul style="list-style-type: none">▪ watch for "going concern" warning▪ Details of property and equipment<ul style="list-style-type: none">▪ are accounting policies realistic?▪ are there dispositions? replacements on a timely basis?▪ are assets pledged against debt? | | |

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- **Deferred contributions:**
 - what are the restrictions:
 - are current operations “dipping into” contributions restricted for the future?
- **Debt**
 - what are our cash flow commitments?
 - what security have we offered?
 - are we complying with covenants?

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- **Related party transactions:**
 - are there any amounts owing to/from related parties?
 - do we “do business with” any related party? are they getting a “deal”?
- **Commitments**
 - what are our cash flow commitments resulting from contracts such as leases?
 - is too much future cash flow “tied up”?


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- **Contingencies:**
 - Do we have any potential obligations that haven’t been reflected in the financial statements that could result in a loss?
- **Subsequent events?**
 - Has anything happened after year end that will have a major financial impact on the organization?

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Conclusion

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- Board members and volunteers – know your fiduciary responsibilities
- Not understanding the financials does not exempt board members from their duties
- Don't be afraid to ask questions!

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