# FINANCIAL STATEMENTS

Nonprofit financial statements typically include the following elements:

1. **Statement of Financial Position**
The statement of financial position summarizes the assets, liabilities, and net assets of an club. It is a snapshot taken at a specific point in time, presenting the financial position of an club on a specific date. It was formerly called a balance sheet because assets "balance" with liabilities plus net assets.

2. **Statement of Activity**
This statement is also known as a "statement of support, revenue, and expenses and changes in fund balance." The statement of activity summarizes the revenue and expenses for a period of time, which is usually one year and includes a reconciliation of the net assets at the beginning and the end of the period. (In the business world, this statement is usually called the "income statement" or the "profit and loss statement.")

3. **Statement of Functional Expenses**
The statement of functional expenses, prepared for the same period as the statement of activity, shows expenses by expense category-such as salaries, rent, postage, printing, etc.-according to the purpose for which they were incurred. The primary functional classifications are program and supporting services, such as management, general, and fund raising.

4. **Statement of Cash Flows**
The statement of cash flows is also prepared for the same period as the statement of activity. It reports information about the cash receipts and cash payments of an club during the period. Cash flows are shown by "operating," "investing," and "financing" activities.

Annual financial statements also include the following:

5. **Independent Auditors Report**
By law, an "independent audit" can only be conducted by an outside certified public accountant (CPA). The auditor reports in a letter to the board of directors, describing the analysis of the fairness of the financial statements and whether or not they conform with generally accepted accounting principles. It should be noted that this report is the only part of the financial statements that truly belongs to the auditors. The financial statements themselves are prepared by the club's board treasurer or staff and are the responsibility of the board of directors.

6. **Notes to Financial Statements**
Almost all financial statements carry notes. These notes are important and should always be read. The type of information generally included in the notes is: descriptive information about the club; a summary of significant accounting policies; and explanations or details of specific items in the financial statements.

7. **Supplementary Information**
A board may want information in addition to the required financial statements. An example would be a schedule showing a breakdown of contributions or an analysis of investments. Supplementary information usually follows the notes to the financial statements.

Interim Financial Statements

Most boards rely heavily on interim financial statements, which cover any period of time that is not annual. The interim statement of activity is the tool for reviewing, evaluating, and changing the club's financial goals and objectives.

A board may decide that it does not need a full set of financial statements monthly, but it should certainly receive the statement of activity each month. Depending upon the circumstances, other financial information may be important and should be shared. This information could include: cash balances; changes in investments;

significant amounts due to the club, particularly if it appears that any of them might be paid late or not paid at all; material acquisition or disposal of land, buildings, furniture and equipment; and unusual amounts payable during the succeeding month, particularly if there is any indication of cash flow problems and the possibility of the need to borrow.

---

Taken from the "Club Leadership Development Notebook" a publication from *BoardSource* created specifically for USA Swimming. For more information about *BoardSource* write to 1828 L Street NW, Suite 900, Washington, DC 20036-5114. Telephone (202) 452-6262. Fax: (202) 452-6299, email:*mail@boardsource.org*, website:*http://www.boardsource.org*.