

# THINGS I WISH I KNEW ABOUT FINANCIAL STATEMENTS!

**(AND QUESTIONS  
DIRECTORS NEED  
TO ASK)**

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18 Nov 2017

EDMONTON FEDERATION OF  
COMMUNITY LEAGUES

## TODAY'S PLAN OF ATTACK:

What's my role as a director?

Barriers to financial participation

How does financial reporting work?

What's in a set of financial statements?

Using F/S to improve your organization

What to watch for....



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# SO WHAT'S MY ROLE AS A DIRECTOR?

1. Fiduciary Duty – It's a matter of 'trust'...
  - Loyalty (honesty + good faith)
  - Confidentiality
  - Avoid Conflicts of Interest
  - Compliance with the Organization's Rules
  - Compliance with the Law
2. Stewardship of Resources
  - Protect Organization's Assets
  - Financial Oversight

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# BARRIERS TO FINANCIAL PARTICIPATION



1. There's already an accountant on the Board!
2. I'd rather focus on the organization's mission!!
3. I don't understand accounting – it's too hard for me!!!
4. It' not my job....

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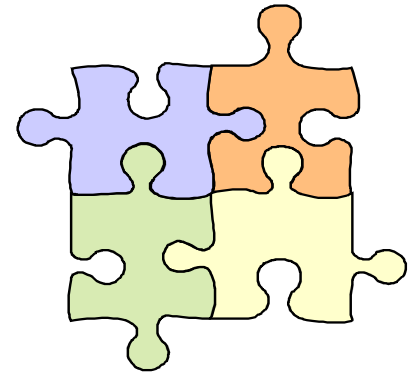
# FINANCIAL REPORTING PARTNERS

1. The Board
2. Management
3. The Auditor



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# HOW DOES FINANCIAL REPORTING WORK?



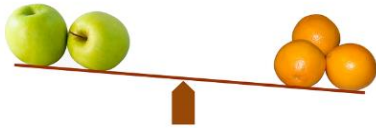
1. Internal Financial Reporting
  - The Budget
  - Internal Financial Statements
  - Previous Audited Financial Statements
2. External Financial Reporting
  - Funders (Gov't, Donors)
  - Members of the Organization
  - Banks, Insurers, Other Stakeholders
  - Provincial/Federal Authorities (ex: CRA)

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# WHAT'S IN A SET OF FINANCIAL STATEMENTS?



## The Balance Sheet



## (or Statement of Financial Position)

➤ Assets, Liabilities, Net Assets

## Statement of Earnings / Operations

(or Revenues and Expenditures )



## Notes to the Financial Statements

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# **QUESTIONS TO ASK ON THE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**



1. What's in our cash balances?
2. Who owes us money (receivables)?
3. What is the make up of 'prepaids' balance?
4. What kind of investments do we have?
5. Fixed assets represent what exactly?
6. Who do we owe money and for how long?
7. Do we have other debts?
8. Do these balances compare to prior years?

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# QUESTIONS TO ASK ON THE STATEMENT OF EARNINGS / OPERATIONS

1. What are our sources of income?
2. What do we spend in raising this income?
3. Do we have enough cash to pay our bills?
4. Salaries + benefits – are they reasonable?
5. Do all our expenditures make sense?
6. Are we making money ?
7. How do our expenses compare to the budget?  
To last year's numbers?

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# HOW CAN FINANCIAL STATEMENTS IMPROVE YOUR ORGANIZATION?

*Board members are accountable for their organization's financial affairs. They need to read and understand their monthly or periodic financial statements to **Probe, Question and Talk** with the organization's Management, Treasurer and Bookkeeper.*

- ✓ **Are financial statements Complete? Meaningful? Presented on time? Compared to budget? Compared to last year's figures?**
- ✓ **Do the f/s fit with our organization's By-Laws? Operations? Plans?**
- ✓ **How can we improve our organization? Increase revenues? Decrease or change expenditures?**

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# WHAT DO YOU WATCH FOR?



- ❖ *Negative Attitudes*
- ❖ *Evasive Answers*
- ❖ *Unhealthy trends*
- ❖ *Wastage – expenditures with little benefit*
- ❖ *Suspicious Activities*
- ❖ *Unexplained variances from budget*
- ❖ *Large differences in prior year's numbers*
- ❖ *Auditor's Feedback*

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# Q & A



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