



Financial Statements Preparation

The Need for Organization Financial Statements

Leadership of any organization requires a flow of information to make informed, intelligent decisions affecting the success of its operations. Grant makers require financial statements to learn how funds will be used relative to the overall organization compared to the grant makers funding objectives. Lenders require financial statements to decide whether or not to loan money, and many organizations need statements to ascertain the risk involved in doing business with vendors, customers and suppliers.

Generally an accounting department, a bookkeeper or the treasurer of an organization systematically records, sorts and summarizes the many documents (giving envelopes, register tapes, invoices and bills) representing the transactions of an organization. These transactions include: contributions, sale of merchandise; payroll distribution; material purchases for inventory - to mention just a few. These facts are then compiled, classified and summarized into financial reports for an organization so that financial statements can then be prepared.

Pro Forma Financial Statements

Financial Statements are customarily prepared on a quarterly, biannual or annual basis. The date of a financial statement is of considerable importance. Most are drawn up on a yearly basis. Statements provided that are outside of the fiscal year ending date are known as interim statements.

Grant makers, lenders and investors expect to see "pro forma" financial statements included in your organization plan. Pro forma statements are hypothetical statements - financial statements as they would appear after a certain set of events occur, such as program campaigns, fundraisers, the recognition of sales revenues, recording of accounts receivable, accounts payable, expenses and so forth.

Faith Finance Center generally prepares pro forma financial statements by month for the first twelve months of organization and by year for the four years thereafter. We will vary that model depending on the needs of our clients.

Financial Statement Components

Balance Sheet shows the dollar amount of assets (what the organization owns) and liabilities (what the organization owes) in relation to net worth. A balance sheet is a detailed snapshot of the condition or financial health of an organization on a specific date. December 31st is the most popular choice among



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organizations, however many organizations issue their statements on a fiscal year basis.

The **Budget** is a projected record of all income and expenditures which is tied implicitly to the mission, vision and resources of the organization. Budgets are itemized in different categories that represent all facets of the organization's financial operations. Budgets are essential in evaluating the organization's financial performance in each of the projected categories which will assist in future decision making based on any budget variances.

The **Income** or **Profit and Loss Statement** is a detailed computation of the money an organization makes or loses over a specific time period based on products or services sold. Examples would include audio or video sales of speaker's messages, book sales, bake sales, ticket sales for concerts, etc. Sales income is offset against expenses - operating and productions costs.

The **Cash Flow Statement** shows cash receipts minus cash disbursements and keeps a running balance from month to month. The ending balance in the month of July would be the beginning balance in the month of August on a cash flow statement.

The Financial Statements Preparation Process

Faith Finance Center will prepare detailed financial statements for your organization plan that express your vision in terms of dollars and units of time, and in a format that is easily understandable to your budget committee, parishioners, grant makers, and lenders.

The process entails a question and answer format that will reveal the structure of the organization, the overall vision and mission, operational capacities, programs, current resources, projected membership and funding needs.

From the information compiled, Faith Finance Center will translate that information into the financial statement components that can be used for the organization's documentation and funding sources requirements.