

# Website Information



<http://moneywise.adventist.org>

[gibson@andrews.edu](mailto:gibson@andrews.edu)

# Reading and Interpreting A Financial Statement



**Presentation For Treasurer Orientation  
North American Division  
March 6, 2018**

**Ann Gibson, PhD, CPA  
Andrews University**

# Financial Statements



*There are four financial statements:*

- 1. Statement of Financial Position:**  
Reports *resources* (assets),  
*obligations* (liabilities), and  
*residual ownership claims* (net assets)  
of the organization

LOCAL CONFERENCE AND ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
 Combined Statement of Financial Position (USA Large Model)  
 December 31, 20X1 and 20X0

Appendix 17D-01

ASSETS	Operating Funds	Plant Fund	Other Funds	20X1 Total	20X0 Total
<b>Current Assets</b>					
Cash & Cash Equivalents (Note 2)	1,179,434	0	0	1,179,434	579,417
Investments (Note 3)	525,696	0	0	525,696	540,968
Accounts Receivable, net (Note 5)	425,474	0	0	425,474	413,720
Loans Receivable - Current Portion (Note 7)	17,620	0	0	17,620	15,673
Cash Held for Agency	56,806	0	0	56,806	49,607
Other Current Assets (Note 9)	16,086	0	0	16,086	16,833
<b>Total Current Assets</b>	<b>2,221,116</b>	<b>0</b>	<b>0</b>	<b>2,221,116</b>	<b>1,616,218</b>
<b>Land, Buildings, &amp; Equipment, Net (Note 10)</b>					
For Use by Conference, Net	0	1,405,474	0	1,405,474	1,057,130
For Use by Affiliated Entities, Net	0	10,881,469	0	10,881,469	9,940,338
<b>Other Assets</b>					
Loans Receivable, Noncurrent (Note 7)	86,250	0	0	86,250	51,480
Cash & Investments - Non-operating (Note 3, 15)	0	493,513	177,000	670,513	255,049
Held for Split-interest Agreements (Note 15)	0	0	1,526,504	1,526,504	1,673,879
Inter-Fund Receivables (Notes 6, 8, 15)	0	59,374	108,000	0	0
<b>Total Other Assets</b>	<b>86,250</b>	<b>552,887</b>	<b>1,811,504</b>	<b>2,283,267</b>	<b>1,950,418</b>
<b>Total Assets</b>	<b>2,307,366</b>	<b>12,839,830</b>	<b>1,811,504</b>	<b>16,791,326</b>	<b>14,594,104</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable (Note 12)	260,604	0	0	260,604	356,107
Loans Payable, Current Portion (Note 13)	60,381	0	0	60,381	15,909
Agency Accounts	56,806	0	0	56,806	49,607
Due To Other Funds (Note 6)	13,154	0	0	0	0
<b>Total Current Liabilities</b>	<b>390,955</b>	<b>0</b>	<b>0</b>	<b>377,791</b>	<b>421,623</b>
<b>Other Liabilities</b>					
Loans Payable, Noncurrent (Note 13)	257,619	80,000	0	337,619	18,000
Liabilities for Annuity Agreements (Note 15)	0	0	348,770	348,770	328,639
Liabilities for Split-interest Agreements (Note 15)	0	0	926,423	926,423	1,141,003
Agency Fund Liability to Depositors (Note 17)	0	0	77,000	77,000	32,000
Inter-Fund Payables (Notes 6, 8)	0	108,000	46,210	0	0
<b>Total Other Liabilities</b>	<b>257,619</b>	<b>188,000</b>	<b>1,398,403</b>	<b>1,689,812</b>	<b>1,519,642</b>
<b>Total Liabilities</b>	<b>648,574</b>	<b>188,000</b>	<b>1,398,403</b>	<b>2,067,603</b>	<b>1,941,265</b>
<b>NET ASSETS</b>					
Unrestricted: Unallocated	289,736	0	0	289,736	308,074
Unrestricted: Allocated	1,245,837	327,887	161,924	1,735,648	1,118,978
Unrestricted: Net Invested Plant, Conference Use	0	1,217,474	0	1,217,474	1,057,130
Unrestricted: Net Invested Plant, Affiliated Use	0	10,881,469	0	10,881,469	9,940,338
<b>Total Unrestricted</b>	<b>1,535,573</b>	<b>12,426,830</b>	<b>161,924</b>	<b>14,124,327</b>	<b>12,424,520</b>
Temporarily Restricted (Note 18)	123,219	225,000	151,177	499,396	208,319
Permanently Restricted (Note 19)	0	0	100,000	100,000	20,000
<b>Total Net Assets</b>	<b>1,658,792</b>	<b>12,651,830</b>	<b>413,101</b>	<b>14,723,723</b>	<b>12,652,839</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>2,307,366</b>	<b>12,839,830</b>	<b>1,811,504</b>	<b>16,791,326</b>	<b>14,594,104</b>

Inter-fund borrowing is eliminated in the total columns.  
 The accompanying notes are an integral part of these financial statements.

# Reading the Financial Statements



On the *Statement of Financial Position*,  
**Assets** are divided into two sections:

Current Assets – which are expected to be  
converted into cash or consumed within  
one year

Non-current Assets – which are expected to be  
held for one year or longer

# Reading the Financial Statements



Likewise, the **Liabilities** are divided into two sections:

Current Liabilities – which are expected to be paid within one year

Non-current Liabilities – which are expected to be paid after one year

LOCAL CONFERENCE AND ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
 Combined Statement of Financial Position (USA Large Model)  
 December 31, 20X1 and 20X0

Appendix 170.01

ASSETS	Operating Funds	Plant Fund	Other Funds	20X1 Total	20X0 Total
<b>Current Assets</b>					
Cash & Cash Equivalents (Note 2)	1,179,434	0	0	1,179,434	579,417
Investments (Note 3)	525,698	0	0	525,698	540,968
Accounts Receivable, net (Note 5)	425,474	0	0	425,474	413,720
Loans Receivable – Current Portion (Note 7)	17,620	0	0	17,620	15,673
Cash Held for Agency	56,806	0	0	56,806	49,607
Other Current Assets (Note 9)	16,086	0	0	16,086	16,833
<b>Total Current Assets</b>	<b>2,221,116</b>	<b>0</b>	<b>0</b>	<b>2,221,116</b>	<b>1,616,218</b>
<b>Land, Buildings, &amp; Equipment, Net (Notes 10)</b>					
For Use by Conference, Net	0	1,405,474	0	1,405,474	1,057,130
For Use by Affiliated Entities, Net	0	10,881,469	0	10,881,469	9,940,338
<b>Other Assets</b>					
Loans Receivable, Noncurrent (Note 7)	86,250	0	0	86,250	51,490
Cash & Investments – Non-operating (Note 3, 15)	0	493,513	177,000	670,513	255,049
Held for Split-interest Agreements (Note 15)	0	0	1,526,504	1,526,504	1,673,879
Inter-Fund Receivables (Notes 6, 8, 15)	0	59,374	108,000	0	0
<b>Total Other Assets</b>	<b>86,250</b>	<b>552,887</b>	<b>1,811,504</b>	<b>2,283,267</b>	<b>1,980,418</b>
<b>Total Assets</b>	<b>2,307,366</b>	<b>12,839,830</b>	<b>1,811,504</b>	<b>16,791,326</b>	<b>14,594,104</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable (Note 12)	260,604	0	0	260,604	356,107
Loans Payable, Current Portion (Note 13)	60,381	0	0	60,381	15,909
Agency Accounts	56,806	0	0	56,806	49,607
Due To Other Funds (Note 6)	13,164	0	0	0	0
<b>Total Current Liabilities</b>	<b>390,955</b>	<b>0</b>	<b>0</b>	<b>377,791</b>	<b>421,623</b>
<b>Other Liabilities</b>					
Loans Payable, Noncurrent (Note 13)	257,619	80,000	0	337,619	18,000
Liabilities for Annuity Agreements (Note 15)	0	0	348,770	348,770	328,639
Liabilities for Split-interest Agreements (Note 15)	0	0	926,423	926,423	1,141,003
Agency Fund Liability to Depositors (Note 17)	0	0	77,000	77,000	32,000
Inter-Fund Payables (Notes 6, 8)	0	108,000	46,210	0	0
<b>Total Other Liabilities</b>	<b>257,619</b>	<b>188,000</b>	<b>1,398,403</b>	<b>1,689,812</b>	<b>1,519,642</b>
<b>Total Liabilities</b>	<b>648,574</b>	<b>188,000</b>	<b>1,398,403</b>	<b>2,067,603</b>	<b>1,941,265</b>
<b>NET ASSETS</b>					
Unrestricted: Unallocated	289,736	0	0	289,736	308,074
Unrestricted: Allocated	1,245,837	327,887	161,924	1,735,648	1,118,978
Unrestricted: Net Invested Plant, Conference Use	0	1,217,474	0	1,217,474	1,057,130
Unrestricted: Net Invested Plant, Affiliated Use	0	10,881,469	0	10,881,469	9,940,338
<b>Total Unrestricted</b>	<b>1,535,573</b>	<b>12,426,830</b>	<b>161,924</b>	<b>14,124,327</b>	<b>12,424,520</b>
Temporarily Restricted (Note 18)	123,219	225,000	151,177	499,396	208,319
Permanently Restricted (Note 19)	0	0	100,000	100,000	20,000
<b>Total Net Assets</b>	<b>1,658,792</b>	<b>12,651,830</b>	<b>413,101</b>	<b>14,723,723</b>	<b>12,652,839</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>2,307,366</b>	<b>12,839,830</b>	<b>1,811,504</b>	<b>16,791,326</b>	<b>14,594,104</b>

Inter-fund borrowing is eliminated in the total columns.  
 The accompanying notes are an integral part of these financial statements.

# Reading the Financial Statements



**Unrestricted:** May be separated into Unallocated and Allocated

**Temporarily Restricted** (restricted by the donor)\*

**Permanently Restricted** (restricted by the donor)\*

\*(Soon to be one category called “with donor restrictions”)



# Financial Statements



- 2. Statement of Changes in Net Assets:**  
Reports revenues, expenses, gains, losses for a specific period of time  
(focus is on the unrestricted net assets)

**LOCAL CONFERENCE AND ASSOCIATION OF SEVENTH-DAY ADVENTISTS**  
**Combined Statement of Changes in Net Assets (USA Large Model)**  
 Years ended December 31, 20X1 and 20X0

Appendix 17D.02(1)

<u>Changes in Unrestricted Net Assets</u>	<u>Operating Funds</u>	<u>Plant Fund</u>	<u>Other Funds</u>	<u>Actual 20X1 Total</u>	<u>Budget 20X1 Total</u>	<u>Actual 20X0 Total</u>
<b>Unrestricted Revenues and Support:</b>						
Gross Tithe Income	2,767,767	0	0	2,767,767	2,565,000	2,700,281
Tithe Percentages Passed On	(853,008)	0	0	(853,008)	(790,150)	(832,340)
Net Tithe Income	1,914,759	0	0	1,914,759	1,774,850	1,867,941
Tithe Exchanged with Gen Conf	(200,000)	0	0	(200,000)	(200,000)	(100,000)
Non-Tithe Funds from Gen Conf	200,000	0	0	200,000	200,000	100,000
Church Schools Salary Share	373,386	0	0	373,386	356,000	345,000
Departmental Fees and Sales	89,131	0	0	89,131	88,000	88,164
Property Rental Income	28,251	0	0	28,251	37,000	37,893
Investment Income (Notes 3 & 16)	61,682	0	33,341	95,023	60,089	52,004
Deferred Gifts Received *	48,710	0	0	48,710	0	0
Gift Portion Split-int. Agree. Added *	0	0	63,205	63,205	0	0
Actuarial Adjust. Unrestricted Agree.	0	0	52,025	52,025	0	10,854
Total Unrestricted Revenues	2,515,919	0	148,571	2,664,490	2,315,939	2,401,856
Released from Restrictions (Note 18)	550,850	0	0	550,850	548,558	433,936
<b>Total Unrestricted Revenues &amp; Support</b>	<b>3,066,769</b>	<b>0</b>	<b>148,571</b>	<b>3,215,340</b>	<b>2,864,497</b>	<b>2,835,792</b>
<b>Expenses and Losses:</b>						
<b>Program Services Functions</b>						
Church Ministries	926,101	66,087	0	992,188	993,716	966,733
Educational	893,439	9,427	0	1,002,866	973,434	851,778
Publishing	48,320	0	0	48,320	48,320	46,761
Health & Humanitarian	106,823	1,048	0	107,871	175,036	121,806
Other	67,045	0	0	67,045	65,633	64,104
Total Program Services Function	2,141,828	76,562	0	2,218,390	2,256,139	2,051,182
<b>Supporting Services Function</b>						
Administration-Office Resources	159,051	1,676	0	160,727	169,093	150,363
Rental Properties & Miscellaneous	37,894	23,873	0	61,767	60,263	42,973
Retirement Contribution to DB Plan	221,421	0	0	221,421	205,200	216,022
Total Supporting Services Function	418,366	25,549	0	443,915	434,556	409,358
<b>Total Expenses and Losses</b>	<b>2,560,194</b>	<b>102,111</b>	<b>0</b>	<b>2,662,305</b>	<b>2,690,695</b>	<b>2,460,540</b>
Increase (Decrease) from Operations	506,575	(102,111)	148,571	553,035	171,802	375,252
<b>Non-operating Activity</b>						
Non-operating Revenue (Note 20)	0	28,189	0	28,189	0	41,879
Non-operating Gains (Losses) (Note 20)	0	18,413	(11,461)	6,952	158,975	17,191
Transfers Between Funds (Note 20)	(30,438)	101,384	(70,945)	0	0	0
Released from Restrictions (Note 18)	6,500	164,000	0	170,500	100,000	0
Increase (Decrease) Before Activity Related to Property Used by Affiliates	482,636	209,875	66,165	758,676	430,777	434,322
<b>For Property Used by Affiliates:</b>						
Donations of Property	0	1,085,000	0	1,085,000	700,000	0
Gain (Loss) on Sale of Property	0	120,000	0	120,000	0	0
Depreciation Expense	0	(263,869)	0	(263,869)	(250,000)	(248,807)
Increase (Decrease) Unrestricted Net Assets	482,636	1,151,006	66,165	1,699,807	880,777	185,515

The accompanying notes are an integral part of these financial statements.

# Financial Statements



## **3. Statement of Changes in Temporarily Restricted and Permanently Restricted Net Assets:**

Summarizes activity for each function and shows net increase or decrease for the period

LOCAL CONFERENCE AND ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
 Combined Statement of Changes in Net Assets (USA Large Mode)  
 Years ended December 31, 20X1 and 20X0

Appendix 17D.02(2)

	Operating Funds	Plant Fund	Other Funds	Actual 20X1 Total	Budget 20X1 Total	Actual 20X0 Total
<b>Changes in Unrestricted Net Assets</b>						
Increase (Decrease) Unrestricted Net Assets	482,636	1,151,006	66,165	1,699,807	880,777	185,515
<b>Changes in Temporarily Restricted</b>						
Restricted Income:						
Subsidies and Appropriations	109,609	0	0	109,609	107,500	93,195
Offerings and Donations	275,419	0	0	275,419	249,050	216,032
Investment Income (Notes 3 & 16)	0	0	89,718	89,718	70,000	95,101
Endowment Income	0	0	15,250	15,250	14,750	4,750
In-gathering Reversion	142,038	0	0	142,038	130,000	128,341
Restricted Capital Additions	12,202	354,000	0	366,202	0	0
Deferred Gifts Received *	37,344	0	0	37,344	15,000	0
Gift Portion Split-int. Agree. Added *	0	0	62,645	62,645	0	0
Actuarial Adjust. Restricted Agree.	0	0	(61,256)	(61,256)	(70,000)	(74,112)
Net Gain (Loss) Rest. Invest. (Note 16)	0	0	(24,542)	(24,542)	0	360
Restricted Income Received (Note 18)	576,612	354,000	81,815	1,012,427	516,300	463,667
Transfers Between Funds (Note 16)	23,866	0	(23,866)	0	0	0
Released from Rest. – Oper. (Note 18)	(535,600)	0	(15,250)	(550,850)	(546,558)	(433,936)
Released from Rest. – Cap. (Note 18)	(6,500)	(164,000)	0	(170,500)	0	0
Inc (Dec) Temporarily Restricted Net Assets	58,378	190,000	42,699	291,077	(30,258)	29,731
<b>Changes in Permanently Restricted</b>						
Endowment Fund Donations	0	0	80,000	80,000	0	20,000
Inc (Dec) Permanently Restricted Net Assets	0	0	80,000	80,000	0	20,000
<b>Increase (Decrease) in Net Assets</b>	<b>541,014</b>	<b>1,341,006</b>	<b>188,864</b>	<b>2,070,884</b>	<b>850,519</b>	<b>235,246</b>
Net Assets, Beginning, Previously Stated	1,117,778	11,310,824	224,237	12,652,839	12,693,327	8,136,989
Prior Period Adjustment **	0	0	0	0	0	4,280,604
Adjusted Net Assets, Beginning of Year	1,117,778	11,310,824	224,237	12,652,839	12,693,327	12,417,593
Net Assets, End of Year	1,658,792	12,651,830	413,101	14,723,723	13,543,846	12,652,839

The accompanying notes are an integral part of these financial statements.

# Financial Statements

13

## 4. **Statement of Cash Flows**

Reports cash “inflows” and “outflows” during the period

# Analyzing the Financial Statements

14

## **Step one:**

Run your thumb down the current asset side of the operating fund and find the largest number(s).

In this case it is “Cash,” “Investments” and “Accounts Receivable”

LOCAL CONFERENCE AND ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
 Combined Statement of Financial Position (USA Large Model)  
 December 31, 20X1 and 20X0

Appendix 17D-01

ASSETS	Operating Funds	Plant Fund	Other Funds	20X1 Total	20X0 Total
<b>Current Assets</b>					
Cash & Cash Equivalents (Note 2)	1,179,434	0	0	1,179,434	579,417
Investments (Note 3)	525,696	0	0	525,696	540,968
Accounts Receivable, net (Note 5)	425,474	0	0	425,474	413,720
Loans Receivable - Current Portion (Note 7)	17,620	0	0	17,620	15,673
Cash Held for Agency	56,806	0	0	56,806	49,607
Other Current Assets (Note 9)	16,086	0	0	16,086	16,833
<b>Total Current Assets</b>	<b>2,221,116</b>	<b>0</b>	<b>0</b>	<b>2,221,116</b>	<b>1,616,218</b>
<b>Land, Buildings, &amp; Equipment, Net (Note 10)</b>					
For Use by Conference, Net	0	1,405,474	0	1,405,474	1,057,130
For Use by Affiliated Entities, Net	0	10,881,469	0	10,881,469	9,940,338
<b>Other Assets</b>					
Loans Receivable, Noncurrent (Note 7)	86,250	0	0	86,250	51,480
Cash & Investments - Non-operating (Note 3, 15)	0	493,513	177,000	670,513	255,049
Held for Split-interest Agreements (Note 15)	0	0	1,526,504	1,526,504	1,673,879
Inter-Fund Receivables (Notes 6, 8, 15)	0	59,374	108,000	0	0
<b>Total Other Assets</b>	<b>86,250</b>	<b>552,887</b>	<b>1,811,504</b>	<b>2,283,267</b>	<b>1,950,418</b>
<b>Total Assets</b>	<b>2,307,366</b>	<b>12,839,830</b>	<b>1,811,504</b>	<b>16,791,326</b>	<b>14,594,104</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable (Note 12)	260,604	0	0	260,604	356,107
Loans Payable, Current Portion (Note 13)	60,381	0	0	60,381	15,909
Agency Accounts	56,806	0	0	56,806	49,607
Due To Other Funds (Note 6)	13,154	0	0	0	0
<b>Total Current Liabilities</b>	<b>390,955</b>	<b>0</b>	<b>0</b>	<b>377,791</b>	<b>421,623</b>
<b>Other Liabilities</b>					
Loans Payable, Noncurrent (Note 13)	257,619	80,000	0	337,619	18,000
Liabilities for Annuity Agreements (Note 15)	0	0	348,770	348,770	328,639
Liabilities for Split-interest Agreements (Note 15)	0	0	926,423	926,423	1,141,003
Agency Fund Liability to Depositors (Note 17)	0	0	77,000	77,000	32,000
Inter-Fund Payables (Notes 6, 8)	0	108,000	46,210	0	0
<b>Total Other Liabilities</b>	<b>257,619</b>	<b>188,000</b>	<b>1,398,403</b>	<b>1,689,812</b>	<b>1,519,642</b>
<b>Total Liabilities</b>	<b>648,574</b>	<b>188,000</b>	<b>1,398,403</b>	<b>2,067,603</b>	<b>1,941,265</b>
<b>NET ASSETS</b>					
Unrestricted: Unallocated	289,736	0	0	289,736	308,074
Unrestricted: Allocated	1,245,837	327,887	161,924	1,735,648	1,118,978
Unrestricted: Net Invested Plant, Conference Use	0	1,217,474	0	1,217,474	1,057,130
Unrestricted: Net Invested Plant, Affiliated Use	0	10,881,469	0	10,881,469	9,940,338
<b>Total Unrestricted</b>	<b>1,535,573</b>	<b>12,426,830</b>	<b>161,924</b>	<b>14,124,327</b>	<b>12,424,520</b>
Temporarily Restricted (Note 18)	123,219	225,000	151,177	499,396	208,319
Permanently Restricted (Note 19)	0	0	100,000	100,000	20,000
<b>Total Net Assets</b>	<b>1,658,792</b>	<b>12,651,830</b>	<b>413,101</b>	<b>14,723,723</b>	<b>12,652,839</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>2,307,366</b>	<b>12,839,830</b>	<b>1,811,504</b>	<b>16,791,326</b>	<b>14,594,104</b>

Inter-fund borrowing is eliminated in the total columns.  
 The accompanying notes are an integral part of these financial statements.

# Analyzing the Financial Statements

16

## **Step two:**

Review the numbers in the comparative format, as presented.

In this case, cash is up; investments are slightly down; accounts receivable is slightly up; accounts payable is down.



# Analyzing the Financial Statements

17

## **Step Three: Ratio analysis**

Ratio analysis is the process of comparing the level of different performance results to industry averages and to the organization's own past performance.

It involves the comparison of two numbers on the financial statements and has the advantage of putting large numbers into an easily-understandable perspective.

# Analyzing the Financial Statements

18

**Liquidity Ratios:** Used to estimate the ability to pay current obligations

*Acid Test (or Quick Asset) Ratio*

Cash + Investments + Receivables

Current Liabilities

# Analyzing the Financial Statements

19

## **Acid Test Ratio for 20X1:**

$$\frac{1,179,434 + 525,696 + 425,474}{377,791} = 5.64$$

## **Acid Test Ratio for 20X0:**

$$\frac{579,417 + 540,968 + 413,720}{421,623} = 3.64$$

# Analyzing Financial Statements



*Current Ratio*

Current Assets

Current Liabilities

LOCAL CONFERENCE AND ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
 Combined Statement of Financial Position (USA Large Model)  
 December 31, 20X1 and 20X0

Appendix 17D.01

ASSETS	Operating Funds	Plant Fund	Other Funds	20X1 Total	20X0 Total
<b>Current Assets</b>					
Cash & Cash Equivalents (Note 2)	1,179,434	0	0	1,179,434	579,417
Investments (Note 3)	525,698	0	0	525,698	540,968
Accounts Receivable, net (Note 5)	425,474	0	0	425,474	413,720
Loans Receivable - Current Portion (Note 7)	17,620	0	0	17,620	15,673
Cash Held for Agency	56,806	0	0	56,806	49,607
Other Current Assets (Note 9)	16,086	0	0	16,086	16,833
<b>Total Current Assets</b>	<b>2,221,116</b>	<b>0</b>	<b>0</b>	<b>2,221,116</b>	<b>1,616,218</b>
<b>Land, Buildings, &amp; Equipment, Net (Notes 10)</b>					
For Use by Conference, Net	0	1,405,474	0	1,405,474	1,057,130
For Use by Affiliated Entities, Net	0	10,881,469	0	10,881,469	9,940,338
<b>Other Assets</b>					
Loans Receivable, Noncurrent (Note 7)	86,250	0	0	86,250	51,490
Cash & Investments - Non-operating (Note 3, 15)	0	493,513	177,000	670,513	255,049
Held for Split-interest Agreements (Note 15)	0	0	1,526,504	1,526,504	1,673,879
Inter-Fund Receivables (Notes 6, 8, 15)	0	59,374	108,000	0	0
<b>Total Other Assets</b>	<b>86,250</b>	<b>552,887</b>	<b>1,811,504</b>	<b>2,283,267</b>	<b>1,980,418</b>
<b>Total Assets</b>	<b>2,307,366</b>	<b>12,839,830</b>	<b>1,811,504</b>	<b>16,791,326</b>	<b>14,594,104</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable (Note 12)	260,604	0	0	260,604	356,107
Loans Payable, Current Portion (Note 13)	60,381	0	0	60,381	15,909
Agency Accounts	56,806	0	0	56,806	49,607
Due To Other Funds (Note 6)	13,164	0	0	0	0
<b>Total Current Liabilities</b>	<b>390,955</b>	<b>0</b>	<b>0</b>	<b>377,791</b>	<b>421,623</b>
<b>Other Liabilities</b>					
Loans Payable, Noncurrent (Note 13)	257,619	80,000	0	337,619	18,000
Liabilities for Annuity Agreements (Note 15)	0	0	348,770	348,770	328,639
Liabilities for Split-interest Agreements (Note 15)	0	0	926,423	926,423	1,141,003
Agency Fund Liability to Depositors (Note 17)	0	0	77,000	77,000	32,000
Inter-Fund Payables (Notes 6, 8)	0	108,000	46,210	0	0
<b>Total Other Liabilities</b>	<b>257,619</b>	<b>188,000</b>	<b>1,398,403</b>	<b>1,689,812</b>	<b>1,519,642</b>
<b>Total Liabilities</b>	<b>648,574</b>	<b>188,000</b>	<b>1,398,403</b>	<b>2,067,603</b>	<b>1,941,265</b>
<b>NET ASSETS</b>					
Unrestricted: Unallocated	289,736	0	0	289,736	308,074
Unrestricted: Allocated	1,245,837	327,887	161,924	1,735,648	1,118,978
Unrestricted: Net Invested Plant, Conference Use	0	1,217,474	0	1,217,474	1,057,130
Unrestricted: Net Invested Plant, Affiliated Use	0	10,881,469	0	10,881,469	9,940,338
<b>Total Unrestricted</b>	<b>1,535,573</b>	<b>12,426,830</b>	<b>161,924</b>	<b>14,124,327</b>	<b>12,424,520</b>
Temporarily Restricted (Note 18)	123,219	225,000	151,177	499,396	208,319
Permanently Restricted (Note 19)	0	0	100,000	100,000	20,000
<b>Total Net Assets</b>	<b>1,658,792</b>	<b>12,651,830</b>	<b>413,101</b>	<b>14,723,723</b>	<b>12,652,839</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>2,307,366</b>	<b>12,839,830</b>	<b>1,811,504</b>	<b>16,791,326</b>	<b>14,594,104</b>

Inter-fund borrowing is eliminated in the total columns.  
 The accompanying notes are an integral part of these financial statements.

# Analyzing the Financial Statements

22

## **Current Ratio for 20X1:**

$$\frac{2,221,116}{377,791} = 5.88$$

## **Current Ratio for 20X0:**

$$\frac{1,616,218}{421,623} = 3.83$$

# Analyzing the Financial Statements



## **Ratio of Supporting Services to Tithe:**

$$\frac{\text{Total Supporting Services Expenses}}{\text{Gross Tithe Income}}$$

LOCAL CONFERENCE AND ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
 Combined Statement of Changes in Net Assets (USA Large Model)  
 Years ended December 31, 20X1 and 20X0

Appendix 17D.02(1)

Changes in Unrestricted Net Assets	Operating Funds	Plant Fund	Other Funds	Actual 20X1 Total	Budget 20X1 Total	Actual 20X0 Total
<b>Unrestricted Revenues and Support:</b>						
Gross Tithe Income	2,767,767	0	0	2,767,767	2,565,000	2,700,281
Tithe Percentages Passed On	(853,008)	0	0	(853,008)	(790,150)	(832,340)
Net Tithe Income	1,914,759	0	0	1,914,759	1,774,850	1,867,941
Tithe Exchanged with Gen Conf	(200,000)	0	0	(200,000)	(200,000)	(100,000)
Non-Tithe Funds from Gen Conf	200,000	0	0	200,000	200,000	100,000
Church Schools Salary Share	373,386	0	0	373,386	356,000	345,000
Departmental Fees and Sales	89,131	0	0	89,131	88,000	88,164
Property Rental Income	28,251	0	0	28,251	37,000	37,699
Investment Income (Notes 3 & 16)	61,682	0	33,341	95,023	60,089	52,004
Deferred Gifts Received *	48,710	0	0	48,710	0	0
Gift Portion Split-int. Agree. Added *	0	0	63,205	63,205	0	0
Actuarial Adjust. Unrestricted Agree.	0	0	52,025	52,025	0	10,854
<b>Total Unrestricted Revenues</b>	<b>2,515,919</b>	<b>0</b>	<b>148,571</b>	<b>2,664,490</b>	<b>2,315,939</b>	<b>2,401,856</b>
Released from Restrictions (Note 18)	550,850	0	0	550,850	546,558	433,938
<b>Total Unrestricted Revenues &amp; Support</b>	<b>3,066,769</b>	<b>0</b>	<b>148,571</b>	<b>3,215,340</b>	<b>2,862,497</b>	<b>2,835,792</b>
<b>Expenses and Losses:</b>						
<b>Program Services Functions</b>						
Church Ministries	926,101	66,087	0	992,188	993,716	966,733
Educational	993,439	9,427	0	1,002,866	973,434	851,778
Publishing	48,320	0	0	48,320	48,320	46,761
Health & Humanitarian	106,923	1,048	0	107,971	175,038	121,806
Other	67,045	0	0	67,045	65,633	64,104
<b>Total Program Services Function</b>	<b>2,141,828</b>	<b>76,562</b>	<b>0</b>	<b>2,218,390</b>	<b>2,256,139</b>	<b>2,051,182</b>
<b>Supporting Services Function</b>						
Administration-Office Resources	159,051	1,676	0	160,727	169,093	150,363
Rental Properties & Miscellaneous	37,894	23,873	0	61,767	60,263	42,973
Retirement Contribution to DB Plan	221,421	0	0	221,421	205,200	218,022
<b>Total Supporting Services Function</b>	<b>418,366</b>	<b>23,873</b>	<b>0</b>	<b>443,915</b>	<b>434,556</b>	<b>409,358</b>
<b>Total Expenses and Losses</b>	<b>2,560,194</b>	<b>100,435</b>	<b>0</b>	<b>2,662,305</b>	<b>2,690,695</b>	<b>2,460,540</b>
Increase (Decrease) from Operations	506,575	(102,111)	148,571	553,035	171,802	375,252
<b>Non-operating Activity</b>						
Non-operating Revenue (Note 20)	0	28,189	0	28,189	0	41,879
Non-operating Gains (Losses) (Note 20)	0	18,413	(11,461)	6,952	158,975	17,191
Transfers from Funds (Note 20)	(30,439)	101,384	(70,945)	0	0	0
Released from Restrictions (Note 18)	6,500	164,000	0	170,500	100,000	0
Increase (Decrease) Before Activity Related to Property Used by Affiliates	482,636	209,875	66,165	758,676	430,777	434,322
<b>For Property Used by Affiliates:</b>						
Donations of Property	0	1,085,000	0	1,085,000	700,000	0
Gain (Loss) on Sale of Property	0	120,000	0	120,000	0	0
Depreciation Expense	0	(263,869)	0	(263,869)	(250,000)	(248,807)
Increase (Decrease) Unrestricted Net Assets	482,636	1,151,006	66,165	1,699,807	880,777	185,515

The accompanying notes are an integral part of these financial statements.



# Analyzing the Financial Statements

25

## Ratio of Supporting Services to Tithe:

$$20X1: \quad \frac{418,366}{2,767,767} = 15.1\%$$

$$20X0: \quad \frac{409,358}{2,700,281} = 15.2\%$$

# Analyzing the Financial Statements



## **Ratio of Educational Programs to Tithe:**

$$\frac{\text{Total Educational Program Services}}{\text{Gross Tithe Income}}$$

# Analyzing the Financial Statements

27

$$20X1 \quad \frac{993,439}{2,767,767} = 36.0\%$$

$$20X0 \quad \frac{851,778}{2,700,281} = 31.5\%$$

# Analyzing the Financial Statements

28

## **Days of Cash on Hand:**

Cash and Cash Equivalents  
Operating Expenses/365

# Analyzing the Financial Statements

29

$$20X1 \quad \frac{1,179,434}{2,560,194/365} = 168 \text{ days}$$

$$20X0 \quad \frac{579,417}{2,460,540/365} = 86 \text{ days}$$

# Analyzing the Financial Statements

30

	20X1	20X0
Acid Test Ratio	5.64	3.64
Current Ratio	5.88	3.83
Ratio of Support Services to Tithe	15.1%	15.2%
Ratio of Education Prog Services to Tithe	36.0%	31.5%
Days of Cash	168	86

# Questions for the Treasurer

31

What factors made the cash and the investments increase in 20X1?

What proportion of Accounts Receivable are with church remittances (and thus collectible)?

What proportion of Accounts Receivable is considered to be of questionable collectability?

# Questions for the Treasurer

32

What are the primary factors in the decrease in accounts payable at year-end?

There is a significant increase in loans payable in 20X1. What is the loan for? What are the loan terms?

Are there any contingent liabilities?



# Questions for the Treasurer



Are there any concentrations of risk for the organization?

What is the organization's working capital percentage?

# Analyzing the Financial Statements

34

## **Rules for data selection for financial analysis:**

Measure accounts, balances, or activities for which:

- a. The results of analysis would trigger the need for a management decision.

# Analyzing the Financial Statements



- b. The decision is not obvious but would be of consequence to the organization.
  
- c. The results can have significant repercussions for constituents, affiliated entities, or financial performance.

# Analyzing the Financial Statements



- d. Key management or committee members have expressed a desire to know.

# Analyzing the Financial Statements

37

**Each not-for-profit sector uses its own unique ratios**

For example, hospitals analyze their activities on a patient-day or per-bed basis

Educational institutions use a per-student or a per-course basis

# Analyzing the Financial Statements

38

## **Statement of Cash Flows provides information on:**

The organization's ability to generate positive future net cash flows

The organization's ability to meet its obligations

The organization's need for external financing

## LOCAL CONFERENCE AND ASSOCIATION OF SEVENTH-DAY ADVENTISTS

Appendix 17D.03

## Combined Statement of Cash Flows (USA Large Model)

Years ended December 31, 20X1 and 20X0

	Operating Funds	Plant Fund	Other Funds	20X1 Total	20X0 Total
<b>Cash Flows from Operating Activities:</b>					
Increase (Decrease) in Net Assets	541,014	1,341,008	188,864	2,070,884	235,248
Prior Period Adjustment	0	0	0	0	4,280,604
Adjustments to eliminate non-cash items:					
Depreciation Expense	39	365,980	0	365,980	337,894
(Gain) Loss on Sale of Plant Assets	0	(18,413)	0	(18,413)	(12,275)
Donations of Property Used by Affiliated Entities	0	(1,205,000)	0	(1,205,000)	(4,189,145)
Unrealized (Gain) Loss in Value of Investments	15,272	0	0	15,272	0
Adjustments to reclassify non-operating items:					
Annuity Fund (Increase) Decrease (Note 16)	0	0	(83,864)	(83,864)	(54,659)
Trust Acctng. Fd. (Increase) Decrease (Note 16)	0	0	(25,000)	(25,000)	(12,500)
Non-operating Donations Received	0	(354,000)	(80,000)	(434,000)	(20,000)
(Increase) Decrease Accounts Receivable	(11,754)	0	0	(11,754)	(74,059)
(Increase) Decrease Cash Held for Agency	(7,199)	0	0	(7,199)	500
(Increase) Decrease Inventories & Prepaid	747	0	0	747	(1,614)
Increase (Decrease) Accounts Payable	(95,503)	0	0	(95,503)	(53,943)
Increase (Decrease) Trust/Agency Accounts	7,199	0	0	7,199	(500)
<b>Net Cash Provided (Used) from Operating</b>	<b>449,776</b>	<b>129,573</b>	<b>0</b>	<b>579,349</b>	<b>435,549</b>
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Maturity of Investments	0	0	60,000	60,000	0
Purchase of Investments	0	(292,367)	(164,571)	(456,938)	(194,234)
Proceeds from Sale of Plant Assets	0	41,865	0	41,865	750
Purchases of Plant Assets	0	(473,907)	0	(473,907)	(125,830)
New Loans Receivable Issued	(46,000)	0	0	(46,000)	0
Payments Received on Loans Receivable	9,293	0	14,850	24,143	39,344
<b>Net Cash Provided (Used) from Investing</b>	<b>(96,707)</b>	<b>(724,409)</b>	<b>(89,721)</b>	<b>(850,837)</b>	<b>(290,970)</b>
<b>Cash Flows from Financing Activities:</b>					
Proceeds from External Borrowing	300,000	80,000	0	380,000	104,374
Principal Payments on Loans Payable	(15,909)	0	0	(15,909)	(15,909)
Proceeds (Payments) Inter-Fund Borrowing	(97,143)	158,933	(61,790)	0	0
Proceeds (Payments) on Accounts Payable	0	1,903	0	1,903	(56)
New Gift Agreements Cash Received (Note 16)	0	0	126,801	126,801	0
Non-operating Investment Income (Note 16)	0	0	123,059	123,059	125,141
Payments to Annuity	0	0	(18,722)	(18,722)	(15,641)
Payments to Income Beneficiaries	0	0	(59,916)	(59,916)	(87,883)
Matured Gifts Distributed	0	0	(144,811)	(144,811)	0
Donations for Plant Assets and Endowments	0	354,000	80,000	434,000	20,000
Net Proceeds from Agency Depositors	0	0	45,000	45,000	10,000
<b>Net Cash Provided (Used) from Financing</b>	<b>186,948</b>	<b>594,836</b>	<b>89,721</b>	<b>871,505</b>	<b>140,026</b>
Increase (Decrease) Cash and Cash Equivalents	600,017	0	0	600,017	294,606
Cash and Cash Equivalents, Beginning	579,417	0	0	579,417	284,812
Cash and Cash Equivalents, Ending	1,179,434	0	0	1,179,434	579,417

## Supplemental Cash Flow Data:

Cash paid during the year for interest (other than for inter-fund borrowing) was \$2,862 (from Operating Fund to banks).

Revenue for the year includes non-cash donations received, in the form of church and school properties added, of \$1,205,000.

# Analyzing the Financial Statements

40

## **The Statement of Cash Flows is divided into:**

Cash Flows from Operating Activities

Cash Flows from Investing Activities

Cash Flows from Financing Activities

When the three sections are totaled the Statement of Cash Flows explains how the beginning cash balance was converted to the end-of-the-period cash balance



# *Any Questions?*



Questions or Comments?

LOCAL CONFERENCE AND ASSOCIATION OF SEVENTH-DAY ADVENTISTS

Appendix 17D.03

Combined Statement of Cash Flows (USA Large Model)  
 Years ended December 31, 20X1 and 20X0

	Operating Funds	Plant Fund	Other Funds	20X1 Total	20X0 Total
<b>Cash Flows from Operating Activities:</b>					
Increase (Decrease) in Net Assets	541,014	1,341,008	188,864	2,070,884	235,248
Prior Period Adjustment	0	0	0	0	4,280,604
Adjustments to eliminate non-cash items:					
Depreciation Expense	420	365,980	0	365,980	337,894
(Gain) Loss on Sale of Plant Assets	0	(18,413)	0	(18,413)	(12,275)
Donations of Property Used by Affiliated Entities	0	(1,205,000)	0	(1,205,000)	(4,189,145)
Unrealized (Gain) Loss in Value of Investments	15,272	0	0	15,272	0
Adjustments to reclassify non-operating items:					
Annuity Fund (Increase) Decrease (Note 16)	0	0	(83,864)	(83,864)	(54,659)
Trust Acctng. Fd. (Increase) Decrease (Note 16)	0	0	(25,000)	(25,000)	(12,500)
Non-operating Donations Received	0	(354,000)	(80,000)	(434,000)	(20,000)
(Increase) Decrease Accounts Receivable	(11,754)	0	0	(11,754)	(74,059)
(Increase) Decrease Cash Held for Agency	(7,199)	0	0	(7,199)	500
(Increase) Decrease Inventories & Prepaid	747	0	0	747	(1,614)
Increase (Decrease) Accounts Payable	(95,503)	0	0	(95,503)	(53,943)
Increase (Decrease) Trust/Agency Accounts	7,199	0	0	7,199	(500)
Net Cash Provided (Used) from Operating	449,776	129,573	0	579,349	435,548
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Maturity of Investments	0	0	60,000	60,000	0
Purchase of Investments	0	(292,367)	(184,571)	(458,938)	(194,234)
Proceeds from Sale of Plant Assets	0	41,865	0	41,865	750
Purchases of Plant Assets	0	(473,907)	0	(473,907)	(125,830)
New Loans Receivable Issued	(46,000)	0	0	(46,000)	0
Payments Received on Loans Receivable	9,293	0	14,850	24,143	38,344
Net Cash Provided (Used) from Investing	(36,707)	(724,409)	(89,721)	(850,837)	(280,970)
<b>Cash Flows from Financing Activities:</b>					
Proceeds from External Borrowing	300,000	80,000	0	380,000	104,374
Principal Payments on Loans Payable	(15,909)	0	0	(15,909)	(15,909)
Proceeds (Payments) Inter-Fund Borrowing	(97,143)	158,933	(61,790)	0	0
Proceeds (Payments) on Accounts Payable	0	1,903	0	1,903	(56)
New Gift Agreements Cash Received (Note 16)	0	0	126,901	126,901	0
Non-operating Investment Income (Note 16)	0	0	123,059	123,059	125,141
Payments to Annuitants	0	0	(18,722)	(18,722)	(15,641)
Payments to Income Beneficiaries	0	0	(59,916)	(59,916)	(87,883)
Matured Gifts Distributed	0	0	(144,811)	(144,811)	0
Donations for Plant Assets and Endowments	0	354,000	60,000	434,000	20,000
Net Proceeds from Agency Depositors	0	0	45,000	45,000	10,000
Net Cash Provided (Used) from Financing	186,948	594,836	89,721	871,505	140,026
Increase (Decrease) Cash and Cash Equivalents	600,017	0	0	600,017	294,605
Cash and Cash Equivalents, Beginning	579,417	0	0	579,417	284,812
Cash and Cash Equivalents, Ending	1,179,434	0	0	1,179,434	579,417

Supplemental Cash Flow Data:

Cash paid during the year for interest (other than for inter-fund borrowing) was \$2,862 (from Operating Fund to banks).

Depreciation expense included in the Operating Fund and other assets, net of \$1,000,000.