

Internal Financial Statement Formats

ORGANIZATIONS ARE FREE to design internal financial statements in any format that suits them. These statements are not to be confused with audited financial statements compiled by independent CPA firms, as the latter have specific formats and terminology promulgated by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants.

Internal financial statements should be designed in a format that meets the particular needs of the individual organization. In an effort to avoid confusion and ensure consistency, however, these statements should at least reasonably approximate the appearance of audited financial statements, should use the same terminology in naming the various statements, and so forth.

The internal financial statements are the basis for the organization's chart of accounts and the *Accounting and Financial Policies and Procedures Manual*.

A typical not-for-profit organization's internal financial statements should include, at a minimum, the following:

1. The Statement of Financial Position
(The Balance Sheet)
2. The Consolidated Statement of Unrestricted Activities
(The Income Statement)
3. The Statement of Unrestricted Activities by Function
(The Income Statement by Function)
4. The Statement of Temporarily Restricted Activities
(The Income Statement of Temporarily Restricted Activities)
5. The Statement of Permanently Restricted Activities
(The Income Statement of Permanently Restricted Activities)
6. The Statement of Changes in Net Assets
(The Statement of Changes in Fund Balances)

2 Model Policies and Procedures for Not-for-Profit Organizations

The internal financial statements may follow the format of the six financial statements presented on the following five pages. Realistically, these statements, with the exception of the statement of financial position, would also include budget figures for the period.

A sample policy for financial statement preparation and distribution is included among the sample policies in the Accounting and Financial Policies and Procedures Manual section of this handbook.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) DECEMBER 31, 20X1 AND 20X0

ASSETS		
Current Assets:	20X1	20X0
Cash and Cash Equivalents	\$ 17,148	\$ 12,840
Accounts and Interest Receivable, Net of Allowance for Doubtful Accounts of \$20,000	22,050	21,790
Inventories	10,050	10,070
Prepaid Expenses	10,301	7,050
Short-Term Investments	11,000	10,000
Total Current Assets	\$ 70,549	\$ 61,750
Investments:		
Certificates of Deposit	42,000	40,000
Bonds	11,000	11,000
Total Investments	\$ 53,000	\$ 51,000
Property and Equipment:		
Land	72,000	72,000
Building and Improvements	607,270	604,140
Furniture and Equipment	71,237	61,055
Leasehold Improvements	12,514	10,509
Total Property and Equipment	\$ 763,021	\$ 747,704
Less Accumulated Depreciation and Amortization	-92,515	-82,470
Total Net Property and Equipment	\$ 670,506	\$ 665,234
Restricted Assets:		
Temporarily Restricted Cash	\$ 45,002	\$ 47,390
Permanently Restricted Cash	50,000	50,000
Total Restricted Assets	\$ 95,002	\$ 97,390
Total Assets	\$889,057	\$875,374

LIABILITIES AND NET ASSETS

Current Liabilities:	20X1	20X0
Accounts Payable	\$ 60,801	\$ 78,137
Accrued Payroll	<u>15,172</u>	<u>13,033</u>
Total Current Liabilities	\$ 75,973	\$ 91,170
Long-Term Liabilities:		
Mortgage Payable, Less Current Portion	339,408	367,870
Notes Payable, Less Current Portion	<u>107,742</u>	<u>125,524</u>
Total Long-Term Liabilities	\$ 447,150	\$ 493,394
Deferred Revenues:		
Membership Dues	101,888	91,487
Advertising and Exhibits	<u>51,482</u>	<u>50,882</u>
Total Deferred Revenues	\$ 153,370	\$ 142,369
Total Liabilities	<u>\$ 616,493</u>	<u>\$ 726,933</u>
Net Assets:		
Unrestricted Net Assets	\$ 117,562	\$ 51,051
Temporarily Restricted Net Assets	45,002	47,390
Permanently Restricted Net Assets	<u>50,000</u>	<u>50,000</u>
Total Net Assets	\$ 212,564	\$ 148,441
Total Liabilities and Net Assets:	<u><u>\$889,057</u></u>	<u><u>\$875,374</u></u>

CONSOLIDATED STATEMENT OF UNRESTRICTED ACTIVITIES
(INCOME STATEMENT)
YEAR ENDED DECEMBER 31, 20X1

Revenues:	20X1	20X0
Membership Dues	\$ 664,435	\$ 604,405
Interest and Investment Income	6,409	5,335
Publication Sales	99,665	90,411
Less Cost of Goods Sold	(19,933)	(18,082)
Advertising	150,230	71,446
Conference Registrations	225,173	200,377
Exhibitors	<u>168,587</u>	<u>139,758</u>
Total Revenues	\$1,294,566	\$1,093,650
Expenses:		
Personnel:		
Salaries, Exempt	\$ 109,574	\$ 89,536
Salaries, Nonexempt	191,050	167,666
Salaries, Overtime	25,040	20,404
Fringe Benefits	81,416	73,373
Temporary Agency Fees	27,054	12,599
Independent Contractors	<u>19,990</u>	<u>8,450</u>
Total Personnel	\$ 454,124	\$ 372,028
Professional:		
Auditing	28,000	25,000
Legal Fees	<u>37,555</u>	<u>23,179</u>
Total Professional	\$ 65,555	\$ 48,179
Printing	312,951	287,088
Postage	74,892	60,583
Supplies	23,590	21,758
Rent	22,000	20,500
Telephone	63,504	59,946
Utilities	48,911	46,511
Mortgage Interest	32,155	33,552
Other Interest	12,598	14,765
Travel:		
Transportation	33,940	29,743
Lodging	26,659	21,566
Meals	<u>22,522</u>	<u>18,747</u>
Total Travel	\$ 83,121	\$ 70,056
Insurance	19,077	18,670
Miscellaneous	<u>15,577</u>	<u>12,502</u>
Total Expenses	\$1,228,055	\$1,066,138
Change in Unrestricted Net Assets	\$ 66,511	\$ 27,512
Unrestricted Net Assets:		
Beginning of Year	\$ 51,051	\$ 23,539
End of Year	<u>\$ 117,562</u>	<u>\$ 51,051</u>

**STATEMENT OF UNRESTRICTED ACTIVITIES BY FUNCTION
(INCOME STATEMENT)
YEAR ENDED DECEMBER 31, 20X1**

	General Administration	Publica- tions	Member- ship	News- letter	Conventions	Total
Revenues:						
Membership Dues			\$ 664,435			\$ 664,435
Interest and Investment Income	\$ 6,409					6,409
Publications Sales		\$ 99,665				99,665
Less Cost of Goods Sold		(19,933)				(19,933)
Advertising Conference Registrations				\$ 150,230		150,230
Exhibitors					\$ 225,173	225,173
					168,587	168,587
Total Revenues	\$ 6,409	\$ 79,732	\$ 664,435	\$ 150,230	\$ 393,760	\$1,294,566
Expenses:						
Personnel:						
Salaries, Exempt	18,262	21,914	36,524	14,609	18,265	109,574
Salaries, Nonexempt	31,841	38,210	47,625	23,881	49,493	191,050
Salaries, Overtime	5,008	6,260	4,553		9,219	25,040
Fringe Benefits	13,777	16,596	22,175	9,622	19,246	81,416
Temporary Agency Fees	4,058	5,411	6,763	7,305	3,517	27,054
Independent Contractors		12,050		7,940		19,990
Total Personnel	\$ 72,946	\$ 100,441	\$ 117,640	\$ 63,357	\$ 99,740	\$ 454,124
Professional:						
Auditing	5,600	5,600	5,600	5,600	5,600	28,000
Legal Fees	27,555	10,000				37,555
Total Professional	\$ 33,155	\$ 15,600	\$ 5,600	\$ 5,600	\$ 5,600	\$ 65,555
Printing	12,328	53,805	25,411	197,408	23,999	312,951
Postage	3,923	12,086	6,009	47,182	5,692	74,892
Supplies	3,100	4,598	2,099	6,747	7,046	23,590
Rent	4,400	4,400	4,400	4,400	4,400	22,000
Telephone	10,244	10,795	21,430	8,256	12,779	63,504
Utilities	9,782	9,782	9,782	9,782	9,783	48,911
Mortgage Interest	6,431	6,431	6,431	6,431	6,431	32,155
Other Interest	2,520	2,520	2,520	2,520	2,518	12,598
Travel:						
Transportation	5,464	7,040	7,522	3,033	10,881	33,940
Lodging	4,292	5,933	6,305	2,105	8,024	26,659
Meals	3,626	4,004	4,955	1,973	7,964	22,522
Total Travel	\$ 13,382	\$ 16,977	\$ 18,782	\$ 7,111	\$ 26,869	\$ 83,121
Insurance	3,815	3,815	3,815	3,815	3,817	19,077
Miscellaneous	5,057	2,392	5,637	1,292	1,202	15,580
Total Expenses	\$ 181,083	\$ 243,642	\$ 229,556	\$ 363,901	\$ 209,876	\$1,228,058
Change in Unrestricted Assets	\$(174,674)	\$(163,910)	\$434,879	\$(213,671)	\$183,884	\$ 66,511

**STATEMENT OF TEMPORARILY RESTRICTED ACTIVITIES
(INCOME STATEMENT)
YEAR ENDED DECEMBER 31, 20X1**

Revenue:	
*Investment Earnings	\$ 4,839
Total Revenue	\$ 4,839
Expenses:	
Administration	\$ 5,040
Bank Fees	2,187
Total Expenses	\$ 7,227
Change in Temporarily Restricted Net Assets	<u><u>\$(2,388)</u></u>
Temporarily Restricted Net Assets:	
Beginning of Year	\$47,390
End of Year	<u><u>\$45,002</u></u>

*The activity noted is the organization's scholarship fund, which is funded by a transfer of investment earnings from the endowment fund.

**STATEMENT OF PERMANENTLY RESTRICTED ACTIVITIES
(INCOME STATEMENT)
YEAR ENDED DECEMBER 31, 20X1**

Revenue:	
Investment Earnings	\$ 4,839
Expenses:	
Transfer to Statement of Temporarily Restricted Activities	-4,839
Change in Permanently Restricted Net Assets	<u><u>\$ 0</u></u>
Permanently Restricted Net Assets:	
Beginning of Year	<u><u>\$ 50,000</u></u>
End of Year	<u><u>\$ 50,000</u></u>

Note: This statement accounts for the organization's endowment fund for scholarships. The corpus is permanently restricted, and earnings are transferred to temporarily restricted net assets until the scholarships have been awarded.

**STATEMENT OF CHANGES IN NET ASSETS
(STATEMENT OF CHANGES IN FUND BALANCES)
YEAR ENDED DECEMBER 31, 20X1**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues	\$ 1,294,566	\$ 4,839	\$ —	\$ 1,299,405
Expenses	<u>-1,228,055</u>	<u>-7,227</u>	<u>\$ —</u>	<u>-1,235,282</u>
Change in Net Assets	\$ 66,511	\$ (2,388)	\$ —	\$ 64,123
Net Assets at Beginning of Year	<u>\$ 51,051</u>	<u>\$ 47,390</u>	<u>\$ 50,000</u>	<u>\$ 148,441</u>
Net Assets at End of Year	<u><u>\$ 117,562</u></u>	<u><u>\$ 45,002</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 212,564</u></u>