

A Primer on Reading Monthly Financial Reports

by

The Finance Committee

Every month Fifi Ball, our director of operations, generates a set of financial reports for the Standing Committee. Members may request a copy of the report by contacting Fifi Ball. Here follows a brief description of the worksheets in the spreadsheet report to orient newcomers to church finances. But first, note that Fifi flags highlights of the report in her covering email. So be sure to read her email too!

A word on fiscal year terminology: everyone is used to the idea of a calendar year. A fiscal year is simply the 12 months over which an organization's budget operates. Fiscal years may start in any month of the year. First Parish's fiscal year begins July 1. When we talk about the 2017 fiscal year, also known as FY17, we are referring to income and spending between July 1, 2016, and June 30, 2017. A fiscal year is usually designated by the year in which it *ends*.

The spreadsheets that contain the financial reports are always titled as *YYYY-MM Financials.xlsx* where *YYYY* is the calendar year and *MM* the month of the year.

We turn next to a description of each of these reports contained in each spreadsheet.

Monthly and Year-to-Date Income and Spending against Budget (Short Form)

(Figure 1)

Look for the worksheet labeled *P&L Short* in the spreadsheet. This is a great report to start with as it gives a high-level overview of income and spending at any point in time. This table reports income and spending by broad categories for the most recent month along with some other information. Let's take this report column by column using the December 2016 report as an example. It is shown below as Figure 1.

The first column reports income and spending in December 2016. For example, \$99,940 was collected in contribution income. (The numbers to the left of the descriptors, such as 3010, are accounting reference numbers you may ignore.) Similarly, \$15,590 was spent on salaries for ministers.

The second column reports year-to-date income and spending. Note that the column is titled "Jul-Dec 16." That is because the church's fiscal year began in July 2016, as noted above. We have received \$632,746 in contribution income through December 2016 of the current fiscal year. The next column (titled "YTD Budg") indicates (based on historical patterns) what the year-to-date amount (income or spending) was expected to be. Overall income is slightly above expectations (\$784,100 in actual income versus \$722,457 budgeted expectations through December 2016). Similarly, expenses through December are below expected expenses over the same time period. The next column ("\$ Over Budg") reports the difference between these two numbers. This column serves as an alert to budget watchers to possible spending or income variations that require attention. Mostly, entries in this column are not a concern: budget deviations typically occur and are usually explainable.

The fifth column ("Ann'l Budg") is very important. This is the actual budget passed at the previous year's Annual Meeting and is the guide for all income and spending decisions. The final column ("Budg Rmng") reports how much of the budget is unallocated as of the end of the current month. For income, this simply means how much income we expect to receive between now and the end of the fiscal year (\$402,020 in this report) or how much spending can occur without going over budget (\$689,304).

The final row in the table shows net income, the difference between total income and total expenses. For December, we spent \$44,172 less than we received in income. For the year to date (second column), we've received \$269,284 more in income than we've spent. Given the monthly variation in pledge income, we can expect any individual month's net income to be positive or negative; but assuming we keep to the budget the net income will be close to the budgeted level by the end of the fiscal year. Note that we show a budgeted deficit of \$15,000 in the Annual Budget column. This was agreed upon when the budget was passed at the Annual Meeting. Either we will collect more income than budgeted, spend less, or draw down reserves to cover the deficit. Cash reserves are discussed below.

Monthly and Year-to-Date Income and Spending against Budget (Long Form) (Figure 2)

The long form income and spending report is labeled *P&L*. This report is similar to the short report described above except it provides information at a much more detailed level. While the short report shows information about contribution income, for example, this report breaks that income down into current and prior year pledge payments, non-pledge contributions, and other categories. Similar detail is provided for other income and spending categories. This report also provides short notes from the business office to explain certain lines. This is mainly for the Treasurer and Standing Committee's benefit as they review these monthly reports. Figure 2 shows an excerpt from the P&L report for December 2016.

Cash Flow Report (Figure 3)

The next report to turn to is the Cash Flow report (see Figure 3 below). Cash holdings are not literally cash but monies held in various savings and checking accounts that can be accessed immediately (i.e., we don't have to sell an asset to access the funds.) Recall in the P&L (short) report that net income in December 2016 was \$48,172. In other words, we received \$48,172 more than we took in that month. This is not unusual; spending tends to be fairly constant across months, but income comes in at a less regular rate. We tend to get large bursts of income in July and December, for example; the former because many church members pay their entire pledge at or before the beginning of the fiscal year, and the latter as other church members pre-pay their pledge before the end of the calendar year for tax purposes. The positive net income for December is reported in the Cash Flow report (top row) since income in excess of spending leads to an increase in our cash holdings.

In addition to the difference between income and spending in the P&L short worksheet, there are other factors that affect our cash holdings. We hold cash not only for church operations but also for a variety of activities that aren't part of the annual operations budget. Think of these items as virtual savings accounts. For example, funds are collected from participants in special events that aren't all spent at once. Those moneys are put in the bank for safekeeping and a careful record is kept of the amount and which group "owns" those funds. In December 2016, there was a reduction in the Reproductive Justice/AWE account of \$3,779 to cover spending for buses for the Women's March that took place in January 2017. Taking into account the various additions and withdrawals from these virtual savings accounts, our cash holdings increased by \$42,557 in December and our cash at the end of the month equaled \$616,774.

Cash Position (Figure 4)

This report (sample report for December 2016 in Figure 4 below) has two parts. The upper part of the report tracks available cash as of the end of the last completed fiscal year. The bottom part focuses on

claims on the cash holdings of the church. We'll focus here on the latter. At the end of December 2016, cash on hand equaled \$616,774 (the same as the end-of-month cash holdings in the Cash Flow report discussed above). As noted in the Cash Flow report, a number of church groups have claims on these cash holdings. These are grouped under the Mission and Special Program Funds and equaled \$70,253 in the December 2016 report. There are other set-asides from cash for various things as listed in the report. Finally, church policy requires a cash reserve equal to 10 percent of annual expenses be set aside for emergencies. After all these set-asides, there is \$382,929 in available cash. This is analogous to "Free Cash" in the town budget. These are funds that the Standing Committee could choose to spend to address unexpected spending needs, for example. It is also the source of funds that would cover a deficit in the FY 2017 budget at the end of the year if it turns out that spending does exceed income as anticipated in the budget voted at the Annual Meeting.

Balance Sheet

(Figure 5)

This report shows the operating assets, liabilities, and equities of the church. Two excerpts from the December 2016 balance sheet report are shown in Figure 5: one from the assets section and the other from the liabilities section. Current assets include funds in checking and savings accounts (as noted in the Cash Position report). Fixed assets provide a valuation on our building and organ (note that these are not updated to market values). Valuing fixed assets makes sense for a private profit-making corporation reporting to shareholders; for a church, the fixed asset value (and total asset value, for that matter) are not particularly relevant.

Liabilities are reported after assets. Current liabilities include a number of useful details including a listing of all the special funds in the Cash Position report under Mission and Special Program Funds. Here you can get a breakdown of the Music Funds (\$6,050) and a portion of the Social Action Funds (which had a balance of \$21,519 at the end of December).

Trustees of Parish Donations Report

(Figure 6)

This report (see Figure 6) provides an overview of the value of investments overseen by the Trustees as well as funds provided to the Church for its operations in fiscal year 2017 —\$72,927 as of the end of December, \$145,854 anticipated for the entire fiscal year. The Trustees provide an annual report with considerably more detail than is in these brief monthly updates.

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We hope this overview is helpful in orienting you to the church's monthly financial reports. If you have questions about any of the reports, please reach out to any member of the Finance Committee and we'll do our best to answer your questions or direct you to someone else who can.

Please let us know if you find this primer useful. We also welcome suggestions for how we could improve it. This is all part of an ongoing effort to make First Parish finances more transparent and understandable to all church members.

The Finance Committee
April 2015
Rev. February 2017

Figure 1. Sample (Short) Income and Spending Report

	<u>Dec 16</u>	<u>Jul-Dec 16</u>	<u>YTD Budg</u>	<u>\$ Over Budg</u>	<u>Ann'l Budg</u>	<u>Budg Rmng</u>
3010 · Contribution Income	99,940	632,746	584,000	48,746	928,541	295,795
3060 · Offset Credit Card Fees	175	770	700	70	1,400	630
3110 · Box Collections	2,843	16,061	14,380	1,681	31,000	14,939
3130 · Users of Facilities	2,487	11,120	11,800	(680)	27,000	15,880
3140 · Trustees Income	12,155	72,927	72,927	0	145,854	72,927
3185 · Coan House Rental Income	1,600	7,800	8,850	(1,050)	18,600	10,800
3310 · Office Income	0	420	700	(280)	700	280
3320 · FP Cafe/coffee hour donations	56	378	0	378	0	(378)
3330 · Gifts	11,205	13,586	3,200	10,386	5,000	(8,586)
3350 · Interest Income	73	415	400	15	800	385
3360 · SREC (solar panel) income	0	0	0	0	4,725	4,725
3370 · Miscellaneous Income	0	22	0	22	0	(22)
3390 · Special Events Income	1,335	27,855	25,500	2,355	25,500	(2,355)
	<u>131,869</u>	<u>784,100</u>	<u>722,457</u>	<u>61,643</u>	<u>1,189,120</u>	<u>405,020</u>
4010 · Minister Staff	15,590	96,452	103,136	(6,684)	205,323	108,871
4150 · Minister Development	0	6,118	9,300	(3,182)	19,789	13,671
4200 · Human Resources	90	90	360	(270)	450	360
4300 · Professional Development	420	1,569	3,400	(1,831)	5,500	3,931
4400 · HR Benefits and Taxes	5,840	70,808	77,402	(6,594)	160,174	89,366
4500 · Parish Activities	1,454	3,359	4,400	(1,041)	8,800	5,441
4700 · Member Services	0	793	1,100	(307)	2,000	1,207
4800 · Social Action	0	0	15,856	(15,856)	70,066	70,066
5000 · Lifespan Religious Education	11,824	53,278	62,032	(8,754)	133,030	79,752
5300 · Adult Spiritual Enrichment	0	100	240	(140)	600	500
5400 · Music	12,168	59,239	65,768	(6,529)	137,876	78,637
5600 · Administration	13,309	79,161	85,974	(6,813)	174,335	95,174
6000 · Property Plant & Equip	13,814	114,580	125,642	(11,062)	229,197	114,617
7000 · Denominational Support	9,188	24,097	25,915	(1,818)	54,480	30,383
7150 · Governance and Finance	0	5,172	300	4,872	2,500	(2,672)
	<u>83,697</u>	<u>514,816</u>	<u>580,825</u>	<u>(66,009)</u>	<u>1,204,120</u>	<u>689,304</u>
	<u>48,172</u>	<u>269,284</u>	<u>141,632</u>	<u>127,652</u>	<u>(15,000)</u>	<u>(284,284)</u>

Figure 2. Excerpt from Detailed Income and Spending Report

	Dec 16	Jul-Dec 16	YTD Budg	\$ Over Budg	Ann'l Budg	Budg Rmng	Notes
Income							
3010 · Contribution Income					976,637		Total pledges, from 420 pledgers (439 last year), as of 2/10/17; difference = \$12,910
3020 · Current Year Pledge Income					963,727		Total pledges as of date budget set
3021 · Operating inc 92.5% pledges	91,519	560,462	528,175	32,287	846,875	286,413	
3022 · Social Action inc 7.5% pledges	7,420	45,443	42,825	2,618	68,666	23,223	
Total 3020 · Current Year Pledge Income	98,939	605,905	571,000	34,905	915,541	309,636	95% total pledges as of date budget set
3025 · Non-Pledge Contributions	0	2,194	1,000	1,194	1,000	(1,194)	Next year will combine this category into 3330 Gifts
3050 · Prior Yr Pledge Payments 92.5%	925	22,799	11,100	11,699	11,100	(11,699)	
3055 · Prior Yr Pledge Pymnts SAC 7.5%	75	1,849	900	949	900	(949)	
Total 3010 · Contribution Income	99,939	632,747	584,000	48,747	928,541	295,794	
3060 · Offset Credit Card Fees	175	770	700	70	1,400	630	
3110 · Box Collections	2,843	16,061	14,380	1,681	31,000	14,939	
3130 · Users of Facilities	2,487	11,120	11,800	(680)	27,000	15,880	
3140 · Trustees Income						0	
3150 · Trustees of Parish Donations	12,055	72,327	72,327	0	144,654	72,327	
3180 · Trustees Collector	100	600	600	0	1,200	600	
Total 3140 · Trustees Income	12,155	72,927	72,927	0	145,854	72,927	
3185 · Coan House Rental Income	1,600	7,800	8,850	(1,050)	18,600	10,800	Will be \$1,600 low at year end: 1) 2nd fl rent \$100/mo less than budgeted x 10 mos, 2) \$600 repd overcharged rent to previous 2nd fl tenant
3310 · Office Income	0	420	700	(280)	700	280	Fewer paper copy (snail mailed) newsletter subscriptions than expected
3320 · FP Cafe/coffee hour donations	56	378	0	378	0	(378)	Muffin donations
3330 · Gifts	11,205	13,586	3,200	10,386	5,000	(8,586)	
3350 · Interest Income	73	415	400	15	800	385	
3360 · SREC (solar panel) income	0	0	0	0	4,725	4,725	Usually pd 2x/yr: Feb/Mar and June
3370 · Miscellaneous Income	0	22	0	22	0	(22)	
3390 · Special Events Income	1,335	27,855	25,500	2,355	25,500	(2,355)	Auction parties pmts still coming in; children's craft fair income and expenses
Total Income	131,868	784,101	722,457	61,644	1,189,120	405,019	

Figure 3. Sample Cash Flow Report

	<u>Dec 16</u>
OPERATING ACTIVITIES	
Net Income	48,170.50
Adjustments to reconcile Net Income to net cash provided by operations:	
1200 · Accounts Receivable	(57.65)
1300 · Suspense	897.32
2012 · Credit Card - Cambridge Trust	(1,629.03)
2040 · Gift/Non-Pledge Contrib Next FY	50.00
2170 · Music Reserve	(100.00)
2190 · Organ Fund	(860.00)
2235 · Reproductive Justice / AWE	(3,779.30)
2240 · Green Sanctuary/Environ. Leader	1,000.00
2255 · Race Conversations	192.50
2295 · SAC Activities Fund	20.00
2296 · SAC Grants Fund	(8,418.83)
2820 · Flower Committee Fund	815.06
2825 · The Conchords	(140.00)
2830 · Retreats	4,750.00
2898 · PCC Pilgrimage Assistance	1,416.18
2899 · PCC Val Holt Partnership Fund	<u>230.00</u>
Net cash provided by Operating Activities	<u>42,556.75</u>
Net cash increase for period	42,556.75
Cash at beginning of period	<u>574,216.97</u>
Cash at end of period	616,773.72

Figure 4. Sample Cash Position Report

First Parish in Concord - Statements of Cash Position				
Cash available 6/30/13	\$ 165,000			
Cash available 6/30/14	\$ 155,000			
Cash available 6/30/15	\$ 41,578			
Cash available 6/30/16	\$ 111,202			
Increase in cash reserve for FY17	\$ (831)			
Use of available cash <i>in FY17 budget</i>	\$ (15,000)			
FY17 budget changes through 12/31/16	<u>\$4,588</u>			Net (increase)/decrease in expenses FY17 to date
Cash available 12/31/16	\$ 99,959			
	<u>31-Dec-16</u>	<u>30-Nov-16</u>	<u>\$ Change</u>	<u>Notes</u>
Cash on hand + undeposited funds	616,774	574,217	\$42,557	See below
Claims on cash				
Accounts receivable & pledges receivable	735	677	\$58	Receivable = negative claim on cash
Suspense account	4,897	4,000	\$897	Positive suspense = negative claim on cash, and vice versa
Accounts payable + credit card payable	932	2,561	-\$1,629	Liabilities
Mission and Special Program Funds	70,253	75,127	-\$4,874	
Reserve Accounts	36,616	36,616	\$0	Gary Smith Legacy Fund for Min Interns \$30,432; bal = L-T Bldg Maint Fund
Less 10% annual expenses as Cash Reserve	<u>120,412</u>	<u>120,412</u>	<u>\$0</u>	
Total Claims on Cash	233,845	239,393	-\$5,548	
Cash available	<u>\$382,929</u>	<u>\$334,824</u>	<u>\$48,105</u>	Cash on hand less claims on cash

Figure 5. Excerpts from Balance Sheet

Portion of Assets Section of Balance Sheet

	<u>Dec 31, 16</u>	<u>Nov 30, 16</u>	<u>\$ Change</u>	<u>Notes</u>
ASSETS				
Current Assets				
Checking/Savings				
1000 · Cash				
1010 · Petty Cash	72	94	(22)	
1040 · Cash - Cambridge Trust Chk Oper	217,170	174,135	43,035	Many donations in December
1045 · Cash - Cambridge Trust Sav Oper	251,136	251,094	42	Interest
1050 · Cash - MSB Money Market Account	<u>148,396</u>	<u>148,367</u>	<u>29</u>	Interest
Total 1000 · Cash	<u>616,774</u>	<u>573,690</u>	<u>43,084</u>	
Total Checking/Savings	616,774	573,690	43,084	
Accounts Receivable				
1200 · Accounts Receivable	<u>735</u>	<u>677</u>	<u>58</u>	
Total Accounts Receivable	735	677	58	

Portion of Liabilities Section of Balance Sheet

Other Current Liabilities				
2040 · Gift/Non-Pledge Contrib Next FY	50	0	50	Should have been current-year gift; to be corrected in January.
2140 · Mission Funds				
2150 · Music Funds				
2170 · Music Reserve	3,539	3,639	(100)	Guest musician cost and donation
2180 · Music Events	2,051	2,051	0	
2190 · Organ Fund	460	1,320	(860)	Organ maintenance work paid; monthly transfer in from operations
Total 2150 · Music Funds	6,050	7,010	(960)	
2200 · Social Action Funds				
2210 · Maggie Wolf Fund	1,097	1,097	0	
2230 · Bird Childrens Fund	3,969	3,969	0	
2235 · Reproductive Justice / AWE	(3,229)	550	(3,779)	Women's March bus tickets sold and related expenses paid
2240 · Green Sanctuary/Environ. Leader	1,233	233	1,000	Donation to ELT
2245 · Diversity Committee	604	604	0	
2255 · Race Conversations	193	0	193	Donated books sold

Figure 6. Sample Trustees of Parish Donations Report

First Parish in Concord, Trustees of Parish Donations	
Church fiscal year to date status of Trustees of Parish Donations funds as of 12/31/16	
\$ 3,085,080	Investments (Welch & Forbes) market value as of 6/30/14
\$ 2,943,138	Investments (Welch & Forbes) market value as of 6/30/15
\$ 2,957,352	Investments (Welch & Forbes) market value as of 6/30/16
\$ 89,391	Net change in investment value
\$ 3,046,743	Investments (Welch & Forbes) market value as of 12/31/16***
\$ 22,528	Investments (Fidelity*) market value as of 12/31/16
\$ 39,734	Checking account balance as of 12/31/16***
\$ 3,109,005	Total for Trustees as of 12/31/16
\$ 72,927	Support for FP operations FY16 to date (as of 12/31/16)**
\$ 145,854	Anticipated full FY16 support for First Parish operations**
<p>*Ministers & Deacons Fund **Includes \$1,200 annual (\$100 monthly) collector stipend ***Quarterly ~\$20k transfers from investments to checking occur September, December, March, and June</p>	