

# Interpreting Council Financial Statements



Boy Scouts of America

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# Introduction

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**Background** Most local Boy Scout councils produce the statements discussed in this guidebook to represent the financial standing of the council. The council then shares the statements with executive board members, major contributors including United Way organizations and foundations, and other interested parties. However, the financial statements of a not-for-profit organization differ from those of for-profit companies. These differences are created by the very nature of a not-for-profit business and the methods by which it accounts for contributions, donor-restricted gifts, gifts to endow the council's operations and programs, deferred income from camps and activities, and other situations unique to not-for-profit operations.

This guidebook will provide the reader with adequate information to interpret the Boy Scout council's financial statements.

**Compliance** The Financial Accounting Standards Board (FASB) recently set new accounting standards in an attempt to make all not-for-profit reporting more uniform. However, there are still some differences between other not-for-profit organizations and the Boy Scout councils based on options allowed by the accounting industry.

Nevertheless, it is important to understand that the BSA accounting system is fully compliant with recent FASB standards. It is also compliant with the audit guides and accounting principles set by the American Institute of Certified Public Accountants (AICPA).

**Current Resources** For the past twenty years, the *Local Council Accounting Manual* has provided guidance to council staffs, management, and volunteers in the area of proper accounting practices and procedures. However, the need exists to provide this concise training and communication resource to assist in successfully interpreting the council's financial statements.

**How to Use This Guidebook** This guidebook is designed for individual study and as a training aid for classroom groups. It can also be used as a reference guide for analyzing a current set of financial statements. It is designed to expand the knowledge of those who have a need to read the council's financial statements.

*Note that your actual financial statements might not have all the line items included on the samples in this document. A line item will not be printed on the statement if there is no current-year, last-year, or budgeted figure for that item.*

# Background Information

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## Account Categories

In the council's financial system, as in all accounting systems, every account is classified as one of five categories of accounts. Every financial transaction of the council will be recorded in one or more of these categories:

**Assets** are items of value that the organization owns, such as cash, receivables, inventory, or land.

**Liabilities** are the claims against the organization, such as accounts payable and loans or mortgages.

**Net Assets** are simply the amounts remaining when the liabilities are subtracted from the assets. They represent the organization's retained earnings or equity.

**Income** occurs when there is an increase in assets (such as cash) or a decrease in liabilities (such as a payable) with a simultaneous increase in the net assets. Income is segregated into Support (contributions) and Revenues (earned income).

**Expenses** occur when there is a decrease in assets (such as cash) or an increase in liabilities (such as payables) with a simultaneous decrease in the net assets. Expenses can be expressed in either natural or functional categories.

## Accounting Formulas

The accounting system relies on the interactions within these five categories of accounts. There are two mathematical formulas that define the accounting system and allow it to function. These formulas define the relationships within the five categories. The formulas are:

**Assets** equal **Liabilities** plus **Net Assets**

**Income** minus **Expenses** equals **Change In Net Assets**

## Fund Accounting

The accounting system of the Boy Scouts of America uses three funds to segregate the financial activity of the council based on the specified purpose of the activity. This comes about because donors and governing boards request that certain amounts of money be used for specific purposes. The council has the responsibility to see that the money is spent accordingly, and in order to fulfill this stewardship function, unique funds are established to account for each specified amount of money or other asset.

Each fund is an accounting entity complete with its share of assets, liabilities, and net assets. Revenues that are specified as belonging to the fund increase the net assets, while expenses incurred to accomplish the stated purpose of the fund decrease the net assets. The three funds are *Operating*, *Capital*, and *Endowment*.

## Descriptions of Funds

The **Operating Fund** accounts for all the council's financial activity pertaining to the annual operation and delivery of the Scouting program. All accounts that do not belong in either of the other two funds are included in the Operating fund.

The **Capital Fund** accounts for all fixed assets that the council owns, the related liabilities, if any, and amounts designated or restricted for the purchase of fixed assets. Income and expenses related to fixed assets are also part of this fund.

The **Endowment Fund** is used to account for investments designated by the board as endowment funds, or temporarily restricted by the donor to act as endowment funds, or permanently restricted by the donor as endowment funds.

# Statement of Financial Position

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## Overview

The Statement of Financial Position is a snapshot in time that tells the reader the financial condition of the council as of the date specified. It is a statement that covers the entire corporation, not just one aspect of it.

The Statement also is the aggregate history of the council from its beginning to the current date of measurement.

Assets and liabilities are stated by fund and total of all funds. Individual assets and liabilities are listed in order of their liquidity, the most liquid listed at the top and the least liquid at the bottom.

Net assets are listed by type. There are three different types, including:

- Unrestricted Funds – Funds over which the executive board has total discretion.
- Temporarily Restricted Funds – Funds on which the donor has placed a time or purpose restriction. The executive board has no discretion over these funds.
- Permanently Restricted Funds - Funds on which the donor has placed a permanent restriction. The executive board has no discretion over these funds.

This report can be printed in summary or detail format.

# Statement of Financial Position

## SAMPLE

Take Any Council  
Statement of Financial Position  
For the Period Ending 9/30/2000

Page 0001

Assets	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2000	1999	2000	1999	2000	1999	2000	1999
<b>Current Assets</b>								
Cash	-223,471	-150,687	40,666	29,125	174,786	31,595	-8,020	-89,968
Short Term Investments		1,443			800	447	800	1,891
Accounts and Notes Receivable	129,666	131,594					129,666	131,594
Pledges Receivable	179,562	163,673			99,444	71,875	279,006	235,548
Inventories	219,468	155,527					219,468	155,527
Deferred Activity Expense	63,275	2,906					63,275	2,906
Deferred Special Events, Expens	2,317	2,596					2,317	2,596
Prepaid Expense	38,307	10,217					38,307	10,217
<b>Total Current Assets</b>	<b>409,125</b>	<b>317,269</b>	<b>40,666</b>	<b>29,125</b>	<b>275,030</b>	<b>103,917</b>	<b>724,820</b>	<b>450,311</b>
Land, Building, and Equipment			3,677,712	3,266,022			3,677,712	3,266,022
Long-Term Investments					6,154,960	5,846,931	6,154,960	5,846,931
<b>Total Noncurrent Assets</b>			<b>3,677,712</b>	<b>3,266,022</b>	<b>6,154,960</b>	<b>5,846,931</b>	<b>9,832,672</b>	<b>9,112,953</b>
<b>Total Assets</b>	<b>409,125</b>	<b>317,269</b>	<b>3,718,377</b>	<b>3,295,147</b>	<b>6,429,990</b>	<b>5,950,848</b>	<b>10,557,492</b>	<b>9,563,264</b>
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities</b>								
Accounts Payable	35,264	68,948	3,663	-13			38,926	68,935
Accrued Expenses	6,925	6,049					6,925	6,049
Payroll Taxes Withheld	4,880	4,362					4,880	4,362
Custodial Accounts	83,089	72,045					83,089	72,045
Notes Payable					124,000	97,200	124,000	97,200
Deferred Activity Income	32,210	5,577					32,210	5,577
Deferred Camp Income	4,490	2,450					4,490	2,450
Deferred Special Events Income	78,713	-17,576					78,713	-17,576
Other Current Liabilities	10,132	7,149	1,016				11,148	7,149
<b>Total Current Liabilities</b>	<b>255,702</b>	<b>149,004</b>	<b>4,678</b>	<b>-13</b>	<b>124,000</b>	<b>97,200</b>	<b>384,381</b>	<b>246,191</b>
Long-Term Indebtedness			100,611	89,342			100,611	89,342
<b>Total Noncurrent Liabilities</b>			<b>100,611</b>	<b>89,342</b>			<b>100,611</b>	<b>89,342</b>
<b>Total Liabilities</b>	<b>255,702</b>	<b>149,004</b>	<b>105,289</b>	<b>89,329</b>	<b>124,000</b>	<b>97,200</b>	<b>484,992</b>	<b>335,533</b>
<b>Net Assets</b>								
Unrestricted Net Assets	154,327	169,170	3,453,125	3,046,455	2,809,217	2,833,268	6,416,670	6,048,893
Temp. Restricted Net Assets	-905	-905	159,963	159,363	2,000	2,000	161,058	160,458
Perm. Restricted Net Assets					3,494,773	3,018,380	3,494,773	3,018,380
<b>Total Net Assets</b>	<b>153,422</b>	<b>168,265</b>	<b>3,613,088</b>	<b>3,205,818</b>	<b>6,305,990</b>	<b>5,853,648</b>	<b>10,072,501</b>	<b>9,227,731</b>
<b>Total Liabilities and Net Assets</b>	<b>409,124</b>	<b>317,269</b>	<b>3,718,377</b>	<b>3,295,147</b>	<b>6,429,990</b>	<b>5,950,848</b>	<b>10,557,493</b>	<b>9,563,264</b>

-- End of report --

# Statement of Financial Position—Assets

<b>Current Assets</b>	This is the first category listed on the statement. These are council assets that are considered accessible to the council during the current fiscal year. Because these assets are sequenced in their nearness to cash, this is the first place to look for available cash or the possibility of “freeing up” cash.
Cash	Not only is this cash in the checking account, but it also may include cash in savings accounts, petty cash funds, and change funds.
Short-Term Investments	These are current funds that have been invested in short-term vehicles like certificates of deposit, and are available with little notice.
Accounts Receivable	These are receivables that the council has recorded; they may include grants, accrued income from investments, accrued gains (or losses), and miscellaneous receivables, such as returned checks or deposits.
Pledges Receivable	These are receivables from all of the fundraising campaigns that the council holds less an allowance for uncollectible pledges. This amount may include pledges yet unpaid from previous campaigns or from future campaigns. It will also include pledges receivable from United Ways, special events, grants, and other contributions as well as Friends of Scouting.
Inventories	This is the value, at cost, of the inventories held by the council. These may be inventories held for sale at the Council Service Center, camp trading post, product sales, food and other commissary supplies at camp, and/or donated goods and services held for resale such as auction items.
Interfund Loans	These are the loans from one fund to another fund. These may include temporary loans where an item was purchased from one fund for another fund and the transfer has not been recorded yet.  ❖Rule: The “Total All Funds” column for this category must be blank or zero. If there is an amount in this column for interfund loans, then the interfund loans are out of balance. Usually this happens because only half of the transaction has been recorded, for example, funds have been borrowed from fund 1 but have not been loaned to either fund 2 or 3.
<b>Deferred Expenses</b>	These are purchases (usually supplies or contracts) for activities, camps, or special events to be held at some future time. Until the activities, camps, or special events are actually held, these purchases are assets belonging to the council. When the event is held, the purchases will become nondeferred expenses of that event. See Deferred Income in the Liabilities section.
Deferred Activity Expenses	These are all prepaid expenses for activities. As the activity is completed, balances are moved to the appropriate expense lines on the Statement of Operations.

Deferred Camp Expenses	These are all prepaid expenses for camps. As the camp is completed, balances are moved to the appropriate expense lines on the Statement of Operations.
Deferred Special Events Expenses	These are all prepaid expenses for special events. As the special event is completed, the balances are moved to the appropriate expense lines on the Statement of Operations.
Prepaid Expenses	These accounts record the value of funds that have been expended to prepay future expenses. This may include insurance premiums that have been paid on an annual basis but retain value as an asset for the months remaining in the premium year. The council could cancel the insurance policy and receive the outstanding month's premiums; therefore, these premiums are an asset of the council. Other examples of prepaid expenses are fundraising expenses, rent, taxes, maintenance or service contracts, and nonsalable inventory, such as office supplies.
Total Current Assets	This is the total of all asset categories listed above.
<b>Noncurrent Assets</b>	These are assets that have an extended life and include land, buildings, equipment, and long-term investments.
Land, Building, and Equipment	<p>This is the value of land, buildings, and equipment recorded at either purchase price or fair market value when received less the accumulated depreciation for buildings and equipment. This means that the asset is recorded, when acquired, at a determined fair market value and, except for land, an estimate of the years of useful life is established. For example, a computer may be three years; a vehicle, five years; a building, fifty years. Each year, the value of the asset is reduced by an equal portion of its estimated life. For example, the value of a computer is reduced by one-third each year. At the end of its useful life, the asset is fully depreciated and has no recorded value as an asset of the corporation. Councils use straight-line depreciation.</p> <p>❖Rule: Councils should adopt a "Capitalization Policy" to set the value for a newly acquired asset by either, 1) giving it a life of one year or less and fully expensing it in that fiscal year, or 2) giving it a life of two years or more and capitalizing it as an asset of the corporation depreciated (expensed) over its useful lifetime.</p>
Long-Term Investments	These are the assets of the council that have been invested in long-term investment vehicles or fixed assets held for resale. This includes the endowment investments of the council.
Total Noncurrent Assets	This is the total of the two noncurrent items above.
Total Assets	This is the total of both current and noncurrent assets.

## Statement of Financial Position—Liabilities

<b>Current Liabilities</b>	These are those short-term claims on the council resulting from annual operations.
Accounts Payable	This is the amount due and payable to all suppliers and vendors. The Accounts Payable Aging Report will provide information about when these payables are due.
Accrued Expenses	These accounts record, as a liability, expenses incurred and unpaid, for which invoices were not received by the close of an accounting period. Because invoices were not received, the expenses can not be listed as accounts payables; however, the estimated expense should be accrued. This may include accrued insurance premiums, interest, rent, taxes, payroll, vacation pay, or professional fees.
Payroll Taxes Withheld	This includes all payroll taxes and benefit withholdings collected from employees but not paid. This also includes the council's share of payroll taxes expensed but unpaid.
Custodial Accounts	These accounts include the amount of funds held in custody for an entity other than the council. This includes registration and <i>Boys' Life</i> fees collected and unpaid to the national council and funds held on deposit for units, Order of the Arrow, and National Eagle Scout Association. These funds are held in custody and should not be expended for operating purposes.
Notes Payable	This is for short-term notes, such as a line of credit or cash flow loan. This should also include this year's portion of long-term notes payable, such as mortgages.

## Statement of Financial Position—Deferred Income and Noncurrent Liabilities

<b>Deferred Income</b>	These include participation fees for activities, camps, or special events that will be held at some future time. Until the activities, camps, or special events are actually held, this income is considered liability, because it is refundable to the participant if the council fails to produce the event. When the event is held, the fees become nondeferred and are income for that event.
Deferred Activity Income	These are all fees paid for participation in activities. As the activity is completed, the balances are moved to the appropriate income lines on the Statement of Operations.
Deferred Camp Income	These are all fees paid for participation in camps. As the camp is completed, the balances are moved to the appropriate income lines on the Statement of Operations.
Deferred Special Events Income	This is all income and direct benefit expenses for special events. As the special event is completed, the balances are moved to the appropriate income lines on the Statement of Operations.
Other Current Liabilities	This is a collection of items that do not appropriately fit into one of the above categories but are current liabilities. They include sales and use tax payables, funds of inactive units, unclaimed wages, garnishments and child support payments collected but unpaid, Scout bucks or gift certificates issued but unclaimed, and other current liabilities.
Total Current Liabilities	This is the total of the current liabilities listed above.
Noncurrent Liabilities	These are liabilities that extend beyond the current fiscal year.
Long-Term Indebtedness	This is the portion of long-term notes payable or mortgages that extend beyond this current fiscal year. This year's portion would be found in the Notes Payable section.
Other Noncurrent Liabilities	This is for long-term indebtedness other than notes or mortgages, such as capital lease obligations that extend beyond the current fiscal year.
Total Noncurrent Liabilities	The total of the noncurrent liability categories listed above.
Total Liabilities	This is the total of both current and noncurrent liabilities.

# Statement of Financial Position—Net Assets

<b>Net Assets</b>	<p>These are segregated based on restrictions that have been placed on contributions or revenue by the <b>original donor</b>. Restrictions can not be placed on the net assets by any other entity, including the executive board, with the one rare exception of state law. Many states have adopted the Uniform Management of Institutional Funds Act (UMJFA), which allows and/or requires organizations to spend and/or retain unrestricted appreciation from permanently restricted endowment gifts.</p> <p>Donor restrictions that have a time or purpose limitation are called temporary restrictions. Donor restrictions that the executive board can never change are called permanent restrictions. All net assets of the council that do not carry a donor's temporary or permanent restriction are called unrestricted.</p>
Unrestricted Net Assets	<p>Unrestricted net assets represent the net worth of the council free of any donor-imposed restrictions.</p> <p>In the <b>Operating</b> fund, this is the net worth of unrestricted operations.</p> <p>In the <b>Capital</b> fund, this is usually the value of depreciated fixed assets less any liabilities against those fixed assets and/or any unrestricted or board-designated funds available for the purpose of purchasing fixed assets.</p> <p>In the <b>Endowment</b> fund, this is usually the value of unrestricted or board-designated funds “acting as endowment” less any liabilities. These could be original gifts, appreciation, or interest/dividend income transferred back to the Endowment fund from the Operating fund. Although these funds may be unrestricted, they may be invested with a trustee using a trust agreement that does not allow the executive board to access these funds.</p>
Temporarily Restricted Net Assets	<p>This represents the net worth of the council that has a donor's restriction on the original gift, or use of appreciation, or interest/dividends. The restrictions can be met by either the passage of time or the occurrence of a specific event.</p> <p>In the <b>Operating</b> fund, this is usually time-restricted contributions (FOS or United Way for next year) or purpose-restricted contributions and revenue (appreciation, interest/dividends).</p> <p>In the <b>Capital</b> fund, this is usually unexpended funds raised through a capital campaign and, therefore, restricted for the purpose of the campaign. Once the funds are used to complete the construction or to acquire the fixed assets, the funds become unrestricted investments in fixed assets.</p> <p>In the <b>Endowment</b> fund, the donor has restricted the use of the funds, and until such time as the restriction is met, the funds are to function as endowment funds. This may include original gifts, appreciation, or interest/dividends.</p>

# Statement of Financial Position—Net Assets

Permanently Restricted Net Assets	<p>This represents the net worth of the council that has a donor’s restriction on the original gift and use of appreciation or interest/dividends that the executive board can never remove.</p> <p>In the <b>Operating</b> fund, this net asset is not available. Because the council has other funds in which to record endowment gifts, there is no use for this net asset in the Operating fund.</p> <p>In the <b>Capital</b> fund, this net asset is used to record fixed assets that are permanently restricted by the donor. This would be only fixed assets and not unexpended funds because those funds would be recorded in the Endowment fund.</p> <p><b>In the Endowment</b> fund, this net asset represents the true endowment of the council, those funds permanently restricted by the donor as endowment funds. This may include original gifts and appreciation or interest/dividends that carry a specific donor restriction.</p>
Total Net Assets	<p>This is the total of the unrestricted, temporarily restricted, and permanently restricted net assets and represents the total net worth of the council as defined by the mathematical formula: <i>Total Assets less Total Liabilities equals Total Net Assets.</i></p>
Total Liabilities and Net Assets	<p>This is the sum of total liabilities and total net assets.</p> <p>❖Rule: The Statement of Financial Position is sometimes called a Balance Sheet. The reason is that the two lines, <b>Total Assets</b> and <b>Total Liabilities and Net Assets</b>, must always be equal or balance each other. If the two lines are not the same, then the statement is out of balance. (Rounding computations may cause the lines to be off by one or two dollars, which is not enough to declare the statement out of balance.)</p>

## Liquidity Ratio—Unrestricted Operating Fund Liquidity Ratio (30-Day Demand)

➤Note: The liquidity ratio may or may not be included in a Statement of Financial Position.

National Formula	This line represents the nationally suggested ratio of cash assets to thirty-day or less demand liabilities.
National Standard in Dollars	This line figures the cash items using the suggested ratio and the council's actual thirty-day or less demand liabilities.
Council in Dollars	This line figures the cash assets using the actual thirty-day or less demand liabilities.
Council Cash Ratio	This line figures the council's actual ratio for cash assets to within thirty days.

# Analysis of the Statement of Financial Position

**Is Your Statement in Balance?** Remember that this statement is a presentation of the mathematical equation *Total Assets equals Total Liabilities plus Net Assets*. Therefore, the Total Assets line must equal the Total Liabilities and Net Assets line. If these two lines do not show the same number in each column, then your statement is out of balance.

➤Note: Because of the way the numbers are summarized for the statement, there may be a difference of a couple dollars due to rounding. This does not mean that you are out of balance.

**Interfund Loans** An interfund loan is a loan of money from one fund to a second fund. In order to appropriately record an interfund loan, the fund that borrowed the money will have a negative asset equal to the loan amount and the fund that loaned the money will have a positive asset of the same amount. The net result in the Total All Funds column must always be zero (or a blank space).

A quick check of the Total All Funds column will tell you if your interfund loans are in balance. Is it blank?

**Negative Numbers** Except for the Interfund Loan line, there should be no negative numbers in the Assets and Liabilities sections. A negative asset is by definition a liability and a negative liability is an asset.

If one or more of the funds of the council is financially bankrupt, there may be a negative number in the Unrestricted Net Assets line. This of course should be a major concern to the council. The only time a negative number would appear in the Temporarily Restricted Net Asset line is when losses have been recorded for a restricted investment; otherwise both the Temporarily and Permanently Restricted Net Asset lines should always be positive numbers.

**Cash and Short-Term Investments** A quick review of lines 1 and 2 on the statement will give you an idea of the availability of cash and short-term investments. Ask these questions:

Is there enough cash? Is there too much cash in the checking account? Does the cash amount exceed the FDIC insurance level? Should some of the cash in the checking account be moved to short-term investments for a better return on the money? Is the cash appropriately distributed among the funds?

Are there enough short-term investments? Should some of the investments be moved to the checking account? Are there short-term investments that should be moved to long-term investments?

**Review Current Assets and Current Liabilities** Do the amounts in the Current Assets categories and the Current Liabilities categories make sense, and can you explain what they are?

If you have questions as to what makes up a particular amount, print a Detailed Statement of Financial Position for the fund in question. It will list each account included in the summary statement line.

**Use of Correct Funds**

Land, building, and equipment items should all be in the Capital fund (fund 2) along with any associated long-term indebtedness on the assets.

Long-term investments should usually be in the Endowment fund (fund 3).

**Review the Net Assets**

Unrestricted net assets can be in any and all three funds. These amounts are available to the board to be transferred between funds as the executive board designates. This requires board action and is recorded in the minutes of the executive board meeting.

➤Note: Even though there are unrestricted net assets in the Endowment fund, they may not be available for transfer, because they have been placed in a trust that the executive board cannot access.

Temporarily restricted net assets can also be found in any or all three funds. If it is unclear why these amounts are restricted, the council can print a Restricted Funds Report for one or all funds. This detailed report is printed by cost center for temporarily restricted net assets. (An example of this report is in Appendix A.)

Permanently restricted net assets should never be in the Operating fund (fund 1), and rarely in the capital fund (fund 2). In fund 2, permanent restrictions on fixed assets are usually land assets that cannot be sold. The Endowment fund (fund 3) represents the council's "true" endowment with donor restricted as part of the endowment gift.

**Compare This Year with Last Year**

Compare each line amount with the amount from last year at the same time. If they differ significantly, determine the reason for the difference.

For example, if inventory has increased by \$14,788 or 27 percent, ask why. Has the council done something different this year that would explain the increase?

**Liquidity Ratio**

The liquidity ratio at the bottom of the Statement of Financial Position indicates the council's ability to pay current on-demand obligations when they are due.

To determine the liquidity ratio for the Operating fund, take the liquid assets (Cash and Short-Term Investments) and subtract the on-demand liabilities (Accounts Payable, Accrued Expenses, Payroll Taxes Withheld, and Custodial Accounts); then divide the result by those same on-demand liabilities.

The national standard or recommended point to achieve is .33. The national average for 1999 was .37.

If your council's ratio is too high, you may be able to make better use of your available cash. Perhaps you should consider longer term investing.

Your council's ratio may be too low and as the number decreases, there is a greater need to decide which vendors to pay each month. A figure less than zero means there are not enough liquid assets to cover short-term liabilities. Consider withdrawing long-term investments or securing a cash flow loan from the bank.

# Statement of Changes in Net Assets

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## Overview

This statement (often called Statement of Activities) is designed to show the reader the total income and expense for all funds and for all fund restrictions. It is an accurate representation of what the total corporation has accomplished for the specified period.

In addition to showing income and expense, it also shows the type of income, with unrestricted, temporarily restricted, and permanently restricted contributions, and net assets that flow from those contributions.

The report shows comparative data by year and by fund. The comparison is with the same month, one year earlier, from the specified date of the statement.

The second purpose of the report is to show what changes in net assets have occurred and the source of that change since the beginning of the year being measured.

The report shows the net assets as of the beginning of the year and any changes to net assets, as well as transfers, that have occurred during the period being measured.

Ending net assets on this report are the same net assets reported on the Statement of Financial Position.

The increase or decrease of net assets for all funds is the beginning point for the Statement of Cash Flows.

This report can be printed in natural expense order or functional expense order.

# Statement of Changes in Net Assets

## Sample

Take Any Council  
Statement of Changes in Net Assets  
For the Period Ending 9/30/2000  
Functional Presentation

Page 0001

Changes in Unrestricted Net Assets Support and Revenue	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2000	1999	2000	1999	2000	1999	2000	1999
Friends of Scouting - Gross	716,965	691,675					716,965	691,675
Less Provision for Uncollectible	-45,502	-23,246					-45,502	-23,246
Net Friends of Scouting	671,463	668,429					671,463	668,429
Special Events - Gross	33,705	66,375					33,705	66,375
Less Cost of Direct Benefit	-7,759	-4,082					-7,759	-4,082
Net Special Events	25,945	62,293					25,945	62,293
Foundations and Trusts	9,322						9,322	
Total Direct Support	706,730	730,722					706,730	730,722
Indirect Support								
United Ways	73,037	70,206					73,037	70,206
Total Indirect Support	73,037	70,206					73,037	70,206
Revenue								
Sale of Supplies - Gross	533,399	494,984					533,399	494,984
Less Cost of Goods Sold	-387,707	-362,511					-387,707	-362,511
Net Sale of Supplies	145,693	132,473					145,693	132,473
Product Sales - Gross	7,570	7,510					7,570	7,510
Less Cost of Goods Sold		-209						-209
Net Product Sales	7,570	7,301					7,570	7,301
Investment Income	280,214	196,525	86,850	109,789	-262,689	-223,392	104,375	82,923
Gain or Loss on Investments					19,279	228,402	19,279	228,402
Camping Revenue	595,183	609,070				60	595,183	609,130
Activity Revenue	164,352	160,786					164,352	160,786
Other Revenue	22,390	28,176	46,680	43,686			69,071	71,862
Total Revenue	1,215,402	1,134,331	133,530	153,475	-243,410	5,070	1,105,522	1,292,876
Net Assets Released Frm Restrictions								
Reclass Friends of Scouting	17,569	14,716					17,569	14,716
Reclass Capital Campaign			7,550				7,550	
Reclass Foundations		50,000						50,000
Reclass Other Direct	9,196						9,196	
Reclass United Way		50						50
Total Reclassification of Net Assets	26,765	64,766	7,550				34,315	64,766
Total Support and Revenue	2,021,935	2,000,025	141,080	153,475	-243,410	5,070	1,919,605	2,158,570
Expenses								
Program Services	1,650,971	1,562,065	157,690	131,159	4,896	4,577	1,813,557	1,697,802
Support Services								
Management and General	80,420	81,632	4,875	4,300	282	263	85,577	86,195
Fundraising	140,601	126,464	9,751	8,599	564	527	150,916	135,590
Total Supporting Services	221,020	208,096	14,626	12,899	847	790	236,493	221,784
Charter and National Service Fee	20,876	18,247					20,876	18,247
Total Expenses	1,892,867	1,788,408	172,316	144,058	5,742	5,367	2,070,925	1,937,833
Inc (Dec) in Unrestricted Net Assets	129,068	211,618	-31,236	9,417	-249,152	-297	-151,320	220,737

# Sample

Take Any Council  
Statement of Changes in Net Assets  
For the Period Ending 9/30/2000  
Functional Presentation

Page 0002

Changes in Temporarily Restricted Net Assets								
Direct Support								
Capital Campaign							600	600
Total Direct Support							600	600
Indirect Support								
Total Indirect Support								
Revenue								
Total Revenue								
Net Assets Released Frm Restrictions								
Reclass Friends of Scouting	-17,569	-14,716					-17,569	-14,716
Reclass Capital Campaign			-7,550				-7,550	
Reclass Foundations		-50,000						-50,000
Reclass Other Direct	-9,196						-9,196	
Reclass United Way		-50						-50
Total Reclassification of Net Assets	-26,765	-64,766	-7,550				-34,315	-64,766
Total Support and Revenue	-26,765	-64,766	-6,950				-33,715	-64,766
Inc (Dec) in Temp. Res. Net Assets	-26,765	-64,766	-6,950				-33,715	-64,766
Changes in Permanently Restricted Net Assets								
Direct Support								
Legacies and Bequests						18,028		18,028
Foundations and Trusts				59			59	
Other Direct Support				220,521	134,034		220,521	134,034
Total Direct Support				220,580	152,062		220,580	152,062
Indirect Support								
Total Indirect Support								
Revenue								
Total Revenue								
Net Assets Released Frm Restrictions								
Total Reclassification of Net Assets								
Total Support and Revenue					220,580	152,062	220,580	152,062
Inc (Dec) in Perm. Res. Net Assets					220,580	152,062	220,580	152,062
Inc (Dec) in Total Net Assets	102,303	146,852	-38,186	9,417	-28,572	151,765	35,545	308,033
Net Assets, Beg. of Year								
Unrestricted Net Assets	25,260	-42,447	3,484,361	3,038,819	3,058,370	2,833,565	6,567,990	5,829,936
Temporarily Restricted Net Assets	25,860	66,776	166,913	159,363	2,000	2,000	194,772	228,138
Permanently Restricted Net Assets					3,274,193	2,866,318	3,274,193	2,866,318
Total Net Assets, Beg. of Year	51,119	24,328	3,651,274	3,198,181	6,334,563	5,701,883	10,036,956	8,924,392
Adjustments to Net Assets								
Unrestricted Adjustments				-1,780				-1,780
Temporarily Restricted Adjustments		-2,914						-2,914
Permanently Restricted Adjustments								
Total Adjustments to Net Assets		-2,914		-1,780				-4,694
Net Assets, End of Period								
Unrestricted Net Assets	154,328	169,171	3,453,125	3,046,456	2,809,218	2,833,268	6,416,670	6,048,894
Temporarily Restricted Net Assets	-905	-905	159,963	159,363	2,000	2,000	161,057	160,458
Permanently Restricted Net Assets					3,494,773	3,018,380	3,494,773	3,018,380
Total Net Assets, End of Period	153,422	168,266	3,613,088	3,205,818	6,305,991	5,853,648	10,072,501	9,227,732

-- End of report --

## Statement of Changes in Net Assets--Unrestricted Transactions

Friends of Scouting	Total unrestricted contributions to the Friends of Scouting campaign (gross pledges).
Provision for Uncollectible Pledges	Total amount of Friends of Scouting pledges not expected to be collected.
Net Friends of Scouting	Gross unrestricted pledges minus provision for uncollectible. This includes Friends of Scouting prior year and direct-mail contributions.
Project Sales	Total unrestricted contributions to Project Sales Campaign (gross pledges). This includes project sales for a prior year.
Provision for Uncollectible Pledges	Total amount of Project Sales pledges not expected to be collected.
Net Project Sales	Gross unrestricted pledges minus provision for uncollectible.
Capital Campaign	Total unrestricted contributions (Gross Pledges).
Provision for Uncollectible Pledges	Total amount of Capital Campaign pledges not expected to be collected.
Net Capital Campaign	Gross unrestricted pledges minus provision for uncollectible.
Special Fundraising Events	Total unrestricted contributions to Special Fundraising Events (Gross Pledges)
Provision for Uncollectible Pledges	Total amount of Special Fundraising Event pledges not expected to be collected.
Special Fundraising Event	Gross unrestricted pledges minus provision for uncollectible.
Legacies & Bequest	Total amount of unrestricted legacies and bequest pledges (Gross Pledges).
Foundations and Trusts	Total amount of unrestricted foundations and trusts pledges (Gross Pledges).
Other Direct Support	Total amount of unrestricted other direct support pledges (Gross Pledges).
Total Direct Support	Total of Friends of Scouting, project sales, capital campaign, special fundraising events, foundations and trusts, and other direct support.

Associated Organizations	Total amount of unrestricted associated organizations pledges (Gross Pledges).
United Ways	Total unrestricted contributions from United Ways (Gross Pledges).
Provision for Uncollectible Pledges	Total amount of United Way pledges not expected to be collected.
Net United Ways	Gross unrestricted pledges minus provision for uncollectible.
Other Indirect Support	Total amount of other indirect support pledges (Gross Pledges).
Fees and Grants from Government Agencies	Total amount of fees and grants from government agencies (Gross Revenues).
Total Indirect Support	Total of associated organizations, United Ways, other indirect support, and fees and grants from government agencies.
Sales of Supplies	Total sales from in house store shop.
Cost of Goods Sold	Cost of items sold.
Net Sale of Supplies	Total sales minus cost of goods sold.
Product Sales	The gross amount of products sold.
Cost of Goods Sold	Cost of product being sold.
Commissions Paid to Units	Amount of money earned by units in selling the products.
Net Product Sales	Total sales minus cost of goods sold and commissions paid to units.
Investment Income	Total investment earnings by all funds for unrestricted purposes.
Gain or Loss on Investments	Unrestricted gains or losses on invested funds for all funds.
Camping Revenue	Gross camp fees minus cost of goods sold in the trading post operation.
Activity Revenue	Gross activity fees minus commissions paid to units and cost of goods sold in the trading post operation.
Other Revenue	Gross revenue from other sources.
Total Revenue	Total unrestricted revenue from sales of supplies, product sales, investment income, gain or loss on investments, camping revenues, activity revenue and other revenue.

Reclass Friends of Scouting	Dollars released from restrictions contributed to Friends of Scouting.
Reclass Project Sales	Dollars released from restrictions contributed to project sales.
Reclass Capital Campaign	Dollars released from restrictions contributed to capital campaign.
Reclass Special Fundraising Events	Dollars released from restrictions contributed to special fundraising events.
Reclass Foundations and Trusts	Dollars released from restrictions contributed by foundations and trusts.
Reclass Other Direct Revenue	Dollars released from restrictions contributed to other direct revenue.
Reclass United Ways	Dollars released from restrictions contributed by United Ways.
Reclass Other Indirect Contributions	Dollars released from restrictions contributed to other indirect contributions.
Reclass Fees and Government Grants	Dollars released from restrictions contributed by fees and government grants.
Reclass Realized Appreciation	Dollars released from restrictions for realized appreciation.
Reclass Donor Designated United Way Contributions	Dollars released from restrictions for donor designated United Way contributions.
Total Reclassifications of Net Assets	Total reclassifications released from restrictions.
Total Support and Revenue	Total of direct support, indirect support, revenue and reclassifications released from restrictions.
Program Services	Total expenses that are related to providing program services to the council.
Management Services	Total expenses that are related to management of the council.
Fundraising	Total expenses that are related to raising money for the council.
Total Support Services	Total of management and fundraising expenses.

Charter and National Service Fee	Total of charter and national service fees paid to date.
Total Expenses	Total of program services, management services, fundraising expenses and charter and national service fee.
Increase (Decrease) in Unrestricted Net Assets	Difference between total support and revenue and total expenses.

## Statement of Changes in Net Assets—Temporarily Restricted Transactions

Friends of Scouting	Total temporarily restricted contributions to Friends of Scouting campaign (gross pledges). This includes Friends of Scouting prior year and direct-mail contributions.
Provision for Uncollectible Pledges	Total amount of Friends of Scouting pledges not expected to be collected.
Net Friends of Scouting	Gross temporarily restricted pledges minus provision for uncollectible.
Project Sales	Total temporarily restricted contributions to project sales campaign (gross pledges). This includes Project Sales for a prior year.
Provision for Uncollectible Pledges	Total amount of project sales pledges not expected to be collected.
Net Project Sales	Gross temporarily restricted pledges minus provision for uncollectible.
Capital Campaign	Total temporarily restricted contributions (Gross Pledges).
Provision for Uncollectible Pledges	Total amount of capital campaign pledges not expected to be collected.
Net Capital Campaign	Gross temporarily restricted pledges minus provision for uncollectible.
Special Fundraising Events	Total temporarily restricted contributions from special fundraising events (Gross Pledges).
Provision for Uncollectible Pledges	Total amount of special fundraising event pledges not expected to be collected.

Net Special Fundraising Events	Gross temporarily restricted pledges minus provision for uncollectible.
Legacies & Bequest	Total amount of temporarily restricted legacies and bequest pledges (gross pledges).
Foundations and Trusts	Total amount of temporarily restricted foundations and trusts pledges (gross pledges).
Other Direct Support	Total amount of temporarily restricted other direct support pledges (gross pledges).
Total Direct Support	Total of temporarily restricted Friends of Scouting, project sales, capital campaign, special fundraising events, foundations and trusts and other direct support.
United Ways	Total temporarily restricted contributions from United Ways (gross pledges).
Provision for Uncollectible Pledges	Total amount of United Way pledges not expected to be collected.
Net United Ways	Gross temporarily restricted pledges minus provision for uncollectible.
Other Indirect Support	Total amount of temporarily restricted other indirect support pledges (gross pledges).
Fees and Grants from Government Agencies	Total amount of temporarily restricted fees and grants from government agencies (gross revenues).
Total Indirect Support	Total of temporarily restricted United Ways, other indirect support, and fees and grants from government agencies.
Reclass Friends of Scouting	Dollars contributed to Friends of Scouting, received with restrictions and now released from restrictions.
Reclass Project Sales	Dollars contributed to project sales, received with restrictions and now released from restrictions
Reclass Capital Campaign	Dollars contributed to Capital Campaign, received with restrictions and now released from restrictions.
Reclass Special Fundraising Events	Dollars contributed to special fundraising events, received with restrictions and now released from restrictions.
Reclass Foundations and Trusts	Dollars contributed to foundations and trusts, received with restrictions and now released from restrictions.
Reclass Other Direct Revenue	Dollars contributed to other direct revenue, received with restrictions and now released from restrictions
Reclass United Ways	Dollars contributed to United Ways, received with restrictions and now released from restrictions.

Reclass Other Indirect Contributions	Dollars contributed to other indirect contributions, received with restrictions and now released from restrictions.
Reclass Fees and Government Grants	Dollars contributed to fees and government grants, received with restrictions and now released from restrictions.
Reclass Realized Appreciation	Dollars for realized appreciation, received with restrictions and now released from restrictions.
Reclass Donor Designated United Way Contributions	Dollars for donor designated United Way contributions, received with restrictions and now released from restrictions.
Total Reclassifications of Net Assets	Total temporarily restricted net assets released from restrictions.
Total Support and Revenue	Total of temporarily restricted contributions received, temporarily restricted revenue received and temporarily restricted net assets released from restrictions.

## Statement of Changes in Net Assets—Permanently Restricted Transactions

Capital Campaign	Total permanently restricted contributions (Gross Pledges).
Special Fundraising Events	Total permanently restricted contributions from special fundraising events (Gross Pledges).
Provision for Uncollectible Pledges	Total amount of special fundraising event pledges not expected to be collected.
Net Special Fundraising Events	Gross permanently restricted pledges minus provision for uncollectible.
Legacies & Bequest	Total amount of permanently restricted legacies and bequest pledges (Gross Pledges).
Provision for Uncollectible Pledges	Total amount of legacies and bequest pledges not expected to be collected.
Net Legacies & Bequests	Gross permanently restricted pledges minus provision for uncollectible
Foundations and Trusts	Total amount of permanently restricted foundations and trusts pledges (Gross Pledges).
Other Direct Support	Total amount of permanently restricted other direct support pledges (Gross Pledges).

Provision for Uncollectible Pledges	Total amount of other direct support not expected to be collected.
Net Other Direct Support	Gross permanently restricted pledges minus provision for uncollectible
James E West	Total amount of permanently restricted James E West Fellowship contributions (Gross Pledges).
Provision for Uncollectible Pledges	Total amount of James E West Fellowship pledges not expected to be collected.
Net James E West	Gross permanently restricted pledges minus provision for uncollectible
1910 Society	Total of permanently restricted 1910 Society contributions (Gross Pledges).
Provision for Uncollectible Pledges	Total amount of 1910 Society pledges not expected to be collected.
Net 1910 Society	Gross permanently restricted pledges minus provision for uncollectible
Total Direct Support	The total of all direct support contributions.
Other Indirect Income	The total amount of permanently restricted other indirect income.
Total Indirect Support	The total of all permanently restricted indirect support contributions.
Investment Income	The total investment income permanently restricted.
Investment Income – Royalties	The total royalties permanently restricted.
Gain or Loss on Investment	The total permanently restricted gains or losses.
Total Unrealized Gains or Losses	The total permanently restricted unrealized gains or losses.
Total all Revenues – Perm. Restrict ed	The total of all revenues that are permanently restricted.
Reclass Perm. Restricted Net Assets	The total of net assets released from restriction.
Reclass Perm. Restricted Appreciation	Total of appreciation released from restriction.

Total Reclasp	Total of all net assets either released or having a change in restriction.
Total Support and Revenue	Total of contributions, direct and indirect, revenue and reclassification of net assets released from restriction.
<b>Total</b>	Total increase or decrease of permanently restricted net assets.

## Statement of Changes in Net Assets—Beginning and Ending Balances

Total Increase or Decrease of Total Net Assets	This is the sum total of changes to unrestricted, temporarily and permanently restricted net assets.
Unrestricted Net Assets	Total of unrestricted net assets at the beginning of the fiscal year for each fund and total for all funds.
Temporarily Restricted Net Assets	Total of temporarily restricted net assets at the beginning of the fiscal year for each fund and total for all funds.
Permanently Restricted Net Assets	Total of permanently restricted net assets at the beginning of the fiscal year for each fund and total for all funds.
Total Net Assets, Beginning of Year	Total of unrestricted, temporarily and permanently restricted net assets at the beginning of the fiscal year.
Transfers	Permanent movement of assets between funds. (All assets are counted as unrestricted transactions.)
Adjustments to Net Assets	These are adjustments to net assets for: <ul style="list-style-type: none"> <li>▪ all unrestricted net assets.</li> <li>▪ all temporarily restricted net assets.</li> <li>▪ all permanently restricted net assets.</li> </ul>
Total Adjustments to Net Assets	This is the total of unrestricted, temporarily and permanently restricted adjustments to net assets.
Unrestricted Net Assets	Total of unrestricted net assets at the end of the fiscal period for each fund and total for all funds.
Temporarily Restricted Net Assets	Total of temporarily restricted net assets at the end of the fiscal period for each fund and total for all funds.
Permanently Restricted Net Assets	Total of permanently restricted net assets at the end of the fiscal period for each fund and total for all funds.

# Analysis of the Statement of Changes in Net Assets

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<b>Analysis</b>	<p>To understand this report, the reader needs to identify four separate sections of the report.</p> <ul style="list-style-type: none"><li>• Net Assets—These are at the bottom of the report. This section shows the balance that existed at the beginning of the year and the balance at the end of the year. The next three sections are an explanation of why these changes have occurred.</li><li>• Unrestricted Transactions—All income, expense, and reclassification of net assets that are unrestricted are shown on this part of the statement.</li><li>• Temporarily Restricted Transactions—These are income and reclassification of net assets that are temporarily restricted.</li><li>• Permanently Restricted Transactions—These are income and reclassification of net assets that are permanently restricted.</li></ul>
<b>Unrestricted Transactions</b>	<p>The income is stated along with reclassifications. Expenses may be stated as natural items (salary, benefits, payroll taxes, etc.) or as functional expense (program, management, and fundraising). By definition, unrestricted funds are the only ones that contain expenses.</p>
<b>Temporarily Restricted Transactions</b>	<p>Income is divided between contribution income and revenue and reclassification of net assets. There are no expenses. See the explanation above.</p>
<b>Permanently Restricted Transactions</b>	<p>Income is divided between contribution income and revenue and reclassification of net assets. There are no expenses.</p>
<b>Increase/Decrease in Total Net Assets</b>	<p>This is the total of all three sections and the beginning point for the Statement of Cash Flows.</p>
<b>Beginning and Ending Net Assets</b>	<p>Beginning is the amount of net assets at the start of the fiscal period. Two other items appear between the beginning net assets and ending net assets. These items are transfers between funds and adjustments to net assets. These three items together will make up the ending net asset balance.</p>

# Statement of Cash Flows

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## **Overview**

The Statement of Cash Flows is designed to show the reader the effect of all transactions on cash.

The beginning point for this statement is the net increase (decrease) in net assets as shown on the Statement of Change in Net Assets.

The statement is divided into three sections: effects on operations, effects on investment decisions, and effects on borrowing decisions.

The report shows each effect as it relates to the Operating, Capital, and Endowment funds and total of all funds.

At the bottom of the report are the beginning balances for the cash accounts and the current balance of the cash accounts. The sections leading up to these two balances are an explanation of how these changes in cash flow have occurred.

# Statement of Cash Flows

## Sample

Take Any Council

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### Statement of Cash Flows For the Period Ending 9/30/2000

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2000	1999	2000	1999	2000	1999	2000	1999
<b>Cash flow from operations</b>								
Inc (Dec) Total Net Assets	102,302	146,851	-38,186	9,417	-28,572	151,765	35,545	308,034
<b>Adjustments to Net Assets to reconcile Cash Flows</b>								
Accounts Receivable	-118,043	-101,381		7,487			-118,043	-93,894
Pledge Receivable	-143,382	-83,396			-19,815	-44,450	-163,197	-127,846
Inventory	-70,467	-12,401					-70,467	-12,401
Deferred Expense - Activities	-63,275	-2,906					-63,275	-2,906
Deferred Expense - Camps								
Deferred Expense - Special Events	-2,317	-2,596					-2,317	-2,596
Prepaid Expense	3,139	17,561					3,139	17,561
Accounts Payable	-63,378	-2,070	295	-3,194		-9,061	-63,082	-14,325
Accrued Expense	-24,075	-29,530	-3,470				-27,545	-29,530
Payroll Taxes	2,060	1,889					2,059	1,889
Custodial Accounts	-130,330	-144,726					-130,330	-144,726
Deferred Income - Activities	24,088	565					24,088	565
Deferred Income - Camp	1,090	1,875					1,090	1,875
Deferred Income - Special Events	78,713	-17,576					78,713	-17,576
Deferred Income - Other								
Other Current Liabilities	7,008	6,582					7,007	6,582
Net Asset Adjustments		-2,283		-1,780				-4,063
Deferred Status Change		272						271
<b>Total Adjustments</b>	<b>-499,169</b>	<b>-370,121</b>	<b>-3,175</b>	<b>2,513</b>	<b>-19,815</b>	<b>-53,511</b>	<b>-522,160</b>	<b>-421,119</b>
<b>Net Cash Flows from Operations</b>	<b>-396,867</b>	<b>-223,270</b>	<b>-41,361</b>	<b>11,930</b>	<b>-48,387</b>	<b>98,254</b>	<b>-486,615</b>	<b>-113,085</b>
<b>Cash Flows from Investing Activities</b>								
Investments - Fixed Assets			30,995	-9,395			30,995	-9,394
Short-Term Investment Purchases	-12	-1,232			-3,489	-67,399	-3,501	-68,631
Short-Term Investment Sales	1,517	2,002			5,261	72,598	6,778	74,600
Long-Term Investment Purchases					-576,176	-792,438	-576,176	-792,438
Long-Term Investment Sales					368,415	313,955	368,415	313,955
<b>Net Cash Flows from Investments</b>	<b>1,505</b>	<b>770</b>	<b>30,995</b>	<b>-9,395</b>	<b>-205,989</b>	<b>-473,284</b>	<b>-173,489</b>	<b>-481,90</b>
<b>Cash Flows from Borrowing</b>								
Interfund Loans								
Short-Term Notes Borrowing					140,000	194,400	140,000	194,400
Short-Term Notes Payments					-16,000	-97,200	-16,000	-97,200
Long-Term Notes Borrowing			55,109	33,563			55,109	33,563
Long-Term Notes Payments			-31,206	-34,020			-31,206	-34,020
<b>Net Cash Flows from Borrowing</b>			<b>23,903</b>	<b>-457</b>	<b>124,000</b>	<b>97,200</b>	<b>147,903</b>	<b>96,743</b>
<b>Net Increase (Dec) in Cash Flows</b>	<b>-395,362</b>	<b>-222,500</b>	<b>13,537</b>	<b>2,078</b>	<b>-130,376</b>	<b>-277,830</b>	<b>-512,201</b>	<b>-498,250</b>
Cash at the beg. of the year	171,893	72,445	27,128	27,047	305,164	309,425	504,184	408,916
Cash at the end of the period	-223,469	-150,055	40,665	29,125	174,788	31,595	-8,017	-89,333

-- End of report --

## Statement of Cash Flows

Increase/Decrease in Total Net Assets	This figure is taken from the Statement of Changes in Net Assets. This is the beginning point for this report.
Adjustments to Net Assets to reconcile Cash Flows	These are accrual transactions that have occurred from January 1 until the specified date. Transactions that have an accrual basis are backed out to measure their influence on cash.
Accounts Receivable	Increase or decrease in accounts receivable since the first of January.
Pledge Receivable	Increase or decrease in pledge receivables since the first of January.
Inventory	Increase or decrease in inventory since the first of January.
Deferred Expense, Activities	Increase or decrease in deferred activities expense since the first of January.
Deferred Expense, Camps	Increase or decrease in deferred camp expense since the first of January.
Deferred Expense, Special Events	Increase or decrease in special fundraising events expense since the first of January.
Prepaid Expense	Increase or decrease in prepaid expense since the first of January.
Accounts Payable	Increase or decrease in accounts payable since the first of January.
Accrued Expense	Increase or decrease in accrued expense since the first of January.
Payroll Taxes	Increase or decrease in payroll taxes since the first of January.
Custodial Accounts	Increase or decrease in custodial accounts since the first of January.
Deferred Income, Activities	Increase or decrease in deferred activities income since the first of January.
Deferred Income, Camp	Increase or decrease in deferred camp income since the first of January.
Deferred Income, Special Events	Increase or decrease in special fundraising events income since the first of January.
Deferred Income, Other	Increase or decrease in other deferred income since the first of January.
Other Current Liabilities	Increase or decrease in other current liabilities since the first of January.
Net Asset Adjustments	Increase or decrease in net asset adjustments since the first of January.

Transfers	Increase or decrease in transfers since the first of January.
Deferred Status Change	Increase or decrease in changes that come from modification of the cost center status since the first of January.
Total Adjustments	The sum of the transactions from Accounts Receivable through Deferred Status Change.
Net Cash Flows from Operations	The net of increase/decrease in total net assets minus total adjustments.
Cash Flows from Investing Activities	This section shows all changes that have occurred in cash flow as a result of the councils investing activities.
Investments, Fixed Assets	Increase or decrease in fixed assets since the first of January.
Short-Term Investment Purchases	Increase or decrease in short-term investment purchases since the first of January.
Short-Term Investment Sales	Increase or decrease in short-term investment sales since the first of January.
Long-Term Investment Purchases	Increase or decrease in long-term investment purchases since the first of January.
Long-Term Investment Sales	Increase or decrease in long-term investment sales since the first of January.
Net Cash Flows from Investing	Total of all investment-related changes to cash flow.
Cash Flows from Borrowing	All changes that have occurred in cash flow as a result of the councils borrowing activities.
Interfund Loans	Increase or decrease in interfund loans since the first of January.
Short-Term Notes Borrowing	Increase or decrease in short-term notes borrowing since the first of January.
Short-Term Notes Payments	Increase or decrease in short-term notes payments since the first of January.
Long-Term Notes Borrowing	Increase or decrease in long-term notes borrowing since the first of January.
Long-Term Notes Payments	Increase or decrease in long-term notes payments since the first of January.
Net Cash Flows from Borrowing	Total of all borrowing transactions that have affected cash flow since the first of January.

Net Increase/Decrease in Cash Flows	Total of the net cash flows from operations, investments, and borrowing.
Cash at the Beginning of the Year	Cash position for each fund at the beginning of the fiscal year.
Cash at the End of Period	Current cash position for each fund based on a specified date.

## Analysis of Statement of Cash Flows

**Net Cash Flows from Operations** Look at this line on your statement. This is the amount of cash that has been consumed or created in excess. At any point in the fiscal year, this will tell you why cash flow has been affected by operations.

**Net Cash Flows from Investments** This is the amount of cash consumed or generated by changes in investment policy or practice since the first of January.

**Net Cash Flows from Borrowing** This line tells you the net amount of cash consumed or generated by borrowing or repaying loans.

**Cash at the Beginning of the Year** This is the amount of cash shown on the Statement of Financial Position as of January 1 of the years shown.

**Cash at the End of the Period** This is the amount available now and should match the figure on the Statement of Financial Position for the current month being measured.

# Statement of Functional Expenses

---

**Overview** This report is one of four required reports for audits. It shows the reader the amount of the council's resources that are devoted to program, management and fund-raising. This report shows the results of expenses from the Operating, Capital, and Endowment funds. It represents the total effort during the period being measured by functional classification.

The report may be printed with unallocated expenses in a separate column or as a functional report that splits unallocated expenses into program, management, and fund-raising expenses using specified percentages.

These percentages should derive from a properly conducted time study of the professional staff's time. The study should be representative of all four quarters of the year and should be repeated at least every three years.

The report does the math for the functional presentation showing the percentages of expense spent on program, management, and fund-raising.

# Statement of Functional Expenses

## Sample

Take Any Council  
Statement of Functional Expenses  
Thru Accounting Period 9 Ending 9/30/2000

Page 0001

Funds 1 Thru 3

Expenses	----- Supporting Services -----				Unallocated Expenses	Total Expenses	
	Program Service	Management & General	Fundraising	Support Services		2000	1999
Employee Compensation							
Salaries	677,393	33,650	67,301	100,951	778,344	734,741	
Employee Benefits	77,116	4,275	8,550	12,824	89,941	85,264	
Payroll Taxes	64,166	2,823	5,645	8,468	72,634	68,750	
Employee Related Expenses	4,051	238	477	715	4,765	15,954	
Total Employee Compensation	822,727	40,986	81,972	122,958	945,685	904,709	
Other Expenses							
Professional Fees	31,272	1,528	10,545	12,073	43,345	28,332	
Supplies	321,241	1,590	5,857	7,446	328,688	321,745	
Telephone	14,871	555	1,111	1,666	16,537	16,396	
Postage and Shipping	30,153	771	6,461	7,232	37,385	38,857	
Occupancy	120,246	16,024	1,355	17,379	137,625	134,486	
Rent and Maintenance of Equipment	10,899	11,439	114	11,553	22,452	24,700	
Printing and Publications	46,932	1,864	10,588	12,453	59,385	29,207	
Travel	104,820	3,469	6,939	10,408	115,228	100,718	
Conferences and Meetings	19,685	854	4,338	5,192	24,877	19,832	
Specific Asst. to Individuals	6,294	54	107	161	6,455	1,504	
Recognition Awards	50,773	353	9,098	9,450	60,224	60,799	
Interest Expense	6,668	392	785	1,177	7,845	5,853	
Insurance	63,675	520	1,041	1,561	65,236	82,647	
Other Expenses	12,391	703	1,652	2,355	14,745	13,964	
Total Other Expenses	839,921	40,115	59,991	100,105	940,026	879,038	
Expenses Before Depreciation	1,662,647	81,101	141,963	223,064	1,885,711	1,783,747	
Depreciation of Buildings/Equipment	150,909	4,476	8,953	13,429	164,339	135,839	
Total Functional Expense	1,813,557	85,577	150,916	236,493	2,050,049	1,919,586	
Functional Expense Percentages*	88.47%	4.17%	7.36%		100.00%		
Unallocated Dollars Split by Time Study Using the Following Percentages							
Program	85.00%						
Management and General	5.00%						
Fundraising	10.00%						

\*Percentage Figures After Combining the Allocated and Unallocated Dollars

- End of report -

## Statement of Functional Expenses

Salaries	Professional, clerical, ranger, and summer camp staff.
Employee Benefits	The council's share of all insurance plans.
Payroll Taxes	The council's share of FICA and workers' compensation.
Professional Fees	Auditor, legal, and data processing fees.
Supplies	Office, program, fundraising, and camp supplies, including camp food.
Telephone	All expenses related to phone calls.
Postage and Shipping	Mailing and shipping expenses.
Occupancy	Rent, insurance, janitorial, repairs, utilities, and property maintenance.
Rent & Maintenance of Equipment	Equipment rental expenses and service contracts on office and computer equipment.
Printing and Publications	Both subscriptions to periodicals and outside printing.
Travel	Leased and owned auto expense, meals, travel, rentals, and fares.
Conferences and Meetings	Both local and national conferences and meetings.
Specific Assistance to Individuals	Camperships and other assistance.
Recognition Awards	Awards for both youth and adult.
Interest Expense	Interest on long-term and short-term loans.
Insurance	Non-property insurance only.
Other Expenses	Advertising, bank charges, licenses, and discounts.
Total Other Expenses	This is the total of other expenses, including professional fees through insurance.
Expenses Before Depreciation	Total of all depreciation recorded this year.
Depreciation of Buildings and Equipment	Amount of depreciation for buildings and equipment.

**Functional vs. Natural** The next three fields on the sample report indicate the functional format. The natural format would not have these fields. Instead, it shows expenses in the Support Services column, which is a combination of program and service and management and general.

Total Functional Expense Total of all expenses for the year divided by program services.

Functional Expense Percentages The percentage of functional expenses allocated to program and service, management and general, and fundraising.

Unallocated Dollars Split by Time Study Percentages that the user supplies to split all unallocated expenses (99 usage code); this amount is added to existing functional allocations.

## Analysis of Statement of Functional Expense

**Analysis** This report can be printed in two different formats. The first format shows unallocated (99 usage code) expenses as a column by itself. The second is the functional presentation with unallocated expenses added to the Program, Management, and Fundraising columns. These amounts are determined by time studies conducted by the professional staff.

This report can be run as often as the council wishes. It will do the math for you.

**Functional Expense Percentage** This is the percentage of all expenses devoted to program, management, or fundraising. This is usually what the public wants to know.

# Statement of Operations—Unrestricted

---

**Overview** This statement shows the budget plan for operations for the period being measured. It compares the monthly and yearly plan against actual results for both the month and the year to date. You can also run the report as a comparison to the previous period.

It is divided into several sections, including direct support, indirect support, revenue, reclassification, and expense.

Direct support includes contributions from individuals and organizations given directly to the council.

Indirect support includes contributions from individuals and organizations through a third party.

Revenue is money earned by the council through investment decisions or activities in support of the program.

Reclassifications are contributions that were restricted by a donor, and the restriction placed by the donor has been satisfied.

Expenses are monies paid for services or materials received.

Increase or (decrease) in net assets includes direct support, indirect support, revenue, and reclassifications minus expenses.

Transfers, when included on the statement, represent the permanent movement of assets from one fund to another fund.

# Statement of Operations—Unrestricted

## Sample

Take Any Council  
Standard Statement of Operations - Unrestricted  
Thru Accounting Period 9 Ending 9/30/2000

Page 0001

Description	Operating Fund Fund #1			Year to Date			Current Yr. Budget
	Budget	Actual	Variance	Budget	Actual	Variance	
Support and Revenue							
Direct Support							
Friends of Scouting - Gross	16,463	13,276	-3,187	753,710	716,965	-36,745	824,655
Less Provision for Uncollectible	-337	-577	-240	-40,921	-45,502	-4,581	-42,224
Net Friends of Scouting	16,126	12,699	-3,427	712,789	671,463	-41,326	782,431
Special Events - Gross				35,000	33,705	-1,295	342,070
Less Cost of Direct Benefit				-10,000	-7,759	2,241	-192,070
Net Special Events				25,000	25,945	945	150,000
Foundations and Trusts					9,322	9,322	150,000
Total Direct Support	16,126	12,699	-3,427	737,789	706,730	-31,059	1,082,431
Indirect Support							
United Ways	11,223	7,188	-4,035	64,820	73,037	8,217	95,000
Total Indirect Support	11,223	7,188	-4,035	64,820	73,037	8,217	95,000
Revenue							
Sale of Supplies - Gross	56,043	71,857	15,814	363,576	533,399	169,823	501,592
Less Cost of Goods Sold	-35,097	-49,367	-14,270	-238,689	-387,707	-149,018	-326,592
Net Sale of Supplies	20,946	22,490	1,544	124,887	145,693	20,806	175,000
Product Sales - Gross	3,886			7,772	7,570	-202	353,280
Less Cost of Goods Sold							-233,280
Net Product Sales	3,886		-3,886	7,772	7,570	-202	120,000
Investment Income	131,860	139,056	7,196	263,720	280,214	16,494	280,000
Camping Revenue	633,444	595,183	-38,261	633,444	595,183	-38,261	650,000
Activity Revenue	6,410	12,598	6,188	164,592	164,352	-240	185,000
Other Revenue				34,367	22,390	-11,977	35,000
Total Revenue	796,546	769,327	-27,219	1,228,782	1,215,402	-13,380	1,445,000
Net Assets Released From Restrictions							
Reclass Friends of Scouting				17,569	17,569		17,569
Reclass Project Sales							
Reclass Capital Campaign							
Reclass Special Events							
Reclass Legacies and Bequests							
Reclass Foundations							
Reclass Other Direct		9,196	9,196		9,196	9,196	
Reclass United Way							
Reclass Other Indirect							
Reclass Government Fees and Grants							
Reclass Revenue							
Reclass Realized Appreciation							
Reclass United Way Donor Designated							
Total Reclassification of Net Assets		9,196	9,196	17,569	26,765	9,196	17,569
Total Support and Revenue	823,895	798,410	-25,485	2,048,960	2,021,935	-27,025	2,640,000

# Sample

Take Any Council  
Standard Statement of Operations - Unrestricted  
Thru Accounting Period 9 Ending 9/30/2000

Page 0002

Description	Operating Fund Fund #1			Year to Date			Current Yr. Budget
	Budget	Current Period Actual	Variance	Budget	Actual	Variance	
<b>Expenses</b>							
Employee Compensation							
Salaries	209,296	183,976	-25,320	891,945	778,344	-113,601	1,153,226
Employee Benefits	14,370	13,580	-790	97,644	89,941	-7,703	126,157
Payroll Taxes	22,324	21,627	-697	74,032	72,634	-1,398	97,617
Employee Related Expenses	2,079	1,043	-1,036	20,691	4,765	-15,926	30,000
<b>Total Employee Compensation</b>	<b>248,069</b>	<b>220,227</b>	<b>-27,842</b>	<b>1,084,312</b>	<b>945,685</b>	<b>-138,627</b>	<b>1,407,000</b>
<b>Other Expenses</b>							
Professional Fees	6,938	8,856	1,918	30,749	43,345	12,596	35,000
Supplies	224,536	232,463	7,927	329,971	328,688	-1,283	380,000
Telephone	6,497	8,682	2,185	21,671	16,537	-5,134	30,000
Postage and Shipping	4,840	7,222	2,382	33,147	37,385	4,238	52,000
Occupancy	36,843	85,888	49,045	137,691	137,338	-353	160,000
Rental and Maintenance of Equipment	1,199	5,036	3,837	24,248	22,452	-1,796	35,000
Printing and Publications	7,815	13,626	5,811	29,589	59,385	29,796	50,000
Travel	27,395	38,885	11,490	116,105	115,228	-877	160,000
Conferences and Meetings	4,256	7,280	3,024	17,927	24,877	6,950	30,000
Specific Asst. to Individuals		3,283	3,283		6,455	6,455	67,000
Recognition Awards	27,356	24,940	-2,416	55,681	60,224	4,543	70,000
Interest Expense	1,074	36	-1,038	1,879	154	-1,725	2,000
Insurance	60,303	24,402	-35,901	89,554	65,236	-24,318	107,000
Other Expense	551	879	328	7,291	9,003	1,712	30,000
Charter and National Service Fees	2,049	2,308	259	18,557	20,876	2,319	25,000
<b>Total Other Expenses</b>	<b>411,652</b>	<b>463,786</b>	<b>52,134</b>	<b>914,060</b>	<b>947,182</b>	<b>33,122</b>	<b>1,233,000</b>
<b>Total Expenses</b>	<b>659,721</b>	<b>684,013</b>	<b>24,292</b>	<b>1,998,372</b>	<b>1,892,867</b>	<b>-105,505</b>	<b>2,640,00</b>
Inc (Dec) in Unrestricted Net Assets	164,174	114,397	-49,777	50,588	129,068	78,480	
Unrestricted Net Assets, Beg. of Year					25,260		
Unrestricted Net Assets, End of Period					154,327		

-- End of report --

# Key Factors to Consider

- Timeliness** Review financial information as soon as possible after the end of a month or year. If your accounting system is not providing timely information, you have lost much of your ability to effectively read and act on the information presented in the reports. Many councils close their books each month by the third working day of the next month. The twelfth period requires more time to close; it should be closed by the tenth working day of the new year.
- Bottom Line** In business, the most accurate measure of successful performance is the bottom line or net profit. The bigger this number, the better business has been. In a not-for-profit organization, this is not necessarily true. A small bottom line figure may mean that the organization is successfully utilizing its income resources to deliver the maximum possible programs. Or, a larger amount may mean that the council is successfully building its reserves.
- Actual to Budget Comparison** A more accurate reading of the organization's health can be found in comparing the actual to the budget figures. This indicates the extent to which the council engages in realistic planning and/or adequate financial control.
- Prior Period Comparison** If significant fluctuations are found in the budget comparison, they must be understood. A comparison with the prior period will show if the expenditures are greater or less than those in the previous year. This indicates whether the council is better or worse off and/or gives possible trends.
- Financial Ratios** Although financial ratios can tell us a great deal about a council's financial state, they must be understood in the context of all the factors affecting a council. It is important to
- Know the ratios and the BSA standard and/or average.
  - Understand what the ratios are telling us.
  - Track them over time to become aware of factors that are affecting the council's performance.

# Statement of Operations—Direct Support

<b>Support and Revenue</b>	<p>This is the first category listed on the statement. Income in not-for-profit organizations like the Boy Scouts is divided into two distinct parts:</p> <ul style="list-style-type: none"><li>• Support, which consists of contributions from outside of the organization.</li><li>• Revenue, which consists of funds raised by the organization in the course of delivering the program or conducting normal operations.</li></ul> <p>Support is segregated even further into direct support (contributions that come directly to the organization), and indirect support (contributions that come through another entity acting as an agent, such as the United Way or the government).</p>
Friends of Scouting	Limited to the Operating fund of the council. The value on this line is the total of all unrestricted pledges to the FOS campaign less a provision for uncollectible pledges. Even though a council may call its campaign for Friends of Scouting by another name (Campaign for Character), the bylaws of the Boy Scouts of America recognize this contribution for Friends of Scouting.
Project Sales	Involves taking part of the council program, translating it to a project, and selling it to someone. This unrestricted amount will also be net of any provision for uncollectible pledges.
Special Events – Net of Direct Benefit Costs	Events that raise money by realizing income in excess of direct benefits provided to participants (catering expense, green fees, etc.) and the incidental cost of the event (printing, postage). The cost of the direct benefits to participants is a reduction in the contribution from those participants; therefore, this line will show unrestricted gross revenues from special events less the cost of direct benefits provided to participants.
Legacies and Bequests	Gifts made through wills after the death of the donor. All bequests that come to the council without a donor-specified restriction would be recorded in this unrestricted section. The executive board may designate the fund(s) to receive this contribution, but it will always be an unrestricted contribution if it has no donor-specified restriction.
Foundations and Trusts	Contributions from foundations or trusts that are unrestricted. Because most grants from foundations or trusts are for a specific purpose, they would carry a donor restriction and be recorded as temporarily restricted contributions until the restriction is met. If the restriction is met during the same fiscal year when the contribution is received, it would be recorded in this category.
Other Direct Support	Other unrestricted contributions not recorded in a category above.
Total Direct Support	Total of the unrestricted direct support categories listed above.

## Statement of Operations—Indirect Support

<b>Indirect Support</b>	This includes contributions received through another entity or agency.
United Ways	Unrestricted contributions received this year from all United Ways and other federated fundraising organizations.
Associated Organizations	Unrestricted contributions received through associated organizations, such as the Order of the Arrow or the national office.
Other Indirect	Other unrestricted indirect contributions received this year that do not fit one of the above categories.
Unassociated Organizations	Unrestricted contributions received this year from independent nonfederated campaigns for multiple agency support, such as large industrial plants or organizations within a trade union that support a charity.
Fees from Government Agencies	Unrestricted fees and grants received from government agencies. Most government fees and grants will be temporarily restricted for a specific purpose and would be recorded as temporarily restricted contributions until the restriction is met.
Total Indirect Support	Total of the indirect support categories listed above.

## Statement of Operations—Revenue

<b>Revenue</b>	Revenue is an income source that is generated by the council through program delivery or council operations.
Sales of Supplies Less Cost of Sales	The gross receipts from the sale of inventory items from the Service Center's Trading Post/Scout Shop less the cost of the inventory items sold.
Product Sales Less Commission and Cost of Goods Sold	The gross receipts from the sale of a product to the general public, such as popcorn, less the commissions paid to units and the cost of the product. The commission paid to the units is not considered council money and, therefore, for accounting purposes, is netted against the gross receipts instead of being recorded as a paid expense.
Investment Income	Unrestricted income and dividend receipts from investments in any of the three funds. This may include income from an interest-bearing checking account, from short-term investments in any fund, or from long-term investments usually held in the Endowment fund.
Gain or Loss on Investment	Unrestricted gain (or loss if a negative number) from investment transactions such as long-term investments. This may include the gain (loss) from foreign exchange transactions for councils who deal in foreign money.
Camping Revenue	The gross receipts from the operation of camping programs. This will include a wide variety of revenue, such as fees, rentals, vending machine sales, government subsidies of food, trading post sales, and sale of meals.
Activity Revenue	The gross receipts from activities conducted by the council. This will include revenues such as fees, concessions, transportation fees, ticket sales, trading post and vending machine sales, and government subsidies.
Other Revenue	Unrestricted other revenue that does not appropriately apply to one of the categories listed above. Such receipts include advertising income, income from rent, gain (loss) on the sale of fixed assets, and insurance rebates.
Total Revenue	Total unrestricted revenue of the council during this fiscal year and the total of the categories listed above.
Reclassified Net Assets	All donor-restricted contributions or revenue recorded in a prior fiscal year and released from restrictions during this fiscal year. Because the donor-restricted contributions or revenue were recorded as income in a prior fiscal year, it is not allowable to record them again as an unrestricted contribution or revenue. They can be recorded as income only once. This accounting process, however, allows the funds reclassified as unrestricted to be netted against expenses to balance the unrestricted operations of the council.
Total Support and Revenues	Total of all unrestricted support, revenue, and reclassification categories listed above.

## Statement of Operations Expenses—Employee Compensation

Salaries	Professional, clerical, ranger, and summer camp staff.
Employee Benefits	The council's share of all insurance plans.
Payroll Taxes	The council's share of FICA and workers' compensation.
Employee Related Expenses	Employment and moving expenses.
Total Employee Compensation	Total of salaries through employee-related expenses.

## Expenses—Other Expenses

Professional Fees	Auditor, legal, and data processing fees.
Supplies	Office, program, fundraising, and camp supplies, including camp food.
Telephone	All expenses related to phone calls.
Postage and Shipping	Mailing and shipping expenses.
Occupancy	Rent, insurance, janitorial, repairs, utilities, and property maintenance.
Rent & Maintenance of Equipment	Equipment rental expenses and service contracts on office and computer equipment.
Printing and Publications	Both subscriptions to periodicals and outside printing.
Travel	Leased and owned auto expense, meals, travel, rentals, and fares.
Conferences and Meetings	Both local and national conferences and meetings.
Specific Assistance to Individuals	Camperships and other assistance.
Recognition Awards	Awards for both youth and adult.
Interest Expense	Interest on long-term and short-term loans.
Insurance	Non-property insurance only.

Other Expenses	Advertising, bank charges, licenses, and discounts.
Charter and National Service Fees	Fees for charter renewal applications for each council and the annual fee paid for regional and national programs and services.
Total Other Expenses	Total of professional fees through charter and national service fees.
Total Expenses	This is the total of lines salaries through charter and national service fees.
Inc (Dec) in Unrestricted Net Assets	Increase or decrease of income over expenses.
Unrestricted Net Assets, Beginning of Year	The net worth of the council that is free from any donor-imposed restrictions at the beginning of the year.
Transfers	Assets that are moved to or from another fund with the intention that they will reside there for the long term. Transfers require action by the board and, at the end of the year, will be folded into unrestricted net assets.
Unrestricted Net Assets, End of Period	This line should equal Unrestricted Net Assets, Operating Fund, on the Statement of Financial Position.

# Analysis of the Statement of Operations (Unrestricted)

## Overview

Understanding the Statement of Operations (Unrestricted) is sometimes reduced to a single question: *What's our bottom line?* There is a great deal you can learn from reading the statement.

## How is the Statement Designed?

The statement has seven columns. The first three from the left report the current month's activities. The next three columns report the activities from the beginning of the fiscal year until the end of the current month. The last column always shows the annual budget.

The statement can be printed in two different formats:

The **Standard** Statement of Operations (Unrestricted) uses the three columns for both current month and year-to-date to show budget, actual, and variance between budget and actual figures.

The **Comparative** Statement of Operations (Unrestricted) uses the three columns for both current month and year-to-date to show budget, actual, and last-year comparative figures.

## What's the Bottom Line?

Remember that this statement is a representation of the mathematical equation  
*Income less Expenses equals Change in Net Assets.*

The change in net assets is the bottom line. It may be referred to as profit or loss, surplus or deficit, or increase or decrease in net assets. In essence, it asks, *Are we operating the council in a financially sound fashion, or are we operating beyond our ability to fund our expenses?*

## Are There Any Negative Numbers?

This statement is designed to have all positive numbers. There are certain situations, however, that will create a negative number. You should examine each negative number to understand what caused the situation.

For example, product sales for the month of December may have had gross receipts, but an invoice for the popcorn was greater than the receipts. The net result is a negative income from product sales for the month.

## What Is Reclassification of Net Assets?

Contributions and interest income that have a time or purpose restriction placed on them by the donor are recorded as temporarily restricted when received. If the restriction is not met by the end of that fiscal year, the restricted contribution and interest income is processed at year end and moved to temporarily restricted net assets.

Once the restriction has been met, the funds can be used to offset expenses. This creates a problem, however, because these funds have already been recorded and counted as income once and cannot be recorded as income a second time.

Therefore, the accounting industry invented a new category that is specifically not income, but can be recognized on the Statement of Operations. This new category is called Reclassification of Net Assets.

The Reclassification of Net Assets appears on the Statement of Operations (Unrestricted) as a total of all reclassified contributions and/or revenues. It is, therefore, confusing as to what the number actually means.

To help councils through the reclassification maze, there is an analysis report that you can print to accompany the Summary Statement of Operations (Unrestricted).

The **Reclassification Analysis Report** is formatted with the same seven columns for month and year-to-date information. It details the type of contribution or revenue reclassified and the combined total of current and reclassified contributions and revenues. (See Appendix B for an example of the Reclassification Analysis Report.)

**Transfers To and From Other Funds**

A transfer is when an asset (usually cash) is permanently moved from one fund to another. This requires executive board action.

A transfer does not affect the bottom line (surplus or deficit) of the council's annual operations, because it is a movement within the net asset category. Note the location of the transfer information on the statement, which is below the Inc (Dec) in Unrestricted Net Assets.

**Budgeting: The Key to Success**

The key to a meaningful Statement of Operations (Unrestricted) is building the most accurate budget possible. The budget is the council's road map to a successful financial year. Without this detailed road map, management is left with no direction to guide the council through the year.

Unlike for-profit corporations, not-for-profit corporations use an expense-driven budget. The idea is that the council determines the programs it will deliver by developing a strategic plan, the cost to deliver those programs (the expense side of the budget), and the needed funding sources to meet the expenses (the income side of the budget).

Once the annual budget is developed, it is necessary to break it into its monthly components. Some budget items, such as United Way allocations or salary expenses are best segregated into twelve equal monthly parts. However, other budget items, such as Friends of Scouting or conference and meeting expenses, require a spread that more closely mirrors their actual occurrence.

**Changing the Budget**

Unlike for-profits, which consider their budgets etched in stone, the budget for a not-for-profit should be considered an flexible tool. If it is truly a road map and the council makes a major deviation from the course, then it makes sense to incorporate some course corrections in the budget. For example, if the golf tournament is moved from April to June, adjust the budget to reflect this timing issue. If you receive a grant, not in the budget, to hire a new unit-serving executive, adjust the budget to reflect this deviation.

Once the council has established an accurate budget, the Statement of Operations (Unrestricted) can tell us how well we are actually doing compared to the budget. Compare each line's actual amount with the budgeted amount. If significant fluctuations are found in the comparison, determine the reason for the variance. Is it timing? Is it an accumulated affect? Is it a deviation from the road map?

If you have questions as to what makes up a particular line amount, the council can print a Detailed Statement of Operations (Unrestricted), and it will list each account included in the summary statement line.

**Financial Ratios  
Provide Insight**

Much like the financial ratio discussed in the Statement of Financial Position segment, there are meaningful ratios that can be determined by using the Statement of Operations (Unrestricted) or a combination of the two statements. The following chapter details some of these ratios.

# Financial Ratios

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## **Financial Ratios Provide Insight**

Although financial ratios can tell us a great deal about a council's financial health, they must be understood in the context of all the factors affecting a council. It is important to

- Know the ratios and the BSA standard and/or average.
- Understand what the ratios are telling us.
- Track them over time to become aware of factors that are affecting the council's performance.

The following pages provide information on financial ratios used by the BSA. Each ratio description tells what the ratio indicates, the BSA current national standard, as well as the actual average of all councils, and what it means if the ratio is too high or too low.

➤Note: In the equation section, SFP stands for Statement of Financial Position and SO stands for Statement of Operations.

The Ratio	Equation	National Standard	National Average	If Too High	If Too Low
<b>Liquidity Ratio</b>					
The ability to pay current on-demand obligations when they are due.	Liquid Assets (Cash and Short-Term Investments) minus on-demand liabilities (Accounts Payable, Accrued Expenses, Payroll Taxes Withheld, and Custodial Accounts) divided by on-demand liabilities.  SFP	.33	.37	If the ratio is too high, some will think that you can make better use of your available cash. Perhaps longer-term investing should be considered.	As the number decreases, there is a greater need to decide which vendors to pay each month. A figure less than zero means there are not enough short-term assets to convert short-term liabilities.
<b>Debt to Assets Ratio</b>					
This represents the extent to which council operations are financed by borrowed resources.	The short-term and long-term indebtedness divided by the total assets.  SFP	8 (no debt)	.09	The council may not be attracting enough support and may be paying excessive interest.	Normally a desirable situation. In special circumstances, it may represent lost opportunities.
<b>Excess Revenue to Total Expenses</b>					
Whether the council is living within its means and maximizing its program services	Increase or decrease in Unrestricted Net Assets divided by the total of expenses in fund 1.  SO	.05	.018	Council may look too rich and may not be maximizing its services.	Council may be in financial difficulty or not providing for reserve funds (especially if there are continuing deficits.)
<b>Investment Income to Total Income</b>					
Extent to which council funding is supported by the endowment	Investment Income divided by Total Income.  SO	.10	.053	Council may not be diversified enough in its funding sources or may be overlooking additional sources.	Council's endowment development may be insufficient to provide stability.

The Ratio	Equation	National Standard	National Average	If Too High	If Too Low
<b>Investment Yield</b>					
Effectiveness of investment management and degree of risk assumed	Investment Income divided by the amount invested SO	See note *	See note *	Organization may be assuming an unreasonable degree of risk.	Organization is not getting as much income as it should.
<b>Ratio of Program Expenses to Total Expenses</b>					
Extent to which resources directly benefit community	Total Program Expenses on the Statement of Functional Expenses divided by Total Expenses			Normally a desirable situation.	Overhead may be excessive. The Combined Federal Campaigns require .75 or higher.
<b>Ratio of Development Expenses to Contributions</b>					
Efficiency in raising money	Total Fundraising Expenses as found on the Statement of Functional Expenses divided by the total Indirect Support as found on the Statement of Operations			Fundraising methods may not be effective, costs may be excessive, or organization may be heavy into planned giving.	Normally a desirable situation, however, organization may not be as aggressive in seeking support as it could be.
<b>Inventory Turnover</b>					
Efficiency in keeping inventory down while maximizing profits	Year-end cost of goods sold divided by the year-end inventory	3		The council is in a very attractive position. Some councils are as high as 4 and 5.	Council is not making effective use of its inventory. The inventory is too high in comparison to sales.
* Would vary depending on the economy at the time. For a benchmark, use Standard and Poor's 500 Unmanaged Yield Ratio and/or Lehman Government/Corporate Bond Index.					

# Appendix A: Restricted Fund Report

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**Overview** This report is a management report designed to help council administration track the receipt and expenses of temporarily restricted funds. The report is based on cost centers that track a project or program that uses temporarily restricted funds.

The report is divided into two sections. The left-hand portion shows the resources at the beginning of the period being measured, any additional contributions, reclassifications that have occurred, and ending balances.

The right-hand section shows the unrestricted funds related to this cost center and what has happened.

The principle of this report is that resources that a donor contributed with restrictions are now unrestricted to the extent that money has been spent to fulfill that restriction. Therefore, the report shows total expenses and the amount of money “released” from restriction by reclassification transactions.

A major advantage of this report is its ability to track restricted funds, provide information for further reclassification, and show the current balance of each restricted amount designation by cost center.

# Restricted Fund Report

## Sample

Date:10/18/2000 Time:14:21:33

Take Any Council  
 Restricted Fund Report  
 For the period ending 8/31/2000

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Fund: Capital Fund

Description	-----Temporarily Restricted-----			-----Unrestricted-----		Expense
	Beginning Balance Current Year	Plus Current YTD Restricted Revenue	Minus Current YTD Reclass Revenue	Equals Current YTD Ending Balance	Current YTD Unrestricted Revenue	
034 Building Maintain-Council Cent						13,970.50
160 Wolf-Dinning Hall-F2 Campaign	7,550.00	600.00	7,550.00	600.00	7,550.00	
300 LINDBLAD-SALE OF NON CAMP PROP						19,349.83
309 Camp Lindblad	80.00			80.00		
310 Camp Berryessa	20,500.00			20,500.00		
311 Camp Herms	9,600.25			9,600.25		
316 Camp Silverado	36,125.00			36,125.00		
319 Camp Nejedly	6,387.80			6,387.80		
384 WOLFEBORO-NATURE LODGE	11,000.00			11,000.00		
Total for Cost Centers	91,243.05	600.00	7,550.00	84,293.05	7,550.00	33,320.33

-- End of report --

# Appendix B: Reclassification Analysis Report

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**Overview** This report is designed to communicate the effects of reclassification on the Statement of Operations. According to accounting rules, income can be counted only once.

When reclassification occurs, it must be reported on a separate line than the normal contribution line. Sometimes this can be confusing to the reader.

The reclassification analysis adds the reclassified contribution income to the existing contribution income so you can see the combined effect of both income sources.

# Reclassification Analysis Report

## Sample

Take Any Council  
 Reclassification Analysis Report  
 for the  
 Comparative Statement of Operations-Unrestricted  
 Thru Accounting Period 8 Ending 8/31/2000  
 Operating Fund #1

Page 0001

Part 1 - This report provides an analysis, by original, restricted contribution category, of the restricted net assets which have been reclassified as unrestricted and reported on the accompanying Statement of Operations - Unrestricted.

Description	-----Current Period -----			----- Year to Date -----			Current Yr. Budget
	Budget	Actual	Variance	Budget	Actual	Variance	
Reclassified Net Assets							
Direct Support							
Friends of Scouting				17,569	17,569		17,569
Project Sales							
Spec Events-Net of Direct Benefit Cost							
Legacies & Bequests							
Foundations & Trusts							
Other Direct Support							
Indirect Support							
United Ways							
Other Indirect							
Fees From Government Agencies							
Revenue							
Investment Income							
Gain (Loss) on Investment							
<b>Total Reclassified Net Assets</b>				<b>17,569</b>	<b>17,569</b>		<b>17,569</b>

Part 2 - This report provides a "combined net effect" analysis, by Contribution and Revenue types, of current and reclassified sources. This report is for informational purposes only.

Description	-----Current Period -----			----- Year to Date -----			Current Yr. Budget
	Budget	Actual	Variance	Budget	Actual	Variance	
Direct Support							
Friends of Scouting	11,201	16,650	5,449	714,232	676,333	-37,899	800,000
Project Sales							
Spec Events-Net of Direct Benefit Cost				25,000	25,945	945	150,000
Legacies & Bequests							
Foundations & Trusts					9,322	9,322	150,000
Other Direct Support							
Indirect Support							
United Ways	2,165	16,371	14,206	53,597	65,850	12,253	95,000
Other Indirect							
Fees From Government Agencies							
Revenue							
Investment Income		147	147	131,860	141,158	9,298	280,000
Gain (Loss) on Investment							

-- End of report --