

What You Need to Know about Financial Reports

Duane Shoen, CPA
Partner
Insero & Co., CPAs, LLP

Fiscal Responsibility

What can Board members do to meet their fiscal responsibility?

- Expect to see financial information on a timely basis
- Internal information usually received quicker than external information

Fiscal responsibilities of every board member:

- Conduct him/herself for the benefit of the organization, not for personal benefit
- Be aware of the financial status of the Library

Fiscal Responsibility

- Ask questions of the staff about the financial information BUT be careful not to overburden staff with unnecessary requests or unreasonable complications

Fiscal responsibilities of every board member:

Smaller libraries may require more direct involvement from the Board as there is less staff involvement, but the responsibility is the same.

Reviewing Financial Information

- Know the basis of accounting:

Accrual? (GAAP)

Cash?

In between? (modified cash)

Reviewing Financial Information

- Know the type of Library
 - Reported as government
 - Reported as non-profit

Financial Statements

Governmental presentation

- Fund presentation only shows current activity
 - Cash, receivables, investments, payables
- Government-wide presentation shows current and long-term activity
 - Includes capital assets, debt, pension and retiree health obligations
- Fund balance/net position

Management's Discussion & Analysis

- Required in governmental GAAP financial statements
- Narrative format (with charts and graphs) provides summary of financial information
- Does not provide detailed information

Financial Statements

Profit & Loss – Non-profit

- Internal reports focus on unrestricted (sometimes called operating) activities
- Growth in unrestricted net assets
- Change in temporarily restricted net assets

Profit and Loss – Government

- Fund presentation again shows only current activity
- Change in fund balance/net position

Financial Statements

Balance Sheet

- Lists assets, liabilities, and difference
 - Nonprofit presentation
 - Current Assets vs. Current Liabilities
 - Makeup of assets and liabilities
 - Unrestricted Net Assets
 - Temporarily/Permanently Restricted Net Assets

Financial Statements

Budgetary comparison information

- Generally presented in government report, sometimes (but not required) in nonprofit report
 - How detailed is the information given to you?
 - Are significant variances discussed?
 - Does the Board modify the budget, if needed?

Other Documents

- 990/990-EZ (non-profit only)
 - The 990 presents financial and non-financial information
 - The 990 asks how, or whether, the Board reviews the 990 before it is filed
 - The 990 also asks about Board policies (the 990-EZ doesn't have these same questions)
 - The Board or the appropriate committee should review the key parts of the 990

New Standards - Governments

- Government Accounting Standards Board (GASB) issues GAAP for governments
 - New standards on other post-employment benefits (OPEB), typically retiree healthcare
 - Recently issued new standards on pensions; those with employees in NYRERS should be getting information from them

Financial Indicators

- Audit, review, or compilation report
 - What type of report has been prepared, if any
 - Financial statements and notes should be included

Questions?

- If you need to contact me:
 - Duane Shoen, Partner
 - Insero & Co., CPAs, LLP
 - 401 East State Street, Suite 500
 - Ithaca, NY 14850
 - (607) 272-4444
 - Duane.shoen@inserocpa.com

New Standards - Nonprofits

- Financial Accounting Standards Board – an organization that issues GAAP
 - Issued final standard 8/18/16 with changes to NFP standards
 - Changes effective calendar year ending 2018, fiscal year ends 2019
 - Changes classification of net assets, reporting of expenses, and reporting of endowments