

# Understanding Nonprofit Financial Statements



Your nonprofit organization may benefit if you and other key personnel learn the fundamentals of financial statements. Here's a primer to help you interpret the numbers.

## **The basic financial reports of a nonprofit organization include:**

1. [Statement of Financial Position | aka: Balance Sheet](#)
2. [Statement of Financial Activities | aka: Income Statement, Profit and Loss](#)
3. [Statement of Financial Activities \(by Class\)](#)
4. [Statement of Cash Flow](#)

## **Details:**

### **Statement of Financial Position | aka: Balance Sheet**

Summarizes the assets, liabilities and net assets of the organization at a specified date. It's a snapshot of the organization's financial position on that date. The balance sheet shows; what you own, what you owe (loans and accounts due to others) and your equity or net assets.

The balance sheet lists assets and liabilities in order of liquidity (how quickly they can be turned into cash or will require cash). Net assets consist of the difference between what you own and what you owe, and are broken down into donor-restricted amounts. Donor restrictions can be either temporary or permanent.

### **Statement of Financial Activities | aka: Income Statement, Profit and Loss**

Reports the nonprofit organization's income and expenses for a specific period of time. The report reflects the changes to an organization's net assets resulting from income and expenses that occur during the current fiscal year. The results of the year's activities result in a change to the organization's net assets, thus the statement of financial activities and the statement of financial position reports are related.

### **Statement of Financial Activities (by Class)**

Reports all income and expenses as related either to program services or to supporting services, shown divided among the various programs. Expenses under "supporting services" are generally divided between (1) administrative/management and general expenses and (2) fundraising expenses.

### **Statement of Cash Flow**

Summarizes the resources that become available to the organization during the reporting period and the uses made of such resources. It's useful in real-time because it reports income that has been received and expenses that have been paid. A statement of projected cash flow is helpful for the board and organization to be able to anticipate any shortfalls for planning purposes.