

Friends (Friends) of the Bosque del Apache National Wildlife Refuge (Refuge)

Fiscal Year (FY) 2008 Report of Consolidated Financial Statements

[All highlighted terms are linked to a glossary at the end of this document.]

As a [501 \(3\)\(c\) non-profit organization](#), the Friends organization, uses the [accrual](#) accounting system following the generally accepted accounting procedures ([GAAP](#)) as recommended by the [Financial Accounting Standards Board](#) and other national organizations. The books are organized using the [fund accounting system](#). The Friends receives its [revenue](#) (income) from three major sources: (1) profits from the Nature Store managed for the Refuge; (2) membership funds; and (3) donations/grants. Essentially all [donation](#) or [grants](#) provide funds for specific projects, e.g. the Festival of the Cranes, or the study of rattlesnakes in the Refuge. These funds are called [restricted](#) funds since they can only be used for their designated purposes. Our [unrestricted](#) funds, mainly from the Nature Store and membership, are used to support the [operations](#) of the organization and a number of projects selected by the [Board of Directors](#). A single project can be supported by both restricted and unrestricted funds. A good example of such use is the Bus Scholarship fund. At each Festival of the Cranes, a raffle is held to raise money to support this project. All money raised in the raffle is restricted to be used to support Bus Scholarships only. In the years when the raffle money has not been enough to pay for all of the classes that seek scholarship support, the Board has allocated unrestricted funds to make up the difference.

Each year the Board, in the execution of its [fiduciary](#) responsibilities, establishes a [budget](#) for the [fiscal year](#) (ours runs from October through September). The [Profit & Loss \(P&L\) Statement](#) details the results for a particular fiscal year. It is important to remember that the P&L Statement is only the snapshot for one year, and it does not tell the full story. Often money collected in one budget year is not used until the following year---especially restricted funds. Such funds would show as a positive balance in the year received, but as a negative balance in the year used. That is why the Friends always has a [Cash Flow Report](#) (similar to a household check book balance) accompanying a P&L Report, so that the reader can get a clearer picture of the Friends financial health. The Cash Flow report is reconciled with the Friends bank accounts. The third key report is the [Balance Sheet](#) report, which provides a complete picture of [assets](#) and [liabilities](#) that extend beyond a single fiscal year.

In reading the following reports, be aware that all (red) numbers are negative numbers. Please note that the [cost of goods \(COGs\)](#) for merchandise sold in the Nature Store is a key expense that is reported separately and so is listed separately. The column entitled “[Board Reserved](#)” represents all of the unrestricted income and expenditures for project support. As can be seen from the reports, the Friends finished the year in a strong financial position. However, due to the downturn in the nation’s economy, the Friends are making every effort to cut expenses and to manage carefully the organization’s finances in anticipation of reduced revenue for FY 2009.

Profit & Lost Statement

| | <u>Unrestricted</u> | <u>Board Reserved</u> | <u>Donor Restricted</u> | <u>Total</u> |
|---------------------------|---------------------|---------------------------|-----------------------------|----------------|
| Total <u>Revenue</u> | 291,002 | 89,267 | 42,875 | 423,144 |
| Total <u>COGS</u> | 119,124 | - | - | 119,124 |
| Total <u>Expenses</u> | <u>194,387</u> | <u>207,218</u> | <u>24,496</u> | <u>426,101</u> |
| Total Ordinary Income | (22,509) | (117,951) | 18,379 | (54,906) |
| Total <u>Other Income</u> | <u>31,750</u> | <u>4,900</u> | <u>300</u> | <u>36,950</u> |
| <u>Net Income</u> /(Loss) | 9,241 | (113,051) | 18,679 | (85,131) |

Cash Flow Report

| | <u>Unrestricted</u> | <u>Board Reserved</u> | <u>Donor Restricted</u> | <u>Total</u> |
|--|---------------------|---------------------------|-----------------------------|---------------|
| Cash End of FY 2007 | 153,594 | (43,850) | 58,785 | 168,529 |
| YTD through Sept 2008 | 9,241 | (113,051) | 18,679 | (85,131) |
| Asset donated-noncash outlay | <u>66,771</u> | <u>-</u> | <u>-</u> | <u>66,771</u> |
| Transfers of monies out of Restricted to Unrestricted | <u>863</u> | <u>-</u> | <u>50,445</u> | <u>51,308</u> |
| Subtotal | 230,469 | (156,902) | 127,909 | 201,477 |
| Release of temporarily restricted cash | <u>60,707</u> | <u>-</u> | <u>(60,707)</u> | <u>-</u> |
| | 291,176 | (156,902) | 67,202 | 201,477 |
| Total Unrestricted | 134,275 | | | |
| Total Restricted | | <u>67,202</u> | | |
| Cash on Hand starting FY 2009 | 201,477 | | | |

Balance Sheet

| | |
|---------------------------------------|-----------------------|
| <u>Current Assets</u> | |
| Checking/Savings | 201,477 |
| <u>Accounts Receivable</u> | 5,181 |
| <u>Other Current Assets</u> | 181,258 |
| Total Current Assets | <u>387,916</u> |
| | |
| <u>Fixed Assets</u> | 38,547 |
| TOTAL ASSETS | <u><u>426,463</u></u> |
| | |
| LIABILITIES & EQUITY | |
| Liabilities | |
| <u>Current Liabilities</u> | |
| <u>Accounts Payable</u> | 17,183 |
| Credit Cards | 784 |
| <u>Other Current Liabilities</u> | 117,059 |
| Total Current Liabilities | <u>135,026</u> |
| | |
| Total Liabilities | 135,026 |
| | |
| <u>Equity</u> | 291,437 |
| TOTAL LIABILITIES & EQUITY | <u><u>426,463</u></u> |

Glossary

501(c)(3) Corporation

One of the most common types of nonprofit organization. Its name refers to the paragraph in the U.S. Government tax code. The Friends is a 501(c)(3) corporation and so it has a tax-exempt status, the ability to receive grants from foundations, and donors can take tax deductions for their gifts.

Accounts Payable

The amounts owed by the Friends to other organizations or vendors for services or products and that are pending payment.

Accounts (or Grants) Receivable

The amounts owed to the Friends from outside sources for services rendered (or money committed to the Friends through a grant, pledge or donation). Such accounts are treated as current assets on a balance sheet.

Accrual Basis Accounting

A method of accounting that calls for recording revenue in the period in which it is earned and recording expenses in the period in which they are incurred. The Friends uses accrual basis.

Balance Sheet

The only financial report that provides a complete listing of all assets, liabilities, and the net worth of the Friends organization. It is one of the key financial management tools used to compare one fiscal year to another.

Board

See **Board of Directors**

Board of Directors (Board)

The group of members of the Friends established under the organization's By-Laws, and chartered with responsibility for governance and supervision of the policies and affairs of the Friends, its committees, and its officers. See **Director**.

Board Reserved Funds

This column is unique to the Friends' Profit and Loss Statement. It displays the unrestricted funds budgeted or "reserved" to fund specific Board projects. The column's total is always negative, since most of the funds used is reported in the "Unrestricted" column. The main source of revenue in this column is from the Festival of the Cranes registration fees.

Budget

The detailed breakdown of estimated income and expenses by the different funds. It is the principle management tool used to project revenue and expenditures for the ensuing fiscal year. It is a living document, and the underlying estimates are reviewed and may be updated during the course of the budget year.

Capital Asset

An asset held for investment or for use in the Friends. An example would be an office computer.

Cash and Equivalents

All cash and securities that can readily be transferred into cash, and which are listed in the current assets section of financial statements.

Cash Flow

Net of cash receipts and cash disbursements relating to a particular activity (e.g. project or the Friends as a whole) during a specified accounting period.

Cost of Goods (COGs)

The expenses associated with buying items to sell in the Nature Store that include actual price paid and transportation costs.

Current Assets

Items that can be turned into cash or consumed; usually within one year. Examples include: cash, accounts receivable, short-term investments, inventories, and prepaid expenses. **See Cash and Equivalents**

Current Liabilities

Obligations that will usually be repaid within one year. Examples include: accounts payable, accrued salaries, and short-term debt principal payments due on long-term debt.

Director

A member of the Board of Directors of the Friends.

Donation

A voluntary charitable gift of money, goods, equipment, services, or property.

Equity

The remaining value once total liabilities are subtracted from total assets as it appears on the Balance Sheet Report. Equity is also called net worth.

Expense

The financial outlay for a particular fiscal period.

Fiduciary Responsibility

A legally binding trust relationship under which one party oversees another party's assets for the benefit of the other party. The Board has a fiduciary responsibility to the members and donors of the Friends.

Financial Accounting Standards Board (FASB)

The independent, private, non-governmental authority for the establishment of accounting principles in the United States.

Fiscal Year (FY)

A 12-month period for which an organization plans and accounts for the use of its funds. The Friends' FY runs from October 1st to September 30th of the following calendar year.

Fixed Assets

Land, buildings, equipment, and other tangible property owned by the organization. Normally, the majority of the Friends fixed assets are comprised of the Nature Store fixtures and office equipment.

Fund Accounting

A method of accounting that groups assets and liabilities by the purposes for which they are dedicated. In the Friends accounting system each project, program, or grant is tracked as a separate fund account.

General & Administrative (G&A) (also Management and Administrative)

The expenses for the general functioning of the Friends that are not directly related to fundraising or programs. They include those costs associated with meetings of the board of directors; legal services; accounting; liability insurance; office management; auditing; personnel; preparation, publication, and investment expenses not related to programs. Such expenses are often called operational expenses.

Generally Accepted Accounting Principles (GAAP)

Conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. The highest level principles are set by the Financial Accounting Standards Board.

Grant

An award of funds to the Friends to carry out a specific set of activities. Normally, the grant agreement restricts the use of its funds. **See Grant Agreement and Grantee Financial Report.**

Grant Agreement

A legally binding written understanding between the grantor and grantee specifying terms for a grant's expenditure and reporting. Foundations may include boilerplate language that restricts grantee activities, e.g., a prohibition on engaging in lobbying or other advocacy activities.

Grantee Financial Report (Donee Financial Report)

A report that details how grant funds was used by the Friends. Such a financial report generally includes a listing of all expenditures from the grant funds and may as well included the Friends' financial report covering revenue and expenses, assets and liabilities for the same time period.

Income Statement

A statement of the excess of revenues over expenses ($\text{Revenue} - \text{Expenses} = \text{Income}$.) Such a statement is also known as the Profit and Loss Statement, and shows all of the income and expenses for a given period of time.

Liabilities

A claim or obligation against the assets of the organization. Liabilities usually include such items as accounts payable, wages, taxes, accrued expenses and deferred revenues. **See Current Liabilities.**

Net Income/Loss

Excess or deficit of total revenues and gains compared with total expenses for an accounting period.

Other Current Assets

This is normally the line on the balance sheet that shows the value of non-cash assets due within one year. Other current assets include deferred value of registration for the Festival of the Cranes received in one fiscal year but not expensed until the festival actual takes place in the next fiscal year. The Nature Store inventory and the petty cash and change bank accounts make up the majority of this category.

Other Current Liabilities

A balance sheet entry used to group together current liabilities that are not assigned to common liabilities such as debt obligations or accounts payable. For the Friends these are mostly deferred revenue from grants and other sources.

Other Income

Term on an earnings report used to represent income from activities other than normal business operations, such as investment interest and profit from the sale of non-inventory assets. The Friends list the market value of donations-in-kind at this location.

Profit & Loss Statement (P&L)

See Income Statement

Restricted Funds

Organization funds the use of which is constrained by conditions usually specified when such funds are received. For example, donors to a nonprofit organization may designate or "restrict" the use of their donations to a particular purpose or project. An example is a gift that is to support a particular Friends' project such as the Bus Scholarship fund. The two types of restricted funds are:

- **Temporary restricted:** Donations that are expected to be used within 12 months
- **Permanently restricted:** Donations that are intended to not be used, but rather are intended to generate income.

Revenue

Monies received by the organization. Increases in Revenue are recorded as credits, and include all funds received by the Friends i.e. membership dues, donations, memorials, grants, and Nature Store sales.

Unrestricted Funds

Unrestricted funds are donations that are available for the nonprofit to use toward any purpose. Unrestricted funds usually go toward the operating expenses of the organization. The principle source for the Friends unrestricted funds is the revenue from the Nature Store and Membership contributions.