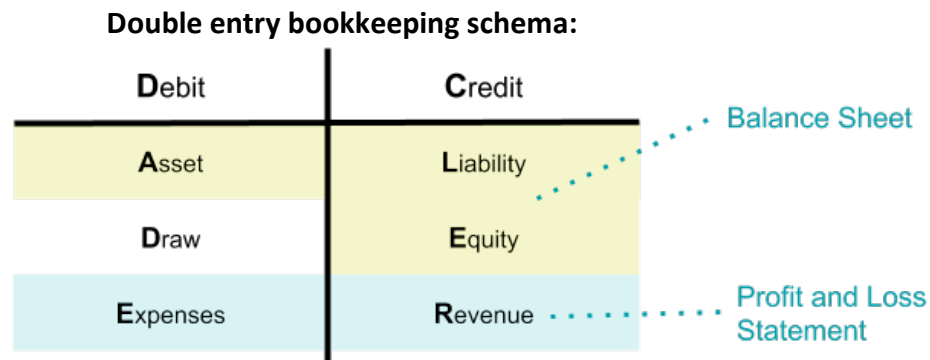


Treasurer's Notes Accompanying the 2022-04-30 Financial Reports

Sarah Miller, UUFSD Treasurer

I have prepared the following primer to explain how our accounting procedures have changed now that we do GAAP accounting for *all* of our Funds, not just the General Fund.

The basic financial reports for a nonprofit are called the *Statement of Activities* (equivalent to the business accounting Profit & Loss Statement) and the *Statement of Financial Position* (equivalent to the Balance Sheet). It's important to remember that the *Profit & Loss / Statement of Activities* only reports expenses and income (revenues) for a given year. The *Balance Sheet / Statement of Financial Position* reports assets, liabilities, and reserves (equity). We don't do draws, because we don't have owners or investors and so don't "draw" assets off the books to pay them.



To understand how we account for our Board-designated reserves and other Funds, it's important to understand how the P&L and BS "talk to each other." Revenues and expenses are recorded exclusively on the P&L. Assets, liabilities, and equity (reserves) are recorded exclusively on the BS. The one exception are the *Net Income* numbers, which are found on both.

At the bottom of every **Profit & Loss Statement** you will see:

NET ORDINARY INCOME, which = *Total Ordinary Income* – *Total Ordinary Expense* for the year, and
NET INCOME, which = *Net Ordinary Income* + *Net Other Income* for the year.

At the bottom of every **Balance Sheet**, you will see

NET INCOME, which is from the Profit & Loss as described above, and

UNRESTRICTED NET ASSETS, which is the accumulation of *Net Income* over the years.

(This is the number that was -\$40k at the end of FY17-18, after 4 years of deficit spending.)

Note that it is prudent to always leave *some* money in *Unrestricted Net Assets* as a cushion, or "float".

To put money *into* a Board-Designated reserve, you simply move it on the Balance Sheet from Unrestricted Net Assets to the reserve you're putting it in. Nothing happens on the P&L.

To take money *out* of a reserve and spend it is more complicated. On the Balance sheet you simply move the money from the reserve account back to *Unrestricted Net Assets*. On the P&L, in *Income*, you record it as *Assets Released from Restriction*, and in *Other Income* (aka "activity below the line"), you record the negative of that number. That way, you can record the use of the reserve in your expense accounts without messing with your *Net Ordinary Income* and *Net Income* numbers. See the simplified P&L on the next page.

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UUFSD SIMPLIFIED P&L CHART OF ACCOUNTS	EXPLANATIONS
Ordinary Income/Expense	Green headers indicate account categories new to UUFSD this year to support Fund Accounting
Income	
Assets Released From Restriction	How much of which reserve we used this year
Revenues	
Pledges	
Site Rental	
Fundraising	
Contributions	Contributions to General Fund Only
Contributions to Programs	<i>Programs</i> are budgeted for <i>and</i> receive donations <i>and</i> have carry-over funds. These include Fun&Fellowship, Music, Religious Education, and Social Action Programs
Contributions to Other Funds	<i>Other Funds</i> are donation-only and are TOTALLY SEPARATE from our GENERAL FUND: Endowment, Capital Campaign, Casas de Luz, DeBenneville, Library, Memorial Wall, etc.
Total Revenues	
Total Income	Total Income includes Total Revenues plus Assets Released from Restriction.
Expense	
Operations Expenses	Office, Finance, and Facilities
Denomination Expenses	UUA Dues
Committee Expenses	Committees: Board, Communications, Membership, Pastoral Care, Planned Giving, Right Relations, Stewardship, Worship Programs: Fun&Fellowship, Music, Religious Education, and Social Action
Program Expenses	Other Funds: Endowment, Capital Campaign, Casas de Luz, DeBenneville, Library, Memorial Wall, and Minister & Youth Discretionary Funds
Other Fund Expenses	
Payroll Expenses	
Other Approved Expenses	Expenses not originally budgeted for, e.g. Frank Willey, AV upgrades, etc.
Total Expense	
Net Ordinary Income	Equivalent to Total Income minus Total Expense.
Other Income/Expense	
Other Income	
Activity - released from restriction	This "Other Income" will always be the negative of Income: <i>Assets Released from Restriction</i>
Total Other Income	
Net Other Income	
Net Income	Equal to Net Ordinary Income + Net Other Income

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So far, in fiscal year 2021-2022, we have used the following reserves*:

AMOUNT	FROM	FOR
\$5,000.00	Capital Campaign Fund	AV Upgrades
\$4,300.00	Facilities Reserve	AV Upgrades - Donations collected in FY20-21 and spent in FY21-22
\$3,610.53	Facilities Reserve	AV-Upgrades - Board approved to cover remainder of needs
\$1,000.00	Facilities Reserve	AV Upgrades - Endowment Grant distributed directly to Facilities Reserve
\$2,767.38	DRE Discretionary Fund	DRE Discretionary expenses
\$1,863.30	Minister Signing Bonus	Rev Jo's Installation Costs
\$100.00	Music Fund	Hymnals - Endowment Grant distributed directly to Music Fund
\$700.00	Music Fund	To cover unbudgeted portion of Music Program expenses
\$5,510.05	Operations Reserve	Frank Willey Consulting Services
\$6,200.00	Operations Reserve	To cover unbudgeted portion of Copier Lease
\$1,000.00	Operations Reserve	CPA Consulting Services
\$32,051.26	TOTAL Reserves Used	

This affects the Balance Sheet by showing up as a large negative Net Income (about -\$37k). This is offset by having released \$32,051.26 from reserves into Unrestricted Net Assets, which now stands at about \$59k.

Combining Net Income with Unrestricted Net Assets, we get \$22k remaining in Unrestricted Net Assets. Our Board Designated Reserves stand at \$46k. Together, therefore, there is a total of \$68k in reserves the Board may allocate.