

How to Read Financial Reports

Financial Position

What the presbytery owns and owes at any moment in time. In the for profit world, this is called a “balance sheet.” In the nonprofit world it is called “financial position.” Sometimes it is referred to as “Net Worth,” since it is everything an organization owns, less what it owes.

Assets - The financial instruments that hold value: Bank accounts, investments, real estate, etc.

Liabilities - what we owe but have not yet paid.

Equity/Net Assets - What the Assets (above) can be used for.

Assets = Liabilities + Net Assets (which is why this is called a “balance sheet” in for profit accounting)

Net Assets are always one of three categories:

Unrestricted/Undesignated - Basic savings. Current funds in the category have come from the savings of the three predecessor presbyteries, and the synod as it reduced its function.

Designated - Funds that the Presbytery or the Board have set aside for a specific purpose. The body that designates can always remove it in the future. Example: The presbytery sold property several years ago at a large profit, and designated the proceeds to be used for making Community Blessing Grants. That designation was removed during Covid.

Restricted - Funds that can be used only as restricted by the donor(s) who have given to the Presbytery Foundation, the earnings are thus restricted. These restrictions appear next to the fund name (if not apparent) under “Donor Restricted Funds.” Funds from other sources may be restricted; e.g. funds received from Presbyterian Disaster Assistance can only be used for that purpose. Donations to the presbytery on behalf of Campbell Farm, Tall Timber and other partners are all Restricted.

Endowment - Funds given to and held by the Presbyterian Foundation. The presbytery receives the earnings, but cannot use or touch the principle.

Financial Activity

This is how the presbytery manages its income and expenses. In the nonprofit world, this is “financial activity.” In the “for profit world” it is an “income statement” or “Profit and Loss.” Our accounting system uses only for-profit terms, so both kinds of titles may appear.

We manage our **Income** by tracking Unrestricted and Restricted Income:

“Unrestricted” is used primarily for operations; per capita, fees, interest, rent.

“Restricted” is primarily grants or donations to mission and must be used according to the source’s wishes. **Mission** donations are passed-through directly to the indicated entity. **Grants** are usually from the PCUSA or a foundation for a specific purpose.

We manage our **Expenses** according to the Ministry Plan approved by the presbytery.

Mission expenses are donations from the churches that are sent to the ministry indicated by the donor.

Operational Expenses, i.e. staff, meetings, office, etc., are traditionally funded from per capita. Sometimes specific operations fit in a restriction placed on a donation (e.g. a donor gives a gift to be used in Alaska; so it might be used to help fund the Alaska Coordinator’s salary).

The Bottom Line – The amount of net income or loss during period increases or decreases the total amount of owned assets. Therefore, the amount of net income/loss always also appears as the last item of the Statement of Financial Position/Balance Sheet.