Overview of the Statement of Activities for Health Center Boards

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Statement of Activities

This module will explore areas to watch and suggested questions to ask on a Statement of Activities

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Statement of Activities

AKA "Income Statement"

- Focuses on the entity as a whole
- Amounts reported for a specific date range, such as a month or year
- Provides information about the entity's changes in net assets

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Statement of Activities

Components

- Revenues — Inflows; enhance entity, settle liabilities, or both
- Expenses — Outflows; use of assets, incurring liabilities, or both
- Gains and Losses — Increases or decreases from incidental or peripheral transactions
- Reclassification of Net Assets
  - Usually the result of complying with a donor-imposed stipulation or the lapse of time
  - Reconciles prior year to current year Net Asset balances

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Statement of Activities

List revenues and expenses for the entire entity

Totals required include

- Changes in net assets with donor restrictions
- Change in net assets without donor restrictions
- Total change in net assets

Typically includes

- Monthly totals for current month and same month in prior year, or budget
- Year-to-date totals for current and prior period, or budget

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Statement of Activities

Current year change in net assets
+
Net Asset reconciliation

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue			
Grant revenue	$ 1,840,000		$ 1,840,000
Program revenue	21,000		21,000
Membership dues	484,000		484,000
Fee for service	153,000		153,000
Donations	2,000	50,000	52,000
Interest income	2,000		2,000
Net assets released from restrictions	27,000	(27,000)	0
Total support and revenue	2,529,000	23,000	2,552,000
Expenses			
Salaries and fringe benefits	1,585,000		1,585,000
Professional services	288,000		288,000
Contractual services	50,000		50,000
Conferences and workshops	32,000		32,000
Communications	31,000		31,000
Supplies	36,000		36,000
Insurance	28,000		28,000
Staff development	27,000		27,000
Travel and conferences	112,000		112,000
Occupancy	117,000		117,000
Other	44,000		44,000
Depreciation	17,000		17,000
Total operating expenses	2,367,000	0	2,367,000
Change in net assets	162,000	23,000	185,000
Net assets, beginning of year	755,000	0	755,000
Net asset, end of year	$ 917,000	$ 23,000	$ 940,000

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Statement of Activities

Unusual or infrequent events or transactions are to be separately reported

Examples

- Catastrophic events or natural disasters
- Write-offs or write-downs of assets
- Gains or losses
- Discontinued programs

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Statement of Activities

What about individual programs and services?

Evaluate revenue and expenses for each major program or service

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Statement of Activities

Areas to watch and suggested questions to ask

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Areas to watch, questions to ask

Savings Indicator Ratio

Measures the amount of net asset increase (net revenue) to be used for savings or reserves.

Change in net assets without donor restriction / total expenses

What is the goal?

$162,000 / $2,367,000 = 6.8%

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Areas to watch, questions to ask

Contributions & Grants Ratio

Measures the amount of revenue from these sources

Contributions + grant revenue / total revenue

What is the goal?

$1,892,000 / $2,552,000 = 74%

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Areas to watch, questions to ask

Program Service Expense Ratio

Measures the resources used to further the entity's mission

Program expenses / total expenses

What is the goal?

$1,951,000 / $2,367,000 = 82.4%

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Areas to watch, questions to ask

Management & General Expense Ratio

Measures the resources used to support management and general costs

Management and general expenses / total expenses

What is the goal?

$298,000 / $2,367,000 = 12.5%

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Areas to watch, questions to ask

Fundraising Expense Ratio

Measures the resources used to generate funds and donations

Fundraising expenses / total expenses

What is the goal?

$112,000 / $2,367,000 = 5.1%

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Areas to watch, questions to ask

Fundraising Efficiency Ratio

Measures the entity's cost to raise $1 in contributions or donations

What is the goal?

Contributions revenue / fundraising expenses
$52,000 / $112,000 = $.46

or

Unrestricted contributions / fundraising expenses
$2,000 / $112,000 = $.02

or

(From a different perspective)
$112,000 / $2,000 = $56

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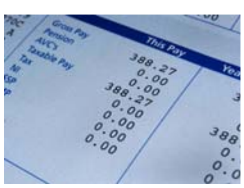
Areas to watch, questions to ask

Expense Category Ratio

Measures the amount of total expenses used for specific expense types

What is the goal?



(Example)

Salaries / total expenses
$1,585,000 / $2,367,000 = 67%

or

Program salaries / Total program expenses
$205,000 / $585,000 = 35%

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Questions to ask / discuss

- How volatile are the income sources?
- Are there any trends in the sources of revenue that may impact future revenue?
- Are the major expenses in line with expectations or budget?
- Are our expenditures appropriate?
- Were any net assets released from restriction?

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Questions to ask / discuss

Evaluate each program or services' performance to determine:

- Is it furthering the entity's mission?
- Does it receive enough funding from contributions, grants, and program revenue to support it and pay its expenses?
- Is it paying its fair share of entity-wide costs (overhead)?
- Did it require the use of accumulated unrestricted funds to cover a deficit (loss)?

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Questions to ask / discuss

- Are we able to provide high-quality services, while reducing costs overall?
- Do the expenses align with our purpose?
- Are programs strategic to the entity's goals?
- Do we have any concerns?

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