

**SAMPLE – For instructional purposes only**

NONPROFIT ORG, INC.

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

JUNE 30, 20XX

NONPROFIT ORG, INC.

JUNE 30, 20XX

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Independent Auditor's Report: Critical Questions

- Was the audit opinion unqualified?
- How many months after the close of the fiscal year is the letter dated?

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Nonprofit Org, Inc.  
Anytown, USA

We have audited the accompanying statement of financial position of Nonprofit Org, Inc. (a not-for-profit organization) as of June 30, 200X, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of NONPROFIT ORG, INC.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nonprofit Org, Inc. as of June 30, 20XX, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

September 15, 20XX

The letter is dated 2.5 months after the close of the fiscal year.

Opinion is "unqualified."

Alternatives:

- Qualified: one or more material problem
- Adverse: does not conform to GAAP
- Disclaimer of opinion: auditors were unable to apply auditing standards

NONPROFIT ORG, INC.

**STATEMENT OF FINANCIAL POSITION**

JUNE 30, 20XX

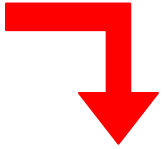
- Captures the cumulative net worth of an organization since inception
- Shows what the organization owns, what it owes, and the difference, or “net asset” position as of the statement date
- Also referred to as the balance sheet

ASSETS

Assets:

Current assets: assets that are, will, or could be cash within the next 12 months

|   |                         |
|---|-------------------------|
| Cash  | \$274,139               |
| Pledges and contracts receivable                                  | 200,000                 |
| Prepaid expenses  | <u>17,000</u>           |
| Property and equipment, less accumulated depreciation of \$27,505 | 39,393                  |
| Other Assets - security deposit                                   | <u>12,000</u>           |
| <b>Total Assets</b>   | <b><u>\$542,532</u></b> |



See Statement of Cash Flows

LIABILITIES AND NET ASSETS

Current liabilities: obligations due within one year

|                                       |                       |
|---------------------------------------|-----------------------|
| Liabilities:                          |                       |
| Accounts payable and accrued expenses | \$ 179,578            |
| Advances                              | <u>72,544</u>         |
| <b>Total Liabilities</b>              | <b><u>252,122</u></b> |

Resources available for future use of organization

|                         |                       |
|-------------------------|-----------------------|
| Net Assets:             |                       |
| Unrestricted            | (38,427)              |
| Temporarily restricted  | <u>328,837</u>        |
| <b>Total Net Assets</b> | <b><u>290,410</u></b> |

Can be held in reserve or spent as the organization sees fit. Includes fixed assets

Must be spent on specific activities and/or in a particular time period, as stipulated by the donor



See Statement of Activities

**Total Liabilities and Net Assets**

**\$542,532**

The accompanying notes are an integral part of these financial statements.

NONPROFIT ORG, INC.

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 20XX

- Shows organization's financial performance for the fiscal year
- Also referred to as the income statement or profit-and-loss ("p&l") statement

|  | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u>     |   |
|--|---------------------|-------------------------------|------------------|---|
| Revenue and support:                     |                     |                               |                  |   |
| Government contracts                     | \$ 692,998          | --                            | \$ 692,998       |   |
| Grants and contributions, non-government | 188,760             | 559,100                       | 747,860          |   |
| Fundraising event                        | --                  | 11,100                        | 11,100           |   |
| Satisfaction of program restrictions     | 333,930             | (333,930)                     | --               | Released from restrictions  |
| Interest income                          | 3,915               | --                            | 3,915            |   |
| <b>Total revenue and support</b>         | <b>1,219,603</b>    | <b>236,270</b>                | <b>1,455,873</b> |   |
| Expenses:                                |                     |                               |                  |   |
| Program A                                | 357,953             | --                            | 357,953          |   |
| Program B                                | 118,378             | --                            | 118,378          |   |
| Program C                                | 381,238             | --                            | 381,238          |   |
| Program D                                | 229,861             | --                            | 229,861          |   |
| <b>Total program expenses</b>            | <b>1,087,430</b>    |                               | <b>1,087,430</b> |   |
| <u>Supporting Services</u>               |                     |                               |                  |   |
| Administrative and general               | 118,058             | --                            | 118,058          |   |
| Fundraising                              | 166,959             | --                            | 166,959          | Matches the amount on the Statement of Financial Position                                 |
| <b>Total expenses</b>                    | <b>1,372,447</b>    | <b>--</b>                     | <b>1,372,447</b> |   |
| Change in net assets                     | (152,844)           | 236,270                       | 83,426           | Operating results   |
| Net assets - beginning of year           | 114,417             | 92,567                        | 206,984          |   |
| Net assets - end of year                 | \$ (38,427)         | \$ 328,837                    | \$ 290,410       | Reserve balance; Temporarily restricted net asset balance going into the next fiscal year |

The accompanying notes are an integral part of these financial statements.

NONPROFIT ORG, INC.  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
 FOR THE YEAR ENDED JUNE 30, 20XX

- Required for voluntary health and welfare organization
- Reports expenses by function (program, administration, fundraising) and nature (salaries, rent, etc.)

|                                     | Program Services |                  |                  |                  |                    | Supporting Services    |                  | Largest expense Category |
|-------------------------------------|------------------|------------------|------------------|------------------|--------------------|------------------------|------------------|--------------------------|
|                                     | Program A        | Program B        | Program C        | Program D        | Program Expenses   | Management and General | Fundraising      | Total                    |
| Salaries                            | \$168,189        | \$ 67,710        | \$247,474        | \$129,323        | \$612,696          | \$ 74,120              | \$ 75,697        | \$ 762,513               |
| Payroll taxes and Employee benefits | 34,037           | 13,703           | 49,962           | 26,120           | 123,822            | 15,228                 | 15,263           | 154,313                  |
| Rent                                | 97,288           | 8,215            | 24,436           | 13,271           | 143,210            | 7,162                  | 6,530            | 156,902                  |
| Utilities                           | 2,935            | 1,180            | 3,509            | 1,906            | 9,530              | 1,029                  | 938              | 11,497                   |
| Office cleaning                     | 1,797            | 723              | 2,149            | 1,167            | 5,836              | 630                    | 574              | 7,040                    |
| Consultants                         | 6,989            | 3,237            | 8,668            | 7,440            | 26,334             | 1,887                  | 46,987           | 75,208                   |
| Accountants                         | 4,850            | 1,950            | 5,800            | 3,150            | 15,750             | 1,700                  | 1,550            | 19,000                   |
| Office expense                      | 6,123            | 2,462            | 7,248            | 3,945            | 19,778             | 2,122                  | 1,921            | 23,821                   |
| Supplies                            | 7,907            | 2,500            | 3,355            | 2,514            | 16,276             | -                      | -                | 16,276                   |
| Telephone                           | 7,591            | 3,052            | 9,078            | 4,930            | 24,651             | 2,661                  | 2,426            | 29,738                   |
| Postage and messengers              | 1,500            | 750              | 600              | 1,584            | 4,434              | 1,784                  | 4,000            | 10,218                   |
| Photocopying                        | 135              | 145              | 80               | 2,565            | 2,925              | 390                    | -                | 3,315                    |
| Equipment leasing                   | 3,535            | 1,421            | 4,227            | 2,296            | 11,479             | 1,239                  | 1,130            | 13,848                   |
| Insurance                           | 2,848            | 1,145            | 3,406            | 1,849            | 9,248              | 998                    | 910              | 11,156                   |
| Local transportation                | 667              | 268              | 798              | 434              | 2,167              | 234                    | 213              | 2,614                    |
| Meals and entertainment             | 1,798            | 723              | 1,371            | 125              | 4,017              | 1,000                  | 2,026            | 7,043                    |
| Seminars and training               | 500              | 250              | 750              | 2,500            | 4,000              | 3,698                  | 1,000            | 8,698                    |
| Fees                                | 560              | 3,247            | 1,003            | -                | 4,810              | 219                    | -                | 5,029                    |
| Data processing                     | 496              | 199              | 593              | 322              | 1,610              | 174                    | 158              | 1,942                    |
| Dues and subscriptions              | 385              | 532              | 130              | 683              | 1,730              | 375                    | 185              | 2,290                    |
| Advertising, promotion, website     | 5,017            | 3,838            | 3,245            | 5,979            | 18,079             | 432                    | 393              | 18,904                   |
| Depreciation                        | 2,284            | 918              | 2,731            | 1,483            | 7,416              | 800                    | 730              | 8,946                    |
| Miscellaneous                       | 522              | 210              | 625              | 16,275           | 17,632             | 176                    | 4,328            | 22,136                   |
| <b>Total expenses</b>               | <b>\$357,953</b> | <b>\$118,378</b> | <b>\$381,238</b> | <b>\$229,861</b> | <b>\$1,087,430</b> | <b>\$118,058</b>       | <b>\$166,959</b> | <b>\$1,372,447</b>       |

Largest program

Matches amounts on Statement of Activities

NONPROFIT ORG, INC.

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 20XX

- Shows how cash was obtained and spent
- Reports on cash involved in operations, investing, and financing

|  |                  |
|--|------------------|
| Cash Flows From Operating Activities:  |                  |
| Change in net assets   | \$83,426         |
| Adjustments to reconcile change in net assets to net cash provided in operating activities |                  |
| Depreciation   | 8,946            |
| Increase in pledges receivable   | (50,019)         |
| Increase in prepaid expenses   | (3,932)          |
| Increase in security deposits  | (255)            |
| Increase in accounts payable and accrued expenses  | 120,127          |
| Decrease in advances   | <u>(6,304)</u>   |
| Net cash provided by operating activities  | <u>151,989</u>   |
| Cash Flows From Investing Activities:  |                  |
| Capital expenditures   | <u>(9,573)</u>   |
| Net cash used in investing activities  | <u>(9,573)</u>   |
| Net increase in cash   | 142,416          |
| Cash - beginning of year   | <u>131,723</u>   |
| Cash - end of year   | <u>\$274,139</u> |

Matches cash amount on  
**Statement of Financial  
Position**

The accompanying notes are an integral part of these financial statements.

Financial Statement Notes: Important Questions

- How depreciated are the organization's fixed assets?
- Are there any balloon debt payments due in the near future?
- Are any important leases set to expire in the next two years?

NONPROFIT ORG, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 200X

Includes a description of the organization and information about accounting policies, fixed assets and debt, temporarily and permanently restricted net assets, related party transactions, commitments and contingencies, and subsequent events

Note #1 – Organization

Organization and Tax Status:

NONPROFIT ORG, INC. (the Organization) is a not-for-profit corporation organized under the laws of the State of New York. The Organization is exempt from Federal income tax purpose under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Financial Statement Presentation:

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The classification of an organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These three classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.



Significant Accounting Policies:

Pledges Receivable

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on historical experience and management's analysis of the current status of amounts receivable. No allowance for doubtful accounts has been made in the accompanying financial statements since all receivables were considered collectible.

Support and Revenue

The Organization receives its support primarily from government and non-government grants and contracts.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note #2 – Property and Equipment:

Expenditures for property and equipment are capitalized where title rests with the Organization, regardless of the funding source. Where title does not vest with the Organization, these expenditures are expensed.

Property and equipment are being depreciated using the straight-line method based on their estimated useful lives.

Property and equipment, as of June 30, 20XX, consisted of the following:

|                                |                 |            |
|--------------------------------|-----------------|------------|
| Equipment                      | \$59,999        | 5-10 Years |
| Furniture and fixtures         | <u>6,899</u>    | 5-10 Years |
|                                | 66,898          |            |
| Less: accumulated depreciation | <u>(27,505)</u> |            |
|                                | <u>\$39,393</u> |            |

Depreciation expense was \$8,946 for the year ended June 30, 20XX.

This organization's fixed assets are 41% depreciated. (27,505 / 66,898).

Note #3 – Summary of Grants/Contracts Funding:

NONPROFIT ORG, INC. was primarily funded through the following government grants and contracts for the period July 1, 20XX to June 30, 20XX:

| <u>Funding Source</u>             | <u>Recognized Revenue</u> |   |
|-----------------------------------|---------------------------|---|
| Department of Health - State      | \$258,746                 | } |
| Department of Health - City       | 89,553                    |   |
| Department of Children's Services | <u>344,669</u>            |   |
| Total Grants and Contracts        | <u>\$692,998</u>          |   |

Delineates organization's major funding sources

The disbursements received from government agencies are subject to audit by those agencies.

Note #4 – Commitments and Contingencies:

Lease Commitments and Rental Expense:

The Organization is obligated under noncancellable operating leases for office space and for various equipment.

As of June 30, 20XX, future minimum lease commitments under noncancellable operating leases are as follows:

|                      |    |                    |   |
|----------------------|----|--------------------|---|
| Years ended June 30, |    |                    | } |
| 20XX+1               | \$ | 250,000            |   |
| 20XX+2               |    | 238,557            |   |
| 20XX+3               |    | 246,911            |   |
| 20XX+4               |    | 250,000            |   |
| 20XX+5               |    | 265,538            |   |
| Thereafter           |    | <u>1,486,444</u>   |   |
|                      |    | <u>\$2,737,450</u> |   |

Describes financial obligations in future years of a lease

Rent expense under operating leases for the year ended June 30, 20XX was \$156,902.