How to Read Your Financial Statements

Presented by
San Francisco State University
Auxiliary Business Services
Components

• The Cover Letter

• Fiscal Year definition

• Statement of Activity and Changes in Net Assets (The Income Statement)
The Cover Letter

• Normal
  • Identifies accounting period
  • Provides contact information

• Exceptional
  • The 2nd paragraph will mention any irregular conditions or constraints.
Fiscal Year

July 1 ~ June 30

• The fiscal year runs from July 1 to June 30.

• Personal income tax periods (payroll) are from January 1 to December 31.
Income Statement

• **Columns:**
  - Budget
  - Open Commitments
  - YTD Actuals
  - Balance Available
  - Percent of Usage
Budget Column

Includes:

• Original Budget &

• Revised Budget after adjustments
  ▪ Inter-account transfers
  ▪ Mid-Year adjustments
  ▪ Distributions to Organizations & Graduations
YTD Actuals

• What has already been spent

• Year-to-Date (YTD)
  - cumulative activity from the beginning of the fiscal year to the present period.
Open Commitments

- **Purchase Orders (PO’s) and Contracts**
  - are instruments that commit portions of the budget for select purposes.
  - The “open” portion of a PO or Contract is what hasn’t been spent yet.

- **Reasons for open balances:**
  - some PO’s & Contracts are encumbered (or committed) for the entire year and expended slowly over time
  - Timing - invoice(s) not received yet
Balance Available

Formula: + Revised Budget
- (YTD Actual & Open Commitments)

- Amount of latest revised budget that hasn’t been spent or earned
  - positive number equals balance available to spend
  - negative number equals amount overdrawn (spent in excess of budget)
Percent of Usage

- Percent of the latest revised budget that’s been used or earned

- Typical exceptions
  - PO or Contract was written for all or majority of year
  - timing: spending is seasonal and not evenly paced throughout the year
  - budget was inaccurate
Program Subtotals

- **Revenue** “credit” (negative number)
- **Personnel Costs** “debit” (positive number)
- **Operating Expense** “debit”
- **Net Contribution** “credit”
  - Revenue exceeds sum of Personnel & Operating Expense
- **Net Subsidy** “debit”
  - Sum of Personnel & Operating exceeds Revenue
Consolidated
General Fund only

• Budget % to Date
• Revenue
  ▪ Student Fees
  ▪ Program Revenue
  ▪ Net Assets Released
    (from Temporarily Restricted Fund to General Fund)
• Expenses
  ▪ Personnel
  ▪ Operating Expenses
  ▪ Capital Equipment
• Net Surplus/Deficit
Consolidated

*General Fund only*

- Transfers to/from
  - Reserves
    - Contingency
      maintained at 10% of annual Operating Expenses
    - Debt Service
      maintained to secure debt repayment
  - Building Fund
 Consolidated

Budget % to Date

• This percentage represents the portion of the fiscal year that has transpired.
  ▪ For example, December is the 6th month of the fiscal year. It is half way through the fiscal year. The budget percentage to date is 50%.
  ▪ This provides a useful reference for the “% of Usage” in the program statements - especially when spending is fairly regular throughout the year (as in salaries).
ASI Allowances

unallocated portions of budget

• This shows how much is still available for distribution in the following areas:
  ▪ Operating
  ▪ Personnel
  ▪ Organizations
  ▪ Graduations
Delivery Schedule

• The statements are distributed to the Management and Board via email in PDF format. A hard copy is sent to the Executive Director.

• They are sent out around mid-month following the reporting month.
The End

Thank you!