



Interpreting FGT's Financial Statements

FGT Board members have a wide variety of financial literacy particularly regarding nonprofit organizations. This document provides basic orientation to our financial statements and organization to help the financial reports included in agenda packets make more sense to you. We do not expect you to have or develop accounting expertise here but we also value our Board members having a real understanding of our finances so they can be effective stewards. If you have any questions about this document or our financial statements at any time, please feel free to [contact the Executive Director](#).

Financial Reports: Four financial reports accompany Board agendas. Most of them are reported as “year to date” (YTD). Additionally, the Executive Committee receives copies of the bank statements each month (the Board may change policies and direct bank statements to be sent out with all Board agenda packets).

Transaction List: This is the only one of the four reports that is not reported in a year-to-date format. This document shows all financial transactions *that staff have entered in our accounting system* (Quickbooks) during a given period — usually over a month. In combination with the bank statement (with which it should exactly agree), it provides our Officers with greater assurance that staff have made no errors nor are committing any malfeasance (e.g., keeping two sets of books and misappropriating funds). Non-officer Board members are welcome to request bank account statement at any time.

Profit & Loss: Also known as a “P&L” or “Income Statement”, this document tells you if there has been a net increase or decrease of money in the organization. Without the context of other financial statements, this is of limited use. A P&L is like a report of how much altitude a plane has gained or lost over a given period; without knowing how much altitude the plane had to begin with, it is not possible to tell if this is problematic or not. Also, a P&L doesn't communicate whether the organization is meeting its goals of following its mission-driven strategic plan or resulting work plan. It just tells you about net money movement. A monthly loss might be fine if there are sufficient funds for future operations. A monthly gain might occur because there are no staff to carry out the organization's mission. In short, context is everything. FGT will likely have a mix of net positive and negative months as its goal is not to amass profit, but to do good works and maintain sufficient funds to carry out its mission in a sustainable fashion. We tend to plan for a very slight gain in funds each year during budgeting — though that can change depending on Board direction or in response to special circumstances throughout the year.

Balance Sheet: This statement largely communicates what the organization's assets are and "who owns it". An organization might have \$10,000 in cash but also an outstanding loan of \$5,000. A balance sheet would reflect that by listing the cash assets in the top of the document, and in the bottom part both the \$5,000 liability of the loan as well as \$5,000 in equity of some sort held by the organization. Balance sheets can be organized in different ways but should always have one thing in common — that the amounts listed in each section (Assets in the upper portion, and in Liabilities & Equity in the lower) have the same total — i.e., they are "in balance".

FGT maintains both a savings and checking account at Sound Credit Union. Additionally, we have an account at the Greater Tacoma Community Foundation (GTCF). You will see these very liquid assets and their respective balances under "Current Assets" in the upper part of the Balance Sheet. FGT's liabilities are mostly limited to funds we are holding onto for the Active Transportation Community of Interest (ATCOI) a coalition we have been part of for many years. These funds are included in our checking account balance (upper section of balance sheet), but they are not truly ours alone. This could be represented in different ways in terms of accounting, but it was easiest to label them a Current Liability (lower section of balance sheet) against which any payments to ATCOI partners for the permitted uses of this fund can be entered.

When FGT collects donations for trail projects through our Trail Accelerator Program, you will see a liability appear for each such project/fundraiser that we hold for as long as the funds raised remain in our possession. Of course, to stay in balance, an asset account will increase by the same amount. Once a fundraiser is concluded and the jurisdiction invoices us for payment, we will write a check which, once cleared, will reduce both our checking balance and the corresponding liability.

In larger and more complex organizations, balance sheets are more complicated. Assets and liabilities can be characterized by whether they are current or long-term in nature. Grouping things this way helps administrators/managers understand what they are responsible and when as well as how liquid assets are to address all liabilities, especially short-term ones. Search "Current Ratio" and "Quick Ratio" online for more information about simple analyses you can do using an organization's balance sheet.

Budget vs. Actual: We track our actual spending and income compared to the adopted budget both in terms of dollars as well as percentages. Since the budget is for an entire year while our actual spending and income is cumulative, the Budget vs. Actual document starts with actual figures diverging greatly from our budgeted amounts. Over the year should converge to a significant degree. If we end the year with significant differences in budgeted and actual amounts, particularly in terms of dollar amounts, they should be analyzed and help inform the preparation of the following year's budget. As always, context is important — event costs and revenues dropped during the pandemic because we could not hold in-person conference. Thus, the Budget vs. Actual statement in at the end of 2020 and 2021 had discrepancies in those budget lines.