

**THE ABC NONPROFIT, INC.**

***SAMPLE* Financial Statements**

*For the Year Ended June 30, 2002*

*(With Summarized Financial Information for the Year Ended June 30, 2001)*



**and  
Report Thereon**



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The ABC Nonprofit, Inc.

We have audited the accompanying statement of financial position of The ABC Nonprofit, Inc. (ABC) as of June 30, 2002, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of ABC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from ABC's 2001 financial statements and, in our report dated October 11, 2001, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 ABC as of June 30, 2002 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***SAMPLE***

Raffa & Associates, P.C.

Washington, DC  
September 28, 2002

**THE ABC NONPROFIT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**

June 30, 2002

(With Summarized Financial Information as of June 30, 2001)

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 863,100	\$ 181,400
Accounts receivable	50,900	62,100
Grants receivable	132,000	468,500
Pledges receivable	208,100	536,800
Charitable trust receivable	360,700	360,700
Inventory	<u>100,600</u>	<u>53,600</u>
Total Current Assets	1,715,400	1,663,100
Other Assets		
Net property and equipment	10,753,600	11,154,100
Investments	1,568,300	1,642,700
Deposits	<u>20,800</u>	<u>15,200</u>
TOTAL ASSETS	<u>\$ 14,058,100</u>	<u>\$ 14,475,100</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 307,200	\$ 665,000
Prepaid camp registration fees	141,600	175,100
Current portion of notes payable	<u>428,200</u>	<u>299,000</u>
Total Current Liabilities	877,000	1,139,100
Long-term Liabilities		
Notes payable	<u>984,600</u>	<u>600,000</u>
TOTAL LIABILITIES	<u>1,861,600</u>	<u>1,739,100</u>
Net Assets		
Unrestricted		
Undesignated	9,407,100	9,047,800
Internally designated	<u>1,000,000</u>	<u>1,000,000</u>
Total Unrestricted	10,407,100	10,047,800
Temporarily restricted	86,000	1,014,800
Permanently restricted	<u>1,703,400</u>	<u>1,673,400</u>
TOTAL NET ASSETS	<u>12,196,500</u>	<u>12,736,000</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,058,100</u>	<u>\$ 14,475,100</u>

***SAMPLE FINANCIAL STATEMENT***

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

**THE ABC NONPROFIT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2002  
(With Summarized Financial Information as of June 30, 2001)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2002 Total</u>	<u>2001 Total</u>
<b>REVENUE AND SUPPORT</b>					
Contributions	\$ 1,466,500	\$ 242,000	\$ 30,000	\$ 1,738,500	\$ 1,826,400
Programs	1,163,000	-	-	1,163,000	1,341,200
Membership dues	1,017,500	-	-	1,017,500	1,086,900
Grants	133,600	56,500	-	190,100	296,000
Rent	153,500	-	-	153,500	115,700
Other	58,300	-	-	58,300	61,700
Gift shop sales	57,900	-	-	57,900	39,100
United Way	10,300	-	-	10,300	12,600
Advertising	8,900	-	-	8,900	7,300
Investment loss	(88,200)	-	-	(88,200)	(16,400)
Net assets released from restrictions	<u>1,227,300</u>	<u>(1,227,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>5,208,600</u>	<u>(928,800)</u>	<u>30,000</u>	<u>4,309,800</u>	<u>4,770,500</u>
<b>EXPENSES</b>					
Program Services	3,888,900	-	-	3,888,900	4,135,700
Supporting Services					
Management and general	638,700	-	-	638,700	797,500
Fundraising	<u>321,700</u>	<u>-</u>	<u>-</u>	<u>321,700</u>	<u>239,600</u>
<b>TOTAL EXPENSES</b>	<u>4,849,300</u>	<u>-</u>	<u>-</u>	<u>4,849,300</u>	<u>5,172,800</u>
Change in Net Assets	359,300	(928,800)	30,000	(539,500)	(402,300)
NET ASSETS, BEGINNING OF YEAR	<u>10,047,800</u>	<u>1,014,800</u>	<u>1,673,400</u>	<u>12,736,000</u>	<u>13,138,300</u>
NET ASSETS, END OF YEAR	<u>\$10,407,100</u>	<u>\$ 86,000</u>	<u>\$1,703,400</u>	<u>\$12,196,500</u>	<u>\$12,736,000</u>

***SAMPLE FINANCIAL STATEMENT***

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**THE ABC NONPROFIT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2002  
(With Summarized Financial Information as of June 30, 2001)

	Program Services						Supporting Services		2002 Totals	2001 Totals	
	Cultural Arts	Day Camp	Community Service	Gift Shop	Membership Services	Newsletter	Total Program Services	Management and General			Fundraising
Salaries	\$ 57,613	\$ 10,292	\$ 163,705	\$ 20,962	\$ 88,495	\$ 39,094	\$ 380,161	\$ 246,542	\$ 152,586	\$ 779,289	\$ 2,141,639
Fringe benefits	7,757	1,154	25,943	1,816	12,254	5,802	54,726	83,631	18,034	156,391	304,624
Total Salaries and Fringe Benefits	65,370	11,446	189,648	22,778	100,749	44,896	434,887	330,173	170,620	935,680	2,446,263
Contracted services	600,000	600,000	404,242	600,000	299,000	400,000	2,903,242	77,144	7,918	2,988,304	568,859
Depreciation	20,000	18,000	36,103	14,000	20,000	8,622	116,725	49,724	30,775	197,224	449,828
Utilities	9,604	1,716	27,291	3,494	14,753	6,487	63,345	27,768	25,437	116,550	249,529
Program and office supplies	1,622	7,606	17,392	309	8,415	2,264	37,608	30,000	5,839	73,447	167,635
Bad debt expense	-	-	-	100	61,324	-	61,424	2,859	-	64,283	-
Food and beverage	2,801	1,801	2,056	13	60	-	6,731	7,815	41,871	56,417	116,350
Printing and copying	9,794	3,676	13	-	3,539	26,815	43,837	4,459	4,780	53,076	145,188
Other	3,995	-	1,508	1,616	33,452	-	40,571	11,778	575	52,924	205,928
Maintenance	2,925	523	8,312	1,064	10,745	1,985	25,554	12,518	7,746	45,818	175,030
Advertising	7,622	4,937	-	-	23,214	-	35,773	5,602	1,625	43,000	111,040
Postage and delivery	9,311	93	908	71	1,054	10,424	21,861	3,280	14,368	39,509	82,981
Travel	10,334	15,155	368	7	643	-	26,507	7,231	35	33,773	73,171
Subscriptions and dues	300	-	-	-	-	577	877	29,332	195	30,404	31,215
Insurance	1,667	298	11,736	606	2,560	1,131	17,998	7,132	4,414	29,544	87,831
Cost of goods sold	-	-	-	28,531	-	-	28,531	-	-	28,531	53,682
Interest	2,077	371	5,902	771	3,209	1,448	13,778	8,889	5,502	28,169	90,132
Equipment rental	6,913	-	-	-	-	-	6,913	18,813	-	25,726	36,376
Telephone	-	-	2,543	-	83	-	2,626	4,183	-	6,809	32,490
Occupancy	-	-	112	-	-	-	112	-	-	112	49,272
<b>TOTALS</b>	<b>\$ 754,335</b>	<b>\$ 665,622</b>	<b>\$ 708,134</b>	<b>\$ 673,360</b>	<b>\$ 582,800</b>	<b>\$ 504,649</b>	<b>\$ 3,888,900</b>	<b>\$ 638,700</b>	<b>\$ 321,700</b>	<b>\$ 4,849,300</b>	<b>\$ 5,172,800</b>

**SAMPLE FINANCIAL STATEMENT**  
The accompanying notes are an integral part  
of these financial statements.

**THE ABC NONPROFIT, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2002  
(With Summarized Financial Information for the Year Ended June 30, 2001)  
Increase (Decrease) in Cash and Cash Equivalents

	<u>2002</u>	<u>2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (539,500)	\$ (402,300)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	197,224	449,828
Investment loss	88,200	16,400
Contributions restricted for long-term purposes	(29,900)	(854,900)
Increase in value of charitable trust receivable	-	(12,800)
Changes in assets and liabilities:		
Accounts receivable	11,200	58,600
Grants receivable	336,500	355,000
Pledges receivable	328,700	413,900
Inventory	(47,000)	30,400
Deposits	(5,600)	2,500
Accounts payable and accrued expenses	(357,800)	338,100
Prepaid camp registration fees	<u>(33,500)</u>	<u>11,600</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(51,476)</u>	<u>406,328</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	(13,700)	-
Purchases of investments	(481,000)	(807,728)
Proceeds from sale of investments	<u>684,176</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>189,476</u>	<u>(807,728)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments under notes payable	(916,200)	(433,300)
Proceeds from contributions restricted for investment in permanent endowment	29,900	854,900
Proceeds from notes payable	<u>1,430,000</u>	<u>125,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>543,700</u>	<u>546,600</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	681,700	145,200
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>181,400</u>	<u>36,200</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 863,100</u>	<u>\$ 181,400</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Actual cash payments for interest	<u>\$ 76,900</u>	<u>\$ 90,100</u>

***SAMPLE FINANCIAL STATEMENT***

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

**THE ABC NONPROFIT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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1. Organization and Summary of Significant Accounting Policies

**Organization**

The ABC Nonprofit, Inc. (ABC) is a non-profit organization established to provide health, welfare, and cultural benefits to members of the community and other interested individuals. ABC was created on July 1, 1985, when it separated from the XYZ Nonprofit Center, Inc. The primary sources of ABC's revenues are contributions, program fees, and membership dues.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, ABC considers all demand deposits and investments with a purchased maturity of three months or less to be cash and cash equivalents. Money market funds held as a part of ABC's long-term investment portfolio are not considered cash equivalents.

**Investments**

Investments consist of marketable debt and equity securities and are carried at fair value, as determined by quoted market prices.

**Property and Equipment and Related Depreciation**

Property and equipment are stated at cost. Expenditures for major additions, renewals and betterments are capitalized; conversely, expenditures for repairs and maintenance are charged to expense when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses. Depreciation of property and equipment is computed using the straight-line method over the estimated useful service lives of the assets ranging from three to five years, except for land and artwork, which are not depreciated.

In fiscal year 1997, ABC occupied and commenced operations in its newly renovated building. The building is being depreciated using the straight-line method over its estimated useful service life of 30 years.

***SAMPLE FINANCIAL STATEMENT***

Continued

**THE ABC NONPROFIT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Classification of Net Assets**

The net assets of ABC are reported in three groups as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of ABC's operations or that have been designated by the Board for a particular purpose.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various programs, building renovation or future periods. At June 30, 2002, all temporarily restricted net assets are available for the periods subsequent to the year end.
- Permanently restricted net assets represent endowment gifts requiring that the principal be invested in perpetuity and that only the income be expended. Permanently restricted net assets at June 30, 2002 were \$1,703,400, the income from which is available for operations.

**Revenue Recognition**

Grants and contributions are considered unrestricted and available for general operations unless specifically restricted by the donor. ABC reports gifts and grants of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets as to a particular purpose or to future periods. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor temporarily restricted contributions whose restrictions are met in the same accounting period in which the contribution was originally pledged are reported as unrestricted revenue. Pledged contributions promised for future years are recorded as revenue at their net present value on the date the enforceable pledge document is received.

Membership dues are deemed to be in exchange for the benefits of the program services and facilities provided by ABC and are recorded as revenue in the period the services are provided. Membership fees received in advance of the period the services are provided are recorded as deferred membership fees. At June 30, 2002, there was no material deferred revenue.

***These are sample financial statements and therefore  
are not intended to include all the required  
footnote disclosures.***