Financial Reporting

The financial condition and activity of an organization is reported in its financial statements. The type of organization determines the specific financial reports that need to be prepared and published. Generally accepted accounting principles (GAAP), state and federal regulatory agencies, the Financial Accounting Standards Board (FASB), and the Government Accounting Standards Board (GASB) all have requirements that must be met in reporting the financial activity of an organization.

Two of the most common financial reports used by most types of organizations are:

- Statement of Net Assets (Balance Sheet)
- Statement of Revenues and Expenditures (Income Statement)

From a department’s perspective, these reports are most often the responsibility of the University Accounting Office. However, in some cases, schools or the administrative level of a department may be required to report financial statements to other organizations. The following briefly describes these more common financial reports.

**Statement of Net Assets**

The Statement of Net Assets, or the Balance Sheet, is an important financial report that combines the assets, liabilities, and net assets of an organization into one report. The report provides information about the condition, or financial position, of the organization as of a point in time. Simply, it shows what the organization owns (its assets) and what it owes (its liabilities). The report is also referred to as the Balance Sheet because its basic equation, Assets – Liabilities = Net Assets, is always true, in other words, is always “in balance”.

**Statement of Revenues and Expenditures**

Comparing an organization’s revenues to its expenditures for a specified period of time is another important component of financial reporting. This simple equation, Revenues – Expenditures, gives a snapshot of the organization’s financial condition and whether it is operating within its means.

If the result of the equation is positive, the organization’s revenues are greater than its expenditures, indicating that its operations are covering its costs, with funds remaining. If the result is negative, the operating expenditures of the organization exceed the revenues it is able to generate, indicating that the organization is operating at a loss.
In the private sector, this equation and its corresponding financial report are referred to as the Income Statement because it shows whether a business is operating at a profit or a loss. In the university accounting environment, the report is known as the Statement of Revenues and Expenditures. In either case, this statement is one of the required financial reports.

For the most part, this is the report that departments and/or schools may need to prepare for other organizations. Revenues include cash received and/or your current budget – not carry forward. Expenditures include those transactions that are paid by the end of the fiscal year. Encumbered or open commitments are not considered expenditures until a check is cut. Therefore, any open commitment amounts should be included in revenues and/or footnoted as obligations.