

Financial Statements

There are two important financial tools that will help you do monitor your chapter budget. One of these tools is called the Income and Expense Statement. This document is a look at your chapter's "cash flow" as of the current month.

Another tool that will help you do this is the Balance Sheet. This document offers a complete "picture" of your chapter's current financial situation for any given month. At the end of each month, a Balance Sheet and an Income and Expense Statement should be completed. A copy should be given to the Board of Advisors, and additional copies should be given to the chapter members to keep them informed as to the spending of their money.

The Income and Expense Statement

The Income and Expense Statement is easy to complete. The categories are the same as those of the budget that was completed at the beginning of the year. The main difference is that the amounts you will enter are the actual figures to date, instead of the planned amounts.

Before you can complete the the Income and Expense Statement, you will have to do a few preparatory steps.

1. Make sure all amounts have been posted in all of your Individual Member Accounts Receivable Ledgers and in your Budget Expense Account Ledgers. That is, be sure all members' accounts have been billed as they should be for the current period, and be sure that all other bills and payments have been entered into the proper account pages.
2. Add up the "Rent," "Dues," and "Miscellaneous" columns of each of the Individual Member Accounts Receivable Ledgers.
3. Subtract the current balance of each Budgeted Expense Account Ledger from the original Amount Budgeted. This will give you the amount spent to date for each category.

Now, you are ready to complete the Income and Expense Statement.

1. INCOME: Add the "Rent" column totals from each of the Individual Member Accounts Receivable Ledgers. Enter this amount under the Rent category. Do the same for the Dues and Miscellaneous categories. Enter all fundraising money earned for the year so far, under the Fundraising category. The Interest Income year to date can be obtained from your last bank statement.

NOTE: It is assumed that any Board (Commissary) payments have been received under the Rent or Miscellaneous columns on each Individual Member Accounts Receivable Ledger.

2. EXPENSES: Enter the amount spent to date for each of the budget categories as obtained from the Budgeted Expense Account Ledgers. (See preparatory Step 3, above).

NOTE: Be sure that you are completing a Budget Expense Account Ledger for every different expense.

3. Total the INCOME and EXPENSES columns.
4. Subtract the TOTAL EXPENSES from the TOTAL INCOME. Enter this amount as the GAIN (LOSS) ON OPERATIONS (YTD). This figure will be later transferred to the Balance Sheet

The Balance Sheet

The Balance Sheet gets its name because the totals of two sections should be the same amount: they should "balance." One part of the Balance Sheet lists the assets of the chapter; the other part lists the liabilities of the chapter. Another section of the Balance Sheet is used to tabulate the current net worth of the chapter.

Assets are defined as those items that have a value to the chapter. Assets include such items as Cash on Hand, cash in checking and savings accounts. Liabilities are those items that the chapter owes to others. Some examples of chapter liabilities are accounts payable and notes payable (money that the chapter has borrowed). Hopefully, the assets total more than the liabilities.

The difference between the assets and the liabilities is called net worth. If the assets are more than the liabilities, the result is a positive net worth. If liabilities are more than assets, this results in a negative net worth.

The monthly Balance Sheet must be completed immediately following the end of the month being "balanced." Here's how to complete the monthly Balance Sheet. (NOTE: This is a simplified balance sheet, designed for easy use by fraters with no accounting experience.)

1. The Balance Sheet is dated with the last day of the current month. (Obviously, the month must be over before you can complete a Balance Sheet for that month.)
2. List all assets in the correct manner.
 - Cash in Bank includes all checking and savings accounts.

- Cash on Hand is money not yet deposited, and any petty cash fund.
 - Investments include any excess cash set aside by the chapter for the purpose of earning interest or dividends. This might include Certificates of Deposit, Mutual Funds, or other investment instruments. Do not include any money already included in checking and savings accounts.
 - Security Deposits are any deposits made by fraters on their room rental that are subject to return at the end of the term or semester.
 - Accounts Receivable is any monies owed to the chapter by anyone, mainly Fraters. Those less than a term old are considered "active." Any Accounts Receivable more than one term or semester old are considered "inactive." Calculate your Accounts Receivable by adding the "Balances Due" from each Individual Member Accounts Receivable Ledger.
 - Notes Receivable includes any Promissory Notes or "IOUs" owed to the chapter by any Fraters. (These should be rarely used and only for special circumstances.)
 - Furniture and Fixtures includes tables, sofas, chairs, beds, desks, light fixtures, lamps, televisions, video equipment, major kitchen appliances, etc. Enter the original purchase price of the property.
 - Real Estate is the original purchase price of the chapter house and land. (Consult your Board of Advisors if you need more information.) NOTE: Other categories of ASSETS may be included as instructed by your Board of Advisors.
3. Add up all of the assets amounts and enter the total on the Total Assets line.
 4. List all liabilities in the correct manner:
 - Accounts Payable are any bills that the chapter owes that are not yet paid (not including the house mortgage), such as an unpaid water bill or a "tab" with the local grocer.
 - Security Deposits Payable includes all security deposit monies that will have to be returned to the Fraters at the end of the term/semester.
 - Mortgage Payable is the amount still owed on the mortgage, or house loan.
 5. Add up the liabilities and enter the total on the Total Liabilities line.
 6. Complete the NET WORTH section
 - Net Worth on ____: Enter the Total Net Worth from the previous year
 - Gain (Loss) on Operations (YTD): Enter the profit or loss for this year to date. This figure is obtained from the Income and Expense Statement
 - Total Net Worth: Add the "Net Worth on ____" and the "Gain (Loss) on Operations" to get the Total Net Worth.
 7. Add the new Total Net Worth amount to the Total Liabilities, and enter the total on the Total Liabilities and Net worth line.

The Total Liabilities and Net Worth amount should be exactly the same as the Total Assets. If the figures do not "balance," or match, an error has been made. Re-check your calculations.