

Andrews University

## Digital Commons @ Andrews University

---

Faculty Publications

---

5-17-2017

### Presenting Financial Information in an Understandable Way

Annetta M. Gibson

Andrews University, [gibson@andrews.edu](mailto:gibson@andrews.edu)

Follow this and additional works at: <https://digitalcommons.andrews.edu/pubs>



Part of the [Accounting Commons](#)

---

#### Recommended Citation

Gibson, Annetta M., "Presenting Financial Information in an Understandable Way" (2017). *Faculty Publications*. 561.

<https://digitalcommons.andrews.edu/pubs/561>

This Presentation is brought to you for free and open access by Digital Commons @ Andrews University. It has been accepted for inclusion in Faculty Publications by an authorized administrator of Digital Commons @ Andrews University. For more information, please contact [repository@andrews.edu](mailto:repository@andrews.edu).

2017 BUSINESS  
PROFESSIONAL  
CONVENTION

# SHAPING the FUTURE

SOUTH PACIFIC DIVISION OF THE  
SEVENTH-DAY ADVENTIST  
CHURCH



# Presenting Financial Information in an Understandable Way

Presentation for the SPD  
2017 Business Professional Convention  
May 17, 2017

Ann Gibson, PhD, CPA  
Andrews University

**SHAPING** the  
**FUTURE**



# Purposes of Financial Communication

1. Financial information is useful for decision-making by the governing bodies of the organization.
2. The governing bodies are an essential part of the internal control of the organization. They receive reports from the auditors regarding significant deficiencies and material weaknesses and are expected to act on the information received.

# Communication Hints

**Know Your Audience!**

# Communication Hints

## Novices

Think in terms of narrative explanations rather than numbers; do not understand financial statements; hope simple terms are used.

# Communication Hints

## Generalists

Some understanding of financial information;  
comfortable with a small amount of detail;  
quickly overwhelmed with too much information

# Communication Hints

Experts

Love financial information! Want depth and detail and background materials when possible.



# Communication Hints

For the Finance Committee (Experts):

Show complete financial statements.

Use the terms “assets,” “liabilities,” and “net assets.”

# Communication Hints

For the Executive Committee (generalists and novices):

Use language they can personally relate to:

“My checking and savings”

“My credit card balance”

“What I have left to work with”

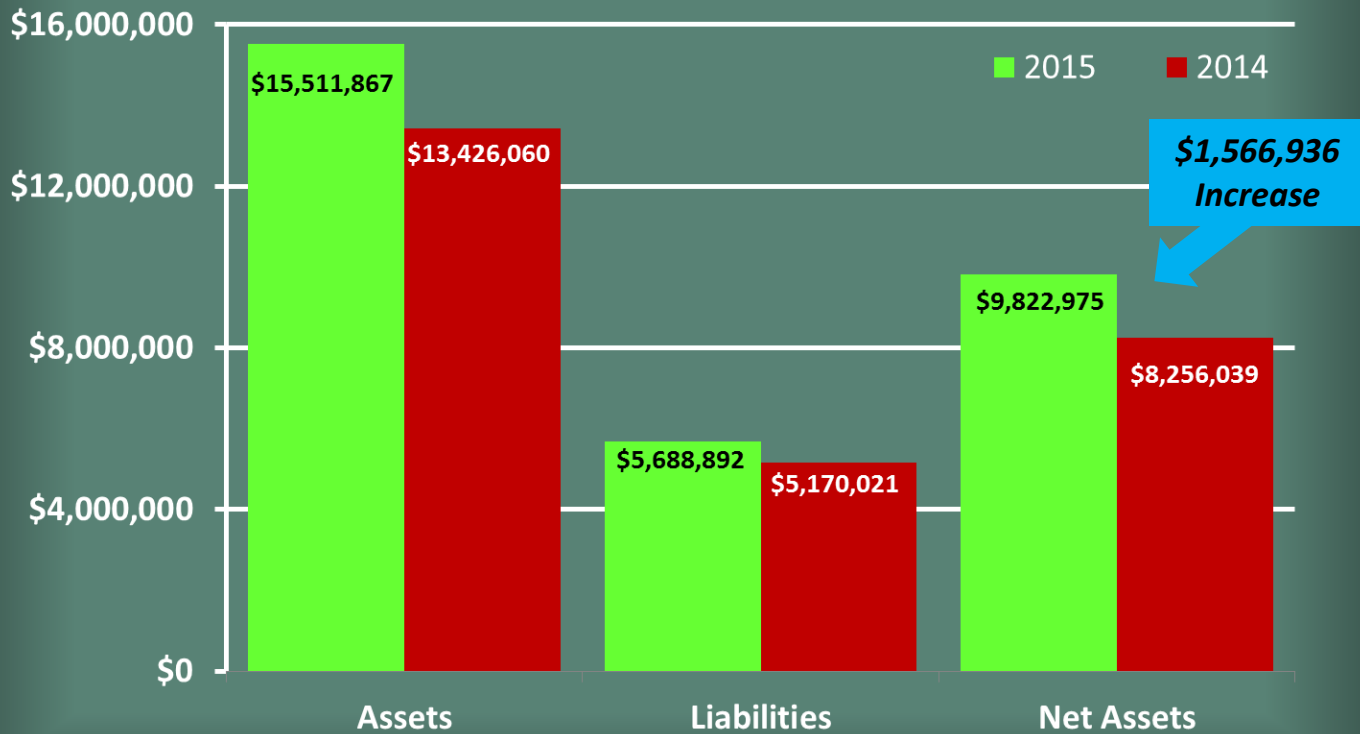
Potomac Conference of SDA  
Statement of Position  
OPERATING FUND

	11/30/2016	11/30/2015	Increase/ Decrease	
<b>ASSETS</b>				
C 20-29	Cash & Investments	11,035,639.04	8,204,132.96	2,831,506.08
	Employees A/R	354,549.01	200,454.96	154,094.05
C 42-49	Institutions & Other A/R	1,510,521.40	1,204,603.02	305,918.38
C 53-59	Notes & Loans Receivable	101,844.87	126,065.97	24,221.10-
	Inventories & Supplies	84,316.59	91,495.47	7,178.88-
	Prepaid Expenses	44,138.09	40,676.12	3,461.97
	Total CURRENT ASSETS	13,131,009.00	9,867,428.50	3,263,580.50
C 106	NIR Employee Home Loans	.00	793.98	793.98-
	Land Investments	28,334.11	28,085.40	248.71
C 145	NIR Other SDA Entities	563,908.12	595,627.12	31,621.00-
C 153	Notes Receivable Schools	782,273.38	1,210,172.67	427,899.31-
	Due From Nonoperating	3,283.12	.00	3,283.12
	Total OTHER ASSETS	1,377,796.71	1,834,579.17	456,782.46-
	Total ASSETS	<u>14,508,805.71</u>	<u>11,702,007.67</u>	<u>2,806,798.04</u>
<b>LIABILITIES</b>				
	Equipment Allowance	8,310.32	6,621.67	1,688.65
	Payroll Accounts Payable	23,352.45	33,946.10	10,293.65-
	Misc Accounts Payable	1,658,099.15	1,691,652.20	66,446.96
	Notes Payable	130.54-	.00	130.54-
	Trust Funds	1,270,976.32	1,581,855.45	310,879.13-
	Due To Nonoperating	.00	77,697.66	77,697.66-
	Total CURRENT LIABILITIES	2,960,607.40	3,291,473.08	330,865.68-
	Total LIABILITIES	2,960,607.40	3,291,473.08	330,865.68-
<b>NET ASSETS</b>				
	Unallocated	1,333,571.88	309,606.23	1,023,965.65
	Church Programs	970,435.74	700,918.77	269,516.97
	Education Programs	96,996.61	73,162.92	23,833.69
	Publishing Programs	3,389.39-	4,525.23-	1,135.84
	Special Programs	11,138.92	10,102.08	1,036.84
	Other Programs	12,139.55	15,170.12	4,030.57-
	Total PROGRAMS	1,067,321.43	795,828.66	291,492.77
	Support Programs	167,293.78	37,462.79-	224,756.57
	Working Capital	8,940,011.22	7,342,952.49	1,597,058.73
	Total OTHER OPERATING	9,127,305.00	7,305,099.70	1,822,205.30
	Total NET ASSETS	11,548,198.31	8,410,534.59	3,137,663.72
	Total LIAB & NET ASSETS	<u>14,508,805.71</u>	<u>11,702,007.67</u>	<u>2,806,798.04</u>

- Provide
- Do not show
- Reference, instead

# Balance Sheet - pg.1

As of December 31, 2015 and 2014



# Communication Hints

When discussing “Working Capital”

Provide the details of computation for the Finance Committee:

E.g.: For conferences: 25% of Unrestricted Income  
+ Long Term Payables + Temporary Restricted  
Net Assets”

# Communication Hints

For the Executive Committee:

Working Capital is the “cushion” needed between paychecks to pay my bills and the salary of my gardener.

# Communication Hints

When discussing the multi-columned statements (such as the Statement of Financial Activity).....




Potomac Conference of SDA  
 Financial Activity Summary  
 OPERATING FUND

	Restricted/ Income	Unrestrict Income	Expenses	Function Transfers	Inter-Fund Transfers	Increase/ Decrease	Beg Bal 1/01/2016	End Bal 11/30/2016	Restr Bal 11/30/2016
<b>UNALLOCATED</b>									
F-101 Unallocated Title	0	22,354,702	0	21,918,811-	0	435,891	0	435,891	0
F-102 Unallocated Nontithe	0	52,636	0	37,216-	0	15,419	0	15,419	0
F-103 Unallocated Bequests	0	74,500			1,134	74,500	807,761	882,261	0
Total UNALLOCATED	0	22,481,839			1,134	525,810	807,761	1,333,571	0
<b>PROGRAMS</b>									
F-200 Pastors & Bible Workers	0					0	0	0	0
F-212 Ministerial Scholarships	0					0	0	0	0
F-219 Ministerial	0			44,500		0	0	0	0
F-229 Cultivate	23,300		1,009-	0		0	219,731	243,084	23,253
F-230 Evangelism	373,000		40,851-	184,148-		0	106,013	478,218	478,218
F-231 Church Planting	90,000					0	111,813	15,354	15,354
F-232 Hispanic Ministries				203,045	30,569	0	0	0	0
F-235 Hispanic Evangelism				167,143	0	0	6,338	10,618	0
F-236 Hispanic Music Ministries				22,411	0	0	18,879	14,897	0
F-239 Hispanic School of Theology		1,672		932	0	0	3,730	12,148	0
F-250 Church Special Projects		0		0	0	0	0,053	41,429	0
F-260 Children's Ministries		0		0	0	0	0	0	0
F-269 Youth Ministry Reserve		0		0	0	0	10,000	10,000	0
F-270 Pathfinder Activities		0		16,666	8,000	0	0	0	0
F-271 Youth Ministries		0		280,017	0	0	0	0	0
F-272 CBR - Restricted Income		0		0	0	0	7,904	7,904	7,504
F-273 Camp Blue Ridge		478		391,711-		0	0	0	0
F-275 Summer Camp		778		90,638-		0	0	0	0
F-282 Campground		11		37,178-	34,100	0	0	0	0
F-283 Campmeeting				7,025-	6,100	0	4,241	0	0
F-285 Hispanic Campmeeting				31,286-	25,639	0	0	0	0
F-287 Church Building/Equip	32,300		184,942-	0		0	169,177	136,780	136,180
*Church Programs	267,700		184,942-	10,091,283		0	716,883	970,435	661,610
F-302 Church School Operation	0					0	0	0	0
F-303 Education Resource Center	0					0	24,999	24,999	0
F-304 Academy & College	0					0	0	0	0
F-350 Educ Special Projects	21,036	55,500				20,346-	92,343	71,997	30,155
F-364 Worthy Student	0	690			0	0	0	0	0
F-379 Education	0	125	357,660	5,362,186	91,866-	0	0	0	0
*Education Programs	21,036	6,174,151	11,433,961-	5,362,186	91,866-	20,346-	117,343	96,996	30,155
F-499 Hispanic Literature Min	0	1,537	0	315	0	1,852	5,241-	3,389-	0
F-499 Literature Ministry	0	315	0	315-	0	0	0	0	0
*Publishing Programs	0	1,852	0	0	0	1,852	5,241-	3,389-	0



## 2015 - Change In Net Assets - p. 7 & 8

Potomac Conference of SDA

	Jan. 1	Dec. 31
Unallocated Bequests	\$793,097	\$807,761
Cultivate Initiative	\$0	\$219,731 
General Evangelism	\$74,505	\$105,013
Church Planting	\$115,000	\$111,813
Hispanic Evangelism	\$12,126	\$5,338
Hispanic - Other Ministries	\$5,997	\$18,368
Church Growth/Computer Program	\$59,753	\$60,053
Youth Ministry Reserve	\$0	\$10,000 
CBR Restricted	\$7,904	\$7,904
Church Building/Equipment	\$132,205	\$169,177
Educ Resource Center & Special Projects	\$93,028	\$117,342 
Other	\$20,086	\$18,688
Conventions & Meetings	\$36,073	\$74,565
Residences Rental	(\$128,377)	\$16,215 
Special Projects	\$2,571	\$40,565 
Tithe Working Capital Reserve	\$4,930,083	\$5,106,429
Nontithe Working Capital Reserve	\$864,784	\$864,784
Medical Reserves	\$1,290,867	\$1,108,573 
Schools Working Capital Reserve	(\$53,663)	\$778,441 
Continuing Ed Reserve	\$0	\$182,215 
<b>Totals</b>	<b>\$8,256,039</b>	<b>\$9,822,975</b>

# Communication Hints

1. Know Your Audience
2. **Keep the Message Simple**

# Communication Tips

Avoid the tendency to give all the numbers and hope that somehow the audience will figure out what they need to know.

Focus on what you are trying to convey to the group. What numbers fit the message?

# Communication Tips

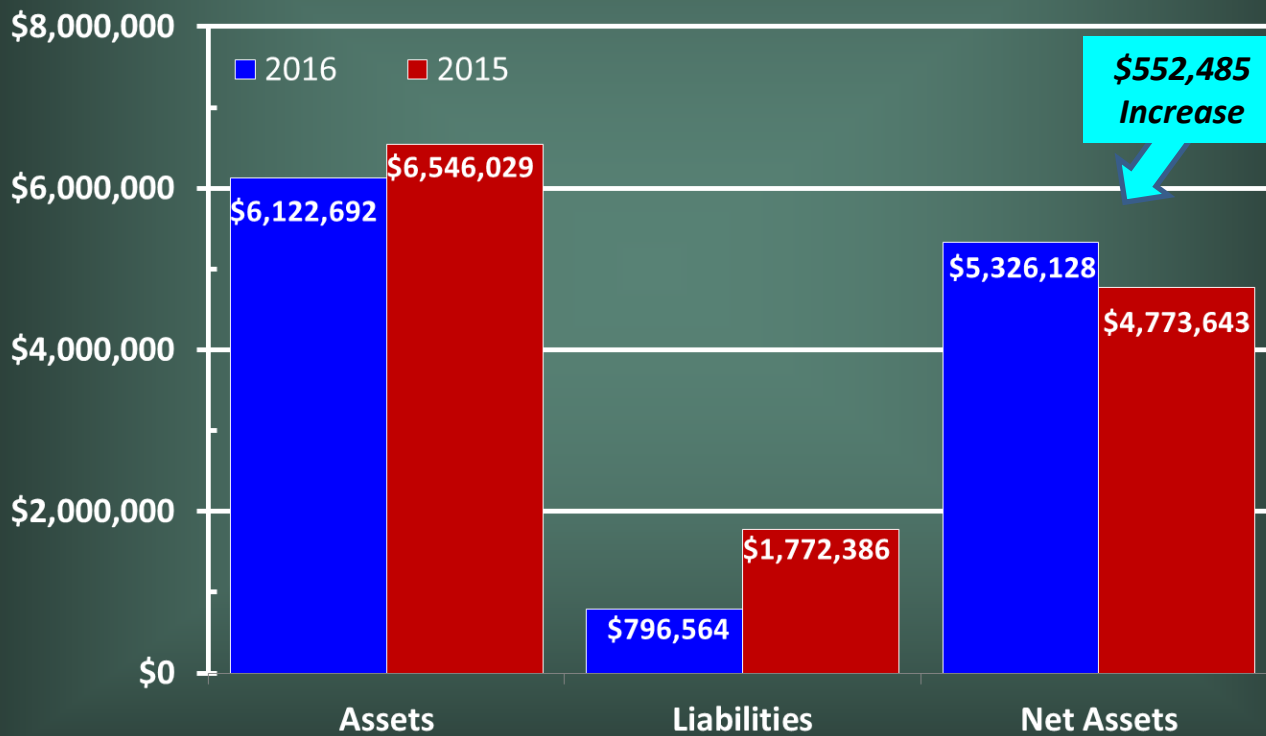
Avoid the use of jargon.

Avoid the curse of knowledge (common to all financial wizards) where one works on “assumptions” of what the audience already knows.



**TRANSLATION  
PLEASE!!!!**

Shenandoah Valley Academy  
**Balance Sheet**  
As of October 31, 2016 and 2015



Shenandoah Valley Academy  
**Operating Gain (Loss)**  
December 31, 2016, 2015

	<u>YTD Actual</u> <u>31-Dec-16</u>	<u>Budget YTD</u> <u>31-Dec-16</u>	<u>YTD Actual</u> <u>31-Dec-15</u>
Income	\$2,745,740	\$2,537,463	\$3,131,734
Expense	<u>(\$2,344,452)</u>	<u>(\$2,457,015)</u>	<u>(\$2,323,386)</u>
Net Increase (Decrease)	<u>\$401,288</u>	<u>\$80,448</u>	<u>\$808,348</u>



**\$320,840**  
**Better**

# Communication Hints

1. Know Your Audience.
2. Keep the Message Simple.
3. **Set the Story Line and Tell the Story.**



# Communication Hints

The story isn't about the data; the data helps to tell the story.

Consider how a compelling story book is organized.

# Communication Hints

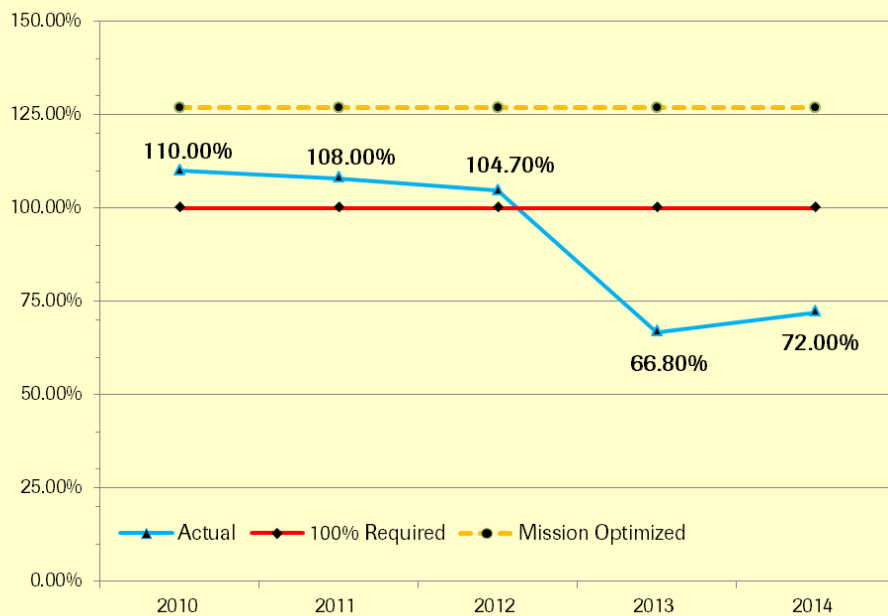
Story books are divided into title and chapters.

The book has a table of contents; the reader understand the progression of the story and where it is going.

Provide the same structure/road maps in your presentations.

# Your Kingdom Come!

**Working Capital - Actual, Required, Mission Optimized \*  
2010 - 2014**



*\* Working Capital is defined as Current Assets less Current Liabilities*

*We exist to grow healthy, disciple-making churches*

**Potomac Conference Corporation  
of Seventh-day Adventists**

# Communication Hints

Remember the old saying:

Tell the people what you want to say.

Say it.

Then tell the people what you said.

# Your Kingdom Come!

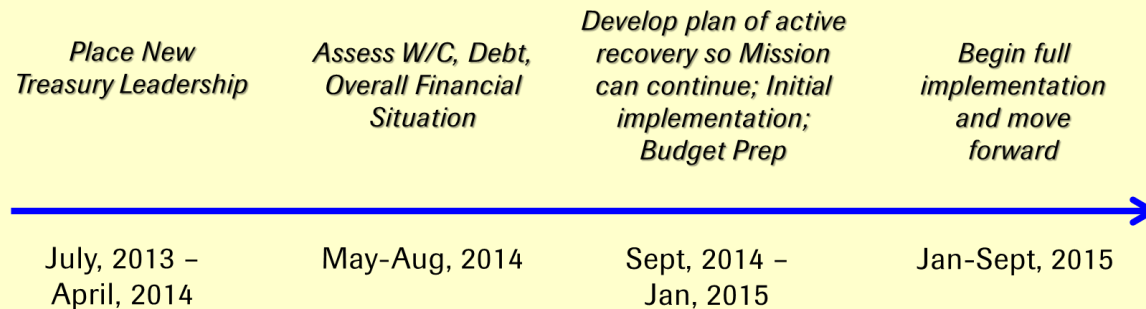
## 5 Major Factor's Contributing to Present Situation

- 1. Aggressive Pursuit of Mission***
- 2. Troubled Property Mortgages***
- 3. SVA/TA Operating Losses & Increase in Debt***
- 4. Bad Debt Expense***
- 5. Under Budgeted Expenditures***

# Your Kingdom Come!

## Administration/Treasury Financial Journey

Timeline: 2013 – 2015



*We exist to grow healthy, disciple-making churches*

Potomac Conference Corporation  
of Seventh-day Adventists

## Your Kingdom Come!

So what has and is being done to address this situation?

- *Actions begin to be taken in July, 2013 and have continued into 2015*
- *Made full disclosure to Executive Committee and presented an assessment/action plan*
- *Formalized notes and payments set up for SVA and TA*
- *Prepayment of monthly payrolls required for Living Well, SVA & TA*
- *Monetized non-performing debt from Living Well*
- *Maintained Emergency Borrowing Capacity with CURF*
- *Developed a conservative, accurate budget and restructured budget process*
- *Restructured financial statements and communication system to achieve timeliness, relevancy, accuracy and accountability*

## Your Kingdom Come!

### Today:

- *As of August 31, Tithe Gain is 2.05%*
- *Operating Gain (Loss) is \$1,595,000 better than budget*
- *Working Capital is 74%*



# Communication Hints

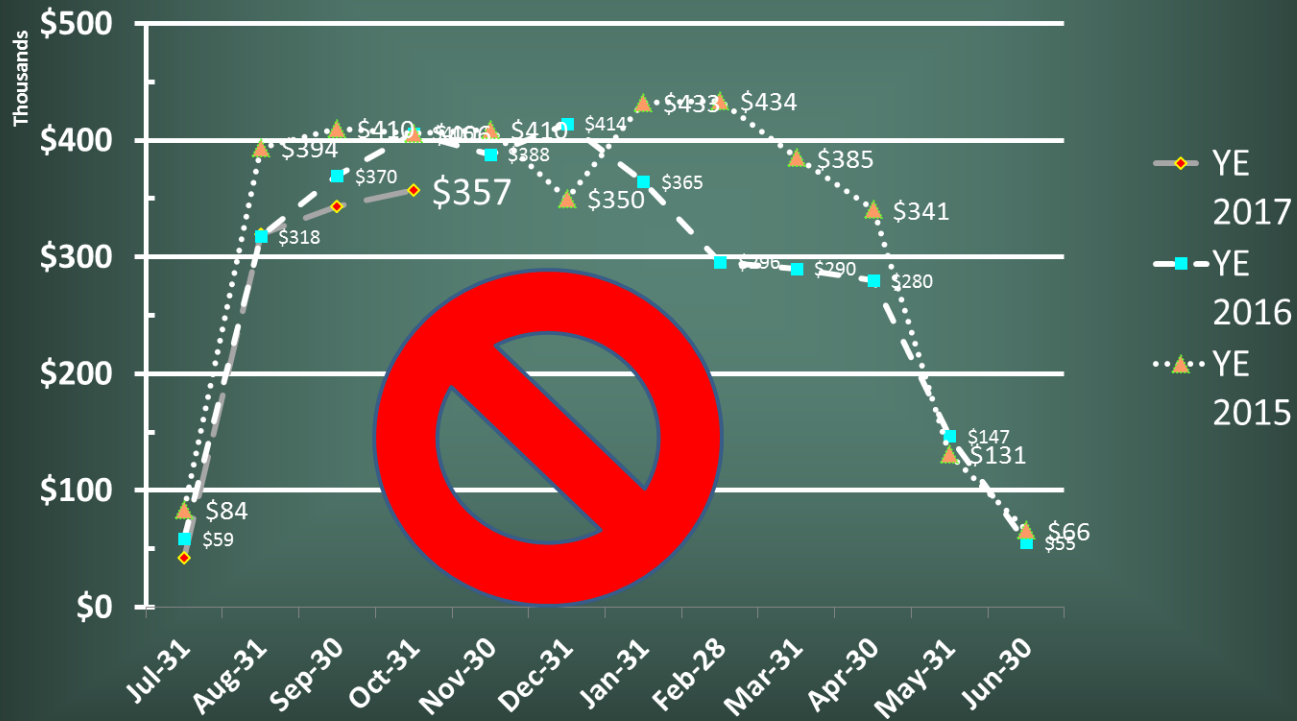
1. Know Your Audience
2. Keep the Message Simple
3. Tell a Story
4. **Make the Report Attractive**

# Communication Hints

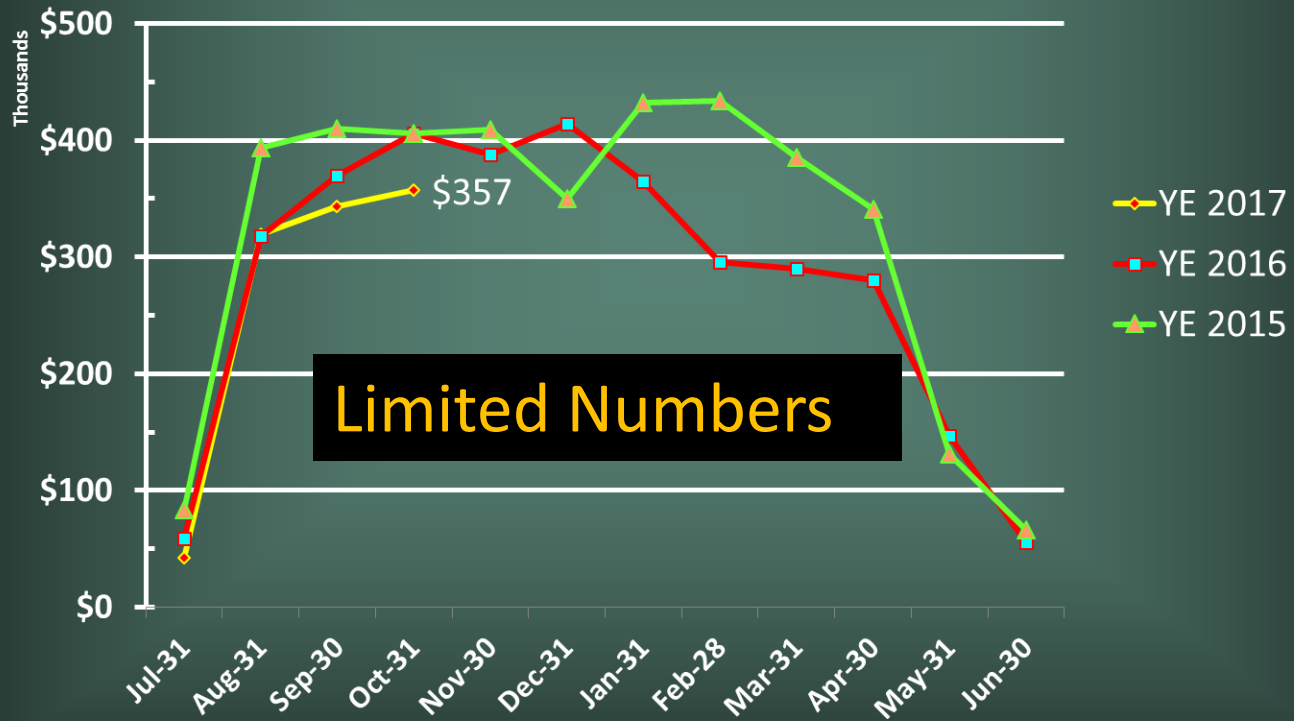
For Attractive Slides:

1. Titles should explain what is being shown.
2. Titles should be clear and complete.
3. Omit heavy grid lines; they blur information.
4. Use clean font—easier to read.
5. Use lots of white space—easier to read.

Shenandoah Valley Academy  
**Accts Rec – Student Trend**  
 4 months ended October 31, 2016  
 And Fiscal YE 2016, 2015



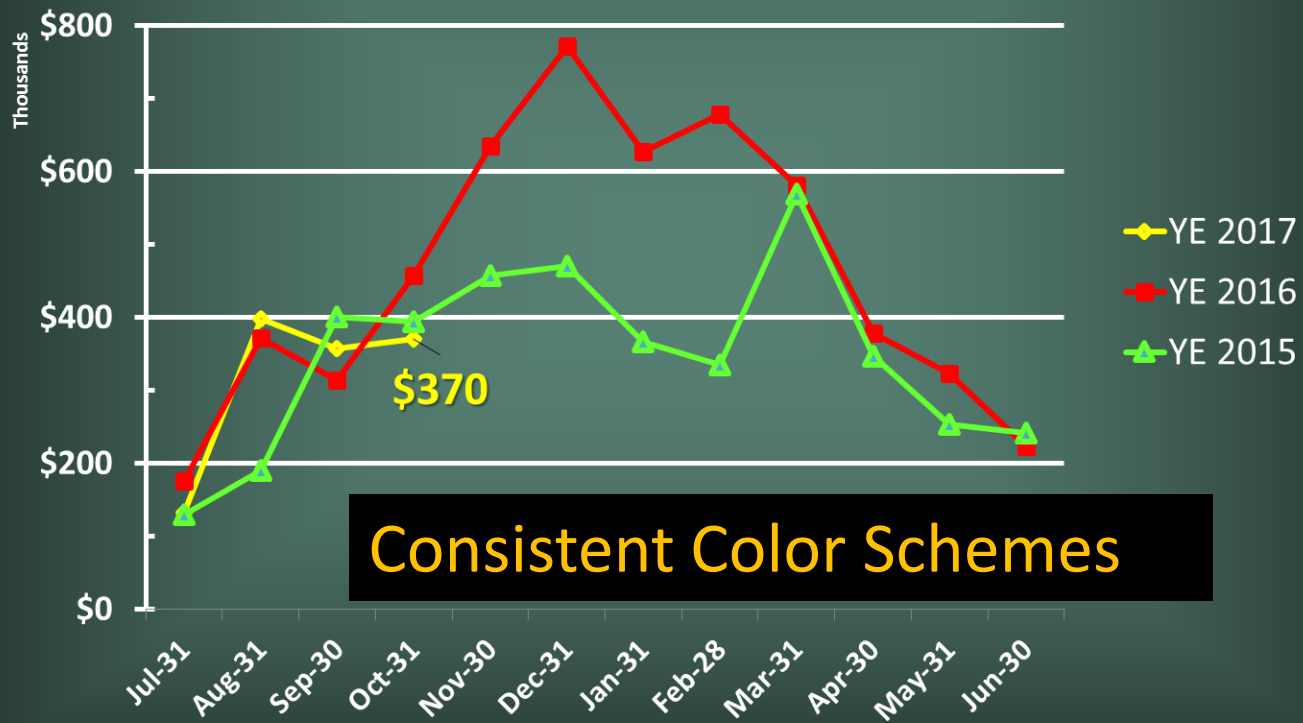
Shenandoah Valley Academy  
Accts Rec – Student Trend  
4 months ended October 31, 2016  
And Fiscal YE 2016, 2015



Shenandoah Valley Academy

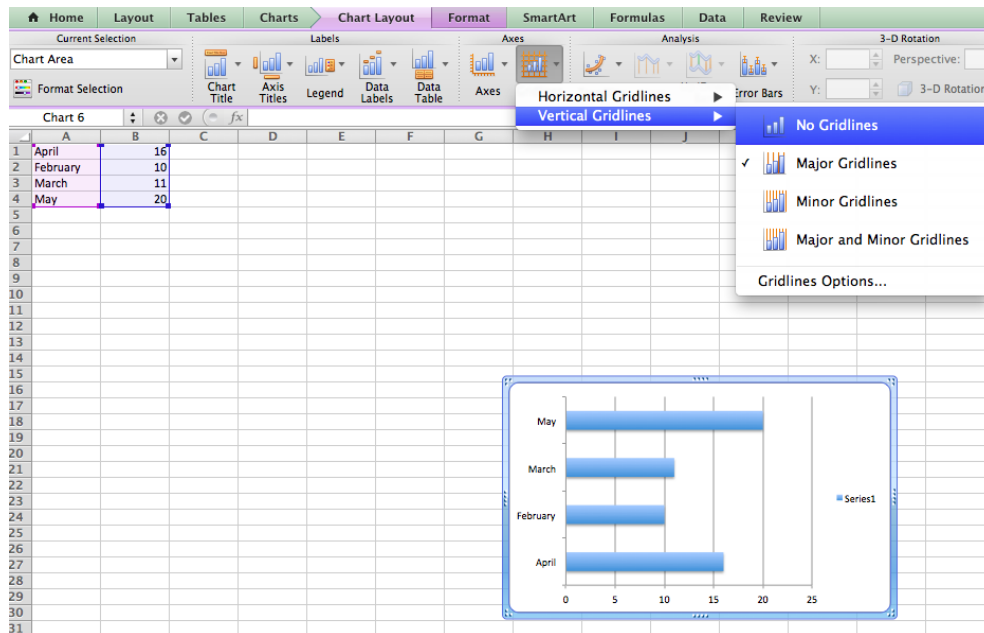
## Cash Balances

4 months ended October 31, 2016  
and Fiscal YE 2016, 2015

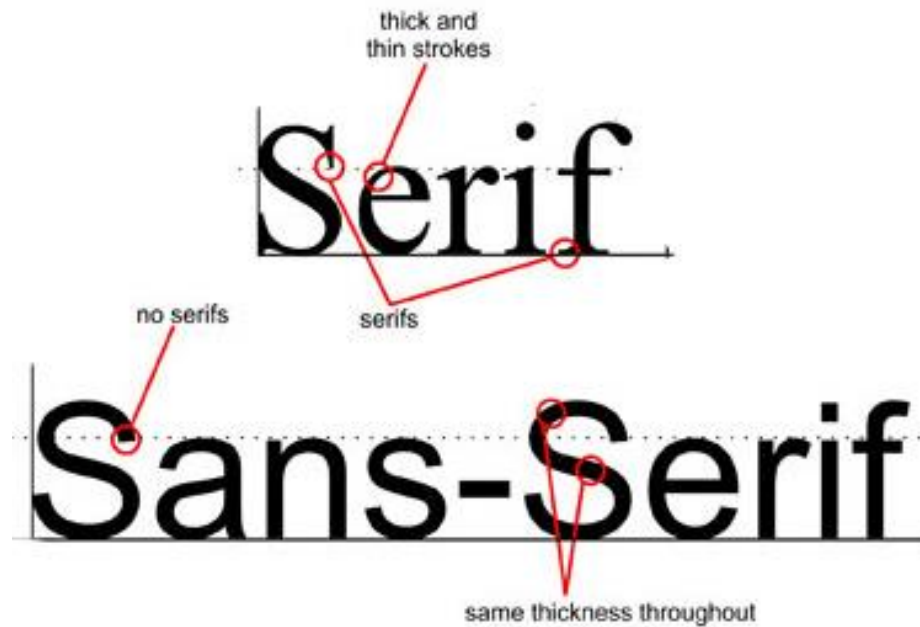


# Easy to Follow Graphs & Numbers

- Get rid of heavy grid lines. Gets in way of info.



## Make the Report Attractive



# Communication Hints

Beware of the temptation to use all the possible tools available on PowerPoint.

Less is more! Simplify.



# Communication Hints

When writing numbers:

Choose \$432.2 million rather than  
\$432,236,465.50

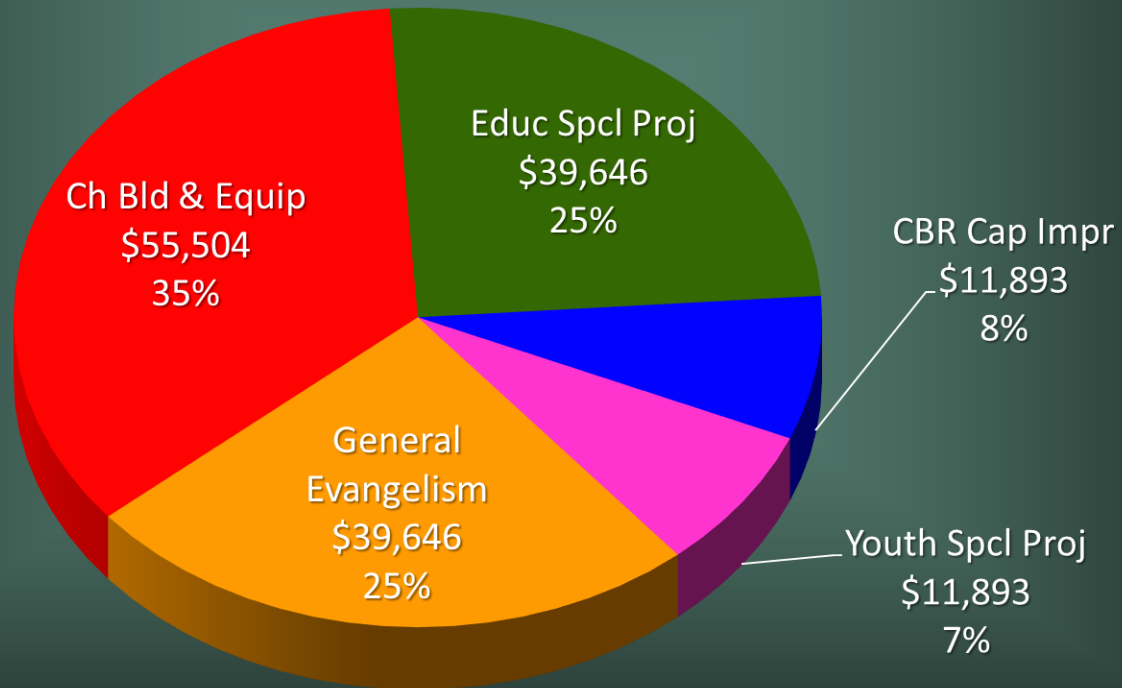
For pie charts, do no more than 5-7 slices.

Potomac Conference

## Potomac Partners

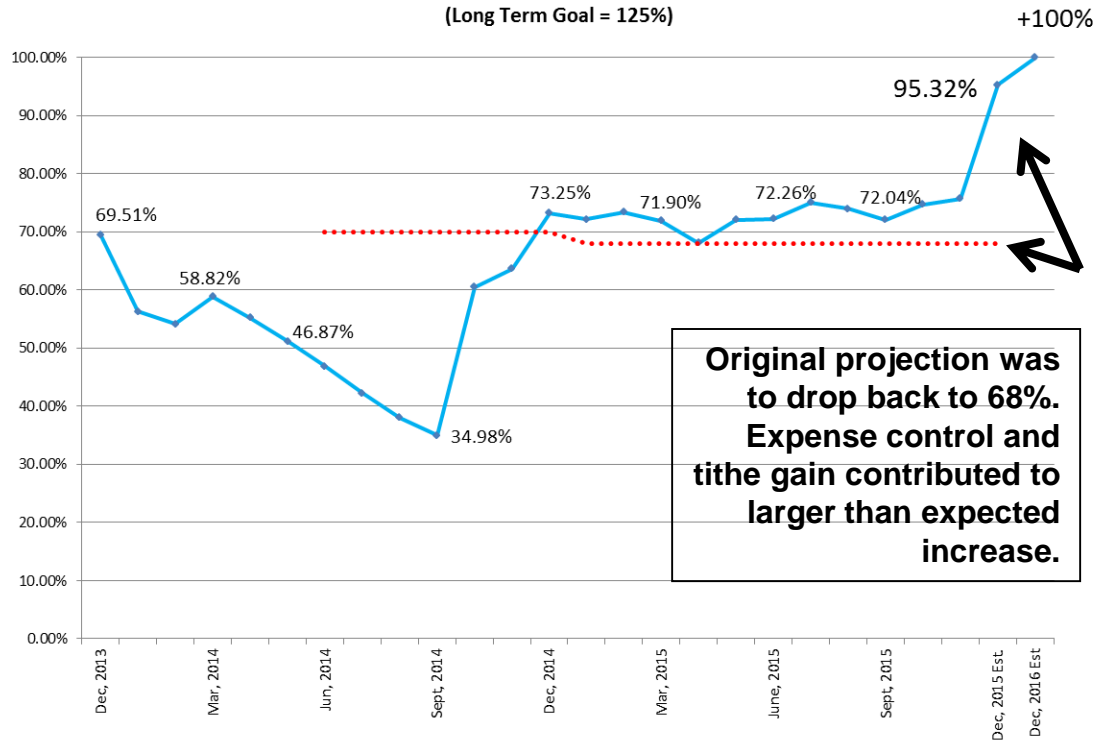
Actual \$158,582      Budget \$155,000

Jan 1 – Dec 31, 2015



## Potomac Working Capital Projected Dec 31, 2015 & 2016

(Long Term Goal = 125%)



*Shenandoah Valley Academy*

## Endowment Summary

July 1, 2016 to September 30, 2016

	<u>Totals</u>
Balances - July 1, 2016	\$1,525,454
Cash Withdrawals	(\$6,415)
Purchases	\$13,897
Earnings	\$2,728
Value Change	<u>\$32,608</u>
Balances - September 30, 2016	<u><u>\$1,568,272</u></u>
Est Annualized Rate of Return	<u><u>9.22%</u></u>

*Shenandoah Valley Academy*

## Summary – Factors in YTD Gain of \$154,579

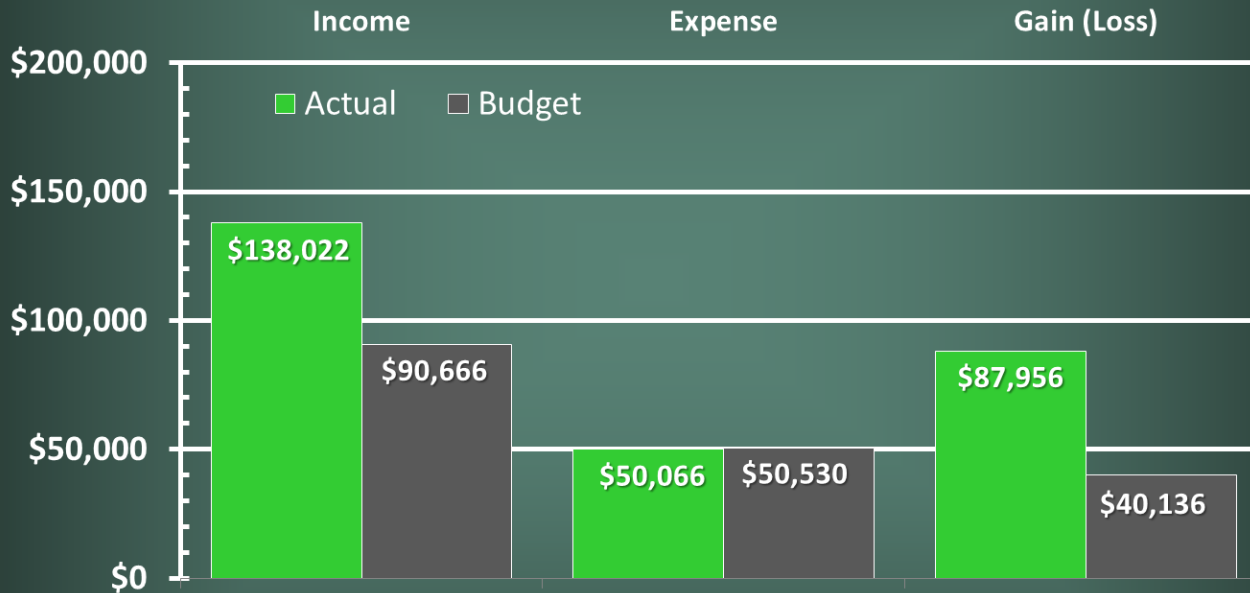
October 31, 2016 and 2015

Instructional	\$37,466
Guidance/Testing	\$2,996
Student Services	\$3,102
Health/Counseling	\$217
Maintenance	\$689
Financial Aid	<b>(\$6,454)</b>
Administration	\$11,642
Advancement	\$47,820
Enrollment	<b>(\$994)</b>
Dorms	\$19,992
Cafeteria	\$15,827
Transportation	\$12,327
Industries	\$10,020

Shenandoah Valley Academy

# Advancement – \$47,820 Better than Budget

4 months ended October 31, 2016



Unrestricted Donations \$67,000 ahead of budget, Commonweal \$21,600 under.

# Communication Hints

To avoid confusion: Use one medium; don't attempt to use slides and paper documents and talk.

Have handouts available for the “experts” in the audience, as needed.

Be sure your slides match the handouts! Protect your credibility.

# Communication Hints

Questions or Comments?



## Communication Hints

Special thanks go to David VandeVere, Treasurer of the Potomac Conference, for sharing examples for this presentation.