



## **Preparing Financial Statements for a Homeschool Non-profit Organization**

By Carol L Topp, CPA

Most home school organizations can function very well with only two financial statements, a Statement of Revenues and Expenses (sometimes called an Income Statement) and a Statement of Financial Position (better known as a Balance Sheet).

### **Statement of Revenues and Expenses**

The Statement of Revenues and Expenses is usually prepared monthly. It lists the revenue and the expenses for the month. The lists of revenues and expenses are unique to each organization, but it's easy to use category names that the IRS uses on their Form 990 (the non-profit equivalent of a 1040).

#### **The Revenues are:**

- Contributions and Gifts
- Program Services Revenue. For a homeschool co-op this would be class fees, material fees, book fees, and anything having to do with the "program" of running the co-op
- Membership dues. Homeschool support groups frequently collect member dues.
- Investment Income. Include interest income on your organization's checking or savings accounts.
- Sale of Assets. If you sell off equipment like a computer, include the sale price. This is rarely used by small nonprofit organizations.
- Special Events. Include money you collect for parties, yearbook, plays, concerts, field trips, etc.
- Sale of Inventory. If you carry an inventory of books or curriculum include the sales here.
- Other

#### **The Expenses are:**

- Salaries. If you pay teachers or administrators as employees include it here.
- Professional Fees & Payments to Independent Contractors. Put payments to teachers who work as independent contractors and any professionals like a lawyer or accountant here.
- Rent & Utilities
- Printing, Publications, Postage, etc

- Other. Include here expenses for supplies, classroom materials, books, and craft supplies. Don't forget insurance and web site expenses also.

#### Sample Statement of Revenue and Expenses for one month

Revenue for a Month	
Annual Dues	\$ 675.00
Special Events	\$ 80.00
Total Revenue	<u>\$ 755.00</u>
Expenses	
Administration	\$ 333.83
Programs	\$ 102.00
Total Expenses	<u>\$ 435.83</u>
Net Income	\$ 319.17

#### Statement of Financial Position

A Statement of Financial Position (called a Balance Sheet in a for-profit business) is a listing of an organizations assets and liabilities on a specific date. Think of it as a snapshot of your organization's financial picture. It reflects the financial situation on a specific date and could change the next day. It's usually prepared at the end of the month or quarter and at the end of your "school" or program year. Following the IRS Form 990 guidelines, the categories are:

##### Assets:

Cash, savings and investments. Add up the checking account balance, petty cash and anything in a savings account.

Land and Buildings. Some large co-ops are purchasing buildings. Their value goes here.

Other Assets (Inventory or Equipment). I suggest include any asset costing over \$500. Anything less than \$500 can be included in a expense category such as "Supplies or Materials Expenses" in the Statement of Revenues and Expenses. This \$500 guideline frees you from including consumable items like crayons and glue in your assets.

##### Liabilities:

Accounts Payable. At the end of the month or year list the amounts you owe anyone.

Mortgages, loans, etc.

Sample Statement of Financial Position on a specific date

Assets	
Checking Account	\$ 2,022.00
Equipment (computer)	\$ 800.00
Total Assets	<u>\$ 2,822.00</u>
Liabilities	
Accounts Payable	\$ 200.00
Mortgages, loans, etc	\$ 0
Total Liabilities	<u>\$ 200.00</u>

Preparing monthly financial statements is a vital role for managing a nonprofit organization. A report should be given to the Board of Directors every month. A year-end report is an excellent summary to provide your board.

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