

NATIONAL ASSOCIATION OF FEDERAL RETIREES
FUNDY SHORES BRANCH
UNDERSTANDING YOUR FINANCIAL STATEMENTS

Why do members need to see the branch's financial statements every year?

You've elected and put your faith in your board of directors to operate the branch in your best interests and in line with National Office's expectations. We take these responsibilities very seriously.

The Branch Treasurer has a key role on the board, to maintain good control over all financial aspects of branch operations. Ottawa also requires us to organize an annual independent review of our financial records to confirm that the Treasury function is operating as expected.

At the same time, the entire board is responsible for reviewing and approving the branch's financial statements and planning responsibly for the future. Presenting these statements to you at the Annual Meeting makes sure we are fully accountable to you for our past performance and the branch is in good shape going forward.

What is the Balances Report for?

This statement is a snapshot of where the branch stands at the end of each calendar year. It shows what the branch owns (assets), what it owes (liabilities), and what the branch is worth (equity). We present two years at a time so you can see what's changed during the year.

What is the Reserves Report all about and why is it so important?

The Reserves Report provides you with details about each of the specific reserves shown on the Balances Report. These details include what each reserve is for, rules for how and when the reserve funds are to be spent, and what's actually happened to each reserve during the year. The types of reserves approved by Ottawa for branch use align with the role and key responsibilities of NAFR branches. How Fundy Shores chooses to use these approved reserves reflects our branch strategy and future plans.

As NAFR is a not-for-profit, branches must annually review and justify all amounts held in their equity using a set of strict criteria. If any of these amounts can't be justified, a branch must return the cash equivalent to Ottawa where it can be used to benefit branches in greater financial need.

How does the Earnings Loss Report fit in?

The Earnings Loss Report explains what happened at the branch between the two dates shown on the Balances Report. It shows in detail what the branch earned during the year (revenues) and what it spent (expenses).

What are the branch's main sources of revenue?

Our primary source is a share of your membership fees which we receive quarterly from Ottawa. We also earn a modest amount of interest from branch investments.

What types of expenses does the branch have?

Branch expenses are divided into two categories: operating and non-operating.

What are operating expenses?

Operating expenses are the day-to-day business costs of the branch to be paid for out of annual revenues. Our main ones are board meeting costs and annual events such as the branch Annual Meeting. As branches are expected to live within their means, total operating expenses are budgeted based on available annual revenues.

What are non-operating expenses?

Non-operating expenses are one-time costs paid for from branch equity, not current year revenues. Although reserve-related expenses will create a loss for the year, the loss has been planned for when the reserves were first put aside and does not affect the branch's overall financial health or future prospects.

In the rare event that the branch can't identify a qualifying future use for all its equity and needs to send excess unreserved funds back to Ottawa, payments are recorded as miscellaneous non-operating expenses.

Why does the branch present a budget and forecast to members?

The budget provides a window into the board's planning process and expectations for the year ahead. It is especially important when major reserve expenditures are anticipated so you are aware of what's coming and why. In budgeting for reserves activity, we include only planned reserve spending for the year and do not anticipate new reserves that haven't been approved.

The forecast document is our best effort to predict what's likely to happen one year further out but will be recalculated when the forecast year becomes the next budget year. We use the same components, process, strategy and plans to develop this statement as we do the budget.

The forecast statement contains one non-operating expense figure that rarely materializes – a worst-case estimate of how much excess equity might need to be returned to Ottawa in that future year. Once final reserve needs are determined at the end of each year, a revised estimate – normally zero – is used for budget purposes. This approach ensures the board makes equity management a high priority.