

## How to Generate a Financial Report?

### What are Financial Reports?

You have now learned how to create budgets (see [How To Create A Budget](#)) and the essentials of financial recordkeeping (see [How To Maintain Financial Records](#)). Financial reporting is the third and final element in ensuring that your organization is financially healthy.

A financial report provides a summary of your income and expenses over a specific period of time. As with the global budget, we recommend that financial reports are made publicly available to your staff and volunteers, so that they can monitor your organization's financial management. This helps to eliminate the risk and the appearance of corruption or mismanagement, and also keeps the organization accountable to the community you serve.

### Budget vs. Financial Reports: What's the Difference?

While a budget helps you plan your program and administrative expenses, it will not tell you if your plan was accurate. A financial report (also called a budget vs. actual report) is a regular check-in to see if your expenses are within your budget: you can see how much you planned to spend, and how much you actually spent. It is important to know what your available funds are for each program and how much of the program funds you can spend on which activity to make sure that you can run your program as cost-effectively as possible. Oftentimes, grant agreements with foundations include a budget that you agreed upon. Since the funds the foundation provides to you have to be used as outlined in the budget, you need a simple tool to monitor that you spend the grant funds correctly.

There are three main types of reports you will need to produce.

1. You need to generate regular financial reports for your own organization and your board of directors to make sure that you do not spend more than you actually have, and that you spend your funds in the way approved by the donors. Many organizations produce quarterly financial reports (once every three months) for this purpose.
2. As a nonprofit, your foundation donors will usually require you to submit both financial and narrative reports about the programs they support. The grant agreement outlines the reporting times and format.

Sometimes when a project has a lot of expenses over a short period of time, it might become necessary to monitor your expenses more closely and to produce reports more often. At a minimum, every program director in the organization should know the budget for their program, and should receive regular reports about how much they have spent in their program and how much they have left.

3. Depending on the guidelines in your country, you will also need to submit regular financial reports to local and federal government agencies. In the United States, NGOs are required to file one annual report with both their state government and the federal government.

### **How Do I Generate a Financial Report?**

If you are using bookkeeping software there usually is a function that allows you to run a report easily. However, financial reports can also be generated manually from your account ledger – the book or document where you track every expenditure — and your budget spreadsheet.

It is easiest to create an internal financial report template by using your global or program budgets. You can simply add one column for “Amount Spent” and one for “Balance on Hand.”

Whenever it is time to create a financial report, use the entries in your general ledger or the physical receipts and add up all of the expenses for each category and enter that number in the “Amount Spent” column in your report template. Next, subtract “Amount Spent” from “Amount Raised,” and enter the result in the “Balance on Hand” column. Now you know how much more money you can spend on that item.

Finally, add up all of the “Amount Spent” to find out the total amount spent in this period, and all of the “Balance on Hand” to arrive at the amount currently still available for the budget.

Expenditure	Calculation	Need	Income/amount raised	Amount spent	Balance on hand
Rent	12 months x \$500/mo.	\$6,000	\$6,000	\$1,000	\$5,000
Office supplies	\$60/month x 12 mos.	\$720	\$600	\$50	\$550

Please refer to the [Sample | Financial Report](#) for more detail.

Every report you produce should indicate the date you created the report (for example, March 31), and what time period it covers (for example, March 1-31).

Make sure that only one person at a time is in charge of creating reports and making changes to templates. Otherwise, you will not know what has been included in the report and what has not.

### Is There a Standard Template?

Much like your budget, a financial report may look different depending on the purpose. As discussed in [How To Maintain Financial Records](#), there are many people who may be interested in examining your finances. A financial report can include more or less detail depending on your audience. For example, a financial report to a donor needs to be tailored to include the specific categories of information designated by that donor. If a foundation gives you a grant for producing publications and materials for a conference you are hosting, you need to make sure that a category for “Publications/Materials” exists in your financial report to that foundation.

Most likely, the financial report you generate for that foundation will look different from a financial report that you produce for board members or the executive director, who may just need to understand which programs are fully funded, how much money your organization currently has on hand to pay the expenses for the next few months, or what activities still require fundraising.

Board members may not want to know every detail. So rather than including detailed specifics such as “Publications/Materials at Conference ABC,” you may just have one line that combines all of the conference costs.

### **Accountability**

Once each month, you should obtain a statement from the bank that lists all of the income and expenses for that month. Someone in the organization should check that statement and compare it with the financial report for that month in order to be sure that the reports are accurate, that no money has been misspent, and that both your organization’s and the bank’s records are completely accurate. This is called “bank reconciliation,” and in addition to the person who performs the reconciliation, a second person (such as the executive director) should review the bank reconciliation to confirm that it is accurate.

### **Setting Deadlines**

Over the course of a year your organization will need to produce different reports for different people, and different deadlines and requirements will apply to these. To stay on top of all the requirements, mark reporting deadlines in your annual timeline or calendar. If you do not have much experience with financial reports yet, make sure to give yourself plenty of time. Mistakes can happen easily if you are in a hurry and it is always harder to explain and correct a mistake later. Make sure there is enough time for a second person to check your financial reports for accuracy.