

Understanding Your Cash Flow and Financial Statements

As a business owner, it is important to be able to read and understand the accounting terms found in your financial statements. Once you understand the basics of the financial statements, you can interpret what they mean to your organization's financial health.

Understanding your Financial Statements

A Statement of Financial Position, also known as a balance sheet, shows the assets and liabilities of the organization at any given point in time. In other words, this financial report is a summary of what the organization *owns* versus *owes*.

When delivering the information found in your financial statement, use broad categories to keep the conversation at a high level. This will prevent information overload and help keep the emphasis on the big picture. Providing a recap of the organization's goals and objectives will help connect the dots between the numbers and their efforts.

Investing in training is another opportunity that will help teach members of your organization about the various accounting practices and how they can be helpful in determining the organization overall financial health.

Understanding Your Cash Flow

A Statement of Cash Flow is used to show where cash came from and how it was spent. It will tell you the revenue and expenses for the organization.

Rather than questioning the budget line by line, we recommend looking at the bigger picture by focusing on the following:

1. Does this year's gross revenue outpace last year's?
2. Are expenses being monitored?
3. Do we have a good cash flow?
4. How do our investment gains (or losses) compare with our benchmarks?
5. Where do the trends point?

Asking these questions will help you gauge the health of the organization. Depending on the situation, you may want to consider digging deeper. If, for instance, expenses are significantly higher than originally budgeted, you may want to seek an explanation. And if you find that financial trends are showing stagnation or contraction, we recommend you seek an answer as to why.

Our professionals are well-versed in accounting and are eager to assist you in determining your organization's financial well-being. Please call us today.