

understanding financial

# REPORTS



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## Are Your Financial Reports Confusing?

No worries! This handy reference tool will help you easily break-down and understand all your basic reports. And even help you interpret the numbers into helpful business strategies!



## ① ASSETS

What you own, or what puts money in your pocket (e.g. cash, property, business equipment, investment funds, A/R, inventory, etc.)

## ② LIABILITIES

What you owe, or what takes money out of your pocket (i.e. bank loans, mortgages, A/P, employee salaries)

## ③ EQUITY

This is the difference between your assets and liabilities (AKA overall value of the company)

## ④ ACCOUNTS RECEIVABLE

A/R Total ties to "Customer Balance Report"

## ⑤ ACCOUNTS PAYABLE

A/P Total ties to "Vendor Balance Report"

### Super Secret Client

BALANCE SHEET  
As of June 30, 2020

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Checking	1,852.51
Savings	600.00
<b>Total Bank Accounts</b>	<b>\$2,452.51</b>
Accounts Receivable	
Accounts Receivable (A/R)	4,865.29
<b>Total Accounts Receivable</b>	<b>\$4,865.29</b>
Other Current Assets	
Undeposited Funds	907.15
<b>Total Other Current Assets</b>	<b>\$907.15</b>
<b>Total Current Assets</b>	<b>\$8,224.95</b>
Fixed Assets	
Truck	
Original Cost	13,495.00
Total Truck	13,495.00
<b>Total Fixed Assets</b>	<b>\$13,495.00</b>
<b>TOTAL ASSETS</b>	<b>\$21,719.95</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	1,417.17
<b>Total Accounts Payable</b>	<b>\$1,417.17</b>
Credit Cards	
Mastercard	448.54
<b>Total Credit Cards</b>	<b>\$448.54</b>
Other Current Liabilities	
Arizona Dept. of Revenue Payable	0.00
Board of Equalization Payable	270.64
Loan Payable	4,000.00
<b>Total Other Current Liabilities</b>	<b>\$4,270.64</b>
<b>Total Current Liabilities</b>	<b>\$6,136.35</b>
Long-Term Liabilities	
Notes Payable	25,000.00
<b>Total Long-Term Liabilities</b>	<b>\$25,000.00</b>
<b>Total Liabilities</b>	<b>\$31,136.35</b>
Equity	
Opening Balance Equity	-9,905.00
Retained Earnings	
Net Income	488.60
<b>Total Equity</b>	<b>\$-9,416.40</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$21,719.95</b>

# Balance Sheet

## What is this?

This is a snapshot of your business finances at a single specific point in time (**Assets - Liabilities = Equity**)

## What is it used for?

To see the actual value of your business (equity) by subtracting **what you OWE (liabilities)** from **what you OWN (assets)**

Super Secret Client

① PROFIT AND LOSS  
January - June, 2020

	TOTAL
<b>Income</b>	
Design income	1,312.50
Discounts given	-30.50
Landscaping Services	1,280.00
Job Materials	
Fountains and Garden Lighting	1,379.00
Plants and Soil	2,251.97
Sprinklers and Drip Systems	138.00
<b>Total Job Materials</b>	<b>3,768.97</b>
Labor	
Maintenance and Repair	50.00
<b>Total Labor</b>	<b>50.00</b>
<b>Total Landscaping Services</b>	<b>5,098.97</b>
Pest Control Services	40.00
Sales of Product Income	44.00
Services	503.55
<b>Total Income</b>	<b>\$6,968.52</b>
<b>Cost of Goods Sold</b>	
Cost of Goods Sold	
Job Expenses	108.09
<b>Total Cost of Goods Sold</b>	<b>108.09</b>
Decks and Patios	191.64
Plants and Soil	329.62
Sprinklers and Drip Systems	215.66
<b>Total Cost of Goods Sold</b>	<b>\$845.01</b>
<b>GROSS PROFIT</b>	<b>\$6,123.51</b>
<b>Expenses</b>	
Automobile	19.99
Fuel	233.70
<b>Total Automobile</b>	<b>253.69</b>
Insurance	241.23
Legal & Professional Fees	
Accounting	325.00
Bookkeeper	55.00
Lawyer	400.00
<b>Total Legal &amp; Professional Fees</b>	<b>780.00</b>
Maintenance and Repair	185.00
Meals and Entertainment	9.52
Office Expenses	18.08
Rent or Lease	900.00
Utilities	
Gas and Electric	200.53
Telephone	130.86
<b>Total Utilities</b>	<b>331.39</b>
<b>Total Expenses</b>	<b>\$2,718.91</b>
<b>NET OPERATING INCOME</b>	<b>\$3,404.60</b>
<b>Other Expenses</b>	
Miscellaneous	2,916.00
<b>Total Other Expenses</b>	<b>\$2,916.00</b>
<b>NET OTHER INCOME</b>	<b>\$ -2,916.00</b>
<b>NET INCOME</b>	<b>\$488.60</b>

## ① PROFIT + LOSS

Also called "Income Statement"

## ② COGS (COST OF GOODS SOLD)

Expenses specifically incurred to create revenue (e.g. cost of materials, direct labor)

## ③ OPERATING EXPENSES

Expenses related to running the business (e.g. office rent, utilities, marketing + advertising, cell phone)

## ④ OTHER INCOME

This is one-off income, like selling a building, and is not related to your usual operating activities

## ⑤ NET INCOME

Also called "net profit", this is your all-important bottom line (literally!)

*\*You can see different versions of this report on the next page*

# Profit + Loss Report

## What is this?

This is an overview of how profitable your business is over a period of time (typically a year)

## What is it used for?

- Helps identify your most profitable seasons, locations, revenue types, etc
- Shows if you're operating at a loss, breaking even, or profitable



# Profit + Loss - By Quarter

	JAN - MAR, 2020	APR - JUN, 2020	TOTAL
Utilities			\$0.00
Gas and Electric		200.53	\$200.53
Telephone		130.86	\$130.86
<b>Total Utilities</b>		<b>331.39</b>	<b>\$331.39</b>
<b>Total Expenses</b>	<b>\$300.00</b>	<b>\$2,418.91</b>	<b>\$2,718.91</b>
NET OPERATING INCOME	<b>\$91.25</b>	<b>\$3,313.35</b>	<b>\$3,404.60</b>
Other Expenses			
Miscellaneous		2,916.00	\$2,916.00
<b>Total Other Expenses</b>	<b>\$0.00</b>	<b>\$2,916.00</b>	<b>\$2,916.00</b>
NET OTHER INCOME	<b>\$0.00</b>	<b>\$ -2,916.00</b>	<b>\$ -2,916.00</b>
NET INCOME	<b>\$91.25</b>	<b>\$397.35</b>	<b>\$488.60</b>

# Profit + Loss - By Month

	JAN 2020	FEB 2020	MAR 2020	APR 2020	MAY 2020	JUN 2020	TOTAL
Utilities							\$0.00
Gas and Electric					86.44	114.09	\$200.53
Telephone					56.50	74.36	\$130.86
<b>Total Utilities</b>					<b>142.94</b>	<b>188.45</b>	<b>\$331.39</b>
<b>Total Expenses</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$300.00</b>	<b>\$250.00</b>	<b>\$314.50</b>	<b>\$1,854.41</b>	<b>\$2,718.91</b>
NET OPERATING INCOME	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$91.25</b>	<b>\$112.92</b>	<b>\$430.32</b>	<b>\$2,770.11</b>	<b>\$3,404.60</b>
Other Expenses							
Miscellaneous					250.00	2,666.00	\$2,916.00
<b>Total Other Expenses</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$250.00</b>	<b>\$2,666.00</b>	<b>\$2,916.00</b>
NET OTHER INCOME	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$ -250.00</b>	<b>\$ -2,666.00</b>	<b>\$ -2,916.00</b>
NET INCOME	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$91.25</b>	<b>\$112.92</b>	<b>\$180.32</b>	<b>\$104.11</b>	<b>\$488.60</b>

Super Secret Client  
STATEMENT OF CASH FLOWS  
January - June, 2020

	TOTAL
<b>OPERATING ACTIVITIES</b>	
Net Income	488.60
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable (A/R)	-4,865.29
Accounts Payable (A/P)	1,417.17
Mastercard	448.54
Arizona Dept. of Revenue Payable	0.00
Board of Equalization Payable	270.64
Loan Payable	4,000.00
<b>Total Adjustments to reconcile Net Income to Net Cash provided by operations:</b>	<b>1,271.06</b>
<b>Net cash provided by operating activities</b>	<b>\$1,759.66</b>
<b>INVESTING ACTIVITIES</b>	
Truck: Original Cost	-13,495.00
<b>Net cash provided by investing activities</b>	<b>\$ -13,495.00</b>
<b>FINANCING ACTIVITIES</b>	
Notes Payable	25,000.00
Opening Balance Equity	-9,905.00
<b>Net cash provided by financing activities</b>	<b>\$15,095.00</b>
<b>NET CASH INCREASE FOR PERIOD</b>	<b>\$3,359.66</b>
<b>CASH AT END OF PERIOD</b>	<b>\$3,359.66</b>

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## ① OPERATING ACTIVITIES

Cash earned or spent in the course of regular business activity - the main way your business makes money, by selling products or services.

## ② INVESTING ACTIVITIES

Cash earned or spent from investments your company makes, such as purchasing equipment or investing in other companies

## ③ FINANCING ACTIVITIES

Cash earned or spent in the course of financing your company with loans, lines of credit, or owner's equity.

# Cash Flow Report

## What is this?

This report shows you how much cash is entering and leaving your business, and if it's from operating activities, investments or financing

*(It's usually not as helpful for small service-based businesses)*

## What is it used for?

- It shows your business' liquidity and if you need to inject/fund money into your business
- Banks want this report when you apply for a loan, to make sure your business is self-sustaining
- Using multiple reports to compare cash flow over multiple periods, you can predict long-term cash flow for long-term business plans

Super Secret Client  
CUSTOMER BALANCE DETAIL  
As of June 30, 2020

DATE	TRANSACTION TYPE	NUM	DUE DATE	AMOUNT	OPEN BALANCE	BALANCE
<b>Amy's Bird Sanctuary</b>						
06/11/2020	Invoice	1021	07/11/2020	459.00	459.00	459.00
06/30/2020	Invoice	1001	07/30/2020	108.00	108.00	567.00
<b>Total for Amy's Bird Sanctuary</b>				<b>\$567.00</b>	<b>\$567.00</b>	
<b>Bill's Windsurf Shop</b>						
05/16/2020	Invoice	1027	06/15/2020	85.00	85.00	85.00
<b>Total for Bill's Windsurf Shop</b>				<b>\$85.00</b>	<b>\$85.00</b>	
<b>Cool Cars</b>						
06/21/2020	Invoice	1004	07/21/2020	2,369.52	1,675.52	1,675.52
<b>Total for Cool Cars</b>				<b>\$2,369.52</b>	<b>\$1,675.52</b>	
<b>Freeman Sporting Goods</b>						
0969 Ocean View Road						
04/18/2020	Invoice	1031	05/18/2020	387.00	387.00	387.00
<b>Total for 0969 Ocean View Road</b>				<b>\$387.00</b>	<b>\$387.00</b>	
<b>55 Twin Lane</b>						
05/16/2020	Invoice	1028	06/15/2020	81.00	81.00	81.00
06/24/2020	Invoice	1005	07/24/2020	54.00	54.00	135.00
<b>Total for 55 Twin Lane</b>				<b>\$135.00</b>	<b>\$135.00</b>	
<b>Total for Freeman Sporting Goods</b>				<b>\$522.00</b>	<b>\$522.00</b>	
<b>Jeff's Jalopies</b>						
06/11/2020	Invoice	1022	07/11/2020	81.00	81.00	81.00
<b>Total for Jeff's Jalopies</b>				<b>\$81.00</b>	<b>\$81.00</b>	
<b>John Melton</b>						
06/08/2020	Invoice	1007	07/08/2020	750.00	750.00	750.00
<b>Total for John Melton</b>				<b>\$750.00</b>	<b>\$750.00</b>	
<b>Kookies by Kathy</b>						
05/15/2020	Invoice	1016	06/14/2020	75.00	75.00	75.00
<b>Total for Kookies by Kathy</b>				<b>\$75.00</b>	<b>\$75.00</b>	
<b>Red Rock Diner</b>						
04/25/2020	Invoice	1024	05/25/2020	156.00	156.00	156.00
<b>Total for Red Rock Diner</b>				<b>\$156.00</b>	<b>\$156.00</b>	
<b>Shara Barnett</b>						
Barnett Design						
06/19/2020	Invoice	1012	07/19/2020	274.50	274.50	274.50
<b>Total for Barnett Design</b>				<b>\$274.50</b>	<b>\$274.50</b>	
<b>Total for Shara Barnett</b>				<b>\$274.50</b>	<b>\$274.50</b>	
<b>Sushi by Katsuyuki</b>						
06/24/2020	Invoice	1018	07/24/2020	80.00	80.00	80.00
<b>Total for Sushi by Katsuyuki</b>				<b>\$80.00</b>	<b>\$80.00</b>	
<b>Travis Waldron</b>						
06/21/2020	Invoice	1013	07/21/2020	81.00	81.00	81.00
<b>TOTAL</b>						
				<b>\$5,559.29</b>	<b>\$4,865.29</b>	

## 1 DUE DATE

Shows when the invoice is due for payment - which can help you anticipate when to expect income

## 2 AMOUNT COLUMN

This column shows the original total of each invoice

## 3 OPEN BALANCE COLUMN

This column shows what portion of each invoice is still unpaid (on this report, you can see that "Cool Cars" made a partial payment on Invoice 1004)

## 4 OPEN BALANCE TOTAL

This number ties to the A/R (Accounts Receivable) total on the balance sheet

# Customer Balance Report

## What is this?

This report shows you what each of your clients owe you, and when it's due, broken out by invoice and invoice balance

## What is it used for?

- To get an idea of when you'll have money + payments coming in
- See which invoices are past due (to send reminders + for collections)



Super Secret Client  
 VENDOR BALANCE DETAIL  
 As of June 30, 2020

DATE	TRANSACTION TYPE	NUM	DUE DATE	AMOUNT	OPEN BALANCE	BALANCE
Books by Bessie						
06/19/2020	Bill		07/04/2020	75.00	75.00	75.00
<b>Total for Books by Bessie</b>				<b>\$75.00</b>	<b>\$75.00</b>	
Brosnahan Insurance Agency						
06/26/2020	Bill		07/06/2020	241.23	241.23	241.23
<b>Total for Brosnahan Insurance Agency</b>				<b>\$241.23</b>	<b>\$241.23</b>	
Cal Telephone						
05/18/2020	Bill		05/18/2020	56.50	56.50	56.50
06/17/2020	Bill		07/17/2020	74.36	74.36	130.86
<b>Total for Cal Telephone</b>				<b>\$130.86</b>	<b>\$130.86</b>	
Norton Lumber and Building Materials						
06/30/2020	Bill		07/30/2020	103.55	103.55	103.55
<b>Total for Norton Lumber and Building Materials</b>				<b>\$103.55</b>	<b>\$103.55</b>	
PG&E						
05/19/2020	Bill		06/18/2020	86.44	86.44	86.44
06/17/2020	Bill		07/17/2020	114.09	114.09	200.53
<b>Total for PG&amp;E</b>				<b>\$200.53</b>	<b>\$200.53</b>	
Tim Philip Masonry						
06/18/2020	Bill		06/18/2020	666.00	666.00	666.00
<b>Total for Tim Philip Masonry</b>				<b>\$666.00</b>	<b>\$666.00</b>	
<b>TOTAL</b>				<b>\$1,417.17</b>	<b>\$1,417.17</b>	

### 1 DUE DATE

Shows when the vendor invoice is due for payment - which can help you decide which bills to prioritize paying

### 2 AMOUNT COLUMN

This column shows the original total of each invoice

### 3 OPEN BALANCE COLUMN

This column shows what portion of each invoice is still unpaid

### 4 OPEN BALANCE TOTAL

This number ties to the A/P (Accounts Payable) total on the balance sheet

# Vendor Balance Report

## What is this?

This report shows what you owe each of your vendors and when each invoice is due, broken out by invoice and invoice balance

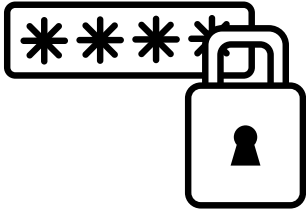
## What is it used for?

- To get an idea of when you'll have vendor invoices due + payments going out
- See which invoices are due and when so you can prioritize which ones to pay

# Help Us Help You!

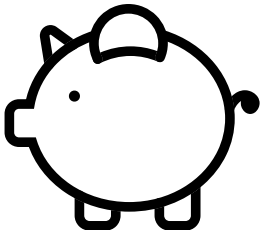
## 9 BEST PRACTICES TO HELP YOUR ACCOUNTANT

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### 1 **Share Password Updates**

We can't help manage your finances if we don't have access! Give us a heads up so we can securely update it on our end, too.



### 2 **New Bank Account? Tell us!**

Sometimes you need to open an additional account - just let us know when you do, so we can include it in our work.



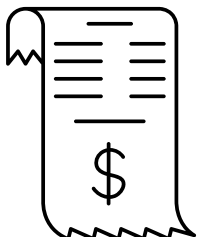
### 3 **Closing an Account? Tell us!**

If you're looking to close a bank account, give us notice before you do so we can download all the info + docs we need first!



### 4 **Send Your Statements Monthly**

We understand, sometimes we won't have online access to one or more of your accounts - but we still need you to send us your statements every month!



### 5 **Save Your Receipts**

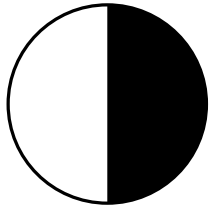
We'll save + electronically attach any receipts you send to us - HOWEVER! It is ultimately your responsibility to save and maintain your receipts for 7 years.



# Help Us Help You!

## 9 BEST PRACTICES TO HELP YOUR BOOKKEEPER

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### 6 **Separate Business + Personal**

This one is *really* important - not only do you need this to accurately handle your business taxes and finances, but also to protect your personal assets!



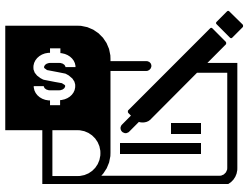
### 7 **Withdrawing Cash from Business**

Cash is especially hard to track. Every time you withdraw cash, you'll need to let us know how it was used, or it may get categorized incorrectly as an owner distribution.



### 8 **Personal Funds for Business**

If you use your personal funds to buy something for the business, let us know! We will need to record it as an owner contribution.



### 9 **Fill Out Those Memo Fields!**

We LOVE having notes and breadcrumbs on all your checks and receipts - it saves us both SO much time! (P.S. Please make sure your handwriting is legible!)