

Overview: WWA Financial Statements

The Basics

If you can read a nutrition label or a baseball box score, you can learn to read basic financial statements. If you can follow a recipe or apply for a loan, you can learn basic accounting. The basics aren't difficult and they aren't rocket science.

This handout is designed to help you gain a basic understanding of how to read WWA's financial statements. It will not train you to be an accountant but it should give you the confidence to be able to look at a set of financial statements and make sense of them.

“Show me the money!”

You may remember Cuba Gooding Jr.'s line from the movie *Jerry Maguire*, “Show me the money!” Well, that's what financial statements do. They show you the money. They show you where WWA's money came from, where it went, and where it is now.

There are three main financial statements. They are: (1) balance sheets; (2) income statements; (3) cash flow statements.

- Balance sheets show what WWA **owns** and what it **owes** at a fixed point in time.
- Income statements show how much money WWA **made** and **spent** over a period of time.
- Cash flow statements show the **exchange of money** between WWA and the outside world also over a period of time.

Let's look at each of the three financial statements in more detail.

Balance Sheet

A balance sheet provides detailed information about a company's assets, liabilities and business equity. Below is a sample of WWA's Balance sheet.

- Assets are things that WWA owns that have value. This typically means they can either be sold or used by WWA (or its chapters) to provide services or host fundraising events, frequently for generating revenue or conducting its mission. Cash itself is an asset to WWA, whether it is held by the chapters, or by the state level. Assets include physical property, such as equipment and inventory. It also includes things that can't be touched but nevertheless exist and have value, like money that is owed to WWA, such as Accounts Receivable. Real estate (e.g., Abrams) is a Fixed Asset. Some assets are “restricted” to only be used for a specific purpose (such as AWA, or Abrams) or because we know we have upcoming expenses to be paid with this monies (such as buying guns/prizes to fulfill our obligations to the calendar winners).
- Liabilities are amounts of money that WWA owes to others. This can include all kinds of obligations, like money we owe to a supplier, rent for use of storage lockers, money

owed to suppliers for inventory we've already received, or to account for the online credit card monies owed to the chapters for their events. Liabilities also include payroll WWA owes to its staff, environmental cleanup costs, or taxes owed to the government. Liabilities also include obligations to provide goods or services to customers in the future (such as calendar prizes).

- Equity is sometimes called capital or net worth. It's the money that would be left if WWA sold all of its assets and paid off all of its liabilities. This leftover money belongs to the shareholders, or the owners, of the WWA. It's interesting to think who that might be... (in a non-profit like WWA, such a concept has less meaning than in a for-profit organization, which has Owners and Shareholders).

		December 31, 2018				
		Actual	Budget	Prior Month	Prior Year	Prior YE
Assets						
Current Assets						
Cash						
	Chapters	17,040	15,000	20,663	13,510	13,510
	State restricted	42,361	44,000	7,702	43,673	43,673
	Abrams restricted	9,138	10,050	15,550	12,550	12,550
	AWA restricted	721	721	721	721	721
	State Unrestricted	35,098	22,689	23,186	32,767	32,767
	Total Cash	104,358	92,460	67,822	103,221	103,222
Accounts Receivable - Trade						
	Accounts Receivable - Grants	53,127	43,550	49,747	40,090	40,090
	Inventory	39,291	25,000	43,908	30,988	30,988
	Prepaid Expenses	10,629	-	15,574	9,437	9,437
	Other Current Assets	21,014	-	294	25,179	25,179
	Total Current Assets	228,419	161,010	177,344	208,915	208,916
Fixed Assets						
	Gross Fixed Assets	148,154	148,154	148,154	148,154	148,154
	Accum. Depreciation	(7,806)	(5,283)	(7,806)	(7,806)	(7,806)
	Net Fixed Assets	140,349	142,871	140,349	140,348	140,349
	Other Assets	26,041	26,999	27,002	27,508	27,508
	Total Assets	394,809	330,880	344,694	376,771	376,773
Liabilities & Equity						
Current Liabilities						
	Accounts Payable	51,604	16,296	52,832	58,912	58,912
	Accrued Liabilities	42,361	44,000	7,702	43,673	43,673
	Deferred Chapter Bank Accounts	17,040	15,000	20,663	13,510	13,510
	Deferred Chapter Credit Cards	2,290	-	14,563	-	-
	Other Liabilities	1,841	3,855	1,706	3,317	3,317
	Total Liabilities	115,136	79,151	97,466	119,412	119,413
Equity						
	Net Equity at Beginning of Year	257,359	251,964	257,359	262,488	262,488
	Current Year P&L	22,314	(2,35)	(10,131)	(5,129)	(5,129)
	Total Equity	279,673	251,729	247,228	257,359	257,359
	Total Liabilities & Equity	394,809	330,880	344,694	376,771	376,772

Liabilities & Equity are lumped together on the balance sheet because their combined total should equal the

total assets of WWA at any given moment, as described below:

The following formula summarizes what a balance sheet shows:

$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$

A company's assets have to equal, or "balance," the sum of its liabilities and shareholders' equity.

WWA's balance sheet is set up like the basic accounting equation shown above. On the top of our balance sheet, WWA list our assets. On the bottom, we list liabilities and equity.

A little more detail:

Assets are generally listed based on how quickly they will be converted into cash.

- Current assets are things a company expects to convert to cash within one year. Cash is already “converted” and is listed first. A better example is inventory. Broadly, WWA expects to sell our inventory for cash within one year.
- Fixed assets are those assets used to operate our “business” but that are not available for immediate sale, such as the Abrams property, office furniture and trailers, etc.
- “Depreciation” is an accounting tool to spread the initial cost of an asset over a certain period of time to reflect the loss in value of that asset, over time, as its useful life is shortened by that use. (it can be a confusing topic that goes beyond the scope of this document)
- Other assets are primarily our endowment funds.

Liabilities are generally listed based on their due dates. Liabilities are said to be either current or long-term.

- Current liabilities are obligations a WWA expects to pay off within the year.
 - Accounts Payable – what have we been invoiced but not yet paid off
 - Accrued Liabilities – primarily the expected purchases necessary to fulfill our calendar purchase
 - Deferred Chapter Bank Accounts and Chapter Credit cards reflect the funds necessary to reconcile chapter accounting.
 - Other Liabilities -

Equity is the financial value of WWA considering what it has for assets, less what it has in Liabilities. Again, if we were to liquidate everything WWA owns (Assets), and then pay off our bills (Liabilities), Equity is what we’d be left with. So a good check is to compare Assets with Liabilities plus Equity –they should match. Back to the equation above:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

A balance sheet shows a snapshot of WWA assets, liabilities and equity for a given moment in time, at the end of the reporting period. It does not show the flows into and out of the accounts during the period. For that, we look to the Income Statement, sometimes referred to as a “P&L” (profit and loss).

Income Statement

An income statement is a report that shows how much revenue WWA earned over a specific time period (either a month, or a year, or year-to-date—sometimes all three). An income statement also shows our costs and expenses associated with earning that revenue. The literal “bottom line” of the statement usually shows WWA’s net earnings or losses. This tells you how much the WWA earned or lost over the period.

To understand how income statements are set up, think of them as a set of stairs. You start at the top with the total amount of sales made during the accounting period. Then you go down, one step at a time. At each step, you make a deduction for certain costs or other operating

expenses associated with earning the revenue. At the bottom of the stairs, after deducting all of the expenses, you learn how much WWA actually earned or lost during the accounting period. This is called “the bottom line.”

Below is a sample of WWA’s Income Statement, or “P&L”. It shows the current month’s results on the left (Dec 2018) and “Year-to-date” on the right. On both sides, it compares actual financial performance with the budget that was approved at the beginning of the fiscal year of 2018. For each of these periods (Month, and year-to-date) it shows the variance (the difference) between What was expected, and What actually happened. [It is useful to look down this “variance” column for large numbers (especially on a percentage basis). Large differences beg questions about what happened, and what that means for the future financial considerations.]

1. At the top of WWA’s income statement stairs is the total amount of money brought in from sales of products or services. This top line is often referred to as “Gross revenues” or “Gross sales”. It’s called “gross” because expenses have not been deducted from it yet--so the number is “gross” or unrefined. For WWA, we break it out by category to gain a better sense of the performance of the different revenue producing efforts: Chapters, State events, Memberships (online), Donated sponsor monies, Revenue associated with grants (x2).

Current Month			December-18			Year-To-Date		
Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Gross Sales								
63,145	25,000	38,145	563,147	431,875	131,272			
71,556	13,275	58,281	97,085	22,805	74,280			
2,275	400	1,875	8,355	7,950	405			
0	0	0	0	6,000	-6,000			
3,380	3,500	-120	46,199	42,000	4,199			
8,455	500	7,955	114,798	79,300	35,498			
678	350	328	11,573	4,200	7,373			
149,489	43,025	106,464	841,157	594,130	247,027			
Standard Cost of Sales								
45,926	15,000	30,926	380,164	259,125	121,039			
44,261	25	44,236	48,974	300	48,674			
0	0	0	0	0	0			
90,187	15,025	75,162	429,138	259,425	169,713			
59,302	28,000	31,302	412,019	334,705	77,314			
Operating Expenses								
Development:								
4,419	4,604	-185	54,977	58,565	-3,588			
0	0	0	0	0	0			
581	1,000	-419	12,232	11,250	982			
313	210	103	2,524	2,520	4			
1,526	500	1,026	19,458	16,750	2,708			
58	40	18	1,451	480	971			
0	0	0	0	0	0			
0	0	0	0	0	0			
0	0	0	0	0	0			
0	125	-125	3,080	1,500	1,580			
427	450	-23	5,131	5,650	-519			
0	25	-25	0	300	198			
7,323	6,954	369	99,351	97,015	2,336			
Program Services:								
1,676	5,100	-3,424	50,818	61,811	-10,993			
0	500	-500	6,978	10,200	-3,222			
774	650	124	8,022	7,800	222			
4,900	3,900	1,000	70,726	46,800	23,926			
8,455	500	7,955	108,198	79,300	28,898			
1,515	75	1,440	13,295	6,176	7,120			
17,320	10,725	6,595	258,038	212,087	45,951			
Administration:								
566	1,800	-1,234	19,163	17,196	1,967			
0	0	0	0	0	0			
0	20	-20	111	240	-129			
129	125	4	1,712	1,500	212			
0	33	-33	174	260	-86			
256	256	0	3,078	3,072	6			
0	10	-10	194	120	74			
0	0	0	4,475	4,650	-175			
24	100	-76	1,053	1,200	-147			
961	-200	1,161	1,978	-2,400	4,378			
1,937	2,144	-207	31,938	25,836	6,100			
26,580	19,823	6,757	389,327	334,949	54,378			
32,722	8,177	24,545	22,314	-235	22,927			

2. The next set of lines is money WWA (or its chapters) spent to directly generate the Gross Sales numbers above. These are the Cost of Sales (COS) for chapter events and state events.
3. When you subtract the COS from the Gross Revenues, you are left with Gross Profit. It's considered "gross" because there are certain expenses that haven't been deducted from it yet.
4. The next section deals with operating expenses. These are expenses that go toward supporting a company's (i.e., WWA's) operations for a given period – for example, salaries of administrative personnel and costs of delivering services. WWA breaks those costs down into Development (fundraising), Program Services (Habitat restoration, education, and on-the-ground type work) and Administrative costs.
5. Finally, the "Bottom line"—what's left over after deducting Operating Expenses from Gross Profit—we call it Net Income. In a business, Taxes and any Interest expenses would be subtracted from this, but WWA, as a non-profit, and with no loans, does not have either of these.

Hopefully, there is a positive Net Income (can be thought of as 'profit'), but there can also be an "operating loss". Unlike a business with shareholders who seek to benefit from the company's profits (that is, receive their share of the profit), non-profits like WWA tend to roll their net income back into the delivery of services and goods.

Cash Flow Statement

Cash flow statements report WWA's inflows and outflows of cash. This is important because we need to have enough cash on hand to pay expenses and purchase assets (like inventory) at the moment we need to pay the bills. While an income statement can tell you whether WWA made a profit over a period of time, a cash flow statement can tell you whether we generated cash in a timely way to be able to pay our bills.

A sample Cash flow statement is shown below, but describing it in detail is a bit beyond the scope of this document. General comments about Cash Flow statements are included immediately below.

		Actual		Budget	
		Month	YTD	Month	YTD
Operating Activities					
9	Net Income	32,445	22,314	8,177	(235)
Items to Reconcile to Cash Basis:					
11	Depreciation/Amortization	-	-	0	0
Changes in Components of Working Capital					
14	Accounts Receivable	(3,380)	(13,036)	(5,400)	(4,735)
15	Inventory	4,616	(8,303)	0	(655)
16	Prepaid Expenses	4,945	(1,191)	1,400	9,437
17	Other Current Assets	(20,720)	4,165		25,179
18	Other Assets	961	1,467		509
19	Accounts Payable	(1,228)	(7,308)	(3,665)	(42,616)
20	Deferred Income	(15,896)	5,820	(9,000)	1,490
21	Accruals	34,659	(1,312)	39,000	327
22	Other Liabilities	134	(1,477)		538
25	Total Increase/(Decrease) due to Operating Activities	36,537	1,137	30,512	(10,763)
Investing Activities					
26	Capital Expenditures	-	-	0	0
Financing Activities					
29	Loans	-	-	0	0
31	Total Increase/(decrease) in Cash	36,537	1,137	30,512	(10,763)
32	Beginning Cash Balance	67,822	103,222	61,947	103,222
34	Ending Cash Balance	104,359	104,359	92,459	92,459

A cash flow statement shows changes over time rather than absolute dollar amounts at a point in time. It uses and reorders the information from WWA's balance sheet and income statement.

Specifically, WWA's cash flow statement compares the Net

Income line from our income statement (at the top of the Cash flow statement), with the change in Current Assets drawn from our balance sheet, to determine whether we had a net increase or decrease in our “cash position”. The term “working capital” essentially refers to the assets and liabilities brought over from the Balance Sheet. By considering the changes in current assets & current liabilities over the period, with the monies held in our banking account at the beginning of the period, we determine whether WWA has enough monies to pay its bills.

Developing WWA’s annual Budget

Just like you may prepare a weekly, or monthly or annual budget for your household, WWA prepares an annual budget for the organization. This allows us to set goals for revenues (such as chapter goals) and manage expenses (such as salaries or contributing to habitat projects).

Generally, the annual budget process involves the staff and Board leadership reviewing the financial results of the previous year, and making broad assumptions about the financial impacts of the coming year’s activities, both in revenue and expenses. The resulting budget is presented the form of a projected—or forecasted— income statement for the year. This budget should be reviewed and approved by the Board of Directors, as it has significant strategic implications for WWA, such as where to make investments (staff, projects) and where there are financial risks to WWA (such as chapter and grant revenue).

For the most part, WWA has taken a conservative approach in its budgeting. This year (in the absence of a staff Executive Director), the President and Administrative Director considered the 2018 net revenues generated by the chapters, projected the revenues from grant activities and considered the expected costs for the organization.

Event	Event Month	Income Month	2019 Budget	2019 Goal	2019 Super Goal	2018 Net	2019 Date
Fox River	January	February	\$ 13,500.00	\$ 14,500.00	\$ 15,500.00	\$ 13,596.32	1/26
Northern Wetlands	February	April	\$ 20,000.00	\$ 21,500.00	\$ 22,500.00	\$ 20,387.25	2/23
Appleton/Valley	February	March	\$ 16,000.00	\$ 18,500.00	\$ 20,000.00	\$ 17,649.88	2/28
Milwaukee Sports Show	March	March	\$ -	\$ -	\$ -	\$ -	3/6-3/10
Green Bay	March	March	\$ 25,000.00	\$ 27,000.00	\$ 28,000.00	\$ 28,055.50	3/14
LaCrosse	March	May	\$ 3,000.00	\$ 4,000.00	\$ 5,000.00	\$ -	3/30
Baraboo River	March	May	\$ 5,000.00	\$ 8,500.00	\$ 9,500.00	\$ 9,032.82	
Chilton	April	May	\$ 3,000.00	\$ 6,000.00	\$ 7,000.00	\$ 2,520.49	4/8
Waukesha County	April	May	\$ 27,000.00	\$ 28,000.00	\$ 29,000.00	\$ 29,772.03	4/11
Jefferson/Twin Rivers	April	June	\$ 13,000.00	\$ 15,000.00	\$ 17,000.00	\$ 13,089.35	4/6
South Milwaukee/South Suburban	April	May	\$ 8,000.00	\$ 9,000.00	\$ 10,500.00	\$ 9,839.35	4/29
SE WI Golf Outing	May	May	\$ 7,500.00	\$ 8,500.00	\$ 9,500.00	\$ 8,927.51	5/21
Ozaukee Shoot	July	July	\$ 2,000.00	\$ 3,000.00	\$ 3,500.00	\$ 2,423.75	
Abrams Summer Shoot	July	August	\$ 2,000.00	\$ 3,000.00	\$ 3,500.00	\$ 2,302.61	
Fox Valley Golf Outing	July	August	\$ 5,500.00	\$ 6,500.00	\$ 7,000.00	\$ 7,700.57	7/24
Wausau	August	October	\$ 3,500.00	\$ 6,000.00	\$ 7,000.00	\$ 3,921.73	
DCCCE	August	August				\$ (2,496.29)	
Calling Contest	August	August				\$ 755.78	
State Shoot	August	October	\$ 2,500.00	\$ 3,000.00	\$ 4,500.00	\$ 5,180.00	8/17
Hunter's Eve	August	September				\$ (346.87)	
West Bend	August	September	\$ 9,000.00	\$ 11,500.00	\$ 12,500.00	\$ 11,691.43	8/22
West Allis	September	October	\$ 7,000.00	\$ 9,000.00	\$ 11,000.00	\$ 7,333.50	9/12
Lakeshore/Manitowoc	December	December	\$ 7,000.00	\$ 9,000.00	\$ 10,000.00	\$ 5,612.90	
WWA Christmas Bash	December	December	\$ 4,000.00	\$ 5,000.00	\$ 6,000.00	\$ 4,564.89	
			\$ 183,500.00	\$ 216,500.00	\$ 238,500.00		

The estimates used for the event-generated revenues are developed using a budgeting spreadsheet as shown to the left, as these are the most significant for WWA. This sheet shows each event, when it is held & when the revenue will be received (important for cash flow purposes), the amount budgeted (projected) for the coming year (“2019 Budget”) and the amounts needed to achieve the event goal and the event

super goal. It concludes by showing what was produced by the event last year, and the date it is scheduled for this year (if it known).

The “2019 Budget” numbers are then imported into the Income statement format for the budget, and expenses are estimated to round out the budgeting process. The 2019 budget is shown on the next page. This document shows what WWA hopes will be the income statement for the end of the year 2019. Actually, this would be a relatively conservative budget—we hope that we’ll have a better Net Income than that document reflects: by achieving event Goals, or even, Super Goals, while containing annual operating expenses.

The 2019 budget, as submitted by the Executive Committee for Board consideration and approval, is shown on the next page.