

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” and can 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).

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. “State Unrestricted” money is generally the cash we have sitting in the bank that is immediately available for use.
- 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 only 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 a period of time. For that, we look to the Income Statement, sometimes referred to as a “P&L” (profit and loss statement).

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

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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 “the bottom line.”

Below is a sample of WWA’s Monthly Income Statement, or “P&L”. It shows the current month’s results on the left 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.]

- 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

Current Month			December-18	Year-To-Date		
Actual	Budget	Variance		Actual	Budget	Variance
63,145	25,000	38,145	Gross Sales	563,147	431,875	131,272
71,556	13,275	58,281	Chapter event revenue	97,085	22,805	74,280
2,275	400	1,875	State event revenue	8,355	7,950	405
0	0	0	Membership revenue	0	6,000	-6,000
3,380	3,500	-120	Sponsor revenue	46,199	42,000	4,199
8,455	500	7,955	Restoration revenue	114,798	79,300	35,498
678	350	328	other grant revenue	11,573	4,200	7,373
149,489	43,025	106,464	Other			
			Net Sales	841,157	594,130	247,027
45,926	15,000	30,926	Standard Cost of Sales	380,164	259,125	121,039
44,261	25	44,236	COS-Chapter event revenue	48,974	300	48,674
0	0	0	COS-State event revenue	0	0	0
			COS-Other			
90,187	15,025	75,162	Total Standard Cost of Sales	429,138	259,425	169,713
59,302	28,000	31,302	Gross Profit	412,019	334,705	77,314
			Operating Expenses			
4,419	4,604	-185	Development:	54,977	58,565	-3,588
0	0	0	Wages	0	0	0
581	1,000	-419	Benefits	12,232	11,250	982
313	210	103	Travel	2,524	2,520	4
1,526	500	1,026	Phone	19,458	16,750	2,708
58	40	18	Event expenses	1,451	480	971
0	0	0	Postage & shipping	0	0	0
0	0	0	Shows & meetings	0	0	0
0	0	0	Marketing	0	0	0
0	0	0	Magazine	0	0	0
0	125	-125	Advertising	3,080	1,500	1,580
427	450	-23	Rent	5,131	5,650	-519
0	25	-25	Other	498	300	198
7,323	6,954	369	Total	99,351	97,015	2,336
1,876	5,100	-3,424	Program Services:	50,818	61,811	-10,993
0	500	-500	Wages	6,978	10,200	-3,222
774	650	124	Travel	8,022	7,800	222
4,900	3,900	1,000	Other	70,726	46,800	23,926
8,455	500	7,955	HRP	108,198	79,300	28,898
1,515	75	1,440	Other Grants	13,296	8,178	5,118
17,320	10,725	6,595	Education	258,038	212,087	45,951
566	1,800	-1,234	Total			
0	0	0	Administration:	19,163	17,198	1,967
0	20	-20	Wages	0	0	0
129	125	4	Benefits	111	240	-129
0	33	-33	Travel	1,712	1,500	212
256	256	0	Phone	174	260	-86
0	10	-10	Rent	3,078	3,072	6
0	0	0	Insurance	194	120	74
24	100	-76	Postage	4,475	4,650	-175
961	-200	1,161	Professional fees	1,053	1,200	-147
1,937	2,144	-207	Supplies	1,978	-2,400	4,378
26,580	19,823	6,757	Other	31,938	25,838	6,100
			Total	389,327	334,940	54,387
32,722	8,177	24,545	Total Operating Expenses			
			Net Income	22,314	-235	22,927

with grants (x2).

2. The next set of lines is money that 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 as do most non-profit organizations. 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 or to sustain the organization (through a rainy day fund, or endowment investments).

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)—we need to pay the bills (like staff costs, contractor costs, raffle prizes, etc). 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.

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	Actual		Budget	
	Month	YTD	Month	YTD
Operating Activities				
Net Income	32,445	22,314	8,177	(235)
Items to Reconcile to Cash Basis:				
Depreciation/Amortization	-	-	0	0
Changes in Components of Working Capital				
Accounts Receivable	(3,380)	(13,036)	(5,400)	(4,736)
Inventory	4,616	(8,303)	0	(655)
Prepaid Expenses	4,945	(1,191)	1,400	9,437
Other Current Assets	(20,720)	4,165		25,179
Other Assets	961	1,467		509
Accounts Payable	(1,228)	(7,308)	(3,665)	(42,616)
Deferred Income	(15,896)	5,820	(9,000)	1,490
Accruals	34,659	(1,312)	39,000	327
Other Liabilities	134	(1,477)		538
Total Increase/(Decrease) due to Operating Activities	36,537	1,137	30,512	(10,763)
Investing Activities				
Capital Expenditures	-	-	0	0
Financing Activities				
Loans	-	-	0	0
Total Increase/(decrease) in Cash	36,537	1,137	30,512	(10,763)
Beginning Cash Balance	67,822	103,222	61,947	103,222
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. Staff will consider the net revenues generated by chapter and state activities, project the revenues from grant activities and consider /estimate the expected costs for the organization.

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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	
DCE	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	
Total			\$ 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's 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).

These 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 hoped will be the income statement for the end of the year 2019. Actually, this would be a relatively conservative budget—we would 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.

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2019 Budget - Draft 5.xlsx

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Income Statement
2019 Budget - DRAFT 5

	January	February	March	April	May	June	July	August	September	October	November	December	Total	2018 Actuals 12.31.18
2019 Budget														
Gross Sales														
Chapter event revenue	0	33,750	102,500	50,000	133,750	32,500	5,000	18,750	22,500	32,500	0	27,500	458,750	563,147
State event revenue	350	1,400	2,000	1,100	150	10	200	3,600	525	9,500	6,600	57,000	82,435	97,085
Membership revenue	250	650	1,600	325	375	175	400	485	175	875	735	250	6,295	8,355
Sponsor revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restoration revenue	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896	58,752	46,199
Other grant revenue	1,800	1,800	500	6,500	500	1,100	3,500	10,000	300	20,000	8,500	6,000	60,500	114,798
Other	300	650	900	750	800	175	825	200	125	4,000	750	1,000	10,475	11,573
Net Sales	7,596	43,146	112,396	63,571	140,471	38,856	14,821	37,931	28,521	71,771	21,481	96,646	677,207	841,157
Standard Cost of Sales														
COS-Chapter event revenue	0	20,250	61,500	30,000	80,250	19,500	3,000	11,250	13,500	19,500	0	16,500	275,250	380,164
COS-State event revenue	100	25	25	100	25	25	25	2,000	300	6,500	4,200	37,500	50,825	48,974
COS-Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Standard Cost of Sales	100	20,275	61,525	30,100	80,275	19,525	3,025	13,250	13,800	26,000	4,200	54,000	326,075	429,138
Gross Profit	7,496	22,871	50,871	33,471	60,196	19,331	11,796	24,681	14,721	45,771	17,281	42,646	351,132	412,019
Operating Expenses														
Development:														
Wages	4,628	3,868	4,428	4,668	5,738	4,943	5,293	4,668	4,668	4,968	4,968	4,968	57,806	54,977
Benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Travel	1,000	1,000	1,500	1,400	1,200	750	1,350	1,225	675	750	750	750	12,350	12,232
Phone	200	200	200	200	200	200	200	200	200	200	200	200	2,400	2,524
Event expenses	6,000	2,700	2,500	2,250	1,700	280	525	1,500	450	250	400	450	19,005	19,458
Postage & shipping	50	50	50	50	50	50	50	50	50	50	50	50	600	1,451
Shows & meetings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Magazine	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Advertising	0	125	400	500	450	400	385	650	0	100	0	100	3,110	3,080
Rent	400	400	425	475	400	425	400	450	425	475	425	425	5,125	5,131
Other	25	25	25	25	25	25	25	25	25	25	25	25	300	498
Total	12,303	8,368	9,528	9,568	9,763	7,073	8,228	8,768	6,493	6,818	6,818	6,968	100,696	99,351
Program Services:														
Wages	5,537	6,612	5,837	5,137	4,137	5,037	4,837	5,837	4,937	2,937	2,937	2,937	56,719	50,818
Travel	700	1,015	1,150	875	550	325	675	1,000	450	200	200	200	7,340	6,978
Other	400	475	475	475	400	500	400	500	400	100	100	100	4,325	8,022
HRP	6,066	6,066	6,066	6,066	6,066	6,066	6,066	6,066	6,066	6,066	6,066	6,066	72,792	70,725
Other Grants	1,800	1,800	500	6,500	500	1,100	3,500	10,000	300	20,000	8,500	6,000	60,500	108,198
Education	1,300	2,600	2,400	375	550	750	2,150	550	750	250	100	100	11,875	13,296
Total	15,803	18,568	16,428	19,428	12,203	13,778	17,628	23,953	12,903	29,553	17,903	15,403	213,551	258,038
Administration:														
Wages	1,831	1,831	1,756	2,056	2,056	1,806	1,756	1,306	2,256	1,956	1,756	1,756	22,122	19,163
Benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Travel	10	10	10	10	10	10	10	10	10	10	10	10	120	111
Phone	125	125	125	125	125	125	125	125	125	125	125	125	1,500	1,712
Rent	0	0	15	75	0	15	0	15	0	15	0	15	150	174
Insurance	381	381	381	381	381	381	381	381	381	381	381	381	4,572	3,078
Postage	20	20	20	20	20	20	20	20	20	20	20	20	240	194
Professional fees	0	0	0	1,950	2,275	0	0	0	0	0	0	0	4,225	4,475
Supplies	75	75	75	75	75	75	75	75	75	75	75	75	900	1,053
Other	-500	1,000	200	-700	-25	-250	300	0	160	1,000	600	500	2,285	1,978
Total	1,942	3,442	2,582	2,042	4,592	4,457	2,667	1,932	3,027	3,582	2,967	2,882	36,114	31,928
Total Operating Expenses	30,048	30,378	28,538	31,038	26,558	25,308	28,523	34,653	22,423	39,953	27,688	25,253	350,361	389,277
Net Income	-22,552	-7,507	22,333	2,433	33,638	-5,977	-16,727	-9,972	-7,702	5,818	-10,407	17,393	771	22,314

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