

Objectives

- Financial Statement Basics
 - Income Statement
 - **Balance Sheet**
 - Statement of Cash Flow (EBITDA)
- Financial Statement Analysis and BSA/AML Reviews
- **Case Studies**
- Understanding Integrated Financial Statement Data (Validis)



How are you using financial statements today?





What would you like to learn about the financial condition of the businesses you bank?





Accounting Methods

The main difference between accrual and cash accounting lies in the timing of when revenue and expenses are recognized.

- **Accrual accounting** records events as they occur. For example, a sale made today is recorded as revenue even if the customer's payment will be made later. This method provides a more accurate picture of a company's financial health by including accounts payable and accounts receivable.
- **Cash accounting** records income and expenses only when cash is received or paid. This method is simpler and often used by small businesses and farmers.



Primary Financial Statements

Balance Sheet

 The balance sheet provides a snapshot of a company's financial position – what it owns and what it owes at a specific point in time.

Profit and Loss

 An income statement, also known as a profit and loss statement, reveals how much money a company earned in revenue and how much it spent on expenses during a specific time frame ultimately showing its profitability.

Statement of Cash Flows

 The cash flow statement details a company's cash inflows and outflows over a specific period. Unlike the income statement, which focuses on profitability, the cash flow statement highlights a company's ability to generate and manage cash.



Asset = Liabilities + Equity

Assets

Assets are resources owned by the company which have future economic value. They can be tangible, like machinery, buildings, or cash, or intangible, like patents and trademarks. Assets are classified into two categories:

- **Current Assets:** These are assets that can be converted into cash within one year, such as cash itself, accounts receivable, and inventory.
- **Non-Current Assets**: These are long-term assets that cannot be readily converted into cash, like property, plant and equipment (PPE), and long-term investments.

Liabilities

Liabilities represent what the company owes to others. Like assets, liabilities are divided into two categories:

- **Current Liabilities:** These obligations, such as accounts payable, accrued expenses, and short-term debt, must be paid within one year.
- Long-Term Liabilities: These are obligations due beyond one year, like long-term loans and deferred tax liabilities.

Equity

Equity, also known as shareholder's equity or net assets, represents the residual interest in an entity's assets after deducting liabilities. In simpler terms, equity is left over for the owners (shareholders) of the company after all the debts (liabilities) are paid off.



Balance Sheet Benefits

The balance sheet is critical in understanding a company's financial position. It allows stakeholders – from investors to creditors – to assess the company's liquidity, solvency, and investment potential. By comparing balance sheets over different periods, one can track changes in assets, liabilities, and equity to gain insights into a company's growth, profitability, and risk profile.

Tips for BSA Analysts

- Gain insight into bank accounts held away from your institution.
- Accounts Receivable (A/R) represents sales made that have not yet been collected.
 - An increase in accounts receivable from the prior period indicates new sales were made and not yet collected from their customers.
 - A decrease in A/R indicates a payment was made on a sale that was recorded earlier.
- Changes in capital accounts may represent new ownership or true parties of interest.



Revenue - Expense

The income statement shows you how much money a company has received (its revenues), how much it has spent (its expenses), and the difference between the two (its profit or loss) over a specific time frame.

- **Revenue or Sales:** The money earned from the business's primary activities, such as selling goods or providing services. It's often presented at the top of the income statement, hence the phrase "top-line" revenue.
- Cost of Goods Sold (COGS): These are the direct costs incurred in producing a company's goods or services. They include raw materials and labor costs directly tied to the production process.
- Gross Profit: This is calculated by subtracting the COGS from the Revenues. It represents a company's profit after deducting the costs of making and selling its products or services.
- **Operating Expenses:** These are the costs associated with running the business that are not directly tied to producing goods or services. They include salaries, rent, utilities, depreciation, and marketing expenses.
- **Operating Income:** Also known as operating profit, this is calculated by subtracting operating expenses from gross profit. It represents a company's profit from its core business operations before interest and taxes.
- **Net Profit:** This is the bottom line of the income statement. It's what remains after all costs, expenses, interest, and taxes have been deducted from the revenues. If the result is positive, the company has made a profit. If it's negative, the company has lost money.



BSA Tips: Income Statement

- Payment of Federal and State Taxes (excluding excise or sales tax)
- Profitability
- Unusual expenses or payments



Statement of Cash Flows

The cash flow statement complements the balance sheet and income statement by showing how changes in balance sheet accounts and income affect a company's cash and cash equivalents and breaks down to provide an analysis of the firm's operating, investing, and financing activities. Here's a brief overview of each section:

- **Operating Activities:** This section reports the cash effects of transactions that create revenues and expenses, thus affecting net income. EBITDA
- **Investing Activities:** This section reports changes in cash resulting from activities that often involve longterm assets, investments and property. It includes making and collecting loans, acquiring and disposing of investments and productive long-lived assets.
- Financing Activities: This section reports cash changes resulting from transactions with lenders and owners. Examples include obtaining cash from issuing debt, repaying the amounts borrowed and receiving cash from or distributing cash to owners.



BSA Tips: Statement of Cash Flows

- Sources of cash outside of sales revenue
 - Financing activities
 - Equity investments or distributions
- Total change in cash position



Follow the Money

- > \$10,000 Sale paid when goods were delivered
- New investor contributes \$1 million
- \$10,000 sale made today with the promise to pay in 45 days
- Billing received for office supplies purchased
- Payroll paid on payday.
- Net Income recognized at the end of the period
- Distribution paid to investors
- Bank Loan to purchase new equipment
- Bank Line of Credit advance to purchase inventory

What accounts are impacted on the balance sheet?

How will the event be reflected on the income statement?

In which section of the Statement of Cash Flows will this transaction be reflected?





Integrated Accounting vs. Manual Attestation

Integrated Accounting

- Provides the automatic attachment of working papers and more granular details (transaction level detail upon request).
- Updated information with every upload

Manual Attestation

- Supporting documentation provided by MRBs
- Potential for error in data entry
- Potential data manipulation



Integrated Accounting (Validis) Working Papers

- Zip file of "Working Papers", 14 excel workbooks of detailed financial information
- Automatically attached to the Accounting Upload case overnight
- Available in the case or in the Documents quick jump page

Working Papers include:

- AP Report
- AR Report
- Cash
- **Engagement Trial** Balance
- **Engagement Trial** Balance with groups
- **Equity Report**
- **Financial Reports**
- **Inventory Report**
- **Investments Reports**
- LTD Report
- **NPO Report**
- Other Assets
- **Property Report**
- Tax Report



AR Report

Workbook Tabs:

- AR Aging Comparison
- Receivables Ledger Control
- Subsequent Sales Activity Analysis
- Initial Audit Sales Activity Analysis
- Aged Receivables / Detailed Aged Receivables
- Receivable Open Items List
- Sales Invoices
- Top 20 AR
- **Receivables Movements**
- **Customer Contact List**

A DO INO							
ABC INC Detailed Aged Receival	nles						
Report Date	13 Aug 2024 06:17 (06:1	17 UTC)					
Period	01 Jan 2024 - 31 Jul 202	*					
Total Ledger Aging		31 Jul 2024	30 Jun 2024	31 May 2024	30 Apr 2024	Older	Totals
		36,725.00	2,600.00	0.00	0.00	54,054.00	93,379.00
Aged Invoice For	Green Cultivation						
Contact							
Phone							
Email	joe@greencultivation.c	com					
Website							
Address	Street, City, State Zip						
Country							
Date	Reference	31 Jul 2024	30 Jun 2024	31 May 2024	30 Apr 2024	Older	Totals
	an 2024 2268	0.00	0.00	0.00	0.00	3,220.00	3,220.00
	eb 2024 2280	0.00	0.00	0.00	0.00	3,500.00	3,500.00
22 Fe	eb 2024 2311	0.00	0.00	0.00	0.00	30,000.00	30,000.00
26 Fe	eb 2024 2314	0.00	0.00	0.00	0.00	8,395.00	8,395.00
26 Fe	eb 2024 2313	0.00	0.00	0.00	0.00	8,995.00	8,995.00



0.00

54,110.00

Cash Report

Workbook Tabs:

- **Cash Summary**
- Schedule of Bank Transfers



ABC INC

Cash Summary

Report Date 13 Aug 2024 06:17 (06:17 UTC) Period 01 Jan 2024 - 31 Jul 2024

Code	Name	Period Jan 2024 - Jul 2024	Period Jan 2023 - Jul 2023	Variance	Variance %
	Cash	1,539.67	(233.69)	1,773.36	(758.85) %
	The Credit Union	0.00	0.00	0.00	-
	Green Bank	0.00	0.00	0.00	-
	Ocean Trust	110,897.24	37,089.58	73,807.66	199.00 %
		112,436.91	36,855,89	75,581.02	205.07 %



Equity Report

Workbook Tabs:

- Equity Summary
- Equity Movements

ABC INC

Equity Summary

Report Date 13 Aug 2024 06:17 (06:17 UTC)

Period 01 Jan 2024 - 31 Jul 2024

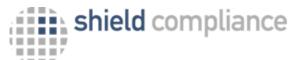
	Opening Balance	Movement	Closing Balance
Hatmaker Managing Services	(880,000.00)	0.00	(880,000.00)
Lender / Investor	(722,070.38)	0.00	(722,070.38)
30000 - Opening Balance Equity	653,024.03	0.00	653,024.03
30100 - Capital Stock	0.00	0.00	0.00
30200 - Dividends Paid	0.00	0.00	0.00
32000 - Retained Earnings	462,035.77	0.00	462,035.77
Profit/(Loss) YTD	0.00	(121,598.76)	(121,598.76)
report.title.null	(487,010.58)	(121,598.76)	(608,609.34)



Financial - Report

Workbook Tabs:

- Financial Snapshot
- Income Statement (standard)
- Balance Sheet (standard)
- Cash Flow Statement
- Income Statement (detailed)
- Balance Sheet (detailed)
- Trial Balance



ABC INC

Income Statement (detailed)

Report Date 13 Aug 2024 06:17 (06:17 UTC) **Period** 01 Jan 2024 - 31 Jul 2024

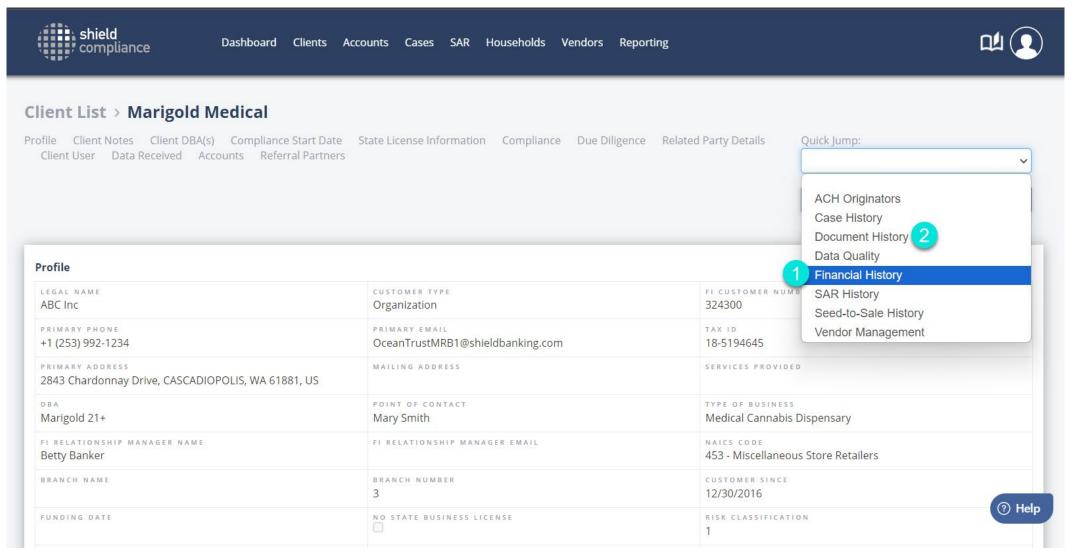
	Period Jan 2024 - Jul 2024	Period Jan 2023 - Jul 2023	Variance	Variance %
Revenue				
Discounts given	(79.00)	0.00	(79.00)	-
Interest Earned	18.20	30.70	(12.50)	(40.72) %
Other Income	18,879.00	0.00	18,879.00	-
Sales Clones	162,988.32	12,000.00	150,988.32	1,258.24 %
Sales Flower Bulk	0.00	5,614.44	(5,614.44)	(100.00) %
Sales Genetic Acquisition	51,875.00	0.00	51,875.00	-
Sales Subscription	296,047.49	162,617.50	133,429.99	82.05 %
Sales Trim	3,417.69	0.00	3,417.69	-
Sales of Product Income	0.00	10,373.48	(10,373.48)	(100.00) %
Sales of seed	560.00	0.00	560.00	-
Services	0.00	12,378.20	(12,378.20)	(100.00) %
Shipping Clones	400.00	0.00	400.00	-
Shipping Income	55.00	0.00	55.00	-
snips	1,000.00	32,100.00	(31,100.00)	(96.88) %
47900 - Sales	0.00	239,078.17	(239,078.17)	(100.00) %
48900 - Shipping and Delivery Income	0.00	800.00	(800.00)	(100.00) %
Revenue	535,161.70	474,992.49	60,169.21	12.67 %
Cost of Revenue				
Bugs-Insects	0.00	(2,819.80)	2,819.80	(100.00) %
Consulting	(2,000.00)	(11,612.43)	9,612.43	(82.78) %
Contract Labor	(1,287.00)	(152,680.63)	151,393.63	(99.16) %
Equipment Rental	0.00	(1,111.75)	1,111.75	(100.00) %
Lab Testing	(998.91)	(4,498.35)	3,499.44	(77.79) %





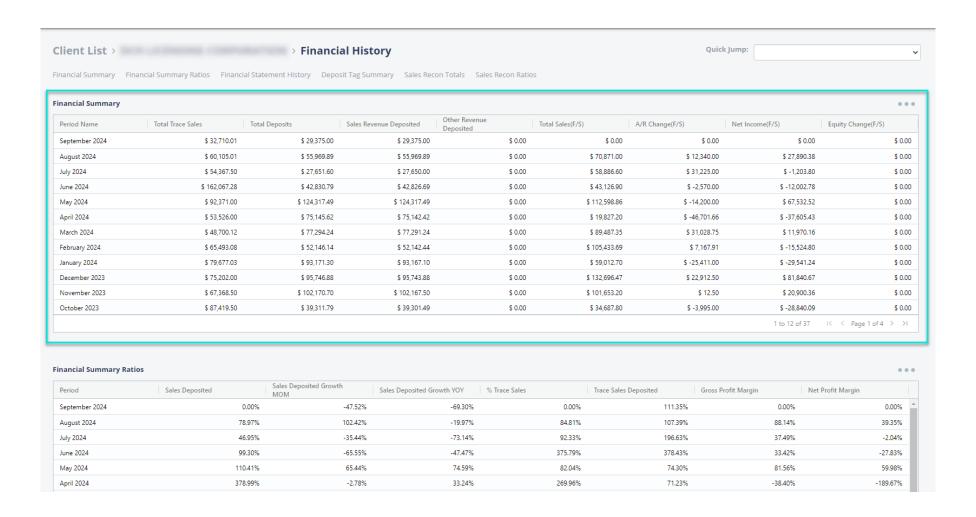


Accessing Financial Information in Assure – Quick Jump





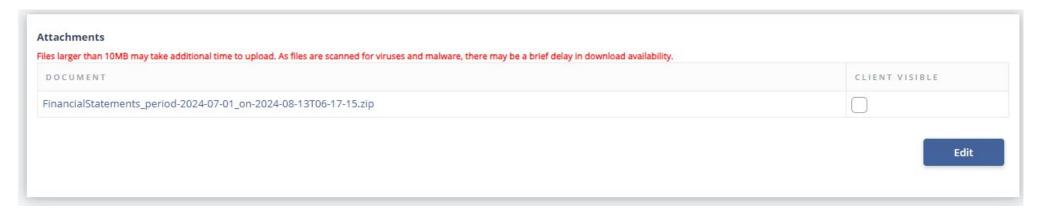
Financial Summary Table

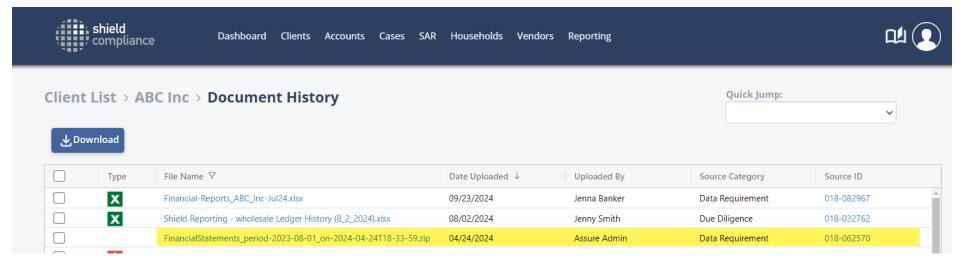




Accessing Financial Information in Assure – Documents

Attached documents are found within the "Attachments" section of the case or the "Document History" Quick Jump Menu page.











ABC INC

Financial Snapshot Report Date Period

13 Aug 2024 06:17 (06:17 UTC) 01 Jan 2024 - 31 Jul 2024

	Period Jan 2024 - Jul 2024	Period Jan 2023 - Jul 2023	Variance	Variance %
Income Statement				
Revenue	535,161.70	474,992.49	60,169.21	12.67 %
Gross Profit/(Loss)	349,330.01	(12,041.38)	361,371.39	(3,001.08) %
EBITDA	143,169.60	(30,353.18)	173,522.78	(571.68) %
Depreciation	0.00	0.00	0.00	-
Operating Profit/(Loss)	143,169.60	(30,353.18)	173,522.78	(571.68) %
Finance charges/Other Income	(5,373.68)	(13,082.97)	7,709.29	(58.93) %
Income/(Loss) Before Taxation	137,795.92	(43,436.15)	181,232.07	(417.24) %
Balance Sheet				
Total Assets	681,762.43	505,930.61	175,831.82	34.75 %
Net Current Assets/(Liabilities)	(754,485.93)	(914,505.73)	160,019.80	(17.50) %
Bank and Cash	112,436.91	36,855.89	75,581.02	205.07 %
Total Liabilities	73,153.09	61,566.37	11,586.72	18.82 %
Shareholders' Funds/(Deficit)	608,609.34	444,364.24	164,245.10	36.96 %
Operating Ratios				
Gross Profit Margin	65.28 %	(2.54) %	67.81 %	(2,674.91) %
Gross Profit Markup	187.98 %	(2.47) %	190.45 %	(7,703.25) %
Net Profit Margin	25.75 %	(9.14) %	34.89 %	(381.57) %

Xyz Corp

Financial Snapshot Report Date Period

21 Aug 2024 06:12 (06:12 UTC)

01 Jan 2024 - 31 Jul 2024

	Period Jan 2024 - Jul 2024	Period Ja	n 2023 - Jul 2023	Variance	Variance %
Income Statement					
Revenue		38,500,179.93	36,942,334.94	1,557,844.99	
Gross Profit/(Loss)		4,696,530.12	13,920,741.14	(9,224,211.02)	
ЕВІТОА		(2,642,438.43)	2,293,567.51	(4,936,005.94)	
Depreciation		(1,867,591.01)	1,367,509.61	(3,235,100.62)	
Operating Profit/(Loss)		(4,510,029.44)	3,661,077.12	(8,171,106.56)	
Finance charges/Other Income	(3	28,640,020.41)	(20,177,928.30)	(8,462,092.11)	
Income/(Loss) Before Taxation	(33,150,049.85)	(16,516,851.18)	(16,633,198.67)	
Balance Sheet					
Total Assets		55,658,687.59	103,318,386.84	(47,659,699.25)	
Net Current Assets/(Liabilities)		(7,195,716.23)	36,099,095.32	(43,294,811.55)	
Bank and Cash		6,036,103.43	6,930,121.23	(894,017.80)	
Total Liabilities	2	237,953,733.94	225,297,611.20	12,656,122.74	
Shareholders' Funds/(Deficit)	(1)	82,295,046.35)	(121,979,224.36)	(60,315,821.99)	
Operating Ratios					
Gross Profit Margin		12.20 %	37.68 %	(25.48) %	
Gross Profit Markup		13.89 %	60.47 %	(46.57) %	
Net Profit Margin		(86.10) %	(44.71) %	(41.39) %	

123 LLC

Financial Snapshot Report Date

Period

20 Aug 2024 05:59 (05:59 UTC) 01 Jan 2024 - 31 Jul 2024

	Period Jan 2024 - Jul 2024	Period Jan 2023 - Jul 2023	Variance	Variance %
Income Statement				
Revenue	1,511,756.41	150.00	1,511,606.41	1,007,737.61 %
Gross Profit/(Loss)	1,252,142.67	(100,963.87)	1,353,106.54	(1,340.19) %
EBITDA	(1,030,134.53)	(1,105,151.44)	75,016.91	(6.79) %
Depreciation	0.00	0.00	0.00	-
Operating Profit/(Loss)	(1,030,134.53)	(1,105,151.44)	75,016.91	(6.79) %
Finance charges/Other Income	(486,262.80)	(525,292.32)	39,029.52	(7.43) %
Income/(Loss) Before Taxation	(1,516,397.33)	(1,630,443.76)	114,046.43	(6.99) %
Balance Sheet				
Total Assets	26,128,616.10	24,179,773.42	1,948,842.68	8.06 %
Net Current Assets/(Liabilities)	11,937,348.80	12,917,924.17	(980,575.37)	(7.59) %
Bank and Cash	(406,208.52)	(22,880.43)	(383,328.09)	1,675.35 %
Total Liabilities	15,474,115.65	11,172,268.02	4,301,847.63	38.50 %
Shareholders' Funds/(Deficit)	10,654,500.45	13,007,505.40	(2,353,004.95)	(18.09) %
Operating Ratios				
Gross Profit Margin	82.83 %	(67,309.25) %	67,392.07 %	(100.12) %
Gross Profit Markup	482.31 %	(99.85) %	582.16 %	(583.03) %
Net Profit Margin	(100.31) %	(1,086,962.51) %	1,086,862.20 %	(99.99) %

Reminders

- Reception 4:30 6:30 @ Reynard Social (6th floor)
- Don't lose your baseball ticket in your name tag!
- Presentations are online

Tomorrow:

- Breakfast starts @ 8:15a
- Sessions begin at 9a





