



Understanding Business Financial Statements

Shield Client Connect 2024

Objectives

1. Financial Statement Basics
 - Income Statement
 - Balance Sheet
 - Statement of Cash Flow (EBITDA)
2. Financial Statement Analysis and BSA/AML Reviews
3. Case Studies
4. 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?



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Financial Statements



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 long-term 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?



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Integration v. Manual Attestation



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

ABC INC								
Detailed Aged Receivables								
Report Date		13 Aug 2024 06:17 (06:17 UTC)						
Period		01 Jan 2024 - 31 Jul 2024						
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.com						
Website								
Address		Street, City, State Zip						
Country								
Date	Reference	31 Jul 2024	30 Jun 2024	31 May 2024	30 Apr 2024	Older	Totals	
29 Jan 2024	2268	0.00	0.00	0.00	0.00	3,220.00	3,220.00	
14 Feb 2024	2280	0.00	0.00	0.00	0.00	3,500.00	3,500.00	
22 Feb 2024	2311	0.00	0.00	0.00	0.00	30,000.00	30,000.00	
26 Feb 2024	2314	0.00	0.00	0.00	0.00	8,395.00	8,395.00	
26 Feb 2024	2313	0.00	0.00	0.00	0.00	8,995.00	8,995.00	
		0.00	0.00	0.00	0.00	54,110.00	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) %





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Accessing the Data

Assure



Accessing Financial Information in Assure – Quick Jump

shield compliance Dashboard Clients Accounts Cases SAR Households Vendors Reporting

Client List > Marigold Medical

Profile Client Notes Client DBA(s) Compliance Start Date State License Information Compliance Due Diligence Related Party Details Quick Jump:
Client User Data Received Accounts Referral Partners

Profile

LEGAL NAME ABC Inc	CUSTOMER TYPE Organization	FI CUSTOMER NUMBER 324300
PRIMARY PHONE +1 (253) 992-1234	PRIMARY EMAIL OceanTrustMRB1@shieldbanking.com	TAX ID 18-5194645
PRIMARY ADDRESS 2843 Chardonay Drive, CASCADIOPOLIS, WA 61881, US	MAILING ADDRESS	SERVICES PROVIDED
DBA Marigold 21+	POINT OF CONTACT Mary Smith	TYPE OF BUSINESS Medical Cannabis Dispensary
FI RELATIONSHIP MANAGER NAME Betty Banker	FI RELATIONSHIP MANAGER EMAIL	NAICS CODE 453 - Miscellaneous Store Retailers
BRANCH NAME	BRANCH NUMBER 3	CUSTOMER SINCE 12/30/2016
FUNDING DATE	NO STATE BUSINESS LICENSE <input type="checkbox"/>	RISK CLASSIFICATION 1

1 Financial History **2**

ACH Originators
Case History
Document History
Data Quality
SAR History
Seed-to-Sale History
Vendor Management

Help

Financial Summary Table

Client List > [Redacted] > Financial History Quick Jump:

Financial Summary | Financial Summary Ratios | Financial Statement History | Deposit Tag Summary | Sales Recon Totals | Sales Recon Ratios

Financial Summary

Period Name	Total Trace Sales	Total Deposits	Sales Revenue Deposited	Other Revenue Deposited	Total Sales(F/S)	A/R Change(F/S)	Net Income(F/S)	Equity Change(F/S)
September 2024	\$ 32,710.01	\$ 29,375.00	\$ 29,375.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
August 2024	\$ 60,105.01	\$ 55,969.89	\$ 55,969.89	\$ 0.00	\$ 70,871.00	\$ 12,340.00	\$ 27,890.38	\$ 0.00
July 2024	\$ 54,367.50	\$ 27,651.60	\$ 27,650.00	\$ 0.00	\$ 58,886.60	\$ 31,225.00	\$ -1,203.80	\$ 0.00
June 2024	\$ 162,067.28	\$ 42,830.79	\$ 42,826.69	\$ 0.00	\$ 43,126.90	\$ -2,570.00	\$ -12,002.78	\$ 0.00
May 2024	\$ 92,371.00	\$ 124,317.49	\$ 124,317.49	\$ 0.00	\$ 112,598.86	\$ -14,200.00	\$ 67,532.52	\$ 0.00
April 2024	\$ 53,526.00	\$ 75,145.62	\$ 75,142.42	\$ 0.00	\$ 19,827.20	\$ -46,701.66	\$ -37,605.43	\$ 0.00
March 2024	\$ 48,700.12	\$ 77,294.24	\$ 77,291.24	\$ 0.00	\$ 89,487.35	\$ 31,028.75	\$ 11,970.16	\$ 0.00
February 2024	\$ 65,493.08	\$ 52,146.14	\$ 52,142.44	\$ 0.00	\$ 105,433.69	\$ 7,167.91	\$ -15,524.80	\$ 0.00
January 2024	\$ 79,677.03	\$ 93,171.30	\$ 93,167.10	\$ 0.00	\$ 59,012.70	\$ -25,411.00	\$ -29,541.24	\$ 0.00
December 2023	\$ 75,202.00	\$ 95,746.88	\$ 95,743.88	\$ 0.00	\$ 132,696.47	\$ 22,912.50	\$ 81,840.67	\$ 0.00
November 2023	\$ 67,368.50	\$ 102,170.70	\$ 102,167.50	\$ 0.00	\$ 101,653.20	\$ 12.50	\$ 20,900.36	\$ 0.00
October 2023	\$ 87,419.50	\$ 39,311.79	\$ 39,301.49	\$ 0.00	\$ 34,687.80	\$ -3,995.00	\$ -28,840.09	\$ 0.00

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Financial Summary Ratios

Period	Sales Deposited	Sales Deposited Growth MOM	Sales Deposited Growth YOY	% Trace Sales	Trace Sales Deposited	Gross Profit Margin	Net Profit Margin
September 2024	0.00%	-47.52%	-69.30%	0.00%	111.35%	0.00%	0.00%
August 2024	78.97%	102.42%	-19.97%	84.81%	107.39%	88.14%	39.35%
July 2024	46.95%	-35.44%	-73.14%	92.33%	196.63%	37.49%	-2.04%
June 2024	99.30%	-65.55%	-47.47%	375.79%	378.43%	33.42%	-27.83%
May 2024	110.41%	65.44%	74.59%	82.04%	74.30%	81.56%	59.98%
April 2024	378.99%	-2.78%	33.24%	269.96%	71.23%	-38.40%	-189.67%



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.

Attachments

Files larger than 10MB may take additional time to upload. As files are scanned for viruses and malware, there may be a brief delay in download availability.

DOCUMENT	CLIENT VISIBLE
FinancialStatements_period-2024-07-01_on-2024-08-13T06-17-15.zip	<input type="checkbox"/>

[Edit](#)

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Dashboard Clients Accounts Cases SAR Households Vendors Reporting

Client List > ABC Inc > Document History

Quick Jump:

[Download](#)

<input type="checkbox"/>	Type	File Name	Date Uploaded	Uploaded By	Source Category	Source ID
<input type="checkbox"/>	X	Financial-Reports_ABC_Inc-Jul24.xlsx	09/23/2024	Jenna Banker	Data Requirement	018-082967
<input type="checkbox"/>	X	Shield Reporting - wholesale Ledger History (8_2_2024).xlsx	08/02/2024	Jenny Smith	Due Diligence	018-032762
<input type="checkbox"/>		FinancialStatements_period-2023-08-01_on-2024-04-24T18-33-59.zip	04/24/2024	Assure Admin	Data Requirement	018-062570



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Case Studies



ABC INC

Financial Snapshot

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 %
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

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

Period

01 Jan 2024 - 31 Jul 2024

	Period Jan 2024 - Jul 2024	Period Jan 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)	
EBITDA	(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	(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	237,953,733.94	225,297,611.20	12,656,122.74	
Shareholders' Funds/(Deficit)	(182,295,046.35)	(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

20 Aug 2024 05:59 (05:59 UTC)

Period

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

VIEW THE AGENDA



Thank you!