KEYS TO FINANCIAL ANALYSIS

- Understanding financial statements being reviewed
  - In the State of Georgia we have two types of financial reporting.
    - Budget Basis Reporting
      - Required for Legislature
      - Only includes what has been defined as “State” Funds, which includes the following:
      - Funds 10000, 10500, 10600, 11000, 14000, 15000, 16000, 20000, and 50000.
    - Accrual GAAP Basis reporting – required for State CAFR, federal reporting and accreditation groups (SACS).
      - Includes funds listed above plus Auxiliary, Student Activities, Loan, Endowment, Agency.

- Understanding components of financial statements
- Understanding integration of financial statements
KEYS TO FINANCIAL ANALYSIS

- Identifying most important components of financial statements-Balance Sheet
  - For a GAAP (accrual) basis Balance Sheet/Statement of Net Position, some of the most important components are:
    - Cash
    - Accounts Receivable
    - Capital Assets
    - Accounts Payable
    - Lease Purchase Obligations
    - Components of Net Position – especially Unrestricted Net Position
  - For a Budget Basis Balance Sheet, important components are:
    - Cash
    - Accounts Receivable
    - Encumbrances Payable – only reported on Budget statements based on PO’s.
    - Fund Balance
KEYS TO FINANCIAL ANALYSIS

- **Identifying most important components of income statement**
  - For a GAAP (accrual) basis Statement of Revenues, Expenses and Changes in Financial Position, some of the most important components are:
    - Operating Revenues
    - Operating Expenses
      - Salaries and Benefits
      - Depreciation
    - Non-Operating Revenues/Expenses
      - State Appropriations
      - Interest Expense
    - Capital Gifts and Grants
      - GSFIC property gifts are recorded here
    - Net Position
      - Beginning Net Position
      - Ending Net Position
  - For a Budget Basis income statement, some of the most important components are:
    - State Appropriations
    - Analysis of Fund Equity section
KEYS TO FINANCIAL ANALYSIS

- **Cash Flow Statement**
  - Only produced for GAAP basis financial statements
  - Reports only cash activity that affected financials during the year.
  - Predominantly comes from Statement of Revenues, Expenses and Changes in Net Position adjusted for non cash activity.
  - Certain components of Cash Flow Statement must “tie” to other financial reports
    - Beginning Cash
    - Ending Cash
    - Operating Income (Loss)
    - Depreciation
  - Includes Section on Non-Cash Activity which generally reconciles with activity on Statement of Revenues, Expenses and Changes in Net Position
FINANCIAL STATEMENTS

Three (3) year comparison/analysis of financial statements

Financial comparison worksheet for training.xlsx