Financial Statements 102 Presentation to ABC of Western Washington May 14, 2020 Pete Miller, Shareholder pmiller@clarknuber.com 425-709-6696

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Pinancial statement components Notes and other material CPA reports on financial statements COVID-19 Clark Nuber ps **Covidate of the state of

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Sasic Financial Statements Generally Accepted Accounting Principles (GAAP) Based on historical cost Four required financial statements Balance sheet – a snapshot of a point in time Income statement – performance over a period in time Statement of changes in owners' equity Statement of cash flows

Balance Shee	t – What You Have and	d What You Owe	
· ·	sses and amounts of c mental accounting equati		• •
current assets	ASSETS Cash & cash equivalents Marketable securities Accounts receivable Work-in-process Inventory Property & equipment (gross) Accumulated depreciation Other long-term assets	LIABILITIES Accounts payable Accrued expenses Current portion of debt Long-term debt EQUITY Stock Retained earnings	current liabilities
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Income Statement – What was the Score?				
Provides acco	unting measure of revenues earned and costs in	curred		
_	Revenue	curred		
Service revenue/costs —	Less: Cost of good sold	(COGS)		
	Gross Margin/Profit			
ſ	Less: Selling, general and administrative expenses	(SG&A)		
Overhead costs _	Less: Depreciation and amortization			
L.	Less: Other operating expenses			
	Operating Income	(EBIT)		
	+/- Interest			
	+/- Non-operating income/expense			
	Pre-Tax Income			
	+/- Income taxes			
	NET INCOME			
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Statement of Changes in Owners' Equity								
Presents a "roll forward" of activity in each equity account								
_	Common	Stock	<u> </u>					
_	Shares		Amount	_	idditional Paid-in Capital	 Retained Earnings	Total	
Balance, January 1	-	\$	-	\$	-	\$ -	\$ -	
Stock issuance	xxx	\$	ххх	\$	xxx	\$ -	\$ ж	
Dividends/distributions	-	\$	-	\$	-	\$ (xxx)	\$ (xxx)	
Net income		\$		\$		\$ XXX	\$ хох	
Balance, December 31		\$		\$	-	\$ -	\$ 	
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Statement	of Cash Flows – What Real	y Happened?	
	g of cash flows for activity t me statement	ound on both the balance s	sheet
	Operations	Financing	
	+ Net income	- Dividends/distributions	
	+ Depreciation and amortization	- Payments on long-term debt	
	+/- Other non-cash items (gains/losses)	+ Proceeds from debt issuance	
	+/- Change in working capital accounts	+/- Stock issuance (buyback)	
	+/- Change in other operating activities	= Financing Cash Flows	
	= Operating Cash Flows		
•	investing	Change in Cash on Balance Sheet	
	- Net capital expenditures ("Capex")	+/- Operating cash flows	
	+/- Sale/purchase of investments	+/- Investing cash flows	
	+/- Other investing activities	+/- Financing cash flows	
	= Investing Cash Flows	= Change in cash on balance sheet	
		I	
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Notes and other material Required supplement to "external financial statements" An integral component of the financial statements and helps tell the story Provides important details about the company Greater depth and accounting policies for accounts noted on the financial statements Clark Nubers

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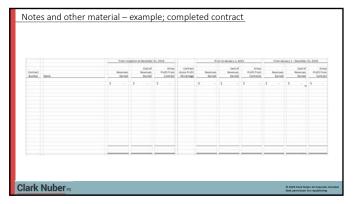
Notes and other material Key disclosures Description of business and "reporting entity" Greater detail of general asset and liability categories Details on how revenue is recognized from contracts with your customers Terms and maturity of credit and other long-term debt Concentrations Related-party activity Commitments and contingencies

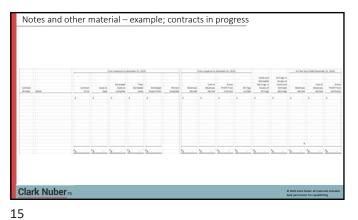
Notes and other material	
Other material Supplemental schedules to show additional detail for: Direct costs Indirect costs Selling, general and administrative costs Contracts in progress schedule Completed contracts schedule	
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Notes and other material – example; cost	of revenues
Direct Costa: Subcontractors Labor Materials Equipment Rental equipment	5 150,000 2,400,000 340,000 79,000 171,000
Other direct costs	166,000
Total Direct Costs	3,306,000
Indirect Costs:	
Depreciation Small tools	50,000 27,000
Taxes and permits	19,000
Other indirect costs	45,000
Total Indirect Costs	141,000
Total Cost of Revenues Earned	\$ 3,447,000
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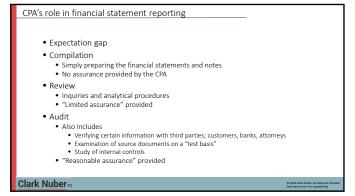
	General and Administrative Expenses:		
	Salaries	s	350,000
F	Payroll taxes, fringe and medical insurance		68,000
	Office expense		39,000
	Repairs and maintenance		31,000
	Depreciation		16,000
	Professional fees		15,000
,	Miscellaneous		15,000
E	Employer 401(k) contributions		12,000
E	Business taxes and licenses		10,000
1	nsurance		9,000
t	Dues and subscriptions		5,000
1	Felephone		4,000
E	Business development		3,000
1	Utilities		3,000
t	Donations		2,000
1	Total General and Administrative Expenses	\$	82,000

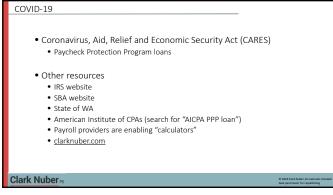
Notes and other material
Why Prepare a WIP Schedule? Required by GAAP Expected by users of financial statements Provides a summary report to identify job trends, opportunities and problems. Identifies cash flow and/or billing challenges Identifies remaining work in terms of revenue, costs and gross profit
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CPA's role in financial state	ement reporting	
• Base level = tax pre	paration and internal rep	porting
Users Surety bond provid Banks	lers	
• Level of attestation		
compilation	review	AUDIT
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Paycheck Protection Program Loans • Meet the criteria for a loan? • "Current economic uncertainty makes this loan application necessary to support the ongoing operations for the applicant." • Certification must be made "in good faith taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business." • Decision choices: • Return funds by May 14 • Keep funds, spend in approved manner (75% payroll, 25% rent, utilities, etc.) and don't apply for loan forgiveness • Keep funds, spend in approved manner and apply for loan forgiveness • Any dispute by SBA will be as a result of the forgiveness application process

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Paycheck Protection Program Loans What can you spend it on? Payroll cost Interest on mortgage that was in place as of 15-Feb-2020 Rent on lease that was in place as of 15-Feb-2020 Utility payments Forgiveness: Forgiveness: Forgiveness: Forgiveness prorated based on any reduction in FTE from before pandemic and 6/30 Forgiveness reduced for reductions in pay > 25% for those earning less than \$100k If not forgiven, continues at a 24-month loan at 1% Recipients will have up to 90 days after the "covered period" (8 weeks from receipt of loan proceeds) to apply for loan forgiveness Lenders are required to applicant within 60 days of application

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