



FINANCIAL REPORTS

DECEMBER 31, 2020

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
FINANCIAL REPORTS
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HA of the City Milwaukee
Financial Highlights
As of December 31, 2020

Financial Position (pp. 3-4)

As of December 31, 2020, HACM has total assets of \$311mm. Agency-wide working capital (difference between current assets & current liabilities) was at \$39mm indicating HACM's strong capacity to meet maturing obligations. Total cash & investments as of the end of December was \$39mm. These funds are invested in Institutional Trust, Local Government Investment Pool, certificate of deposits, money market placements, and regular checking accounts. All deposits are covered under FDIC insurance or are invested in secured US Treasury obligations. Total cash & investments are distributed as follow; (p. 3)

Low Rent Public Housing	\$10.13mm
Unsubsidized Housing	17.31
Rental Assistance Program	4.55
Central Office	0.04

Net unrestricted reserves as of December 31, of the major programs are as follow: (p. 4)

Low Rent Public Housing	\$0.30mm
Unsubsidized Housing	12.54
Rental Assistance Program-Admin	0.00
Central office	1.63

The unrestricted reserve is indicative of the program's ability to withstand funding or revenue shortfall in the coming years. Changes in funding level have significantly affected the overall financial position of HACM. Low Rent Public Housing and Rental Assistance Program were severely impacted. Given funding trend in the program, management has implemented a Resiliency Plan to address the projected decline in funding levels and subsidies to ensure HACM's long-term fiscal sustainability.

Results of Operations (pp.5-6)

Agency-wide revenues were 1% under budget (p. 5) and total spending was 9% under budget (p.6). Administrative expenses compared to budgeted expenses were 3% under budget. Tenant services were 31% under budget; Utilities were 13% under budget; Maintenance expenses were 17% under budget, protective services were 3% under budget and general expenses were 7% under budget. Consolidated net income from operations for the period ended December 31, 2020 was \$5,047,375 (p. 6).

Low Rent Public Housing (LRPH)

LRPH operations resulted in a net income from operations of \$733,464 (p. 6) in the fourth quarter. Operating revenue was \$1,351,554 under budget and total operating expenses for the period were \$2,098,528 under budget. All combined, LRPH posted a positive variance of \$746,974.

Unsubsidized Housing

Unsubsidized Housing has a favorable result of operations during the quarter. Net income from operations was \$2,198,288 (p.6) before amortization of principal on series 2015 bonds. Revenue was \$106,172 under budget and operating expenses were under budget by \$279,591 during the period. All combined, Unsubsidized Housing has a positive variance of \$173,419.

Rental Assistance Program (RAP)

RAP has net income of \$640,939 at the end of the period (p. 6). Administrative revenue was \$443,220 over budget and spending was under budget by \$382,920, resulting in an overall positive variance of \$826,141.

The Housing Assistance Payment (HAP) grant during the period was \$33.13mm against total disbursement of \$33.40mm, reflecting a utilization of 100%. RAP continues to issue vouchers. HUD continues to offset HAP reserved in accordance with the new accounting guidelines.

Central Office Cost Center (COCC)

COCC posted net income of \$1,474,684 (p.6) at the end of the quarter. Total revenue was over budget by \$682,245 (see p. 10). Operating expenses were under budget by \$698,282. All combined, COCC posted a positive variance of \$1,380,528.

Grant Management

As of December 31, 2020, HACM is on track with its obligation and spending timelines as required by the grant agreements. Currently open grants are Capital Fund Programs 2017-2020. As of end of the quarter 85% has been obligated and 75% has been expended. Around 64% of the total grants will be spent on modernization. The balance is supplementing HACM operations (see p. 7).

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
BALANCE SHEETS
AS OF DECEMBER 31, 2020

	Dec. 31, 2020					Dec. 31, 2019
	LRPH	UNSUBSIDIZED HOUSING	RAP	COCC	GRANTS/DEVT	Total HACM
ASSETS						
CURRENT ASSETS						
CASH						
UNRESTRICTED CASH	9,665,188	10,854,541	3,092,679	0	7,147,800	33,797,083
RESTRICTED CASH (Note 1)		3,939,226	1,148,717	39,698		6,152,491
TOTAL CASH	9,665,188	14,793,767	4,241,396	39,698	7,147,800	39,949,574
ACCOUNTS RECEIVABLE-TENANTS	825,905	405,261				1,003,830
ALLOWANCE FOR DOUBTFUL ACCOUNTS (Note 2)	(6,114)	(21,112)				(208,825)
NET ACCOUNTS RECEIVABLE-TENANTS	819,791	384,149	0	0	0	795,005
ACCOUNTS RECEIVABLE-MISC						
AR-HUD (Note 3)	207,830			510,336	366,036	0
AR- DEVELOPMENT FEE (Note 4)				2,865,473		0
AR - OTHERS	264,595	1,503	31,741	770,850	5,441	2,228,813
TOTAL AR-MISC	472,425	1,503	31,741	4,146,659	371,477	2,228,813
INVESTMENTS						
RESTRICTED (Note 1)	462,149	2,513,896	303,863	32		3,291,013
TOTAL INVESTMENTS	462,149	2,513,896	303,863	32	0	3,291,013
PREPAID EXPENSES AND OTHER ASSETS						
PREPAID EXPENSES AND OTHER ASSETS	249,863	75,340	51,793	5,769,421	4,131,088	5,859,782
TOTAL PREPAID EXPENSES AND OTHER ASSETS	249,863	75,340	51,793	5,769,421	4,131,088	5,859,782
CURRENT INTERFUNDS						
TOTAL DUE FROM AMOUNTS - CURRENT (Note 5)	0	0	0	726,722	(726,722)	0
TOTAL CURRENT ASSETS	11,669,416	17,768,655	4,628,793	10,682,532	10,923,643	52,124,187
NON-CURRENT ASSETS						
FIXED ASSETS						
LAND & LAND IMPROVEMENTS	31,238,010	2,759,343		461,283	280,000	36,047,086
BUILDINGS	199,713,874	50,203,141		10,170,201		298,039,222
FURNITURES, EQPT. MACHINERY	1,278,463	203,303	72,604	1,791,529		3,811,320
CONSTRUCTION IN PROGRESS	282,682	11,391		715,229	40,634,141	62,090,197
TOTAL FIXED ASSETS	232,513,029	53,177,178	72,604	13,138,242	40,914,141	399,987,825
ACCUMULATED DEPRECIATION	(166,588,496)	(45,679,281)	(72,604)	(6,076,893)		(224,967,052)
FIXED ASSETS, NET OF DEPRECIATION	65,924,533	7,497,897	0	7,061,349	40,914,141	175,020,773
OTHER ASSETS						
NOTES RECEIVABLE (Note 7)	53,228,391	3,000,000		24,501,491	18,012,901	96,472,026
NOTES INTEREST RECEIVABLE (Note 6)	12,461,174			1,179,336	430,676	11,676,203
FINANCING FEES & OTHER ASSETS	7,979,302		1,684,503	5,580,782	5,548,647	3,901,525
TOTAL OTHER ASSETS	73,668,867	3,000,000	1,684,503	31,261,609	23,992,224	112,049,754
TOTAL NON-CURRENT ASSETS	139,593,400	10,497,897	1,684,503	38,322,958	64,906,365	287,070,527
TOTAL ASSETS	151,262,816	28,266,552	6,313,296	49,005,490	75,830,008	339,194,714

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

BALANCE SHEETS

AS OF DECEMBER 31, 2020

	Dec. 31, 2020					Dec. 31, 2019
	LRPH	UNSUBSIDIZED HOUSING	RAP	COCC	GRANTS/DEVT	Total HACM
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
ACCOUNTS PAYABLE						
ACCOUNTS PAYABLE	89,858	49,621	9,883	1,557,897	8,249,579	9,956,838
<i>TOTAL ACCOUNTS PAYABLE</i>	<i>89,858</i>	<i>49,621</i>	<i>9,883</i>	<i>1,557,897</i>	<i>8,249,579</i>	<i>10,878,100</i>
ACCRUED LIABILITIES						
ACCRUED SALARIES & BENEFITS	390		(784)	1,238	(251)	593
ACCRUED INTEREST PAYABLE		274,830				274,830
DEFERED REVENUE						0
DUE TO GOVERNMENT - PILOT & OTHERS	559,572	791,349		206,033		1,556,954
ACCRUED COMPENSATED ABSENCES (Note 7)	0	0	0	865,251	0	865,251
OTHER ACCRUED LIABILITIES				1,059,675		1,059,675
<i>TOTAL ACCRUED LIABILITIES</i>	<i>559,962</i>	<i>1,066,179</i>	<i>(784)</i>	<i>2,132,197</i>	<i>(251)</i>	<i>3,757,303</i>
OTHER CURRENT LIABILITIES						
TENANT SECURITY DEPOSITS	666,268	657,592		4,200		1,328,060
FSS ESCROW ACCOUNT	112,149		303,863			416,012
NOTES PAYABLE						0
CURRENT PORTION-LT DEBT		790,000				790,000
<i>TOTAL OTHER CURRENT LIABILITIES</i>	<i>778,417</i>	<i>1,447,592</i>	<i>303,863</i>	<i>4,200</i>	<i>0</i>	<i>2,534,072</i>
<i>TOTAL CURRENT LIABILITIES</i>	<i>1,428,237</i>	<i>2,563,392</i>	<i>312,962</i>	<i>3,694,294</i>	<i>8,249,328</i>	<i>16,248,213</i>
NON-CURRENT LIABILITIES						
LONG TERM DEBT						
MORTGAGE REVENUE BONDS		15,437,645		34,481		15,472,126
NOTES PAYABLE	3,900,168				39,361,535	43,261,703
TOTAL	3,900,168	15,437,645	0	34,481	39,361,535	58,733,829
LESS CURRENT PORTION		(790,000)				(790,000)
<i>TOTAL LONG TERM DEBT - NET</i>	<i>3,900,168</i>	<i>14,647,645</i>	<i>0</i>	<i>34,481</i>	<i>39,361,535</i>	<i>57,943,829</i>
NONCURRENT LIABILITIES-OTHER						
NET OPEB LIABILITY (Note 8)	2,528,493		1,841,959	5,286,328		9,656,780
NET PENSION LIABILITY	3,517,486		3,001,885	7,787,880		14,307,251
<i>TOTAL NONCURRENT LIABILITIES-OTHER</i>	<i>6,045,979</i>	<i>0</i>	<i>4,843,844</i>	<i>13,074,208</i>	<i>0</i>	<i>23,964,031</i>
<i>TOTAL NON-CURRENT LIABILITIES</i>	<i>9,946,147</i>	<i>14,647,645</i>	<i>4,843,844</i>	<i>13,108,689</i>	<i>39,361,535</i>	<i>81,907,860</i>
TOTAL LIABILITIES	11,374,384	17,211,037	5,156,806	16,802,983	47,610,863	98,156,073
EQUITY						
INVESTED IN CAPITAL ASSETS, NET OF DEBT	65,924,533	(7,939,748)	0	7,061,349	40,914,141	105,960,275
UNRESTRICTED RESERVE	295,032	12,542,141	7,773	1,627,699	(36,687,220)	(22,214,575)
RESTRICTED RESERVE (Note 9)	73,668,867	6,453,122	1,148,717	23,513,459	23,992,224	128,776,389
TOTAL EQUITY	139,888,432	11,055,515	1,156,490	32,202,507	28,219,145	212,522,089
TOTAL LIABILITIES AND EQUITY	151,262,816	28,266,552	6,313,296	49,005,490	75,830,008	310,678,162

HA OF THE CITY OF MILWAUKEE
CONSOLIDATED STATEMENT OF REVENUE & EXPENSES
BUDGETED PROGRAM ONLY
AS OF DECEMBER 31, 2020

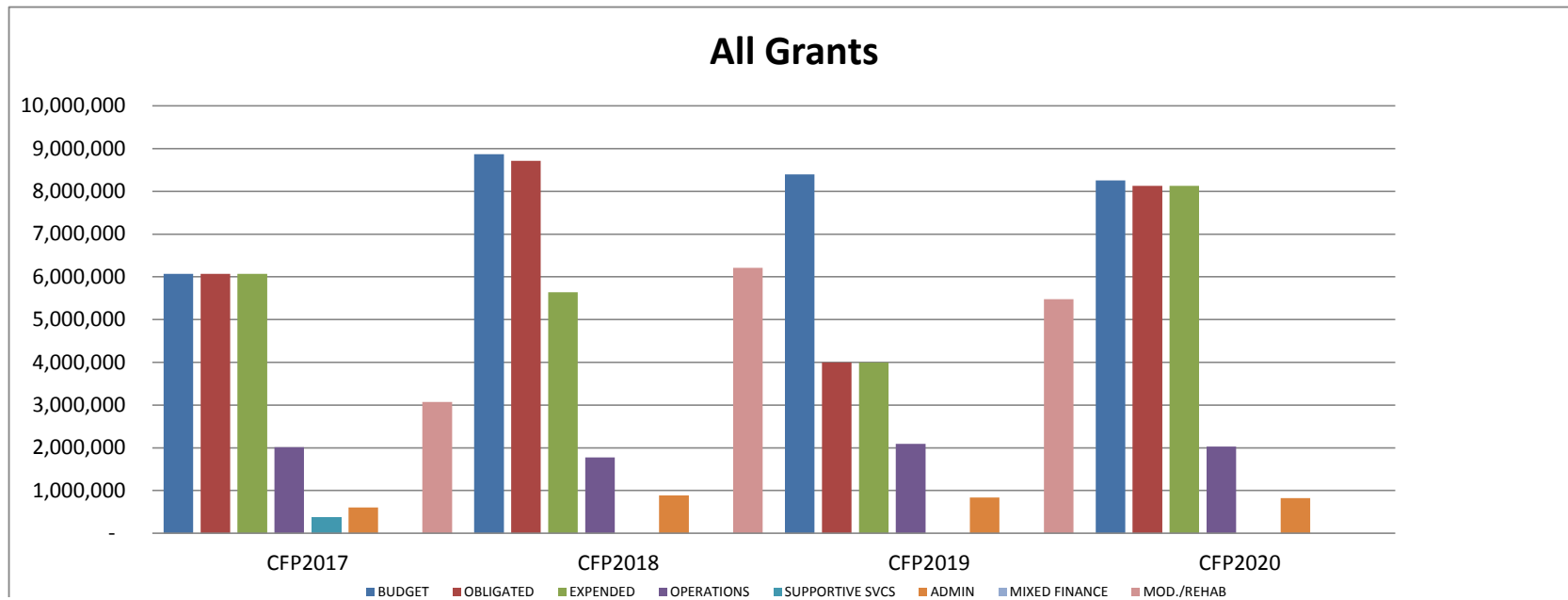
	LRPH	UNSUBSIDIZED HSNG	RAP	COCC	YTD ACTUAL	YTD BUDGET	VARIANCE		DECEMBER 2019
							AMOUNT	PERCENT	
Operating Income									
<i>Operating/admin subsidies</i>	6,449,737		4,070,574		10,520,311	9,690,042	830,269	9%	9,858,955
<i>Dwelling rents</i>	7,998,186	7,541,104			15,539,290	17,554,994	(2,015,704)	-11%	16,412,004
<i>Excess utilities & other</i>	48,738	92,217			140,955	360,252	(219,297)	-61%	236,660
<i>Capital fund transfer in (Note 10)</i>	3,217,578				3,217,578	2,850,107	367,471	13%	2,955,852
<i>Other income</i>	395,307	79,666	55,840	641,053	1,171,866	1,241,579	(69,713)	-6%	3,399,276
<i>Management fees</i>				3,829,974	3,829,974	4,084,301	(254,327)	-6%	4,198,283
<i>Central maintenance revenue</i>				2,911,018	2,911,018	3,443,495	(532,477)	-15%	2,575,057
<i>Developers fee</i>				2,861,548	2,861,548	1,284,404	1,577,144	123%	1,175,723
<i>Interest on general fund</i>	4,070	71,749	3	43,852	119,674	135,300	(15,626)	-12%	192,150
Total Income	18,113,616	7,784,736	4,126,417	10,287,445	40,312,214	40,644,474	(332,260)	-1%	41,003,960
Operating Expenditures									
Administrative									
<i>Salaries</i>	1,305,839	273,718	1,588,327	3,680,641	6,848,525	6,346,717	(501,808)	-8%	6,009,748
<i>Employee benefits</i>	298,577	138,246	598,553	988,955	2,024,331	2,705,850	681,519	25%	2,220,911
<i>Legal and accounting</i>	7,682	2,565		130,619	140,866	201,494	60,628	30%	106,007
<i>Audit</i>	31,061	12,731	9,273	4,946	58,011	142,251	84,240	59%	119,600
<i>Travel and training</i>	2,420		6,112	20,934	29,466	233,200	203,734	87%	93,343
<i>Contracted property management</i>				274,303	274,303	385,794	111,491	29%	294,612
<i>Management fees</i>	2,440,127	689,847	700,000		3,829,974	4,084,301	254,327	6%	4,198,283
<i>Housing intake</i>	481,767				481,767	467,276	(14,491)	-3%	474,288
<i>Office supplies & printing</i>	27,929	6,398	53,161	229,540	317,028	113,250	(203,778)	-180%	97,715
<i>Telephone</i>	9,066	772	10,350	35,466	55,654	73,250	17,596	24%	111,951
<i>Postage</i>	3,507	1,471		1,363	6,341	68,660	62,319	91%	47,890
<i>Other contracted services</i>	112,056	19,774	212,953	721,918	1,066,701	671,600	(395,101)	-59%	633,308
<i>Other</i>	218,122	88,802	161,358	489,315	957,597	1,101,659	144,062	13%	880,911
Total admin	4,938,153	1,234,324	3,340,087	6,578,000	16,090,564	16,595,302	504,738	3%	15,288,567
Tenant Services									
<i>Salaries & benefits</i>	64,900			14,372	79,272	145,747	66,475	46%	194,871
<i>Contracts, trainings, others</i>	192,363		60	9,397	201,820	260,100	58,280	22%	296,203
Total tenant services	257,263	0	60	23,769	281,092	405,847	124,755	31%	740,711

HA OF THE CITY OF MILWAUKEE
CONSOLIDATED STATEMENT OF REVENUE & EXPENSES
BUDGETED PROGRAM ONLY
AS OF DECEMBER 31, 2020

	LRPH	UNSUBSIDIZED HSNG	RAP	COCC	YTD ACTUAL	YTD BUDGET	VARIANCE		DECEMBER 2019
							AMOUNT	PERCENT	
Utilities									
Water	1,570,948	825,425	2,500	15,636	2,414,509	2,469,894	55,385	2%	2,590,799
Electric	1,002,414	47,571		48,346	1,098,331	1,329,059	230,728	17%	1,235,714
Gas	492,903	27,602		10,974	531,479	854,072	322,593	38%	728,104
Total utilities	3,066,265	900,598	2,500	74,956	4,044,319	4,653,025	608,706	13%	4,554,617
Ordinary maintenance									
Salaries	634,518	251,674		982,326	1,868,518	3,454,536	1,586,018	46%	2,830,730
Employee benefits Maint	383,983	114,941		662,672	1,161,596	1,442,767	281,171	19%	1,205,013
Maintenance materials	1,424,884	164,214	28,016	175,669	1,792,783	1,399,183	(393,600)	-28%	1,706,956
Maintenance contracts	3,639,618	899,100	15,697	164,000	4,718,415	5,181,860	463,445	9%	4,923,596
Total maintenance	6,083,003	1,429,929	43,713	1,984,667	9,541,312	11,478,346	1,937,034	17%	10,666,295
Protective Services									
Public safety allocation	1,138,726	114,730	892	11,068	1,265,416	1,215,951	(49,465)	-4%	1,309,725
Contracts, others	33,351			635	33,986	130,200	96,214	74%	23,689
Total protective services	1,172,077	114,730	892	11,703	1,299,402	1,346,151	46,749	3%	1,333,414
General									
Insurance	666,396	254,646	96,951	109,276	1,127,269	1,212,115	84,846	7%	1,189,274
Pilot	498,279	723,886			1,222,165	1,306,322	84,157	6%	829,389
Interest Expense		561,189			561,189	561,213	24	0%	583,362
Subsidy to Mixed finance dev't.	315,501				315,501	198,690	(116,811)	-59%	130,170
Other general expense	70,043			1,000	71,043	256,166	185,123	72%	24,878
Total general	1,550,219	1,539,721	96,951	110,276	3,297,167	3,534,506	237,339	7%	2,757,073
Total Operating Expenditures	17,066,980	5,219,302	3,484,203	8,783,371	34,553,856	38,013,177	3,459,321	9%	35,340,677
Excess (deficiency) of total revenue over expenses	1,046,636	2,565,434	642,214	1,504,074	5,758,358	2,631,297	3,127,061	119%	5,663,283
Extra-ordinary maintenance	313,172	367,146	1,275	29,390	710,983	965,606	254,623	26%	1,687,100
Program Income					0	(210,000)	(210,000)	100%	(894,725)
Net income(loss) from operations	733,464	2,198,288	640,939	1,474,684	5,047,375	1,875,691	3,171,684	169%	4,070,334
Income from transfer of Becher Court	1,611,235				1,611,235				
Depreciation expense	4,096,542	427,039		401,512	4,925,093				5,018,501
Net Income (loss)	(1,751,843)	1,771,249	640,939	1,073,172	1,733,517				798,031

HACM
MAJOR GRANTS SUMMARY
31-Dec-20

	SPENDING PLAN								END DATE
	BUDGET	OBLIGATED	EXPENDED	OPERATIONS	SUPPORTIVE SVCS	ADMIN	MIXED FINANCE	MOD./REHAB	
CFP2017	6,071,406	6,071,406	6,071,406	2,017,528	376,583	607,140		3,070,155	8/16/2021
CFP2018	8,869,415	8,714,884	5,642,655	1,773,883	-	886,941		6,208,591	5/28/2022
CFP2019	8,399,756	3,994,843	3,994,843	2,089,464	-	835,786		5,474,506	4/15/2023
CFP2020	8,255,755	8,126,370	8,126,370	2,029,978	-	825,575		5,400,202	3/25/2024
TOTAL	31,596,332	26,907,503	23,835,274	7,910,853	376,583	3,155,442	-	20,153,454	
PERCENT	100%	85%	75%	25%	1%	10%	0%	64%	



HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
NOTES TO FINANCIAL REPORT

1. Restricted Cash & investments

The amount presented is restricted either by regulation or contractual agreements. RAP restricted cash represents the net housing assistance payments (HAP). Excess of HAP grants over HAP disbursements to landlords can be spent only for rental assistance. Under the terms of mortgage agreement, certain developments (VETS Housing) are required to maintain replacement reserved to pay major rehabilitation expenses in the future. Disbursements from this money need the approval of lender or investor. Hence, restricted cash is not available to be used for general operations of the agency.

2. Allowance for Doubtful Accounts

This amount represents charges to tenants who have already moved out/evicted from the housing units. These amounts are deemed uncollectible and will be written off or removed from the records once the board approval is obtained to charge off the accounts. Collection is pursued through tax lien or when the tenants try to re-apply for public housing or RAP assistance in the future.

3. Accounts Receivable (AR) – HUD

These represent advanced disbursements on grants (from capital fund & stimulus grants) that are yet to be reimbursed by Housing and Urban Development (HUD). Grants are operated on reimbursement type basis. Grant expenditures during the month are usually paid or reimbursed the following month. Also included in this account are accruals of management fee on capital grant programs.

4. AR Development Fee

This represents development fee income from the mixed finance developments. The amount is usually paid once the tax credit investors pay their final capital contribution to the project.

5. Due From Accounts

This represents inter-program receivable (payable) balances. HACM maintains a central disbursing account under the Central Office Cost Center (COCC). Cost/expense allocation and charges result in inter-program transactions. Each program regularly settles their accounts through cash transfers.

6. Notes Receivable & Accrued Interest

This represents various loans extended to the different mixed finance developments. The loans have various terms of up to a maximum of 50 yrs. Interest rates vary from zero to 8%. Principal and accrued interest are payable depending the excess cash flow of each development. Considering that the mixed finance developments are supposed to operate at breakeven, loans and accrued interest are usually not paid until the end of the compliance period (15 years). After the 15 years, HACM will exercise its option to purchase the property. The Notes & accrued

interest accumulated balances are set-off during the process. Also included in this account are 2nd loans extended to the homeownership program participants. These loans are forgivable over a certain period of time.

7. Accrued Compensated Absences

This is the accumulated unused vacation & sick leave balances of employees. The leave balances are paid out when employees resign or retire from the agency.

8. Net OPEB Liability

This amount represents the accrued actuarial liability on Other Post Employment Benefits (OPEB). HACM provides post-employment health care benefits through a non-contributory single employer defined benefit health care plan. The plan provides medical insurance benefits to eligible retirees and their spouses. In 2007, an actuarial valuation was made to determine the amount of future liabilities. The total projected unfunded actuarial accrued liability (UAAL) was \$5,200,400. Every year, HACM accrues 1/10 of the UAAL as required under Governmental Accounting Standards Board (GASB) statement 45.

9. Restricted Reserved

This is the difference between restricted cash & investments and the related liabilities. Notes receivables from mixed finance developments are also restricted as these are expected to pay off the acquisition of the property at the end of the compliance period, hence may not available for general operations.

10. Capital Fund Transfer – in

This is the amount of money transferred from capital fund program to support the operations of the housing developments. HUD regulations allows up to a maximum of 40% of the capital fund grant to supplement the operating subsidy received by the public housing development. The amount of capital transfer is determined based on the current operating needs of the project.

11. Contingent Liabilities

Under the terms of the mixed finance agreements, HACM provides guarantee on the low-income tax credits generated by the project and operating deficit subsidies to the various mixed finance projects. The total cumulative not to exceed guarantee is \$8,926,000, broken down as follows:

Highland Park	\$1,000,000
Olga Village	1,026,000
Town Homes at Carver Park	800,000
Cherry Court	300,000
Convent Hill	100,000
Scattered Sites I	100,000
Scattered Sites II	100,000
Lapham Park LLC	2,000,000
Westlawn Renaissance	3,500,000
Total	\$8,926,000

HACM

FINANCIAL REPORTS

GLOSSARY OF TERMS & BASIC DEFINITIONS

AMP – Asset management projects. These are the various developments or rental property sites that HACM owned.

ARRA – American Recovery and Reinvestments Act, otherwise known as “stimulus”

CFP – Capital fund program

COCC – Central office cost center

FSS – Family self sufficiency

HAP – Housing assistance payment

HUD – Housing and Urban Development

IT – Information technology

LRPH – Low rent public housing

OPEX – operating expenses

PILOT – Payment in-lieu of taxes

RAP – Rental assistance program. Also, referred to Section 8 or Housing Voucher Choice Program

ROSS – Resident opportunity and supportive services

VETS – Veterans housing projects

NL – Now looks. As presented in the trend graph, Now looks is the expected balance of the revenue, expense or income item at the end of the year. Now looks is calculated at: ***Actual year to date expense plus the remaining budget or projected balances if known at the time of the report presentation.***

Balance Sheets

A **balance sheet** is a snapshot of a business' financial condition at a specific moment in time, usually at the close of an accounting period. A **balance sheet** comprises assets, liabilities, and owners' or stockholders' equity. Assets and liabilities are divided into short- and long-term obligations including cash accounts such as checking, money market, or government securities. At any given time, assets must equal liabilities plus owners' equity. An asset is anything the business owns that has monetary value. Liabilities are the claims of creditors against the assets of the business.

What is a **balance sheet** used for?

A **balance sheet** helps a small business owner quickly get a handle on the financial strength and capabilities of the business. Is the business in a position to expand? Can the business easily handle the normal financial ebbs and flows of revenues and expenses? Or should the business take immediate steps to bolster cash reserves?

Balance sheets can identify and analyze trends, particularly in the area of receivables and payables. Is the receivables cycle lengthening? Can receivables be collected more aggressively? Is some debt uncollectable? Has the business been slowing down payables to forestall an inevitable cash shortage?

Balance sheets, along with income statements, are the most basic elements in providing financial reporting to potential lenders such as banks, investors, and vendors who are considering how much credit to grant the firm.

Statement of revenue and expenses

Otherwise known as income statement or a profit and loss **statement**, is a summary of a company's profit or loss during any one given period of time, such as a month, three months, or one year. The **income statement** records all revenues for a business during this given period, as well as the operating expenses for the business.

What are income statements used for?

You use an **income statement** to track revenues and expenses so that you can determine the operating performance of your business over a period of time. Small business owners use these statements to find out what areas of their business are over budget or under budget. Specific items that are causing unexpected expenditures can be pinpointed, such as phone, fax, mail, or supply expenses

Income statements, along with balance sheets, are the most basic elements required by potential lenders, such as banks, investors, and vendors. They will use the financial reporting contained therein to determine credit limits.

Source: www.businesstown.com