



FINANCIAL REPORTS

MARCH 31, 2021

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
FINANCIAL REPORTS
TABLE OF CONTENTS

	PAGES
FINANCIAL HIGHLIGHTS	1-2
BALANCE SHEETS	3-4
CONSOLIDATED STATEMENTS OF REVENUE & EXPENSES	5-6
SUMMARY OF ALL GRANTS - CHART	7
NOTES TO THE FINANCIAL REPORTS	8-9
GLOSSARY OF TERMS	10-11

HA of the City Milwaukee
Financial Highlights
As of March 31, 2021

Financial Position (pp. 3-4)

As of March 31, 2021, HACM has total assets of \$318mm. Agency-wide working capital (difference between current assets & current liabilities) was at \$34mm indicating HACM's strong capacity to meet maturing obligations. Total cash & investments as of the end of March was \$36mm. 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	\$9.15mm
Unsubsidized Housing	17.81
Rental Assistance Program	4.55
Central Office	0.04

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

Low Rent Public Housing	-\$0.85mm
Unsubsidized Housing	13.14
Rental Assistance Program-Admin	-2.42
Central office	-2.45

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 8% over budget (p. 5) and total spending was 12% under budget (p.6). Administrative expenses compared to budgeted expenses were 3% under budget. Tenant services were 61% under budget; Utilities were 52% under budget; Maintenance expenses were 2% under budget, protective services were 39% over budget and general expenses were 47% under budget. Consolidated net income from operations for the period ended March 31, 2021 was \$2,503,301 (p. 6).

Low Rent Public Housing (LRPH)

LRPH operations resulted in a net income from operations of \$601,312 (p. 6) in the first quarter. Operating revenue was \$88,053 over budget and total operating expenses for the period were \$509,214 under budget. All combined, LRPH posted a positive variance of \$597,268.

Unsubsidized Housing

Unsubsidized Housing has a favorable result of operations during the quarter. Net income from operations was \$378,206 (p.6) before amortization of principal on series 2015 bonds. Revenue was \$91,593 under budget and operating expenses were under budget by \$74,245 during the period. All combined, Unsubsidized Housing has a negative variance of \$17,348.

Rental Assistance Program (RAP)

RAP has a net loss of \$9,834 at the end of the period (p. 6). Administrative revenue was \$26,675 over budget and spending was over budget by \$56,499, resulting in an overall negative variance of \$29,823.

The Housing Assistance Payment (HAP) grant during the period was \$8.55mm against total disbursement of \$7.90mm, reflecting a utilization of 92%. 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 \$1,205,362 (p.6) at the end of the quarter. Total revenue was over budget by \$809,219 (see p. 10). Operating expenses were under budget by \$243,939. All combined, COCC posted a positive variance of \$1,053,159.

Grant Management

As of March 31, 2021, 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 76% 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 MARCH 31, 2021

AS OF MARCH 31, 2021					Mar. 31, 2021	Mar. 31, 2020	
	LRPH	UNSUBSIDIZED HOUSING	RAP	COCC	GRANTS/DEVT Total HACM	Total HACM	
ASSETS							
CURRENT ASSETS							
CASH							
UNRESTRICTED CASH	8,680,623	11,277,796	2,311,790	0	4,328,021	26,598,230	41,430,956
RESTRICTED CASH (Note 1)		4,014,019	1,935,006	39,698		5,988,723	5,439,059
TOTAL CASH	8,680,623	15,291,815	4,246,796	39,698	4,328,021	32,586,953	46,870,015
ACCOUNTS RECEIVABLE-TENANTS							
ALLOWANCE FOR DOUBTFUL ACCOUNTS (Note 2)	969,503	461,981				1,431,484	1,327,845
NET ACCOUNTS RECEIVABLE-TENANTS	(6,114)	(21,112)				(27,226)	(206,908)
	963,389	440,869	0	0	0	1,404,258	1,120,937
ACCOUNTS RECEIVABLE-MISC							
AR-HUD (Note 3)	712,521					712,521	1,796,723
AR- DEVELOPMENT FEE (Note 4)				2,933,288		2,933,288	3,035,046
AR - OTHERS	266,379	1,494	31,741	1,039,327	555,441	1,894,382	1,073,599
TOTAL AR-MISC	978,900	1,494	31,741	3,972,615	555,441	5,540,191	5,905,368
INVESTMENTS							
RESTRICTED (Note 1)	473,196	2,513,933	304,045	32		3,291,206	3,282,074
TOTAL INVESTMENTS	473,196	2,513,933	304,045	32	0	3,291,206	3,282,074
PREPAID EXPENSES AND OTHER ASSETS							
PREPAID EXPENSES AND OTHER ASSETS	278,559	66,001	75,839	5,295,625	4,162,754	9,878,778	6,346,696
TOTAL PREPAID EXPENSES AND OTHER ASSETS	278,559	66,001	75,839	5,295,625	4,162,754	9,878,778	6,346,696
CURRENT INTERFUNDS							
TOTAL DUE FROM AMOUNTS - CURRENT (Note 5)	0	0	0	492,224	(492,224)	0	0
TOTAL CURRENT ASSETS	11,374,667	18,314,112	4,658,421	9,800,194	8,553,992	52,701,386	63,525,090
NON-CURRENT ASSETS							
FIXED ASSETS							
LAND & LAND IMPROVEMENTS	31,238,010	2,759,343		461,283	280,000	34,738,636	36,047,086
BUILDINGS	199,796,433	50,214,533		10,204,774		260,215,740	297,851,730
FURNITURES, EQPT. MACHINERY	1,306,030	203,303	72,604	1,732,835		3,314,772	3,810,529
CONSTRUCTION IN PROGRESS	306		1,225	736,947	42,617,081	43,355,559	67,684,123
TOTAL FIXED ASSETS	232,340,779	53,177,179	73,829	13,135,839	42,897,081	341,624,707	405,393,468
ACCUMULATED DEPRECIATION	(167,484,768)	(45,784,370)	(72,604)	(6,092,198)		(219,433,940)	(223,772,895)
FIXED ASSETS, NET OF DEPRECIATION	64,856,011	7,392,809	1,225	7,043,641	42,897,081	122,190,767	181,620,573
OTHER ASSETS							
NOTES RECEIVABLE (Note 7)	53,625,391	3,000,000	425,880	28,096,122	27,032,182	112,179,575	97,585,916
NOTES INTEREST RECEIVABLE (Note 6)	12,501,370			1,383,756	463,095	14,348,221	11,676,203
FINANCING FEES & OTHER ASSETS	8,283,264		2,013,796	6,340,688		16,637,748	3,901,525
TOTAL OTHER ASSETS	74,410,025	3,000,000	2,439,676	35,820,566	27,495,277	143,165,544	113,163,644
TOTAL NON-CURRENT ASSETS	139,266,036	10,392,809	2,440,901	42,864,207	70,392,358	265,356,311	294,784,217
TOTAL ASSETS	150,640,703	28,706,921	7,099,322	52,664,401	78,946,350	318,057,697	358,309,307
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

BALANCE SHEETS

AS OF MARCH 31, 2021

	Mar. 31, 2021					Mar. 31, 2020
	LRPH	UNSUBSIDIZED HOUSING	RAP	COCC	GRANTS/DEVT Total HACM	Total HACM
ACCOUNTS PAYABLE						
ACCOUNTS PAYABLE	86,563	44,670	26,255	2,292,689	8,460,552	10,910,729
<i>TOTAL ACCOUNTS PAYABLE</i>	<i>86,563</i>	<i>44,670</i>	<i>26,255</i>	<i>2,292,689</i>	<i>8,460,552</i>	<i>10,910,729</i>
ACCRUED LIABILITIES						
ACCRUED SALARIES & BENEFITS	354		292	(340,305)	17,611	(322,048)
ACCRUED INTEREST PAYABLE		137,451				137,451
DEFERED REVENUE			1,424,571			1,424,571
DUE TO GOVERNMENT - PILOT & OTHERS	633,627	776,114		1,150,994		2,560,735
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>633,981</i>	<i>913,565</i>	<i>1,424,863</i>	<i>2,735,615</i>	<i>17,611</i>	<i>5,725,635</i>
OTHER CURRENT LIABILITIES						
TENANT SECURITY DEPOSITS	532,486	691,012		4,200		1,227,698
FSS ESCROW ACCOUNT	123,196		304,045			427,241
NOTES PAYABLE					0	0
CURRENT PORTION-LT DEBT		790,000			790,000	790,000
<i>TOTAL OTHER CURRENT LIABILITIES</i>	<i>655,682</i>	<i>1,481,012</i>	<i>304,045</i>	<i>4,200</i>	<i>0</i>	<i>2,444,939</i>
<i>TOTAL CURRENT LIABILITIES</i>	<i>1,376,226</i>	<i>2,439,247</i>	<i>1,755,163</i>	<i>5,032,504</i>	<i>8,478,163</i>	<i>19,081,303</i>
NON-CURRENT LIABILITIES						
LONG TERM DEBT						
MORTGAGE REVENUE BONDS		15,437,645		30,593		15,468,238
NOTES PAYABLE	3,900,168				43,554,152	47,454,320
TOTAL	3,900,168	15,437,645	0	30,593	43,554,152	62,922,558
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>30,593</i>	<i>43,554,152</i>	<i>62,132,558</i>
NONCURRENT LIABILITIES-OTHER						
NET OPEB LIABILITY (Note 8)	3,271,361		2,646,732	7,143,497		13,061,590
NET PENSION LIABILITY	3,679,157		3,177,028	8,192,056		15,048,241
<i>TOTAL NONCURRENT LIABILITIES-OTHER</i>	<i>6,950,518</i>	<i>0</i>	<i>5,823,760</i>	<i>15,335,553</i>	<i>0</i>	<i>28,109,831</i>
<i>TOTAL NON-CURRENT LIABILITIES</i>	<i>10,850,686</i>	<i>14,647,645</i>	<i>5,823,760</i>	<i>15,366,146</i>	<i>43,554,152</i>	<i>90,242,389</i>
TOTAL LIABILITIES	12,226,912	17,086,892	7,578,923	20,398,650	52,032,315	109,323,692
EQUITY						
INVESTED IN CAPITAL ASSETS, NET OF DEBT	64,856,011	(8,044,836)	1,225	7,043,641	42,897,081	106,753,122
UNRESTRICTED RESERVE	(852,245)	13,136,913	(2,415,832)	(2,446,130)	(43,478,323)	(36,055,617)
RESTRICTED RESERVE (Note 9)	74,410,025	6,527,952	1,935,006	27,668,240	27,495,277	138,036,500
TOTAL EQUITY	138,413,791	11,620,029	(479,601)	32,265,751	26,914,035	208,734,005
TOTAL LIABILITIES AND EQUITY	150,640,703	28,706,921	7,099,322	52,664,401	78,946,350	318,057,697

358,309,307

HA OF THE CITY OF MILWAUKEE
CONSOLIDATED STATEMENT OF REVENUE & EXPENSES
BUDGETED PROGRAM ONLY
AS OF MARCH 31, 2021

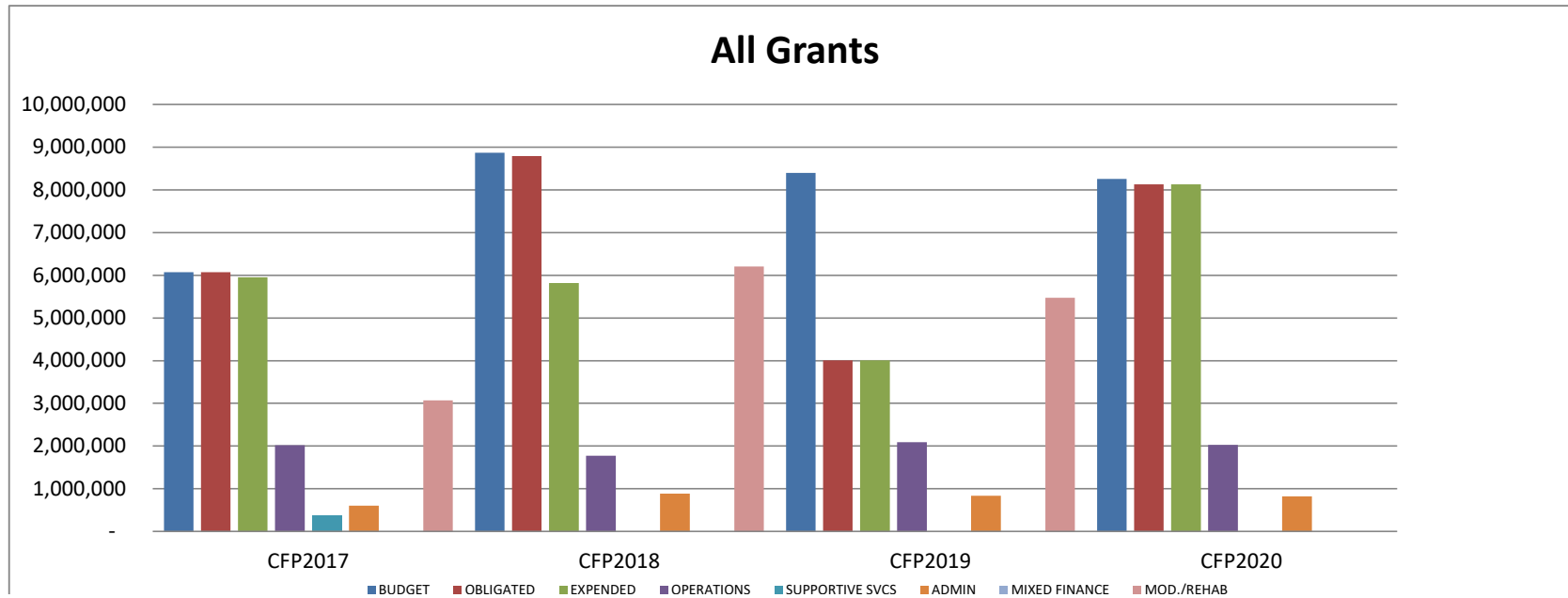
	LRPH	UNSUBSIDIZED HSNG	RAP	COCC	YTD ACTUAL	YTD BUDGET	VARIANCE		MARCH 2020
							AMOUNT	PERCENT	
Operating Income									
<i>Operating/admin subsidies</i>	1,894,357		1,016,320		2,910,677	2,341,655	569,022	24%	2,103,956
<i>Dwelling rents</i>	1,874,663	1,869,749			3,744,412	4,220,037	(475,625)	-11%	3,942,617
<i>Excess utilities & other</i>	22,952	25,557			48,509	82,568	(34,059)	-41%	30,986
<i>Capital fund transfer in (Note 10)</i>	712,521				712,521	713,888	(1,367)	0%	803,729
<i>Other income</i>	74,966	(11,224)	8,559	883,514	955,815	198,746	757,069	381%	190,346
<i>Management fees</i>				991,679	991,679	1,059,192	(67,513)	-6%	964,232
<i>Central maintenance revenue</i>				1,072,770	1,072,770	857,760	215,010	25%	535,960
<i>Developers fee</i>				315,000	315,000	430,913	(115,913)	-27%	0
<i>Interest on general fund</i>	166	12,564		13,620	26,350	40,625	(14,275)	-35%	45,080
Total Income	4,579,625	1,896,646	1,024,879	3,276,583	10,777,733	9,945,384	832,349	8%	8,616,906
Operating Expenditures									
Administrative									
<i>Salaries</i>	203,686	75,071	349,219	614,177	1,242,153	1,532,699	290,546	19%	1,321,776
<i>Employee benefits</i>	111,231	44,651	171,148	301,702	628,732	651,161	22,429	3%	783,227
<i>Legal and accounting</i>					0	43,353	43,353	100%	39,298
<i>Audit</i>	39,902	16,000	11,655	6,216	73,773	31,694	(42,079)	-133%	0
<i>Travel and training</i>		100		6,557	6,657	58,300	51,643	89%	15,192
<i>Contracted property management</i>				74,108	74,108	73,949	(160)	0%	73,655
<i>Management fees</i>	617,444	174,239	199,997		991,680	1,059,192	67,512	6%	964,232
<i>Housing intake</i>	142,442				142,442	133,471	(8,971)	-7%	139,337
<i>Office supplies & printing</i>	5,120	340	4,657	4,652	14,769	28,588	13,819	48%	20,903
<i>Telephone</i>	780		2,943	7,341	11,064	17,313	6,249	36%	24,752
<i>Postage</i>	220	165	825	21	1,231	18,704	17,473	93%	2,434
<i>Other contracted services</i>	62,920	11,200	83,949	253,669	411,738	258,700	(153,038)	-59%	133,518
<i>Other</i>	114,142	44,995	171,342	144,977	475,456	276,995	(198,461)	-72%	184,196
Total admin	1,297,887	366,761	995,735	1,413,420	4,073,803	4,184,118	110,315	3%	3,702,520
Tenant Services									
<i>Salaries & benefits</i>	32,165			666	32,831	41,180	8,349	20%	31,584
<i>Contracts, trainings, others</i>	390		30	6,400	6,820	60,025	53,205	89%	90,448
Total tenant services	32,555	0	30	7,066	39,651	101,205	61,554	61%	122,032

HA OF THE CITY OF MILWAUKEE
CONSOLIDATED STATEMENT OF REVENUE & EXPENSES
BUDGETED PROGRAM ONLY
AS OF MARCH 31, 2021

	LRPH	UNSUBSIDIZED HSNG	RAP	COCC	YTD ACTUAL	YTD BUDGET	VARIANCE		MARCH 2020
							AMOUNT	PERCENT	
Utilities									
Water	74,631	68,117	1,250	132	144,130	631,594	487,464	77%	150,120
Electric	157,270	11,022		5,061	173,353	275,767	102,414	37%	191,757
Gas	185,512	12,153		4,473	202,138	169,155	(32,983)	-19%	179,135
Total utilities	417,413	91,292	1,250	9,666	519,621	1,076,516	556,895	52%	521,012
Ordinary maintenance									
Salaries	202,144	70,738		325,174	598,056	840,038	241,982	29%	592,573
Employee benefits Maint	131,401	41,600		189,101	362,102	333,762	(28,340)	-8%	408,303
Maintenance materials	262,642	25,952		7,025	295,619	407,016	111,397	27%	318,837
Maintenance contracts	1,027,541	372,970	3,135	69,601	1,473,247	1,193,865	(279,382)	-23%	928,248
Total maintenance	1,623,728	511,260	3,135	590,901	2,729,024	2,774,681	45,657	2%	2,247,961
Protective Services									
Public safety allocation	255,389	25,794	159	2,373	283,715	204,261	(79,455)	-39%	338,862
Contracts, others	8,217				8,217	6,050	(2,167)	-36%	12,097
Total protective services	263,606	25,794	159	2,373	291,932	210,311	(81,622)	-39%	350,959
General									
Insurance	181,259	67,523	34,404	45,338	269	298,151	297,882	100%	295,067
Pilot	149,836	156,025			305,861	320,570	14,709	5%	421,375
Interest Expense		137,451			137,451	134,218	(3,233)	-2%	143,192
Subsidy to Mixed finance dev't.					0	46,710	46,710	100%	0
Other general expense	11,047			1,000	12,047	62,334	50,287	81%	6,861
Total general	342,142	360,999	34,404	46,338	455,628	861,982	406,354	47%	866,495
Total Operating Expenditures	3,977,331	1,356,106	1,034,713	2,069,764	8,109,659	9,208,813	1,099,154	12%	7,810,979
Excess (deficiency) of total revenue over expenses	602,294	540,540	(9,834)	1,206,819	2,668,074	736,571	1,931,503	262%	805,927
Extra-ordinary maintenance	982	162,334		1,457	164,773	268,216	103,443	39%	217,425
Program Income					0	(52,500)	(52,500)	100%	0
Net income(loss) from operations	601,312	378,206	(9,834)	1,205,362	2,503,301	520,855	1,982,446	381%	588,502
Depreciation expense	983,686	105,025		94,899	1,183,610				3,773,051
Net Income (loss)	(382,374)	273,181	(9,834)	1,110,463	1,319,691				(3,184,549)

HACM
MAJOR GRANTS SUMMARY
31-Mar-21

	SPENDING PLAN								END DATE
	BUDGET	OBLIGATED	EXPENDED	OPERATIONS	SUPPORTIVE SVCS	ADMIN	MIXED FINANCE	MOD./REHAB	
CFP2017	6,071,406	6,071,406	5,951,060	2,017,528	376,583	607,140		3,070,155	8/16/2021
CFP2018	8,869,415	8,792,434	5,815,295	1,773,883	-	886,941		6,208,591	5/28/2022
CFP2019	8,399,756	4,005,915	4,005,915	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	26,996,125	23,898,640	7,910,853	376,583	3,155,442	-	20,153,454	
PERCENT	100%	85%	76%	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.