



TECHNICAL ASSISTANCE

POWERED BY THE ILLINOIS TOLLWAY

Equipping Businesses for Success

Administered by



Understanding Financial Statements

Presented by

Michael Robinson, Specialty Consultant



Understanding Financial Statements

What is Accounting?

The process or recording financial transactions pertaining to an organization or individual.

We summarize, analyze and report these transactions to oversight agencies, regulators and tax collection entities.



Understanding Financial Statements

Financial Accounting Reports – For Who?

- ❖ Federal and State Tax Agencies
- ❖ Banks and Financial Institutions
- ❖ Grant Agencies\Certification Agencies
- ❖ Insurance and Bond Issuers



Understanding Financial Statements

Financial Accounting Reports – What is it?

Tax Returns (Corporate and Personal)

Business Type

- Sole Proprietorship – Schedule C
- LLC – Schedule S
- C-Corp – Form 1120
- S-Corp – Schedule K
- Non-Profit – Form 990

File Return to the State



Understanding Financial Statements

Form 1120 Department of the Treasury Internal Revenue Service	U.S. Corporation Income Tax Return For calendar year 2021 or tax year beginning _____, 2021, ending _____, 20____ ► Go to www.irs.gov/Form1120 for instructions and the latest information.		OMB No. 1545-0123 2021																																			
A Check if: 1a Consolidated return (attach Form 851) <input type="checkbox"/> b Life/nonlife consolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 attached <input type="checkbox"/>	TYPE OR PRINT	Name Number, street, and room or suite no. If a P.O. box, see instructions. City or town, state or province, country, and ZIP or foreign postal code	B Employer identification number C Date incorporated D Total assets (see instructions) \$																																			
		E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change																																				
Income	1a Gross receipts or sales b Returns and allowances c Balance. Subtract line 1b from line 1a 2 Cost of goods sold (attach Form 1125-A) 3 Gross profit. Subtract line 2 from line 1c 4 Dividends and inclusions (Schedule C, line 23) 5 Interest 6 Gross rents 7 Gross royalties 8 Capital gain net income (attach Schedule D (Form 1120)) 9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797) 10 Other income (see instructions—attach statement)	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:5%; text-align: center;">1a</td> <td style="width:75%;"></td> <td style="width:20%;"></td> </tr> <tr> <td style="text-align: center;">1b</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">1c</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">2</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">3</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">4</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">5</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">6</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">7</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">8</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">9</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">10</td> <td></td> <td></td> </tr> </table>	1a			1b			1c			2			3			4			5			6			7			8			9			10		
1a																																						
1b																																						
1c																																						
2																																						
3																																						
4																																						
5																																						
6																																						
7																																						
8																																						
9																																						
10																																						

Understanding Financial Statements

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business (Sole Proprietorship)

Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.

OMB No. 1545-0074

2022

Attachment
Sequence No. **09**

Name of proprietor		Social security number (SSN)
A	Principal business or profession, including product or service (see instructions)	B Enter code from instructions
C	Business name. If no separate business name, leave blank.	D Employer ID number (EIN) (see instr.)
E	Business address (including suite or room no.) City, town or post office, state, and ZIP code	
F	Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____	
G	Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses	<input type="checkbox"/> Yes <input type="checkbox"/> No
H	If you started or acquired this business during 2022, check here	<input type="checkbox"/>
I	Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions	<input type="checkbox"/> Yes <input type="checkbox"/> No
J	If "Yes," did you or will you file required Form(s) 1099?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	



TECHNICAL ASSISTANCE

POWERED BY THE ILLINOIS TOLLWAY



Understanding Financial Statements

Schedule K-1 (Form 1065)

Department of the Treasury
Internal Revenue Service

2022

For calendar year 2022, or tax year

beginning / / 2022 ending / /

Partner's Share of Income, Deductions, Credits, etc.

See separate instructions.

Part I Information About the Partnership	
A	Partnership's employer identification number
B	Partnership's name, address, city, state, and ZIP code
C	IRS center where partnership filed return:
D	<input type="checkbox"/> Check if this is a publicly traded partnership (PTP)
Part II Information About the Partner	
E	Partner's SSN or TIN (Do not use TIN of a deceased entity. See instructions.)

Final K-1 Amended K-1

651121
OMB No. 1545-0123

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Ordinary business income (loss)	14	Self-employment earnings (loss)
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked <input type="checkbox"/>
4c	Total guaranteed payments	17	Alternative minimum tax (AMT) items
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses



TECHNICAL ASSISTANCE

POWERED BY THE ILLINOIS TOLLWAY

5/16/2023 | 7



Understanding Financial Statements



Illinois Department of Revenue

2021 Form IL-1120

Corporation Income and Replacement Tax Return



See "When should I file?" in the Form IL-1120 instructions for a list of due dates.

If this return is not for calendar year 2021, enter your fiscal tax year here.

Tax year beginning _____ 20____, ending _____ 20____
month day year month day year



This form is for tax years ending on or after December 31, 2021, and before December 31, 2022.
For all other situations, see instructions to determine the correct form to use.

Enter the amount you are paying.

\$ _____

Step 1: Identify your corporation

A Enter your complete legal business name.
If you have a name change, check this box.
Name: _____

B Enter your mailing address.
Check this box if either of the following apply:
• this is your **first return**, or
• you have an **address change**.
C/O: _____
Mailing address: _____
City: _____ State: _____ ZIP: _____

N Enter your federal employer identification number (FEIN).
_____ - _____

O If you are a member of a group filing a federal consolidated return, enter the FEIN of the parent.
_____ - _____

P Enter your North American Industry Classification System (NAICS) Code. See instructions.

Q Enter your corporate file (charter) number assigned to you by the Secretary of State.



TECHNICAL ASSISTANCE

POWERED BY THE ILLINOIS TOLLWAY

5/16/2023

8



Understanding Financial Statements

Financial Accounting Reports – What is it?

Financial Statements

- Cash Flow
- Balance Sheets
- Profit and Loss Statement
- Cash vs Accrual Basis Accounting



Understanding Financial Statements

Financial Statements

Cash Flow

- The statement of cash flow will be used to demonstrate the cash generated by the company within a certain time frame.
 - Operating Activities - Sales
 - Investing Activities – Stocks, Bond, Etc
 - Financing Activities



Understanding Financial Statements

Financial Statements

Income and Expense

- **Income (Revenue) minus Expenses**
 - Where does money come from
 - Cost of Goods Sold (Inventory)
 - Who do you have to pay and for what



Understanding Financial Statements

Financial Statements

Income Accounts

- **Construction Income**
- **Investment Income**
- **Sales Income**
- **Minus Cost of Goods Sold**



Understanding Financial Statements

Financial Statements

Expenses Accounts

- Payroll/Wages
- Supplies
- Utilities
- Rent
- Insurance



Understanding Financial Statements

Training Company Profit and Loss January - December 2022

	Total
Income	
Investment Income	\$ 450.80
Construction Income	\$ 27,969.59
Total Income	\$ 28,420.39
Cost of Goods Sold	
Cost of Labor	\$ 11,602.00
Supplies & Materials - COGS	\$ 4,308.72
Total Cost of Goods Sold	\$ 15,910.72
GROSS PROFIT	\$ 12,509.67
Expenses	
Advertising & marketing	\$ 778.30
Auto Expense	\$ 7,213.45
Business Licenses	\$ 2,645.98
Contributions to Charities	\$ 1,367.47
Employee Benefits	\$ 3,631.17
Insurance	\$ 1,192.28
Interest paid	\$ 940.54
Meals and Entertainment	\$ 744.97
Office expenses	\$ 5,603.38
Payroll/Wages	\$ 12,947.06
Repairs & maintenance	\$ 606.72
Taxes paid	\$ 755.46
Travel	\$ 2,975.57
Utilities	\$ 2,810.36
Total Expenses	\$ 44,212.71
NET INCOME	\$ (31,703.04)



TECHNICAL ASSISTANCE

POWERED BY THE ILLINOIS TOLLWAY

5/16/2023

14



Understanding Financial Statements

Financial Statements

Balance Sheet

- **Assets**
- **Liabilities**
- **Owners Equity**



Understanding Financial Statements

Balance Sheet

- **Assets**
 - Cash/Bank (Current Assets)
 - Accounts Receivable
 - Accounts Other Current Assets
 - Fixed Assets
 - Minus Depreciation



Understanding Financial Statements

Training Company
Balance Sheet
As of December 31, 2022

	<u>Total</u>
ASSETS	
Current Assets	
Bank Accounts	
Chase Checking	2,643.67
US Bank Savings	34,400.00
Total Bank Accounts	<u>\$ 37,043.67</u>
Other Current Assets	
Accounts Receivables	11,685.00
Total Other Current Assets	<u>\$ 11,685.00</u>
Total Current Assets	<u>\$ 48,728.67</u>
Other Assets	
Property	112,000.00
Equipment	560.00
Depreciation	-56,000.00
Total Other Assets	<u>\$ 56,560.00</u>
TOTAL ASSETS	<u>\$ 105,288.67</u>



Understanding Financial Statements

Balance Sheet

- **Liabilities**
 - Current Liabilities
 - Accounts Payable
 - Other Current Liabilities
 - Payrolls and Lines of Credit
 - Long Term Liabilities
 - Mortgages and Loans payable longer than in one year



Understanding Financial Statements

Balance Sheet

- **Owners Equity**
 - Opening Balance Equity
 - Common Stock
 - Retained Earnings
 - Net Income (Same as the Income minus Expenses)



Understanding Financial Statements

Training Company
Balance Sheet
As of December 31, 2022

LIABILITIES AND EQUITY

Liabilities

Current Liabilities

Credit Cards 6,520.00

Accounts Payable 2,000.00

Total Current Liabilities \$ 8,520.00

Longterm Liabilities

Mortgage Loan \$ 95,020.00

Total Long Term Liabilities \$ 95,020.00

Total Liabilities \$ 103,540.00

Equity

Opening balance equity 10,000.00

Common Stock 1,000.00

Retained Earnings 22,451.71

Net Income -31,703.04

Total Equity \$ 1,748.67

TOTAL LIABILITIES AND EQUITY \$ 105,288.67



Understanding Financial Statements

“Best Practice” Hints

- **Monthly Reconciliations helps find errors**
- **Ask your Accountant/CPA**
- **Budgets are based on Actual**
- **KISS (Keep It Simple “Silly”)**
- **Liquidity**



Understanding Financial Statements

Contact Information

Phillip Barreda
Illinois Tollway Technical Assistance Program
The Inner-City Group of Companies
1631 South Michigan Ave, Unit 102
Chicago, IL 60616
Direct: 708-476-9161
Office: 312-315-2600
Fax: 312-341-9084
PBarreda@ICUTechAssist.net



Understanding Financial Statements

Questions and Answers



TECHNICAL ASSISTANCE

POWERED BY THE ILLINOIS TOLLWAY

5/16/2023

23





THANK YOU



TECHNICAL ASSISTANCE

POWERED BY THE ILLINOIS TOLLWAY