

Finance Literacy

Understanding Financial Statements

290 Hearst Mining,
Memorial Building
Nov 30th, 10:00 – 11:00am

Presenter: Adile Quennarouch,
Director of Finance & Capital
Asset Strategies

Berkeley

Office of the
Chief Financial Officer



Below are of the topics we'll cover during this session

- Why do our financial statements look the way they do?
- Why are financial statements important?
- How to crosswalk from CalPlanning to the Financial statements
- How to simplify the statements to create custom views and derive insights

On the more technical side, at the end of this session, you should be comfortable with these concepts

- Accrual versus Cash
- Gross Income versus Net Income
- Performance metrics such as Margins, Free Cash Flow
- Financial ratios including days cash on hand

- 1. Context (~ 10 mins)**
- 2. Financial Statements – Overview (~ 30 mins)**
- 3. Financial Statement Analysis (~15 mins)**
- 4. Concluding thoughts (~ 5mins)**

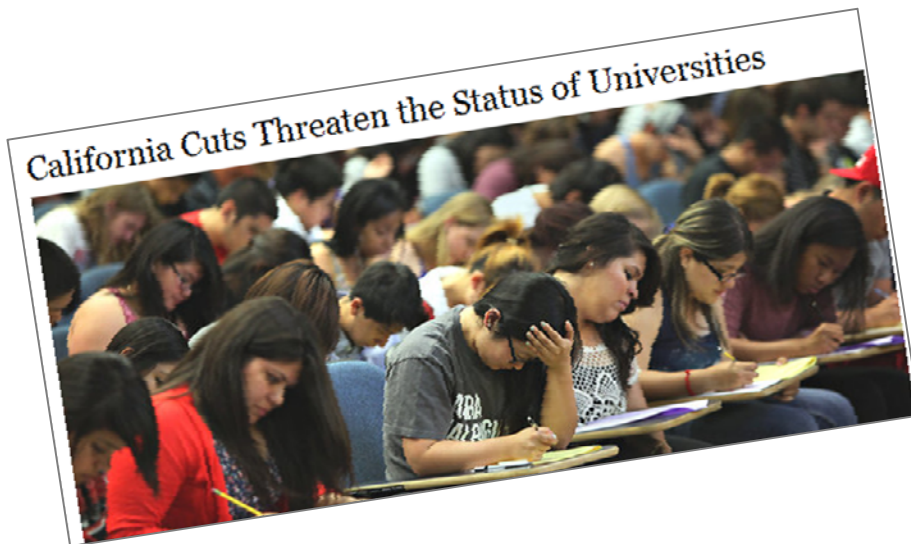
1. Context

2. Financial Statements - Overview

3. Financial Statement Analysis

4. Concluding thoughts


Remember the headlines?



Budget Crisis Will Broadly Impact UC System

January 23, 2011 10:47 AM

[View Comments](#)



BERKELEY (KCBS) — A deepening budget crisis could force the University of California to reject qualified in-state applicants for admission for the first time.

The head of the University of California is

California's Crisis Hits Its Prized Universities

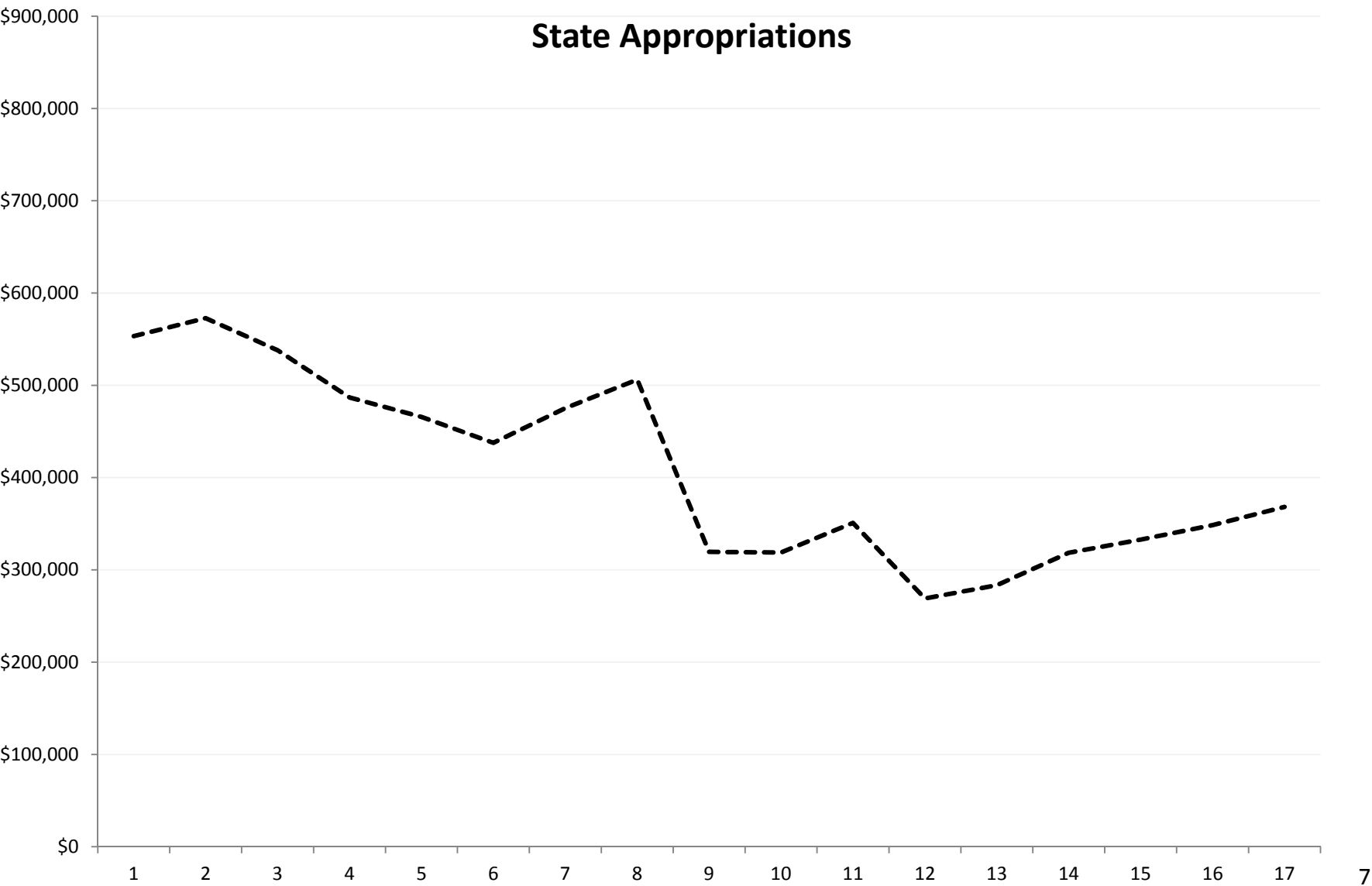
By Kevin O'Leary / Los Angeles | Saturday, July 18, 2009

[Tweet](#)

California's crisis continues while Governor Arnold Schwarzenegger and legislative leaders inch slowly toward agreement on the deep cuts necessary to close the state's massive \$26 billion budget shortfall. Now, even as California continues to pay its bills,

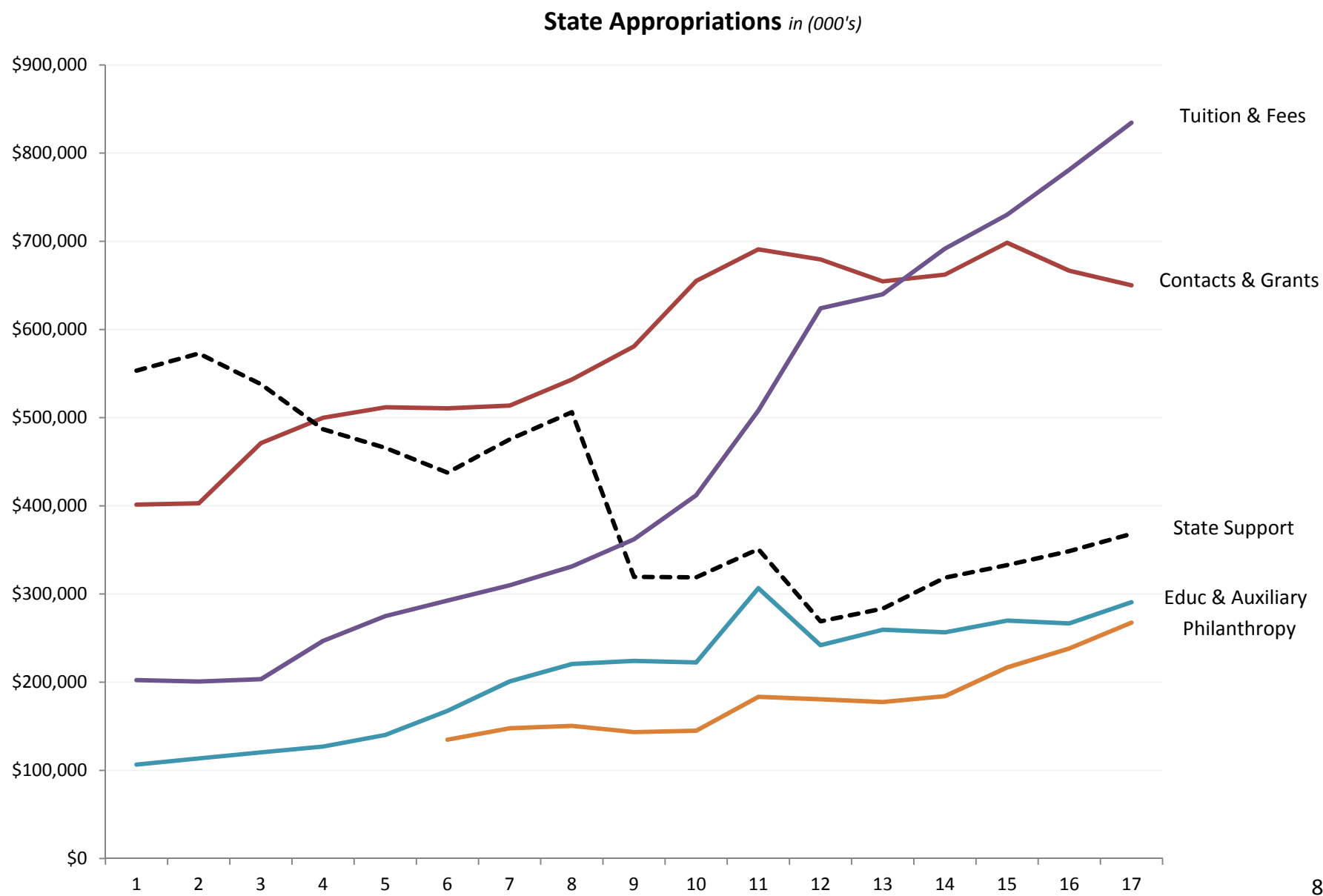


Berkeley's state support was cut by roughly half in nominal terms over a 10-year period

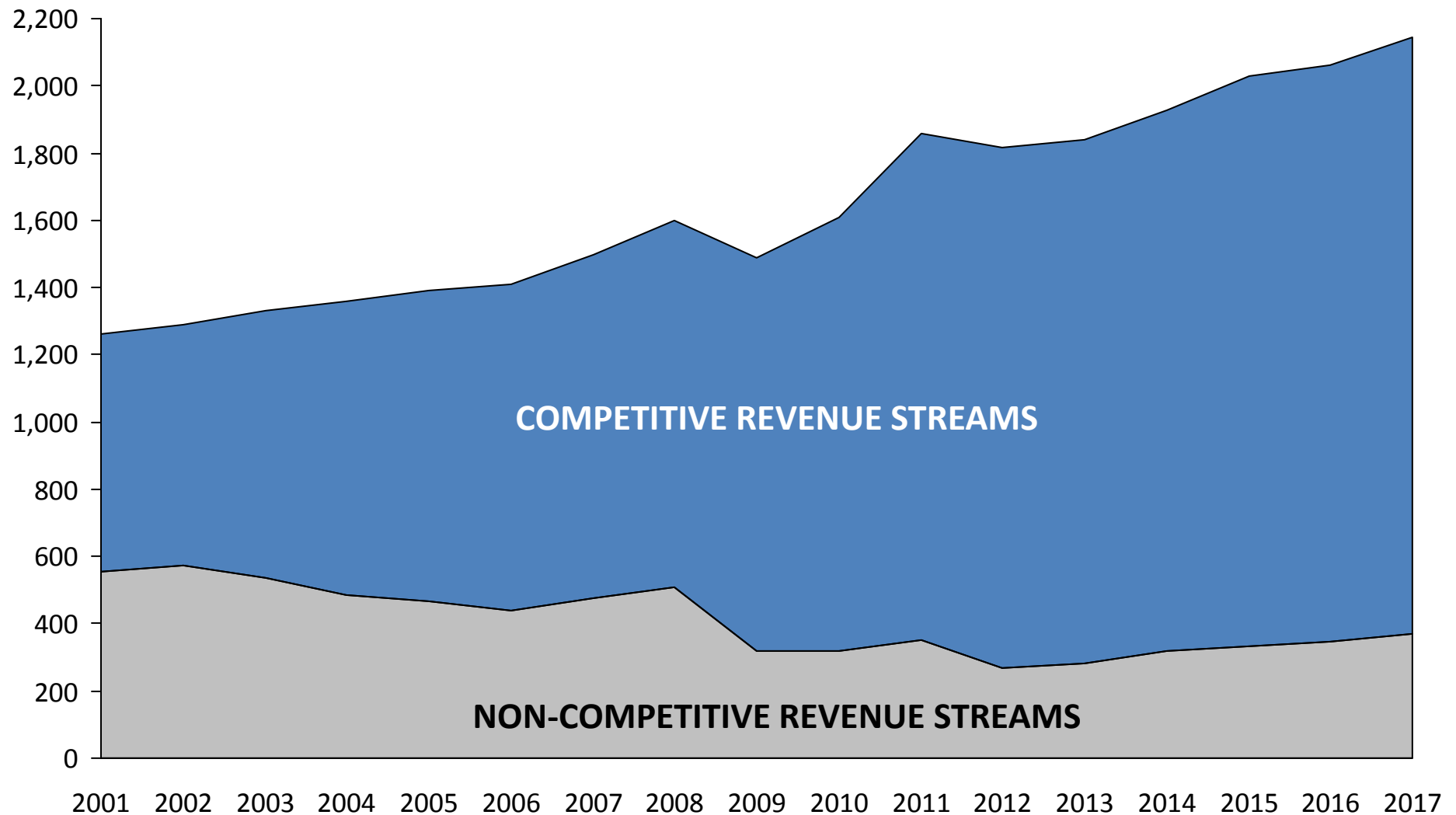


Source: UC Berkeley Budget Office analysis.

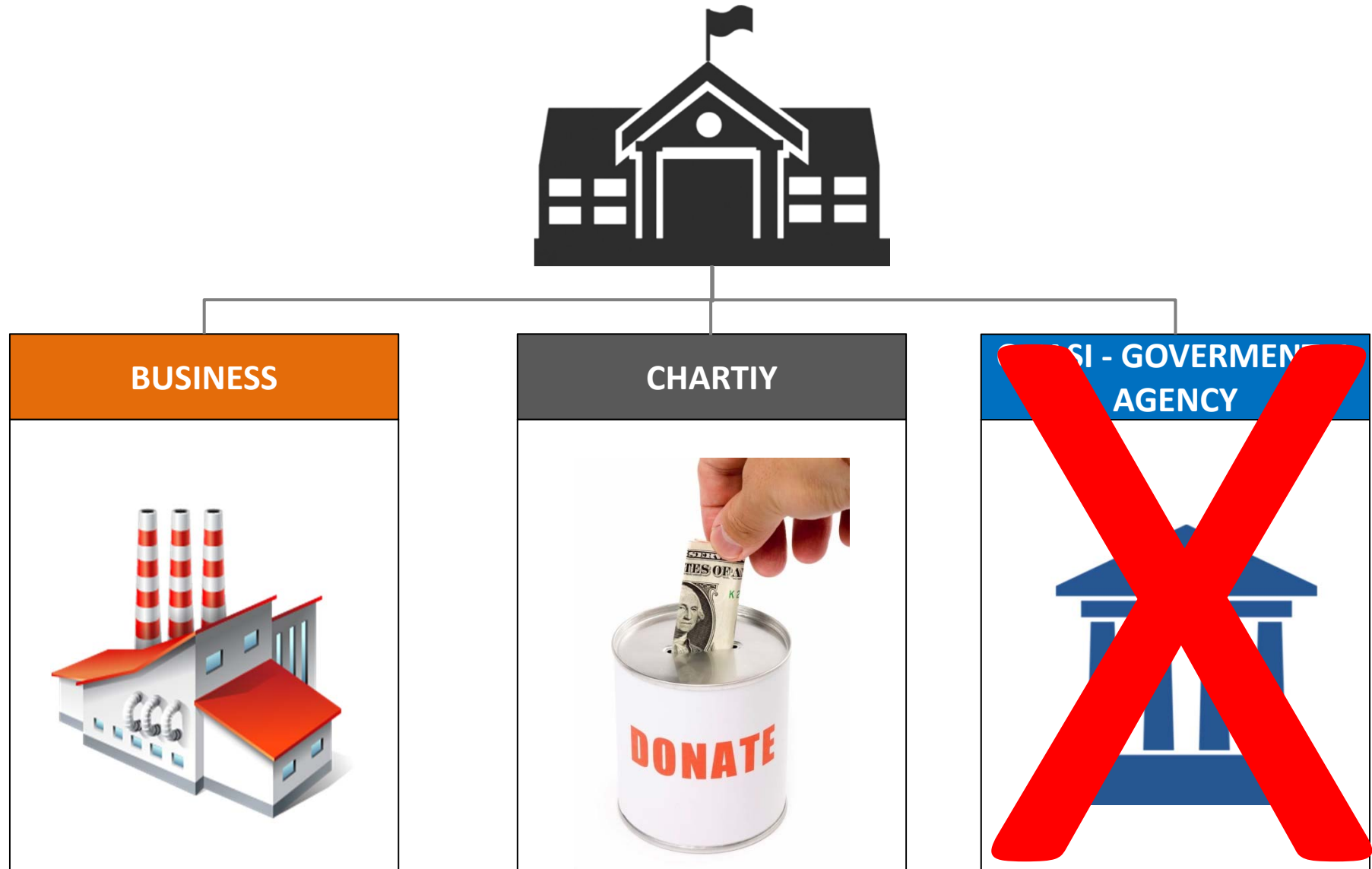
More importantly, our entire budget model has changed



Competitive revenue streams now account for ~ 85% of our total revenue base



This change in revenue model has an impact on how we operate as a university



This complex structure is reflected in our financial statements

FINANCIAL STATEMENTS		
OPERATING REVENUES		
Student tuition and fees, net	\$746,857	\$668,355
Grants and contracts, net:		
Federal	586,208	584,471
State	47,427	52,738
Private	233,651	212,755
Local	65,465	40,892
FINANCIAL STATEMENTS		
Depreciation and amortization	344,384	347,899
Scholarships and fellowships	58,291	9,993
Utilities	53,216	53,354
Campus foundation grants	—	—
Other operating expenses	1,095,246	1,058,081
Total operating expenses	2,258,089	4,494,495

BUSINESS



CHARTY



QUASI - GOVERNMENTAL AGENCY



More specifically...

1. Fund accounting → not every dollar is created equal
2. No Shareholder's equity → Net assets
3. No income tax → Non-profit
4. Everything else like a private company

Key takeaways

- 1. Public universities have a complex financial structure**
- 2. That complexity is reflected in our financial statements**

1. Context

2. Financial Statements - Overview

3. Financial Statement Analysis

4. Concluding thoughts

1. Context

2. Financial Statements – Overview

a) Introduction

b) Income Statement

c) Cash Flow Statement

d) Balance Sheet

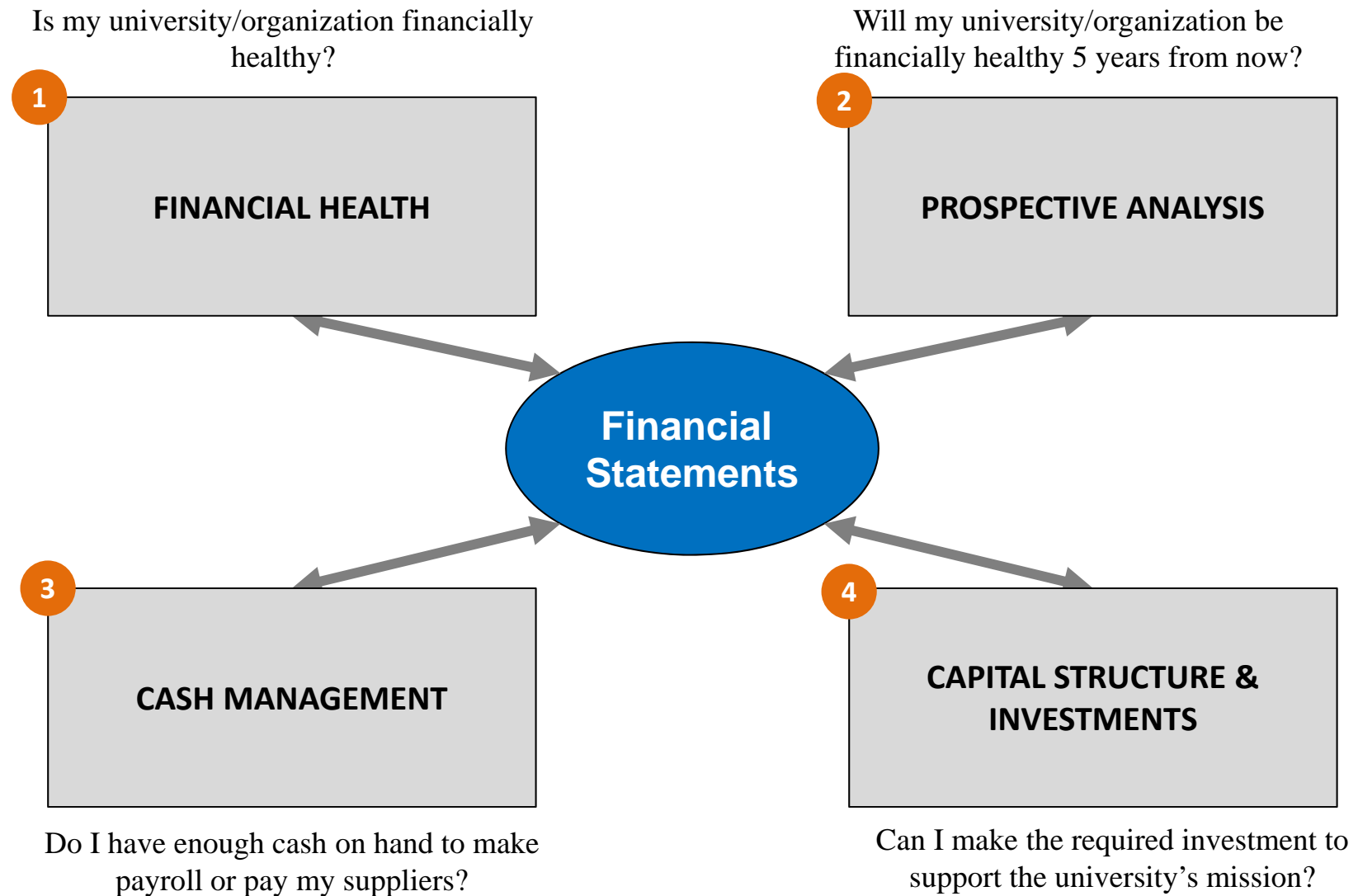
3. Introduction Financial Statement Analysis

4. Concluding thoughts



"We're in good shape.
Nobody understands our financial statement."

Why do financial statements matter?



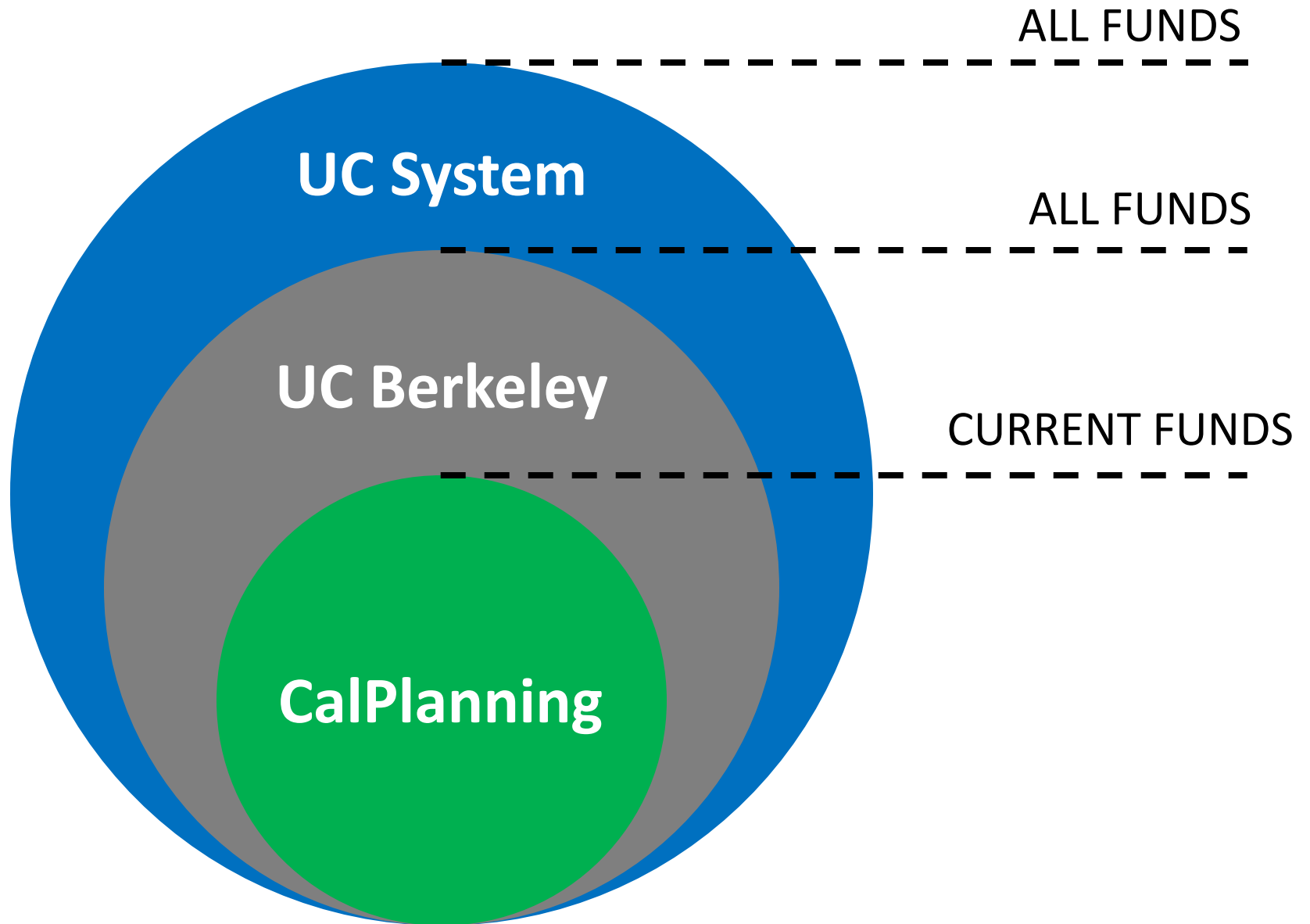
**Financial statements are the
language of finance**

Financial statements have been around for a long time...

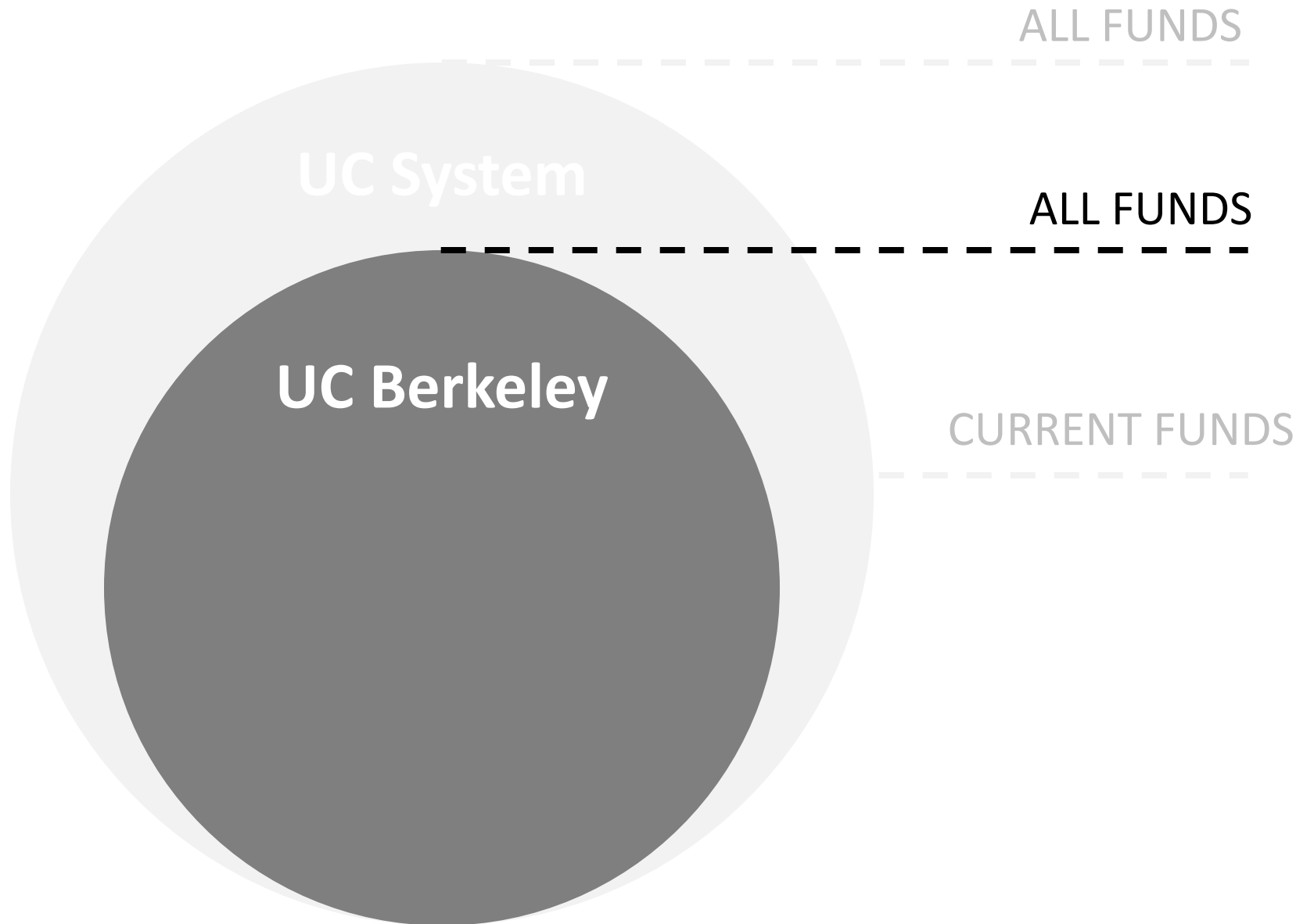


Sumerian clay tablet.
Summary account of
silver for the
governor
2,500 BC

There are various “levels” of statements



Where we are going to spend most of our time today



The 3 financial statements

INCOME STATEMENT	CASH FLOW STATEMENT	BALANCE SHEET
Operating Revenues	Cash Flow from Operations	Current Assets
Operating Expenses	Cash Flow from Financing	Long-term Assets
Non-Operating Revenues/Expenses	Cash Flow from Investments	Current Liabilities
Changes in Net Assets		Long-term Liabilities
		Equity/ Net Assets

The guiding principles

- Going concern
- Time period
- Objectivity and reliability
- Relevance
- Full disclosure
- Materiality
- Conservatism
- Consistency/comparability

Accrual versus cash

1. Accrual

- **Income statement**
- In accrual accounting, revenues are recognized when **they are earned**, not necessarily when cash is received
- Provides a better picture of the true **economic status** of a business

2. Cash

- **Cash flow statement**
- Cash accounting recognizes an event when a **cash transaction** takes place
- **Easy to understand** as cash accounting mimics what happens in your checking account.

3. Hybrid

- Part of the statement is using accrual accounting while the rest is based on cash accounting
- This is a non-standard (i.e. non GAAP) view of an organization's finances.

Stay away from the hybrid

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- Part of the statement is using accrual accounting while the rest is based on cash accounting
- This statement gives a misleading picture of the organization's finances



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The income statement

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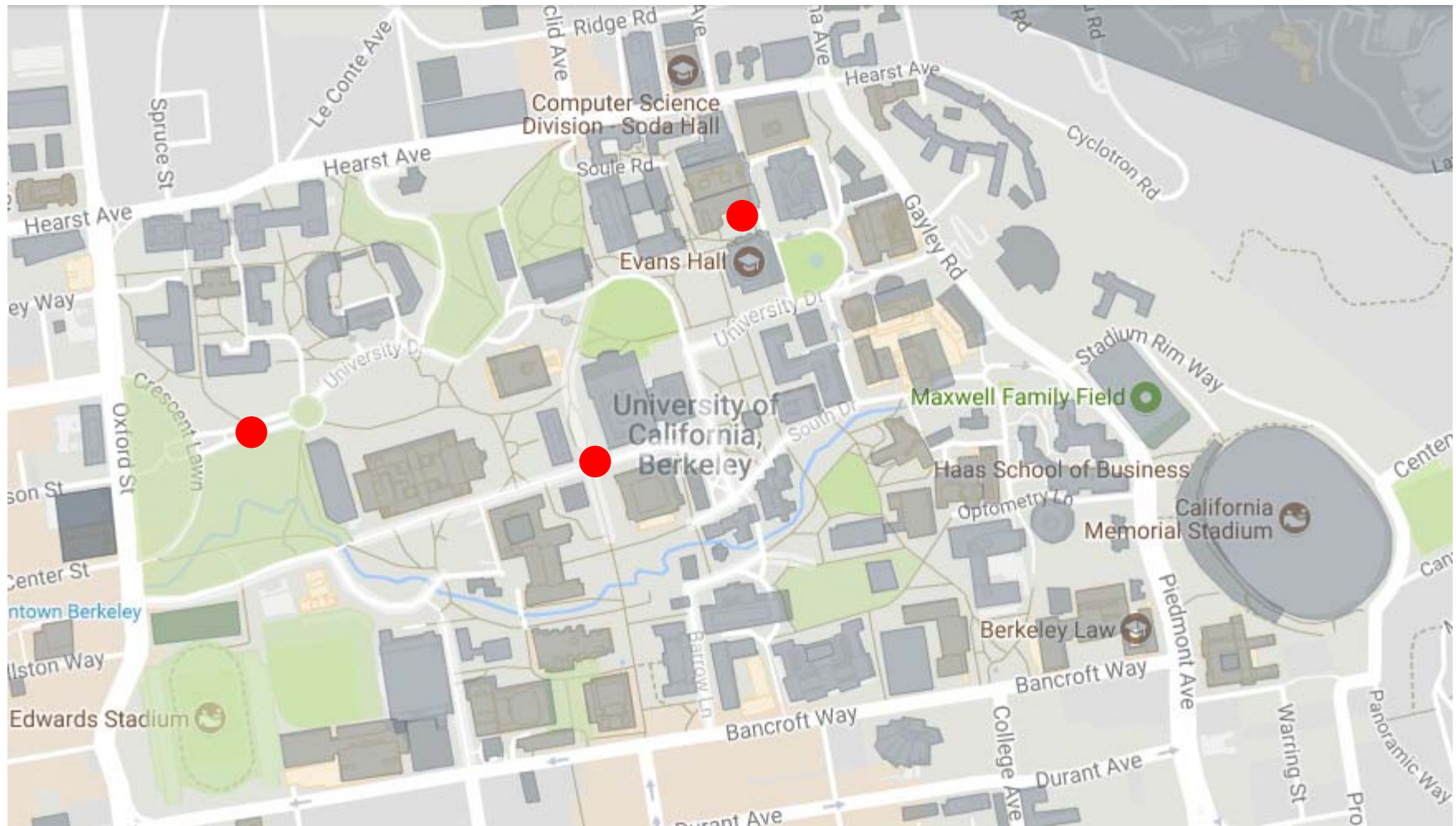
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Income statements are also called:

- SRECNA / SRECNP
- Profit & Loss statement
- P&L
- Statement of operations
- Statement of financial performance
- Earnings statement

The income statement is a construct



Income statement: the basic equation

Matching principle: the resource expenditures required to produce the revenues

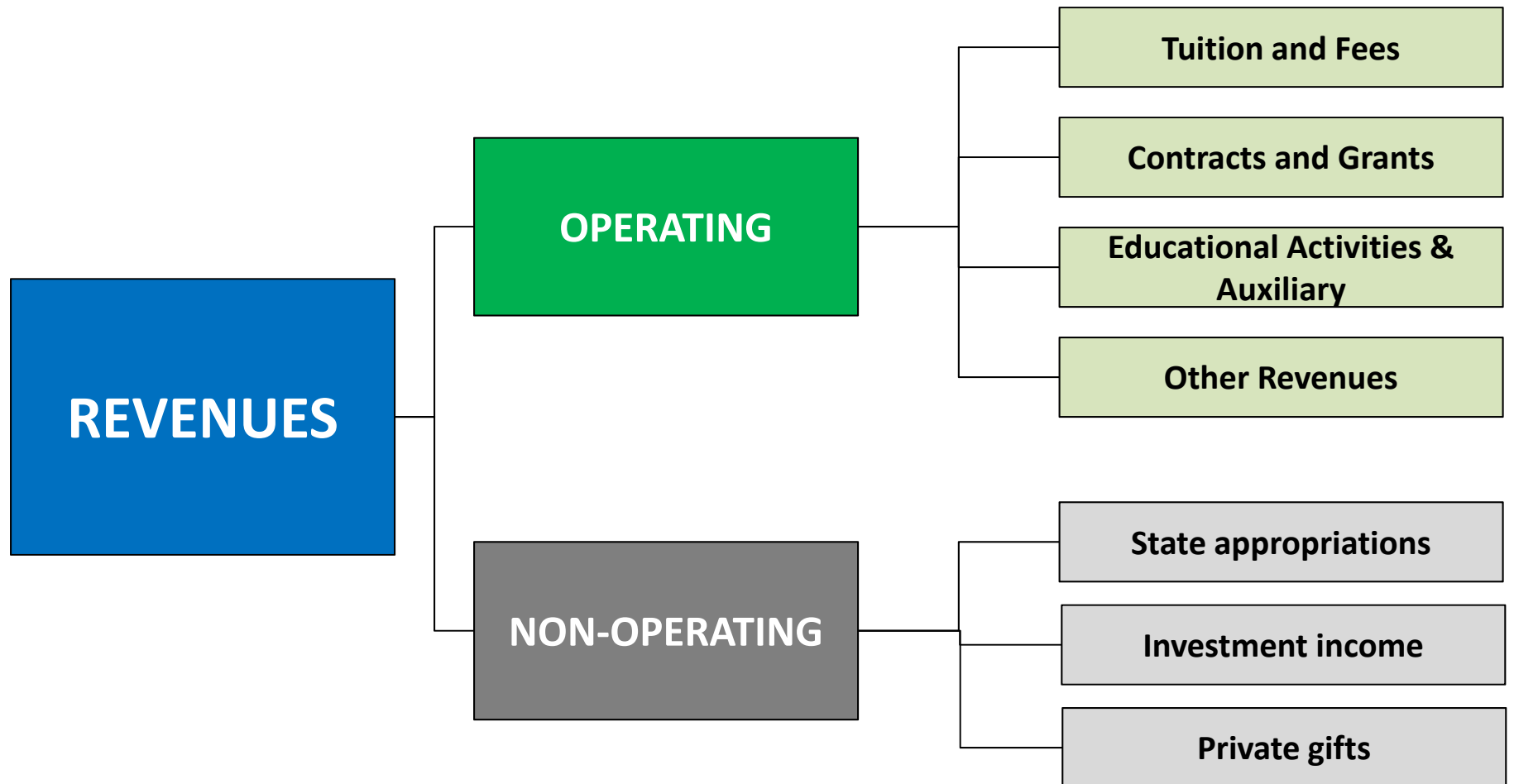
$$\text{Revenues} - \text{Expenses} = \text{Net Income}$$

Accrual Basis: recognized when they are earned, not necessarily when cash is received

“BOTTOM LINE”

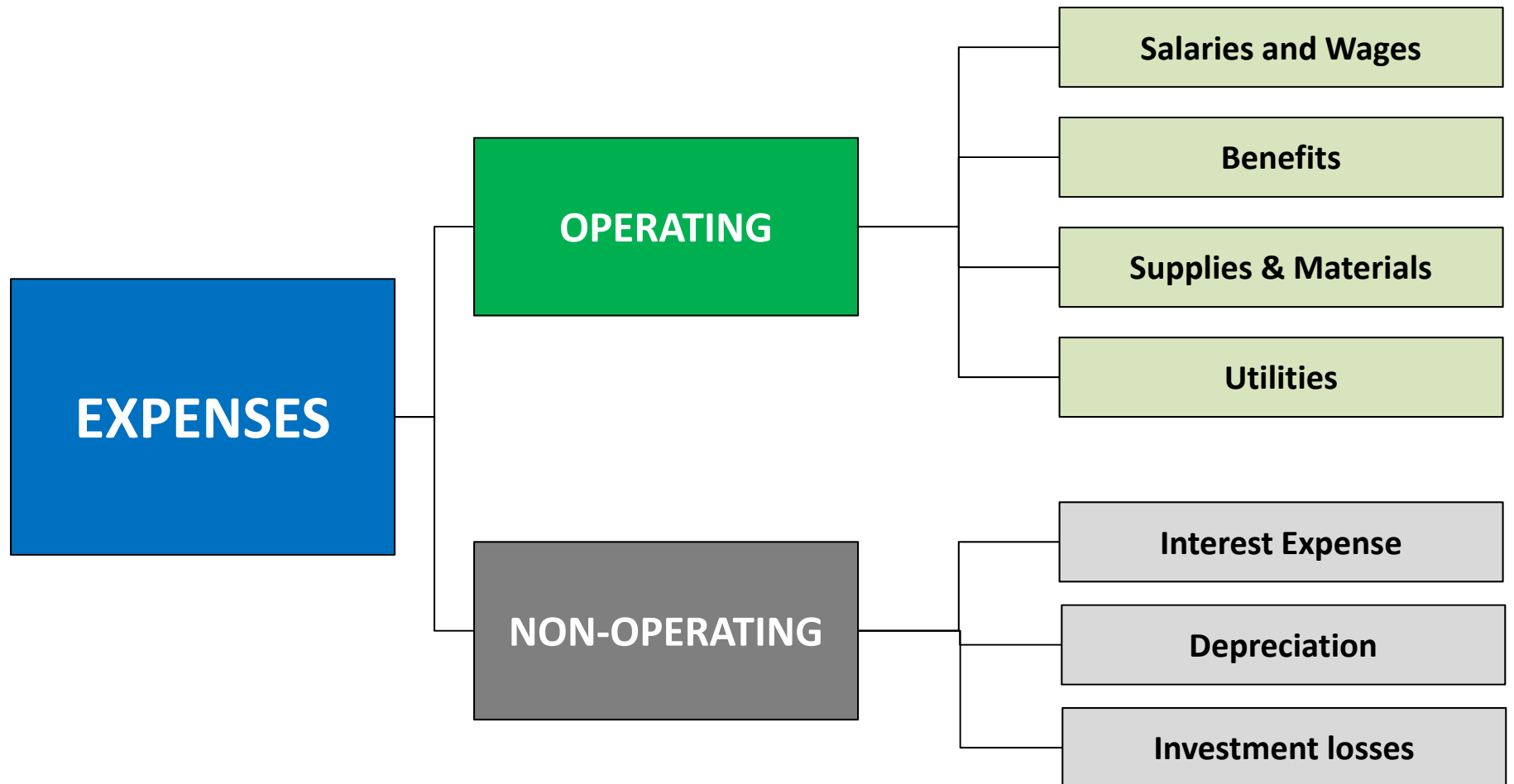
Income statement: Revenues

NON-EXHAUSTIVE



Income statement: Expenses

NON-EXHAUSTIVE



Simplify, simplify, simplify: creating a custom view

UNIVERSITY OF CALIFORNIA, BERKELEY		
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (unaudited)		
Years Ended June 30, 2016 and 2015 (In Thousands of Dollars)		
	CAMPUS *	
	2016	2015
OPERATING REVENUES		
Student tuition and fees, net	\$ 781,081	\$ 730,157
Grants and contracts, net:		
Federal	408,094	417,309
State	74,899	82,952
Private	173,983	189,967
Local	11,901	8,111
Educational activities, net	84,563	88,036
Auxiliary enterprises, net	182,063	183,822
Campus foundation private gifts		
Other operating revenues, net	74,744	92,711
Total operating revenues	1,789,128	1,790,965
OPERATING EXPENSES		
Salaries and wages	1,199,051	1,173,895
Pension benefits	237,084	142,083
Retiree health benefits	91,589	98,510
Other employee benefits	284,105	274,785
Supplies and materials		180,335
Depreciation and amortization		201,562
Scholarships and fellowships		138,948
Utilities		36,920
Campus foundation expenses		454,558
Other operating expenses		
Total operating expenses	2,880,894	2,880,894
Operating loss	(889,629)	(889,629)
NONOPERATING REVENUES (EXPENSES)		
State educational appropriations	348,538	332,786
State financing appropriations	28,399	23,335
Build America Bonds federal interest subsidies	9,815	9,754
Federal Pell grants	40,120	39,431
Private gifts, net	238,185	216,734
Investment income:		
Short-Term Investment Pool and other, net	23,913	53,394
Endowment, net	19,813	26,429
Campus foundation		
Net (depreciation) appreciation in fair value of investments	(182,718)	70,855
Adjustment to gift annuities and trust liabilities		
Interest expense	(94,094)	(73,213)
Other nonoperating revenues, net	35,328	7,770
Net nonoperating revenues	467,299	707,275
Loss before other changes in net position	(863,315)	(182,354)
OTHER CHANGES IN NET POSITION		
Capital gifts and grants, net	26,241	8,956
Permanent endowments		
Transfers from UC, net	74,847	61,809
(Decrease) increase in net position	(462,227)	(111,589)
NET POSITION		
Beginning of year	3,245,811	3,357,400
End of year	\$ 2,783,584	\$ 3,245,811

INCOME STATEMENT

Simplify

OPERATING REVENUES		
Student tuition and fees, net	\$746,857	\$648,335
Grants and contracts, net:		
Federal	586,208	594,471
State	47,427	52,736
Private	221,601	210,735
Local	65,465	60,892
Educational activities, net	84,563	88,036
Auxiliary enterprises, net	182,063	183,822
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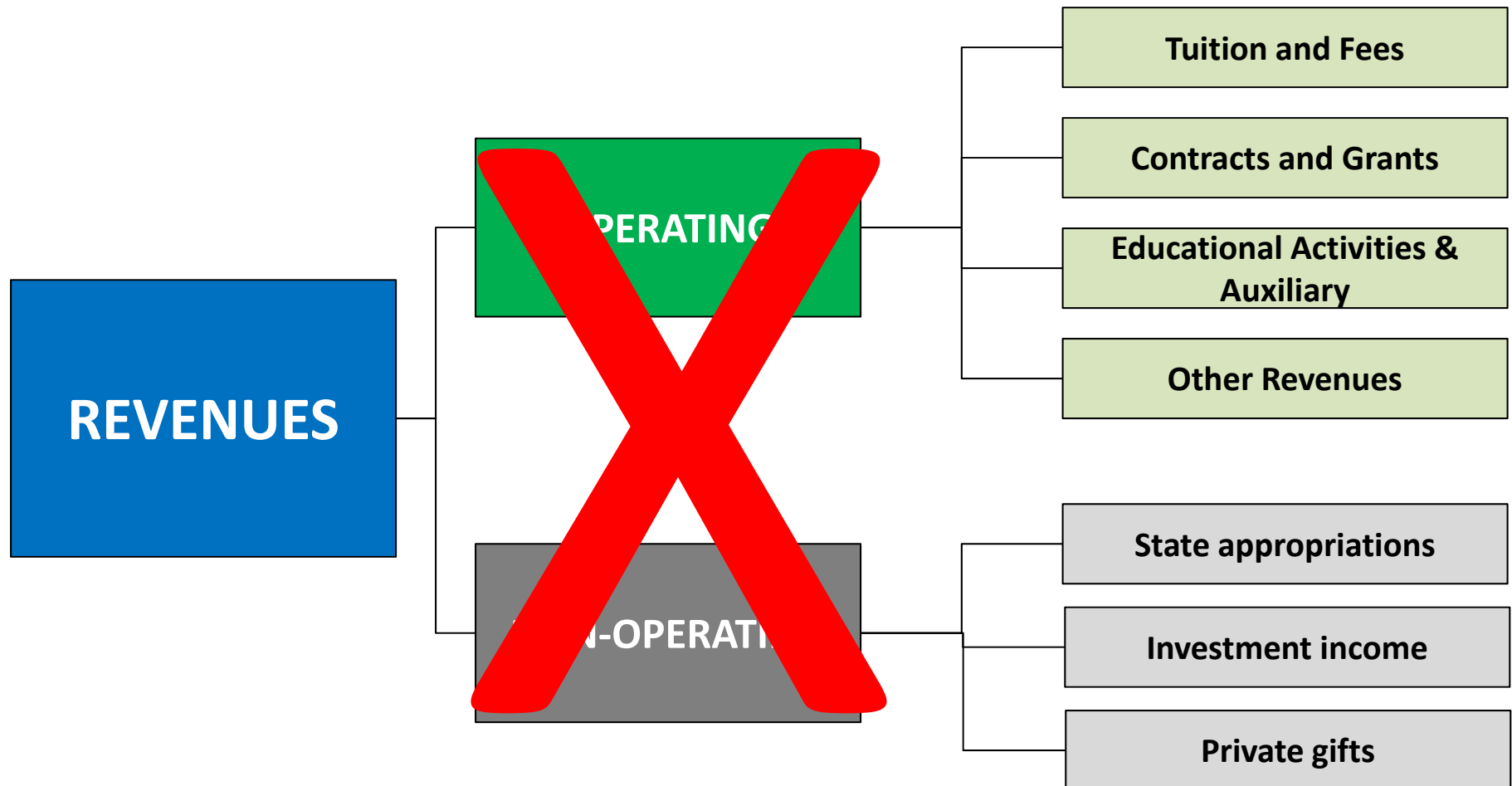
CUSTOM VIEW

A few guiding principles to remember when simplifying

- Simplifying usually means **re-organizing** and/or excluding revenues/expenses.
- Simplifying **almost never entails adding** revenues/expenses not originally captured in the statement.
- You need a **clear rationale** as to why you exclude things.
- The end result should be easy to **benchmark**.
- The end result should be **easier** to explain than the original statement.

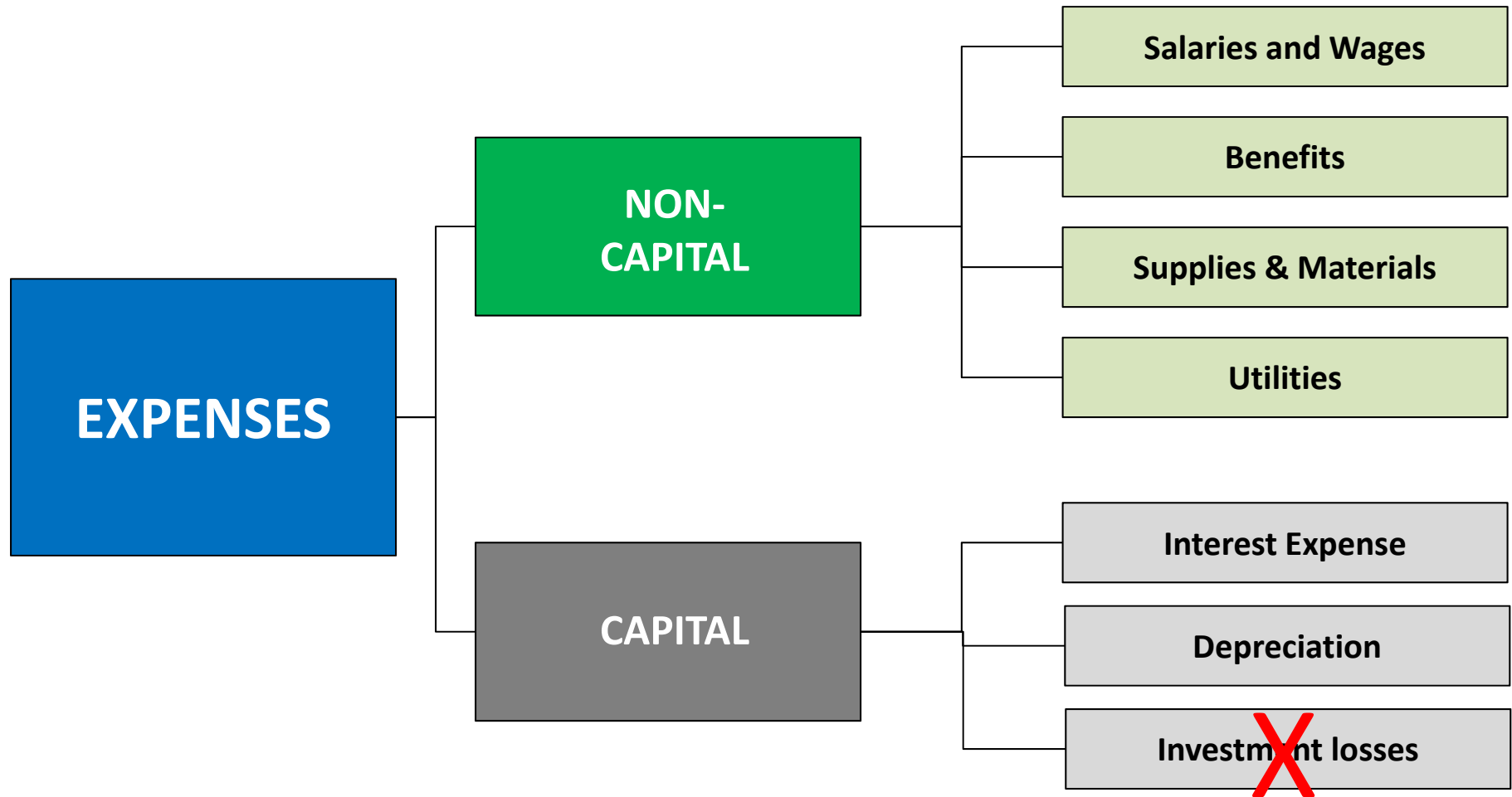
In practice, you may want to simplify things

Guiding principle: list revenues that are available to support operations in that year



In practice, you may want to simplify things

Guiding principle: list expenses that were incurred to support the operations in that year



This is how I structure things in the model: MD&A

		2016A	
1	Revenues		Revenues
	Student Tuition and Fees, net	\$781,081	
	State educational appropriations	\$348,538	
	Federal Pell grants	\$40,120	
	Federal Grants and Contracts, net	\$406,094	
	Other Grants and Contracts, net	\$260,583	
	Educational Activities, and Aux	\$266,626	
	Private gifts, net	\$238,185	
	Investment income	\$104,866	
	Other revenues, net	\$139,824	
	Revenues supporting core activities	\$2,585,918	
2	Expenses		Non-Capital Expenses
	Salaries and Wages	\$1,199,051	
	Benefits	\$443,517	
	Scholarships and Fellowships	\$136,510	
	Utilities	\$37,529	
	Supplies and Materials	\$167,791	
	Other Operating Expenses	447,171	
	Expenses associated with core activities:	\$2,431,569	
	Gross Income	\$154,349	
3	Depreciation and Amortization	\$218,932	Capital Expenses
	Interest expense	\$94,094	
	Total Depreciation and Interest Expense	\$313,026	
	Net Income /(Loss)	(\$158,677)	

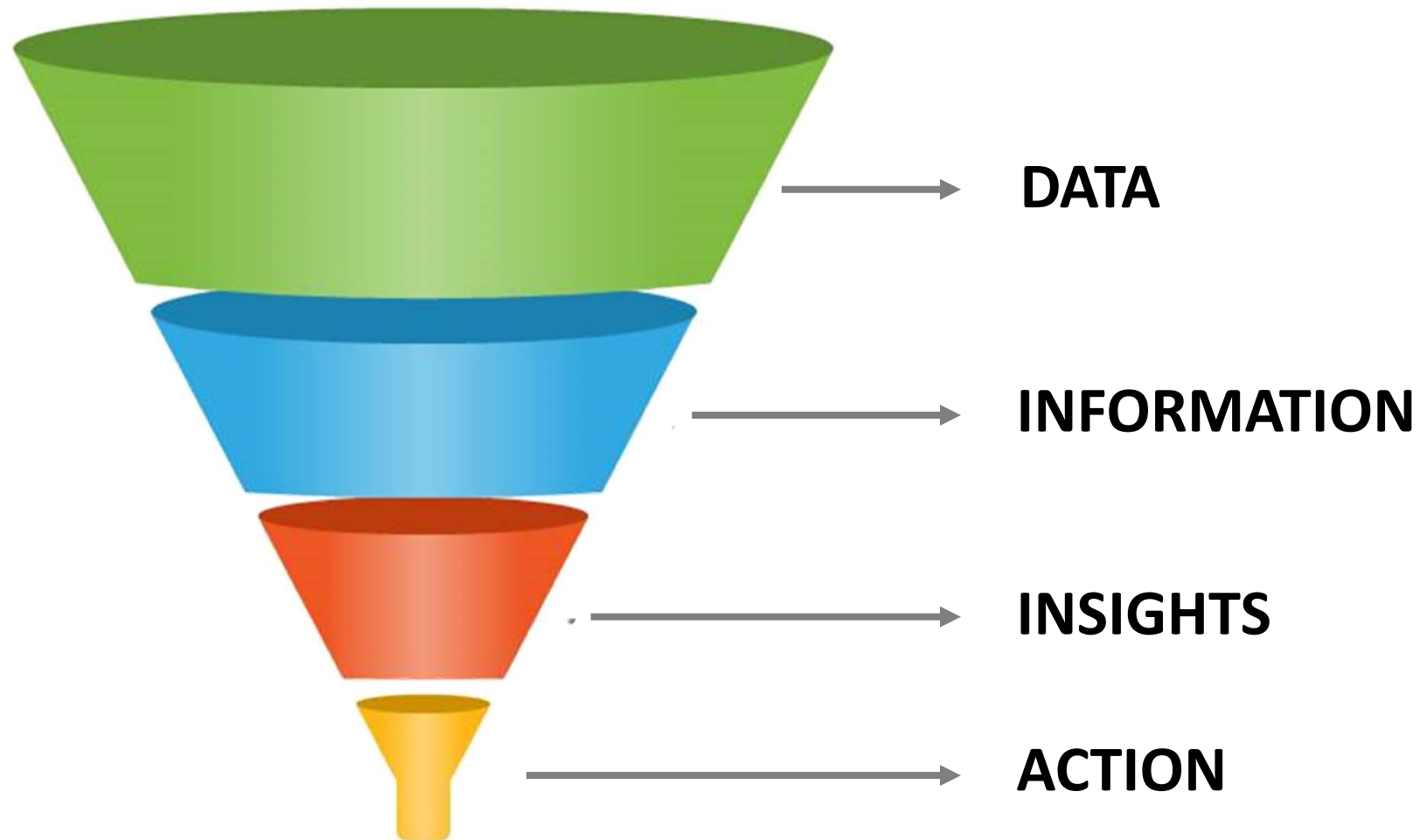
Income statement view – Why I like this view

OPERATIONS

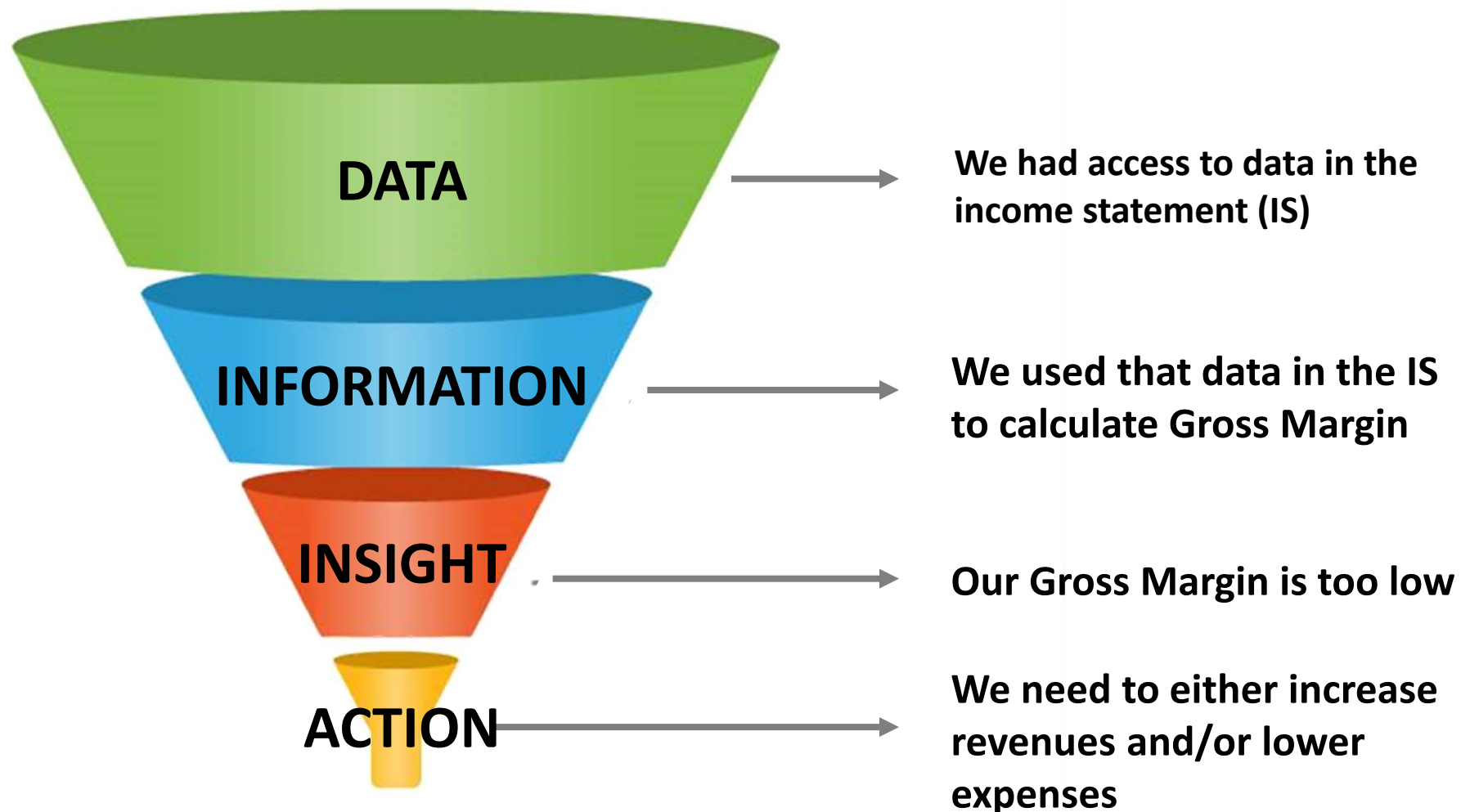
CAPITAL

2016A		
Revenues		
Student Tuition and Fees, net	\$781,081	
State educational appropriations	\$348,538	
Federal Pell grants	\$40,120	
Federal Grants and Contracts, net	\$406,094	
Other Grants and Contracts, net	\$260,583	
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Gross Income	\$154,349	Gross Margin
Depreciation and Amortization	\$218,932	
Interest expense	\$94,094	
Total Depreciation and Interest Expense	\$313,026	
Net Income /(Loss)	(\$158,677)	Net Margin

A useful framework when using financial statements



A useful framework when using financial statements



Watch your margins!
“No Margin, No Mission”

Signal versus Noise – what this view does not include

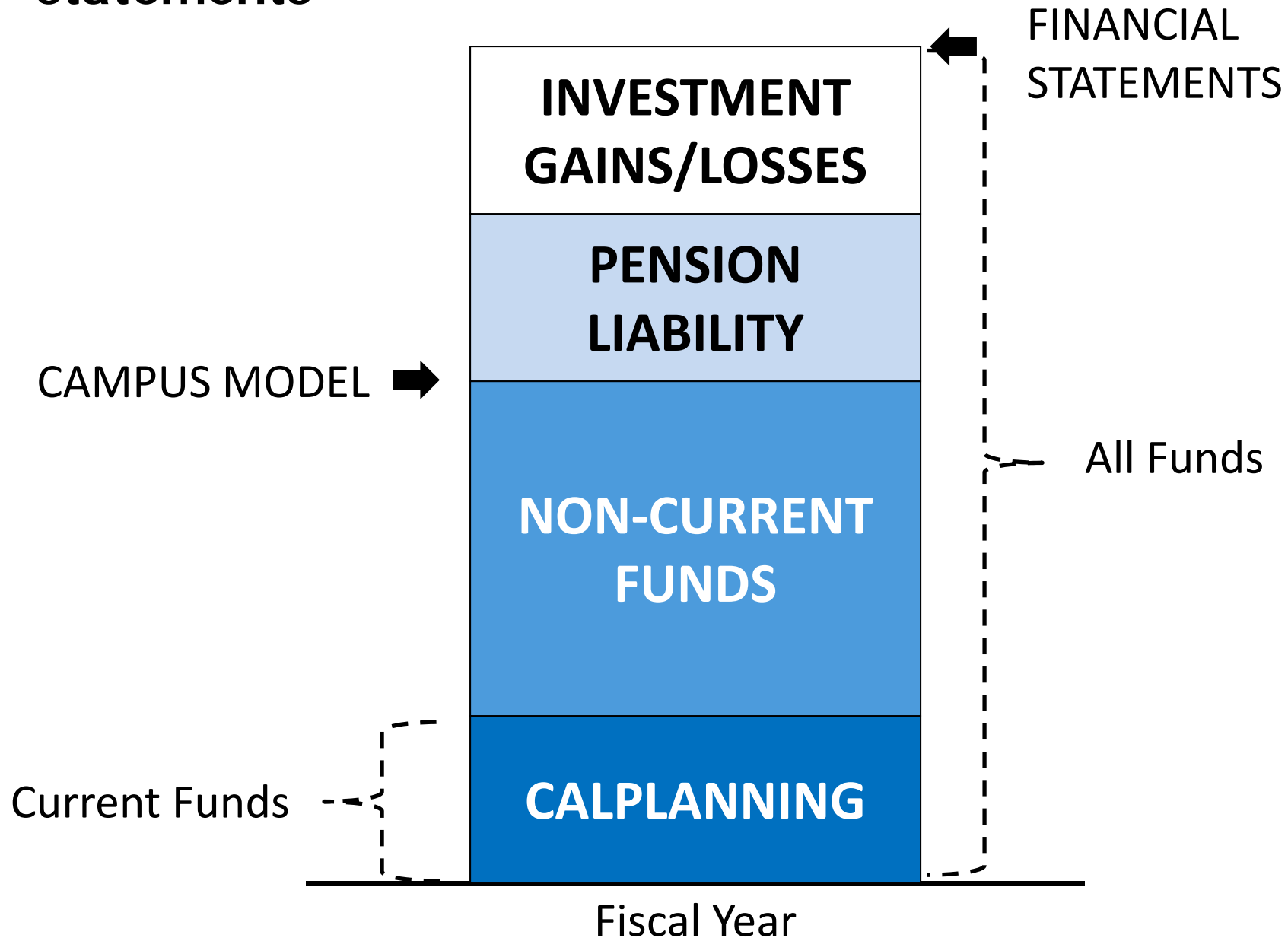
1. Investment gains/losses

	2016	2015
Net (depreciation) appreciation in fair value of investments	(182,718)	70,855

2. Unfunded pension liability

Distorts the overall picture

How to go from CalPlanning to the model to the financial statements



Key takeaways about income statement

1. Shows activity throughout a fiscal year

2. It is a construct based on accrual

Even though this bottom line reflects your true economic performance in the past year, it did not necessarily translate into a cash loss or profit

3. Simplify, simplify, simplify

4. Use your custom views to turn data into information into insights

Exercise

How big is UCLA's operating budget?

Stanford financial statements – Medical center



Stanford Health Care Consolidated Statements of Operations and Changes in Net Assets Years Ended August 31, 2016 and 2015 (in thousands of dollars)

	2016	2015
Other changes in unrestricted net assets:		
Transfer to Stanford University, net	(88,944)	(66,477)
Transfer (to) from Lucile Salter Packard Children's Hospital	(3,300)	26,600
Change in net unrealized gains on investments	1,245	(2,445)
Net assets released from restrictions used for:		
Purchase of property and equipment	973	2,288
Change in pension and postretirement liability	(80)	(19,461)
Noncontrolling capital distribution, net	(1,000)	(62)

1. Context

2. Financial Statements – Overview

a) Introduction

b) Income Statement

c) Cash Flow Statement

d) Balance Sheet

3. Introduction Financial Statement Analysis

4. Concluding thoughts

Introducing Cash Flow statements

1. Income Statement

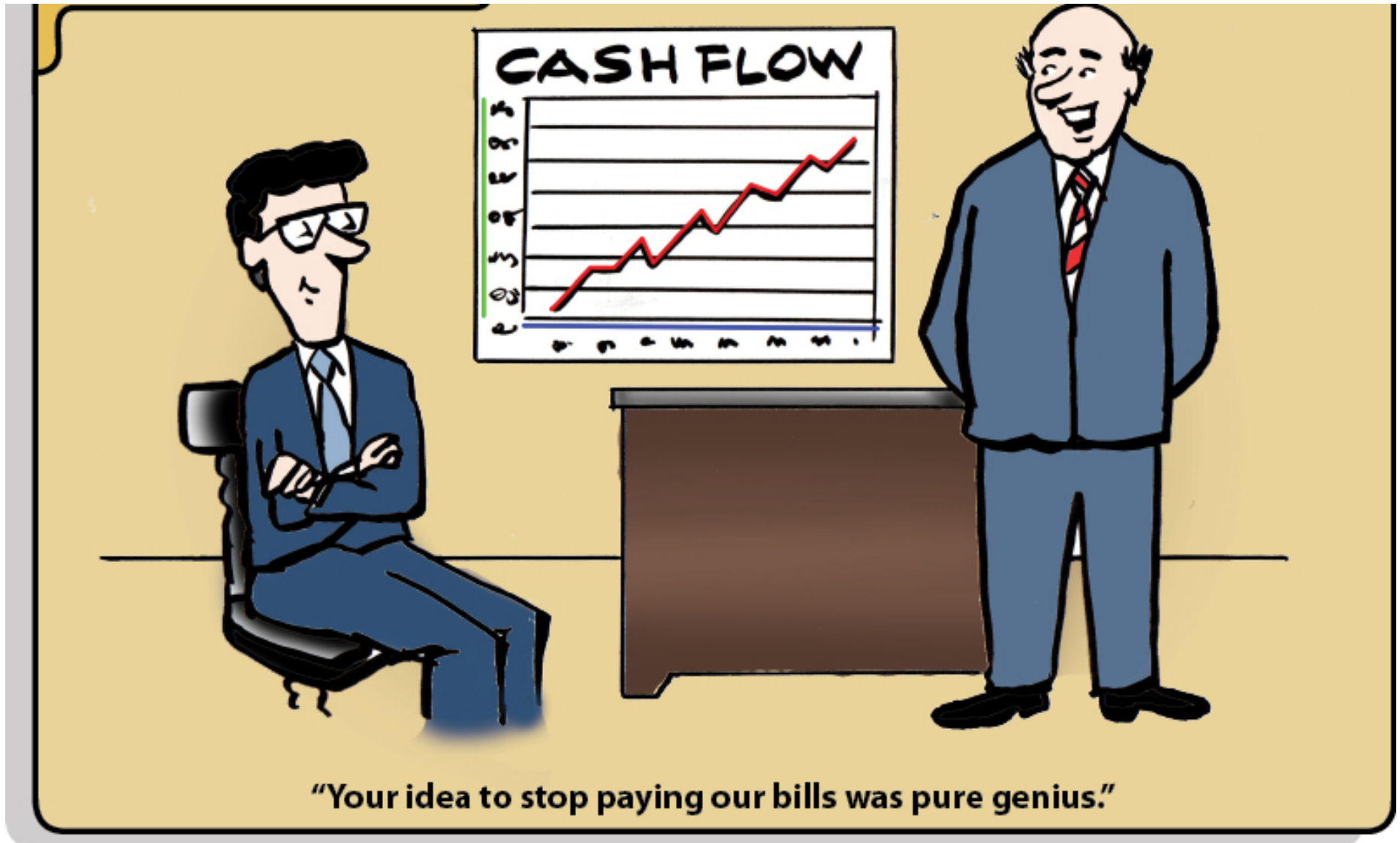
- Income statement
- In accrual accounting revenues are recognized when service is rendered, not necessarily when cash is received
- Provides a better picture of the true economic status of a business

2. Cash

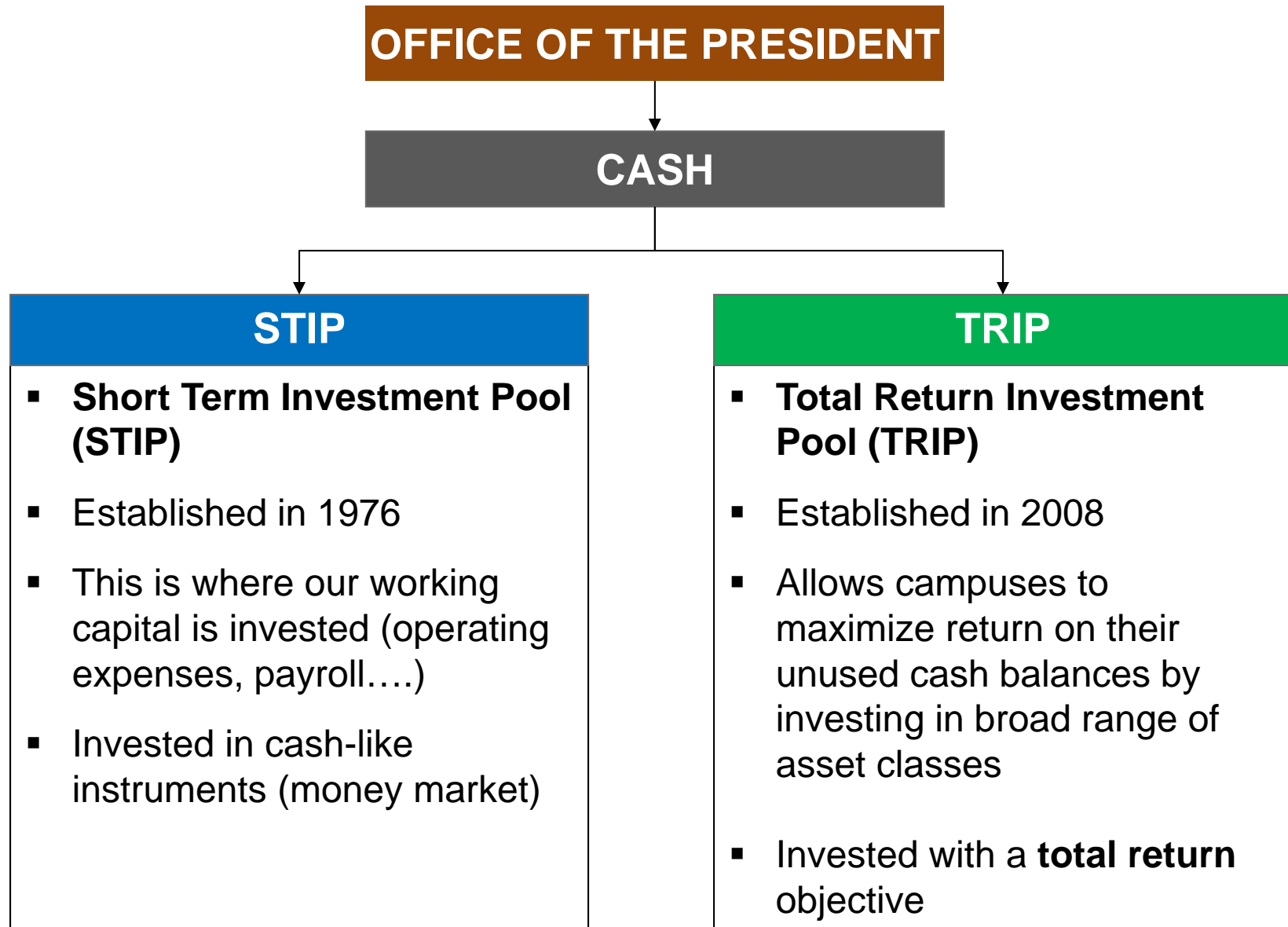
- **Cash Flow statement**
- Cash accounting recognizes an event when a cash transaction takes place
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3. Balance Sheet

Before we start...



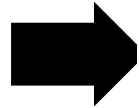
Our cash balances are managed by UCOP



How do we pay for things?

Guiding principle: We spend these resources in the order of **lowest opportunity cost** to ensure the **highest returns** on our financial assets.

Cash



- Lowest return: effectively zero. Pay with this first.
- When insufficient, receive transfer from...

Cash flow – The basic equation

Net Cash Flow from Operations

+ Net Cash Flow from Capital

**+ Net Cash Flow from
Investments**

BOTTOM LINE

= Net Change in Cash

Net Cash from Operations

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF CASH FLOWS (unaudited)

Years Ended June 30, 2016 and 2015 (In Thousands of Dollars)

CAMPUS *

2016

2015

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees	\$ 785,448	\$ 730,687
Grants and contracts	694,757	626,743
Educational activities	85,380	85,372
Auxiliary enterprises	182,341	184,863
Collection of loans from students and employees	8,086	8,169

SOURCES

Campus foundation private gifts		
Payments to employees	(1,204,557)	(1,158,775)
Payments to suppliers and utilities	(616,379)	(624,003)
Payments for pension benefits	(132,840)	(128,440)
Payments for retiree health benefits	(27,280)	(23,621)
Payments for other employee benefits	(284,660)	(274,477)
Payments for scholarships and fellowships	(136,506)	(137,042)
Loans issued to students and employees	(8,518)	(8,993)
Payments to campus and beneficiaries		
Other receipts	52,992	70,915

USES

Net cash used by operating activities

(601,736)

(648,602)

Net Cash from Capital

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF CASH FLOWS (unaudited)

Years Ended June 30, 2016 and 2015 (In Thousands of Dollars)

CAMPUS *

	2016	2015
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriations		
State financing appropriations	28,399	23,335
Build America Bonds federal interest subsidies	9,801	9,755
Capital gifts and grants	19,866	17,183
Proceeds from debt issuance	109,086	226,302
Proceeds from the sale of capital assets	288	429
Purchase of capital assets	(266,031)	(369,621)
Refinancing or prepayment of outstanding debt	(52)	(51)
Scheduled principal paid on debt and capital leases	(21,757)	(18,733)
Interest paid on debt and capital leases	(105,631)	(90,073)
Net cash used by capital and related financing activities	(226,051)	(201,474)

SOURCES

USES

Net Cash from Investing Activities

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF CASH FLOWS (unaudited)

Years Ended June 30, 2016 and 2015 (In Thousands of Dollars)

CAMPUS *

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net of proceeds from sales and maturities of investments	(19,393)	(19,031)
Investment income, net of investment expenses	55,617	84,166
Net cash provided by investing activities	36,224	65,135

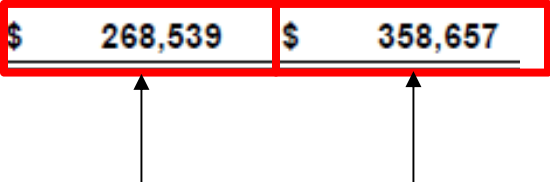
Net Cash and Cash equivalent

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF CASH FLOWS (unaudited)

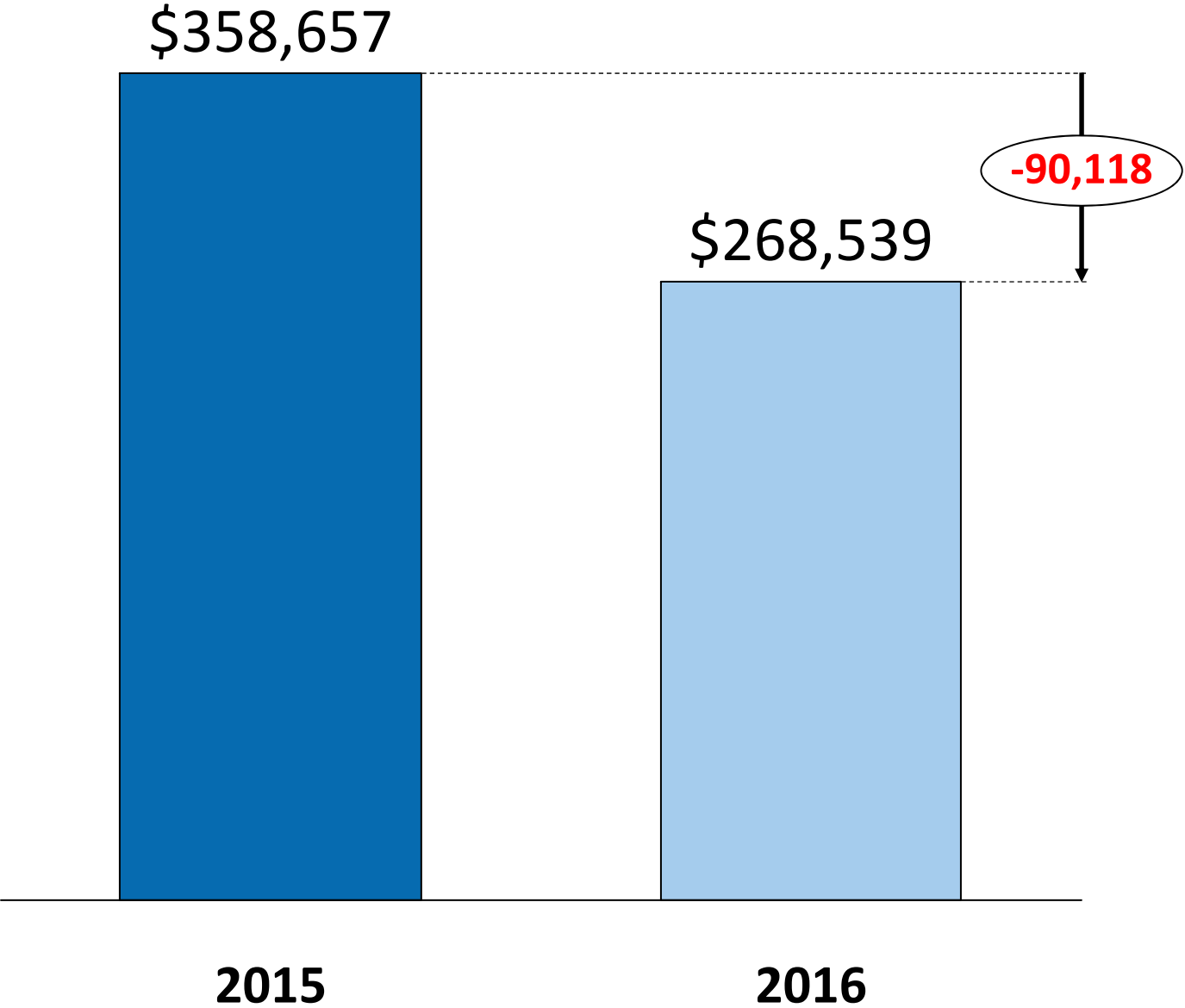
Years Ended June 30, 2016 and 2015 (In Thousands of Dollars)

	CAMPUS *	
	2016	2015
Net increase (decrease) in cash and cash equivalents	(90,118)	(138,183)
Cash and cash equivalents, beginning of year	358,657	496,840
Cash and cash equivalents, end of year	\$ 268,539	\$ 358,657



“Cash in the
bank”

Bringing it all together



Why cash flows matter?

**When businesses fail, 42% of the
time it's because of poor cash
flow management**

US Bank - 2017

In other words...

“Cash is king”

An interesting cash concept: Free cash flow

- Free cash flow (FCF) is calculated as **operating cash flow minus net capital expenditures**.
- FCF is **the cash left** after a company has covered its operating costs plus the investments in capital assets.
- It is a measure of **financial performance/health**.
- In the private sector, FCF represents the cash that is available for distribution to the shareholders (dividends).
- For us, it represents our ability to **generate reserves**.

Key takeaways about cash flow statements

1. At a high level, it is easy to understand

“Cash in the bank”

2. Can be difficult to explain in detail to non-financially savvy audiences

Lots of different pieces

3. This is just cash

Endowment or TRIP balances are not included here

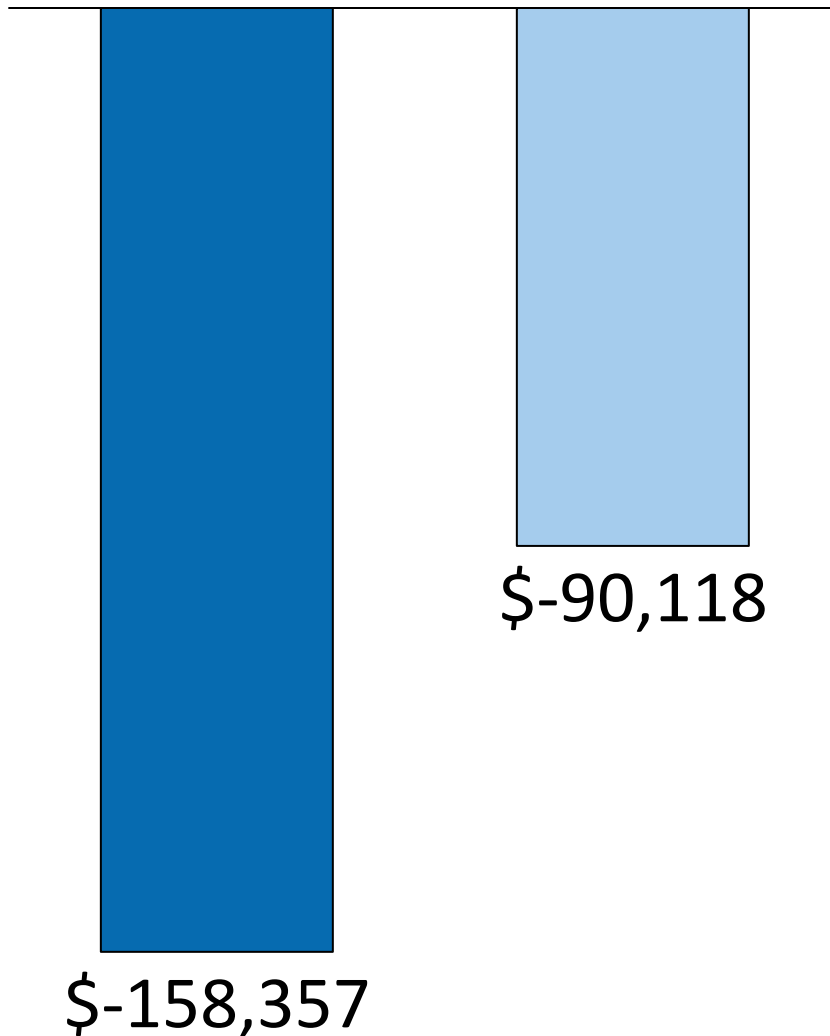
Exercise: the board/cabinet meeting



Exercise: the board meeting

Income Statement

Cash Flow



KEY DRIVERS

- The two views will rarely (if ever) have the same bottom line.
- Why? One is based on cash and the other is based on accrual.
- However, the trend should be the same.

1. Context

2. Financial Statements – Overview

a) Introduction

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c) Cash Flow Statement

d) Balance Sheet

3. Introduction Financial Statement Analysis

4. Concluding thoughts

Balance sheet: the basic equation

$$\mathbf{Assets = Liabilities + Net Assets}$$

Balance sheet: Assets

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF NET POSITION (unaudited)

At June 30, 2016 and 2015 (In Thousands of Dollars)

CAMPUS *	
2016	2015
ASSETS	
Cash and cash equivalents	\$ 268,539
Short-term investments	
Investments held by trustees	1,790
Accounts receivable, net	240,518
Pledges receivable, net	1,582
Current portion of notes and mortgages receivable, net	4,871
Inventories	5,007
Other current assets	3,524
Current assets	525,831
Investments	3,284,827
Investments held by trustees	4,169
Restricted bond proceeds held by UC	11,074
Pledges receivable, net	5,077
Notes and mortgages receivables, net	26,847
Capital assets, net	3,962,014
Other noncurrent assets	748
Noncurrent assets	7,294,756
Total assets	7,820,587

ASSETS

Cash and cash equivalents

Short-term investments

Investments held by trustees

Accounts receivable, net

Pledges receivable, net

Current portion of notes and mortgages receivable, net

Inventories

Other current assets

Current assets

Investments

Investments held by trustees

Restricted bond proceeds held by UC

Pledges receivable, net

Notes and mortgages receivables, net

Capital assets, net

Other noncurrent assets

Noncurrent assets

Total assets

Balance sheet: Liabilities

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF NET POSITION (unaudited)

At June 30, 2016 and 2015 (In Thousands of Dollars)

	CAMPUS *	
	2016	2015
LIABILITIES		
Accounts payable	97,606	103,013
Accrued salaries	106,328	113,499
Employee benefits	23,868	26,163
Unearned revenue	211,197	189,673
Commercial paper	114,077	67,323
Current portion of long-term debt	102,923	99,865
Funds held for others	1,824	1,588
Other current liabilities	114,684	102,551
Current liabilities	772,507	703,675
Federal refundable loans	22,721	23,134
Long-term debt	2,140,804	2,165,701
Net pension liability	1,485,336	1,122,991
Obligations for retiree health benefits	894,323	830,034
Other noncurrent liabilities	31,303	29,822
Noncurrent liabilities	4,574,487	4,171,682
Total liabilities	5,346,994	4,875,357

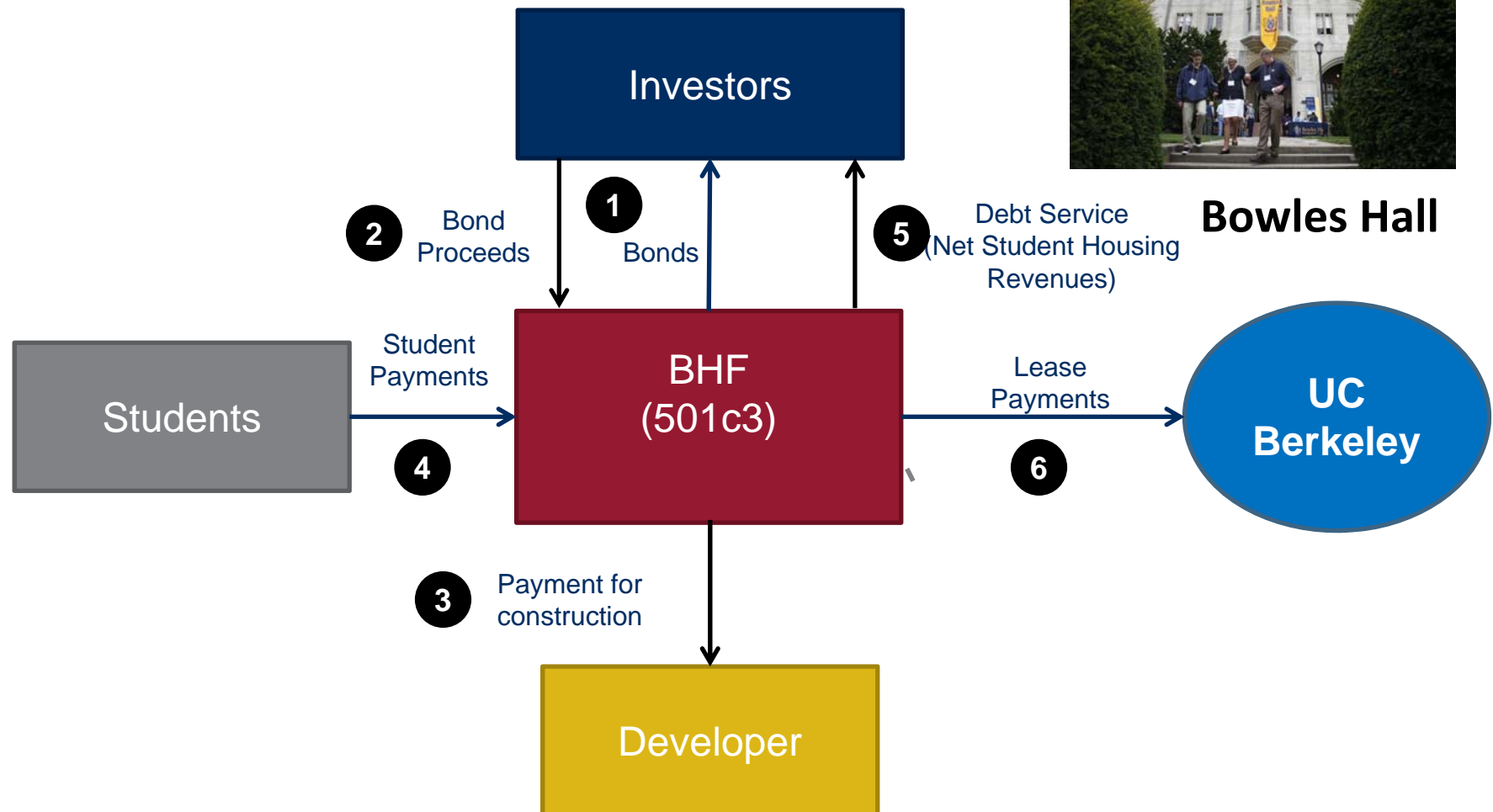
Off-balance sheet financing

- An **off-balance sheet** refers to financing that is **not reflected** on a company's balance sheet
- In other words, by using off balance sheet financing, an organization can keep **large capital expenditures off their balance sheet**, which is a way to keep the debt/equity ratio low



'But it didn't cost *anything*, dear! I did it all off balance-sheet!'

Off-balance sheet financing: a good example



Balance sheet: Liabilities

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Key takeaways about balance sheet

- 1. The balance sheet contains information about wealth and liquidity (assets and liabilities)**
- 2. The balance sheet presents the university's financial position at a given point in time.**
- 3. Things like off-balance sheet debt are excluded from the view.**

1. Context

2. Financial Statements – Overview

a) Introduction

b) Income Statement

c) Cash Flow Statement

d) Balance Sheet

3. Financial Statement Analysis

4. Concluding thoughts

Introducing Financial ratios

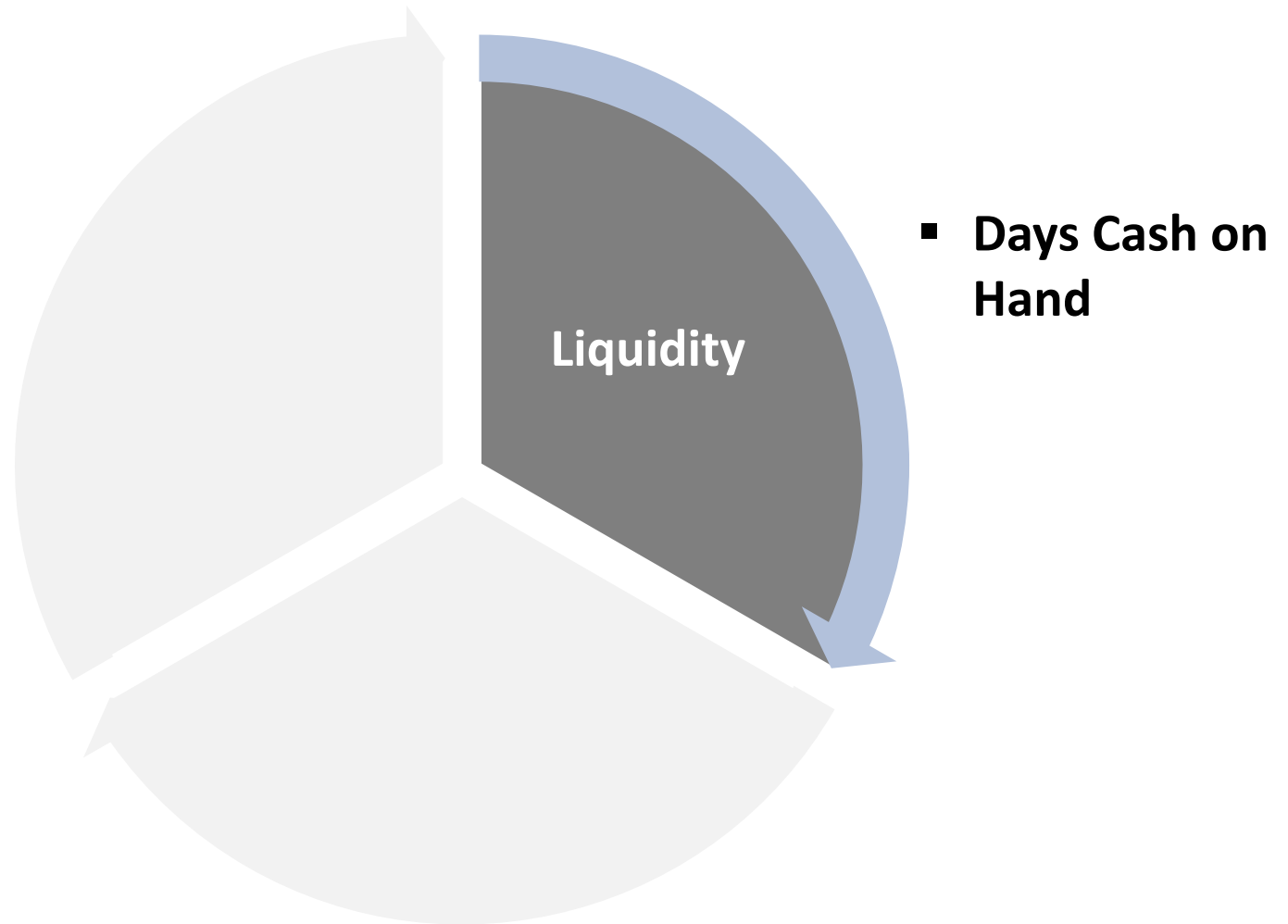
- Gross Margin
- Net Margin
- Pro-forma



- Days Cash on Hand
- Current ratio
- Acid test ratio

- Return on Assets

Introducing Financial ratios



Example – Days Cash on Hand

$$\text{Days cash on hand} = \frac{\text{Cash}}{(\text{Expenses} - \text{Depreciation})} \times 365$$

Example – Days Cash on Hand

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF NET POSITION (unaudited)

At June 30, 2016 and 2015 (In Thousands of Dollars)

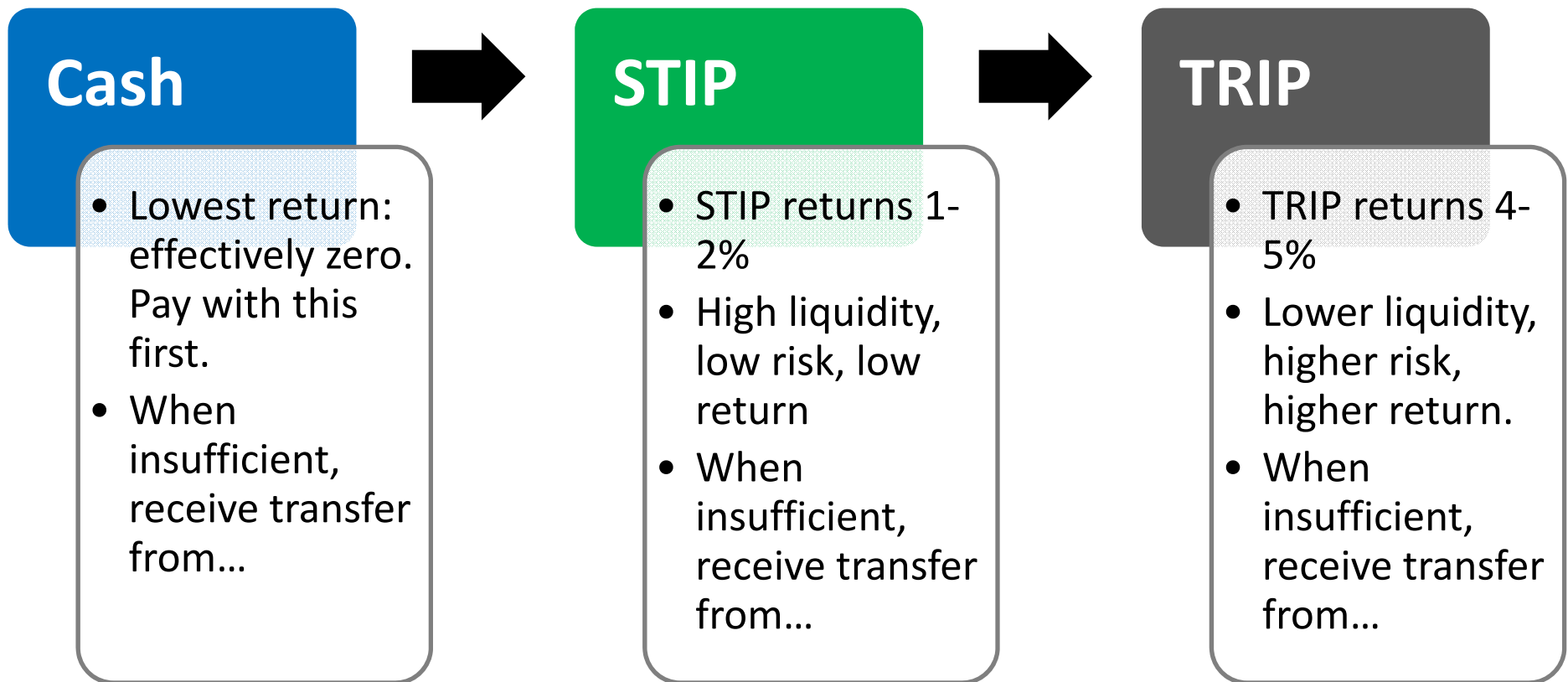
	CAMPUS *	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 268,539	\$ 358,657
Short-term investments		
Investments held by trustees	1,790	1,801
Accounts receivable, net	240,518	244,708
Pledges receivable, net	1,582	2,726
Current portion of notes and mortgages receivable, net	4,871	4,950
Inventories	5,007	5,041
Other current assets	3,524	2,964
Current assets	525,831	620,847
Investments	3,284,827	3,460,043
Investments held by trustees	4,169	7,826
Restricted bond proceeds held by UC	11,074	40,779
Pledges receivable, net	5,077	7,533
Notes and mortgages receivables, net	26,847	26,223
Capital assets, net	3,962,014	3,918,971
Other noncurrent assets	748	1,067
Noncurrent assets	7,294,756	7,462,442
Total assets	7,820,587	8,083,289

Calculation for Berkeley – Days Cash on Hand

$$\text{Days cash on hand} = \frac{\text{Cash}}{(\text{Expenses} - \text{Depreciation})} \times 365$$

$$\begin{aligned} \text{Days cash on hand} &= \$268,539 / (\$2,744,595 - \$218,932) \\ &\times 365 = \mathbf{38 \text{ days}} \end{aligned}$$

Should we include TRIP in the calculation?



Example – Days Cash on Hand

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF NET POSITION (unaudited)

At June 30, 2016 and 2015 (In Thousands of Dollars)

	CAMPUS *	
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Example – Days Cash on Hand - TRIP

The fair value of Berkeley's investment in TRIP was **\$1,034.5 million** and **\$1,033.0 million** at **June 30, 2016** and 2015, respectively.

UC Berkeley, Financial Statements, FY16, p13

Days Cash on Hand – Including TRIP

$$\text{Days cash on hand} = \frac{\text{Cash} + \text{TRIP}}{(\text{Expenses} - \text{Depreciation})} \times 365$$

$$\text{Days cash on hand} = \$1,303,039 / (\$2,744,595 - \$218,932) \times 365 = \mathbf{188 \text{ days}}$$

Days Cash on Hand - Benchmarks

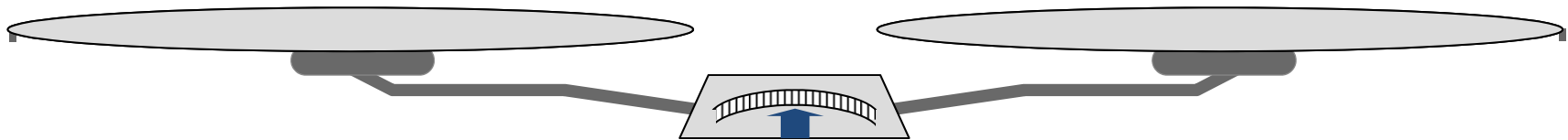
S&P Global
Ratings

Year Sample Size	Aaa				
	2012 15	2013 15	2014 15	2015 15	2016 15
Balance Sheet Ratios:					
Spendable Cash & Investments to Operat	6.96	7.37	8.18	8.13	7.18
Total Cash & Investments to Operating Ex	8.72	9.09	9.71	9.71	8.74
Annual Days Cash on Hand	1224	1475	1673	1748	1536
Monthly Liquidity as % of Total Cash & In	26.4	27.3	27.4	26.1	24.8
Annual Liquidity as % of Total Cash & Inv	38.7	39.6	41.6	35.6	40.3
Total Cash & Investments per Student (\$)	\$1,018,357	\$1,135,260	\$1,281,202	\$1,241,511	\$1,135,243

Financial statement analysis – Art versus Science

ART

SCIENCE



Days Cash on Hand – Including TRIP

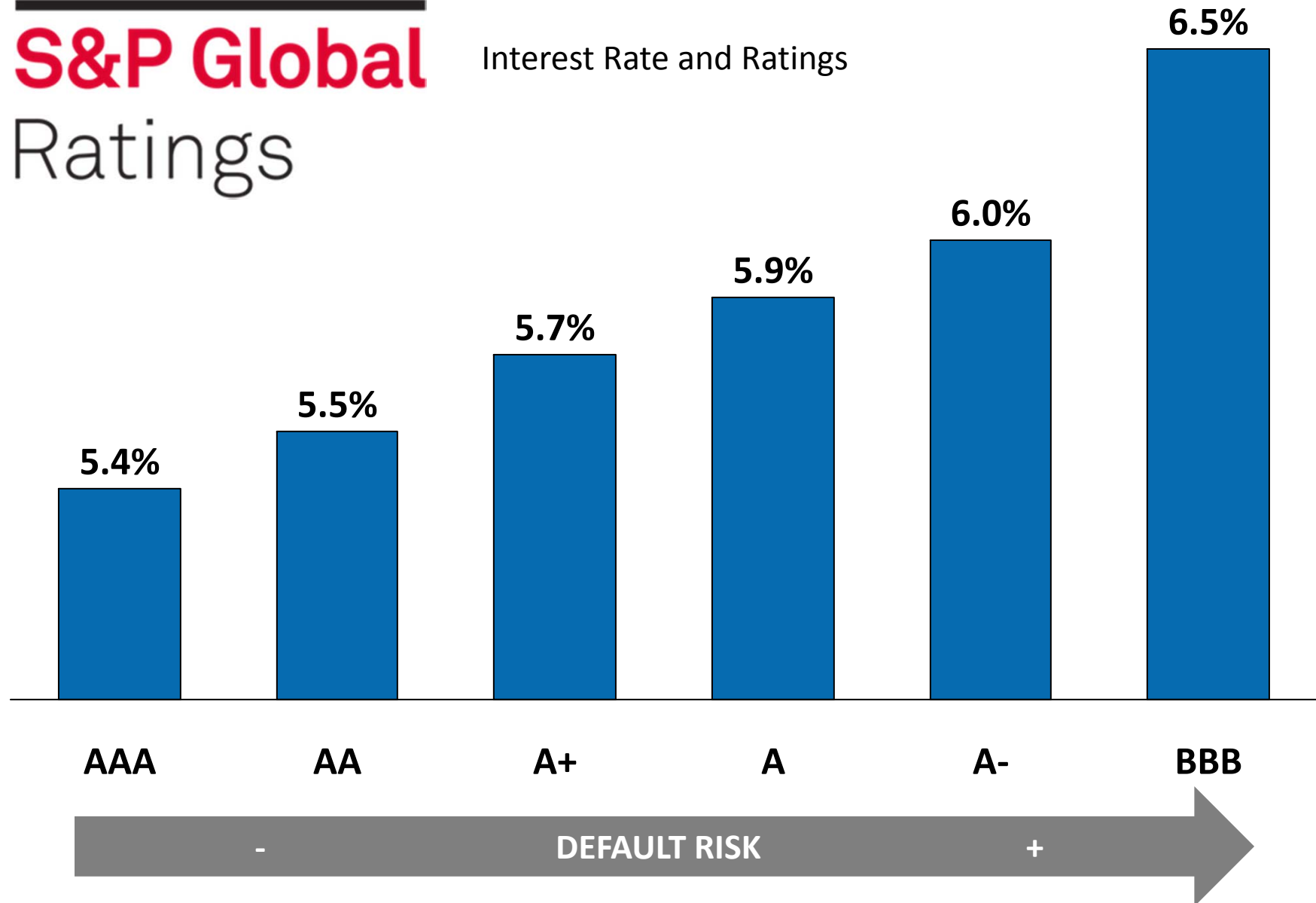
$$\text{Days cash on hand} = \frac{\text{Cash} + \text{TRIP}}{(\text{Expenses} - \text{Depreciation})} \times 365$$

$$\text{Days cash on hand} = \$1,303,039 / (\$2,744,595 - \$218,932) \times 365 = \mathbf{188 \text{ days}}$$

Why do we care about ratings?

S&P Global Ratings

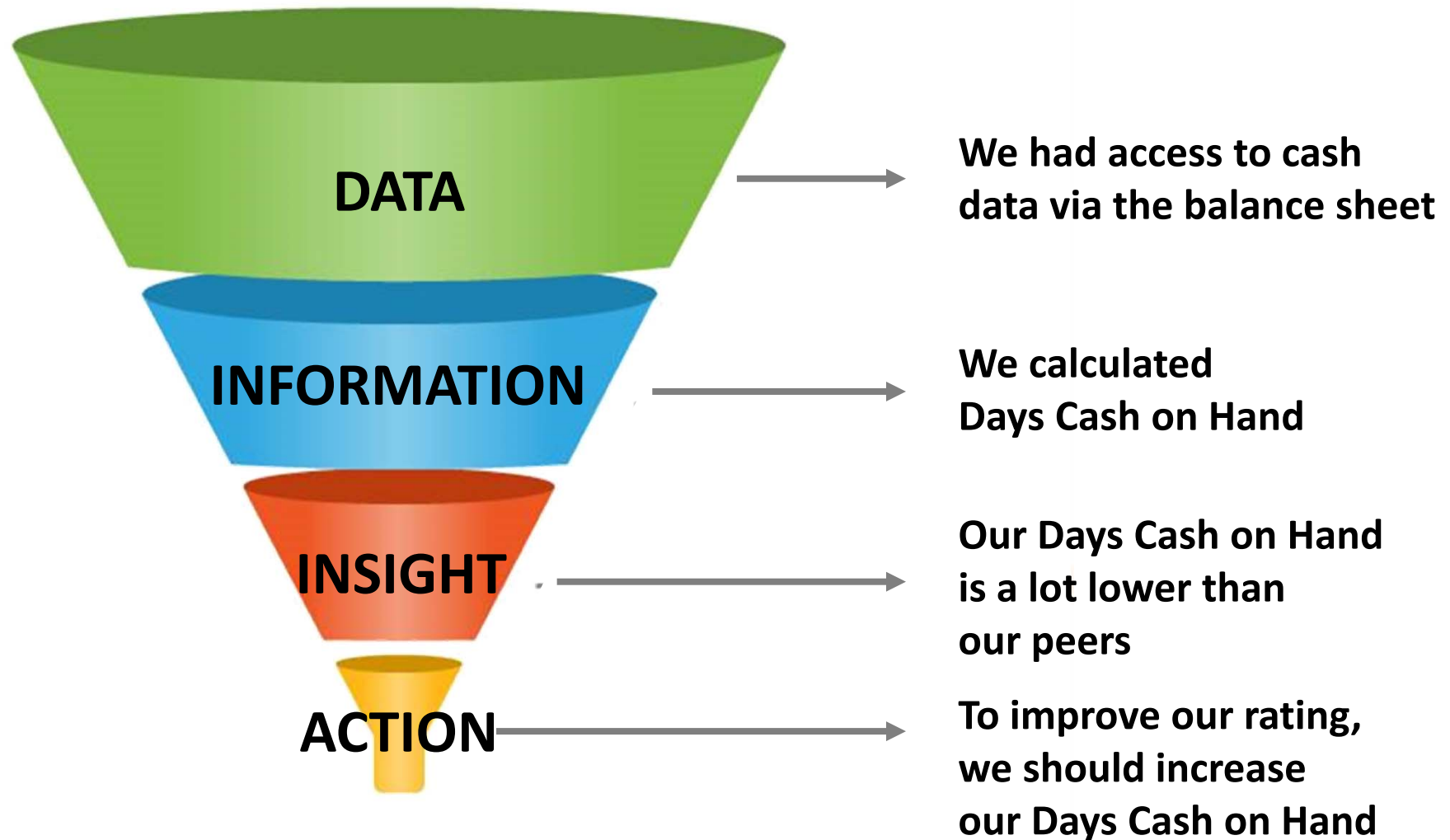
Interest Rate and Ratings



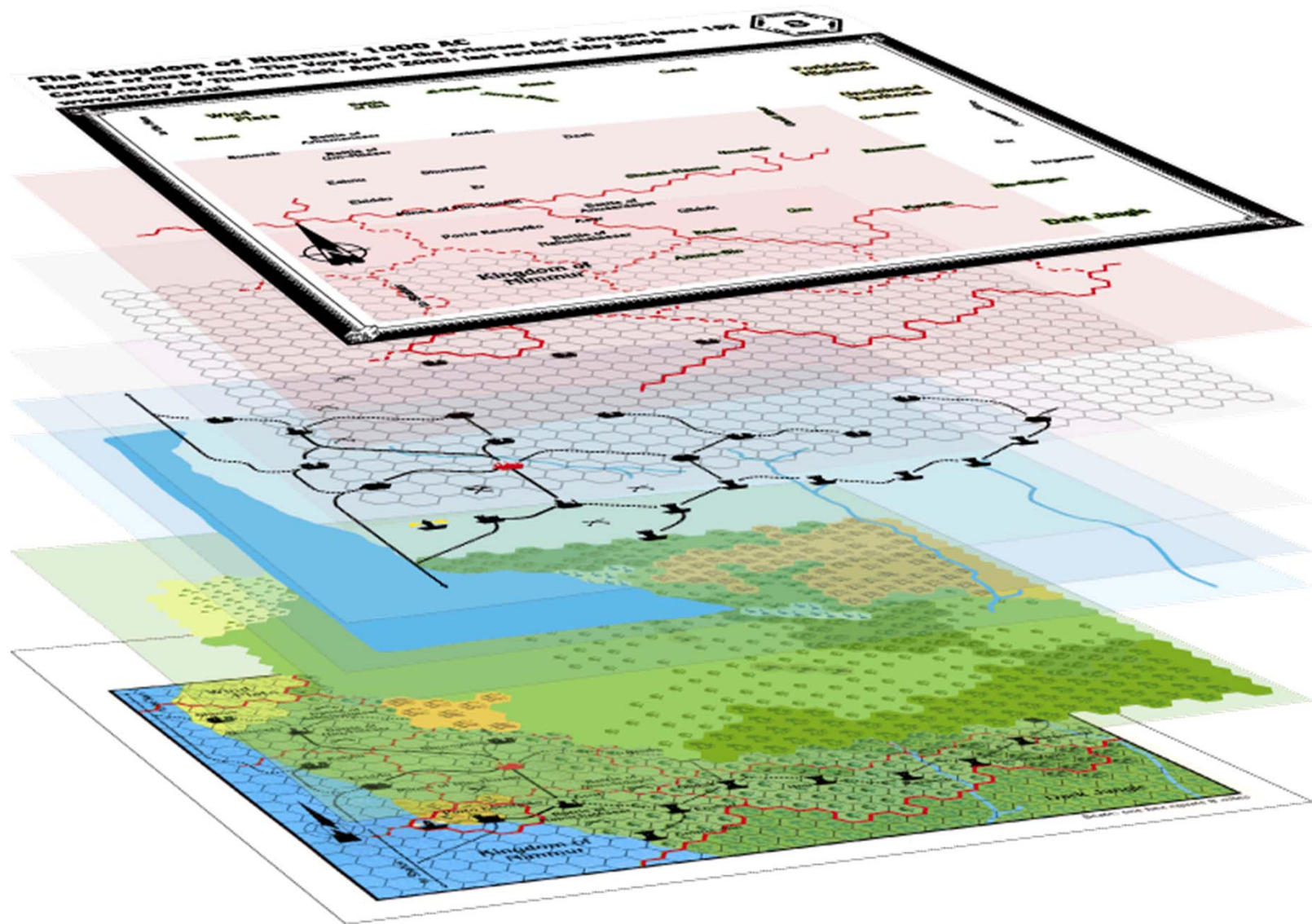
Key takeaways about financial ratios

- 1. Financial ratios use all 3 statements**
- 2. Financial ratios are key to derive insights**
- 3. Art versus science**

So what's the insight?



Bringing it all back together



1. Context
2. Financial Statements – Overview
3. Financial Statement Analysis
- 4. Concluding thoughts**

Concluding thoughts

- 1. Financial statements are the language of finance**
- 2. Watch the margins! “No Margin, No Mission”**
- 3. Simplify, simplify, simplify**
- 4. Turn data into information and into insights into actions**
- 5. Remember that financial statements have limitations and factor those in your analysis**

Thanks! Go Bears!

