



Rooted in Trust. Grounded in Accuracy.

# UNDERSTANDING YOUR FINANCIAL REPORTS



**Guide to Understanding Your Profit & Loss, Balance Sheet, and Cash Flow.**

**more info**

[www.oakpathbookkeeping.com](http://www.oakpathbookkeeping.com)

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360-215-1099



## WELCOME

Financial reports don't have to feel confusing or intimidating. When your books are organized, they become simple tools that help you make confident decisions — not documents you avoid opening.

This guide explains the three key financial reports every organization should understand, what they tell you, and how to review them without overwhelm.

*Clear reports. Confident decisions.*

## WHO THIS GUIDE IS FOR

Not every business owner or organizational leader starts out feeling confident with financial reports — and that's completely normal. This guide is designed for:

- Small business owners
- Nonprofit leaders and executive directors
- New entrepreneurs
- Service-based and product-based organizations
- Anyone who wants clearer financial insight

*No prior bookkeeping knowledge required.*

## WHY FINANCIAL REPORTS MATTER

Financial reports are more than numbers on a page — they are decision-making tools.

### **Your Financial Reports:**

- Show whether your organization is financially healthy
- Reveal spending trends and highlight unusual expenses
- Help plan for taxes and avoid surprises
- Support loan, grant, or funding applications
- Guide pricing, programming, and growth decisions
- Highlight cash flow pressure before it becomes a problem
- Help you decide when to hire, invest, or expand

*When reports are reviewed regularly, surprises decrease — and confidence grows.*



### AT A GLANCE: THE THREE CORE REPORTS

Every organized bookkeeping system produces three core reports that together tell the full financial story of your organization:

Report	What It Tells You
Profit & Loss Statement	Income earned and expenses paid — and whether you're operating at a surplus or deficit
Balance Sheet	What your organization owns, owes, and your net worth at a point in time
Cash Flow Summary	How money moves in and out of your organization

*Together, they provide clarity, direction, and control.*

### AT A GLANCE: FINANCIAL REPORTING CADENCE

Financial reports are most valuable when reviewed consistently — not just at tax time or audit season.

Monthly Reviews	Quarterly Reviews	Annual Reviews
Profit & Loss (P&L)	Compare budget vs. actual	Year-end Profit & Loss
Balance Sheet	Review trends & variances	Year-end Balance Sheet
Cash Flow (if used)	Confirm restricted/project funds	Prepare records for tax filing
Review income & expenses	Discuss with bookkeeper or CPA	Review goals and financial growth
Confirm cash position		

### HOW TO READ REPORT NUMBERS IN QUICKBOOKS ONLINE

Number Type	How It Appears
Income / Revenue	Positive numbers
Expenses	Positive numbers
Net Surplus	Positive — when income exceeds expenses
Net Deficit	Negative number or shown in parentheses ( )



## Balance Sheet Basics

Item	How It Appears
Assets	Positive balances — what your organization owns
Liabilities	Positive balances — what your organization owes
Equity / Net Assets	The difference between assets and liabilities

### Common Display Conventions

- Negative numbers may appear in parentheses ( ) or in red
- Zero balances may be hidden unless settings are adjusted

### What to Watch For

- Unexpected negative balances
- Large month-to-month changes
- Missing accounts or blank sections

#### Quick Tip

*If a number looks unusual, ask your bookkeeper before assuming something is wrong. You don't need to be an accountant — just familiar enough to ask the right questions.*

## REPORT 1 — PROFIT & LOSS STATEMENT

The Profit & Loss (P&L) — also called an Income Statement — shows whether your organization is earning more than it spends. It covers a specific period of time: a month, a quarter, or a year.

- Total income or revenue earned
- Total expenses paid
- Net surplus or deficit for the period

### What to Review Monthly

- Income trends — is revenue growing, steady, or declining?
- Expense increases — are any categories higher than expected?
- Unusual charges — anything you don't recognize?
- Consistency — are results in line with prior months?

## REPORT 2 — BALANCE SHEET

The Balance Sheet shows your organization's financial position at a specific moment in time. Unlike the P&L — which covers a period — the Balance Sheet is a snapshot.

- How much cash do we have right now?
- What does our organization own (assets)?
- What does our organization owe (liabilities)?
- What is our overall net worth or net assets (equity)?



**What to Review Monthly**

- Cash balances — do they match your expectations?
- Loan balances — are they decreasing as payments are made?
- Credit card balances — are they reasonable and manageable?
- Accounts receivable — does anyone owe your organization money?
- Accounts payable — do you owe vendors or contractors?

***A strong balance sheet supports strong organizational decisions.***

**REPORT 3 — CASH FLOW SUMMARY**

Cash flow shows how money actually moves through your organization — not just what was earned, but when cash was received and spent. An organization can show a surplus on the P&L and still run short on cash.

- Avoid cash shortages before they happen
- Plan for upcoming large expenses
- Decide when it's safe to invest, hire, or expand programs
- Stay prepared during slow months or seasonal funding gaps

**What It Shows**

Category	Description
Operating Activities	Cash from core operations
Investing Activities	Cash spent on or received from assets
Financing Activities	Cash from loans, contributions, or repayments

**HOW TO REVIEW REPORTS WITH CONFIDENCE**

Financial reports can feel unfamiliar if no one has explained what to look for. This simple process helps you understand key information, spot trends, and ask better questions — without needing an accounting background.

- Open your Profit & Loss report
- Review total income or revenue — is it what you expected?
- Review your largest expenses — anything unusual?
- Check net result — are you operating at a surplus?
- Open your Balance Sheet
- Confirm cash balances look accurate
- Review outstanding debts or credit card balances

***Ten minutes per month builds strong financial awareness. Start small. Focus on consistency — not perfection.***



## COMMON REPORT REVIEW CHALLENGES

Even with accurate reports, reviewing financial statements can feel unfamiliar at first. Many leaders experience one or more of these:

- Reports feel unfamiliar — numbers don't connect to real decisions
- Numbers don't match expectations — without a clear explanation why
- It's unclear what's most important to look at first
- Questions feel hard to form — you're not sure what to ask
- Reports are reviewed too late to take meaningful action
- Reports are generated but never discussed with a professional
- Decisions are made without referencing the reports at all

*Awareness is the first step toward confident review.*

## READINESS CHECK: ARE YOU REVIEWING YOUR REPORTS REGULARLY?

Consistent report review turns bookkeeping data into organizational insight. Check each statement that is true for your organization today:

<input type="checkbox"/>	I review my Profit & Loss monthly
<input type="checkbox"/>	I review my Balance Sheet monthly
<input type="checkbox"/>	I understand our net result (surplus or deficit)
<input type="checkbox"/>	I know our current cash balance
<input type="checkbox"/>	I feel confident discussing reports with my bookkeeper or CPA
<input type="checkbox"/>	I compare this month's results to prior months
<input type="checkbox"/>	I review reports early enough to take action if needed

### How to Interpret Your Results

Result	What It Means
0–1 unchecked	You're in great shape — keep it up
2–3 unchecked	Small improvements may make a meaningful difference
4 or more unchecked	Professional support could have a significant impact



## QUESTIONS TO ASK YOUR BOOKKEEPER OR CPA

Clear questions lead to clearer financial understanding and better decision-making. Use this list at your next meeting.

- Can you explain our Profit & Loss in plain language?
- Are our reports accurate and current?
- Are there unusual variances I should know about?
- Can you highlight trends I should watch over the next few months?
- Are our reports ready for tax filing or audit?
- Are there opportunities to improve cash flow or reduce expenses?

## YOU DON'T HAVE TO DO THIS ALONE

Many leaders choose to work with a professional bookkeeper to take the uncertainty out of financial management.

- Keep reports accurate, current, and organized
- Reduce financial confusion — your bookkeeper explains what the numbers mean
- Catch issues early, before they become costly problems
- Support confident decision-making with reliable data
- Save time and reduce stress so you can focus on your mission or business

***With the right support, financial reports become tools — not tasks.***

## WHAT TO BRING TO YOUR FIRST BOOKKEEPING MEETING

No preparation is required for a first conversation — but if you want to make the most of your time, this checklist will help.

- Access to your accounting software — or a note that you don't have one yet
- Your most recent bank and credit card statements
- A rough sense of your monthly income and expenses
- Any questions you have about your current setup
- Notes on transactions or reports that have felt confusing
- A list of upcoming financial events — loans, grants, major purchases, tax deadlines

### **Quick Tip**

*There's no wrong place to start. Your first meeting is a conversation, not a test. Come as you are.*



### YOUR FREE BOOKKEEPING REVIEW

OakPath offers a free 30-minute Financial Review to help you assess your current bookkeeping system. During this session, we will:

- Review your current bookkeeping setup
- Identify any risk or compliance concerns
- Highlight opportunities for improvement
- Answer your questions — no preparation required

#### Schedule Your Free Bookkeeping Review

[www.oakpathbookkeeping.com](http://www.oakpathbookkeeping.com) | (360) 215-1099

### SECURITY & CONFIDENTIALITY

Professional bookkeepers use secure, encrypted systems to protect financial information. Your records remain private, controlled, and accessible only to authorized users.

*Trust begins with security.*

### ABOUT OAKPATH BOOKKEEPING SERVICES

OakPath provides trusted bookkeeping support for organizations that want clear, dependable financial systems — whether you're running a business or leading a nonprofit.

We believe bookkeeping is more than entering numbers — it's about creating clarity, supporting compliance, and building confidence in every financial decision.

Based in Jefferson County, Washington, OakPath serves organizations locally and nationwide through secure, cloud-based bookkeeping services that are organized, accessible, and reliable.

When your bookkeeping is clear and current, your organization can focus fully on what matters most — with confidence and peace of mind.

Value	What It Means for You
Trust	Your financial records are handled with care and integrity
Accuracy	Precise, up-to-date records support confident decisions
Partnership	Supportive bookkeeping so you're never facing finances alone

*With organized books and consistent review habits, you gain insight, confidence, and control.*

**Rooted in Trust. Grounded in Accuracy.**