



**Understanding Financials**  
**November 24, 2009**

1. Cash vs. Accrual Accounting
  - a. Formal definition
  - b. Real world definition
  
2. Where's the Cash?
  - a. Net income vs. Cash flow
  
3. What Are Banks Looking For?
  - a. Financial statements
  - b. Owner understanding
  
4. Trends and Budgeting
  - a. Why is this important
  - b. Easy methods

**Possible Additional Topics:**

1. Fixed vs. Variable Expenses
2. Best Practices
3. Strategies

Presented by:



Stone Arbor Landscaping  
Income Statement

	<u>2008</u>	<u>2009</u>	<u>Budget 2009</u>	<u>Variance</u>
Revenues				
Sales - Design Services	14,910.00	15,357.30	15,500.00	8.94
Sales - Equipment	2,099.99	2,162.99	2,200.00	1.27
Sales - Hardscape Materials	63,505.25	50,410.41	66,700.00	38.47
Sales - Hardscape Services	44,190.00	40,515.70	46,400.00	26.76
Sales - Landscape Materials	3,124.00	3,217.72	3,300.00	1.90
Sales - Landscape Services	16,480.00	26,974.02	17,300.00	9.98
Sales - Miscellaneous	385.00	396.55	400.00	0.23
Sales - Maintenance Services	20,560.00	21,177.18	21,600.00	12.46
Total Revenues	<u>165,254.24</u>	<u>160,211.87</u>	<u>173,400.00</u>	<u>100.00</u>
Cost of Sales				
Product Cost - Equipment	3,599.97	3,707.97	3,800.00	2.19
Direct Labor	31,916.00	39,215.87	33,500.00	19.32
Materials Cost - Hardscape	29,360.24	30,241.05	30,800.00	17.76
Materials Cost - Landscaping	1,250.12	1,287.62	1,300.00	0.75
Total Cost of Sales	<u>66,126.33</u>	<u>74,452.51</u>	<u>69,400.00</u>	<u>40.02</u>
Gross Profit	<u>99,127.91</u>	<u>85,759.36</u>	<u>104,000.00</u>	<u>59.98</u>
Expenses				
Auto Expenses	1,416.56	1,459.06	1,500.00	0.87
Depreciation Expense	28,342.56	26,012.25	29,800.00	17.19
Insurance Expense	1,266.30	1,304.29	1,300.00	0.75
Laundry and Cleaning Exp	3,600.00	3,250.25	3,500.00	2.02
Legal and Professional Expense	657.38	677.10	700.00	0.40
Office Expense	64.99	75.26	100.00	0.06
Payroll Tax Exp	6,971.11	7,600.85	7,300.00	4.21
Rent or Lease Expense	7,500.00	7,500.00	7,500.00	0.00
Salaries Expense	40,295.45	43,512.25	42,300.00	4.33
Utilities Expense	527.57	475.00	500.00	24.39
Total Expenses	<u>90,641.92</u>	<u>91,866.31</u>	<u>94,500.00</u>	<u>54.50</u>
Net Income	<u>\$ 8,485.99</u>	<u>(\$ 6,106.95)</u>	<u>\$ 9,500.00</u>	<u>5.48</u>
				<u>-15,606.95</u>

For Discussion Purposes Only  
Stone Arbor Landscaping is a fictitious company.