



Financial Learning Pathway

Session 5: Putting It Into Practice through Monthly Financial Reviews and Cashflow Analysis

Presented by:

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BBA Business Advisors

Columbia
Basin **trust**

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BUSINESS
ADVISORS**



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Session 5 Outcome

You will learn how to do a monthly financial review for your business and how to take actionable steps based on the analysis of the data. You will also learn the difference between profits and cashflow.



Session 5 Outline

- Bringing Cashflow to your TTM and P&L
- Year-over-Year Comparison (YoY)
- Steps to a Monthly Financial Review
- Course Recap
- Going Forward
 - ProFormas
 - Budgeting and Forecasting
 - Continuous Learning



Bringing Cashflow to your TTM



Cashflow Statement: The WHY

- Entrepreneurs often mistake profit for cashflow, they are NOT the same thing!
- There are cash transactions not on P&L
- Cashflow is where Balance Sheet and P&L combine
- **Remember: Growth eats cash!**
- Cashflow report available in most accounting systems

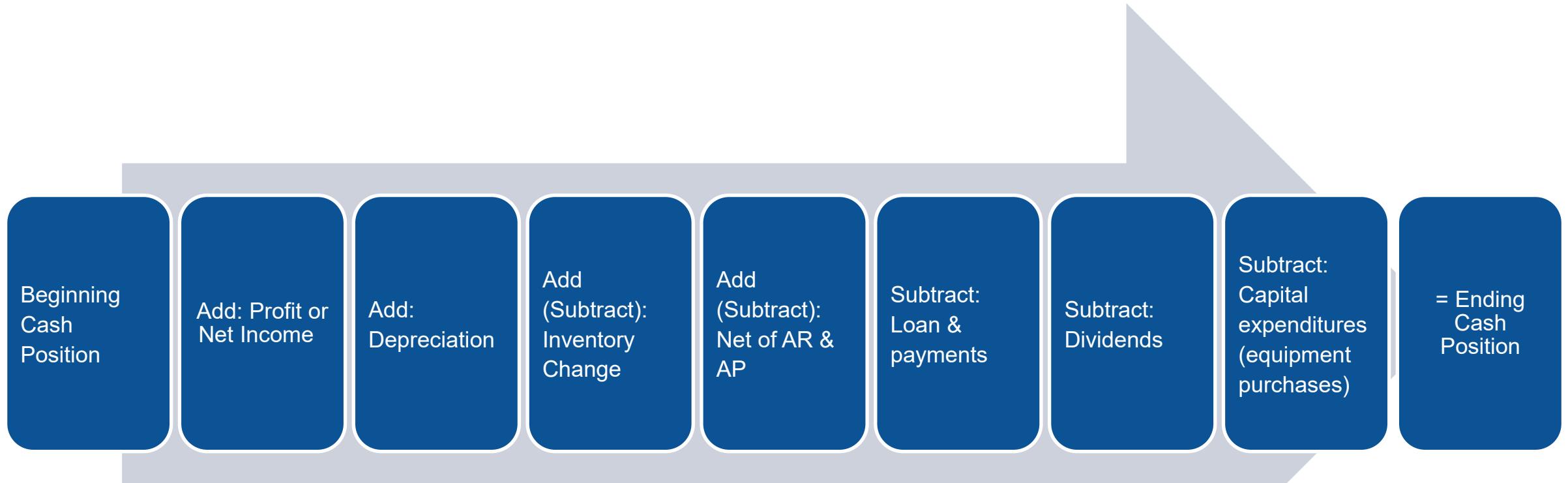




Calculation of Free Cashflow (FCF)

Total cash inflows –
Total cash outflows =
Free Cashflow

Calculation of Free Cashflow (FCF)



Key Point: Produce a Cashflow Report every Month and Monitor it; Net Profit is NOT Cashflow.

HOW to View Your Cashflow Report

- Produce a **Cashflow Report** from your accounting system (QBO or Wave)
 - Watch a video to learn how!
- Take the monthly net cashflow and add it to the TTM, below your Net Profit Margin
 - Want to monitor monthly to ensure you have sufficient cash



Cashflow Example



Questions?



Year-over-Year Comparisons



Year-over-Year Comparisons (YoY)

Year over Year Reporting

- Compare **year-to-date data** across three years (e.g., 2025, 2024, 2023)
- Identify long-term trends or operational shifts
- Useful for strategic planning and understanding growth or contraction patterns

Analyze & Take Action

- Flag line items with large **percentage changes** or **material dollar differences**
- Investigate outliers: What changed? Why? What can you learn or adjust?

Goal: Uncover insights that explain the numbers and highlight actionable next steps

Year-over-year Comparison

Rub-A-Dub Hot Tubs	2023	2024	2025
Total Sales	\$1,226,747	\$1,056,369	\$1,349,912
Total COGs	\$800,181	\$712,322	\$895,705
Gross Profit	\$426,566	\$344,047	\$454,207
Gross Margin	35%	33%	34%
Total Expenses	\$289,047	\$249,388	\$313,505
Net Profit	\$137,519	\$94,659	\$140,702
Profit Margin	11%	9%	10%

Compare this year to the last two years to see where you are trending

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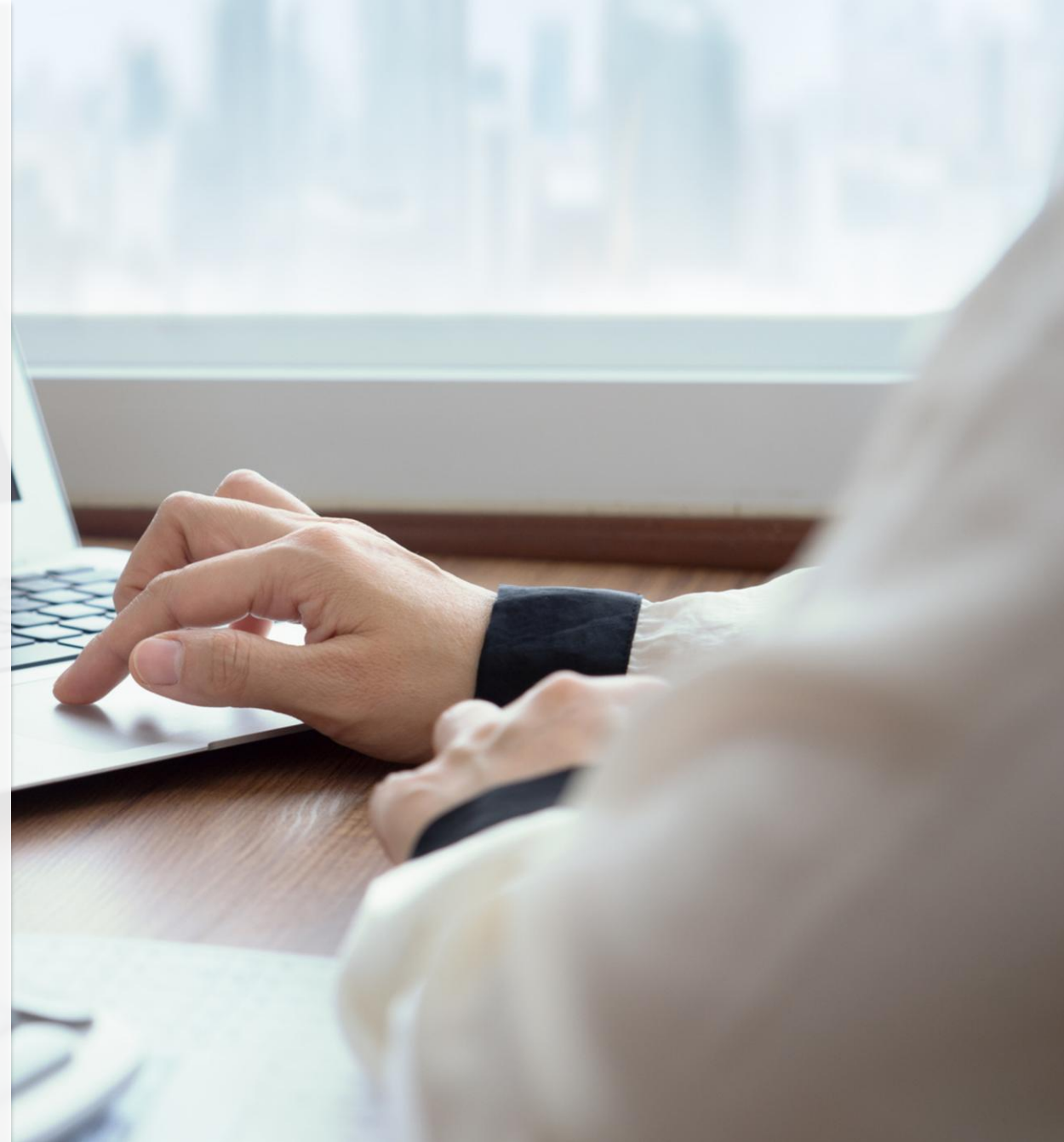
Year-over-year Comparison – with Variances

Rub-A-Dub Hot Tubs	2023	2024	Variance \$ 2024	Variance % 2024	2025	Variance (\$) 2025	Variance % 2025
Total Sales	\$1,226,747	\$1,056,369	(\$170,378)	-14%	\$1,349,912	\$293,543	28%
Total COGs	\$800,181	\$712,322	(\$87,859)	-11%	\$895,705	\$183,383	26%
Gross Profit	\$426,566	\$344,047	(\$82,519)	-19%	\$454,207	\$110,160	32%
Gross Margin	35%	33%	-2%	-6%	34%	1%	3%
Total Expenses	\$289,047	\$249,388	(\$39,659)	-14%	\$313,505	\$64,117	26%
Net Profit	\$137,519	\$94,659	(\$42,860)	-31%	\$140,702	\$46,043	49%
Profit Margin	11%	9%	-2%	-20%	10%	1%	16%

Compare this year to the last two years to see where you are trending

Year-over-Year Comparison: Insights

- When looking at financial review - don't worry too much about shifts less than 10%, but do keep an eye on them to watch for shifts or patterns
- When looking at your numbers, ask these questions, in order:
 - **What?** What is happening? Observations
 - **Why?** Why am I up, or down? Why did X happen?
 - **How?** How can I do more of the positive results I've observed, and do less of the negative results I've observed?



Questions?



Steps to a Monthly Financial Review



“Success is the exponential effect of little things done consistently over time.”

- Orrin Woodward



CONSISTENCY
IS THE KEY!

Pulling it All Together: The WHY

Monthly Financial Reviews

- 1) Know more about your business, the ultimate health check
- 2) To analyse your business monthly so you can make intentional, data-based decisions
- 3) Identify opportunities to become more profitable
- 4) Take actionable steps in your business
- 5) Measure the impact over time
- 6) What gets measured get managed



Monthly Financial Reviews: The WHAT

1. Review Statements for Accuracy
 - Verify changes with Bookkeeper
2. Review Balance Sheet & Check Ratios
3. Review TTM
 - GM by Revenue Centre
 - Measure changes
4. Review Cashflow
5. Variance Reporting

NOTE:

Build an SOP for monthly financial reporting – Who, what, when



1) Financial Review – First Check: Accuracy

- Treat the first set of financials as **DRAFT** until verified
- Scan for errors, omissions, or unexpected numbers
- Flag anything questionable and follow up with your bookkeeper
- Don't start your analysis until updates are made
- Never make decisions based on unverified data

⚠️ Key Reminder:

Verified numbers = Informed decisions.

Unverified numbers = Risky assumptions.



2) Balance Sheet = Overall Company Health

- Current Ratio, Debt to Equity
- Owner's Equity (Assets – Liabilities)
 - Retained Earnings
- BS Flows into your P&L





3) Review the TTM (What to Look for)

- a) **Revenue:** Are you up or down over time? What's driving the trend?
- b) **COGS:** If COGS is rising, look at pricing, supplier costs, team productivity or waste
- c) **Gross Margin:** $\text{Gross Profit} \div \text{Total Revenue}$
The most important number on your P&L
- d) **Expenses:** Are they in line? You have limited control here, so don't over-focus
- e) **Net Profit & Net Margin:** Your report card; It's the result
- f) **If cashflow is added to TTM, then check Cashflow Position:** How does your monthly activity affect your cashflow? Up or down?

3a) Revenues: Are you hitting your targets?

Are you up or down? Why?

- If there was an anomaly you can answer, move on
- If there was a reason you were up or down, investigate
- Look for patterns and trends over the past several months. Are you trending up? If so, why? Do more of that. Are you trending down? Why?
- **What levers can you pull to correct this?**



3b) COGS: Are you controlling costs?

If you are noticing increase in COGS you have got a few options:

For Wages:

- Review SOPs - Are processes being done effectively? Track and set expectations
- Set targets
- Coach and train your staff


For Materials:

- Look at supplier costs

For Freight:

- Group orders together
- Negotiate freight rates



A magnifying glass with a black handle and frame is positioned over a document. The document features a bar chart with orange, yellow, and green bars on the left side. The number '100' is visible on the document. The background of the slide is a light blue gradient with faint geometric shapes.

3c) Analyzing Gross Margins

- Look for patterns and trends over the past several months. Up or Down? Why? How to leverage or correct this?
- Sell more of the centres that are above average, and less of the below average.
 - Train your sales team to focus on high margin
 - Set goals and incentivize
 - Better merchandising and add accessories
- Change pricing or improve COGS on low margin areas

3c) Analyzing Gross Margin

- This number should be somewhat stable each month
- Trend lines improving, or reaching the GM goals?
- Big fluctuations (more than a 5%), dig into COGS
 - Are you managing payroll when you're not busy?
 - Are you accounting for inventory properly?



3d) Expenses

NOTE: This is the area that you can affect **the least** so don't spend too much time

- Are expenses in line with previous months?
- Are you amortizing large "annual" expenses?
- Are you above your average "burn rate (avg monthly expenses) or below? Anything out of whack that needs to be corrected or re-allocated or amortized?
- Anything unexpected?





3e) Net Profit (Income) and Net Margin

- This number is your **report card**. It is the **result** of the work in the rest of the P&L. Please note you cannot pull levers against this number. But you need to track it to see the results of actions you take affecting other lines in the P&L.
- Look for patterns and trends over the past several months. Are you trending up? Are you trending down? This number should be fairly stable over time. If there are huge variations, look further up in the P&L to see what things you can adjust.

From Insights and Actions

Ensure that data analysis turns into ACTIONS, and doesn't just die in observations!

- Analyze your key data points for insights
- Create a list of action items gained from insights
- Pull levers
- **Communicate** changes required with team
- Follow up to measure impact Next month
- Rinse and repeat



One more point....

“Life doesn’t get easier or more forgiving; we get stronger and more resilient.”

— Steve Maraboli, *Life, the Truth, and Being Free*



Questions?



What you've learned...



What we have covered in this course:

- Where you are most profitable
 - Price Setting
 - Margin analysis to know what to market
 - The importance of your gross margin
 - Inventory vs COGS (or COS)
 - Break even analysis and how it helps you run the business
 - How to decide to buy a piece of equipment
 - How to pay yourself more
 - How to maximize the value of your company
- AND...
- Move from reactive management to proactive leadership



Profit and Loss (TTM) Statement Recap

- **Revenues**
 - Breaking down your revenue centres (3-5 Max)
 - Timing Invoices properly
- **COGS**
 - Bringing all direct costs up
 - Wages, Materials, Shipping/Delivery, Packaging
- **Gross Margin/Profit**
 - Gross Margin by Revenue Centre
- **Expenses**
 - Even out using Pre-Paid Expenses
- **Net Profit & Margin**
 - Percentages make comparisons easier





Remember: Profit = Fuel

- Can't grow without profit
- **Growth Eats Cash**

"Profit is like oxygen, food, water and blood for the body, they are not the point of life, but without them, there is no life". - James Collins

Going Forward...



"Just like a doctor uses x-rays to see into the human body, a financial statement helps you to look into a business and see the truth."

- Rich Dad, Poor Dad Author Robert T Kiyosaki



More Than a Business Tool; It's a Life Skill

- **Personal Finances:** Understanding your own spending patterns
- **Spotting Opportunities:** Knowing when and where to invest time, energy, or money. Buying or scaling a business.
- **Smart Investing:** Using data to evaluate companies' financials and risk before committing
- **Macro Trends:** Understanding market shifts and preparing early



A Journey of a Thousand Miles.....

Budgeting & Projections

Variance Reporting vs Budget

Weighted Sales Funnel

Proformas

Accounts Receivable/Accounts Payable

.....and so much more to scale your company!



Homework for Session 5

Build a step-by-step plan, with timelines, to get your financial statements set up to make data-based decisions that will increase your profitability over time.



Thank You



Q & A



Notes

Notes