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Episode 24 Reading the Numbers - Financial Reports Checklist

Every month, three reports land on the Committee table — the Balance Sheet, the Profit and Loss, and the Cash Flow — and each one tells you something the others can't. Use this checklist every month: four questions to ask of each report, the red flags to watch for, and what to do when you spot one.

BALANCE SHEET — one page, one date — what you own, owe, and are worth		
ASK EVERY MONTH	RED FLAGS	WHAT TO DO
• Do we own more than we owe? (Total assets greater than total liabilities?) • Can we pay this month's bills? (Current assets greater than current liabilities?) • Do we have a buffer? (Is equity at least 3 months of operating costs?) • Are we getting stronger? (Is equity growing year on year?)	• Current liabilities exceed current assets — bills can't be paid from available funds. • Total liabilities exceed total assets — the organisation is technically insolvent. • High unearned income (grants/fees in advance) sitting alongside low reserves — obligations coming that might not be coverable.	Check the date at the top of the report before reading it — an old balance sheet tells an old story. Ask about any red flag immediately; don't wait for it to resolve itself.
PROFIT & LOSS — the pages you've read so far this year — income, spending, and the plan		
ASK EVERY MONTH	RED FLAGS	WHAT TO DO
• Is the surplus or deficit tracking ahead of or in line with budget? • Are income lines performing as planned? • Is expenditure under control — checked line by line, not just the total? • Does the year-to-date column say the story is still on plan?	• An unplanned deficit with no warning or explanation — a governance failure, not a plot twist. • Income consistently falling short of budget (common with new events or programs). • One major cost running over budget month after month. • The 'poisoned apple' — a healthy-looking total surplus hiding one loss-making part of the organisation.	Always ask why a variance exists. One bad month can be timing — an early bill, a late grant. Three months running the same way is a trend, and it needs fixing, not watching.
CASH FLOW — the truth about what came in, what went out, and what's left		
ASK EVERY MONTH	RED FLAGS	WHAT TO DO
• Did cash move the way we expected this month? • If more went out than came in, did we see it coming? • Do we have the reserves to cover a planned shortfall? • Have the accounts been reconciled against the bank statement this month?	• More money going out than coming in, with nobody having planned for it.	Investigate straight away — it can mean income is lower than expected, money owed to you hasn't been paid, or in the worst case, money is going somewhere it shouldn't. A beautiful P&L means nothing if the cash isn't there when the bills arrive.

Across all three reports: ask the question.

A woolly or incomplete answer is a red flag in itself. And if reports arrive the night before the meeting instead of at least five working days before, that's a governance problem too — you can't meet your duty of care without timely, complete financial information.