



# Decoding Financial Statements & Embracing Transparency in Manufacturing

**Julie Wondra, CPA**

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# Introduction

## Your Speaker Today Is...

### Julie Wondra, CPA

- Partner & Manufacturing Industry Leader at Adams Brown
- Based in McPherson, KS
- Specializes in business tax, succession planning and other management advisory services.
- Active member of her community, serving on the McPherson United Way Allocations Committee, McPherson Industrial Development Corporation and Kansas Board of Accountancy Board



# Agenda

- 01 Dive Deep into Financial Statements
- 02 Key Financial Metrics for Manufacturing
- 03 Implementing in Your Manufacturing Business
- 04 Q&A Session





# Importance of Financial Statements in Manufacturing

- ▶ Reflecting Business Health (Like Regular Health Screenings)
  - give insight into performance
  - give insight into operations
  - generally required for lenders
  - help drive pricing decisions
- ▶ Guiding Strategic Decisions
  - identify trends, seasonality
  - help in setting budgets
  - new investments, product lines
  - capital outlay plans

# How to Read Financial Statements - Balance Sheet

- ▶ Snapshot of financial health at a given point (Assets, Liabilities, Equity/Net Worth)
- ▶ Importance of Current vs. Long-Term Assets (how liquid?)
- ▶ Addressing Liabilities in Capital Intensive Businesses
- ▶ Handout 1

Watch for Receivables Metrics, Payables Metrics, Liquidity Metrics & Inventory Levels

# How to Read Financial Statements

## - Income Statement

- ▶ Definition and Purpose
  - Also known as P&L (profit & loss)
  - Covers a period of time
  - Can be very simple or very complex
- ▶ Revenue, Cost of Goods Sold/Manufactured, Gross Profit, Operating Expenses, Profit/Loss
- ▶ Handout 2

Watch for Declining Profit Margins, Non-Recurring Transactions, Compare with Budget



# How to Read Financial Statements

## - Cash Flow Statement

- ▶ Importance of Cash Flow in Capital-Intensive Industries
  - looks at the cash position (inflow & outflow)
  - Very important in uncertain times
- ▶ Operating, Investing and Financing Activities (good cash flow has cash mainly coming from operating)
- ▶ Handout 3

Watch to see if operations can cash flow,  
understand importance of cash flow forecasting

# Key Financial Metrics for Manufacturing

- ▶ Financial ratios help breakdown enormous amount of data
- ▶ Provide insights on how a company is doing (Profitability, Liquidity, Debt, Efficiency, Valuation)
- ▶ Can help determine trends and should evaluate full economic backdrop
- ▶ Compare KPI's with those in your industry to get clear picture
- ▶ Handout 4

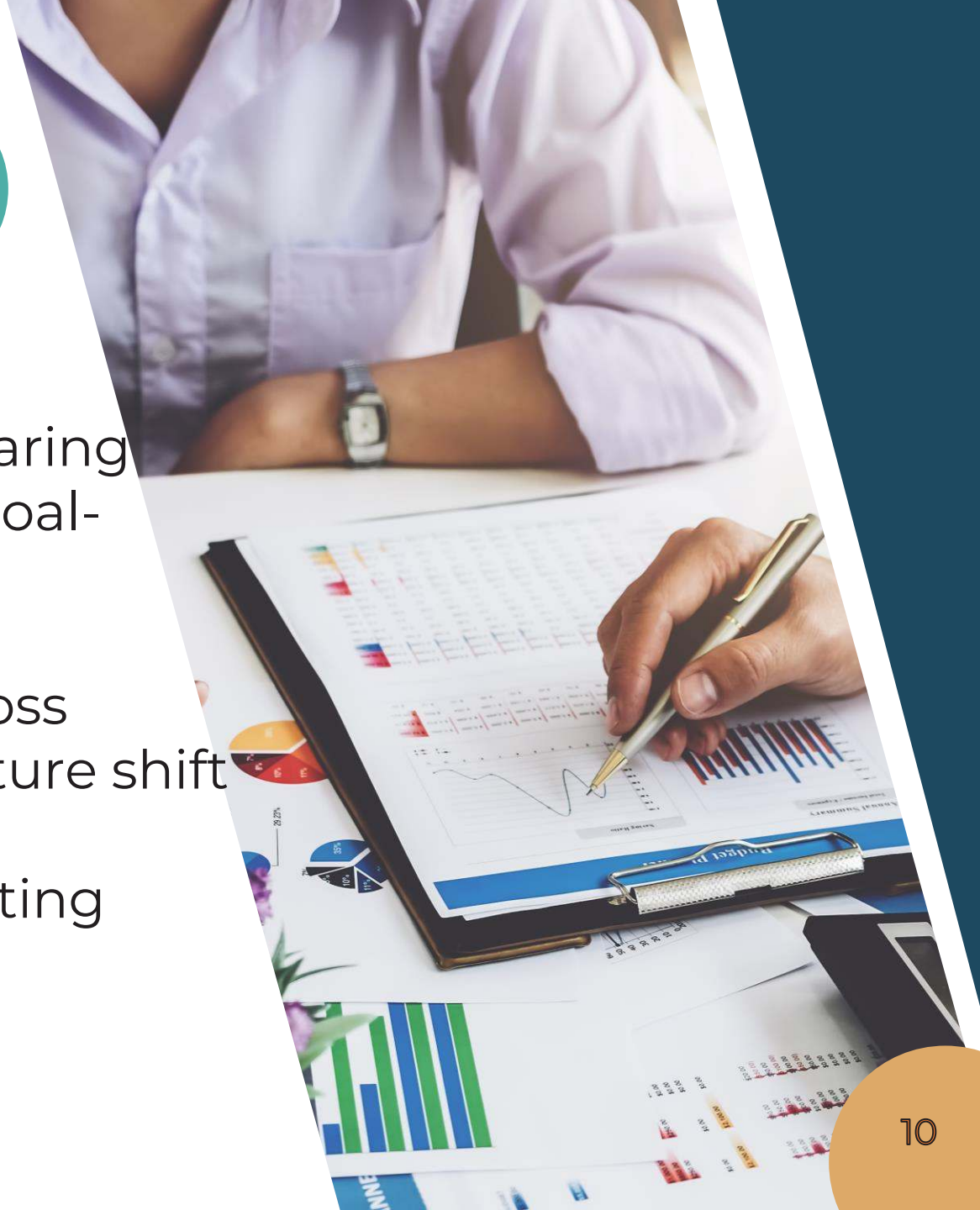


# Importance of Transparency in Manufacturing

- ▶ Enhancing Investor and Stakeholder Trust
- ▶ Building Better Employee Rapport, Engagement & Confidence
- ▶ Streamlined Operations with Fewer Internal Bottlenecks
- ▶ Measure Impact – Have the investments paid off? How can you learn from mistakes
- ▶ Celebrate the good but be honest about impending obstacles.

# Sharing Business Performance & Goals

- ▶ The link between performance sharing and employee/team motivation; goal-setting
- ▶ Aligning the workforce with the company's mission and vision across departments – transformative culture shift
- ▶ Allows bigger-picture clarity
- ▶ Buy-In on Budget Setting and cutting unnecessary costs



# Implementing

- ▶ Regular financial updates for stakeholders; Data needs to be up-to-date
- ▶ Start Small – Clear communication & consistent messaging is key
- ▶ Invite feedback and participation in decision-making from all levels
- ▶ Develop a cadence of accountability and timeline
- ▶ Transparency may not be the same at all levels; needs to be meaningful & impactful





# Implementing

- ▶ Monthly Newsletter
- ▶ Weekly Check-In Meetings
- ▶ Quarterly State of Business Video
- ▶ Video Board in Breakroom with KPI's
- ▶ Q&A Sessions





## Case Study

- ▶ A brief showcase of a manufacturing business that benefited immensely from financial transparency.



## Concluding Thoughts & Takeaways

- ▶ Financial proficiency is a key to success in manufacturing for multiple stakeholder groups.
- ▶ Financial transparency can help transform a company's culture and increase employee morale.
- ▶ Financial Statement reviews are like Health Screenings – very important and must be ongoing with up-to-date data





# Q&A Session

# Thank You!

## Contact Information



Julie Wondra, CPA, Partner,  
Manufacturing Industry Leader



[jwondra@adamsbrowncpa.com](mailto:jwondra@adamsbrowncpa.com)



620-241-2090



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

