

# Understanding Financial Statements: A Guide for Corporate Counsel

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# Understanding Financial Statements

## Agenda:

- Overview of Financial Statements
- Interpreting the Balance Sheet and the Income Statement, with a comment about the Statement of Cash Flows
- Risk Factors in Financial Reporting



# Interpreting Financial Results



Apple Inc.

Current Market Capitalization

\$2.4 Trillion

**BED BATH &  
BEYOND**

Current Market Capitalization

\$286 Million

# Overview - Four Financial Statements

Balance Sheet

Income  
Statement

Statement of  
Owners'  
Equity

Statement of  
Cash Flows

# Overview of the Financial Statements

- The Four Financial Statements
  - Income Statement (also referred to as: Statement of Earnings, Statement of Income, Statement of Operations, or Profit/Loss (P&L) Statement)
  - Statement of Changes in Stockholders' Equity
  - Balance Sheet (also referred to as Statement of Financial Position)
  - Statement of Cash Flows
- The requirements for calculating and presenting the financial statements are mandated by Generally Accepted Accounting Principles (GAAP) written by the Financial Accounting Standards Board (FASB).

# Overview of the Financial Statements

**Income Statement** – Measures economic profit (not cash flow)

**Statement of Changes in Stockholders' Equity** – A statement for the owners

**Balance Sheet** – Measures liquidity and solvency; what mix of debt and owner investment has the company used to finance the assets it owns.

**Statement of Cash Flows** – Measures sources and uses of cash; how did the company generate cash and what are its spending priorities.

Focus: Income Statement and Balance Sheet with a comment on the Statement of Cash Flows

# The Income Statement

**Purpose:** Measures the company's economic profit for a fixed period of time; for example, the month of December, or the fourth quarter of 2022, or for the year of 2022.

## Formula:

Revenues

Minus: Expenses

Net Income (Net Loss)

Revenues: What the company receives from customers

Expenses: The costs the company incurred to generate the revenues

Net Income: Also referred to as "profit" and produced when revenues > expenses

Net Loss: Also referred to as "loss" and produced when expenses > revenues

# The Income Statement

- **Measurement of Revenues & Expenses: Accrual Basis of Accounting v Cash Basis of Accounting**
  - **Accrual Basis:** Revenues are reported in the period in which they are earned, regardless of when cash is received. Expenses are reported in the period in which they are legally incurred, regardless of when cash is paid. Thus, economic activities are matched to the period in which the events occurred not the period in which cash was paid/received.
  - **Cash Basis:** Revenues are reported in the period in which cash is received, regardless of when they are earned. Expenses are reported in the period in which cash is paid, regardless of when they are incurred.



Apple Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except number of shares which are reflected in thousands and per share amounts)

	Years ended		
	September 24, 2022	September 25, 2021	September 26, 2020
Net sales:			
Products	\$ 316,199	\$ 297,392	\$ 220,747
Services	78,129	68,425	53,768
Total net sales	394,328	365,817	274,515
Cost of sales:			
Products	201,471	192,266	151,286
Services	22,075	20,715	18,273
Total cost of sales	223,546	212,981	169,559
Gross margin	170,782	152,836	104,956
Operating expenses:			
Research and development	26,251	21,914	18,752
Selling, general and administrative	25,094	21,973	19,916
Total operating expenses	51,345	43,887	38,668
Operating income	119,437	108,949	66,288
Other income/(expense), net	(334)	258	803
Income before provision for income taxes	119,103	109,207	67,091
Provision for income taxes	19,300	14,527	9,680
Net income	\$ 99,803	\$ 94,680	\$ 57,411
Earnings per share:			
Basic	\$ 6.15	\$ 5.67	\$ 3.31
Diluted	\$ 6.11	\$ 5.61	\$ 3.28
Shares used in computing earnings per share:			
Basic	16,215,963	16,701,272	17,352,119
Diluted	16,325,819	16,864,919	17,528,214

Apple Inc.

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Increasing Revenues →

Increasing Profit →

# Interpreting the Income Statement

$$\begin{array}{l} \text{Return on Sales} \\ \text{(or Profit Margin)} \end{array} = \frac{\text{Net Income}}{\text{Total Revenue}}$$

Measures amount of profit earned on each \$1 of revenue; the bottom line of the income statement divided by the top line of the income statement. This ratio can be negative if the company reports a net loss.

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Net income	\$ 99,803	\$ 94,680	\$ 57,411
Earnings per share:	25.31%	25.88%	20.91%
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Profit Margin =  
Net Income/Net  
Sales

## BED BATH & BEYOND INC. AND SUBSIDIARIES

*Consolidated Statements of Operations*  
(in thousands, except per share data)

	Fiscal Year Ended		
	February 26, 2022	February 27, 2021	February 29, 2020
Net sales	\$ 7,867,778	\$ 9,233,028	\$ 11,158,580
Cost of sales	5,384,287	6,114,947	7,616,920
Gross profit	2,483,491	3,118,081	3,541,660
Selling, general and administrative expenses	2,692,292	3,224,363	3,732,498
Impairments, including on assets held for sale	36,531	127,341	509,226
Restructuring and transformation initiative expenses	144,025	102,202	—
Loss on sale of businesses	18,221	1,062	—
Operating loss	(407,578)	(336,887)	(700,064)
Interest expense, net	64,702	76,913	64,789
Loss (gain) on extinguishment of debt	376	(77,038)	—
Loss before provision (benefit) from income taxes	(472,656)	(336,762)	(764,853)
Provision (benefit) from income taxes	86,967	(185,989)	(151,037)
Net loss	\$ (559,623)	\$ (150,773)	\$ (613,816)
Net loss per share - Basic	\$ (5.64)	\$ (1.24)	\$ (4.94)
Net loss per share - Diluted	\$ (5.64)	\$ (1.24)	\$ (4.94)
Weighted average shares outstanding - Basic	99,249	121,446	124,352
Weighted average shares outstanding - Diluted	99,249	121,446	124,352
Dividends declared per share	\$ —	\$ —	\$ 0.68

## BED BATH & BEYOND INC. AND SUBSIDIARIES

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Decreasing  
Revenues →

Increasing  
Losses →

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Profit Margin = Net Loss/Net Sales

- 7.11%

-1.63%

-5.50%

# The Balance Sheet

Formula:  $\text{Assets} = \text{Liabilities} + \text{Owner's (Stockholders') Equity}$

**Assets** are properties owned by the reporting company

**Liabilities** are debts owed by the reporting company

**Equity** represents the owners' (stockholders') investment in the reporting company

The Balance Sheet is dated using the last day of the accounting period and represents a snapshot of the company's financial position.



## CONSOLIDATED BALANCE SHEETS

(In millions, except number of shares which are reflected in thousands and par value)

	September 24, 2022	September 25, 2021
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 23,646	\$ 34,940
Marketable securities	24,658	27,699
Accounts receivable, net	28,184	26,278
Inventories	4,946	6,580
Vendor non-trade receivables	32,748	25,228
Other current assets	21,223	14,111
Total current assets	<u>135,405</u>	<u>134,836</u>
Non-current assets:		
Marketable securities	120,805	127,877
Property, plant and equipment, net	42,117	39,440
Other non-current assets	54,428	48,849
Total non-current assets	<u>217,350</u>	<u>216,166</u>
Total assets	<u>\$ 352,755</u>	<u>\$ 351,002</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 64,115	\$ 54,763
Other current liabilities	60,845	47,493
Deferred revenue	7,912	7,612
Commercial paper	9,982	6,000
Term debt	11,128	9,613
Total current liabilities	<u>153,982</u>	<u>125,481</u>
Non-current liabilities:		
Term debt	98,959	109,106
Other non-current liabilities	49,142	53,325
Total non-current liabilities	<u>148,101</u>	<u>162,431</u>
Total liabilities	<u>302,083</u>	<u>287,912</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 50,400,000 shares authorized; 15,943,425 and 16,426,786 shares issued and outstanding, respectively	64,849	57,365
Retained earnings/(Accumulated deficit)	(3,068)	5,562
Accumulated other comprehensive income/(loss)	(11,109)	163
Total shareholders' equity	<u>50,672</u>	<u>63,090</u>
Total liabilities and shareholders' equity	<u>\$ 352,755</u>	<u>\$ 351,002</u>

GAAP/SEC  
Presentation  
Highlights the  
following  
amounts

Apple Inc.

CONSOLIDATED BALANCE SHEETS

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▶ Total liabilities and shareholders' equity	<u>\$ 352,755</u>	<u>\$ 351,002</u>

# Interpreting the Balance Sheet

- **Current Ratio** = 
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Assets = assets expected to be liquidated (turned into cash) or used up within one year of the Balance Sheet date.

Current Liabilities = debts that are due within one year of the Balance Sheet date.

Current Ratio measures a company's ability to pay its short-term debt within the next year.

Current Ratio =  
Current Assets/Current  
Liabilities

Current Ratio = 88%

Less than 100%  
indicates a short-term  
liquidity/solvency  
problem

**Apple Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
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# Interpreting the Balance Sheet

- Debt to Assets =  $\frac{\text{Total Liabilities}}{\text{Total Assets}}$

Measures the percentage of total assets that were financed with debt.

Where the current ratio estimates the company's liquidity and solvency position for the next year, the Debt to Assets ratio is a long-term measurement using total assets and total liabilities.

Debt-to-Assets  
Total Liabilities/Total  
Assets

Apple Inc.

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Total liabilities and shareholders' equity	<u>\$ 352,755</u>	<u>\$ 351,002</u>

Debt to Assets = 86%

If Debt to Assets is 86%,  
then 14% of the Assets  
are financed with  
Stockholders' Equity

## BED BATH & BEYOND INC. AND SUBSIDIARIES

*Consolidated Balance Sheets*  
(in thousands, except per share data)

	February 26, 2022	February 27, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 439,496	\$ 1,352,984
Merchandise inventories	1,725,410	1,671,909
Prepaid expenses and other current assets	198,248	595,152
Total current assets	<u>2,363,154</u>	<u>3,620,045</u>
Long term investment securities	19,212	19,545
Property and equipment, net	1,027,387	918,418
Operating lease assets	1,562,857	1,587,101
Other assets	157,962	311,821
Total assets	<u>\$ 5,130,572</u>	<u>\$ 6,456,930</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 872,445	\$ 986,045
Accrued expenses and other current liabilities	529,371	636,329
Merchandise credit and gift card liabilities	326,465	312,486
Current operating lease liabilities	346,506	360,061
Total current liabilities	<u>2,074,787</u>	<u>2,294,921</u>
Other liabilities	102,438	82,279
Operating lease liabilities	1,508,002	1,509,767
Income taxes payable	91,424	102,664
Long term debt	1,179,776	1,190,363
Total liabilities	<u>4,956,427</u>	<u>5,179,994</u>
Shareholders' equity:		
Preferred stock - \$0.01 par value; authorized - 1,000 shares; no shares issued or outstanding	—	—
Common stock - \$0.01 par value; authorized - 900,000 shares; issued 344,146 and 343,241, respectively; outstanding 81,979 and 109,621 shares, respectively	3,441	3,432
Additional paid-in capital	2,235,894	2,152,135
Retained earnings	9,666,091	10,225,253
Treasury stock, at cost; 262,167 and 233,620 shares, respectively	(11,685,267)	(11,048,284)
Accumulated other comprehensive loss	(46,014)	(55,600)
Total shareholders' equity	<u>174,145</u>	<u>1,276,936</u>
Total liabilities and shareholders' equity	<u>\$ 5,130,572</u>	<u>\$ 6,456,930</u>

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Total assets	<u>\$ 5,130,572</u>	<u>\$ 6,456,930</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 872,445	\$ 986,045
Accrued expenses and other current liabilities	529,371	636,329
Merchandise credit and gift card liabilities	326,465	312,486
Current operating lease liabilities	346,506	360,061
▶ Total current liabilities	<u>2,074,787</u>	<u>2,294,921</u>
Other liabilities	102,438	82,279
Operating lease liabilities	1,508,002	1,509,767
Income taxes payable	91,424	102,664
Long term debt	1,179,776	1,190,363
Total liabilities	<u>4,956,427</u>	<u>5,179,994</u>
Shareholders' equity:		
Preferred stock - \$0.01 par value; authorized - 1,000 shares; no shares issued or outstanding	—	—
Common stock - \$0.01 par value; authorized - 900,000 shares; issued 344,146 and 343,241, respectively; outstanding 81,979 and 109,621 shares, respectively	3,441	3,432
Additional paid-in capital	2,235,894	2,152,135
Retained earnings	9,666,091	10,225,253
Treasury stock, at cost; 262,167 and 233,620 shares, respectively	(11,685,267)	(11,048,284)
Accumulated other comprehensive loss	(46,014)	(55,600)
Total shareholders' equity	<u>174,145</u>	<u>1,276,936</u>
Total liabilities and shareholders' equity	<u>\$ 5,130,572</u>	<u>\$ 6,456,930</u>

Current Ratio =  
Current Assets/Current  
Liabilities

Current Ratio = 114%



## BED BATH & BEYOND INC. AND SUBSIDIARIES

*Consolidated Balance Sheets  
(in thousands, except per share data)*

	February 26, 2022	February 27, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 439,496	\$ 1,352,984
Merchandise inventories	1,725,410	1,671,909
Prepaid expenses and other current assets	198,248	595,152
Total current assets	<u>2,363,154</u>	<u>3,620,045</u>
Long term investment securities	19,212	19,545
Property and equipment, net	1,027,387	918,418
Operating lease assets	1,562,857	1,587,101
Other assets	157,962	311,821
<b>→ Total assets</b>	<u><u>\$ 5,130,572</u></u>	<u><u>\$ 6,456,930</u></u>
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Total shareholders' equity	<u>174,145</u>	<u>1,276,936</u>
<b>→ Total liabilities and shareholders' equity</b>	<u><u>\$ 5,130,572</u></u>	<u><u>\$ 6,456,930</u></u>

Debt to Assets = Total Liabilities/Total Assets

Debt to Assets = 96%

If Debt to Assets is 96%, then 4% of the Assets are financed with Stockholders' Equity

# Interpreting the Balance Sheet

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Avg. Asset Balance}^*}$$

Measures the amount of profit earned on each \$1 invested in assets.

$$^* \text{Average Asset Balance} = \frac{(\text{Beginning Assets} + \text{Ending Assets})}{2}$$

Return on Assets  
 Net Income/Avg Total  
 Assets

Net Income from  
 the Income  
 Statement =  
 \$99,803

Return on Assets = 28%

**Apple Inc.**

**CONSOLIDATED BALANCE SHEETS**  
 (In millions, except number of shares which are reflected in thousands and par value)

	September 24, 2022	September 25, 2021
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 23,646	\$ 34,940
Marketable securities	24,658	27,699
Accounts receivable, net	28,184	26,278
Inventories	4,946	6,580
Vendor non-trade receivables	32,748	25,228
Other current assets	21,223	14,111
Total current assets	135,405	134,836
Non-current assets:		
Marketable securities	120,805	127,877
Property, plant and equipment, net	42,117	39,440
Other non-current assets	54,428	48,849
Total non-current assets	217,350	216,166
Total assets	\$ 352,755	\$ 351,002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 64,115	\$ 54,763
Other current liabilities	60,845	47,493
Deferred revenue	7,912	7,612
Commercial paper	9,982	6,000
Term debt	11,128	9,613
Total current liabilities	153,982	125,481
Non-current liabilities:		
Term debt	98,959	109,106
Other non-current liabilities	49,142	53,325
Total non-current liabilities	148,101	162,431
Total liabilities	302,083	287,912
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 50,400,000 shares authorized; 15,943,425 and 16,426,786 shares issued and outstanding, respectively	64,849	57,365
Retained earnings/(Accumulated deficit)	(3,068)	5,562
Accumulated other comprehensive income/(loss)	(11,109)	163
Total shareholders' equity	50,672	63,090
Total liabilities and shareholders' equity	\$ 352,755	\$ 351,002

## BED BATH & BEYOND INC. AND SUBSIDIARIES

*Consolidated Balance Sheets  
(in thousands, except per share data)*

	February 26, 2022	February 27, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 439,496	\$ 1,352,984
Merchandise inventories	1,725,410	1,671,909
Prepaid expenses and other current assets	198,248	595,152
Total current assets	<u>2,363,154</u>	<u>3,620,045</u>
Long term investment securities	19,212	19,545
Property and equipment, net	1,027,387	918,418
Operating lease assets	1,562,857	1,587,101
Other assets	157,962	311,821
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Current liabilities:		
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Accrued expenses and other current liabilities	529,371	636,329
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Other liabilities	102,438	82,279
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Income taxes payable	91,424	102,664
Long term debt	1,179,776	1,190,363
<b>Total liabilities</b>	<u>4,956,427</u>	<u>5,179,994</u>
Shareholders' equity:		
Preferred stock - \$0.01 par value; authorized - 1,000 shares; no shares issued or outstanding	—	—
Common stock - \$0.01 par value; authorized - 900,000 shares; issued 344,146 and 343,241, respectively; outstanding 81,979 and 109,621 shares, respectively	3,441	3,432
Additional paid-in capital	2,235,894	2,152,135
Retained earnings	9,666,091	10,225,253
Treasury stock, at cost; 262,167 and 233,620 shares, respectively	(11,685,267)	(11,048,284)
Accumulated other comprehensive loss	(46,014)	(55,600)
<b>Total shareholders' equity</b>	<u>174,145</u>	<u>1,276,936</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>\$ 5,130,572</u></u>	<u><u>\$ 6,456,930</u></u>

Return on Assets = Net  
Income/Avg Total  
Assets

Net Loss from the  
Income Statement =  
(\$559,623)

Return on Assets =  
-9%

# The Statement of Cash Flows

**Purpose:** Reports the sources and uses of cash from the company's operating activities, investing activities, and financing activities.

Discloses the company's spending priorities for cash.

## Definition of Elements:

- **Operating Activities:** Cash basis net income

The Income Statement reports economic income measured using accrual accounting; the net cash from operating activities is the cash basis net income.

- **Investing Activities:** Cash paid for the purchase of long-term assets or cash received from the sale of long-term assets
- **Financing Activities:** Cash paid to the shareholders/creditors or cash received from shareholders/creditors.

Apple Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Years ended		
	September 24, 2022	September 25, 2021	September 26, 2020
Cash, cash equivalents and restricted cash, beginning balances	\$ 35,929	\$ 39,789	\$ 50,224
<b>Operating activities:</b>			
Net income	99,803	94,680	57,411
Adjustments to reconcile net income to cash generated by operating activities:			
Depreciation and amortization	11,104	11,284	11,056
Share-based compensation expense	9,038	7,906	6,829
Deferred income tax expense/(benefit)	895	(4,774)	(215)
Other	111	(147)	(97)
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,823)	(10,125)	6,917
Inventories	1,484	(2,642)	(127)
Vendor non-trade receivables	(7,520)	(3,903)	1,553
Other current and non-current assets	(6,499)	(8,042)	(9,588)
Accounts payable	9,448	12,326	(4,062)
Deferred revenue	478	1,676	2,081
Other current and non-current liabilities	5,632	5,799	8,916
➔ Cash generated by operating activities	122,151	104,038	80,674
<b>Investing activities:</b>			
Purchases of marketable securities	(76,923)	(109,558)	(114,938)
Proceeds from maturities of marketable securities	29,917	59,023	69,918
Proceeds from sales of marketable securities	37,446	47,460	50,473
Payments for acquisition of property, plant and equipment	(10,708)	(11,085)	(7,309)
Payments made in connection with business acquisitions, net	(306)	(33)	(1,524)
Other	(1,780)	(352)	(909)
➔ Cash used in investing activities	(22,354)	(14,545)	(4,289)
<b>Financing activities:</b>			
Payments for taxes related to net share settlement of equity awards	(6,223)	(6,556)	(3,634)
Payments for dividends and dividend equivalents	(14,841)	(14,467)	(14,081)
Repurchases of common stock	(89,402)	(85,971)	(72,358)
Proceeds from issuance of term debt, net	5,465	20,393	16,091
Repayments of term debt	(9,543)	(8,750)	(12,629)
Proceeds from/(Repayments of) commercial paper, net	3,955	1,022	(963)
Other	(160)	976	754
➔ Cash used in financing activities	(110,749)	(93,353)	(86,820)
Decrease in cash, cash equivalents and restricted cash	(10,952)	(3,860)	(10,435)
Cash, cash equivalents and restricted cash, ending balances	\$ 24,977	\$ 35,929	\$ 39,789
<b>Supplemental cash flow disclosure:</b>			
Cash paid for income taxes, net	\$ 19,573	\$ 25,385	\$ 9,501
Cash paid for interest	\$ 2,865	\$ 2,687	\$ 3,002

Cash Basis Net Income

Apple's source of cash is Operations, and it used cash for Investments and Payments to the Investors and Creditors

# BED BATH & BEYOND INC. AND SUBSIDIARIES

*Consolidated Statements of Cash Flows*  
(in thousands)

	Fiscal Year Ended		
	February 26, 2022	February 27, 2021	February 29, 2020
<b>Cash Flows from Operating Activities:</b>			
Net loss	\$ (559,623)	\$ (150,773)	\$ (613,816)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	293,626	340,912	342,511
Impairments, including on assets held for sale	36,531	127,341	509,226
Stock-based compensation	35,061	31,594	45,676
Deferred income taxes	125,711	148,741	(145,543)
Loss on sale of businesses	18,221	1,062	—
Loss (gain) on debt extinguishment	376	(77,038)	—
Loss on sale leaseback transaction	—	—	27,357
Other	(8,298)	(396)	(3,446)
Decrease (increase) in assets:			
Merchandise inventories	(53,339)	64,947	506,334
Other current assets	387,746	(387,172)	(4,781)
Other assets	607	1,519	239
Increase (decrease) in liabilities:			
Accounts payable	(132,785)	168,556	(124,206)
Accrued expenses and other current liabilities	(100,356)	15,538	61,864
Merchandise credit and gift card liabilities	13,981	(12,110)	1,154
Income taxes payable	(11,257)	54,958	(22,783)
Operating lease assets and liabilities, net	(14,162)	(32,813)	(2,899)
Other liabilities	(14,186)	(26,758)	14,054
<b>Net cash provided by operating activities</b>	<b>17,854</b>	<b>268,108</b>	<b>590,941</b>
<b>Cash Flows from Investing Activities:</b>			
Purchases of held-to-maturity investment securities	(29,997)	—	(443,500)
Redemption of held-to-maturity investment securities	30,000	386,500	545,000
Net proceeds from sales of businesses	—	534,457	—
Net proceeds from sales of property	5,000	—	—
Proceeds from sale-leaseback transaction	—	—	267,277
Capital expenditures	(354,185)	(183,077)	(277,401)
<b>Net cash (used in) provided by investing activities</b>	<b>(349,182)</b>	<b>737,880</b>	<b>91,376</b>
<b>Cash Flows from Financing Activities:</b>			
Borrowing of long-term debt	—	236,400	—
Repayments of long-term debt	(11,360)	(457,827)	—
Repayments of finance leases	(1,033)	—	—
Prepayment under share repurchase agreement	—	(47,550)	—
Repurchase of common stock, including fees	(589,433)	(332,529)	(99,710)
Payment of dividends	(749)	(23,108)	(85,482)
Payment of deferred financing fees	(3,443)	(7,690)	—
Proceeds from exercise of stock options	—	—	2,346
<b>Net cash used in financing activities</b>	<b>(606,018)</b>	<b>(632,304)</b>	<b>(182,846)</b>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,006	5,075	(977)
<b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>	<b>(936,340)</b>	<b>378,759</b>	<b>498,494</b>
Change in cash balances classified as held-for-sale	—	4,815	(4,815)
<b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>	<b>(936,340)</b>	<b>383,574</b>	<b>493,679</b>
<b>Cash, cash equivalents and restricted cash:</b>			
Beginning of period	1,407,224	1,023,650	529,971
End of period	\$ 470,884	\$ 1,407,224	\$ 1,023,650

Cash Basis Net Income



Bed Bath and Beyond's source of cash is Operations, and it used cash for Investments and Payments to the Investors and Creditors



The background features a dark blue and black color scheme with various financial data visualizations. On the left, there are vertical columns of blurred, colorful text in shades of green, blue, and pink. On the right, there are candlestick charts and line graphs in light blue and cyan. A large white diamond is centered on the page, containing the main text.

**Risk Factors  
Item 1A in Form  
10K**



# Required Organization and Disclosures in SEC Form 10K

<b>Apple Inc.</b>		
<b>Form 10-K</b>		
<b>For the Fiscal Year Ended September 24, 2022</b>		
<b>TABLE OF CONTENTS</b>		
		<b>Page</b>
<b>Part I</b>		
<a href="#">Item 1.</a>	<a href="#">Business</a>	1
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a>	5
<a href="#">Item 1B.</a>	<a href="#">Unresolved Staff Comments</a>	17
<a href="#">Item 2.</a>	<a href="#">Properties</a>	17
<a href="#">Item 3.</a>	<a href="#">Legal Proceedings</a>	17
<a href="#">Item 4.</a>	<a href="#">Mine Safety Disclosures</a>	17
<b>Part II</b>		
<a href="#">Item 5.</a>	<a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	18
<a href="#">Item 6.</a>	<a href="#">[Reserved]</a>	19
<a href="#">Item 7.</a>	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	20
<a href="#">Item 7A.</a>	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	26
<a href="#">Item 8.</a>	<a href="#">Financial Statements and Supplementary Data</a>	28
<a href="#">Item 9.</a>	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	53
<a href="#">Item 9A.</a>	<a href="#">Controls and Procedures</a>	53
<a href="#">Item 9B.</a>	<a href="#">Other Information</a>	54
<a href="#">Item 9C.</a>	<a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	54
<b>Part III</b>		
<a href="#">Item 10.</a>	<a href="#">Directors, Executive Officers and Corporate Governance</a>	54
<a href="#">Item 11.</a>	<a href="#">Executive Compensation</a>	54
<a href="#">Item 12.</a>	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	54
<a href="#">Item 13.</a>	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	54
<a href="#">Item 14.</a>	<a href="#">Principal Accountant Fees and Services</a>	54
<b>Part IV</b>		
<a href="#">Item 15.</a>	<a href="#">Exhibit and Financial Statement Schedules</a>	55
<a href="#">Item 16.</a>	<a href="#">Form 10-K Summary</a>	57

# From SEC.gov - “How to Read a Form 10K”

- **Item 1 - “Business”** requires a description of the company’s business, including its main products and services, what subsidiaries it owns, and what markets it operates in. This section may also include information about recent events, competition the company faces, regulations that apply to it, labor issues, special operating costs, or seasonal factors. This is a good place to start to understand how the company operates.
- **Item 1A - “Risk Factors”** includes information about the most significant risks that apply to the company or to its securities. Companies generally list the risk factors in order of their importance. In practice, this section focuses on the risks themselves, not how the company addresses those risks. Some risks may be true for the entire economy, some may apply only to the company’s industry sector or geographic region, and some may be unique to the company.

# Disclosure of Risk Factors - Form 10K

**Item 1A. Risk Factors.** Under Rule changes adopted by the SEC in November 2020 Risk Factors described in the 10K should be Material and Organized by Category of Risk.

- **Materiality:** Only material risks should be included in risk factors, rather than the “most significant risks,” with the goal of reducing “boilerplate” disclosure that could apply to most companies.
- **Organization:** Risk factors must now be organized under relevant headings, with risk factors that could apply generally to any investment in securities required to appear at the end of the risk factor section under a separate caption entitled “General Risk Factors.”

# **Risk Factors for Apple Inc.**

- **Macroeconomic and Industry Risks**

Global and Regional Economic Conditions, COVID-zero Policies in China, Political Events, Wars, and Natural Disasters.

- **Business Risks**

Managing Successful Rollouts of Multiple Products and Services, Supply Chain Issues, Developing Digital Content that Appeals to Consumers, Attracting and Keeping Talented Employees, and Success of Retail Stores

# **Risk Factors for Apple Inc.**

- **Legal and Regulatory**

Lawsuits Over Intellectual Property, ESG issues (environmental, social and governance issues), Media and Political Scrutiny, Data Protection

- **Financial**

Uneven Operating Results, Currency Fluctuations, Credit Risk/Rising Interest Rates, Volatility in Stock Price

# **Risk Factors for Bed Bath and Beyond**

- **Macroeconomic and Industry Risks**

General Economic Factors Beyond Management's Control Including COVID Issues, Supply Chain Issues, Labor Shortages, Wage Pressures, Inflation, War in Ukraine, Housing Market, Consumer Debt Levels, and Fuel/Energy Costs

- **Business Risks**

Changes in Consumer Preferences that Create Inventory Build-ups in Unwanted Products including Too Much Seasonal Inventory, Executing on an Omni-channel Strategy, Reputation Risk from Coverage of Company Events like Store Closures and Inventory Management

# **Risk Factors for Bed Bath and Beyond**

- **Legal and Regulatory**

  - Keeping Technology Up-to-date and Preventing Security Breaches

- **Financial**

  - Low Stock Price and the Ability to Service Debt Obligations

**Update from 2<sup>nd</sup> Quarter FORM 10Q** – Significant Turnover in the Senior Management Team