

# How to complete a Cash Flow Statement in Illinois

Statement of Cash Flows with Direct or Indirect method toggle — bank-ready line items for operating, investing, and financing activities.

## What this form is for

This form documents how cash moved in and out of your business over a specific period, required by lenders to verify your liquidity and ability to service debt. Banks use it to see whether you generate cash from core operations or rely on outside financing or asset sales.

## Before you start

- Your completed balance sheets for the beginning and end of the reporting period
- Your profit and loss statement for the same period
- Records of all loans received or repaid, equity contributions, and dividends or owner draws
- Documentation of fixed-asset purchases, sales, or disposals during the period
- Bank statements reconciled to your accounting records to verify actual cash balances

## Step-by-step

1. Choose your method at the top of the form. The indirect method starts with net income and adjusts for non-cash items; the direct method lists actual cash receipts and payments. Most small businesses use the indirect method because it reconciles directly to your P&L.
2. Fill in the reporting period and your business name exactly as registered with Illinois Secretary of State.
3. Complete the operating activities section. If using the indirect method, start with net income from your P&L, then add back depreciation and amortization. Adjust for changes in accounts receivable, inventory, accounts payable, and accrued expenses by comparing beginning and ending balance-sheet figures.
4. Enter investing activities. List cash paid for equipment, property, or other fixed assets as negative numbers. Record any proceeds from selling assets as positive numbers. The net total shows whether you invested in or liquidated business assets.
5. Record financing activities. Include loan proceeds received, principal payments made on debt, owner contributions, and distributions or draws. Do not include interest payments here; those belong in operating activities.
6. Verify the three section totals auto-calculate if your form has that feature. The sum of operating, investing, and financing cash flows equals your net change in cash.
7. Add your beginning cash balance to the net change. The result must match your ending cash balance on your balance sheet. If it does not match, retrace each entry before submitting.

## What lenders look for

- Banks scrutinize operating cash flow first. Positive operating cash flow proves your business model works; negative operating cash flow funded by loans or owner money raises red flags about sustainability.
- Common mistake: confusing profit with cash flow. You can show net income but still have negative cash flow if receivables grew or you purchased inventory. Lenders expect you to explain timing differences clearly.
- Illinois lenders often compare multiple periods. Prepare at least twelve months and ideally two to three years of statements to demonstrate trends and seasonal patterns in your cash cycle.