

What are the steps and tools needed to finance your new business?

Business Plan

Mission and Vision Statement

Control Contro

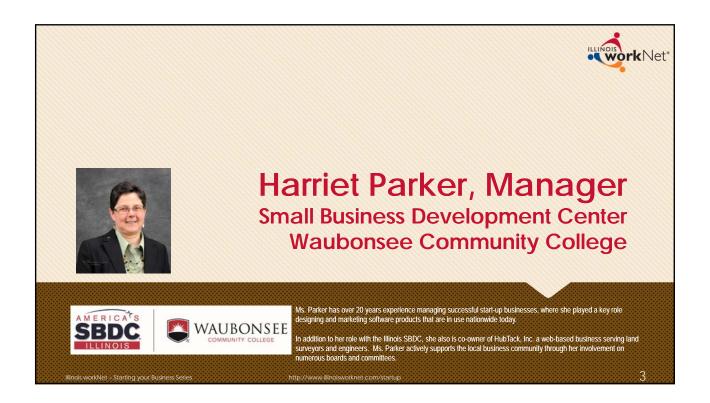
- Product or Service Description
- Market Analysis
- Management Description
- Marketing Plan
- Opportunities and Challenges
- Cash Flow Statement and Revenue Projections



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Other Essentials

- Location Selection
- Business Operations
- Business Registration
- Business Finance
- Business Lending
- Business Funding (Grants)
- Human Resources
- Marketing
- Taxes





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Equity Financing

Definition: Funds provided in exchange for full or partial ownership of the business.

Funder options

- Owners
- Friends & Family (equity position vs. gift or loan)
- Angel Investors
- Venture Capitalists

Equity Funding notes

- Owner funds should be tracked and accounted for as a business investment to assure owner receives full credit for equity investment.
- When taking equity funding from Friends and Family, an attorney should be consulted so the investment is structured properly.
- Equity funding involves giving up a percentage ownership of your business.
- Outside investors rarely fund start-up or "life-style" businesses.



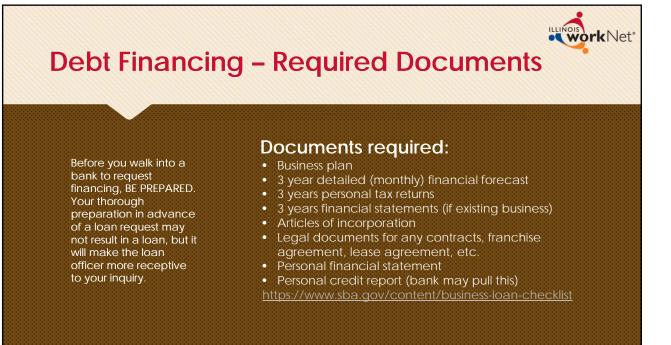
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Debt Financing – Qualifying Criteria

5 C's of Credit

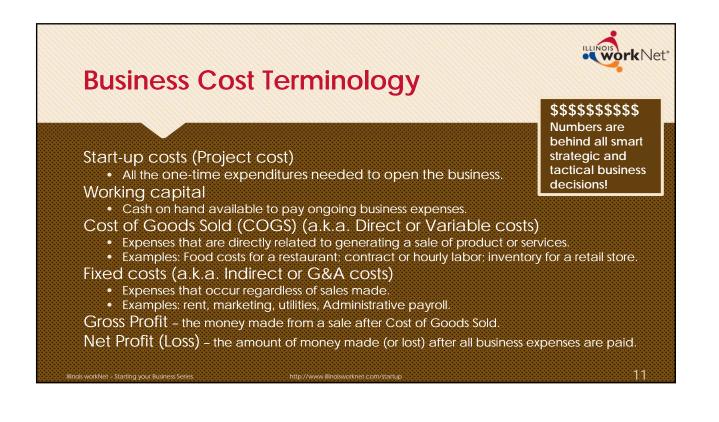
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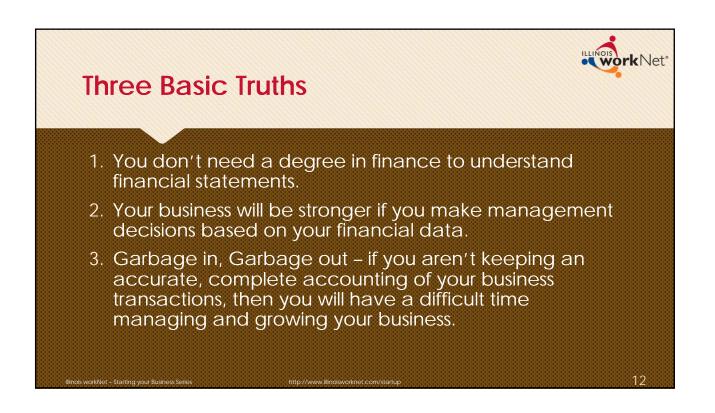
- O Credit Your credit score and related credit history is the first thing evaluated by a lender. It signifies level of risk and can disqualify you regardless of the strength of the other C's.
- O Collateral Assets pledged that can/will be liquidated if you fail to honor the repayment conditions of the loan. A start-up must usually pledge personal assets, since the business does not yet have assets.
- O Cash Flow (aka Capacity) Existing sources of income that will be used to make the loan payments as well as cover your personal living expenses. Lenders assume that a start-up business will not generate positive cash flow in the short term.
- O Conditions Economic, industry or other external conditions that impact a lender's willingness to make a loan.
- O Character Borrower's expertise or experience/ability to successfully execute the business plan. For example, someone with restaurant operations experience has a better chance of procuring a loan for a restaurant than someone who has a great recipe and likes to cook.











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Financial Statements

- Balance Sheet
 - Transactions related to assets and liabilities.
 - Net value of the business.
 - At that moment in time.
- Profit & Loss or Income Statement
 - Transactions related to revenue and expenses.
 - Profitability of the business.
 - Over a period of time.
- Cash Flow Statement
 - Money in and out of the business.



ASSETS (WHAT YOU OWN)	BALANCE SHEET
Current Assets (converts to cash in one year)	
Cash 10,000	
Accounts Receivable	
Inventory	Assets (Own)
Total Current Assets (10K+75K+85K)	 Current assets
Non-Current Assets (more than one year to convert to cash)	 Non-current assets
Fixed Assets (furniture, fixtures, property, equipment)	Fixed assets
Fixed Assets (net, 140K - 25K)	 (less depreciation)
Total Non-Current Assets (115K + 6K)	21.000
Total Assets (170K + 121K)	
LIABILITIES (WHAT YOU OWE)	
Current Liabilities (due within one year)	
Accounts Payable	Liabilities (Owe)
Accrued Taxes	Current liabilities
Current Portion of Long-Term Debt	
Note Payable (due within one year)100,000	 Long term liabilities
Total Current Liabilities	• Fixed assets
Long-Term Liabilities (due for more than one year)	 (less depreciation)
Loan Payable	
Total Long Term Liabilities	
Total Liabilities (150K + 54K)	04,000
CAPITAL OR NET WORTH (THE COMPANY'S EQUITY)	
Owners Investment	
Retained Earnings (income kept in the business)	• Owner Investment
Total Capital or Net Worth (67K + 20K) 8	 Potainod Farnings
Total Liabilities & Capital (204K + 87K)	
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Max Computer Company, Income Statement	INCOME STATEMENT (P&L)						
Net Sales	Revenue (Sales) • Less returns/allowances						
Beginning Inventory 75,000 8% Purchases (to make product) 350,000 39% Labor (to make product only) 200,000 22% Total (75K+350K+200K) 625,000 69% Less: Ending Inventory -85,000 9% Cost of Goods Sold (625K less 85K) 540,000 60% Gross Profit (900K less 540K) 360,000 40%	 Expenses related directly to generating sales Variable Percentages are used to benchmark and compare performance to prior periods. 						
Operating Expenses: 90,000 10% General and Administrative ± 170,000 19% Total Expenses (90K + 170K) 260,000 29% Operating Income (360K less 260K) 100,000 11% Less: Interest Expense (on loans) -20,000 2% Net Profit before taxes (100K less 20K) 80,000 9%	Fixed (Operating) Expenses • a.k.a. overhead • Fixed (or increase in step fashion) Net Profit						
Less: All Income Taxes	 Added to Retained Earnings on the Balance Sheet 						

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	
A. CashOn Hand (Beginning of month)	10,000	5,627	13,741	10,470	13,830	15,190	11,498	15,202	22,157	30,997	39,372	48,601		CASH FLOW
B. Cash Receipts														
1. Cash Sales														STATEMENT
2. Collections from Credit Accounts	32,813	75,000	76,250	81,250	85,000	85,750	88,500	90,000	88,750	84,250	81,500	78,750		
3. Loan or Other Cash injection (specify)														
C. Total Cash Receipts (B1+B2+B3)	32,813	75,000	76,250	81,250	85,000	85,750	88,500	90,000	88,750	84,250	81,500	78,750		
D. Total Cash Available (A+C, before cash paid) 42,813	80,627	89,991	91,720	98,830	100,940	99,998	105,202	110,907	115,247	120,872	127,351		
E. Cash Paid Out:	_													Planning for:
1. Purchases (Merchandise)		30,000		42,500		45,000	45,000		41,000	40,000				
2. Gross Wages (excludes withdrawals)	10,758			11,970				12,576	11,970	11,606		-	_	 Seasonality
3. Payroll Expenses (Taxes, etc.)	1,076		1,136	1,197	1,197	1,233	1,258		1,197	1,161		1,076		
4. Outside Services	758	758	808	859	859	889	909	909	859	828	808		10,002	 Periodic or one-
5. Supplies (Office and operating)	383	383	408	434	434	449	459	459	434	418	408		4,972	time expenses
6. Repairs and maintenance	390	390	416	422	422	458	468	468	442	426	416		5,108	
7. Advertising	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200		50,400	 Debt servicing
8. Car, Delivery and Travel	2,700	2,700		2,900	2,900	2,960	3,000	3,000	2,900	2,840	2,800		34,200	
9. Professional Services (Accounting, legal, etc.)	1,500	0	0	1,500	0	0	0	0	0	1,500	0	_	4,500	
10. Rent	1,950	1,950		1,950	1,950	1,950	1,950	1,950	1,950	1,950		1,950		
11. Telephone	278	278	296	315	315	326	333	333	315	303	296		_	
12. Utilities	400		400	400	400	400	400	400	400	400	400	_	4,800	
13. Insurance	0		450	450	450	450	450	450	450	450	450	_	4,500	A business can
14. Taxes (real estate, etc.)	0		0	0	750	0	0	750	0	0	750	_	3,000	bo profitable
15. Interest (on loans)	500	_	495	493	490	488	485	482	480	477	475	_	_	be profitable
16. Other/Miscellaneous Expenses (specify)	0		0	0	0	0	0	0	0	0	0	_		and still fail if
17. Subtotal	24,893	54,591	67,223	69,590	70,337	71,137	71,488	69,735	66,597	66,559	62,953	60,785	755,888	
F. Other Operating Costs:		0.05											0.050	they don't
1. Loan Principal Payment	293		298	300	303	305	308	310	313	316	318		3,359	
2. Capital Purchases (ex., Buy a computer)	0		0	0	0	5,000	0	0	0	0	0	_	5,000	manage cash
3. Other Start-up Costs						-			-			-		flow!
4. Reserve and/or Escrow (ex., Pay \$100K loan)	10,000			5,000		10,000	10,000		10,000	5,000		5,000	-	
5. Owner's Withdrawal	2,000			3,000	3,000	3,000	3,000	3,000	3,000	4,000	4,000		36,000	
G. Total Cash Paid Out (E17 + F1 through F5			79,521	77,890	83,640	89,442			79,910	75,875				
H. Cash Position (End of month, D minus G I. Essential Operating Data (Non-cash flow in		13,741	10,470	13,830	15,190	11,498	15,202	22,157	30,997	39,312	+8,601	31,245		
Essential Operating Data (Non-cash flow in Accounts Receivable (End of month)		117 100	100.022	104 690	104 680	100.000	100 420	128.438	104 692	100.400	100.022	117 100		
2. Bad Debt (End of month, if applicable)	117,188		120,938	124,688	124,088	126,938	128,438	128,438	124,088	122,438	120,938			
Bad Debt (End of month, if applicable) S. Inventory on Hand (End of month)	77.500	_	85.000		89,000				_	77,500		_		
4. Accounts Pavable (End of month)	,				_	-		83,500				-		
4. Accounts Payable (End of month)	1,000	65,500	65,500	85,000	80,000	00,000	65,500	02,000	01,000	10,000	10,000	18,500		

