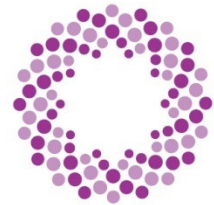


# Brooklyn Business Center



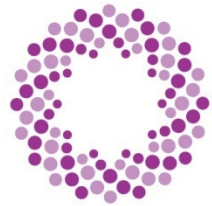
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Business Outreach Center Network

## Creating Your Financial Plan

April 2009



# BOC Women's Business Center



boc|network  
What's your next step?  
Business Outreach Center Network

- BOC Network
- Women's Business Center
- BOC Capital



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## Financial Plan - What is it?

- The Future Story of Your Business – your marketing & your operations in \$ terms
- Answer your financial questions
  - “How much will I sell, spend, and make?”
  - “How am I going to pay for this?”
  - “How much \$ will I need?”
- A System for tracking the way you will tell the story and answer these questions



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# Financial Plan - When is it needed?

## For stormy weather or a successful launch?

When you are:

- Starting a business
- Expanding a business
- Selling a business
- Seeking financing from outside - either a loan or an investment
- Turning around, restructuring a business



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# Financial Plan - Why is it needed?

- Identify how much cash is needed and when
- Set financial goals
- Measure and monitor business activities
- Evaluate and assess business strategies
- Make **decisions about the future** based on activities of the past and expected trends
- Identify cash weaknesses and cash strengths of the business
- Identify risks the business owner might take
- Identify rewards the business owner might receive
- Lender require a cash flow plan and it **must match the business plan**



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# Financial Plan - What's in it?

- Cash flow projections - “Know the Flow”
  - How much money is going in and out from the business?
  - Projecting operating cash inflows, outflows, and balance month-by-month
- Financing need - “Trap the Gap”
  - How much additional money is going to be needed to operate the business?
- Financing strategy - “Flash the Cash”
  - Where will operating and financing needs be sourced from, internal cash flow from operations or external funding?



# Key Financial Accounting Statements

## Balance Sheet

- A snapshot of a company's financial condition recorded as assets and liabilities

## Income Statement (Also called Profit & Loss)

- Measures how revenue is transformed into the net income (the result after all revenues and expenses have been subtracted)
- The income statement shows if the company made or lost money during the time period measured

## Cash Flow Statement (or Statement of Cash-Flows)

- Shows how changes in the Balance Sheet and Income Statement affect the cash (and cash equivalents)
- Often reveals funding needs of a business AND evaluates ability to pay bills!





# What is Cash Flow?

**Cash is the fuel that powers a business!**

Cash flow is a phrase used to describe the movement of cash in and out of a business.

Cash flow specifically addresses:

- Timing – when cash moves in and out
- Amounts – how much cash moves in and out
- Sources – where cash comes from
- Uses – where cash goes
- Relationships – the relationships of business activity to producing or using cash

**THINK, RESEARCH, ANALYZE, CALCULATE, DECIDE!**



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# Projecting Operating Cash Inflows

Projecting cash inflows, month-by-month

*(Cash Sales = Operating cash inflows)*

This involves 4 steps:

1. Develop the sales price
2. Project unit sales per month or customer purchases per month
3. Multiply units to be sold by price
4. Project dollar sales per month (total \$)

Product	Sale Price	Monthly Units	Total Monthly Sale
Coffee	\$3.00	100	\$ 300
Latte	\$5.00	100	\$ 500
Mocha	\$6.00	100	\$ 600



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# Projecting Operating Cash Outflows Month-by-Month



Involves basic steps:

- Create categories
  - What kinds of things are needed to operate your business every day, week or month?
- Price each category and note assumptions
- Quantify how will be used each month
  - Some costs are FIXED (pay the same regardless of sales (the rent must be paid no matter what the sales activity))
  - Others are VARIABLE (changes depending upon sales – more sales means more phone activity)

**THINK, RESEARCH, ANALYZE, CALCULATE, DECIDE!**



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# The Coffee Shop – Cash Flow Projection

<i>Example</i>	START-UP	April	May	June	July	Aug	Sept	Oct
<b>TOTAL SALES</b>								
Latte Volume		100	100	75	75	50	50	50
Latte Sale Price		\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
<b>Cash From Latte Sales</b>		<b>\$500</b>	<b>\$500</b>	<b>\$375</b>	<b>\$375</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>
Iced Coffee Volume		5	5	25	50	75	75	25
Iced Coffee Sale Price		\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
<b>Cash From Iced Coffee Sales</b>		<b>\$20</b>	<b>\$20</b>	<b>\$100</b>	<b>\$200</b>	<b>\$300</b>	<b>\$300</b>	<b>\$100</b>
<b>Cash From Food</b>		<b>\$200</b>	<b>\$200</b>	<b>\$200</b>	<b>\$200</b>	<b>\$200</b>	<b>\$200</b>	<b>\$200</b>
<b>Cash From Wireless, Misc.</b>		<b>\$50</b>	<b>\$50</b>	<b>\$50</b>	<b>\$10</b>	<b>\$50</b>	<b>\$50</b>	<b>\$50</b>
<b>TOTAL CASH IN FROM SALES</b>		<b>\$770</b>	<b>\$770</b>	<b>\$725</b>	<b>\$785</b>	<b>\$750</b>	<b>\$750</b>	<b>\$600</b>
<b>CASH OUT FOR GOODS</b>								
Food								
Coffee								
Supplies								
<b>TOTAL CASH OUT FOR GOODS</b>								

**Must match marketing plan**

**Cash Out For Goods are the goods a business must buy to provide for customers**



# The Coffee Shop – Cash Flow Projection

<i>Continued from previous slide</i>	START-UP	April	May	June	July	Aug	Sept	Oct
<b>CASH OUT FOR OPERATIONS</b>								
Wages								
Tax on wages								
Rent	<b><i>Cash for Operations are all the fixed, operational costs of running your business</i></b>							
Electric								
Telephone								
Insurance								
Licenses/Permits								
Heat/Utilities								
Accounting/Legal								
Office Supplies								
Repairs/Maintenance								
<b>TOTAL CASH OUT FOR OPERATIONS</b>								



# The Coffee Shop – Cash Flow Projection

<b>NET CASH FROM OPERATIONS</b>	START-UP	April	May	June	July	Aug	Sept	Oct
<b>OTHER CASH IN</b>								
Owner contributions	<b><i>Injection of cash from funding sources</i></b>							
Loan proceeds from – Bank								
Loan proceeds from – Investor								
Loan proceeds from – Microenterprise loan								
<b>TOTAL OTHER CASH IN</b>								
<b>OTHER CASH OUT</b>								
Debt service	<b><i>Cash outflow to pay lenders and finance non-operating, one time costs of starting or expanding business</i></b>							
Owner draw								
Taxes	<b><i>You may need to buy additional equipment in eight months or increase owner draw in 1 year</i></b>							
Equipment, Buildings (Coffee shops, kiosks)								
<b>TOTAL OTHER CASH OUT</b>								
<b>NET CHANGE IN CASH</b>								
<b>BEGINNING CASH</b>								
<b>ENDING CASH BALANCE</b>								



# What if The Plan Does Not Work

## Items to consider:

1. Ability to produce → Can we really sell 100 coffees per day and do we have the resources to do so?
2. Change in supply → What if there is a coffee shop glut in the marketplace and the selling price of a cup of coffee drops to \$0.50?
3. Unexpected demand → What if we don't sell 100 cups of coffee per day?
4. Change in raw material costs → What if the cost of coffee and milk sky rocket?
5. Alternative / exit strategy → What if we decide that making 100 coffees, 5 days per week, 52 weeks per year with 1 coffee barista doesn't sound feasible?



# Projecting Cash Balances & Needs

## ***What is the final cash balance?***

- If it is positive, then you have positive cash flow
- If it is negative, then you have negative cash flow

## ***In which situation do you need cash?***

- In a month in which the business expects Negative cash balance or negative cash flow, you cannot count on the business to provide you the operating cash



# Cash Management Cycle

## Accounts Payable

Money owed (a form of debt) but not paid to suppliers such as electricity, phone, newspaper subscription, etc.

**Pay**

## Inventory

Coffee bought by volume on periodic basis

**Buy**

*Incoming Cash Timing  
May not Meet  
Outgoing Financing  
Needs*

**Collect**

**Sell**

**Accounts Receivable**



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# Conclusion – Connecting The Dots

Business plan components are connected. Let's review:

- Market & Competition & Analysis
- Marketing Strategy
- Operations
- Finances with assumptions



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# Useful Resources

## The U.S. Small Business Administration (SBA)

### General Financing And Accounting

- [Start-Up Costs](#) Plan for the initial expenses your business will have.
- [Estimating Costs](#) Learn to anticipate your initial business cost.
- [Breakeven Analysis](#) Know when your business breaks even and when you can expect a profit.
- [Financing Basics](#) How do you plan to finance your business? This is especially important for new enterprises.
- [Equity Capital](#) Learn about the pros and cons of offering stock.
- [Handling Finances](#) It is essential for the business owner to know how to manage his/her finances.
- [Personal vs. Business Finances](#) You must know your personal finances and credit before starting out on your own.
- [Credit Factors](#)  
The basic elements examined in every loan application.

[www.sba.gov/smallbusinessplanner/start/financestartup](http://www.sba.gov/smallbusinessplanner/start/financestartup)



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# Appendix: Additional Information



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# Coffee Shop Example: Sales Forecast, Staffing & Assumptions

## Sales Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Sales</b>												
Coffee beverages	\$24,000	\$27,000	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$29,400	\$31,200	\$33,000	\$33,000
Coffee beans	\$6,000	\$6,750	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,350	\$7,800	\$8,250	\$8,250
Pastries, etc.	\$10,000	\$11,250	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,250	\$13,000	\$13,750	\$13,750
<b>Total Sales</b>	<b>\$40,000</b>	<b>\$45,000</b>	<b>\$48,000</b>	<b>\$48,000</b>	<b>\$48,000</b>	<b>\$48,000</b>	<b>\$48,000</b>	<b>\$48,000</b>	<b>\$49,000</b>	<b>\$52,000</b>	<b>\$55,000</b>	<b>\$55,000</b>
<b>Direct Cost of Sales</b>												
Coffee beverages	\$6,000	\$6,750	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,350	\$7,800	\$8,250	\$8,250
Coffee beans	\$3,000	\$3,375	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,675	\$3,900	\$4,125	\$4,125
Pastries, etc.	\$5,000	\$5,625	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,125	\$6,500	\$6,875	\$6,875
<b>Subtotal Direct Cost of Sales</b>	<b>\$14,000</b>	<b>\$15,750</b>	<b>\$16,800</b>	<b>\$16,800</b>	<b>\$16,800</b>	<b>\$16,800</b>	<b>\$16,800</b>	<b>\$16,800</b>	<b>\$17,150</b>	<b>\$18,200</b>	<b>\$19,250</b>	<b>\$19,250</b>

## Personnel Plan

Manager	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917
Baristas	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167
Employees	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300
Total People	7	7	7	7	7	7	7	7	7	7	7	7
<b>Total Payroll</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>	<b>\$10,383</b>

## General Assumptions

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	30.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0



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# Coffee Shop: Pro Forma Profit & Loss

## Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$40,000	\$45,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$52,000	\$55,000	\$55,000
Direct Cost of Sales	\$14,000	\$15,750	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$17,150	\$18,200	\$19,250	\$19,250
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$14,000	\$15,750	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$17,150	\$18,200	\$19,250	\$19,250
Gross Margin	\$26,000	\$29,250	\$31,200	\$31,200	\$31,200	\$31,200	\$31,200	\$31,200	\$31,850	\$33,800	\$35,750	\$35,750
Gross Margin %	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
Expenses												
Payroll	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383
Other Expenses	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150
Depreciation	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450
Rent	\$0	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400
Rent	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Maintenance	\$400	\$450	\$480	\$480	\$480	\$480	\$480	\$480	\$490	\$520	\$550	\$550
Utilities/Phone	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750
Payroll Taxes	15%	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$16,191	\$20,641	\$20,671	\$20,671	\$20,671	\$20,671	\$20,671	\$20,671	\$20,681	\$20,711	\$20,741	\$20,741
Taxes	\$9,809	\$8,609	\$10,529	\$10,529	\$10,529	\$10,529	\$10,529	\$10,529	\$11,169	\$13,089	\$15,009	\$15,009
EBITDA	\$10,259	\$9,059	\$10,979	\$10,979	\$10,979	\$10,979	\$10,979	\$10,979	\$11,619	\$13,539	\$15,459	\$15,459
Interest Expense	\$248	\$245	\$243	\$241	\$239	\$236	\$234	\$232	\$229	\$227	\$225	\$223
Taxes Incurred	\$2,868	\$2,091	\$2,572	\$2,572	\$2,573	\$2,573	\$2,574	\$2,574	\$2,735	\$3,216	\$3,696	\$3,697
Net Profit	\$6,693	\$6,273	\$7,715	\$7,716	\$7,718	\$7,720	\$7,721	\$7,723	\$8,205	\$9,647	\$11,088	\$11,090
Net Profit/Sales	16.73%	13.94%	16.07%	16.08%	16.08%	16.08%	16.09%	16.09%	16.74%	18.55%	20.16%	20.16%



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# Coffee Shop: Pro Forma Cash Flow

## Pro Forma Cash Flow

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Cash Received</b>												
<b>Cash from Operations</b>												
Cash Sales	\$40,000	\$45,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$52,000	\$55,000	\$55,000
Operations	\$40,000	\$45,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$52,000	\$55,000	\$55,000
<b>Additional Cash Received</b>												
Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$40,000	\$45,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$52,000	\$55,000	\$55,000
<b>Expenditures</b>												
<b>Operations</b>												
Cash Spending	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383
Bill Payments	\$728	\$22,112	\$29,845	\$30,569	\$29,450	\$29,449	\$29,447	\$29,445	\$29,474	\$30,424	\$32,727	\$34,195
Operations	\$11,112	\$32,496	\$40,228	\$40,952	\$39,834	\$39,832	\$39,830	\$39,829	\$39,857	\$40,808	\$43,110	\$44,578
<b>Additional Cash Spent</b>												
Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Borrowing	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275
Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$11,387	\$32,771	\$40,503	\$41,227	\$40,109	\$40,107	\$40,105	\$40,104	\$40,132	\$41,083	\$43,385	\$44,853
<b>Net Cash Flow</b>	\$28,613	\$12,229	\$7,497	\$6,773	\$7,891	\$7,893	\$7,895	\$7,896	\$8,868	\$10,917	\$11,615	\$10,147
<b>Cash Balance</b>	\$95,736	\$107,966	\$115,462	\$122,235	\$130,127	\$138,020	\$145,914	\$153,811	\$162,679	\$173,596	\$185,211	\$195,358



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# Coffee Shop: Pro Forma Balance Sheet

## Pro Forma Balance Sheet

	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Assets</b>													
<b>Current Assets</b>													
Cash	\$67,123	\$95,736	\$107,966	\$115,462	\$122,235	\$130,127	\$138,020	\$145,914	\$153,811	\$162,679	\$173,596	\$185,211	\$195,358
Inventory	\$16,027	\$15,400	\$17,325	\$18,480	\$18,480	\$18,480	\$18,480	\$18,480	\$18,480	\$18,865	\$20,020	\$21,175	\$21,175
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Current Assets</b>	<b>\$83,150</b>	<b>\$111,136</b>	<b>\$125,291</b>	<b>\$133,942</b>	<b>\$140,715</b>	<b>\$148,607</b>	<b>\$156,500</b>	<b>\$164,394</b>	<b>\$172,291</b>	<b>\$181,544</b>	<b>\$193,616</b>	<b>\$206,386</b>	<b>\$216,533</b>
<b>Long-term Assets</b>													
Long-term Assets	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170
Accumulated Depreciation	\$0	\$450	\$900	\$1,350	\$1,800	\$2,250	\$2,700	\$3,150	\$3,600	\$4,050	\$4,500	\$4,950	\$5,400
<b>Total Long-term Assets</b>	<b>\$59,170</b>	<b>\$58,720</b>	<b>\$58,270</b>	<b>\$57,820</b>	<b>\$57,370</b>	<b>\$56,920</b>	<b>\$56,470</b>	<b>\$56,020</b>	<b>\$55,570</b>	<b>\$55,120</b>	<b>\$54,670</b>	<b>\$54,220</b>	<b>\$53,770</b>
<b>Total Assets</b>	<b>\$142,320</b>	<b>\$169,856</b>	<b>\$183,561</b>	<b>\$191,762</b>	<b>\$198,085</b>	<b>\$205,527</b>	<b>\$212,970</b>	<b>\$220,414</b>	<b>\$227,861</b>	<b>\$236,664</b>	<b>\$248,286</b>	<b>\$260,606</b>	<b>\$270,303</b>
<b>Liabilities and Capital</b>													
<b>Current Liabilities</b>													
Accounts Payable	\$0	\$21,118	\$28,825	\$29,587	\$28,469	\$28,467	\$28,465	\$28,464	\$28,462	\$29,335	\$31,586	\$33,092	\$31,974
Current Borrowing	\$10,000	\$9,725	\$9,450	\$9,175	\$8,900	\$8,625	\$8,350	\$8,075	\$7,800	\$7,525	\$7,250	\$6,975	\$6,700
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Current Liabilities</b>	<b>\$10,000</b>	<b>\$30,843</b>	<b>\$38,275</b>	<b>\$38,762</b>	<b>\$37,369</b>	<b>\$37,092</b>	<b>\$36,815</b>	<b>\$36,539</b>	<b>\$36,262</b>	<b>\$36,860</b>	<b>\$38,836</b>	<b>\$40,067</b>	<b>\$38,674</b>
Long-term Liabilities	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
<b>Total Liabilities</b>	<b>\$30,000</b>	<b>\$50,843</b>	<b>\$58,275</b>	<b>\$58,762</b>	<b>\$57,369</b>	<b>\$57,092</b>	<b>\$56,815</b>	<b>\$56,539</b>	<b>\$56,262</b>	<b>\$56,860</b>	<b>\$58,836</b>	<b>\$60,067</b>	<b>\$58,674</b>
Paid-in Capital	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000
Retained Earnings	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)
Earnings	\$0	\$6,693	\$12,966	\$20,680	\$28,397	\$36,115	\$43,834	\$51,556	\$59,279	\$67,484	\$77,130	\$88,218	\$99,308
<b>Total Capital</b>	<b>\$112,320</b>	<b>\$119,013</b>	<b>\$125,286</b>	<b>\$133,000</b>	<b>\$140,717</b>	<b>\$148,435</b>	<b>\$156,154</b>	<b>\$163,876</b>	<b>\$171,599</b>	<b>\$179,804</b>	<b>\$189,450</b>	<b>\$200,538</b>	<b>\$211,628</b>
<b>Total Liabilities and Capital</b>	<b>\$142,320</b>	<b>\$169,856</b>	<b>\$183,561</b>	<b>\$191,762</b>	<b>\$198,085</b>	<b>\$205,527</b>	<b>\$212,970</b>	<b>\$220,414</b>	<b>\$227,861</b>	<b>\$236,664</b>	<b>\$248,286</b>	<b>\$260,606</b>	<b>\$270,303</b>
<b>Net Worth</b>	<b>\$112,320</b>	<b>\$119,013</b>	<b>\$125,286</b>	<b>\$133,000</b>	<b>\$140,717</b>	<b>\$148,435</b>	<b>\$156,154</b>	<b>\$163,876</b>	<b>\$171,599</b>	<b>\$179,804</b>	<b>\$189,450</b>	<b>\$200,538</b>	<b>\$211,628</b>



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# Projecting Operating Cash Outflows - Define Categories

#	EXPENSE CATEGORY
1	LABOR
2	INVENTORY
3	SALES & MARKETING
4	RENT/UTILITIES
5	TELEPHONE & INTERNET
6	OFFICE SUPPLIES
7	POSTAGE & SHIPPING
8	TRAVEL
9	INSURANCE
10	PROFESSIONAL



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# Operating Cash Outflow - Define Cost Assumptions

#	EXPENSE CATEGORY	COST	QUANTITY – MONTH
1	LABOR	\$10/hour	40 hours
2	INVENTORY	\$25/unit	20 units
3	SALES & MARKETING	\$25/1,000 fliers; \$100/mo. ad in paper	1,000 fliers; 0 ads
4	RENT/UTILITIES	\$500/month/office & Storefront	1 office & Storefront
5	TELEPHONE & INTERNET	\$100/month	Monthly use
6	OFFICE SUPPLIES	\$25/month	Monthly supply
7	POSTAGE & SHIPPING	\$8/roll of stamps; \$15 for express package	2 rolls & 3 pkg.
8	TRAVEL	\$76 Metrocard; \$10 cab	1 Card & 0 rides
9	INSURANCE	\$1,500 – \$2,000 a year	N/A
10	PROFESSIONAL	\$100/every 3 months	N/A



# Operating Cash Outflow – Manage Fixed vs. Variable Costs

## Operating outflows

Operating Outflows	Jan-06	Type
LABOR	\$400	Variable
INVENTORY	\$500	Variable
SALES & MARKETING	\$25	Variable
RENT/UTILITIES	\$500	Fixed
TELEPHONE & INTERNET	\$100	Variable
OFFICE SUPPLIES	\$25	Fixed
POSTAGE & SHIPPING	\$61	Variable
TRAVEL	\$76	Variable
INSURANCE	\$ -	Fixed
PROFESSIONAL	\$ -	Fixed
<b>Total</b>	<b>\$1,687</b>	



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# Projecting Cash Balances & Needs

In which of the following months do you need outside or extra cash?

#	Category	Apr-06	May-06	Jun-06
1	Total cash inflow	\$ 574	\$ 1,376	\$ 2,424
2	Operating outflows			
	Labor	450	700	700
	Inventory	500	0	0
	Marketing	\$ 25	\$ 25	\$ 25
	Rent	\$ 500	\$ 500	\$ 500
	Other operating outflows	\$ 300	\$ 400	\$ 800
3	Total operating outflows	\$ 1,775	\$ 1,625	\$ 2,025
4	Total Capital outflows	\$ -	\$ -	\$ -
5	Total cash outflow	\$ 1,775	\$ 1,625	\$ 2,025
6	Cash balance	\$ (1,201)	\$ (249)	\$ 399



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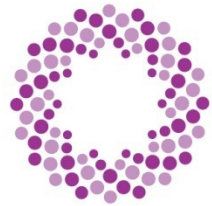
# External Sources of Funds

## Usually look to attain a loan or investment from:

- Family & Friends
- Bank Loan
  - Personal loan, line of credit, credit card, mortgage, etc...
  - Small Business Association (SBA)
- Angel Investors
- Venture Capitalists
- Grants
- Other sources
  - Competitions



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