

# Business Foundations: Money

*Presented By: Hampton Roads Small  
Business Development Center*



U.S. Small Business  
Administration





# Hampton Roads Small Business Development Center

## Mission: Help Small Businesses Become More Successful

The HRSBDC is a team of business and technical experts available to listen, advise and assist entrepreneurs; confidentially and free of charge. Our commitment is to help small businesses achieve their business goals. We offer 1:1 assistance, connection to curated research, access to technical experts and professionals, and timely events and training.





# What ALL clients receive from the HRSBDC

## Classes, Webinars, Workshops and Conferences

- Business Foundations: Get Started
- Business Foundations Series
  - Management
  - Marketing
  - Money
- Business Mastery Series
  - Management
  - Marketing
  - Money
- Monthly Home-based Business Series
- Annual Home-based Business Conference
- Government Contracting Seminars
- Procurement Contracting Seminars
- On-Demand Webinars at VASBDC
- Online Classes – VASBDC and SCORE
- QuickBooks Training Online

HRSBDC EVENT CALENDAR: <https://clients.virginiasbdc.org/center.aspx?center=46050>

VASBDC EVENT CALENDAR: <https://clients.virginiasbdc.org/events.aspx>

SCORE WEBINARS: <https://www.score.org/>



# What qualifies for 1-on-1 Advising from the HRSBDC

- Making \$50,000+ and ready to grow
- Need funding to grow or reach new customers
- Created an invention or want to protect your idea
- Looking to grow with government contracts
- Thinking about selling or passing on your business
- Starting a high-tech or specialized business
- Getting ready to pitch to investors
- Changing ownership or reorganizing your business
- Buying a building or signing a lease

**NOT ON THIS LIST??**

**Come to Office Hours: Thursday 9:30 a.m. – 11:00 a.m.**

**<https://zoom.us/meeting/register/1Jlexk1SSyOITXXcuflrkw>**



# Business Foundations Resources



## One-Page Business Plan Template

101 W. Main Street, Suite 800, Norfolk, VA 23510 | www.hrsbdc.org | 757-664-2592

### Business Overview

Describe your business. What is your mission statement? What is your vision statement? What problem are you solving?

### Industry Analysis/Market Research

What industry are you in? What does the future for your industry look like? Who are your competitors? Include statistics

### Target Market

Who is your target audience? What characteristics do your ideal customers share? Look for patterns.

### Marketing Plan

Which channels and platforms will you use to reach and convert your target audience? How will new customers find out about your business?

### Operations and Bookkeeping

An overview of how your business will run its daily activities and manage its sales records.

### Team

Tell us about your team and why they're awesome

### Financial Summary

Describe your company's financial status. Use information directly from the Income Statement, P&L Statement, Balance Sheet, Cashflow Statement, and Financial Projections.

### Products and Services

Tell us about your product or services. What makes your products or services valuable?

### Start-up Costs

Include the essential expenses required to open your business. Do not include expenses that can be addressed after the business is operational.



## STARTER MARKETING PLAN TEMPLATE

Business Name: \_\_\_\_\_ Date: \_\_\_\_\_

<b>Goals:</b> <ul style="list-style-type: none"><li>What are your marketing goals for the next (3, 6, or 12 months)</li><li>Be specific and measurable</li></ul>	<b>Target Audience:</b> <ul style="list-style-type: none"><li>Who are your ideal customers?</li><li>Describe their demographics, interests, and pain points.</li><li>Create 1-2 buyer personas if possible.</li></ul>
<b>Unique Selling Proposition (USP):</b> <ul style="list-style-type: none"><li>What makes your business different and better than competitors?</li><li>Clearly define your value proposition.</li></ul>	<b>Marketing Channels:</b> <ul style="list-style-type: none"><li>Which channels will you use to reach your target audience?</li><li>Consider social media, email marketing, content marketing, search engine optimization (SEO), etc.</li></ul>
<b>Key Activities:</b> <ul style="list-style-type: none"><li>For each chosen channel, list specific activities you will undertake.</li><li>Examples: publish blog posts, run social media ads, send email newsletters, etc.</li></ul>	<b>Budget:</b> <ul style="list-style-type: none"><li>How much are you willing to spend on marketing?</li><li>Allocate funds based on chosen channels and activities.</li></ul>
<b>Measurement &amp; Tracking:</b> <ul style="list-style-type: none"><li>How will you track your marketing campaign's success?</li><li>Define key metrics for each channel and activity (e.g., website traffic, leads generated, conversion rates).</li></ul>	<b>Timeline:</b> <ul style="list-style-type: none"><li>Set deadlines for each key activity and milestone.</li><li>Ensure your plan is actionable and time-bound.</li></ul>

### Remember:

- Keep it concise and focused on the main points.
- Prioritize activities with the highest potential return on investment (ROI).
- Be flexible and adapt your plan as needed based on results.
- Track your progress regularly and adjust your strategies accordingly.

Start-Up-Expenses - Excel	
File Home Insert Page Layout Formulas Data Review View Tell me what you want to do...	
Cut Copy Paste Format Painter Clipboard Font Alignment Number Conditional Formatting Table Normal Neutral	
F27	
A B C D E F G H I	
1 <b>Startup Expenses</b>	
2 Enter your company name here	
3	
4	
5 <b>Sources of Capital</b>	
6	
7 <b>Owners' Investment (name and percent ownership)</b>	
8 Your name and percent ownership	\$ -
9 Other investor	-
10 Other investor	-
11 Other investor	-
12 <b>Total Investment</b>	\$ -
13	
14 <b>Bank Loans</b>	
15 Bank 1	\$ -
16 Bank 2	-
17 Bank 3	-
18 Bank 4	-
19 <b>Total Bank Loans</b>	\$ -
20	
21 <b>Other Loans</b>	
22 Source 1	\$ -
23 Source 2	-
24 <b>Total Other Loans</b>	\$ -
25	
26	
27 <b>Startup Expenses</b>	
28	
29 <b>Buildings/Real Estate</b>	
30 Purchase	\$ -
31 Construction	-
32 Remodeling	-
33 Other	-
Startup Expenses	+

**Notes on Preparation**  
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Our Startup Expenses worksheet will lead you through the process.  
  
EXPENSES - Begin by estimating expenses. What will it cost you to get your business up and running? The key to accuracy here is attention to detail. For each category of expense, draw up a list of everything you will need to purchase. This will include both tangible assets (for example, equipment, inventory) and services (for example, remodeling, insurance). Then determine where you might purchase these goods or services. Research more than one vendor, i.e., comparison shop. Do not look at price alone; terms of payment, delivery, reliability, and service are also important.  
CONTINGENCIES - Add a reserve for contingencies. Be sure to explain in your narrative how you decided on the amount you are putting into this reserve.  
WORKING CAPITAL - You cannot open with an empty bank account. You need a cash cushion to meet expenses while the business gets going. Eventually you should do a 12-month cash flow projection. This is where you will work out your estimate of working capital needs. For now, either leave this line blank or put in your best rough guess. After you have done your cash flow, you can come back and enter the carefully researched figure.  
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COLLATERAL - If you will be using this plan to support a bank loan request, use the section near the bottom to show what assets are offered as collateral to secure the loan, and give your estimate of the value of these items. Be prepared to offer some proof of your estimates of collateral values.



# What the HRSBDC asks of you

**Complete our semi-annual survey to tell us when we've helped you:**

- Create additional jobs in your company.
- Increase revenue with a sales or marketing strategy.
- Apply (and hopefully receive) a bank loan or grant.
- Start your new business.
- Saved jobs through a restructuring plan.
- Overcome an economic downturn in your business.
- Organize and standardize your accounting.
- Develop and produce new technology or manufactured products.
- Manage a cash flow crisis.



# Agenda

- Accounting
- Managing Cash Flow
- Access to Capital



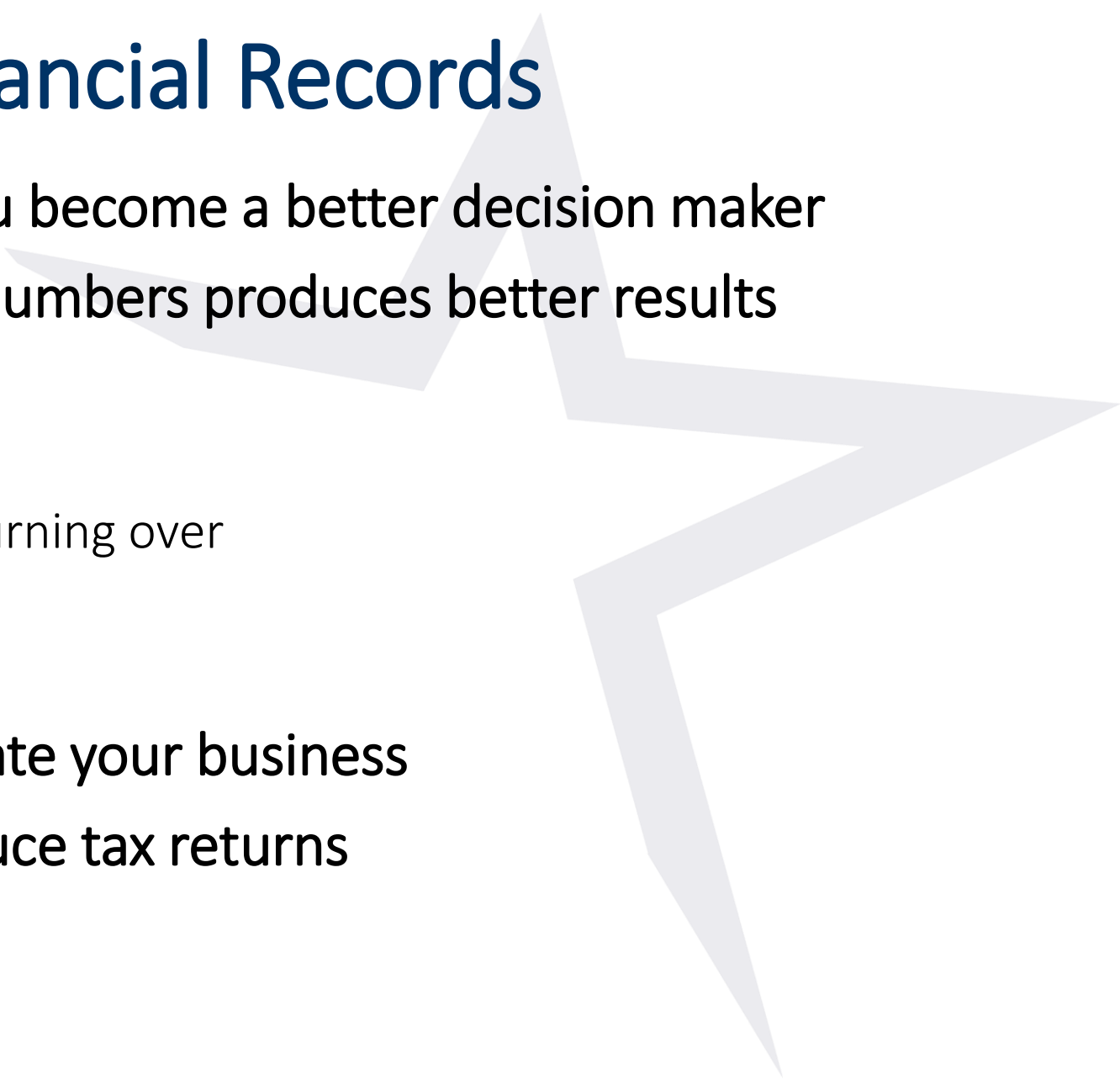


**ACCOUNTING**





# The Importance of Financial Records

- Done correctly and consistently you become a better decision maker
  - The combination of instincts with numbers produces better results
  - Accurate information for owners
    - Are sales increasing or decreasing
    - How quickly and what inventory is turning over
    - How much debt is owed
    - Taxes
  - Bankers and investors use to evaluate your business
  - The information is needed to produce tax returns
- 



# Sample Profit and Loss Statement

<b>Sales</b>	6000	8000	18000	18000	20000	25000	30000	32000	35000	35000	35000	36000	298000
Cost of Goods	3000	4000	9000	9000	10000	12500	15000	16000	17500	17500	17500	18000	149000
<b>GROSS PROFIT</b>	3000	4000	9000	9000	10000	12500	15000	16000	17500	17500	17500	18000	149000
Operating Expenses													
Employee's Wages	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	30000
Owner's Salary	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800	33600
Payroll Taxes, Benefits	848	848	848	848	848	848	848	848	848	848	848	848	10176
Rent	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	18000
Utilities	500	480	525	550	600	500	700	750	820	900	950	980	8255
Insurance	2000						2000						4000
Supplies	100	125	200	200	250	275	300	400	400	410	425	450	3535
Marketing/Promotion	300	300	300	300	2000	300	300	300	300	300	2000	300	7000
Professional	1000			1000		500		500		500		500	4000
<b>TOTAL OPERATING EXPENSES</b>	11548	8553	8673	9698	10498	9223	10948	9598	9168	9758	11023	9878	118566
<b>NET PROFIT FOR TAX</b>	(8548)	(4553)	327	(698)	(498)	3277	4052	6402	8332	7742	6477	8122	30434

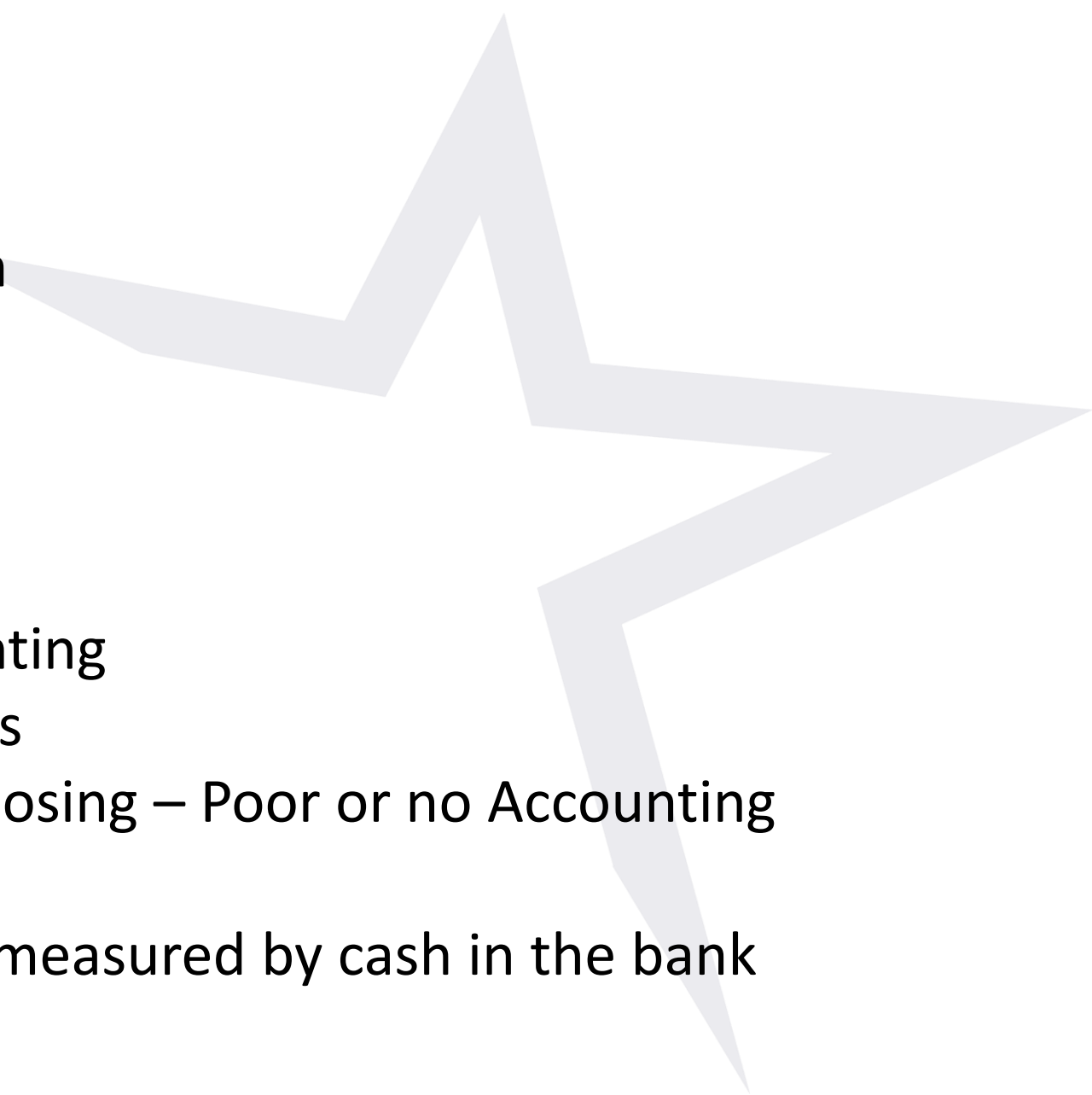


# Small Business Taxes

- **State and local income taxes**
  - Income Taxes
  - Property Taxes (41% personal car tax credit)
  - State Unemployment Taxes
  - Sales Taxes
- **Federal Income Taxes (depends on how you are organized)**
  - Income Taxes
  - Federal Unemployment Taxes
- **Payroll**
  - Social Security and FICA
  - Self-Employment Taxes (15.3% for 2024)

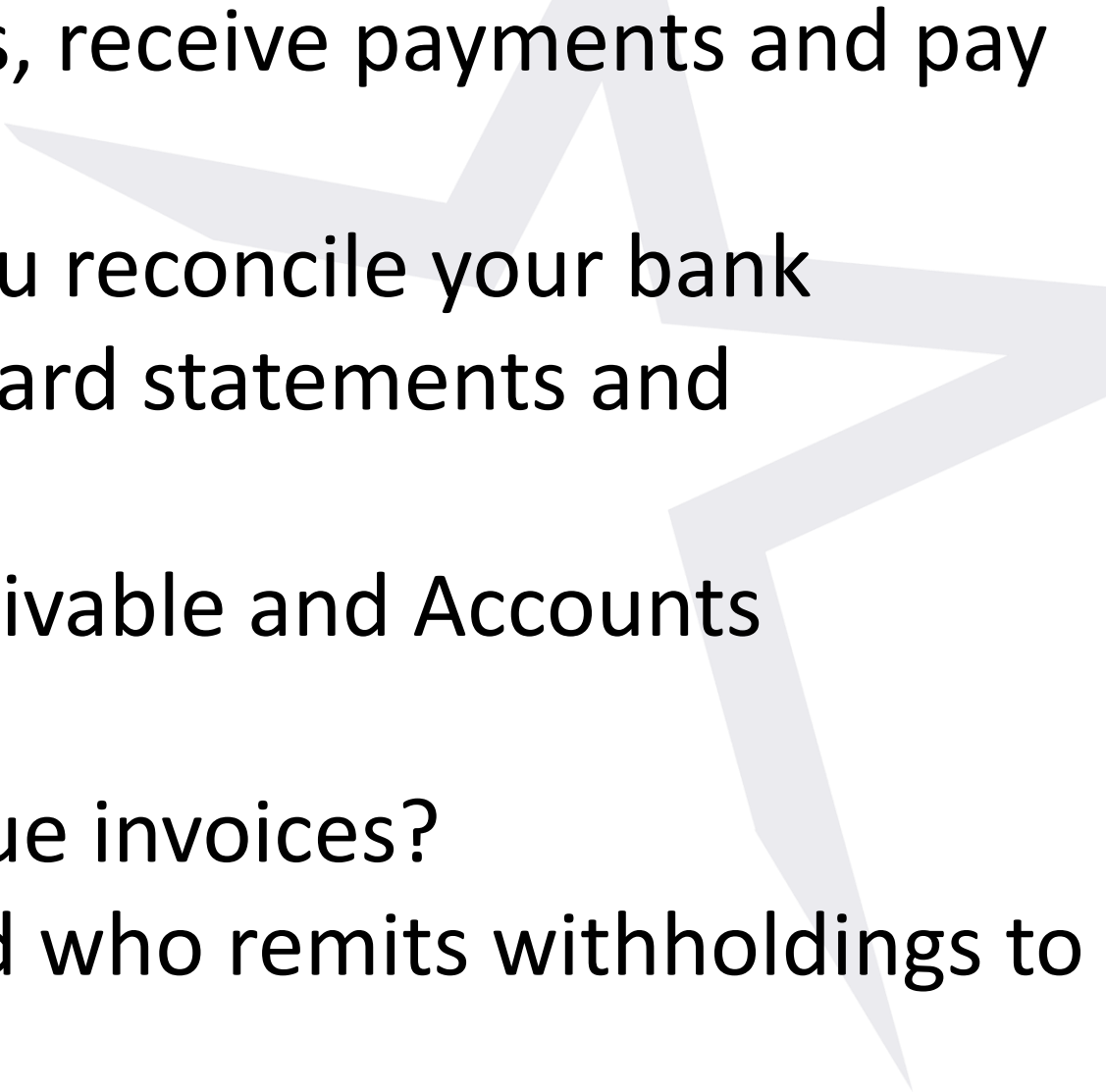


# Accounting Review

- Accounting – You MUST have a plan
  - Who does the books:
    - Outside CPA
    - Bookkeeper/Office Manager
    - You
  - Cash Accounting vs. Accrual Accounting
  - Who prepares and remits your taxes
  - Top 3 reason for small businesses closing – Poor or no Accounting method
  - Business Health should not just be measured by cash in the bank
- 



# Accounting Questions

- How do you invoice clients, receive payments and pay your bills?
  - On what frequency will you reconcile your bank account, company credit card statements and accounting ledger?
  - Who tracks Accounts Receivable and Accounts Payable?
  - Who follows-up on past due invoices?
  - How is payroll entered and who remits withholdings to the process entity?
- 



# Chart of Accounts

## Asset Accounts

No.	Account Title	To Increase	Description/Explanation of Account
101	Cash	Debit	Checking account balance (as shown in company records), currency, coins, checks received from customers but not yet deposited.
120	Accounts Receivable	Debit	Amounts owed to the company for services performed or products sold but not yet paid for.
140	Merchandise Inventory	Debit	Cost of merchandise purchased but has not yet been sold.
150	Supplies	Debit	Cost of supplies that have not yet been used. Supplies that have been used are recorded in Supplies Expense.
160	Prepaid Insurance	Debit	Cost of insurance that is paid in advance and includes a future accounting period.
170	Land	Debit	Cost to acquire and prepare land for use by the company.
175	Buildings	Debit	Cost to purchase or construct buildings for use by the company.
178	Accumulated Depreciation – Buildings	Credit	Amount of the buildings' cost that has been allocated to Depreciation Expense since the time the building was acquired.
180	Equipment	Debit	Cost to acquire and prepare equipment for use by the company.
188	Accumulated Depreciation – Equipment	Credit	Amount of equipment's cost that has been allocated to Depreciation Expense since the time the equipment was acquired.

## Liability Accounts

No.	Account Title	To Increase	Description/Explanation of Account
210	Notes Payable	Credit	The amount of principal due on a formal written promise to pay. Loans from banks are included in this account.
215	Accounts Payable	Credit	Amount owed to suppliers who provided goods and services to the company but did not require immediate payment in cash.
220	Wages Payable	Credit	Amount owed to employees for hours worked but not yet paid.
230	Interest Payable	Credit	Amount owed for interest on Notes Payable up until the date of the balance sheet. This is computed by multiplying the amount of the note times the effective interest rate times the time period.
240	Unearned Revenues	Credit	Amounts received in advance of delivering goods or providing services. When the goods are delivered or services are provided, this liability amount decreases.
250	Mortgage Loan Payable	Credit	A formal loan that involves a lien on real estate until the loan is repaid.



# MANAGING CASH FLOW

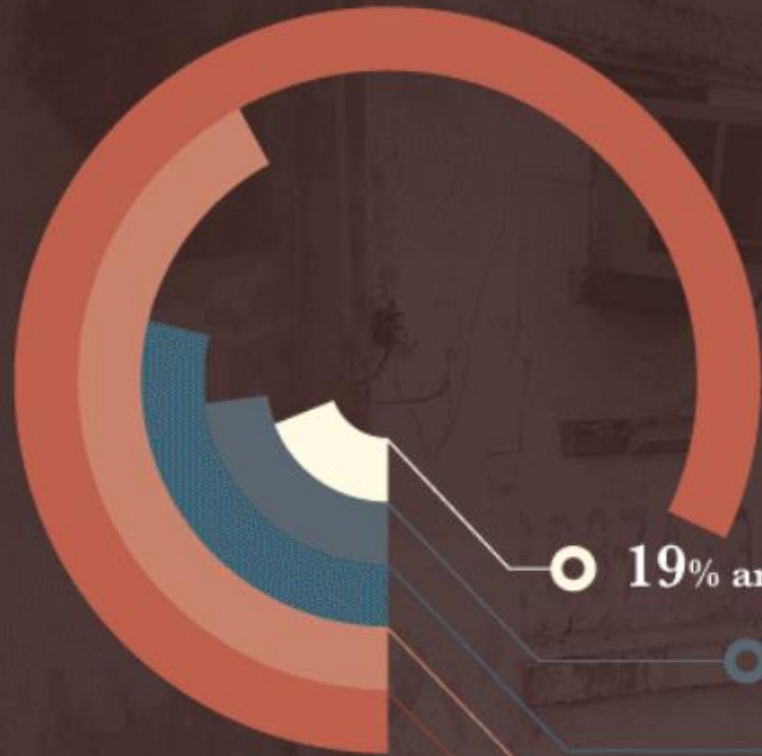




# Top Reasons Small Businesses Fail

Business  
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19% are outcompeted

23% don't have the right team

29% run out of cash

42% no market need for products or services

82% experience cash flow problems



# The Importance of Cash Flow

- Strictly managing the money coming in and going out provides a clear picture of the company's success.
- Make better decisions understanding your exact financial scenario.
- Set yourself up for success by knowing when to pivot your business if cash flow is negative.
- Gain insight into wasteful or poorly timed spending.
- To run your business effectively, you have to learn to balance the timing and amount of your expenses to match that of your income.
- Over time, cash flow forecasting will become easier with practice.



# Cash Flow – Inflows and Outflows

Cash Inflows	Cash Outflows
<ul style="list-style-type: none"><li>• Cash sales</li></ul>	<ul style="list-style-type: none"><li>• Payments to suppliers</li></ul>
<ul style="list-style-type: none"><li>• Receipts from trade debtors</li></ul>	<ul style="list-style-type: none"><li>• Wages and salaries</li></ul>
<ul style="list-style-type: none"><li>• Sale of fixed assets</li></ul>	<ul style="list-style-type: none"><li>• Payments for fixed assets</li></ul>
<ul style="list-style-type: none"><li>• Interest on bank balances</li></ul>	<ul style="list-style-type: none"><li>• Tax on profits</li></ul>
<ul style="list-style-type: none"><li>• Grants</li></ul>	<ul style="list-style-type: none"><li>• Interest on loans &amp; overdrafts</li></ul>
<ul style="list-style-type: none"><li>• Loans from bank</li></ul>	<ul style="list-style-type: none"><li>• Dividends paid to shareholders</li></ul>
<ul style="list-style-type: none"><li>• Share capital invested</li></ul>	<ul style="list-style-type: none"><li>• Repayment of loans</li></ul>



**ACCESS TO CAPITAL**





# Four Important Questions

- How much money do I need
- The use of funds
  - Real estate 15– 25 years
  - Equipment useable time frame equipment 3 to 10 years
  - Working Capital 3 to 7 years
  - Line of credit
  - Gap financing
- The expectations of the money source(s)
- What are the returns for the lender, investor, you?





# Six Types of Financing

**Self-funding**

**Grants**

**Debt**

**Equity**

**A Combination  
of Debt and  
Equity**

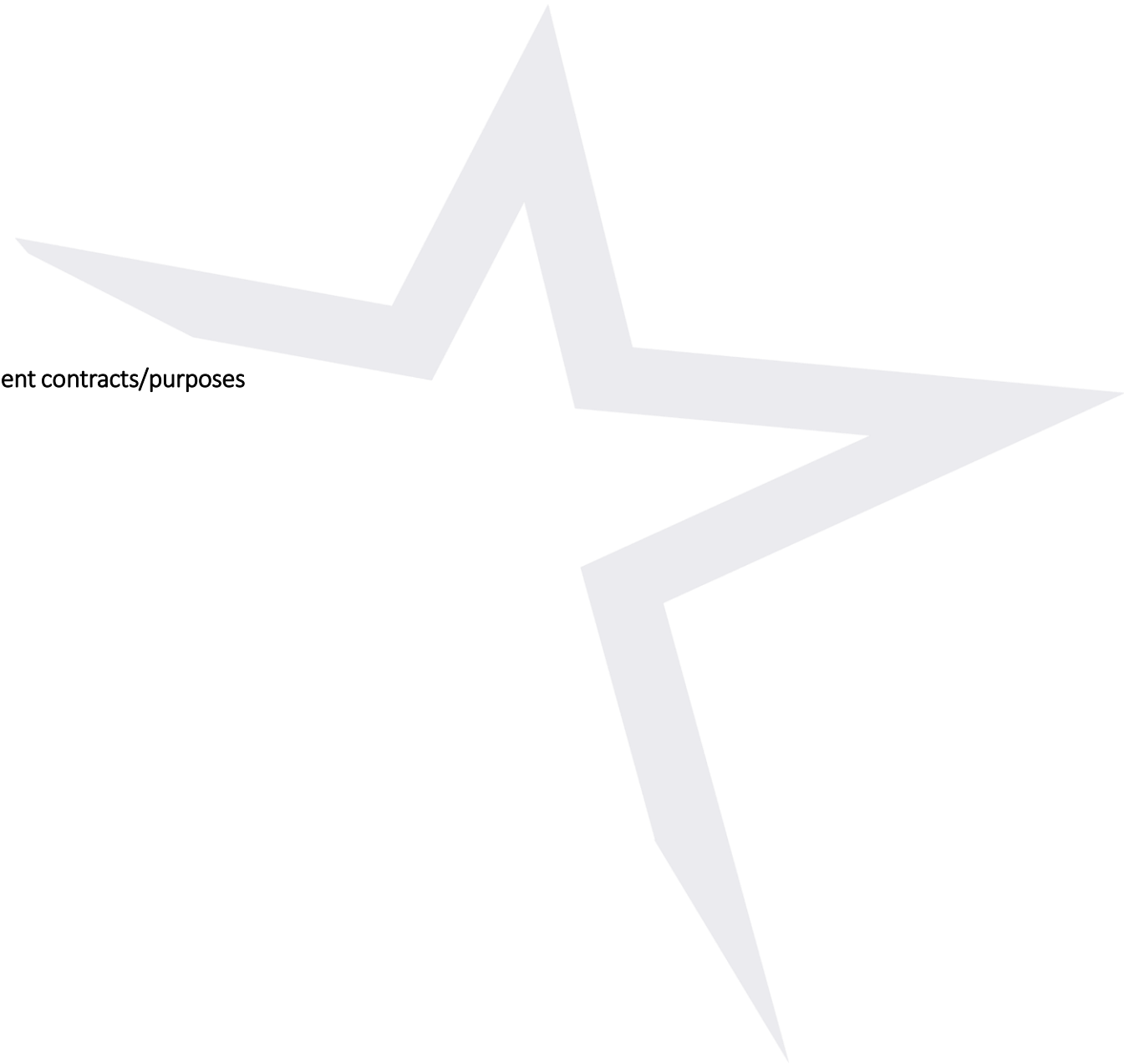
**Bootstrap  
Financing**



# Grants

“If you can find it you don’t have to pay it back!”

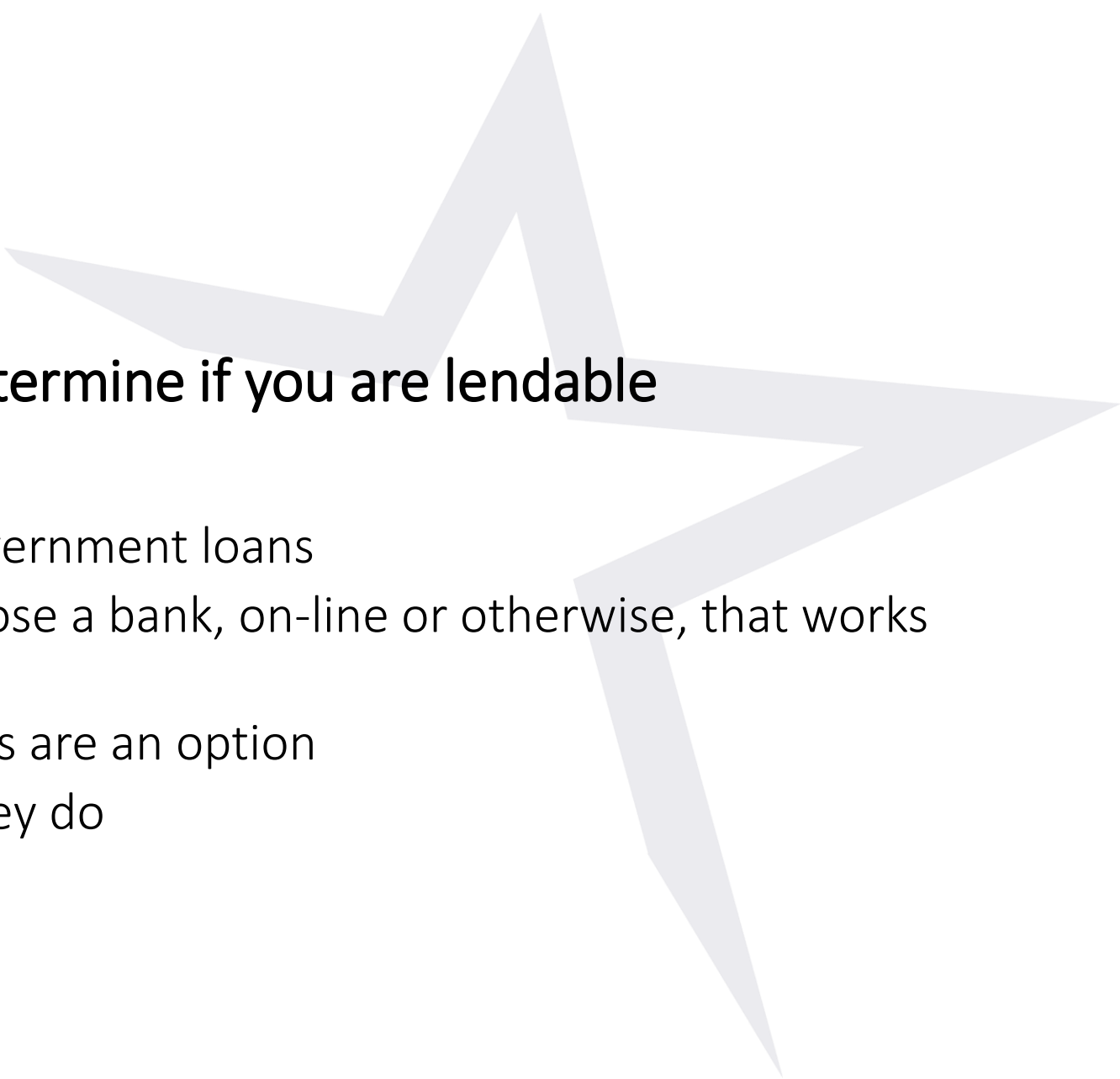
- **Good news**
  - Technology firms
  - Local considerations
  - Fundraising: non-profits
- **Bad news; grants that provide working capital are small and episodic**
- **Generally federal grants must align the business needs with fulfilling government contracts/purposes**
- **Sources**
  - SBIR/STTR
    - Technology/scientific example
    - ICAP expertise
  - Federal government agencies
  - State agencies, VIPC, Economic development, incentives
  - Local government agencies (often matching), incentives
    - Manufacturing/Innovation
    - Façade, e-commerce
    - Specialized programs
  - Grants.gov
  - <https://helloalice.com>
  - <https://candid.org> (subscription)
  - Local libraries
    - Funding Directory Online
    - Community Development Foundations publications





# Debt

“Qualifying to Pay it Back”

- Loans
  - Underwriting criteria; you can determine if you are lendable
  - Best practices
    - Banking relationship: access to government loans
    - Small business owners should choose a bank, on-line or otherwise, that works with government loan programs
    - Non-bank government loan lenders are an option
    - Stay aware of options and what they do
    - Know the cost of their money
- 



# Debt

## “Underwriting Criteria”

CRITERIA		DEBT LENDING		
		Banks	Government Loan Programs	Non-bank Lending Sources
Management		X	X	X
Repayability		X	X	X
Credit		X	X	X
Equity		2 to 1	4 to 6 to 1	Variable
Collateral		100%	80% to 100%	70% to 100%
Cost of Money		.5 to 2 points over prime	2 to 3 points over prime	3 to 7 points over prime



# Debt

## “Sources”

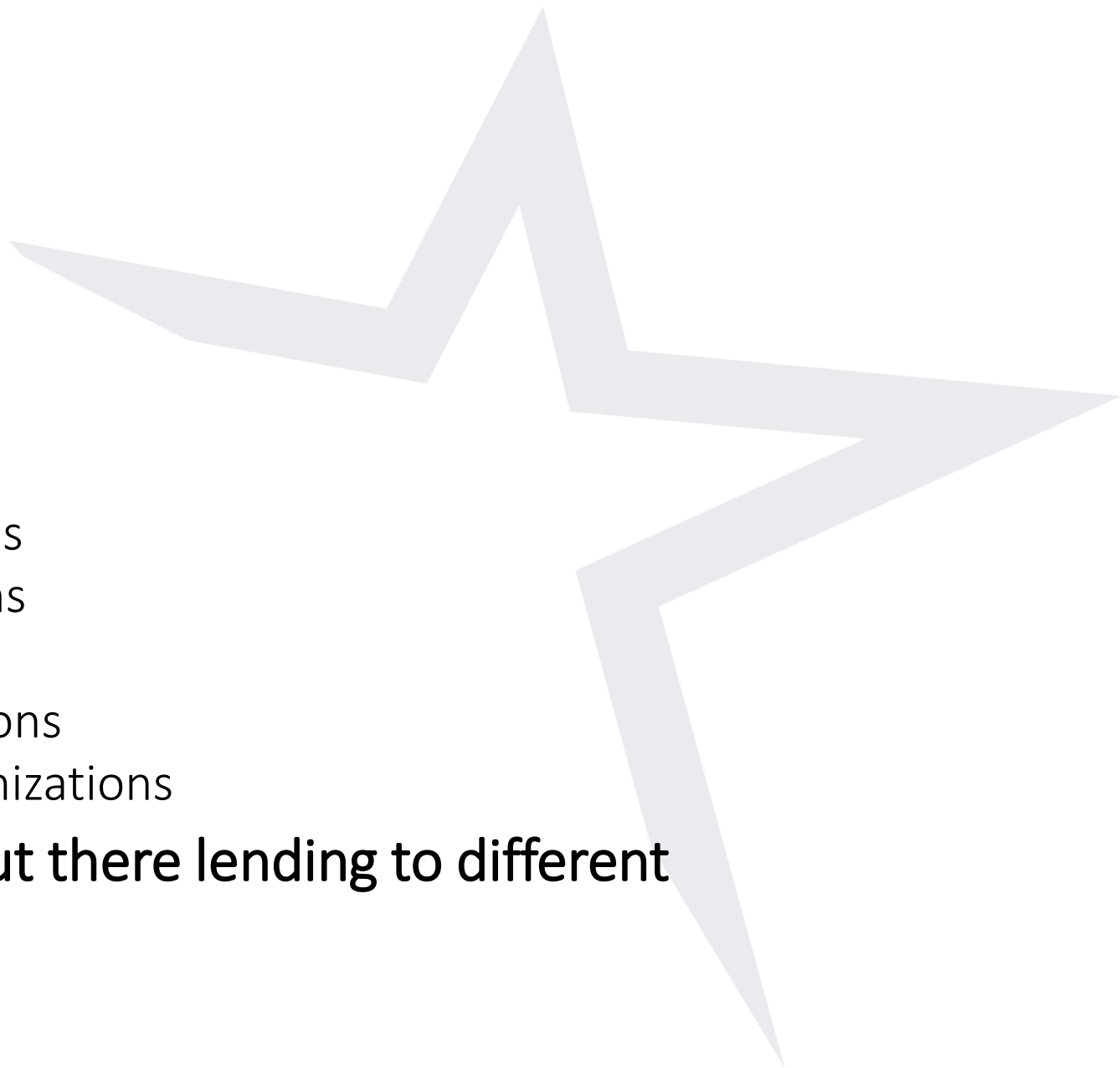
- Banks, generally the low-cost alternative for small business loans, most stringent underwriting criteria
- Government loans programs
  - Federal, SBA, USDA, other federal agencies
    - 7(a)
    - 504
    - SBA Express
    - Export finance, a number of others
  - State programs, Virginia Small Business Finance Authority
  - Local Departments of Economic Development



# Debt

## “Sources”

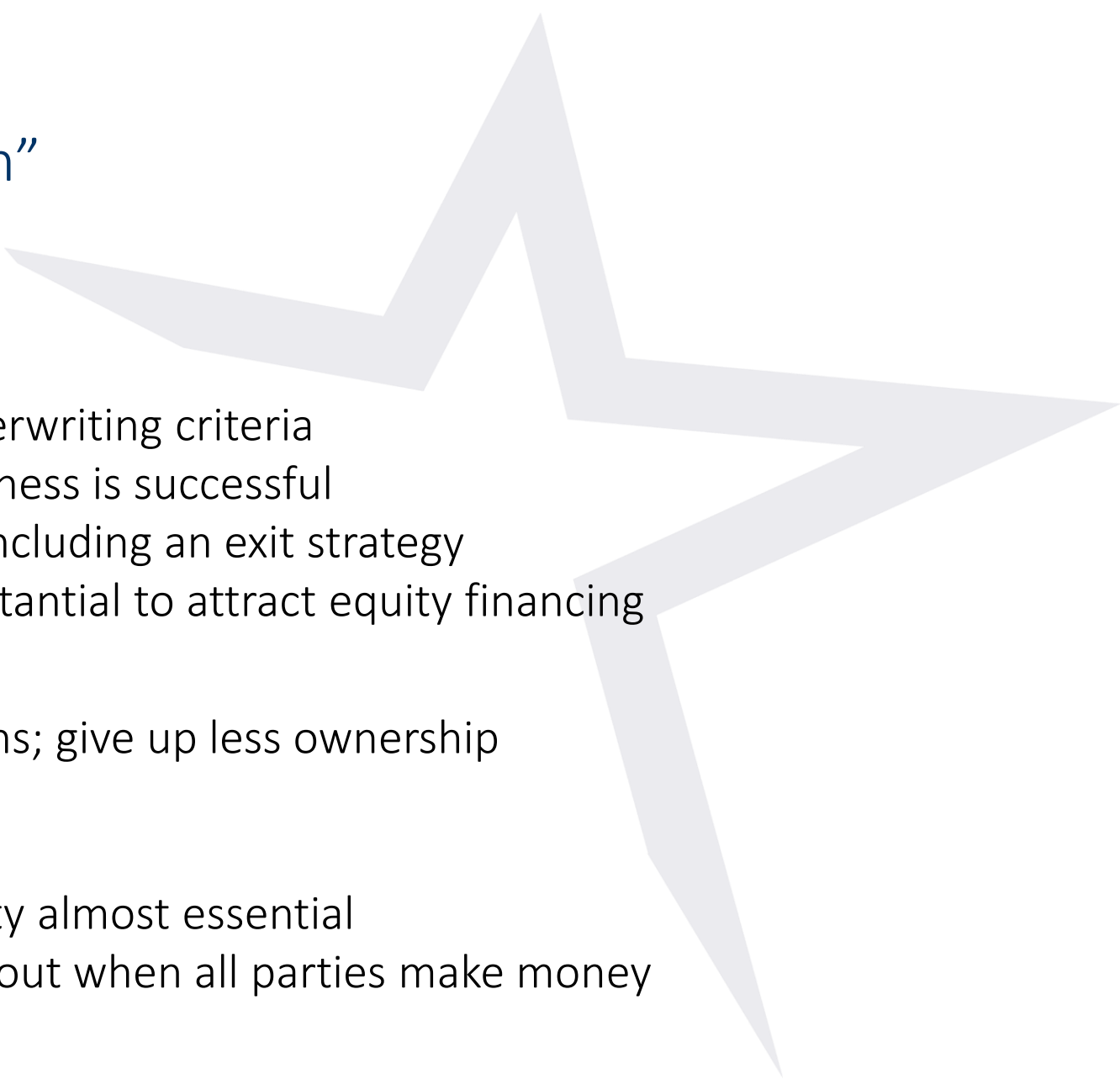
- **Non-bank financing sources**
  - Leasing firms
  - Equipment
  - Lines of credit
  - Commercial financing organizations
  - Asset-based financing organizations
  - Non-bank government lenders
  - Non-depository “fin-tech” operations
  - Account receivable financing organizations
- **There are some real specialists out there lending to different businesses, geographies**





# Equity

“Ownership, Management, Growth”

- **Ownership**
  - **Pay from profits**
    - Avoids monthly debt service and underwriting criteria
    - Ownership can produce upside if business is successful
    - Owners get paid in a variety of ways including an exit strategy
    - Business model and ROI must be substantial to attract equity financing
  - **Best practices**
    - Enough equity to leverage debt options; give up less ownership
    - Management teams
    - Sizeable market potential
    - Barrier to entry or intellectual property almost essential
    - Remember: everything usually works out when all parties make money
- 



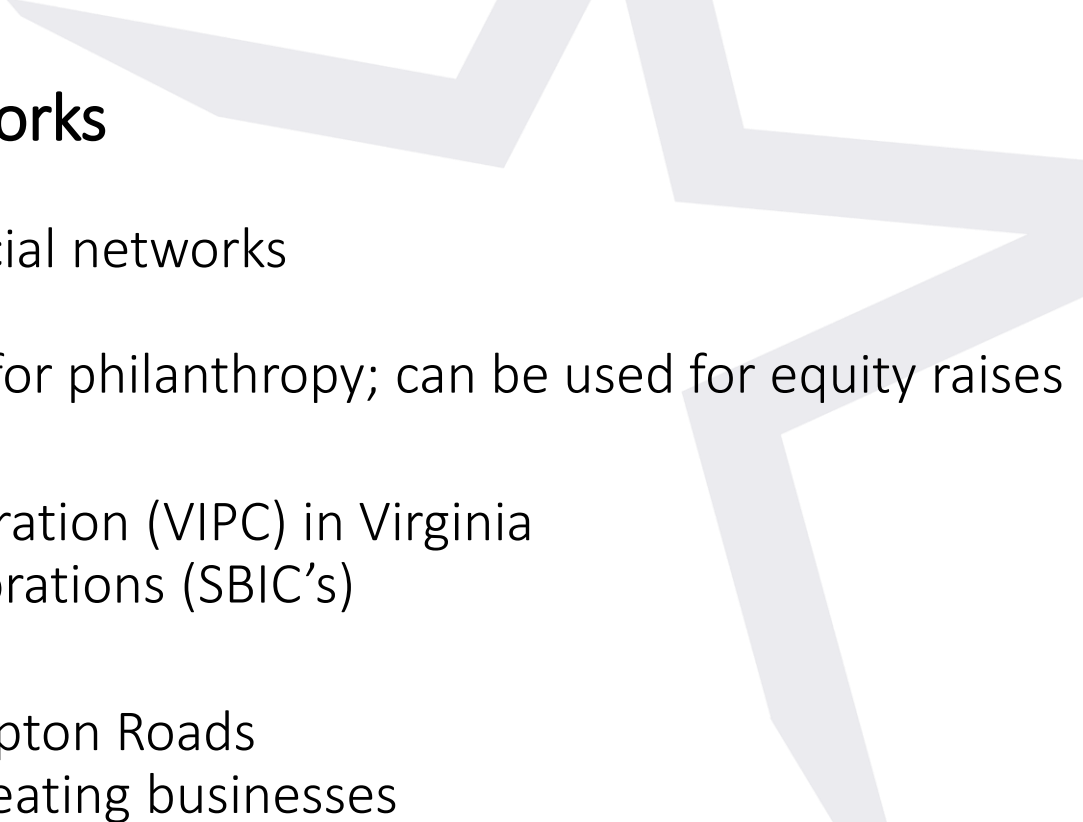
## “Investment Criteria”

CRITERIA		EQUITY FINANCING							
	Pitch & Start-up Events	Family, Friends, Relatives	Crowd Sourcing	Private Investors “Angels”	Angel Networks	Angel Funds	Government Contracts Equity Programs	Venture Capital Funds	Private Equity
Management	Event specific criteria	X	X	X	X	X	X	X	X
Repayability (ROI)		X	X	X	X	X	X	X	X
Credit		-	-	-	-	-	-	-	-
Equity		May take multiple players							
Collateral		-	-	-	-	-	-	-	-
Cost of Money		Ownership, securities, convertible securities, creative debt and equity options							



# Equity

## “Sources”

- **Family, friends, relatives**
  - **Private Investor, Angels, Angel Networks**
    - Relationship based networks
    - Leverage legal, accounting, and financial networks
    - 757 Angels
    - On-line crowdsourcing typically used for philanthropy; can be used for equity raises
  - **Government equity programs**
    - Virginia Innovation Partnership Corporation (VIPPC) in Virginia
    - SBA, Small Business Investment Corporations (SBIC's)
  - **Venture capital funds**
    - Likely must be sought outside of Hampton Roads
    - Looking for major growth: industry creating businesses
- 



# Bootstrap Financing


Generally for businesses or efforts under \$40,000 in sales

- Leverage personal resources for small business ventures, part-time and full-time
- Best practices
  - Know the cost of money
  - Project financing is best (opinion, experience)
  - Can be sources of collateral for debt financing options
- Sources
  - Home equity loans
  - Suppliers
  - Consignments
  - Customer financing
  - Credit Unions
  - Banks
  - Cash-value life insurance
  - Brokerage accounts
  - Retirement funds
  - Consumer finance organizations
  - Credit cards
  - Microloans



# Loan Package

- Home for all of your strategies, assumptions, tactics & projections
- Pro Forma Financial Documents
- It's a living document
- Great templates available via SBDC, SCORE, SBA, VBOC and many more



**Pro-Forma Forecast**

*[ˈ(ɪ)prō-ˈfôr-mə ˈfôr-kast]*

A prediction of financial results based on adjusted, non-GAAP income statements, balance sheets, and cash flow statements.

The illustration shows two hands interacting with several floating cards. One card displays a dollar sign, another shows a line graph with an upward trend, and a third depicts a bar chart. A lit candle is also present, symbolizing foresight or prediction.



# Resource/Exercise

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General Number

Conditional Formatting Table

Normal Neutral

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Startup Expenses



# Entrepreneurial Mindset

**Commitment to Learning**

**Creativity**

**Professionalism**

**Persistence**

**Passion**

**Accountability**





# THANK YOU!



Phone: 757-664-2592

Website: [www.hrsbdc.org](http://www.hrsbdc.org)