

Simple Steps for Starting Your Business

Session 6: Funding and Next Steps

Instructor

SESSION 5: Funding Sources



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- Formerly a project manager, practice manager, consultant, PMO manager



Simple Steps for Starting Your Business Student Webpage

<http://www.score.org/startyourbusiness>

Includes links to handouts, workshop materials, and additional resources.

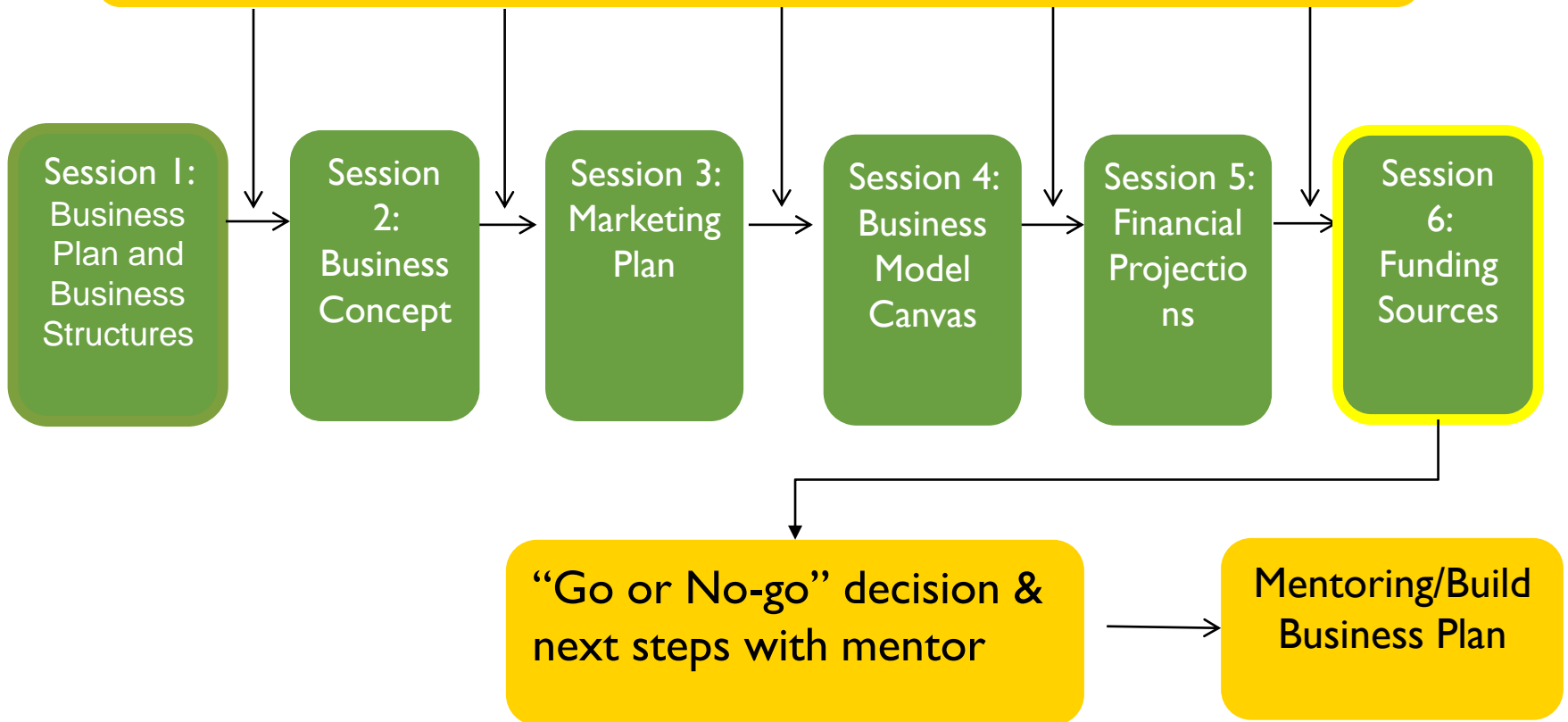
Our class slack page is

https://join.slack.com/t/scoresstsybjan2020/shared_invite/zt-k0tu1xdj-p_E2hhpf4zu2i_qcsqYzw

Process Roadmap

SESSION 5: Funding Sources

One-on-One Mentoring



Homework Reviews

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- How did it go?
- Did you finish your financial forecasts?
- Did you work with your SCORE mentor?
- Any outstanding questions?



Agenda

SESSION 5: Funding Sources



- Financial statement analysis
- Accounting and bookkeeping systems
- Sources of capital (traditional and non-traditional)
- The “six C’s of credit”
- Banking relations
- Go/No-Go decision
- Next steps

Financial Statement Analysis

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- Monthly preparation and review of financial statements (within 10 days after the close of the month)
- Ratio analysis
- A/R and A/P analysis
- Comparative benchmark analysis

Accounting and Record Keeping Systems

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- Manual vs. computerized
- Choosing the system
- Hiring a bookkeeper vs. DIY
- Training and educating yourself in accounting and understanding financial statements
- Working with your accountant

Record Keeping and Financing

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- Preparation is essential
- Lenders want facts, research and accurate projections
- Whether you seek funding now or in the future, your records should be in order

Sources of Capital: Traditional

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- Owner's equity investment
- Savings, investments, insurance cash surrender value
- Friends & family
- Home equity loan
- Bank or credit union financing
- Credit cards
- Partners
- Sale of capital stock
- Government Grants

Sources of Capital: Special and Non-traditional

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- SBA guaranteed loans through banks
- Department of Community and Economic Development
- Department of Agriculture & Rural Development Service
- Angels and venture capitalists
- Crowdfunding

Crowdfunding

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- What is Crowdfunding?
- CROWDFUND Act and JOBS Act
- Traditional Financing vs. Crowdfunding

Sources: nlcfa.org, startupexemption.com, opportunity.org

Common Types of Crowdfunding

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	Microfinance	Credit-based	Rewards-Based Crowdfunding	Equity Crowdfunding
Types of Projects	Financial services for people with limited access to bank services	Nearly any purpose from business investment to paying down debt	Often creative in nature. Could also be business of philanthropy, i.e. funds raised to support a cause.	Investment
Rewards	None	Financial (interest)	Something related to the project or cause	Financial (appreciation or interest)

Sources: nlcfa.org, startupexemption.com, opportunity.org, sba.gov, crowdraiser.com, businessnewsdaily.com

Crowdfunding Platforms

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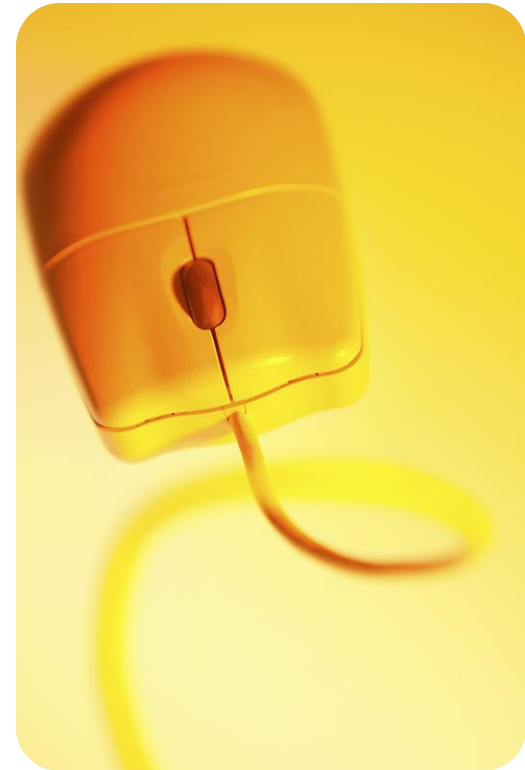
Microfinance	Credit-based	Rewards-Based Crowdfunding	Equity Crowdfunding
Kiva.org	Prosper.com	Kickstarter.com	Wefunder.com
	SoMoLend.com	Indiegogo.com	
Accionusa.org	Lendingclub.com	Fundable.com	Relayfund.com

<https://www.godaddy.com/garage/top-crowdfunding-platforms/>

Sources of Capital: Websites

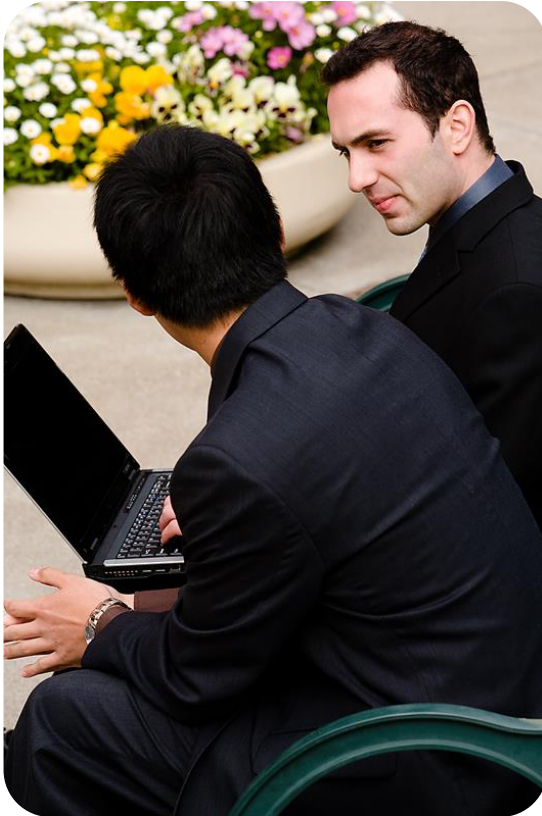
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- SBA guaranteed loans:
www.sba.gov
- Federal Government Grants:
www.grants.gov
- Chapter to add local organization here
- Chapter to add local organization here



The Loan Application

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Lenders and banks look for:

- Good credit
- Management expertise and commitment
- Feasible business plan
- Adequate owner equity
- Sufficient collateral

6 C's of Credit

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- Character
- Capacity
- Collateral
- Capital
- Conditions
- Cash Flow



Character

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- Trustworthiness
- Personal and business credit history
- Integrity
- Quality of references
- Experience in the business
- Impression you make on the lender or investor

Capacity

- Is your company able to repay the amount borrowed?
- How soon can you generate positive cash flow?
- When will you show a profit?
- How large will the profit be?
- Can the profit be sustained?



Capital

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- The money you have personally invested
- Your ability to save money and accumulate growth in owner's equity

Collateral

Additional Forms of Security:

- Secondary source of repayment
- Third party guarantee
- Tangible assets
- Property
- Equipment
- Accounts receivable
- Inventory



Conditions



- Terms of loan:
 - Intended purpose of loan
 - How much is requested
 - Length of loan
- Local economic climate of industry
- Local economic climate of business

Cash Flow

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- Where is the money coming from to repay the debt obligation?
- Where will all the money go?
- How much of a “cushion” should I keep?

Credit Reports

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- A FICO score of 700 or greater is desirable
- Your personal credit report available for free from:
www.annualcreditreport.com



Bank Loan Application

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What You Need:

- Cover letter introduction
- Summary of financial needs
- Business financial statements (3 yrs)
- Business tax returns (3 years)
- Projected cash flow statement (12 months)
- Collateral (both business and personal)
- Personal tax returns (3 years)
- Personal financial statements
- Résumé

Your credit score will drop by about 5 points with each application – find out if the bank will do business with you before you apply. One application may be enough!

Bank Loan Application

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Additional Questions:

- Any legal claims, liens or judgments?
- Are any assets pledged?
- Tax returns and payment up-to-date?
- Life insurance (face value, cash value)?
- Monthly household income?
- Monthly household expenses?

Financing from the Balance Sheet

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- Leases
- Inventory
- Equipment
- Chattel Mortgages
- Accounts Receivable
- Plant Improvement Loans
- Conditional Sales Contract

Face-to-Face Meeting

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Getting Your Foot in the Door

- Know your financial **SWOT**
 - **S**trengths
 - **W**eaknesses
 - **O**pportunities
 - **T**hreats
- Use your “strengths” for your:
 - elevator speech
 - abbreviated presentation



Business Concept- *Simple Steps for Starting Your Business Session 2*

- Business Concept Development: idea, personal background, industry profile, business description, target markets, competition, suppliers, potential vs. risk
- Market Data Collection: Critical information data sources, demographics, psychographics, customer data, competitors data

Marketing Plan - *Simple Steps for Starting Your Business* Session 3 & 4

- Product/service offering and description
- Pricing strategy
- Competition
- Target markets
- Distribution channels
- Marketing strategies for target markets (marketing message, communication tools, costs, etc.)
- Business Model Canvas (alternative plan)

Financial Projections- *Simple Steps for Starting Your Business* Session 5

- Nature of financial reports, how to interpret the info and use it to manage your business:
 - Income Statement
 - Cash Flow Statement
 - Balance Sheet
 - Financial Diagnostics
 - Year End Summary
 - Breakeven & Ratios
- Benchmarking resources: RMA data, BizStats.com



Financial Projections- *Simple Steps for Starting Your Business* Session 4

- How to prepare pro-forma financial forecasts using SCORE template
- Required funds
- Sources of capital
- Monthly budget
- Gross margins
- Sales forecast
- Cash receipts & disbursements

Funding Sources- *Simple Steps for Starting Your Business* Session 6

- Accounting & record keeping
- Sources of Capital
- The six C's of credit
 - Character
 - Capacity
 - Collateral
 - Capital
 - Conditions
 - Cash Flow
- The face-to-face meeting



What Does a “Vetted Idea” Look Like?

SESSION 5: Funding Sources

Ann’s Nursery:

- Skills to fit the business
- Unique features
- Specific target markets with clear market reach strategies
- Realistic but aggressive top line - \$710,000/year third year
- Breakeven of \$380,000 second year
- Profitable in third year with good return
- Cash flow with need for line of credit of \$47,000, which can be covered
- From RMA and NAISC realistic fixed assets, accounts receivable and inventory



Review

SESSION 5: Funding Sources



- Financial statement analysis
- Accounting and bookkeeping systems
- The “six C’s of credit”
- Banking relations
- Sources of capital (traditional and non-traditional)
- Go/No-Go decision
- Next steps

Small Business Readiness Self-Assessment

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Total score should not be more than 10. Assign more points to indicate agreement, less if you do not agree.

Topic	Question	Points
Idea Feasibility	My product/service is servicing an unmet need.	
	My product/service could be expanded to gain additional customer groups.	
Market Identification	I know who my potential buyers are.	
	I have a clear value proposition for my potential buyers.	
Implementation	I know what it will take to start my business.	
	I know what it will take to run my business.	
Funding	I understand what it will take to obtain funding.	
	I have a plan to fund my business start.	
Personal Readiness	I am ready to work hard to achieve my business goals.	
	I understand the challenges ahead and have a plan to tackle them.	
Total Points:		

Next Steps

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What will you do next?

Simple Steps for Starting Your Business

SESSION 5: Funding Sources

Testing Your Business Idea

Congratulations! You have completed the *Simple Steps for Starting*

Session 1 → **Startup Basics** *Your Business Series!*

Jan. 11

Session 2 → **Business Concept**

Jan. 25

Session 3 → **Marketing Plan**

Feb. 8

Session 4 → **Business Model Canvass**

Feb 22

Session 5 → **Financial Projections**

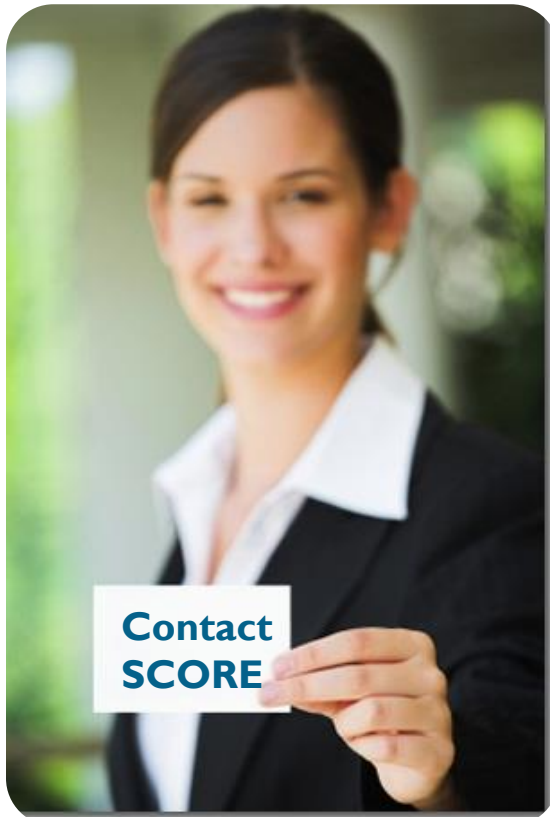
Mar. 8

Session 6 → **Funding Sources & Next Steps**

Mar. 22

We Can Help You

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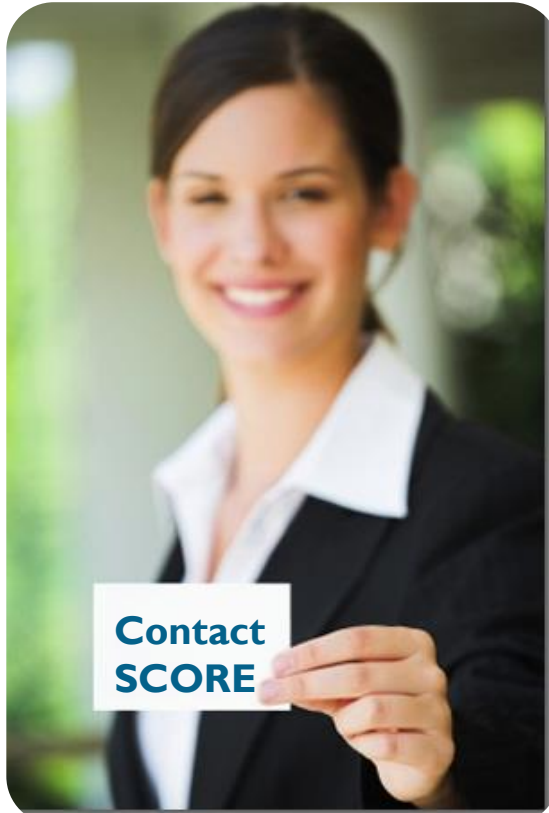


We can help you:

- ✓ Further research your idea
- ✓ Complete your feasibility plan
- ✓ Finalize your financial forecast
- ✓ Develop your business plan
- ✓ Prepare your loan package
- ✓ Launch your business
- ✓ Grow your business

Thank You!

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Best wishes to you in your business endeavors!

- ✓ Set up a meeting with your SCORE mentor.
- ✓ Help us to help others by completing an evaluation.

Help Us, Help You

SESSION 5: Funding Sources

Please complete our workshop survey:



Please complete
the form on
Slack.

Thank you!